



PROPOSED MERGER – YOUR VOTE IS VERY IMPORTANT

The boards of directors of Dogwood State Bank (“Dogwood”) and Community First Bancorporation (“Community First”) have unanimously approved a business combination in which Community First and its wholly-owned bank subsidiary, Community First Bank, Inc., will merge with and into Dogwood. We are sending this document to ask you, as a Dogwood and/or Community First shareholder, to approve the merger and related matters.

In the merger, each share of Community First common stock will be converted into and exchanged for the right to receive 0.5875 shares of Dogwood’s voting common stock and each share of Community First preferred stock will be converted into and exchanged for the right to receive 64.7719 shares of Dogwood’s voting common stock, with cash paid in lieu of fractional shares. Although the number of shares of Dogwood voting common stock that Community First shareholders will receive is fixed, the market value of the merger consideration will fluctuate with the market price of Dogwood voting common stock and may increase or decrease prior to and following the merger. Based on an assumed price for Dogwood voting common stock of \$20.00 per share, the 0.5875 exchange ratio represented approximately \$11.75 in value for each share of Community First common stock. The most recent closing price for Dogwood voting common stock on the OTCQX marketplace on April 2, 2024 was \$16.39. The most recent closing price for Community First common stock on the OTCQX marketplace on April 2, 2024 was \$7.10. **We urge you to obtain current market quotations for Dogwood (trading symbol “DSBX”) and Community First (trading symbol “CFOK”).**

Based on the 0.5875 exchange ratio for common shares of Community First and the 64.7719 exchange ratio for preferred shares of Community First and the number of shares of Community First outstanding and reserved for issuance under equity compensation plans and agreements, the estimated maximum number of shares of Dogwood voting common stock offered by Dogwood and issuable in the merger is 3,449,783. At the completion of the merger, it is expected that there will be issued and outstanding approximately 12,749,501 shares of Dogwood’s voting common stock, with current Dogwood shareholders owning approximately 73% of Dogwood’s outstanding voting common stock and former holders of Community First stock owning approximately 27% of Dogwood’s outstanding voting common stock, on a fully diluted basis.

Dogwood’s voting common shareholders will be asked to approve the merger at Dogwood’s annual meeting of shareholders, which will be held at 10:00 a.m., local time, on May 21, 2024 at Dogwood’s headquarters at 5401 Six Forks Road, Raleigh, North Carolina. Community First will hold a special meeting of shareholders in connection with the merger. The special meeting of Community First’s shareholders will be held at 11:00 a.m., local time, on May 22, 2024 at 180 Bountyland Road, Seneca, South Carolina.

This document serves as a joint proxy statement for the annual meeting of Dogwood and the special meeting of Community First, and as an offering circular for the shares of Dogwood’s voting common stock to be issued to Community First shareholders in the merger. It describes the Dogwood annual meeting, the Community First special meeting, the merger, the documents related to the merger and other related matters. **Please carefully read this joint proxy statement/offering circular, including the information in the “Risk Factors” section beginning on page 26.**

Whether or not you plan to attend the Dogwood annual meeting or the Community First special meeting, it is important that your shares be represented at the respective meetings and your vote recorded. Please take the time to vote by completing and mailing the enclosed proxy card or by voting via the Internet or telephone using the instructions given on the proxy card. Even if you return the proxy card, you may attend the respective shareholder meeting and vote your shares in person. **The boards of directors of Dogwood and Community First unanimously recommend that you vote “FOR” approval of the merger agreement and “FOR” the other matters to be considered at each shareholder meeting.**

Neither the Securities and Exchange Commission nor the Federal Deposit Insurance Corporation, nor any state securities commission, has approved or disapproved of the securities to be issued in connection with the merger or determined if this joint proxy statement/offering circular is accurate or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of either Dogwood or Community First or any bank or non-bank subsidiary of either Dogwood or Community First, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This joint proxy statement/offering circular is dated April 2, 2024 and is first being mailed, along with the enclosed proxy card, to the shareholders of Dogwood and Community First on or about April 8, 2024.



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on May 21, 2024

The annual meeting of shareholders of Dogwood State Bank, a North Carolina banking corporation (“Dogwood”), will be held at 10:00 a.m., local time, on May 21, 2024 at Dogwood’s headquarters at 5401 Six Forks Road, Raleigh, North Carolina 27609, to consider and vote upon the following matters:

1. A proposal to approve the Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood, Community First Bancorporation (“Community First”) and Community First Bank, Inc. (“Community First Bank”) (as such agreement may from time to time be amended, the “merger agreement”), pursuant to which Community First and Community First Bank will merge with and into Dogwood, as more fully described in the accompanying joint proxy statement/offering circular (the “Dogwood merger proposal”). A copy of the merger agreement is attached as Appendix A to the accompanying joint proxy statement/offering circular.
2. The election of three directors (David Brody, Marc McConnell, and Fielding Miller), each to serve for three-year terms expiring in 2027 (the “director election proposal”).
3. A proposal to adjourn the meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the Dogwood merger proposal (the “Dogwood adjournment proposal”).
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

All holders of record of Dogwood voting common stock at the close of business on April 2, 2024 are entitled to notice of and to vote at the meeting and any adjournments thereof.

You are invited to attend the annual meeting in person. Whether or not you plan to attend, please complete, date, and sign the enclosed proxy card and promptly return in the postage-paid return envelope, so that your shares will be represented at the annual meeting. You may also choose to vote by Internet or telephone; instructions for which are provided on the enclosed proxy card. You may revoke your proxy at any time before the proxy is exercised by providing written notice to Dogwood, by executing a proxy bearing a later date, or by attending the annual meeting and voting in person.

By Order of the Board of Directors,

David B. Therit
Chief Financial Officer and Corporate Secretary

April 2, 2024

The Dogwood board of directors unanimously recommends that you vote “FOR” the Dogwood merger proposal, “FOR” each of the nominees set forth in the director election proposal, and “FOR” the Dogwood adjournment proposal.

[This Page Intentionally Left Blank]



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be held on May 22, 2024

A special meeting of shareholders of Community First Bancorporation, a South Carolina corporation ("Community First"), will be held at 11:00 a.m., local time, on May 22, 2024 at 180 Bountyland Road, Seneca, South Carolina 29672, to consider and vote upon the following matters:

1. For the holders of Community First common stock, voting as a separate class from the holders of Community First Series A Preferred Stock ("preferred stock"), a proposal to approve the Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood State Bank ("Dogwood"), Community First and Community First Bank, Inc. ("Community First Bank") (as such agreement may from time to time be amended, the "merger agreement"), pursuant to which Community First and Community First Bank will merge with and into Dogwood, as more fully described in the accompanying joint proxy statement/offering circular (the "Community First common shareholder merger proposal"). A copy of the merger agreement is attached as Appendix A to the accompanying joint proxy statement/offering circular.
2. For the holders of Community First common stock, voting as a separate class from the holders of Community First preferred stock, to approve one or more adjournments of the special meeting, if necessary or appropriate, to permit further solicitation of proxies from the holders of Community First common stock in the event there are not sufficient votes at the time of the meeting to approve the Community First common shareholder merger proposal (the "Community First common shareholder adjournment proposal").
3. For the holders of Community First preferred stock, voting as a separate class from the holders of Community First common stock, to approve the merger agreement (the "Community First preferred shareholder merger proposal").
4. For the holders of Community First preferred stock, voting as a separate class from the holders of Community First common stock, to approve one or more adjournments of the special meeting, if necessary or appropriate, to permit further solicitation of proxies from the holders of Community First preferred stock in the event there are not sufficient votes at the time of the meeting to approve the Community First preferred shareholder merger proposal (the "Community First preferred shareholder adjournment proposal").

All holders of record of Community First common stock or Community First preferred stock at the close of business on April 2, 2024 are entitled to notice of and to vote at the meeting and any adjournments thereof.

Your vote is very important. We cannot complete the merger unless holders of Community First common stock and holders of Community First preferred stock, voting separately, approve the merger agreement.

You are invited to attend the special meeting in person. Whether or not you plan to attend, please complete, date, and sign the enclosed proxy card and promptly return in the postage-paid return envelope, so that your shares will be represented at the special meeting. You may also choose to vote by Internet or telephone; instructions for which are provided on the enclosed proxy card. You may revoke your proxy at any time before the proxy is exercised by providing written notice to Community First, by executing a proxy bearing a later date, or by attending the special meeting and voting in person.

You have the right to assert appraisal rights with respect to the merger and demand in writing that Dogwood pay the fair value of your shares of Community First common stock or Common First preferred stock under applicable provisions of South Carolina law. In order to exercise and perfect appraisal rights, you must give written notice of your intent to demand payment for your shares to Community First before the vote is taken on the merger agreement at the special meeting and you must not vote in favor of the merger. A copy of the applicable South Carolina statutory provisions is included in the joint proxy statement/offering circular as Appendix D, and a description of the procedures to demand and perfect appraisal rights is included in the section entitled “The Merger—Appraisal or Dissenters’ Rights in the Merger.”

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Gary Thrift".

Gary V. Thrift
Chairman of the Board of Directors

April 2, 2024

The Community First board of directors unanimously recommends that holders of Community First common stock vote “FOR” the Community First common shareholder merger proposal and “FOR” the Community First adjournment proposal. The Community First board of directors also unanimously recommends that holders of Community First preferred stock vote “FOR” the Community First preferred shareholder merger proposal and the Community First preferred shareholder adjournment proposal.

ADDITIONAL INFORMATION

This joint proxy statement/offering circular is dated April 2, 2024, and you should not assume that the information in this document is accurate as of any date other than such date. The business, financial condition, results of operations and prospects of Dogwood and/or Community First may have changed since that date. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

Dogwood has supplied all information contained in this joint proxy statement/offering circular relating to Dogwood, and Community First has supplied all information contained in this joint proxy statement/offering circular relating to Community First. You should rely only on the information contained in this joint proxy statement/offering circular. No one has been authorized to provide you with information different from that contained in this document.

Additional information about Dogwood and Community First can be found in reports filed with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC”) by Dogwood, Community First and Community First Bank, respectively. While such reports are not incorporated by reference into, and do not constitute a part of, this joint proxy statement/offering circular, they provide important information regarding the financial condition and results of operations of each of Dogwood and Community First. See “Where You Can Find More Information” for more details.

In this joint proxy statement/offering circular:

- Dogwood State Bank is referred to as “Dogwood”
- Community First Bancorporation is referred to as “Community First”
- Community First Bank, Inc. is referred to as “Community First Bank”
- The merger of Community First and Community First Bank with and into Dogwood is referred to as the “merger”
- The Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood, Community First and Community First Bank is referred to as the “merger agreement,” a copy of which is attached as [Appendix A](#) to this joint proxy statement/offering circular
- Dogwood’s proposal to approve the merger agreement is referred to as the “Dogwood merger proposal”
- Dogwood’s proposal to elect three directors (David Brody, Marc McConnell, and Fielding Miller), each to serve for three-year terms expiring in 2027 is referred to as the “director election proposal”
- Dogwood’s proposal to adjourn its annual meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the Dogwood merger proposal is referred to as the “Dogwood adjournment proposal”
- Community First’s proposal for holders of its common stock, voting as a separate class from the holders of its Series A Preferred Stock (“preferred stock”), to approve the merger agreement is referred to as the “Community First common shareholder merger proposal”
- Community First’s proposal for holders of its common stock, voting as a separate class from the holders of its preferred stock, to adjourn its special meeting, if necessary or appropriate, to permit

further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the Community First common shareholder merger proposal is referred to as the “Community First common shareholder adjournment proposal”

- Community First’s proposal for holders of its preferred stock, voting as a separate class from the holders of its common stock, to approve the merger agreement is referred to as the “Community First preferred shareholder merger proposal”
- Community First’s proposal for holders of its preferred stock, voting as a separate class from the holders of its common stock, to approve one or more adjournments of its special meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the Community First preferred shareholder merger proposal is referred to as the “Community First preferred shareholder adjournment proposal”
- The annual meeting of shareholders of Dogwood is referred to as the “Dogwood annual meeting”
- The special meeting of shareholders of Community First is referred to as the “Community First special meeting”
- The Dogwood annual meeting and the Community First special meeting are sometimes referred to collectively as the “shareholder meetings”

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS. SUMMARY	1
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION	7
COMPARATIVE HISTORICAL AND PRO FORMA UNAUDITED PER SHARE DATA	16
RISK FACTORS	25
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	26
THE DOGWOOD ANNUAL MEETING	45
Date, Place and Time.....	47
Purposes of the Dogwood Annual Meeting.....	47
Recommendation of Dogwood’s Board of Directors	47
Record Date and Voting Rights; Quorum	47
Votes Required.....	48
Stock Ownership of Dogwood’s Directors and Executive Officers	48
Voting at the Dogwood Annual Meeting	48
Revocation of Proxies	49
Solicitation of Proxies	50
PROPOSALS TO BE CONSIDERED AT THE DOGWOOD ANNUAL MEETING	51
Approval of the Dogwood Merger Proposal (Proposal No. 1).....	51
Election of Directors in the Director Election Proposal (Proposal No. 2).....	51
Approval of the Dogwood Adjournment Proposal (Proposal No. 3).....	52
THE COMMUNITY FIRST SPECIAL MEETING	53
Date, Place and Time.....	53
Purposes of the Community First Special Meeting	53
Recommendation of Community First’s Board of Directors.....	53
Record Date and Voting Rights; Quorum	53
Votes Required.....	54
Stock Ownership of Community First’s Directors and Executive Officers	54
Voting at the Community First Special Meeting.....	55
Revocation of Proxies	56
Solicitation of Proxies	57
PROPOSALS TO BE CONSIDERED AT THE COMMUNITY FIRST SPECIAL MEETING	58
Approval of the Community First Common Shareholder Merger Proposal (Proposal No. 1)	58
Approval of the Community First Common Shareholder Adjournment Proposal (Proposal No. 2).....	58
Approval of the Community First Preferred Shareholder Merger Proposal (Proposal No. 3)	58
Approval of the Community First Preferred Shareholder Adjournment Proposal (Proposal No. 4).....	59
THE MERGER	60
General	60
Background of the Merger	60
Dogwood’s Reasons for the Merger; Recommendation of Dogwood’s Board of Directors	62
Opinion of Dogwood’s Financial Advisor	64
Community First’s Reasons for the Merger; Recommendation of Community First’s Board of Directors.....	77
Opinion of Community First’s Financial Advisor.....	79
Interests of Certain Community First Directors and Executive Officers in the Merger	93
Regulatory Approvals.....	95
Appraisal or Dissenters’ Rights in the Merger	95
Certain Differences in the Rights of Shareholders	98
Accounting Treatment.....	98
THE MERGER AGREEMENT	99
Structure of the Merger	99
Merger Consideration.....	99
Treatment of Community First Stock Options	99
Effective Date and Time; Closing	100

	Page
Exchange of Community First Shares for Dogwood Shares in the Merger	100
Corporate Governance.....	101
Representations and Warranties	101
Business Pending the Merger	102
Assumption of Debt Obligations	105
Employee Matters	105
Regulatory Matters.....	106
Required Shareholder Approval	106
No Solicitation.....	106
Loan Committee Observation Rights	108
Conditions to Completion of the Merger.....	108
Termination of the Merger Agreement.....	109
Termination Fee	110
Indemnification and Insurance	111
Expenses.....	111
Waiver and Amendment.....	111
Affiliate and Noncompetition Agreements.....	111
Possible Alternative Merger Structure	111
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES	112
DESCRIPTION OF DOGWOOD CAPITAL STOCK	116
Authorized and Outstanding Capital Stock	116
Common Stock.....	116
Preferred Stock.....	118
Liability and Indemnification of Directors and Officers	119
Dogwood Common Stock is Not Insured by the FDIC.....	119
Anti-takeover Provisions.....	119
COMPARATIVE RIGHTS OF SHAREHOLDERS	120
Authorized Capital Stock	120
Dividend Rights.....	121
Voting Rights	121
Directors and Classes of Directors	121
Anti-takeover Provisions.....	121
Amendments to Articles of Incorporation and Bylaws	123
Director and Officer Liability; Indemnification	124
INFORMATION ABOUT DOGWOOD	125
DOGWOOD’S MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	133
INFORMATION ABOUT COMMUNITY FIRST	136
COMMUNITY FIRST’S MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	137
CERTAIN BENEFICIAL OWNERSHIP OF DOGWOOD COMMON STOCK	143
CERTAIN BENEFICIAL OWNERSHIP OF COMMUNITY FIRST COMMON STOCK	144
LEGAL MATTERS	146
EXPERTS.....	146
FUTURE SHAREHOLDER PROPOSALS.....	146
OTHER MATTERS.....	146
WHERE YOU CAN FIND MORE INFORMATION.....	146
INDEX TO DOGWOOD FINANCIAL STATEMENTS.....	F-1
INDEX TO COMMUNITY FIRST FINANCIAL STATEMENTS.....	G-1
Appendix A Agreement and Plan of Merger	A-1
Appendix B Opinion of Piper Sandler & Co., Financial Advisor to Dogwood.....	B-1
Appendix C Opinion of D.A. Davidson & Co., Financial Advisor to Community First.....	C-1
Appendix D Chapter 13 of the South Carolina Business Corporation Act of 1988.....	D-1

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS

The following questions and answers briefly address some commonly asked questions about the merger and the shareholder meetings. They may not include all of the information that is important to Dogwood and Community First shareholders. We urge shareholders to read carefully this joint proxy statement/offering circular, including the appendices and the other documents referred to herein.

Q: What is the proposed transaction?

A: Dogwood, Community First and Community First Bank have entered into the merger agreement whereby Community First and Community First Bank will merge with and into Dogwood. As a result of the merger, Community First shareholders will receive Dogwood voting common stock in exchange for their Community First common stock and/or preferred stock. A copy of the merger agreement is attached to this joint proxy statement/offering circular as Appendix A.

Q: Why am I receiving this joint proxy statement/offering circular?

A: We are delivering this document to you because Dogwood and Community First are each holding a meeting of shareholders to vote on the proposals necessary to approve the merger agreement.

In addition, if you are a Dogwood shareholder, you are receiving this joint proxy statement/offering circular in connection with Dogwood's 2024 annual meeting of shareholders, at which you will be asked to elect three directors to serve for terms of three years each.

The holders of Community First common stock and Community First preferred stock, each voting as a separate class, are being asked to approve the Community First common shareholder merger proposal and the Community First preferred shareholder merger proposal, respectively.

This joint proxy statement/offering circular contains important information about the Dogwood annual meeting, the Community First special meeting, merger and the proposals being voted on at the shareholder meetings. You should read it carefully and in its entirety. It is a joint proxy statement because both the Dogwood board and the Community First board are soliciting proxies from their respective shareholders. It is an offering circular because Dogwood is offering shares of its voting common stock to Community First shareholders in connection with the merger. The enclosed materials allow you to have your shares voted by proxy without attending your respective shareholder meeting. Your vote is important. We encourage you to submit your proxy as soon as possible.

Q: Why do Dogwood and Community First want to merge?

A: Dogwood and Community First believe that the proposed merger is a strategically compelling combination that will unlock long-term growth potential and access to significant scale in the Upstate of South Carolina. Further, the merger is expected to enhance Dogwood's liquidity and funding while solidifying its position in high growth markets, while giving Community First the opportunity to better serve its customers with a larger balance sheet, enhanced technology and expanded products and services. To review the reasons for the merger in more detail, see "The Merger—Dogwood's Reasons for the Merger; Recommendation of Dogwood's Board of Directors" on page 62 and "The Merger—Community First's Reasons for the Merger; Recommendation of Community First's Board of Directors" on page 77.

Q: What will Community First shareholders receive in the merger?

A: Under the merger agreement, holders of Community First common stock will receive 0.5875 shares of voting common stock of Dogwood for each of their shares of Community First common stock, and holders of Community First preferred stock will receive 64.7719 shares of voting common stock of Dogwood for each of their shares of Community First preferred stock. These exchange ratios are fixed and will not be adjusted based upon changes in the market price of Dogwood voting common stock or Community First common stock prior to the effective time of the merger. No fractional shares will be issued in the merger.

Instead, cash will be paid in lieu of issuing fractional shares. Dogwood shareholders will continue to own their existing shares, which will not be affected by the merger. See “The Merger Agreement—Merger Consideration” on page 99.

Q: Will the value of the merger consideration change between the date of this joint proxy statement/offering circular and the time the merger is completed?

A: Although the exchange ratios are fixed, the value of the merger consideration will fluctuate between the date of this joint proxy statement/offering circular and the completion of the merger based upon the market value for Dogwood voting common stock. Any fluctuation in the market price of Dogwood voting common stock after the date of this joint proxy statement/offering circular will change the value of the shares of Dogwood voting common stock that Community First shareholders will receive. Community First shareholders should obtain current market quotations for Dogwood voting common stock, which is quoted on the OTCQX marketplace.

Q: In addition to the Dogwood merger proposal, what else are Dogwood shareholders being asked to vote on at the Dogwood annual meeting?

A: In addition to the Dogwood merger proposal, Dogwood is soliciting proxies from holders of its voting common stock with respect to the following proposals:

- the election of three directors (David Brody, Marc McConnell, and Fielding Miller), each to serve for three-year terms expiring in 2027; and
- a proposal to adjourn the Dogwood annual meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the Dogwood merger proposal.

Q: In addition to the Community First merger proposals, what else are Community First shareholders being asked to vote on at the Community First special meeting?

A: In addition to the Community First common shareholder merger proposal and the Community First preferred shareholder merger proposal, Community First is soliciting proxies from its shareholders with respect to the following proposals:

- for the holders of Community First common stock, voting as a separate class from the holders of Community First preferred stock, a proposal to adjourn the Community First special meeting, if necessary or appropriate, to permit further solicitation of proxies from the holders of Community First common stock in the event there are not sufficient votes at the time of the meeting to approve the Community First common shareholder merger proposal; and
- for the holders of Community First preferred stock, voting as a separate class from the holders of Community First common stock, a proposal to adjourn the Community First special meeting, if necessary or appropriate, to permit further solicitation of proxies from the holders of Community First preferred stock in the event there are not sufficient votes at the time of the meeting to approve the Community First preferred shareholder merger proposal.

Q: Are Community First shareholders entitled to appraisal or dissenters’ rights?

A: Yes. Community First shareholders are entitled to appraisal rights under South Carolina law in connection with the merger. Please refer to page 95 of this joint proxy statement/offering circular for more information regarding your appraisal rights. A copy of the applicable South Carolina statutory provisions is included as Appendix D to this joint proxy statement/offering circular.

Q: What constitutes a quorum for the shareholder meetings?

A: *Dogwood:* The presence at the Dogwood annual meeting, in person or by proxy, of holders of a majority of the outstanding shares of Dogwood voting common stock entitled to vote at the Dogwood annual meeting will constitute a quorum for the transaction of business. Abstentions will be included in determining the number of shares present at the Dogwood annual meeting for the purposes of determining the presence of a quorum.

Community First: The presence at the Community First special meeting, in person or by proxy, of holders of a majority of the outstanding shares of each of Community First common stock and Community First preferred stock entitled to vote at the Community First special meeting. Abstentions will be included in determining the number of shares present at the Community First special meeting for the purposes of determining the presence of a quorum.

Q: What do I need to do now to vote my shares?

A: After carefully reading and considering the information contained in this joint proxy statement/offering circular, please vote your shares as soon as possible so that your shares will be represented at the Dogwood annual meeting or Community First special meeting, as applicable. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I vote?

A: **By Mail.** You may vote before the Dogwood annual meeting or the Community First special meeting by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

By the Internet or Telephone.

Dogwood: If you are a record holder of Dogwood voting common stock on the record date, you can also appoint the proxies to vote your shares for you by going to the Internet website (www.astproxyportal.com/ast/22781) or by calling (800) 776-9437. When you are prompted for your “control number,” enter the number included on the enclosed proxy card, and then follow the instructions provided. You may vote by the Internet or telephone only until 11:59 p.m. Eastern Time on May 20, 2024, which is the day before the Dogwood annual meeting.

Community First: If you are a record holder of Community First common stock on the record date, you can also appoint the proxies to vote your shares for you by going to the Internet website (www.proxypush.com/CFOK) or by calling (866) 230-8610. When you are prompted for your “control number,” enter the number included on the enclosed proxy card, and then follow the instructions provided. You may vote by the Internet or telephone only until 11:59 p.m. Eastern Time on May 21, 2024, which is the day before the Community First special meeting.

In Person. You may also cast your vote in person at the Dogwood annual meeting or the Community First special meeting, as applicable. See the meeting notice page and below for the date, time and place of the Dogwood annual meeting and the Community First special meeting.

If your shares are held in “street name,” through a broker, bank or other nominee (a “nominee”), that nominee will send you separate instructions describing the procedure for voting your shares. “Street name” shareholders who wish to vote in person at the Dogwood annual meeting or the Community First special meeting will need to obtain a legal proxy from the institution that holds the shares.

Q: If my shares are held in “street name” by a nominee, will my nominee vote my shares for me if I do not provide instructions on how to vote my shares?

A: We do not believe that your nominee will have the authority to vote on the proposals described in this joint proxy statement/offering circular if you do not provide instructions on how to vote. To ensure that your vote is counted with respect to shares held in “street” name, please provide instructions to your nominee on how to vote. You should follow the directions your nominee provides in a voting instruction card or other form.

Q: When and where is the Dogwood annual meeting?

A: The Dogwood annual meeting will be held at 10:00 a.m., local time, on May 21, 2024 at Dogwood’s headquarters at 5401 Six Forks Road, Raleigh, North Carolina 27609.

Q: When and where is the Community First special meeting?

A: The Community First special meeting will be held at 11:00 a.m., local time, on May 22, 2024 at 180 Bountyland Road, Seneca, South Carolina 29672.

Q: What vote is required to approve each proposal at the Dogwood annual meeting?

A: Approval of the Dogwood merger proposal requires the affirmative vote of a majority of the outstanding shares of Dogwood voting common stock entitled to vote on the proposal.

The election of each nominee named in the director election proposal to the Dogwood board of directors will be approved by the affirmative vote of a plurality of the votes cast at the Dogwood annual meeting.

Approval of the Dogwood adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal, whether or not a quorum is present.

Q: What vote is required to approve each proposal at the Community First special meeting?

A: Approval of the Community First common shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First common stock entitled to vote on the proposal, voting as a separate class from the holders of Community First preferred stock.

Approval of the Community First common shareholder adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal by the holders of Community First common stock, whether or not a quorum is present, voting as a separate class from the holders of Community First preferred stock.

Approval of the Community First preferred shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First preferred stock entitled to vote on the proposal, voting as a separate class from the holders of Community First common stock.

Approval of the Community First preferred shareholder adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal by the holders of Community First preferred stock, whether or not a quorum is present, voting as a separate class from the holders of Community First common stock.

Q: What if I do not vote on the matters relating to the merger?

A: *If you are a Dogwood shareholder:* With respect to the Dogwood merger proposal, if you fail to submit a proxy or vote in person at the Dogwood annual meeting, mark “abstain” on your proxy or fail to instruct your nominee how to vote, it will have the same effect as a vote against such proposal.

With respect to the director election proposal and the Dogwood adjournment proposal, if you fail to submit a proxy or vote in person at the Dogwood annual meeting, mark “abstain” (or with respect to the director

election proposal, “withhold”) on your proxy or fail to instruct your nominee how to vote, it will have no effect on the outcome of the vote on such proposals.

If you are a Community First shareholder: With respect to the Community First common shareholder merger proposal and the Community First preferred shareholder merger proposal, if you fail to submit a proxy or vote in person at the Community First special meeting, mark “abstain” on your proxy or fail to instruct your nominee how to vote, it will have the same effect as a vote against such proposals.

With respect to the Community First common shareholder adjournment proposal and Community First preferred shareholder adjournment proposal, if you fail to submit a proxy or vote in person at the Community First special meeting, mark “abstain” on your proxy or fail to instruct your nominee how to vote, it will have no effect on the outcome of the vote on such proposals.

Q: May I change my vote after I have delivered my proxy (including via the Internet or telephone) or voting instruction card?

A: Yes. If you are a holder of record of Dogwood voting common stock or Community First common or preferred stock, you may change your vote at any time before your proxy is voted at your respective shareholder meeting. You may do this in any of the following ways:

- by sending a notice of revocation to the Dogwood corporate secretary or the Community First corporate secretary, as the case may be;
- if you voted by proxy card, by sending a completed proxy card bearing a later date than your original proxy card;
- if you voted via the Internet or telephone, by voting at a later time via the Internet or telephone, before 11:59 p.m. Eastern Time on the day before the respective shareholder meeting; or
- by attending your respective shareholder meeting and voting in person.

In each such case, your attendance alone will not revoke any proxy.

If you choose either of the first two methods, your notice or new proxy card must be actually received before the voting takes place at the applicable shareholder meeting.

If your shares are held in a stock brokerage account or by a nominee, you should call your nominee for additional information.

Q: What are the material U.S. federal income tax consequences of the merger to Community First shareholders?

A: The merger of Community First with and into Dogwood is intended to be treated as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, a holder of Community First common stock or Community First preferred stock generally will not recognize any gain or loss for U.S. federal income tax purposes as a result of the exchange of the holder’s shares of Community First common stock or Community First preferred stock for shares of Dogwood common stock pursuant to the merger, except with respect to any cash received in lieu of fractional shares of Dogwood common stock. For greater detail, see “Material U.S. Federal Income Tax Consequences” beginning on page 112. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the specific tax consequences of the merger to you.

The material U.S. federal income tax consequences described above may not apply to all holders of Community First common stock or Community First preferred stock. Your tax consequences will

depend on your individual situation. Accordingly, we strongly urge you to consult your own tax advisor to determine the particular tax consequences of the merger to you.

Q: If I am a Community First shareholder with shares represented by stock certificates, should I send in my Community First stock certificates now?

A: No. Please do not send your stock certificates with your proxy card.

If you are a holder of Community First stock, you will receive written instructions from the Exchange Agent (as herein defined) after the merger is completed on how to exchange your Community First stock certificates for shares of Dogwood voting common stock and receive your check in lieu of any fractional shares of Dogwood voting common stock.

Q: What should I do if I hold my shares of Community First common stock in book-entry form?

A: After the completion of the merger, Dogwood will send you instructions regarding the exchange of your shares of Community First stock held in book-entry form for shares of Dogwood voting common stock and your check in lieu of fractional shares of Dogwood voting common stock.

Q: What happens if I sell or transfer ownership of shares of Community First stock after the record date for the special meeting?

A: The record date for the special meeting is earlier than the expected date of completion of the merger. Therefore, if you sell or transfer ownership of your shares of Community First common stock or Community First preferred stock after the record date for the Community First special meeting, but prior to the merger, you will retain the right to vote at the Community First special meeting, but the right to receive the merger consideration will transfer with the shares of Community First common stock or Community First preferred stock, as applicable.

Q: Who should I contact if I have any questions about the proxy materials or voting?

A: If you have any questions about the merger, need assistance in submitting your proxy or voting your shares or need additional copies of the joint proxy statement/offering circular or the enclosed proxy card:

- If you are a Dogwood shareholder, you should contact David Therit, Dogwood's Chief Financial Officer by calling (919) 863-2265 or by writing to Dogwood State Bank, 5401 Six Forks Road, Raleigh, North Carolina 27609, Attention: David Therit.
- If you are a Community First shareholder, you should contact Jennifer M. Champagne, Community First's Chief Financial Officer, by calling (864) 364-6143 or by writing to Community First Bancorporation, 449 Highway 123 Bypass, Seneca, South Carolina 29678, Attention: Jennifer M. Champagne. You may also obtain more information about the merger and the proxy materials by contacting Regan & Associates, Inc., Community First's proxy solicitor, at (800) 737-3426.

If your shares are held in a stock brokerage account or by a nominee, you should call your nominee for additional information.

SUMMARY

This summary highlights selected information from this joint proxy statement/offering circular. We urge you to read carefully the joint proxy statement/offering circular and the other documents to which this joint proxy statement/offering circular refers to understand fully the merger and the other matters to be considered at the shareholder meetings. See “Where You Can Find More Information” beginning on page 146. Each item in this summary includes a page reference directing you to a more complete description of that item.

The Parties to the Merger

Dogwood State Bank

Dogwood is a North Carolina chartered community bank headquartered in Raleigh, North Carolina providing a wide range of banking products and services through its online offerings and branch offices throughout North Carolina. As of December 31, 2023, Dogwood had total assets of \$1.4 billion, total loans of \$1.1 billion, total deposits of \$1.2 billion and shareholders’ equity of \$164.5 million.

The principal executive offices of Dogwood are located at 5401 Six Forks Road, Raleigh, North Carolina 27609, and its telephone number is (919) 863-2293. Dogwood’s website can be accessed at www.dogwoodstatebank.com. Information contained on Dogwood’s website does not constitute part of, and is not incorporated into, this joint proxy statement/offering circular. Dogwood’s voting common stock is quoted on the OTCQX marketplace under the symbol “DSBX.” See “Where You Can Find More Information” for information about where you can find additional information about Dogwood.

Community First Bancorporation and Community First Bank

Community First is a bank holding company headquartered in Seneca, South Carolina providing community banking services through its wholly owned South Carolina chartered bank subsidiary, Community First Bank. Community First Bank currently operates seven full-service financial centers in South Carolina, three in North Carolina and two in Tennessee. As of December 31, 2023, Community First had total consolidated assets of \$684.7 million, total consolidated loans, net of the allowance for credit losses, of \$504.9 million, total consolidated deposits of \$579.3 million and consolidated shareholders’ equity of \$52.6 million.

The principal executive offices of Community First are located at 449 Highway 123 Bypass, Seneca, South Carolina 29678, and its telephone number is (864) 886-0206. Community First’s website can be accessed at www.cfstbank.com. Information contained on Community First’s website does not constitute part of, and is not incorporated into, this joint proxy statement/offering circular. Community First’s common stock is quoted on the OTCQX marketplace under the symbol “CFOK.” See “Where You Can Find More Information” for information about where you can find additional information about Community First and Community First Bank.

The Merger (page 60)

Dogwood and Community First are proposing a combination of our companies through the merger of Community First and Community First Bank with and into Dogwood, pursuant to the terms and conditions of the merger agreement. The parties expect to complete the merger in the second half of 2024. The merger agreement is attached to this joint proxy statement/offering circular as Appendix A. We encourage you to read the merger agreement because it is the legal document that governs the merger.

Consideration to be Received in the Merger by Community First Shareholders (page 99)

In the proposed merger, holders of Community First common stock will receive 0.5875 shares of Dogwood voting common stock for each of their shares of Community First common stock outstanding immediately before the effective time of the merger, and holders of Community First preferred stock will receive 64.7719 shares of Dogwood voting common stock for each of their shares of Community First preferred stock outstanding immediately before the effective time of the merger, with cash paid in lieu of any fractional shares. The numbers of shares of Dogwood voting common stock delivered for each share of Community First common stock and

Community First preferred stock, respectively, in the merger are referred to as the “exchange ratios.” The exchange ratios, plus cash in lieu of any fractional shares, are referred to as the “merger consideration.” The exchange ratios are fixed and will not be adjusted based upon changes in the market price of Dogwood voting common stock or Community First stock prior to the effective time of the merger. Based on an assumed price for Dogwood voting common stock of \$20.00 per share, the 0.5875 exchange ratio represented approximately \$11.75 in value for each share of Community First common stock. The most recent closing price for Dogwood voting common stock on the OTCQX marketplace on April 2, 2024 was \$16.39. The most recent closing price for Community First common stock on the OTCQX marketplace on April 2, 2024 was \$7.10. It is expected that existing holders of Community First common stock and Community First preferred stock together will own approximately 27% of Dogwood’s outstanding voting common stock, on a fully diluted basis, after the merger.

Shares of Dogwood voting common stock held by Dogwood shareholders will remain unchanged in the merger. It is expected that existing holders of Dogwood voting common stock will own approximately 73% of Dogwood’s outstanding voting common stock, on a fully diluted basis, after the merger.

Treatment of Community First Stock Options (page 99)

In the merger, all Community First stock options outstanding immediately before the effective time of the merger will be converted into the right to receive a cash payment in an amount equal to the product of (i) the difference between (A) \$11.75 and (B) the per share exercise price of the stock option and (ii) the number of shares of Community First common stock subject to such option. If the exercise price of a stock option is greater than or equal to \$11.75, then the option will be cancelled without any payment. As of the date of this joint proxy statement/offering circular, there were 166,900 outstanding stock options granted under Community First equity compensation plans.

Dogwood’s Board Recommendations (page 62)

After careful consideration, Dogwood’s board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Dogwood and its shareholders and has approved the merger agreement. The Dogwood board of directors unanimously recommends that Dogwood shareholders vote “FOR” the approval of the Dogwood merger proposal and “FOR” the approval of the Dogwood adjournment proposal. In addition, the Dogwood board of directors unanimously recommends that Dogwood shareholders vote “FOR” each of the nominees for director named herein.

For a more complete description of Dogwood’s reasons for the merger and the factors considered by Dogwood’s board of directors in reaching its decision to approve the merger agreement, see “The Merger—Dogwood’s Reasons for the Merger; Recommendation of Dogwood’s Board of Directors.”

Community First’s Board Recommendations (page 77)

After careful consideration, Community First’s board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Community First and its shareholders and has approved the merger agreement. The Community First board of directors unanimously recommends that Community First common shareholders vote “FOR” the approval of the Community First common shareholder merger proposal and “FOR” the approval of the Community First common shareholder adjournment proposal and that Community First preferred shareholders vote “FOR” the approval of the Community First preferred shareholder merger proposal and “FOR” the approval of the Community First preferred shareholder adjournment proposal.

For a more complete description of Community First’s reasons for the merger and the factors considered by Community First’s board of directors in reaching its decision to approve the merger agreement, see “The Merger—Community First’s Reasons for the Merger; Recommendation of Community First’s Board of Directors.”

Opinion of Dogwood’s Financial Advisor (page 64)

At the January 31, 2024 meeting of the Dogwood board of directors, representatives of Piper Sandler & Co. (“Piper Sandler”) rendered to the Dogwood board its oral opinion, which was subsequently confirmed in writing on January 31, 2024, to the effect that, as of such date and subject to the procedures followed, matters considered and assumptions and qualifications set forth therein, the common stock exchange ratio was fair to Dogwood from a financial point of view.

The full text of Piper Sandler’s opinion, dated January 31, 2024, which sets forth, among other things, the various qualifications, assumptions and limitations on the scope of the review undertaken, is attached as Appendix B to this joint proxy statement/offering circular. Piper Sandler provided its opinion for the information and assistance of the Dogwood board of directors (solely in each director’s capacity as such) in connection with, and for purposes of, its consideration of the merger, and its opinion was directed only to the fairness, from a financial point of view, of the common stock exchange ratio. The opinion of Piper Sandler did not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Piper Sandler opinion does not constitute a recommendation to the Dogwood board or any holder of Dogwood voting common stock as to how the board, such shareholder or any other person should vote or otherwise act with respect to the merger or any other matter.

Opinion of Community First’s Financial Advisor (page 79)

At the January 31, 2024 meeting of the Community First board of directors, representatives of D.A. Davidson & Co. (“D.A. Davidson”) rendered to the Community First board D.A. Davidson’s an opinion to the effect that, as of such date and subject to the procedures followed, matters considered and assumptions and qualifications set forth therein, the merger consideration was fair, from a financial point of view, to the holders of Community First stock.

The full text of the written opinion of D.A. Davidson, dated January 31, 2024, which sets forth, among other things, the various qualifications, assumptions and limitations on the scope of the review undertaken, is attached as Appendix C to this joint proxy statement/offering circular. D.A. Davidson provided its opinion for the information and assistance of the Community First board of directors (solely in each director’s capacity as such) in connection with, and for purposes of, its consideration of the merger, and its opinion only addresses whether the merger consideration to be received by the holders of Community First stock in the merger pursuant to the merger agreement was fair from a financial point of view to such holders. The opinion of D.A. Davidson did not address any other term or aspect of the merger agreement or the merger contemplated thereby. The D.A. Davidson opinion does not constitute a recommendation to the Community First board or any holder of Community First stock as to how the board, such shareholder or any other person should vote or otherwise act with respect to the merger or any other matter.

Interests of Certain Community First Directors and Executive Officers in the Merger (page 93)

The directors and executive officers of Community First have interests in the merger that differ from, or are in addition to, their interests as shareholders of Community First. These interests exist because of, among other things:

- the receipt by certain executive officers of Community First of lump sum cash payments in exchange for termination of their existing employment and change of control agreements with Community First;
- a new consulting agreement with Richard D. Bursleson, President and Chief Executive Officer of Community First, following the effective time of the merger;
- the acceleration of vesting of stock options held by certain of Community First’s executive officers and directors at the effective time of the merger;
- the appointment of certain directors of Community First to the board of directors of Dogwood; and

- the agreement by Dogwood to indemnify the officers and directors of Community First against certain liabilities arising before the effective time of the merger and Dogwood’s purchase of a six year “tail” prepaid policy for the current officers and directors of Community First, subject to a cap on the cost of such policy equal to 250% of Community First’s current annual premium.

The members of the Community First board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger. See “The Merger—Interests of Certain Community First Directors and Executive Officers in the Merger.”

Material U.S. Federal Income Tax Consequences (page 112)

The merger of Community First with and into Dogwood will be treated as a tax free “reorganization” within the meaning of Section 368(a) of the Code. Subject to the limitations and qualifications described in “Material U.S. Federal Income Tax Consequences,” for U.S. federal income tax purposes, the merger generally will be tax-free to Community First shareholders as to the shares of Dogwood common stock they receive in the merger. However, Community First shareholders may recognize gain or loss in connection with cash received in lieu of any fractional shares of Dogwood common stock they would otherwise be entitled to receive. Additionally, it is a condition to Community First’s and Dogwood’s obligations to complete the merger that they each receive a legal opinion from their respective outside legal counsel that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368 of the Code. These opinions, however, will not bind the Internal Revenue Service, which could take a different view.

The U.S. federal income tax consequences described above may not apply to all holders of Community First common stock or Community First preferred stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your own tax advisor to determine the particular tax consequences of the merger to you.

Regulatory Approvals (page 95)

Dogwood, Community First and Community First Bank cannot complete the merger without prior approval from the FDIC, the North Carolina Commissioner of Banks (“NCCOB”) and the South Carolina Commissioner of Banking (“SCCOB”). On February 28, 2024, Dogwood filed applications with the FDIC, the NCCOB and the SCCOB seeking their approvals of the merger.

As of the date of this joint proxy statement/offering circular, we have not yet received the required approvals from the FDIC, NCCOB or SCCOB. While we do not know of any reason why we would not be able to obtain such approvals in a timely manner, we cannot be certain when or if we will receive them.

Conditions to Completion of the Merger (page 108)

The parties’ respective obligations to complete the merger are subject to the fulfillment or waiver of certain conditions, including the following:

- approval of the merger by the requisite votes of the shareholders of Dogwood and Community First;
- approval of the merger by the necessary federal and state regulatory authorities, provided that no such approvals contain any requirements, restrictions or conditions that would be materially financially burdensome to the business, operations, financial condition or results of operations of the business of Dogwood or on the business of Community First or Community First Bank;
- the absence of any order, decree or injunction of a court, regulatory agency or other governmental authority that prohibits the completion of the merger;
- the accuracy of the other parties’ representations and warranties in the merger agreement, subject to the material adverse effect standard in the merger agreement;

- each party’s performance in all material respects of its obligations under the merger agreement;
- the receipt by Dogwood from Williams Mullen, Dogwood’s outside legal counsel, of a written legal opinion to the effect that the merger will be treated as a “reorganization” within the meaning of Section 368(a) of the Code, and the receipt by Community First from Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, Community First’s outside legal counsel, of a written legal opinion to the effect that the merger will be treated as a “reorganization” within the meaning of Section 368(a) of the Code;
- not more than 10% of the outstanding shares of Community First common stock dissent from the merger in accordance with South Carolina law; and
- no material adverse effect with respect to the other party shall have occurred.

Where the merger agreement and/or law permits, Dogwood or Community First and Community First Bank could choose to waive a condition to its obligation to complete the merger even if that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will be completed.

Timing of the Merger

Dogwood and Community First expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including after shareholder approvals are received at the shareholder meetings and the receipt of all required regulatory approvals. We currently expect to complete the merger in the second half of 2024. However, it is possible that factors outside of either party’s control could require us to complete the merger at a later time or not to complete it at all.

No Solicitation (page 106)

Community First has agreed that it will not, directly or indirectly:

- initiate, solicit, endorse or encourage any inquiries or proposals with respect to any “acquisition proposal” (as defined in the merger agreement);
- furnish any confidential or nonpublic information relating to an acquisition proposal; or
- engage or participate in any negotiations or discussions concerning an acquisition proposal.

The merger agreement does not, however, prohibit Community First from considering an unsolicited bona fide acquisition proposal from a third party if certain specified conditions are met.

Termination of the Merger Agreement (page 109)

Termination by Dogwood, Community First and Community First Bank. The merger agreement may be terminated and the merger abandoned by Dogwood, Community First and Community First Bank, at any time before the merger is completed, by mutual consent of the parties.

Termination by Dogwood or Community First and Community First Bank. The merger agreement may be terminated and the merger abandoned by Dogwood or Community First and Community First Bank if:

- the merger has not been completed by October 31, 2024, unless the failure to complete the merger by such time was caused by a breach or failure to perform an obligation under the merger agreement by the terminating party;
- there is a breach or inaccuracy of any representation or warranty of Dogwood or Community First contained in the merger agreement that would cause the failure of the closing conditions described

above to be met, which cannot be or is not cured within 30 days following notice to the other party, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement;

- there is a material breach by Dogwood or Community First of any covenant or agreement contained in the merger agreement, and the breach cannot be or is not cured within 30 days following notice to the other party, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement;
- any of the conditions precedent to the obligations of Dogwood or Community First to consummate the merger set forth in the merger agreement cannot be satisfied or fulfilled by October 31, 2024, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement; or
- the Dogwood shareholders do not approve the Dogwood merger proposal or the Community First shareholders do not approve the Community First common shareholder merger proposal or the Community First preferred shareholder merger proposal.

Termination by Dogwood. Dogwood may terminate the merger agreement at any time before the merger is completed if:

- at any time before the Community First special meeting, (i) Community First breaches its agreement regarding the non-solicitation of competing offers for certain corporate transactions, (ii) the board of directors of Community First fails to recommend approval of the merger agreement to its shareholders, (iii) the board of directors of Community First withholds, withdraws, qualifies or modifies such recommendation in any manner adverse to Dogwood (or publicly proposes to do so) or takes any other action or makes any other public statement inconsistent with such recommendation or (iv) Community First materially breaches its covenants in the merger agreement to call and hold a meeting of shareholders to consider the merger agreement;
- without Dogwood's prior consent, Community First or Community First Bank enters into an agreement with respect to a business combination transaction or an acquisition directly from Community First of securities representing 10% or more of the voting power of Community First; or
- a tender offer or exchange offer for 10% or more of the outstanding shares of Community First common stock is commenced, and the Community First board recommends that Community First shareholders tender their shares in the offer or otherwise fails to recommend that they reject the offer.

Termination by Community First and Community First Bank. Community First and Community First Bank may terminate the merger agreement at any time before the merger is completed if:

- at any time before the Community First special meeting, (i) the board of directors of Dogwood fails to recommend approval of the merger agreement to its shareholders or (ii) Dogwood materially breaches its covenants in the merger agreement to call and hold a meeting of shareholders to consider the merger agreement; or
- at any time before the Community First special meeting, the board of directors of Community First determines to enter into an agreement with respect to an unsolicited "superior proposal" (as defined in the merger agreement and described under "The Merger Agreement—No Solicitation") which has been received and considered by Community First in material compliance with the merger agreement, provided that (i) Community First has notified Dogwood at least five business days in advance of its intent to accept such superior proposal, (ii) Community First has, upon Dogwood's request, discussed with Dogwood the circumstances giving rise to the decision to accept the superior proposal and negotiated in good faith with Dogwood to facilitate Dogwood's evaluation of whether to improve the terms and conditions of the merger agreement, (iii) if Dogwood has made an offer to improve the terms of the merger agreement, Community First's board of directors has determined in good faith, after

consultation with its financial and outside legal advisors, and taking into account Dogwood's improved offer, that the superior proposal would continue to constitute a superior proposal under the merger agreement, and (iv) if the terms of the superior proposal change materially, Community First has continued to provide the same notice and opportunity for Dogwood to improve its offer at least three business days in advance of accepting the superior proposal.

In the event of termination, the merger agreement will become null and void, except that certain provisions thereof relating to fees and expenses (including the obligation to pay the termination fee described below in certain circumstances) and confidentiality of information exchanged between the parties will survive any such termination.

Termination Fees and Expenses (page 110)

Community First must pay Dogwood a termination fee of \$2.6 million if the merger agreement is terminated by either party under certain specified circumstances. In addition, the parties have agreed that, in the event that either party terminates the merger agreement as a result of the other party's material breach of any warranty, covenant or agreement contained in the merger agreement, the breaching party shall pay a fee of \$750,000 to the other (provided that Dogwood will not be entitled to both the \$2.6 million fee and the \$750,000 fee in any circumstance). The termination and payment circumstances are more fully described elsewhere in this joint proxy statement/offering circular. See "The Merger Agreement—Termination Fee" herein and in Article 7 of the merger agreement.

In general, whether or not the merger is completed, Dogwood and Community First will each pay its respective expenses incident to preparing, entering into and carrying out the terms of the merger agreement. The parties will share the costs of all filing fees paid to any governmental authorities.

The Dogwood Annual Meeting (page 47)

The Dogwood annual meeting will be held at 10:00 a.m., local time, on May 21, 2024 at Dogwood's headquarters at 5401 Six Forks Road, Raleigh, North Carolina 27609. At the Dogwood annual meeting, Dogwood's voting common shareholders will be asked to consider and vote on the following matters:

- the Dogwood merger proposal;
- the director election proposal; and
- the Dogwood adjournment proposal.

Holders of Dogwood voting common stock as of the close of business on April 2, 2024, are entitled to notice of and to vote at the Dogwood annual meeting and any adjournments thereof. As of the record date, there were 9,299,718 shares of Dogwood voting common stock outstanding and entitled to vote. For each proposal presented at the Dogwood annual meeting, a holder of Dogwood voting common stock can cast one vote for each share of Dogwood voting common stock owned on the record date.

Approval of the Dogwood merger proposal requires the affirmative vote of a majority of the outstanding shares of Dogwood voting common stock entitled to vote on the proposal. The election of each nominee named in the director election proposal to the Dogwood board of directors will be approved by the affirmative vote of a plurality of the votes cast at the Dogwood annual meeting. Approval of the Dogwood adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal, whether or not a quorum is present.

If you fail to submit a proxy or vote in person at the Dogwood annual meeting, mark "abstain" on your proxy or fail to instruct your nominee how to vote with respect to the Dogwood merger proposal, it will have the same effect as a vote against such proposal. If you fail to submit a proxy or vote in person at the Dogwood annual meeting, mark "abstain" (or with respect to the director election proposal, "withhold") on your proxy or fail to instruct your nominee how to vote with respect to the director election proposal and the Dogwood adjournment proposal, it will have no effect on the outcome of the vote on such proposals.

The Community First Special Meeting (page 53)

The Community First special meeting will be held at 11:00 a.m., local time, on May 22, 2024 at 180 Bountyland Road, Seneca, South Carolina 29672. At the Community First special meeting, Community First's common and preferred shareholders will be asked to consider and vote on the following matters:

- the Community First common shareholder merger proposal;
- the Community First common shareholder adjournment proposal;
- the Community First preferred shareholder merger proposal; and
- the Community First preferred shareholder adjournment proposal.

Holders of Community First common stock or Community First preferred stock as of the close of business on April 2, 2024, are entitled to notice of and to vote at the Community First special meeting and any adjournments thereof. As of the record date, there were 5,524,683 shares of Community First common stock and 3,150 shares of Community First preferred stock outstanding and entitled to vote. For each proposal presented at the Community First special meeting, a holder of Community First common stock or Community First preferred stock can cast one vote for each share of Community First common stock or Community First preferred stock, respectively, owned on the record date.

Approval of the Community First common shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First common stock entitled to vote on the proposal, voting as a separate class from the holders of Community First preferred stock. Approval of the Community First common shareholder adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal by the holders of Community First common stock, whether or not a quorum is present, voting as a separate class from the holders of Community First preferred stock.

Approval of the Community First preferred shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First preferred stock entitled to vote on the proposal, voting as a separate class from the holders of Community First common stock. Approval of the Community First preferred shareholder adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal by the holders of Community First preferred stock, whether or not a quorum is present, voting as a separate class from the holders of Community First common stock.

If you fail to submit a proxy or vote in person at the Community First special meeting, mark "abstain" on your proxy or fail to instruct your nominee how to vote with respect to the Community First common shareholder merger proposal or the Community First preferred shareholder merger proposal, it will have the same effect as a vote against such proposals. If you fail to submit a proxy or vote in person at the Community First special meeting, mark "abstain" on your proxy or fail to instruct your nominee how to vote with respect to the Community First common shareholder adjournment proposal or the Community First preferred shareholder adjournment proposal, it will have no effect on the outcome of the vote on such proposals.

Affiliate and Noncompetition Agreements with Dogwood and Community First Directors and Executive Officers (page 111)

Each of the directors and executive officers of Dogwood has entered into an affiliate agreement with Dogwood and Community First pursuant to which such individual has agreed, subject to several conditions and exceptions, to vote all of the shares of Dogwood voting common stock over which such individual has voting authority in favor of the Dogwood merger proposal and against any competing proposal. As of April 2, 2024, the record date for the Dogwood annual meeting, directors and executive officers of Dogwood are entitled to vote

1,977,144 shares of Dogwood voting common stock, or approximately 21% of the total voting power of the shares of Dogwood voting common stock outstanding on that date, all of which are subject to an affiliate agreement.

Each of the directors and executive officers of Community First has entered into an affiliate agreement with Dogwood and Community First pursuant to which such individual has agreed, subject to several conditions and exceptions, to vote all of the shares of Community First common and preferred stock over which such individual has voting authority in favor of the Community First merger proposals and against any competing proposal. As of April 2, 2024, the record date for the Community First special meeting, directors and executive officers of Community First are entitled to vote (i) 871,733 shares of Community First common stock, or approximately 15.78% of the total voting power of the shares of Community First common stock outstanding on that date, all of which are subject to an affiliate agreement and (ii) 1,710 shares of Community First preferred stock, or approximately 54.3% of the total voting power of the shares of Community First preferred stock outstanding on that date, all of which are subject to an affiliate agreement.

In addition, each of the directors of Community First has entered into a noncompetition agreement that limits the ability of Community First's directors to compete with Dogwood for 12 months from the effective time of the merger or such longer period that such director is a member of Dogwood's board of directors or the SC Advisory Board (as defined herein).

Appraisal or Dissenters' Rights (page 95)

South Carolina law provides Community First shareholders with the right to assert appraisal rights in connection with the merger and demand in writing that Dogwood pay the fair value of your shares of Community First common stock or Common First preferred stock under applicable provisions of South Carolina law. In order to exercise and perfect appraisal rights, you must give written notice of your intent to demand payment for your shares to Community First before the vote is taken on the merger agreement at the Community First special meeting and you must not vote in favor of the merger. A copy of the applicable South Carolina statutory provisions is included as Appendix D to this joint proxy statement/offering circular. Please refer to "The Merger—Appraisal or Dissenters' Rights in the Merger" for more information regarding your appraisal rights.

Shareholders of Dogwood and Community First Have Different Rights (page 120)

Upon completion of the merger, Community First shareholders will become shareholders of Dogwood, and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of Dogwood. In addition, Dogwood is organized under the laws of North Carolina, whereas Community First is organized under the laws of South Carolina. The rights of shareholders of Dogwood differ in certain respects from the rights of shareholders of Community First.

Risk Factors (page 26)

You should consider all the information contained in this joint proxy statement/offering circular in deciding how to vote for the proposals presented in the joint proxy statement/offering circular. In particular, you should consider the factors described under "Risk Factors."

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following tables show the unaudited condensed financial information for each of Dogwood and Community First, as well as unaudited pro forma condensed combined financial information for Dogwood and Community First reflecting the merger, for the year ended December 31, 2023, and pro forma assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting for business combinations under United States generally accepted accounting principles (“GAAP”), with Dogwood as the acquirer for accounting purposes. Certain reclassifications have been made to the historical financial statements of Community First to conform to the presentation in Dogwood’s financial statements. The unaudited pro forma condensed combined balance sheet as of December 31, 2023 in the table below is presented as if the merger occurred on December 31, 2023, and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2023 are presented as if the merger occurred on January 1, 2023.

The following unaudited pro forma condensed combined financial information and accompanying notes are based on and should be read together with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- Dogwood’s historical audited financial statements and accompanying notes as of and for the year ended December 31, 2023, which are included in this joint proxy statement/offering circular; and
- Community First’s historical audited financial statements and accompanying notes as of and for the year ended December 31, 2023, which are included in this joint proxy statement/offering circular.

The pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined company had Dogwood and Community First actually been combined as of the dates indicated and at the beginning of the period presented, nor does it necessarily indicate the results of operations in future periods of the future financial position of the combined entities, which could differ materially from those shown in this information. The unaudited pro forma condensed combined financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the realization of potential cost savings, revenue synergies, changes in market conditions and asset dispositions, among other factors, and, accordingly, does not attempt to predict or suggest future results. The pro forma condensed combined statement of income does not include estimated merger and integration-related costs expected to be incurred in conjunction with the merger. See Note 4 accompanying the pro forma condensed combined financial information for additional information regarding merger and integration-related costs. In addition, as explained in more detail in the accompanying notes, the preliminary allocation of the pro forma purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the merger.

As of the date of this joint proxy statement/offering circular, Dogwood has not yet completed the valuation analyses and calculations at the level of detail required to obtain the necessary estimates of the fair market values of the Community First assets to be acquired or liabilities to be assumed, other than preliminary estimates for intangible assets and certain financial assets and liabilities. Therefore, certain Community First assets and liabilities are presented at their respective carrying amounts and should be considered preliminary values. Final determination of the fair values of Community First assets and liabilities will be obtained based on actual Community First assets and liabilities as of the effective time and therefore cannot be known prior to completion of the merger.

Due to the preliminary estimates for the pro forma purchase price and valuation analyses as noted above, the pro forma adjustments presented are to be considered preliminary and subject to change as additional information becomes available, and once the final closing balances are known. The preliminary pro forma

adjustments have been presented solely for the purpose of providing the unaudited pro forma condensed combined financial information.

Upon completion of the merger, a final determination of the fair values of Community First assets acquired and liabilities assumed will be performed. Any changes in the fair values of the net assets or total purchase price as compared with the information shown in the unaudited pro forma condensed combined financial information may change the amount of the total purchase consideration allocated to goodwill, deferred taxes, and other assets and liabilities, and may impact the combined company's statement of income.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of December 31, 2023

(Dollars in thousands)	Dogwood (As Reported)	Community First (As Reported)	Merger Pro Forma Adjustments	Note 2	Pro Forma Combined
Assets					
Cash and cash equivalents	\$ 128,665	\$ 41,785	\$ (805)	(a)	\$ 169,645
Federal funds sold	-	3,682	-		3,682
Investment securities available for sale	49,244	94,495	-		143,739
Investment securities held to maturity	77,556	-	-		77,557
Marketable equity securities	329	12	-		341
Total investment securities	<u>127,129</u>	<u>94,507</u>	<u>-</u>		<u>221,636</u>
Loans held for sale	15,274	-	-		15,274
Loans	1,095,339	511,003	(26,652)	(b)	1,579,690
Less allowance for credit losses	(11,943)	(6,077)	1,331	(c)	(16,689)
Loans, net	<u>1,083,396</u>	<u>504,926</u>	<u>(25,321)</u>		<u>1,563,001</u>
Bank-owned life insurance	27,458	16,284	-		43,742
Premises and equipment, net	18,707	12,242	2,860	(d)	33,809
SBA servicing asset	3,967	-	-		3,967
Goodwill	7,016	519	24,428	(e)	31,963
Other intangible assets, net	15	189	14,071	(f)	14,275
Other assets	20,061	10,527	2,845	(g)	33,433
Total assets	<u>\$ 1,431,688</u>	<u>\$ 684,661</u>	<u>\$ 18,078</u>		<u>\$ 2,134,427</u>
Liabilities and Shareholders' Equity					
Deposits:					
Non interest-bearing	\$ 291,910	\$ 142,016	\$ -		\$ 433,926
Interest-bearing	902,369	437,252	(1,119)	(h)	1,338,502
Total deposits	<u>1,194,279</u>	<u>579,268</u>	<u>(1,119)</u>		<u>1,772,428</u>
FHLB advances	50,000	38,000	(282)	(i)	87,718
Subordinated debt	-	9,922	(800)	(j)	9,122
Lease obligations	11,187	-	-		11,187
Other liabilities	11,719	4,856	7,358	(k)	23,933
Total liabilities	<u>1,267,185</u>	<u>632,046</u>	<u>5,157</u>		<u>1,904,388</u>
Shareholders' equity					
Preferred stock	-	3,126	(3,126)	(l)	-
Common stock	14,710	40,668	(37,224)	(l), (m)	18,154
Additional paid-in capital	132,373	10,873	55,366	(l), (m)	198,612
Retained earnings	22,406	8,487	(12,634)	(c), (k), (l)	18,259
Accumulated other comprehensive loss	(4,986)	(10,539)	10,539	(l)	(4,986)
Total shareholders' equity	<u>164,503</u>	<u>52,615</u>	<u>12,921</u>		<u>230,039</u>
Total liabilities and shareholders' equity	<u>\$ 1,431,688</u>	<u>\$ 684,661</u>	<u>\$ 18,078</u>		<u>\$ 2,134,427</u>

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 2023

Community

(In thousands, except per share data)	Dogwood (As Reported)	First (As Reported)	Merger Pro Forma Adjustments	Note 2	Pro Forma Combined
Interest income					
Loans	\$ 59,618	\$ 28,207	\$ 8,884	(n)	\$ 96,709
Investment securities	3,405	2,398	2,261	(o)	8,064
Other	5,480	1,738	-		7,218
Total interest income	<u>68,503</u>	<u>32,343</u>	<u>11,145</u>		<u>111,991</u>
Interest expense					
Deposits	23,649	8,133	1,119	(p)	32,901
FHLB advances	1,831	1,405	141	(q)	3,377
Subordinated debt	-	553	400	(r)	953
Lease obligations	239	-	-		239
Total interest expense	<u>25,719</u>	<u>10,091</u>	<u>1,660</u>		<u>37,470</u>
Net interest income	42,784	22,252	9,485		74,521
Provision for credit losses	5,164	266	-		5,430
Net interest income after provision for credit losses	<u>37,620</u>	<u>21,986</u>	<u>9,485</u>		<u>69,091</u>
Non-interest income	<u>12,129</u>	<u>3,924</u>	<u>-</u>		<u>16,053</u>
Non-interest expense					
Compensation and benefits	24,139	11,273	-		35,412
Amortization of other intangible assets	111	56	2,537	(s)	2,704
Other	11,827	9,028	95	(t)	20,950
Total non-interest expense	<u>36,077</u>	<u>20,357</u>	<u>2,632</u>		<u>59,066</u>
Net income before income taxes	13,672	5,553	6,853		26,078
Income tax expense	3,024	1,473	1,439	(u)	5,936
Net income	<u>10,648</u>	<u>4,080</u>	<u>5,414</u>		<u>20,142</u>
Dividends on preferred stock	-	158	(158)	(v)	-
Net income available to common shareholders	<u>\$ 10,648</u>	<u>\$ 3,922</u>	<u>\$ 5,572</u>		<u>\$ 20,142</u>
Per Share Data:					
Earnings per share - basic	<u>\$ 0.75</u>	<u>\$ 0.71</u>			<u>\$ 1.14</u>
Earnings per share - diluted	<u>\$ 0.72</u>	<u>\$ 0.71</u>			<u>\$ 1.10</u>
Weighted average common shares - basic	14,152	5,515	(2,071)	(w)	17,596
Weighted average common shares - diluted	14,839	5,516	(2,072)	(w)	18,283

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 — Basis of Presentation

The unaudited pro forma condensed combined financial information and explanatory notes have been prepared to illustrate the effects of the merger under the acquisition method of accounting with Dogwood treated as the acquirer. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined entities. Under the acquisition method of accounting, the assets and liabilities of Community First, as of the effective time, will be recorded by Dogwood at their respective fair values and the excess of the merger consideration over the fair value of Community First's net assets will be allocated to goodwill.

The merger, which is currently expected to be completed in the second half of 2024, provides that Community First common shareholders will receive 0.5875 shares of Dogwood voting common stock for each share of Community First common stock and Community First preferred shareholders will receive 64.7719 shares of Dogwood voting common stock for each share of Community First preferred stock, implying a total transaction value of \$69.7 million, or \$11.75 per share, based on Dogwood's assumed value of \$20.00 per share.

Note 2 — Pro Forma Adjustments

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All adjustments are preliminary and are based on current valuations, estimates, and assumptions, which are subject to change. Subsequent to the completion of the merger, Dogwood will engage an independent third-party valuation firm to determine the fair value of the assets acquired and liabilities assumed, which could significantly change the amount of the estimated fair values used in the pro forma financial information presented.

- (a) Adjustment to reflect the cash paid to Community First stock option holders, which is based on a negotiated value of \$11.75 per share for shares of Community First common stock less the exercise price of the options.
- (b) Adjustments to Community First's outstanding loans held for investment, net of deferred fees and costs, reflect estimated fair value adjustments consisting of (i) adjustments for credit deterioration in the acquired loan portfolio, including adjustments on acquired loans that have not experienced more-than-insignificant deterioration in credit quality since origination, or non-purchase credit deteriorated ("PCD") loans, and adjustments on acquired loans that have experienced more-than-insignificant deterioration in credit quality since origination, or PCD loans, (ii) an interest rate mark based on current market interest rates and spreads including the consideration of liquidity concerns, and (iii) a gross up of PCD loans, each as reflected in the following table:

(Dollars in thousands)	December 31, 2023
Reversal of Community First's net deferred loan costs and prior acquisition adjustments	\$ (5,402)
Credit mark - acquired non-PCD loans	(3,425)
Credit mark - acquired PCD loans	(1,321)
Interest rate mark - acquired loans	(17,825)
Net fair value adjustments	(27,973)
Gross up of PCD loans	1,321
Cumulative pro forma adjustments to loans held for investment	<u>\$ (26,652)</u>

- (c) Adjustments to Community First’s allowance for credit losses (“ACL”) that consist of (i) an adjustment to reverse its existing ACL, as loans acquired in a business combination are recorded at fair value and the recorded ACL of the acquired company is not carried over, (ii) the credit mark on acquired PCD loans, which under the current expected credit losses (“CECL”) framework, is reflected as a gross up to both loans and ACL and is subject to change at closing of the merger, and (iii) an additional allowance for non-PCD loans under CECL of \$3.4 million with a deferred tax adjustment of \$719 thousand, resulting in a net impact to retained earnings of \$2.7 million, which will be recognized through the income statement of the combined company following the closing of the merger, each as reflected in the following table:

(Dollars in thousands)	December 31, 2023
Reversal of Community First’s existing ACL	\$ 6,077
Estimate of lifetime credit losses for PCD loans	(1,321)
CECL ACL for non-PCD loans	(3,425)
Cumulative pro forma adjustments to allowance for credit losses	<u>\$ 1,331</u>

- (d) Adjustment to reflect the estimated fair value of Community First’s premises and equipment.
- (e) Adjustment to eliminate Community First’s legacy goodwill of \$690 thousand and to record estimated goodwill of \$25.1 million related to the merger, based on the preliminary pro forma allocation of purchase price as shown in Note 3 below.
- (f) Adjustment to record an estimated core deposit intangible asset of \$14.3 million and to eliminate Community First’s legacy core deposit intangible asset of \$157 thousand. The core deposit intangible is expected to be amortized over 10 years using the sum-of-years digits method. The estimate of the core deposit intangible asset represents a 3.76% premium on Community First’s core deposits based on current market data for similar transactions.
- (g) Adjustment to record deferred federal income taxes to reflect the effects of the acquisition accounting adjustments based on Dogwood’s federal income statutory tax rate of 21%.
- (h) Adjustment to reflect the estimated fair value of Community First’s time deposits based on current market interest rates for similar instruments.
- (i) Adjustment to reflect the estimated fair value of Community First’s Federal Home Loan Bank of Atlanta (“FHLB”) advances based on current interest rates offered by the FHLB for similar term advances.
- (j) Adjustment to reflect the estimated fair value of Community First’s subordinated debt at current market rates and spreads for similar instruments.
- (k) Adjustment reflects estimated accrual of contractually obligated transaction costs related to the merger.
- (l) Adjustment to eliminate Community First’s shareholders’ equity and record the issuance of shares of Dogwood’s voting common stock on the conversion of all the outstanding shares of Community First preferred stock and common stock into shares of Dogwood’s common stock based on the applicable exchange ratios.
- (m) Adjustment to record the equity to be issued as merger consideration. The adjustment to additional paid-in capital represents the amount of equity consideration above the \$1.00 par value of Dogwood voting common stock issuable in the merger.

- (n) Adjustment represents estimated net discount accretion on acquired loans. The discount is expected to be accreted over five years using the sum-of-digits method.
- (o) Adjustment represents estimated net discount accretion on Community First's available for sale securities mark-to-market discount. The discount on such available for sale securities is expected to be accreted over six years using the straight-line method.
- (p) Adjustment represents estimated net discount accretion on Community First's time deposits. The discount on such time deposits is expected to be accreted over six months using the straight-line method.
- (q) Adjustment represents estimated net discount accretion on Community First's FHLB advances. The discount on such FHLB advances is expected to be accreted over two years using the sum-of-years digits method.
- (r) Adjustment represents estimated net discount accretion on Community First's subordinated debt to be assumed in the merger. The discount on such subordinated debt is expected to be accreted over two years using the straight-line method.
- (s) Adjustment represents amortization of the core deposit intangible asset, which is expected to be amortized over 10 years using the sum-of-years digits method. Adjustment also includes the elimination of amortization previously recorded by Community First in connection with a previous acquisition.
- (t) Adjustment represents the estimated premium amortization on Community First's premises. Such premium is expected to be amortized over 30 years using the straight-line method.
- (u) Adjustment to income tax expense to record the federal income tax effects of pro forma adjustments using a federal corporate income tax rate of 21%.
- (v) Adjustment to eliminate dividends paid on Community First preferred stock as all shares of Community First preferred stock will be converted into shares of Dogwood common stock in the merger.
- (w) Adjustments to weighted average basic and diluted shares to eliminate weighted average basic and diluted shares of Community First common stock outstanding and to record shares of Dogwood common stock to be issued in the merger, calculated using the applicable exchange ratio.

Note 3 — Preliminary Pro Forma Allocation of Purchase Price

The preliminary pro forma allocation of the purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Adjustments may include, but not be limited to, changes in (a) Community First's balance sheet and operating results through the effective time of the merger; (b) the aggregate value of merger consideration paid if the fair value of shares of Dogwood voting common stock varies from the assumed \$20.00 per share; (c) total merger-related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (d) the underlying values of assets and liabilities if market and credit conditions differ from current assumptions.

The pro forma adjustments include the estimated purchase accounting entries to record the merger transaction. The excess of the purchase price over the fair value of net assets acquired, net of deferred taxes, is allocated to goodwill. Estimated fair value adjustments included in the pro forma condensed combined financial information are based upon available information and certain assumptions considered reasonable, and may be revised as additional information becomes available.

The following table shows the preliminary pro forma allocation of the preliminary consideration paid in the merger for Community First's common stock and preferred stock, based on an assumed value of \$20.00 per share for Dogwood's voting common stock, to the acquired identifiable assets and liabilities assumed and the pro forma goodwill generated from the merger:

(Dollars in thousands)	December 31, 2023	
Purchase price:		
Total pro forma purchase price	\$	69,683
Fair value of assets acquired:		
Cash and cash equivalents	\$	40,980
Federal funds sold		3,682
Securities		94,507
Net loans held for investment		483,030
Bank-owned life insurance		16,284
Premises and equipment		15,102
Core deposit intangible		14,260
Other assets		12,269
Total assets		680,114
Fair value of liabilities assumed:		
Deposits		578,149
FHLB advances		37,718
Subordinated debt		9,122
Other liabilities		10,389
Total liabilities	\$	635,378
Net assets acquired	\$	44,736
Preliminary pro forma goodwill	\$	24,947
(Dollars in thousands, except per share data)	December 31, 2023	
Purchase price calculation:		
Community First shares of common stock outstanding	5,514,683	
Exchange ratio into shares of Dogwood voting common stock	0.5875	
Shares of Dogwood voting common stock issued for shares of Community First common stock	3,239,876	
Community First shares of preferred stock outstanding	3,150	
Exchange ratio into shares of Dogwood voting common stock	64.7719	
Shares of Dogwood voting common stock issued for shares of Community First preferred stock	204,031	
Total shares of Dogwood voting common stock issued		3,443,908
Per share fair value of Dogwood voting common stock	\$	20.00
Total fair value of shares of Dogwood voting common stock issued	\$	68,878
Cash paid to Community First stock option holders		805
Total pro forma purchase price	\$	69,683

Note 4 — Merger and Integration-Related Costs

Merger and integration-related costs are not included in the pro forma condensed combined statements of income since they will be recorded in the combined results of income as they are incurred prior to, or after completion of, the merger and are not indicative of what the historical results of the combined company would have been had the companies been actually combined during the periods presented.

COMPARATIVE HISTORICAL AND PRO FORMA UNAUDITED PER SHARE DATA

The following table shows per common share data regarding basic and diluted earnings, cash dividends and book value for (a) Dogwood on a historical basis, (b) Community First on a historical basis, (c) Dogwood and Community First on a pro forma combined basis and (d) Community First on a pro forma equivalent basis.

The following pro forma information has been derived from and should be read in conjunction with Dogwood’s and Community First’s respective audited consolidated financial statements as of and for the year ended December 31, 2023, which begin on pages F-1 and G-1, respectively. This information is presented for illustrative purposes only. You should not rely on the pro forma combined or pro forma equivalent amounts as they are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the combined company. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of restructuring and merger-related costs, or other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. The information below should be read in conjunction with the section entitled “Unaudited Pro Forma Condensed Combined Financial Statements.”

	<u>As of and for the year ended December 31, 2023</u>			
	Dogwood Historical	Community First Historical	Pro Forma Combined	Pro Forma Per Equivalent Community First Common Share⁽¹⁾
Earnings per common share, basic	\$ 0.75	\$ 0.71	\$ 1.14	\$ 0.67
Earnings per common share, diluted	0.72	0.71	1.10	0.65
Cash dividends per common share	—	—	—	—
Book value per common share	11.18	8.97	12.67	7.44

(1) Calculated based on pro forma combined multiplied by the exchange ratio of 0.5875.

RISK FACTORS

The merger, including the issuance of Dogwood's voting common stock and the other transactions contemplated by the merger agreement, involves significant risks. You should consider carefully the following risk factors in deciding how to vote on the proposals presented in this joint proxy statement/offering circular.

Risks Relating to the Merger

Because of the fixed exchange ratios and the fluctuation of the market price of Dogwood voting common stock, shareholders of Community First will not know at the time of the Community First special meeting the market value of the merger consideration to be paid by Dogwood to Community First shareholders, which will only be determined at the effective time of the merger.

In the merger, each share of Community First common stock will be converted into and exchanged for the right to receive 0.5875 shares of Dogwood's voting common stock and each share of Community First preferred stock will be converted into and exchanged for the right to receive 64.7719 shares of Dogwood's voting common stock. The value of such merger consideration will depend upon the price of Dogwood voting common stock at the effective time of the merger. These exchange ratios are fixed and will not be adjusted based upon changes in the market prices of Dogwood voting common stock or Community First stock prior to the effective time of the merger. The market prices of Dogwood voting common stock and Community First stock are likely to change between the date of this joint proxy statement/offering circular and the date the merger is completed, and they have changed since the date of the merger agreement. Such future variations in the price of Dogwood voting common stock may result from changes in Dogwood's business, operations or prospects, regulatory considerations, general market and economic conditions, and other factors. Many of these factors are beyond the control of Dogwood or Community First. As Dogwood's and Community First's market share prices fluctuate, the value of the shares of Dogwood voting common stock that a Community First shareholder will receive will correspondingly fluctuate. Accordingly, at the time of the Community First special meeting, shareholders of Community First will not know the exact value of the consideration to be paid by Dogwood when the merger is completed. We are working to complete the transaction promptly and expect to complete the merger in the second half of 2024. However, there is no way to predict how long it will take to satisfy the conditions to closing the merger and to complete the transaction. You should obtain current market quotations for shares of Dogwood voting common stock before you vote.

The market price of Dogwood common stock after the merger may be affected by factors different from those affecting the shares of Dogwood or Community First currently.

Upon completion of the merger, Community First shareholders are expected to own approximately 27% of the Dogwood's outstanding voting common stock, on a fully diluted basis. Dogwood's business differs in important respects from that of Community First, and, accordingly, the results of operations of the combined company and the market price of Dogwood voting common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of Dogwood and Community First. For a discussion of the businesses of Dogwood and Community First and of certain factors to consider in connection with those businesses, see "Information About Dogwood," "Dogwood's Management's Discussion and Analysis of Financial Condition and Results of Operations," "Information About Community First" and "Community First's Management's Discussion and Analysis of Financial Condition and Results of Operations."

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, Dogwood and Community First must obtain approvals from the FDIC, the NCCOB and the SCCOB. Other approvals, non-objections, waivers or consents from bank regulators may also be required. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger. See "The Merger—Regulatory Approvals."

The merger may distract management of Dogwood and Community First from their other responsibilities.

During the pendency of the merger, the respective management groups of Dogwood and Community First may need to focus their time and energies on matters related to the transaction that otherwise would be directed to their business and operations. Any such distraction on the part of either company's management could affect its ability to service existing business and develop new business and adversely affect the business and earnings of Dogwood or Community First before the merger, or the business and earnings of Dogwood after the merger.

Failure to complete the merger or a significant delay in the completion of the merger could negatively impact Dogwood or Community First.

If the merger is not completed for any reason, Dogwood's or Community First's business may be impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of Dogwood's or Community First's stock, or both, could decline to the extent that the current market prices reflect a market assumption that the merger will be completed. Furthermore, costs relating to the merger, such as legal, accounting and certain financial advisory fees, must be paid even if the merger is not completed. If the merger agreement is terminated under certain circumstances, Community First or Dogwood may be required to pay fees to the other. See "The Merger Agreement—Termination Fee."

Any of the foregoing, or other risks arising in connection with the failure of or a delay in completing the merger, including the constraints in the merger agreement on the ability to make significant changes to each company's ongoing business during the pendency of the merger, the incurrence of additional merger-related expenses, and other market and economic factors could have a material adverse effect on each company's business, financial condition and results of operations.

The fairness opinions received by Dogwood and Community First in connection with the merger have not been updated to reflect changes in circumstances since the date of each respective opinion, and likely will not be updated before completion of the merger.

The fairness opinions rendered by Piper Sandler, financial advisor to Dogwood, and D.A. Davidson, financial advisor to Community First, each dated January 31, 2024, were based upon information available as of such date. These opinions have not been updated to reflect changes that may occur or may have occurred after the date on which they were delivered, including changes to the operations and prospects of Dogwood or Community First, changes in general market and economic conditions, or other changes. Any such changes may alter the relative value of Dogwood or Community First or the prices of shares of Dogwood voting common stock or Community First common stock by the time the merger is completed. The opinions do not speak as of the date the merger will be completed or as of any date other than the date of such opinions. Neither Dogwood nor Community First anticipates asking its respective financial advisor to update its opinion prior to the time the merger is completed. For a description of the opinions that Dogwood and Community First received from their respective financial advisor, please see "The Merger—Opinion of Dogwood's Financial Advisor" and "The Merger—Opinion of Community First's Financial Advisor."

Community First's directors and executive officers have interests in the merger that differ from the interests of Community First's other shareholders.

Community First shareholders, in deciding how to vote on the merger proposal, should be aware that Community First's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of Community First shareholders generally. These interests exist because of, among other things: (i) the receipt by certain executive officers of Community First of lump sum cash payments in exchange for termination of their existing employment and change of control agreements with Community First; (ii) a new consulting agreement with Mr. Burlson following the effective time of the merger; (iii) the acceleration of vesting of stock options held by certain of Community First's executive officers and directors at the effective time of the merger; (iv) the appointment of certain directors of Community First to the board of directors of Dogwood; and (v) the agreement by Dogwood to indemnify the officers and directors of Community First against certain liabilities arising before the effective time of the merger and Dogwood's purchase of a six year "tail" prepaid policy for the

current officers and directors of Community First, subject to a cap on the cost of such policy equal to 250% of Community First's current annual premium.

These interests may cause directors and executive officers of Community First to view the merger proposal differently than other Community First shareholders view the proposal. See "The Merger—Interests of Certain Community First Directors and Executive Officers in the Merger."

The merger agreement limits the ability of Community First to pursue alternatives to the merger and might discourage competing offers for a higher price or premium.

The merger agreement contains "no-shop" provisions that, subject to certain exceptions, limit the ability of Community First to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Community First. In addition, under certain circumstances, if the merger agreement is terminated and Community First, subject to certain restrictions, enters into an agreement with respect to or consummates a business combination or similar transaction other than the merger within 12 months thereafter, Community First must pay to Dogwood a termination fee of approximately \$2.6 million. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant percentage of ownership of Community First from considering or proposing the acquisition even if it were prepared to pay consideration, with respect to Community First, with a higher per share market price than that proposed in the merger. See "The Merger Agreement—Termination Fee."

If the merger is not completed, Dogwood and Community First will have incurred substantial expenses without realizing the expected benefits of the merger.

Each of Dogwood and Community First has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this joint proxy statement/offering circular and all filing and other fees paid to the bank regulatory agencies in connection with the merger. If the merger is not completed, Dogwood and Community First would have to incur these expenses without realizing the expected benefits of the merger.

The shares of Dogwood voting common stock to be received by Community First shareholders as a result of the merger will have different rights than shares of Community First common or preferred stock.

Upon completion of the merger, Community First shareholders will become Dogwood shareholders and their rights as shareholders will be governed by the Dogwood articles of incorporation and bylaws and North Carolina law. The rights associated with Community First common and preferred stock are different from the rights associated with Dogwood voting common stock. See "Comparative Rights of Shareholders" for a discussion of the different rights associated with Dogwood voting common stock.

Litigation against Dogwood or Community First, or the members of the boards of directors of Community First or Dogwood, could prevent or delay the completion of the merger.

Purported shareholder plaintiffs may assert legal claims related to the merger. The results of any such potential legal proceeding would be difficult to predict, and such legal proceedings could delay or prevent the merger from being completed in a timely manner. The existence of litigation related to the merger could affect the likelihood of obtaining the required approval from Community First shareholders. Moreover, any litigation could be time consuming and expensive and could divert attention of Dogwood's and Community First's respective management teams away from their company's regular business. Any lawsuit adversely resolved against Dogwood, Community First or members of their respective boards of directors could have a material adverse effect on each party's business, financial condition and results of operations.

Risks Relating to Combined Operations Following the Merger

Combining Dogwood and Community First may be more difficult, costly or time-consuming than we expect.

The success of the merger will depend, in part, on Dogwood's ability to realize the anticipated benefits and cost savings from combining the businesses of Dogwood and Community First and to combine the businesses of Dogwood and Community First in a manner that permits growth opportunities and cost savings to be realized without materially disrupting the existing customer relationships of Dogwood or Community First or decreasing revenues due to loss of customers. However, to realize these anticipated benefits and cost savings, Dogwood must successfully integrate the business of Community First into Dogwood. If Dogwood is not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully, or at all, or may take longer to realize than expected.

Dogwood and Community First have operated, and, until the completion of the merger, will continue to operate, independently. The success of the merger will depend, in part, on Dogwood's ability to successfully integrate the business of Community First into Dogwood. The integration process in the merger could result in the loss of key employees, the disruption of each party's ongoing business, and inconsistencies in standards, controls, procedures and policies that affect adversely either party's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the merger. The loss of key employees could adversely affect Dogwood's ability to successfully conduct its business after the merger, which could have an adverse effect on Dogwood's financial results and the value of its common stock. If Dogwood experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized, fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be disruptions that cause Dogwood and Community First to lose customers or cause customers to withdraw their deposits from Dogwood's or Community First's banking operations, or other unintended consequences that could have a material adverse effect on Dogwood's results of operations or financial condition after the merger. These integration matters could have an adverse effect on each of Dogwood and Community First during this transition period and for an undetermined period after consummation of the merger.

Dogwood may not be able to effectively integrate the operations of Community First Bank into Dogwood.

The future operating performance of Dogwood will depend, in part, on the success of the merger. The success of the merger will, in turn, depend on a number of factors, including Dogwood's ability to: (i) integrate the operations of Community First Bank into Dogwood; (ii) retain the deposits and customers of Community First Bank; (iii) control the incremental increase in non-interest expense arising from the merger in a manner that enables the combined company to improve its overall operating efficiencies; and (iv) retain and integrate the appropriate personnel of Community First Bank into the operations of Dogwood, as well as reducing overlapping bank personnel. The integration of Community First Bank and Dogwood following the merger will require the dedication of the time and resources of the banks' managements and may temporarily distract managements' attention from the day-to-day business of the banks. If Dogwood is unable to successfully integrate Community First Bank, Dogwood may not be able to realize expected operating efficiencies and eliminate redundant costs.

Dogwood may have difficulty managing future growth and competition in the western North Carolina market due to its previous limited operations in that market.

Dogwood currently provides banking services through branch offices throughout its primary market area in North Carolina. Community First's primary market area consists of Upstate South Carolina, western North Carolina and eastern Tennessee. The banking business in Community First's current markets is competitive, and the level of competition may increase further. After the merger is complete, there can be no assurance that Dogwood will be able to successfully compete in this competitive market, or that it will be able to successfully manage additional growth in these markets. Because of Dogwood's limited participation in Upstate South Carolina, western North Carolina or eastern Tennessee prior to the merger with Community First, there may be unexpected challenges and difficulties that could adversely affect Dogwood's operations.

Current holders of Community First common stock will have less influence as holders of Dogwood common stock after the merger.

It is expected that the current holders of Dogwood voting common stock will own approximately 73% of the outstanding voting common stock of Dogwood, on a fully diluted basis, after the merger. As a group, the current holders of common stock and preferred stock of Community First will own approximately 27% of the outstanding voting common stock of Dogwood, on a fully diluted basis, after the merger. Each current holder of Community First common stock will own a smaller percentage of Dogwood after the merger than such holder currently owns of Community First. As a result of the merger, holders of Community First common stock will have less influence on the management and policies of Dogwood than they currently have on the management and policies of Community First.

Risks Related to Dogwood's Business

An investment in Dogwood's voting common stock involves certain risks, including those described below. If any of the events described in the following risk factors actually occur, or if additional risks and uncertainties not presently known to Dogwood or that Dogwood currently deems immaterial, materialize, then Dogwood's business, results of operations and financial condition could be materially adversely affected. The risks discussed below include forward-looking statements, and Dogwood's actual results may differ substantially from those discussed in these forward-looking statements.

Failure to effectively manage Dogwood's interest rate risk could adversely affect it.

Dogwood's results of operations and cash flows are highly dependent upon its net interest income. Interest rates are sensitive to economic and market conditions that are beyond Dogwood's control, including the actions of the Federal Reserve's Federal Open Market Committee ("FOMC"). Changes in monetary policy could influence interest income, interest expense, and the fair value of Dogwood's financial assets and liabilities. If changes in interest rates on Dogwood's interest-earning assets are lesser than changes in interest rates on Dogwood's interest-bearing liabilities, Dogwood's net interest income and, therefore, Dogwood's net income, could be adversely impacted.

As interest rates rise, Dogwood's interest expense will increase and Dogwood's net interest margins may decrease, negatively impacting Dogwood's performance and Dogwood's financial condition. If market interest rates rise or Dogwood's competitors raise the rates they pay on deposits, Dogwood's funding costs may increase, either because it raises its rates to avoid losing deposits or because it must rely on more expensive sources of funding. Dogwood's deposit base also could be reduced if it is unwilling to pay those higher rates. Additionally, higher interest rates may impact Dogwood's ability to originate new loans. Increases in interest rates could adversely affect the ability of Dogwood's borrowers to meet higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and net charge-offs.

The forecasts of future net interest income by Dogwood's interest rate risk monitoring systems are estimates and may be inaccurate. Actual interest rate movements may differ from Dogwood's forecasts, and unexpected actions by the FOMC may have a direct impact on market interest rates. In response to the economic conditions resulting from the outbreak of the COVID-19 pandemic, the FOMC's target federal funds rate was reduced nearly to 0%. That and stimulus payments related to the COVID-19 pandemic made by the federal government to businesses, non-profit organizations, individual taxpayers and others have had the incidental effect of adding to inflationary pressures. In an effort to counteract such pressures, the FOMC increased the target federal funds rate by 425 basis points during 2022 to a range of 425 to 450 basis points as of December 31, 2022 and by another 100 basis points during 2023 to a range of 525 to 550 basis points at December 31, 2023. The increased interest rates have increased the cost of deposits and Dogwood's other funding sources, and may continue to increase costs, dependent on the FOMC's future actions.

Inflation can have an adverse impact on Dogwood's business and on Dogwood's customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. In the past several years, there have been market indicators of a pronounced rise in inflation and the FOMC has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of Dogwood's investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services Dogwood uses in its business operations, such as electricity and other utilities, which increases Dogwood's non-interest expenses. Furthermore, Dogwood's customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with it.

Dogwood's decisions regarding credit risk and reserves for loan losses may materially and adversely affect Dogwood's business.

Making loans and other extensions of credit is an essential element of Dogwood's business. Although Dogwood seeks to mitigate risks inherent in lending by adhering to specific underwriting practices, Dogwood's loans and other extensions of credit may not be repaid. The risk of nonpayment is affected by a number of factors, including:

- the duration of the credit;
- credit risks of a particular customer;
- changes in economic and industry conditions; and
- in the case of a collateralized loan, risks resulting from uncertainties about the future value of the collateral.

Dogwood evaluates the collectability of Dogwood's loan portfolio and maintains an allowance for credit losses that represents management's judgment of probable losses and risks inherent in Dogwood's loan portfolio that it believes to be adequate based on a variety of factors including but not limited to:

- an ongoing review of the quality, mix, and size of Dogwood's overall loan portfolio;
- the risk characteristics of various classifications of loans;
- Dogwood's historical loan loss experience;
- evaluation of economic conditions;
- regular reviews of loan delinquencies and loan portfolio quality;
- the views of Dogwood's regulators;
- geographic and industry loan concentrations; and
- the amount and quality of collateral, including guarantees, securing the loans.

There is no precise method of predicting credit losses; therefore, Dogwood faces the risk that charge-offs in future periods will exceed its allowance for credit losses and that additional increases in the allowance for credit losses will be required. Additions to the allowance for credit losses would result in a decrease of Dogwood's net income, and possibly Dogwood's capital. Dogwood's provision for credit losses was \$5.2 million in the year ended December 31, 2023 compared to \$2.7 million in 2022. Dogwood expects economic uncertainty to continue through 2024 and possibly beyond, which may result in a significant increase to Dogwood's allowance for credit losses in future periods.

In addition, Dogwood's regulators, as an integral part of their periodic examinations, review Dogwood's methodology for calculating, and the adequacy of, Dogwood's allowance and provision for credit losses. Although Dogwood believes that the methodology used by it to determine the amount of both the allowance for credit losses and provision is effective, the regulators or Dogwood's independent auditor may conclude that changes are necessary based on information available to them at the time of their review, which could impact Dogwood's overall credit portfolio. Such changes could result in, among other things, modifications to Dogwood's methodology for determining Dogwood's allowance or provision for credit losses or models, reclassification or downgrades of Dogwood's loans, increases in Dogwood's allowance for credit losses or other credit costs, imposition of new or more stringent concentration limits, restrictions in Dogwood's lending activities and/or recognition of further losses. Further, if actual charge-offs in future periods exceed the amounts allocated to the allowance for credit losses, Dogwood may need additional provisions for loan losses to restore the adequacy of its allowance for credit losses.

Dogwood may have higher loan losses than it has allowed for in its allowance for credit losses.

Dogwood's actual loan losses could exceed its allowance for credit losses. As of December 31, 2023, approximately 12% of Dogwood's loan portfolio held for investment is composed of construction and land loans, 56% of commercial real estate loans (23% owner occupied and 33% non-owner occupied) and 17% of commercial and industrial loans. Repayment of such loans is generally considered more subject to market risk than residential mortgage loans. Industry experience shows that a portion of loans will become delinquent and a portion of loans will require partial or entire charge-off. Regardless of the underwriting criteria utilized, losses may be experienced as a result of various factors beyond Dogwood's control, including among other things, changes in market conditions affecting the value of loan collateral and problems affecting the credit of Dogwood's borrowers.

Dogwood is exposed to higher credit risk related to its commercial real estate, commercial and industrial, and real estate construction and land development lending.

Commercial real estate, commercial and industrial, and real estate construction and land development lending usually involves higher credit risks than that of single-family residential lending. As of December 31, 2023, the following loan types accounted for the stated percentages of Dogwood's total loan portfolio: commercial real estate (owner and non-owner occupied)—56%, commercial and industrial—17%, and real estate construction and land development lending—12%.

Commercial real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or the economy because commercial real estate borrowers' ability to repay their loans depends in some cases on successful development of their properties, as well as the factors affecting residential real estate borrowers. These loans may involve greater risk because they generally are not fully amortizing over the loan period, but have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or sell the underlying property in a timely manner.

Commercial loans are typically based on the borrowers' ability to repay the loans from the cash flow of their businesses, which may be unpredictable, and the collateral securing these loans may fluctuate in value. Dogwood's commercial loans are typically made to small- to medium-sized businesses, which often have shorter operating histories and less sophisticated record keeping systems than larger entities. As a result, these smaller entities may be less able to withstand adverse competitive, economic, and financial conditions than larger borrowers. Although such loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment because accounts receivable may be uncollectible, and inventories may be obsolete or of limited use. In addition, business assets may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. Accordingly, the repayment of commercial business loans depends primarily on the cash flow and credit worthiness of the borrower and secondarily on the underlying collateral value provided by the borrower and liquidity of the guarantor.

Risk of loss on construction and land development loans depends largely upon whether Dogwood's initial estimate of the property's value at completion of construction exceeds the cost of the property construction (including interest) and the availability of permanent take-out financing. During the construction phase, a number of factors can result in delays and cost overruns. If estimates of value are inaccurate or if actual construction costs exceed estimates, the value of the property securing the loan may be insufficient to ensure full repayment when completed through a permanent loan or by seizure of collateral. Deterioration in demand could result in significant decreases in the underlying collateral values and make repayment of the outstanding loans more difficult for Dogwood's customers.

Commercial real estate, commercial and industrial, and real estate construction and land development loans are more susceptible to a risk of loss during a downturn in the business cycle. Dogwood's underwriting, review, and monitoring cannot eliminate all of the risks related to these loans.

If Dogwood fails to effectively manage credit risk, its business and financial condition will suffer.

Dogwood must effectively manage credit risk. There are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. There is no assurance that Dogwood's credit risk monitoring and loan approval procedures are or will be adequate or will reduce the inherent risks associated with lending.

Dogwood's risk management practices, such as monitoring the concentration of Dogwood's loans within specific industries and Dogwood's credit approval, review and administrative practices, may not adequately reduce credit risk, and Dogwood's credit administration personnel, policies, and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of Dogwood's loan portfolio. Many of Dogwood's loans are made to small and medium-sized businesses that are less able to withstand competitive, economic, and financial pressures than larger borrowers. Consequently, Dogwood may have significant exposure if any of these borrowers becomes unable to pay their loan obligations as a result of economic or market conditions, or personal circumstances. In addition, Dogwood is a middle-market lender, as such, the relative size of individual credits in Dogwood's commercial portfolio increases the potential impact from singular credit events. A failure to effectively measure and limit the credit risk associated with Dogwood's loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that Dogwood significantly increase its allowance for credit losses, each of which could adversely affect its net income. As a result, Dogwood's inability to successfully manage credit risk could have a material adverse effect on its business, financial condition, and results of operations.

Small Business Administration ("SBA") lending and other government guaranteed lending is an important part of Dogwood's business.

SBA and other government lending programs are dependent upon the federal government, and Dogwood faces specific risks associated with originating SBA and other government guaranteed loans. As an SBA Preferred Lender, Dogwood enables its clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's Preferred Lender status. If Dogwood loses its status as a Preferred Lender, it may lose some or all of its customers to lenders who are SBA Preferred Lenders, and as a result Dogwood could experience a material adverse effect to its financial results. Any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, may also have a material adverse effect on Dogwood's business.

Dogwood sells the guaranteed portion of some of its SBA 7(a) loans in the secondary market. These sales have resulted in premium income for it at the time of sale and created a stream of future servicing income. Dogwood may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if Dogwood is able to continue originating and selling SBA 7(a) loans in the secondary market, Dogwood

might not continue to realize the same level of premiums upon the sale of the guaranteed portion of these loans. Although Dogwood sells the guaranteed portion of its SBA 7(a) loans, it retains credit risk on the nonguaranteed portion of the loans, and if a customer defaults on the loan, Dogwood shares any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by Dogwood, the SBA may seek recovery of the principal loss related to the deficiency from Dogwood, which could materially adversely affect Dogwood's business, results of operations and financial condition.

In addition, Dogwood has purchased loans from another financial institution made through the Rural Energy for America Program ("REAP") of the United States Department of Agriculture ("USDA"), which provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy-efficient improvements, and through other USDA guaranteed lending programs. As of December 31, 2023, Dogwood had \$22.2 million of unguaranteed USDA REAP loans in its loan portfolio.

Imposition of limits by the bank regulators on commercial and multi-family real estate lending activities could curtail Dogwood's growth and adversely affect Dogwood's earnings.

In 2006, the FDIC, the Federal Reserve, and the Office of the Comptroller of the Currency issued joint guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "CRE Guidance"). Although the CRE Guidance does not establish specific lending limits, it provides that a bank's commercial real estate lending exposure could receive increased supervisory scrutiny where (i) total non-owner-occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300% or more of an institution's total risk-based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months, or (ii) construction and land development loans exceed 100% of an institution's total risk-based capital. Dogwood's total non-owner-occupied commercial real estate loans represented approximately 288% of Dogwood's total risk-based capital at December 31, 2023, and Dogwood's construction and land development loans represented approximately 78% of Dogwood's total risk-based capital at December 31, 2023.

In December 2015, the regulatory agencies released a new statement on prudent risk management for commercial real estate lending (the "2015 Statement"). In the 2015 Statement, the regulatory agencies, among other things, indicated their intent to continue "to pay special attention" to commercial real estate lending activities and concentrations going forward. If the FDIC, Dogwood's primary federal regulator, were to impose restrictions on the amount of commercial real estate loans Dogwood can hold in its portfolio, for reasons noted above or otherwise, Dogwood's earnings would be adversely affected.

Higher FDIC deposit insurance premiums and assessments could adversely affect Dogwood's financial condition.

Dogwood's deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC-insured institution, Dogwood is required to pay quarterly deposit insurance premium assessments to the FDIC. Although Dogwood cannot predict what the insurance assessment rates will be in the future, either deterioration in Dogwood's risk-based capital ratios or adjustments to the base assessment rates could have a material adverse impact on Dogwood's business, financial condition, results of operations, and cash flows.

Our use of third-party vendors and Dogwood's other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

Dogwood regularly uses third-party vendors as part of its business. Dogwood also has substantial ongoing business relationships with other third parties. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by Dogwood's federal bank regulators. Recent regulatory guidance requires it to enhance Dogwood's due diligence, ongoing monitoring and control over Dogwood's third-party vendors and other ongoing third-party business relationships. Dogwood expects that its regulators will hold it responsible for deficiencies in its oversight and control of its third-party relationships and in the performance of the

parties with which Dogwood has these relationships. As a result, if Dogwood's regulators conclude that it has not exercised adequate oversight and control over its third-party vendors or other ongoing third-party business relationships or that such third parties have not performed appropriately, Dogwood could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect its business, financial condition or results of operations.

Dogwood is subject to extensive regulation that could restrict its activities, have an adverse impact on its operations, and impose financial requirements or limitations on the conduct of its business.

Dogwood operates in a highly regulated industry and is subject to examination, supervision, and comprehensive regulation by various regulatory agencies. Dogwood is subject to extensive regulation, supervision, and examination by its primary federal regulator, the FDIC, the regulating authority that insures customer deposits. Regulation by these agencies is intended primarily for the protection of Dogwood's depositors and the deposit insurance fund and not for the benefit of Dogwood's shareholders. Dogwood's activities are also regulated under consumer protection laws applicable to its lending, deposit, and other activities. A sufficient claim against Dogwood under these laws could have a material adverse effect on Dogwood's results of operations.

Further, changes in laws, regulations and regulatory practices affecting the financial services industry could subject Dogwood to increased capital, liquidity, and risk management requirements, create additional costs, limit the types of financial services and products it may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could also result in heightened regulatory scrutiny and in sanctions by regulatory agencies (such as a memorandum of understanding, a written supervisory agreement or a cease-and-desist order), civil money penalties, and/or reputation damage. Any of these consequences could restrict Dogwood's ability to expand its business or could require Dogwood to raise additional capital or sell assets on terms that are not advantageous to Dogwood or its shareholders and could have a material adverse effect on its business, financial condition, and results of operations. While Dogwood has policies and procedures designed to prevent any such violations, such violations may occur despite Dogwood's best efforts.

The financial services industry may be subject to new legislation, regulation, and governmental policy.

Dogwood is subject to extensive regulation and supervision that govern almost all aspects of its operations. These laws and regulations, and regulatory actions implementing such law and regulations, among other matters, prescribe minimum capital requirements, impose limitations on Dogwood's business activities, limit the dividends or distributions that it can pay, restrict Dogwood's ability to guarantee its debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in its capital than GAAP. Compliance with laws and regulations, and regulatory actions implementing such law and regulations, can be difficult and costly, and changes to laws and regulations often impose additional compliance costs.

In addition, federal regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are interpreted and applied following a change in administrations. Certain aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of Dogwood's business activities, require more oversight or change certain of Dogwood's business practices, including the ability to offer products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose it to additional costs, including increased compliance costs. These changes also may require Dogwood to invest significant management attention and resources to make any necessary changes to operations to comply and could have a material adverse effect on Dogwood's business, financial condition, and results of operations.

Dogwood is subject to strict capital requirements, which could be amended to be more stringent in the future.

Dogwood is subject to regulatory requirements specifying minimum amounts and types of capital that it must maintain and an additional capital conservation buffer. From time to time, the regulators change these

regulatory capital adequacy guidelines. If Dogwood fails to meet these capital guidelines and other regulatory requirements, Dogwood may be restricted in the types of activities it may conduct and it may be prohibited from taking certain capital actions, such as paying dividends, repurchasing or redeeming capital securities, and paying certain bonuses.

In particular, the capital requirements applicable to Dogwood under the Basel III rules became fully phased-in on January 1, 2019. Dogwood is now required to satisfy additional, more stringent, capital adequacy standards than it had in the past. Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on Dogwood's financial condition and results of operations. In addition, these requirements could have a negative impact on Dogwood's ability to lend, grow deposit balances, make acquisitions, make capital distributions in the form of dividends, or share repurchases, or pay certain bonuses needed to attract and retain key personnel. Higher capital levels could also lower Dogwood's return on equity.

Federal, state and local consumer lending laws restrict Dogwood's ability to originate certain mortgage loans and increase Dogwood's risk of liability with respect to such loans and increase Dogwood's cost of doing business.

Federal, state, and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans, and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. The Consumer Financial Protection Bureau ("CFPB"), has issued several rules on mortgage lending, notably a rule requiring all home mortgage lenders to determine a borrower's ability to repay the loan. Loans with certain terms and conditions and that otherwise meet the definition of a "qualified mortgage" may be protected from liability to a borrower for failing to make the necessary determinations. In response to these laws and related CFPB rules, Dogwood has tightened, and in the future may further tighten, its mortgage loan underwriting standards to determine borrowers' ability to repay. Although it is Dogwood's policy not to make predatory loans and to determine borrowers' ability to repay, these laws and related rules create the potential for increased liability with respect to Dogwood's lending and loan investment activities. They increase Dogwood's cost of doing business and, ultimately, may prevent it from making certain loans and cause it to reduce the average percentage rate or the points and fees on loans that Dogwood does make.

Dogwood is subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice, CFPB, and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to Dogwood's performance under the fair lending laws and regulations could adversely impact Dogwood's rating under the Community Reinvestment Act and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact Dogwood's reputation, business, financial condition and results of operations.

New accounting standards could have a material adverse effect on Dogwood's financial condition and results of operations.

The authorities that promulgate accounting standards, including the Financial Accounting Standards Board ("FASB") and other regulatory authorities, periodically change the financial accounting and reporting standards that govern the preparation of Dogwood's consolidated financial statements. These changes are difficult to predict and can materially impact how Dogwood records and reports its financial condition and results of operations. In some cases, Dogwood could be required to apply a new or revised standard retroactively, resulting in the restatement of financial statements for prior periods. Such changes could also require Dogwood to incur additional personnel or technology costs. For example, effective January 1, 2023, Dogwood adopted a new credit impairment model, the

CECL model. The prior “incurred loss” approach was replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. As a result, Dogwood has incurred additional expenses to support both the adoption and the subsequent accounting and financial reporting requirements of CECL. For more information regarding recent accounting pronouncements and their effects on Dogwood, including CECL, see “Recent Accounting Pronouncements” in Note 2 of Dogwood’s audited financial statements as of and for the year ended December 31, 2023 included elsewhere in this joint proxy statement/offering circular.

Failure to comply with government regulation and supervision could result in sanctions by regulatory agencies, civil money penalties, and damage to Dogwood’s reputation.

Dogwood’s operations are subject to extensive regulation by federal, state, and local governmental authorities. With any disruption in the financial markets, Dogwood expects that the government will pass new regulations and laws that will impact it. Compliance with such regulations may increase Dogwood’s costs and limit its ability to pursue business opportunities. Failure to comply with laws, regulations, and policies could result in sanctions by regulatory agencies, civil money penalties, and damage to Dogwood’s reputation. While Dogwood has policies and procedures in place that are designed to prevent violations of these laws, regulations, and policies, there can be no assurance that such violations will not occur.

Dogwood faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the USA Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. Federal and state bank regulators also have begun to focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If Dogwood’s policies, procedures, and systems are deemed deficient or the policies, procedures, and systems of the financial institutions that Dogwood has already acquired or may acquire in the future are deficient, Dogwood would be subject to liability, including fines and regulatory actions such as restrictions on its ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of its business plan, including Dogwood’s acquisition plans, which would negatively affect Dogwood’s business, financial condition, and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for Dogwood.

Environmental liability associated with commercial lending could result in losses.

In the course of business, Dogwood may acquire, through foreclosure, or deed in lieu of foreclosure, properties securing loans it has originated or purchased which are in default. Particularly in commercial real estate lending, there is a risk that hazardous substances could be discovered on these properties. In this event, Dogwood may be required to remove these substances from the affected properties at Dogwood’s sole cost and expense. The cost of this removal could substantially exceed the value of affected properties. Dogwood may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on Dogwood’s business, results of operations and financial condition.

From time to time Dogwood is, or may become, involved in suits, legal proceedings, information-gatherings, investigations, and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.

Many aspects of the banking business involve a substantial risk of legal liability. From time to time, Dogwood is, or may become, the subject of information-gathering requests, reviews, investigations, and proceedings, and other forms of regulatory inquiry, including by bank regulatory agencies, self-regulatory agencies, and law enforcement authorities. The results of such proceedings could lead to significant civil or criminal penalties, including monetary penalties, damages, adverse judgements, settlements, fines, injunctions, restrictions on the way Dogwood conducts its business, or reputational harm.

Liquidity needs could adversely affect Dogwood's financial condition and results of operations.

The primary sources of funds for Dogwood are client deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends, or events affecting business industry groups, reductions in real estate values or markets, business closings, or lay-offs, inclement weather, natural disasters, and international instability.

Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to customers on alternative investments, and general economic conditions. As customers manage their own liquidity stress, Dogwood could experience a decrease in deposits and a resulting increase in the utilization of existing lines of credit. Dogwood may also see deposit levels decrease as a result of distressed economic conditions. Accordingly, Dogwood may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include proceeds from FHLB advances, sales of investment securities and loans, and federal funds lines of credit from correspondent banks, as well as out-of-market deposits. While Dogwood believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if Dogwood continues to grow and experience increasing loan demand. Dogwood may be required to slow or discontinue loan growth, capital expenditures, or other investments or liquidate assets should such sources not be adequate.

New or acquired banking office facilities and other facilities may not be profitable.

Although Dogwood has been able to expand to several new locations in recent years, it may not be able to identify profitable locations for new banking offices. The costs to start up new banking offices or to acquire existing branches, and the additional costs to operate these facilities, may increase Dogwood's non-interest expense and decrease Dogwood's earnings in the short term. If branches of other banks become available for sale, Dogwood may acquire those offices. It may be difficult to adequately and profitably manage Dogwood's growth through the establishment or purchase of additional banking offices, and Dogwood can provide no assurance that any such banking offices will successfully attract enough deposits to offset the expenses of their operation. In addition, any new or acquired banking offices will be subject to regulatory approval, and there can be no assurance that Dogwood will succeed in securing such approval.

Dogwood is dependent on key individuals, and the loss of one or more of these key individuals could curtail its growth and adversely affect its prospects.

Members of Dogwood's executive management team, including Scott Custer, its executive chairman, and Steve Jones, its chief executive officer, have extensive and long-standing ties within Dogwood's primary market area and substantial experience with Dogwood's operations, and they have contributed significantly to Dogwood's business. If Dogwood loses the services of Messrs. Custer or Jones, they would be difficult to replace, and Dogwood's business and development could be materially and adversely affected.

Dogwood's success also depends, in part, on Dogwood's continued ability to attract and retain experienced bankers, as well as other management personnel. Competition for personnel is intense, and Dogwood may not be

successful in attracting or retaining qualified personnel. Dogwood's failure to compete for these personnel, or the loss of the services of several of such key personnel, could adversely affect Dogwood's business strategy and seriously harm Dogwood's business, results of operations, and financial condition.

Dogwood's historical operating results may not be indicative of Dogwood's future operating results.

Dogwood may not be able to sustain its historical rate of growth, and, consequently, its historical results of operations will not necessarily be indicative of its future operations. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, may also impede Dogwood's ability to expand its market presence. If Dogwood experiences a significant decrease in its historical rate of growth, its results of operations and financial condition may be adversely affected because a high percentage of Dogwood's operating costs are fixed expenses.

New lines of business or new products and services may subject Dogwood to additional risk.

From time to time, Dogwood may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, Dogwood may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of Dogwood's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on Dogwood's business, financial condition and results of operations.

Dogwood is subject to losses due to errors, omissions, or fraudulent behavior by its employees, clients, counterparties, or other third parties.

Dogwood is exposed to many types of operational risk, including the risk of fraud by employees and third parties, clerical recordkeeping errors, and transactional errors. Dogwood's business is dependent on its employees as well as third-party service providers to process a large number of increasingly complex transactions.

Dogwood could be materially and adversely affected if employees, clients, counterparties, or other third parties cause an operational breakdown or failure, either as a result of human error, fraudulent manipulation, or purposeful damage to any of Dogwood's operations or systems.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, Dogwood may rely on information furnished to it by or on behalf of clients and counterparties, including financial statements and other financial information, which Dogwood does not independently verify. Dogwood also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, Dogwood may assume that a customer's audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations, and cash flows of the customer. Dogwood's earnings are significantly affected by its ability to properly originate, underwrite, and service loans. Dogwood's financial condition and results of operations could be negatively impacted to the extent it incorrectly assesses the creditworthiness of its borrowers, fails to detect or respond to deterioration in asset quality in a timely manner, or relies on financial statements that do not comply with GAAP or are materially misleading.

A failure in or breach of Dogwood's operational or security systems or infrastructure, or those of Dogwood's third-party vendors and other service providers or other third parties, including as a result of cyber-attacks, could disrupt Dogwood's businesses, result in the disclosure or misuse of confidential or proprietary information, damage Dogwood's reputation, increase Dogwood's costs, and cause losses.

Dogwood relies heavily on communications and information systems to conduct its business. Information security risks for financial institutions such as Dogwood's have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, and terrorists, activists, and other external parties. As customer, public, and regulatory expectations regarding operational and information security have increased, Dogwood's operating systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Dogwood's business, financial, accounting, and data processing systems, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond Dogwood's control. For example, there could be electrical or telecommunication outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and as described below, cyber-attacks.

As noted above, Dogwood's business relies on Dogwood's digital technologies, computer and email systems, software and networks to conduct its operations. Although Dogwood has information security procedures and controls in place, Dogwood's technologies, systems, networks, and Dogwood's customers' devices may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of Dogwood's or Dogwood's customers' or other third parties' confidential information. Third parties with whom Dogwood does business or that facilitate Dogwood's business activities, including financial intermediaries, or vendors that provide service or security solutions for Dogwood's operations, and other unaffiliated third parties, could also be sources of operational and information security risk to Dogwood, including from breakdowns or failures of their own systems or capacity constraints.

While Dogwood has disaster recovery and other policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of Dogwood's information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Dogwood's risk and exposure to these matters remains heightened because of the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of Dogwood's controls, processes, and practices designed to protect Dogwood's systems, computers, software, data, and networks from attack, damage or unauthorized access remain a focus for Dogwood. As threats continue to evolve, Dogwood may be required to expend additional resources to continue to modify or enhance Dogwood's protective measures or to investigate and remediate information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support Dogwood's businesses and clients, or cyber-attacks or security breaches of the networks, systems or devices that Dogwood's clients use to access Dogwood's products and services could result in client attrition, regulatory fines, penalties, or intervention, reputation damage, reimbursement, or other compensation costs, and/or additional compliance costs, any of which could have a material effect on Dogwood's results of operations or financial condition.

Dogwood could experience a loss due to competition with other financial institutions or nonbank companies.

Dogwood faces substantial competition in all areas of its operations from a variety of different competitors, both within and beyond its principal markets, many of which are larger and may have more financial resources. Such competitors primarily include national, regional, community, and internet banks within the various markets in which it operates. Dogwood also faces competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative and regulatory changes and continued consolidation. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to offer products and services in more areas in which they do not have a physical location and for nonbanks, such as

financial technology, or “FinTech,” companies, to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Banks, securities firms, and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and merchant banking. Many of Dogwood’s competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than Dogwood can.

Dogwood’s ability to compete successfully depends on a number of factors, including, among other things:

- its ability to develop, maintain, and build upon long-term customer relationships based on top quality service, high ethical standards, and safe, sound assets;
- its ability to expand Dogwood’s market position;
- the scope, relevance, and pricing of the products and services it offers to meet its customers’ needs and demands;
- the rate at which it introduce new products and services relative to its competitors;
- customer satisfaction with Dogwood’s level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken Dogwood’s competitive position, which could adversely affect its growth and profitability, which, in turn, could have a material adverse effect on its business, financial condition and results of operations.

Dogwood may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. Dogwood has exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose Dogwood to credit risk in the event of a default by a counterparty or client. In addition, Dogwood’s credit risk may be exacerbated when the collateral held by Dogwood cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to Dogwood. Any such losses could have a material adverse effect on Dogwood’s financial condition and results of operations.

In addition, downgrades in the credit or financial strength ratings assigned to the counterparties with whom Dogwood transacts could create the perception that Dogwood’s financial condition will be adversely impacted as a result of potential future defaults by such counterparties. Additionally, Dogwood could be adversely affected by a general, negative perception of financial institutions caused by the downgrade of other financial institutions. Accordingly, ratings downgrades for other financial institutions could affect the market price of Dogwood’s stock and could limit Dogwood’s access to or increase Dogwood’s cost of capital.

Failure to keep pace with technological change could adversely affect Dogwood’s business.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Dogwood’s future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in its operations. Many of Dogwood’s competitors have substantially greater resources to invest in technological improvements. Dogwood may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. In addition, Dogwood depends on internal and outsourced technology to

support all aspects of its business operations. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on Dogwood's business, financial condition and results of operations.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or general-purpose reloadable prepaid cards. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on Dogwood's financial condition and results of operations.

Dogwood is at risk of increased losses from fraud.

Criminals committing fraud increasingly are using more sophisticated techniques and in some cases are part of larger criminal rings, which allow them to be more effective.

The fraudulent activity has taken many forms, ranging from check fraud, mechanical devices attached to automated teller machines ("ATMs"), social engineering and phishing attacks to obtain personal information or impersonation of Dogwood's clients through the use of falsified or stolen credentials. Additionally, an individual or business entity may properly identify themselves, particularly when banking online, yet seek to establish a business relationship for the purpose of perpetrating fraud. Further, in addition to fraud committed against it, Dogwood may suffer losses as a result of fraudulent activity committed against third parties. Increased deployment of technologies, such as chip card technology, defray and reduce aspects of fraud; however, criminals are turning to other sources to steal personally identifiable information, such as unaffiliated healthcare providers and government entities, in order to impersonate the consumer to commit fraud. Many of these data compromises are widely reported in the media. As a result of the increased sophistication of fraud activity, Dogwood has increased its spending on systems and controls to detect and prevent fraud. This will result in continued ongoing investments in the future.

Negative public opinion surrounding Dogwood and the financial institutions industry generally could damage Dogwood's reputation and adversely impact Dogwood's earnings.

Reputation risk, or the risk to Dogwood's business, earnings and capital from negative public opinion surrounding Dogwood and the financial institutions industry generally, is inherent in Dogwood's business. Negative public opinion can result from Dogwood's actual or alleged conduct in any number of activities, including lending practices, corporate governance, mergers and acquisitions, cybersecurity incidents, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect Dogwood's ability to keep and attract clients and employees, could impair the confidence of its investors, counterparties and business partners and can affect its ability to effect transactions and can expose it to litigation and regulatory action. Although Dogwood takes steps to minimize reputation risk in dealing with its clients and communities, this risk will always be present given the nature of its business.

Risks Related to an Investment in Dogwood's Common Stock

Dogwood's stock price may be volatile, which could result in losses to Dogwood's investors and litigation against it.

Dogwood's stock price has been volatile in the past and several factors could cause the price to fluctuate substantially in the future. These factors include but are not limited to: actual or anticipated variations in earnings, changes in analysts' recommendations or projections, Dogwood's announcement of developments related to Dogwood's businesses, operations and stock performance of other companies deemed to be peers, new technology used or services offered by traditional and non-traditional competitors, news reports of trends, irrational exuberance

on the part of investors, new federal banking regulations, and other issues related to the financial services industry. Dogwood's stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to Dogwood's performance. General market declines or market volatility in the future, especially in the financial institutions sector, could adversely affect the price of Dogwood's voting common stock, and the current market price may not be indicative of future market prices. Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Moreover, in the past, securities class action lawsuits have been instituted against some companies following periods of volatility in the market price of its securities. Dogwood could in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources from Dogwood's normal business.

Future sales of Dogwood's stock by Dogwood's shareholders or the perception that those sales could occur may cause Dogwood's stock price to decline.

Although Dogwood's voting common stock is quoted on the OTCQX marketplace, the trading volume in Dogwood's voting common stock is lower than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Dogwood's voting common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which Dogwood has no control. Given the relatively low trading volume of Dogwood's voting common stock, significant sales of Dogwood's voting common stock in the public market, or the perception that those sales may occur, could cause the trading price of Dogwood's voting common stock to decline or to be lower than it otherwise might be in the absence of those sales or perceptions.

Economic and other circumstances may require Dogwood to raise capital at times or in amounts that are unfavorable to it. If Dogwood has to issue shares of common stock, it will dilute the percentage ownership interest of existing shareholders and may dilute the book value per share of Dogwood's voting common stock and adversely affect the terms on which Dogwood may obtain additional capital.

Dogwood may need to incur additional debt or equity financing in the future to make strategic acquisitions or investments or to strengthen its capital position. Dogwood's ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of its control and Dogwood's financial performance. Dogwood cannot provide assurance that such financing will be available to it on acceptable terms or at all, or if Dogwood does raise additional capital that it will not be dilutive to existing shareholders.

If Dogwood determines, for any reason, that it needs to raise capital, Dogwood's board generally has the authority, without action by or vote of the shareholders, to issue all or part of any authorized but unissued shares of stock for any corporate purpose, including issuance of equity-based incentives under or outside of Dogwood's equity compensation plans. Additionally, Dogwood is not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market price of Dogwood's voting common stock could decline as a result of sales by it of a large number of shares of common stock or preferred stock or similar securities in the market or from the perception that such sales could occur. If Dogwood issues preferred stock that has a preference over the common stock with respect to the payment of dividends or upon liquidation, dissolution or winding-up, or if Dogwood issues preferred stock with voting rights that dilute the voting power of the common stock, the rights of holders of the common stock or the market price of Dogwood's voting common stock could be adversely affected. Any issuance of additional shares of stock will dilute the percentage ownership interest of Dogwood's shareholders and may dilute the book value per share of Dogwood's voting common stock. Shares that Dogwood issues in connection with any such offering will increase the total number of shares and may dilute the economic and voting ownership interest of Dogwood's existing shareholders.

An investment in Dogwood's voting common stock is not an insured deposit.

Dogwood's voting common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in Dogwood's

voting common stock is inherently risky for the reasons described in this “Risk Factors” section and elsewhere in this joint proxy statement/offering circular and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire Dogwood’s voting common stock, you may lose some or all of your investment.

The return on your investment is uncertain.

Dogwood cannot provide any assurance that an investor in Dogwood’s voting common stock will realize a return on his or her investment. Further, as a result of the uncertainty and risks associated with Dogwood’s operations, many of which are described in this “Risk Factors” section, it is possible that an investor could lose his or her entire investment.

Your rights as a holder of Dogwood’s voting common stock will be junior to the rights of depositors, and any existing and future senior indebtedness and to any other senior securities Dogwood may issue in the future.

With respect to dividend rights and rights upon Dogwood’s liquidation, winding-up or dissolution, Dogwood’s voting common stock will rank junior to the rights of depositors, any existing and future indebtedness, and any future preferred or other senior securities that Dogwood may issue. Dogwood is not required to obtain shareholder approval to incur additional indebtedness. Consequently, Dogwood may incur indebtedness in the future that could limit Dogwood’s ability to make subsequent dividend or liquidation payments to you. In addition, in the event of Dogwood’s bankruptcy, liquidation or reorganization, Dogwood’s assets will be available to pay obligations on Dogwood’s voting common stock only after all amounts due to depositors and under Dogwood’s indebtedness have been paid, and it is unlikely that there will be sufficient assets remaining to pay amounts due on any or all of Dogwood’s voting common stock then outstanding.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. Dogwood and Community First desire to take advantage of these “safe harbor” provisions with regard to the forward-looking statements in this joint proxy statement/offering circular and in the documents that are incorporated herein by reference. These forward-looking statements reflect the current views of Dogwood and Community First with respect to future events and financial performance. Specifically, forward-looking statements may include:

- statements relating to the ability of Dogwood and Community First to timely complete the merger and the benefits thereof, including anticipated efficiencies, opportunities, synergies and cost savings estimated to result from the merger;
- projections of revenues, expenses, income, net income per share, net interest margins, asset growth, loan production, asset quality, deposit growth and other performance measures;
- statements regarding expansion of operations, including branch openings, entrance into new markets, development of products and services, and execution of strategic initiatives;
- discussions of the future state of the economy, competition, regulation, taxation, our business strategies, subsidiaries, investment risk and policies; and
- statements preceded by, followed by or that include the words “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions.

These forward-looking statements express the best judgment of Dogwood and Community First based on currently available information, and we believe that the expectations reflected in our forward-looking statements are reasonable.

By their nature, however, forward-looking statements often involve assumptions about the future. Such assumptions are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. As such, Dogwood and Community First cannot guarantee you that the expectations reflected in our forward-looking statements actually will be achieved. Actual results may differ materially from those in the forward-looking statements due to, among other things, the following factors:

- the businesses of Dogwood and Community First may not be integrated successfully, or such integration may be more difficult, time-consuming or costly than expected;
- expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected timeframe;
- revenues following the merger may be lower than expected;
- customer and employee relationships and business operations may be disrupted by the merger;
- the ability to obtain required regulatory and shareholder approvals, and the ability to complete the merger within the expected timeframe, may be more difficult, time-consuming or costly than expected;
- changes in general business, economic and market conditions;
- changes in fiscal and monetary policies, and laws and regulations;
- changes in interest rates, deposit flows, loan demand and real estate values;

- a deterioration in asset quality and/or a reduced demand for, or supply of, credit;
- increased cybersecurity risk, including potential business disruptions or financial losses;
- volatility in the securities markets generally or in the market price of Dogwood's stock specifically;
and
- the risks outlined in the "Risk Factors" section herein.

We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this joint proxy statement/offering circular or, in the case of a document incorporated herein by reference, as of the date of that document. Except as required by law, neither Dogwood nor Community First undertakes any obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

THE DOGWOOD ANNUAL MEETING

Date, Place and Time

This joint proxy statement/offering circular is first being mailed on or about April 8, 2024 to holders of Dogwood voting common stock who held shares of Dogwood voting common stock on the record date for the Dogwood annual meeting. This joint proxy statement/offering circular is accompanied by the notice of the annual meeting and a form of proxy that is solicited by the board of directors of Dogwood for use at the Dogwood annual meeting to be held at 10:00 a.m., local time, on May 21, 2024 at Dogwood's headquarters at 5401 Six Forks Road, Raleigh, North Carolina 27609, and at any adjournments of that meeting.

Purposes of the Dogwood Annual Meeting

At the Dogwood annual meeting, the holders of Dogwood voting common stock will be asked to consider and vote upon:

- a proposal to approve the Dogwood merger proposal, as more fully described in this joint proxy statement/offering circular;
- the election of three directors (David Brody, Marc McConnell, and Fielding Miller) in the director election proposal, as more fully described in this joint proxy statement/offering circular; and
- a proposal to approve the Dogwood adjournment proposal, as more fully described in this joint proxy statement/offering circular.

Recommendation of Dogwood's Board of Directors

The Dogwood board determined that the proposed merger with Community First is in the best interests of Dogwood and its shareholders and unanimously recommends that Dogwood voting common shareholders vote "FOR" the Dogwood merger proposal. The Dogwood board also unanimously recommends that Dogwood voting common shareholders vote "FOR" the director election proposal and "FOR" the Dogwood adjournment proposal.

Record Date and Voting Rights; Quorum

The Dogwood board of directors has fixed the close of business on April 2, 2024 as the record date for determining the shareholders of Dogwood entitled to notice of and to vote at the Dogwood annual meeting or any adjournments thereof. Accordingly, you are only entitled to notice of and to vote at the Dogwood annual meeting if you were a record holder of Dogwood voting common stock at the close of business on the record date. At that date, 9,299,718 shares of Dogwood voting common stock were outstanding and entitled to vote.

To have a quorum that permits Dogwood to conduct business at the Dogwood annual meeting, the presence, whether in person or by proxy, of the holders of Dogwood voting common stock representing a majority of the voting shares outstanding on the record date is required. You are entitled to one vote for each outstanding share of Dogwood voting common stock you held as of the close of business on the record date.

Holders of shares of Dogwood voting common stock present in person at the Dogwood annual meeting but not voting, and shares for which proxy cards, Internet votes or telephone votes are received indicating that their holders have abstained (or with respect to the director election proposal, withheld), will be counted as present at the Dogwood annual meeting for purposes of determining whether there is a quorum for transacting business. Shares held in "street name" that have been designated by nominees on proxies as not voted will not be counted as votes cast for or against any proposal. These broker non-votes will, however, be counted for purposes of determining whether a quorum exists.

Votes Required

Vote Required for Approval of the Dogwood Merger Proposal. The approval of the Dogwood merger proposal requires the affirmative vote of a majority of the shares of Dogwood voting common stock outstanding on the record date for the Dogwood annual meeting.

Failures to vote, abstentions and broker non-votes will not count as votes cast. Because, however, approval of the Dogwood merger proposal requires the affirmative vote of a majority of the shares of Dogwood voting common stock outstanding on the record date, failures to vote, abstentions and broker non-votes will have the same effect as votes against the Dogwood merger proposal.

Vote Required for Election of Directors. The approval of the nominees for director under the director election proposal requires a plurality of the votes cast at the Dogwood annual meeting, even though less than a majority, to be elected directors.

Failures to vote, votes withheld and broker non-votes will not count as votes cast and will have no effect on the outcome of the vote on the director election proposal.

Vote Required for Approval of the Dogwood Adjournment Proposal. The approval of the Dogwood adjournment proposal requires the affirmative vote of a majority of the shares of Dogwood voting common stock cast on the proposal, whether or not a quorum is present.

Failures to vote, abstentions and broker non-votes will not count as votes cast and will have no effect for purposes of determining whether the Dogwood adjournment proposal has been approved.

Stock Ownership of Dogwood's Directors and Executive Officers

Each of the directors and executive officers of Dogwood has entered into an affiliate agreement with Dogwood and Community First pursuant to which such individual has agreed, subject to several conditions and exceptions, to vote all of the shares of Dogwood voting stock over which such individual has voting authority in favor of the Dogwood merger proposal and against any competing proposal, subject to certain exceptions, including that certain shares held in a fiduciary capacity are not covered by the agreement. As of April 2, 2024, the record date for the Dogwood annual meeting, directors and executive officers of Dogwood are entitled to vote 1,977,144 shares of Dogwood voting common stock, or approximately 21% of the total voting power of the shares of Dogwood voting common stock outstanding on that date, all of which are subject to an affiliate agreement.

Voting at the Dogwood Annual Meeting

Record Holders. If your shares of Dogwood voting common stock are held of record in your name, your shares can be voted at the Dogwood annual meeting in any of the following ways:

- **By Mail.** You can vote your shares by using the proxy card which is enclosed for your use in connection with the Dogwood annual meeting. If you complete and sign the proxy card and return it in the enclosed postage-paid envelope, you will be appointing the “proxies” named in the proxy card to vote your shares for you at the meeting. The authority you will be giving the proxies is described in the proxy card. When your proxy card is returned properly executed, the shares of Dogwood voting common stock represented by it will be voted at the Dogwood annual meeting in accordance with the instructions contained in the proxy card.

If proxy cards are returned properly executed without an indication as to how the proxies should vote, the Dogwood voting common stock represented by each such proxy card will be considered to be voted (i) “FOR” the Dogwood merger proposal; (ii) “FOR” each of the nominees in the director election proposal; and (iii) “FOR” the Dogwood adjournment proposal.

- **By the Internet or Telephone.** You can appoint the proxies to vote your shares for you by going to the Internet website (www.astproxyportal.com/ast/22781) or by calling (800) 776-9437. When you are

prompted for your “control number,” enter the number included on the enclosed proxy card, and then follow the instructions provided. You may vote by the Internet or telephone only until 11:59 p.m. Eastern Time on May 20, 2024, which is the day before the Dogwood annual meeting. If you vote by the Internet or telephone, you need not sign and return a proxy card.

- **In Person.** You can attend the Dogwood annual meeting and vote in person. A ballot will be provided for your use at the meeting.

Your vote is important. Accordingly, please sign, date and return the enclosed proxy card, or follow the instructions above to vote by the Internet or telephone, whether or not you plan to attend the Dogwood annual meeting in person.

Shares Held in “Street Name.” Only the record holders of shares of Dogwood voting common stock, or their appointed proxies, may vote those shares. As a result, if your shares of Dogwood voting common stock are held for you in “street name” by a nominee, such as a broker, bank or custodian, then only your nominee (*i.e.*, the record holder) may vote them for you, or appoint the proxies to vote them for you, unless you previously have made arrangements for your nominee to assign its voting rights to you or for you to be recognized as the person entitled to vote your shares. You will need to follow the directions your nominee provides you and give it instructions as to how it should vote your shares by following the instructions you received from your nominee with your copy of this joint proxy statement/offering circular. Nominees who hold shares in “street name” for their clients typically have the discretionary authority to vote those shares on “routine” proposals when they have not received instructions from beneficial owners of the shares. However, they may not vote those shares on non-routine matters, such as the proposals that will be presented at the Dogwood annual meeting, unless their clients give them voting instructions. To ensure that your shares are represented at the Dogwood annual meeting and voted in the manner you desire, ***it is important that you instruct your nominee as to how it should vote your shares.***

If your shares are held in “street name” and you wish to vote them in person at the Dogwood annual meeting, you must obtain a legal proxy, executed in your favor, from the holder of record.

Revocation of Proxies

Record Holders. If you are the record holder of shares of Dogwood voting common stock and you sign and return a proxy card or appoint the proxies by the Internet or by telephone and you later wish to revoke the authority or change the voting instructions you gave the proxies, you can do so at any time before the voting takes place at the Dogwood annual meeting by taking the appropriate action described below.

To change the voting instructions you gave the proxies:

- if you voted by proxy card, you can complete, sign and submit a new proxy card, dated after the date of your original proxy card, which contains your new instructions, and submit it so that it is received before the Dogwood annual meeting or, if hand delivered, before the voting takes place at the Dogwood annual meeting (or, in each case, any adjournment thereof); or
- if you appointed the proxies by the Internet or telephone, you can go to the same Internet website (www.astproxyportal.com/ast/22781) or use the same telephone number (800) 776-9437 by 11:59 p.m. Eastern Time on May 20, 2024, which is the day before the Dogwood annual meeting, enter the same control number (included on the enclosed proxy card) that you previously used to appoint the proxies, and then change your voting instructions.

The proxies will follow the last voting instructions received from you before the Dogwood annual meeting.

To revoke your proxy card or your appointment of the proxies by the Internet or telephone:

- you can give Dogwood’s corporate secretary a written notice, before the Dogwood annual meeting or, if hand delivered, before the voting takes place at the Dogwood annual meeting, that you want to revoke your proxy card or Internet or telephone appointment; or

- you can attend the Dogwood annual meeting and vote in person or notify Dogwood’s corporate secretary, before the voting takes place, that you want to revoke your proxy card or Internet or telephone appointment. Simply attending the Dogwood annual meeting alone, without voting in person or notifying Dogwood’s corporate secretary, will not revoke your proxy card or Internet or telephone appointment.

If you submit your new proxy card or notice of revocation by mail, it should be addressed to Dogwood’s corporate secretary at Dogwood State Bank, 5401 Six Forks Road, Raleigh, North Carolina 27609, Attention: Corporate Secretary, and must be received no later than the beginning of the Dogwood annual meeting or, if the Dogwood annual meeting is adjourned, before the adjourned meeting is actually held. If hand delivered, your new proxy card or notice of revocation must be received by Dogwood’s corporate secretary before the voting takes place at the Dogwood annual meeting or at any adjourned meeting. If the Dogwood annual meeting is postponed or adjourned, all proxies will be voted at the adjourned meeting in the same manner as they would have been voted at the originally scheduled Dogwood annual meeting except for any proxies that have been properly withdrawn or revoked.

If you need assistance in changing or revoking your proxy, please contact Dogwood’s corporate secretary by calling (919) 863-2265 or by writing to Dogwood State Bank, 5401 Six Forks Road, Raleigh, North Carolina 27609, Attention: Corporate Secretary.

Shares Held in “Street Name.” If your shares are held in “street name” and you want to change or revoke voting instructions you have given to the record holder of your shares, you must follow the directions given by your nominee.

Solicitation of Proxies

This solicitation is made on behalf of the Dogwood board of directors, and Dogwood will pay the costs of soliciting and obtaining proxies, including the cost of reimbursing banks and brokers for forwarding proxy materials to shareholders. Proxies may be solicited, without extra compensation, by Dogwood’s officers and employees by mail, electronic mail, telephone, fax or personal interviews.

PROPOSALS TO BE CONSIDERED AT THE DOGWOOD ANNUAL MEETING

Approval of the Dogwood Merger Proposal (Proposal No. 1)

At the Dogwood annual meeting, holders of Dogwood voting common stock will be asked to approve the Dogwood merger proposal providing for the merger of Community First and Community First Bank with and into Dogwood. Shareholders of Dogwood should read this joint proxy statement/offering circular carefully and in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this joint proxy statement/offering circular as Appendix A.

After careful consideration, the Dogwood board of directors approved the merger agreement and the merger and deemed them to be in the best interests of Dogwood and the shareholders of Dogwood. See “The Merger—Dogwood’s Reasons for the Merger; Recommendation of Dogwood’s Board of Directors” included elsewhere in this joint proxy statement/offering circular for a more detailed discussion of the Dogwood board of directors’ recommendation.

The Dogwood board of directors unanimously recommends that Dogwood voting common shareholders vote “FOR” the Dogwood merger proposal.

Election of Directors in the Director Election Proposal (Proposal No. 2)

Dogwood’s bylaws provide that the number of directors shall not be less than five nor more than 25 as from time-to-time may be fixed by the shareholders or by the Dogwood board. The number of directors is currently fixed at 10 and is divided into three classes designated as Class I, Class II and Class III. A directors whose term expires at an annual meeting continue to serve until such time as his or her successor has been duly elected and qualified, unless his or her position on the board of directors is abolished by action taken to reduce the size of the board of directors prior to that annual meeting.

The directors in each class are elected to hold office for a term of three years. The current directors are listed and classified as indicated below:

<u>Class II</u> <u>(Term expires 2024)</u>	<u>Class III</u> <u>Term expires 2025</u>	<u>Class I</u> <u>Term expires 2026</u>
David Brody	Thomas Cestare	Scott Custer (Chairman)
Marc McConnell	Martin Friedman	Steve Jones
Fielding Miller	Sepi Saidi	George (Robin) Perkins, III
	Richard Urquhart, III	

Nominees for Election

The three current Class II directors (David Brody, Marc McConnell and Fielding Miller) have been nominated by the Dogwood board for re-election at the Dogwood annual meeting for new three-year terms. Each nominee has consented to being named in this joint proxy statement/offering circular and has agreed to serve if elected. If, before the Dogwood annual meeting, any nominee becomes unable or unwilling to serve as a director for any reason, the Dogwood board may name a substitute nominee. If the Dogwood board elects not to name a substitute nominee, the number of Dogwood’s directors, and the number of directors to be elected at the Dogwood annual meeting, will be reduced accordingly.

For biographical information about the three nominees for Class II director and the qualifications, attributes and skills that the led the Dogwood board to nominate them for election, please see “Information about Dogwood—Directors.”

The Dogwood board of directors unanimously recommends that Dogwood voting common shareholders vote “FOR” each of the nominees for director.

Approval of the Dogwood Adjournment Proposal (Proposal No. 3)

If there are not sufficient votes to approve the Dogwood merger proposal at the Dogwood annual meeting, the meeting may be adjourned to a later date or dates, if necessary or appropriate, to permit further solicitation of proxies to approve the Dogwood merger proposal. In that event, holders of Dogwood voting common stock will be asked to vote on the adjournment proposal and will not be asked to vote on the Dogwood merger proposal if there are insufficient votes to approve the proposal at the Dogwood annual meeting until such adjournment, if any.

In order to allow proxies that have been received by Dogwood at the time of the Dogwood annual meeting to be voted for the adjournment proposal, Dogwood is submitting the Dogwood adjournment proposal to holders of its voting common stock as a separate matter for their consideration. This proposal asks Dogwood voting common shareholders to authorize the holder of any proxy solicited by the Dogwood board of directors on a discretionary basis to vote in favor of adjourning the Dogwood annual meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Dogwood shareholders who have previously voted.

If it is necessary to adjourn the Dogwood annual meeting, then, unless the meeting will have been adjourned for a total of more than 120 days, no notice of such adjourned meeting is required to be given to shareholders, other than an announcement at the Dogwood annual meeting of the place, date and time to which the Dogwood annual meeting is adjourned. Even if a quorum is not present, shareholders who are represented at the meeting may approve an adjournment of the meeting.

The Dogwood board of directors unanimously recommends that Dogwood voting common shareholders vote “FOR” the Dogwood adjournment proposal.

THE COMMUNITY FIRST SPECIAL MEETING

Date, Place and Time

This joint proxy statement/offering circular is first being mailed on or about April 8, 2024 to holders of Community First common stock and Community First preferred stock who held shares of Community First common stock or Community First preferred stock on the record date for the Community First special meeting. This joint proxy statement/offering circular is accompanied by the notice of the special meeting and a form of proxy that is solicited by the board of directors of Community First for use at the Community First special meeting to be held at 11:00 a.m., local time, on May 22, 2024 at 180 Bountyland Road, Seneca, South Carolina 29672, and at any adjournments of that meeting.

Purposes of the Community First special meeting

At the Community First special meeting, the holders of Community First common stock will be asked to consider and vote upon:

- a proposal to approve the Community First common shareholder merger proposal, as more fully described in this joint proxy statement/offering circular; and
- a proposal to approve the Community First common shareholder adjournment proposal, as more fully described in this joint proxy statement/offering circular.

Also at the Community First special meeting, the holders of Community First preferred stock will be asked to consider and vote upon:

- a proposal to approve the Community First preferred shareholder merger proposal, as more fully described in this joint proxy statement/offering circular; and
- a proposal to approve the Community First preferred shareholder adjournment proposal, as more fully described in this joint proxy statement/offering circular.

Recommendation of Community First's Board of Directors

The Community First board determined that the proposed merger with Dogwood is in the best interests of Community First and its shareholders and unanimously recommends that Community First common shareholders vote "FOR" the Community First common shareholder merger proposal and "FOR" the Community First common shareholder adjournment proposal. The Community First board also unanimously recommends that Community First preferred shareholders vote "FOR" the Community First preferred shareholder merger proposal and "FOR" the Community First preferred shareholder adjournment proposal.

Record Date and Voting Rights; Quorum

The Community First board of directors has fixed the close of business on April 2, 2024 as the record date for determining the shareholders of Community First entitled to notice of and to vote at the Community First special meeting or any adjournments thereof. Accordingly, you are only entitled to notice of and to vote at the special meeting if you were a record holder of Community First common stock or Community First preferred stock at the close of business on the record date. At that date, 5,524,683 shares of Community First common stock and 3,150 shares of Community First preferred stock were outstanding and entitled to vote.

To have a quorum that permits Community First to conduct business at the Community First special meeting, the presence, whether in person or by proxy, of the holders a majority of the outstanding shares of each of Community First common stock and Community First preferred stock on the record date is required. For each proposal presented at the Community First special meeting, a holder of Community First common stock or Community First preferred stock can cast one vote for each share of Community First common stock or Community First preferred stock, respectively, owned on the record date.

Holders of shares of Community First common stock or Community First preferred stock present in person at the special meeting but not voting, and shares for which proxy cards, Internet votes or telephone votes are received indicating that their holders have abstained, will be counted as present at the Community First special meeting for purposes of determining whether there is a quorum for transacting business. Shares held in “street name” that have been designated by nominees on proxies as not voted will not be counted as votes cast for or against any proposal. These broker non-votes will, however, be counted for purposes of determining whether a quorum exists.

Votes Required

Vote Required for Approval of the Community First Common Shareholder Merger Proposal. The approval of the Community First common shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First common stock outstanding on the record date for the Community First special meeting, voting as a separate class from the holders of Community First preferred stock.

Failures to vote, abstentions and broker non-votes will not count as votes cast. Because, however, approval of the Community First common shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First common stock outstanding on the record date, failures to vote, abstentions and broker non-votes will have the same effect as votes against the Community First common shareholder merger proposal.

Vote Required for Approval of the Community First Common Shareholder Adjournment Proposal. The approval of the Community First common shareholder adjournment proposal requires the affirmative vote of a majority of the shares of Community First common stock cast on the proposal, whether or not a quorum is present, voting as a separate class from the holders of Community First preferred stock.

Failures to vote, abstentions and broker non-votes will not count as votes cast and will have no effect for purposes of determining whether the Community First common shareholder adjournment proposal has been approved.

Vote Required for Approval of the Community First Preferred Shareholder Merger Proposal. The approval of the Community First preferred shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First preferred stock outstanding on the record date for the Community First special meeting, voting as a separate class from the holders of Community First common stock.

Failures to vote, abstentions and broker non-votes will not count as votes cast. Because, however, approval of the Community First preferred shareholder merger proposal requires the affirmative vote of two-thirds of the outstanding shares of Community First preferred stock outstanding on the record date, failures to vote, abstentions and broker non-votes will have the same effect as votes against the Community First preferred shareholder merger proposal.

Vote Required for Approval of the Community First Preferred Shareholder Adjournment Proposal. The approval of the Community First preferred shareholder adjournment proposal requires the affirmative vote of a majority of the shares of Community First preferred stock cast on the proposal, whether or not a quorum is present, voting as a separate class from the holders of Community First common stock.

Failures to vote, abstentions and broker non-votes will not count as votes cast and will have no effect for purposes of determining whether the Community First preferred shareholder adjournment proposal has been approved.

Stock Ownership of Community First’s Directors and Executive Officers

Each of the directors and executive officers of Community First has entered into an affiliate agreement with Dogwood and Community First pursuant to which such individual has agreed, subject to several conditions and exceptions, to vote all of the shares of Community First common and preferred stock over which such individual has voting authority in favor of the Community First merger proposals and against any competing proposal, subject to

certain exceptions, including that certain shares held in a fiduciary capacity are not covered by the agreement. As of April 2, 2024, the record date for the Community First special meeting, directors and executive officers of Community First are entitled to vote (i) 871,733 shares of Community First common stock, or approximately 15.78% of the total voting power of the shares of Community First common stock outstanding on that date, all of which are subject to an affiliate agreement and (ii) 1,710 shares of Community First preferred stock, or approximately 54.3% of the total voting power of the shares of Community First preferred stock outstanding on that date, all of which are subject to an affiliate agreement.

Voting at the Community First special meeting

Record Holders. If your shares of Community First common stock or Community First preferred stock are held of record in your name, your shares can be voted at the Community First special meeting in any of the following ways:

- **By Mail.** You can vote your shares by using the proxy card which is enclosed for your use in connection with the Community First special meeting. If you complete and sign the proxy card and return it in the enclosed postage-paid envelope, you will be appointing the “proxies” named in the proxy card to vote your shares for you at the meeting. The authority you will be giving the proxies is described in the proxy card. When your proxy card is returned properly executed, the shares of Community First common or preferred stock represented by it will be voted at the Community First special meeting in accordance with the instructions contained in the proxy card.

If proxy cards with respect to Community First common stock are returned properly executed without an indication as to how the proxies should vote, the shares represented by each such proxy card will be considered to be voted (i) “FOR” the Community First common shareholder merger proposal and (ii) “FOR” the Community First common shareholder adjournment proposal.

If proxy cards with respect to Community First preferred stock are returned properly executed without an indication as to how the proxies should vote, the shares represented by each such proxy card will be considered to be voted (i) “FOR” the Community First preferred shareholder merger proposal and (ii) “FOR” the Community First preferred shareholder adjournment proposal.

- **By the Internet or Telephone.** If you are a record holder of Community First common stock, you can appoint the proxies to vote your shares for you by going to the Internet website (www.proxypush.com/CFOK) or by calling (866) 230-8610. When you are prompted for your “control number,” enter the number included on the enclosed proxy card, and then follow the instructions provided. You may vote by the Internet or telephone only until 11:59 p.m. Eastern Time on May 21, 2024, which is the day before the Community First special meeting. If you vote by the Internet or telephone, you need not sign and return a proxy card.
- **In Person.** You can attend the Community First special meeting and vote in person. A ballot will be provided for your use at the meeting.

Your vote is important. Accordingly, please sign, date and return the enclosed proxy card, or follow the instructions above to vote by the Internet or telephone, whether or not you plan to attend the Community First special meeting in person.

Shares Held in “Street Name.” Only the record holders of shares of Community First common stock or Community First preferred stock, or their appointed proxies, may vote those shares. As a result, if your shares of Community First common stock or Community First preferred stock are held for you in “street name” by a nominee, such as a broker, bank or custodian, then only your nominee (*i.e.*, the record holder) may vote them for you, or appoint the proxies to vote them for you, unless you previously have made arrangements for your nominee to assign its voting rights to you or for you to be recognized as the person entitled to vote your shares. You will need to follow the directions your nominee provides you and give it instructions as to how it should vote your shares by following the instructions you received from your nominee with your copy of this joint proxy statement/offering circular. Nominees who hold shares in “street name” for their clients typically have the discretionary authority to

vote those shares on “routine” proposals when they have not received instructions from beneficial owners of the shares. However, they may not vote those shares on non-routine matters, such as the proposals that will be presented at the Community First special meeting, unless their clients give them voting instructions. To ensure that your shares are represented at the Community First special meeting and voted in the manner you desire, ***it is important that you instruct your nominee as to how it should vote your shares.***

If your shares are held in “street name” and you wish to vote them in person at the Community First special meeting, you must obtain a legal proxy, executed in your favor, from the holder of record.

Revocation of Proxies

Record Holders. If you are the record holder of shares of Community First common or preferred stock and you sign and return a proxy card or appoint the proxies by the Internet or by telephone and you later wish to revoke the authority or change the voting instructions you gave the proxies, you can do so at any time before the voting takes place at the Community First special meeting by taking the appropriate action described below.

To change the voting instructions you gave the proxies:

- if you voted by proxy card, you can complete, sign and submit a new proxy card, dated after the date of your original proxy card, which contains your new instructions, and submit it so that it is received before the Community First special meeting or, if hand delivered, before the voting takes place at the Community First special meeting (or, in each case, any adjournment thereof); or
- if you appointed the proxies by the Internet or telephone, you can go to the same Internet website, www.proxypush.com/CFOK, or use the same telephone number, (866) 230-8610, before 11:59 p.m. Eastern Time on May 21, 2024, which is the day before the Community First special meeting, enter the same control number (included on the enclosed proxy card) that you previously used to appoint the proxies, and then change your voting instructions.

The proxies will follow the last voting instructions received from you before the Community First special meeting.

To revoke your proxy card or your appointment of the proxies by the Internet or telephone:

- you can give Community First’s corporate secretary a written notice, before the Community First special meeting or, if hand delivered, before the voting takes place at the Community First special meeting, that you want to revoke your proxy card or Internet or telephone appointment; or
- you can attend the Community First special meeting and vote in person or notify Community First’s corporate secretary, before the voting takes place, that you want to revoke your proxy card or Internet or telephone appointment. Simply attending the Community First special meeting alone, without voting in person or notifying Community First’s corporate secretary, will not revoke your proxy card or Internet or telephone appointment.

If you submit your new proxy card or notice of revocation by mail, it should be addressed to Community First’s corporate secretary at Community First Bancorporation, 449 Highway 123 Bypass, Seneca, South Carolina 29678, Attention: Corporate Secretary, and must be received no later than the beginning of the Community First special meeting or, if the Community First special meeting is adjourned, before the adjourned meeting is actually held. If hand delivered, your new proxy card or notice of revocation must be received by Community First’s corporate secretary before the voting takes place at the Community First special meeting or at any adjourned meeting. If the Community First special meeting is postponed or adjourned, all proxies will be voted at the adjourned special meeting in the same manner as they would have been voted at the originally scheduled Community First special meeting except for any proxies that have been properly withdrawn or revoked.

If you need assistance in changing or revoking your proxy, please contact Community First’s corporate secretary by calling (864) 364-6143 or by writing to Community First Bancorporation, 449 Highway 123 Bypass, Seneca, South Carolina 29678, Attention: Corporate Secretary.

Shares Held in “Street Name.” If your shares are held in “street name” and you want to change or revoke voting instructions you have given to the record holder of your shares, you must follow the directions given by your nominee.

Solicitation of Proxies

This solicitation is made on behalf of the Community First board of directors, and Community First will pay the costs of soliciting and obtaining proxies, including the cost of reimbursing banks and brokers for forwarding proxy materials to shareholders. Proxies may be solicited, without extra compensation, by Community First’s officers and employees by mail, electronic mail, telephone, fax or personal interviews. Community First has engaged Regan & Associates, Inc. to assist it in the distribution and solicitation of proxies for a fee of approximately \$30,000.

PROPOSALS TO BE CONSIDERED AT THE COMMUNITY FIRST SPECIAL MEETING

Approval of the Community First Common Shareholder Merger Proposal (Proposal No. 1)

At the Community First special meeting, common shareholders of Community First will be asked to approve the Community First common shareholder merger proposal providing for the merger of Community First and Community First Bank with and into Dogwood. Shareholders of Community First should read this joint proxy statement/offering circular carefully and in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this joint proxy statement/offering circular as Appendix A.

After careful consideration, the Community First board of directors approved the merger agreement and the merger and deemed them to be fair to and in the best interests of Community First and the shareholders of Community First. See “The Merger—Community First’s Reasons for the Merger; Recommendation of Community First’s Board of Directors” included elsewhere in this joint proxy statement/offering circular for a more detailed discussion of the Community First board of directors’ recommendation.

The Community First board of directors unanimously recommends that Community First common shareholders vote “FOR” the Community First common shareholder merger proposal.

Approval of the Community First Common Shareholder Adjournment Proposal (Proposal No. 2)

If there are not sufficient votes to approve the Community First common shareholder merger proposal at the Community First special meeting, the meeting may be adjourned to a later date or dates, if necessary or appropriate, to permit further solicitation of proxies to approve the Community First common shareholder merger proposal. In that event, Community First common shareholders will be asked to vote on the adjournment proposal and will not be asked to vote on the Community First common shareholder merger proposal if there are insufficient votes to approve the proposal at the Community First special meeting until such adjournment, if any.

In order to allow proxies that have been received by Community First at the time of the Community First special meeting to be voted for the adjournment proposal, Community First is submitting the Community First common shareholder adjournment proposal to its common shareholders as a separate matter for their consideration. This proposal asks Community First common shareholders to authorize the holder of any proxy solicited by the Community First board of directors on a discretionary basis to vote in favor of adjourning the Community First special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Community First shareholders who have previously voted.

If it is necessary to adjourn the Community First special meeting, then, unless the meeting will have been adjourned for 30 days or more, no notice of such adjourned meeting is required to be given to shareholders, other than an announcement at the Community First special meeting of the place, date and time to which the Community First special meeting is adjourned. Even if a quorum is not present, shareholders who are represented at the meeting may approve an adjournment of the meeting.

The Community First board of directors unanimously recommends that Community First common shareholders vote “FOR” the Community First common shareholder adjournment proposal.

Approval of the Community First Preferred Shareholder Merger Proposal (Proposal No. 3)

At the Community First special meeting, preferred shareholders of Community First will be asked to approve the Community First preferred shareholder merger proposal providing for the merger of Community First and Community First Bank with and into Dogwood. Shareholders of Community First should read this joint proxy statement/offering circular carefully and in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this joint proxy statement/offering circular as Appendix A.

After careful consideration, the Community First board of directors approved the merger agreement and the merger and deemed them to be fair to and in the best interests of Community First and the shareholders of Community First. See “The Merger—Community First’s Reasons for the Merger; Recommendation of Community First’s Board of Directors” included elsewhere in this joint proxy statement/offering circular for a more detailed discussion of the Community First board of directors’ recommendation.

The Community First board of directors unanimously recommends that Community First preferred shareholders vote “FOR” the Community First preferred shareholder merger proposal.

Approval of the Community First Preferred Shareholder Adjournment Proposal (Proposal No. 4)

If there are not sufficient votes to approve the Community First preferred shareholder merger proposal at the Community First special meeting, the meeting may be adjourned to a later date or dates, if necessary or appropriate, to permit further solicitation of proxies to approve the Community First preferred shareholder merger proposal. In that event, Community First preferred shareholders will be asked to vote on the adjournment proposal and will not be asked to vote on the Community First preferred shareholder merger proposal if there are insufficient votes to approve the proposal at the Community First special meeting until such adjournment, if any.

In order to allow proxies that have been received by Community First at the time of the Community First special meeting to be voted for the adjournment proposal, Community First is submitting the Community First preferred shareholder adjournment proposal to its preferred shareholders as a separate matter for their consideration. This proposal asks Community First preferred shareholders to authorize the holder of any proxy solicited by the Community First board of directors on a discretionary basis to vote in favor of adjourning the Community First special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Community First shareholders who have previously voted.

If it is necessary to adjourn the Community First special meeting, then, unless the meeting will have been adjourned for 30 days or more, no notice of such adjourned meeting is required to be given to shareholders, other than an announcement at the Community First special meeting of the place, date and time to which the Community First special meeting is adjourned. Even if a quorum is not present, shareholders who are represented at the meeting may approve an adjournment of the meeting.

The Community First board of directors unanimously recommends that Community First preferred shareholders vote “FOR” the Community First preferred shareholder adjournment proposal.

THE MERGER

The following discussion contains certain information about the merger. The discussion is subject to and is qualified in its entirety by reference to the merger agreement, which is attached as Appendix A to this joint proxy statement/offering circular and incorporated herein by reference. We urge you to read carefully this joint proxy statement/offering circular, including the merger agreement attached as Appendix A, for a more complete understanding of the merger.

General

The Dogwood board of directors and the Community First board of directors have each approved the merger agreement and the merger, which provides for the merger of Community First and Community First Bank with and into Dogwood.

Pursuant to the terms of the merger agreement, as a result of the merger, each share of Community First common stock issued and outstanding before the merger will be converted into the right to receive 0.5875 shares of Dogwood voting common stock, and each share of Community First preferred stock issued and outstanding before the merger will be converted into the right to receive 64.7719 shares of Dogwood voting common stock. These exchange ratios are fixed and will not be adjusted based upon changes in the market prices of Dogwood voting common stock or Community First common stock prior to the effective time of the merger. No fractional shares will be issued. Instead, cash will be paid in lieu of issuing fractional shares.

As of the date of this joint proxy statement/offering circular, Dogwood expects that it will issue approximately 3,449,783 shares of Dogwood voting common stock to the holders of Community First common stock and Community First preferred stock in the merger, based on the exchange ratios and the number of shares of Community First outstanding and reserved for issuance under equity compensation plans and agreements. At the completion of the merger, it is expected that there will be issued and outstanding approximately 12,749,501 shares of Dogwood voting common stock, with current Dogwood shareholders owning approximately 73% of Dogwood's outstanding voting common stock, on a fully diluted basis, and former holders of Community First common and preferred stock owning approximately 27% of Dogwood's outstanding voting common stock, on a fully diluted basis.

Background of the Merger

The following discussion summarizes the key meetings and events that led to the signing of the merger agreement. It does not purport to catalogue every related conversation between the parties.

The Dogwood board of directors and management have, from time to time, engaged in long-term strategic reviews and considered ways to enhance shareholder value and Dogwood's performance and prospects in light of industry and market conditions, including through potential strategic transactions such as an acquisition of another financial institution.

Similarly, as part of Community First's continuing efforts to enhance shareholder value, the Community First board of directors, in consultation with management and its financial and other advisors, has periodically evaluated various strategies, including continued independence, merging with similarly-sized banks, and being acquired by another financial institution. After a number of discussions over the course of several months, on September 28, 2023, the Community First board directed management to engage D.A. Davidson, an investment banking firm, to formally advise Community First on the status of the bank merger market and potentially represent it in the event the Community First board determined to pursue a strategic transaction. Before determining to engage D.A. Davidson as its exclusive financial advisor, the board considered, among other things, D.A. Davidson's knowledge of Community First and the South Carolina and North Carolina markets, as well as D.A. Davidson's experience as a nationally recognized investment banking firm with significant experience in mergers and

acquisitions, including bank mergers and acquisitions. On October 5, 2023, Community First executed an engagement letter with D.A. Davidson.

D.A. Davidson then worked with Community First's management to populate a virtual data room with materials of Community First and Community First Bank to which potential bidders would be provided access subject to nondisclosure agreements. At its October 26, 2023 meeting, the Community First board reviewed with D.A. Davidson the impact of current market conditions upon the merger consideration levels that could reasonably be expected to be achieved by entities of a similar size and having the general characteristics of Community First. The board determined to direct D.A. Davidson to solicit indications of interest to be received by December 5, 2023 from a select group of potential acquirers believed to be most likely to offer merger consideration at an acceptable level.

During November of 2023, D.A. Davidson contacted 19 parties on a no-name basis to gauge their interest in a potential acquisition opportunity in the Southeast with similar attributes as Community First. Six of the parties were interested to learn more about the opportunity and each party executed a non-disclosure agreement.

By December 5, 2023, Community First received indications of interest from four parties. Two institutions provided a verbal indication of interest at or around Community First's tangible book value, but elected not to submit written offers as they believed their offers would not be competitive. Two institutions, Dogwood and a second institution we will refer to as "Institution A", submitted a written indication of interest. Dogwood's initial indication of interest proposed a 100% stock transaction with each share of Community First common stock (including the 347,287 shares of common stock into which Community First's preferred stock would be converted) being exchanged for 0.5500 shares of Dogwood's voting common stock, representing a value of \$11.00 per share of Community First stock based on a value of Dogwood stock of \$20.00 per share. This exchange ratio represented an implied aggregate value of Community First of \$65.2 million. Institution A's initial indication of interest proposed a 100% stock transaction with a per share value of Community First common stock (including the shares into which Community First preferred stock would be converted) in the range of \$9.50 to \$10.25, an implied aggregate value of \$56.10 million to \$60.1 million based on the then market price of Institution A's common stock.

On December 7, 2023, Dogwood verbally increased its indication of interest to an exchange ratio of 0.5750, which represented \$11.50 per share of Community First based on a \$20.00 per share value for Dogwood. Dogwood increased its offer to entice Community First to move forward exclusively with it instead of multiple parties.

The Community First board met on December 8, 2023 to receive a report from D.A. Davidson about the potential bidders it had contacted, the responses received from those potential bidders and the indications of interest of Dogwood and Institution A. After an extended discussion, the Community First board directed D.A. Davidson to request Mr. Jones, Chief Executive Officer of Dogwood, to meet with the board and D.A. Davidson.

Mr. Jones met with the Community First board and D.A. Davidson on December 13, 2023. Mr. Jones, D.A. Davidson and members of the board engaged in an extended discussion about Dogwood and its business strategies. Following Mr. Jones' departure from the meeting, D.A. Davidson was advised by a representative of Dogwood that Dogwood would increase its indication of interest to propose an exchange ratio of 0.5875, which represented a value of \$11.75 per share of Community First common stock (including the shares resulting from conversion of Community First's preferred stock) based on a Dogwood value of \$20.00 per share. However, Dogwood stated that its offer would revert to \$11.00 per share if Community First moved forward with any other parties in addition to Dogwood. The board directed Mr. Burleson, President and Chief Executive Officer of Community First, to contact Institution A to inquire whether it desired to modify its indication of interest. Institution A subsequently advised Mr. Burleson that it would increase its proposed range of per share value to \$10.16 to \$10.75, with a small possibility of reaching \$11.00 per share. In the afternoon of December 13, 2023, Community First received a revised written indication of interest from Dogwood at the \$11.75 per share value.

On December 14, 2023, Community First signed the indication of interest with Dogwood committing to a 60-day exclusivity period, following which Dogwood conducted due diligence on Community First and Community First performed reverse due diligence on Dogwood. Meetings and merger negotiations between the management teams of each company continued throughout the due diligence period both on an impromptu and scheduled basis

and via both telephone and in-person meetings. In addition, each company exchanged materials and information in an online data room to facilitate mutual due diligence.

On January 5, 2024, Dogwood’s counsel provided an initial draft of a merger agreement. Over the remainder of January, the parties exchanged drafts of the merger agreement, disclosure schedules and other ancillary transaction documents and engaged in negotiations about various aspects of the draft documents. Mr. Burleson continued to keep the Community First board advised of the progress of discussions and negotiations. At the regularly scheduled meeting of the board on January 25, 2024, Mr. Burleson advised the directors of the current status of the negotiation of the merger agreement, the material terms upon which agreement had been reached and the material terms remaining under discussion. Mr. Burleson responded to a number of comments and questions of directors, and was directed to continue negotiations.

On January 29, 2024, drafts of the merger agreement, the disclosure schedules and a consulting agreement for Mr. Burleson were provided to Community First’s directors for their review. The following Wednesday, Community First’s board and management met with D.A. Davidson and Brooks Pierce, Community First’s outside legal counsel, to discuss the transaction documents and the status of the proposed transaction. Brooks Pierce led the board through a presentation of the components of the directors’ fiduciary duty in considering the proposed merger. An extended discussion among the members of the board and Community First’s legal counsel occurred. Representatives of D.A. Davidson then provided detailed analyses of the financial aspects of the proposed merger and orally delivered D.A. Davidson’s opinion (subsequently confirmed in writing) that the merger consideration was fair, from a financial point of view, to the holders of Community First’s outstanding common and preferred stock. A copy of D.A. Davidson’s written opinion is attached to this document as [Appendix C](#) and a summary of the fairness opinion is included below in “—Opinion of Community First’s Financial Advisor,” beginning on page 79.

Community First’s legal counsel then reviewed with the Community First board the merger agreement, the ancillary agreements and applicable legal concepts, highlighting any recent changes made to the draft documents previously circulated. After a thorough discussion and deliberations about the proposed transaction, upon a motion duly made and seconded, Community First’s board unanimously approved the merger agreement and the ancillary documents and the transactions contemplated by such documents, including the merger.

Also on January 31, 2024, the board of directors of Dogwood convened a meeting to consider the proposed merger and the merger agreement. A representative of Piper Sandler presented a financial analysis of the transaction and rendered its oral opinion, which was subsequently confirmed in writing, to the effect that, as of such date and subject to the procedures followed, matters considered and assumptions and qualification set forth therein, the common stock exchange ratio was fair to Dogwood from a financial point of view. Representatives of Williams Mullen advised the Dogwood board of directors regarding the directors’ fiduciary duties, the legal structure and terms of the proposed transaction, and the proposed merger agreement, and addressed other matters related to the merger and advised the boards of directors generally regarding the merger. Members of the Dogwood board of directors asked questions on the due diligence results and other merger-related matters to which representatives of Dogwood management, Piper Sandler and Williams Mullen responded. After detailed discussion and careful deliberation, the board of directors of Dogwood unanimously (i) determined that the merger agreement and the transactions contemplated thereby were advisable and in its shareholders’ best interests, and (ii) approved and adopted the merger agreement and approved the merger.

Community First and Dogwood then executed the definitive merger agreement on January 31, 2024. On February 1, 2024, the parties issued a joint press release publicly announcing the transaction.

Dogwood’s Reasons for the Merger; Recommendation of Dogwood’s Board of Directors

After careful consideration, the Dogwood board, at its meeting held on January 31, 2024, unanimously determined the merger agreement and the ancillary documents, and the transactions contemplated thereby, to be in the best interests of Dogwood and its shareholders. Accordingly, the Dogwood board unanimously adopted and approved the merger agreement and recommends that Dogwood’s shareholders vote “FOR” the approval of the merger agreement.

In evaluating the merger agreement and reaching its decision to adopt and approve the merger agreement and recommend that Dogwood's shareholders approve the merger agreement, Dogwood's board consulted with Dogwood's management, as well as its outside legal and financial advisors, and considered a number of factors, including the following material factors (not in any relative order of importance):

- Community First's financial condition, earnings, business, operations, asset quality and prospects, taking into account the results of Dogwood's due diligence investigation of Community First;
- the attractiveness and continued growth potential of the Upstate South Carolina market from a banking perspective, and the belief that the merger will solidify Dogwood's position in high growth markets while expanding its banking franchise in South Carolina, western North Carolina and eastern Tennessee;
- the current and prospective environment in the financial services industry, including national and local economic conditions, competition and consolidation in the financial services industry, the regulatory and compliance environment, and the likely effect of the foregoing factors on Dogwood with and without the merger;
- the Dogwood board's belief that the merger will enhance Dogwood's liquidity and funding, and that the combined enterprise would benefit from Dogwood's ability to take advantage of economies of scale and grow in the current economic environment;
- the expectation that the combined enterprise will have superior future earnings and prospects compared to Dogwood's earnings and prospects on an independent basis;
- Dogwood's expectations and analyses, and its financial advisor's analyses, of the financial metrics, including expected earnings per share accretion and low tangible book value dilution projected to be earned back in approximately one year, assuming the realization of planned cost savings opportunities;
- Dogwood's belief that the merger will accelerate Dogwood's achievement of its financial performance goals;
- the regulatory and other approvals required in connection with the merger and the expectation that the approvals will be received in a timely manner and without imposition of unacceptable conditions; and
- the financial and other terms of the transaction, including the fixed exchange ratio, expected tax treatment, deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors.

Dogwood's board also considered potential risks and a variety of potential negative factors in connection with its deliberations concerning the merger agreement and the merger, including the following material factors (not in any relative order of importance):

- the potential for an initial negative impact on the market price of Dogwood common stock;
- the possibility that the merger and related integration process could result in the loss of key employees, the disruption of Dogwood's on-going business and the loss of customers;
- the potential risks and costs associated with integrating Community First's business, operations and workforce with those of Dogwood;
- the potential risks of diverting management attention and resources from the operation of Dogwood's business and towards the completion of the merger;
- the substantial merger and integration related expenses;

- the possibility of litigation in connection with the merger; and
- the risks of the type and nature described under “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.”

Based on the factors described above, the Dogwood board of directors determined that the merger of Community First and Community First Bank with and into Dogwood would be advisable and in the best interests of Dogwood and its shareholders, and adopted the merger agreement and resolved to recommend its approval to the shareholders of Dogwood.

The foregoing discussion of the material information and factors considered by the Dogwood board of directors is not intended to be exhaustive. The Dogwood board evaluated the above factors and unanimously determined that the merger was in the best interests of Dogwood and its shareholders. In reaching its determination to approve the merger and recommend that Dogwood shareholders approve the merger, the Dogwood board considered the totality of the information presented to it and did not assign any relative or specific weights to any of the individual factors considered, although individual directors may have given different weights to different factors. The Dogwood board of directors considered these factors, including the potential risks, uncertainties and disadvantages associated with the merger, in the aggregate rather than separately and determined the benefits of the merger to be favorable to and outweigh the potential risks, uncertainties and disadvantages of the merger. This explanation of the Dogwood board of directors’ reasoning and certain other information presented in this section are forward-looking in nature and, therefore, should be read in the context of the factors discussed under “Cautionary Statement Concerning Forward-Looking Statements.”

Accordingly, the Dogwood board of directors unanimously approved and adopted the merger agreement and approved the merger and unanimously recommends that the holders of Dogwood’s voting common stock vote “FOR” the Dogwood merger proposal and the Dogwood adjournment proposal.

Opinion of Dogwood’s Financial Advisor

Dogwood retained Piper Sandler to act as financial advisor to Dogwood’s board of directors in connection with Dogwood’s consideration of a possible business combination with Community First. Dogwood selected Piper Sandler to act as its financial advisor because Piper Sandler is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Piper Sandler is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Piper Sandler acted as financial advisor to Dogwood’s board of directors in connection with the proposed merger and participated in certain of the negotiations leading to the execution of the merger agreement. At the January 31, 2024 meeting at which Dogwood’s board of directors considered the merger and the merger agreement, Piper Sandler delivered to the board of directors its oral opinion, which was subsequently confirmed in writing on January 31, 2024, to the effect that, as of such date, the common stock exchange ratio was fair to Dogwood from a financial point of view. **The full text of Piper Sandler’s opinion is attached as Appendix B to this joint proxy statement/offering circular. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Piper Sandler in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Dogwood voting common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Piper Sandler’s opinion was directed to the board of directors of Dogwood in connection with its consideration of the merger and the merger agreement and does not constitute a recommendation to any shareholder of Dogwood as to how any such shareholder should vote at any meeting of shareholders called to consider and vote upon the approval of the merger and the merger agreement. Piper Sandler’s opinion was directed only to the fairness, from a financial point of view, of the common stock exchange ratio and did not address the underlying business decision of Dogwood to engage in the merger, the form or structure of the merger or any other transactions contemplated in the merger agreement, the relative merits of the merger as compared to any other alternative

transactions or business strategies that might exist for Dogwood or the effect of any other transaction in which Dogwood might engage. Piper Sandler also did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by any officer, director or employee of Dogwood or Community First, or any class of such persons, if any, relative to the compensation to be received in the merger by any other shareholder. Piper Sandler's opinion was approved by Piper Sandler's fairness opinion committee.

In connection with its opinion, Piper Sandler reviewed and considered, among other things:

- an execution copy of the merger agreement;
- certain publicly available financial statements and other historical financial information of Dogwood that Piper Sandler deemed relevant;
- certain publicly available financial statements and other historical financial information of Community First and Community First Bank that Piper Sandler deemed relevant;
- certain internal financial projections for Dogwood for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Dogwood;
- certain internal financial projections for Community First for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Community First and as adjusted by and confirmed for use in Piper Sandler's analyses by the senior management of Dogwood;
- the pro forma financial impact of the merger on Dogwood based on certain assumptions relating to the Dogwood Common Stock Price (defined below), transaction expenses, purchase accounting adjustments, and cost savings, as well as certain adjustments for CECL accounting standards, as provided by the senior management of Dogwood;
- the publicly reported historical price and trading activity for Dogwood voting common stock and Community First common stock, including a comparison of certain stock trading information for Dogwood voting common stock and Community First common stock and certain stock indices, as well as similar publicly available information for certain other companies, the securities of which are publicly traded;
- a comparison of certain financial and market information for Dogwood and Community First with similar financial institutions for which information is publicly available;
- the financial terms of certain recent business combinations in the bank and thrift industry (on a regional and nationwide basis), to the extent publicly available;
- the current market environment generally and the banking environment in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Piper Sandler considered relevant.

Piper Sandler also discussed with certain members of the senior management of Dogwood and its representatives the business, financial condition, results of operations and prospects of Dogwood and held similar discussions with certain members of the senior management of Community First and its representatives regarding the business, financial condition, results of operations and prospects of Community First.

Piper Sandler assumed for purposes of its analyses, at Dogwood's direction and with Dogwood's consent, that the per share value of Dogwood voting common stock was \$20.00 (the "Dogwood Common Stock Price").

In performing its review, Piper Sandler relied upon the accuracy and completeness of all of the financial and other information that was available to Piper Sandler from public sources, that was provided to Piper Sandler by

Dogwood, Community First or its respective representatives, or that was otherwise reviewed by Piper Sandler, and Piper Sandler assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Piper Sandler relied on the assurances of the senior management of Dogwood and Community First that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading in any respect material to Piper Sandler's analyses. Piper Sandler was not asked to and did not undertake an independent verification of any such information and Piper Sandler did not assume any responsibility or liability for the accuracy or completeness thereof. Piper Sandler did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Dogwood or Community First. Piper Sandler rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of Dogwood, Community First, or Community First Bank. Piper Sandler did not make an independent evaluation of the adequacy of the allowance for credit losses of Dogwood, Community First, or Community First Bank, or the combined entity after the merger, and Piper Sandler did not review any individual credit files relating to Dogwood, Community First, or Community First Bank. Piper Sandler assumed, with Dogwood's consent, that the respective allowances for loan losses for each of Dogwood, Community First, and Community First Bank were adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Piper Sandler used certain internal financial projections for Dogwood for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Dogwood. Piper Sandler also used certain internal financial projections for Community First for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Community First and as adjusted by and confirmed for use in Piper Sandler's analyses by the senior management of Dogwood. Piper Sandler also received and used in its pro forma analyses certain assumptions relating to the Dogwood Common Stock Price, transaction expenses, purchase accounting adjustments, and cost savings, as well as certain adjustments for CECL accounting standards, as provided by the senior management of Dogwood. With respect to the foregoing information, the senior management of Dogwood confirmed to Piper Sandler that such information reflected the best currently available projections, estimates and judgements of senior management as to the future financial performance of Dogwood and Community First, respectively, and Piper Sandler assumed that the financial results reflected in such information would be achieved. Piper Sandler expressed no opinion as to such estimates or judgements, or the assumptions on which they were based. Piper Sandler also assumed that there has been no material change in Dogwood's or Community First's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Piper Sandler. Piper Sandler assumed in all respects material to its analyses that Dogwood and Community First would remain as going concerns for all periods relevant to Piper Sandler's analyses.

Piper Sandler also assumed, with Dogwood's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms and conditions of the merger agreement and all related agreements required to effect the merger, that all of the representations and warranties contained in such agreements were true and correct in all material respects, that each of the parties to such agreements would perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements were not and would not be waived, (ii) in the course of obtaining the necessary regulatory or third-party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect that would be material to Piper Sandler's analyses of Dogwood, Community First, Community First Bank, or the merger, or any related transactions, and (iii) the merger and any related transactions would be consummated in accordance with the terms of the merger agreement without any waiver, modification, or amendment of any material term, condition, or agreement thereof and in compliance with all applicable laws and other requirements. Finally, with Dogwood's consent, Piper Sandler relied upon the advice that Dogwood received from its legal, accounting, and tax advisors as to all legal, accounting, and tax matters relating to the merger and the other transactions contemplated by the merger agreement. Piper Sandler expressed no opinion as to any such matters.

Piper Sandler's opinion was necessarily based on financial, regulatory, economic, market, and other conditions as in effect on, and the information made available to Piper Sandler as of, the date thereof. Events occurring after the date thereof could materially affect Piper Sandler's opinion. Piper Sandler has not undertaken to update, revise, reaffirm, or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Piper Sandler expressed no opinion as to the Dogwood Common Stock Price, the trading value of Dogwood voting

common stock, or Community First common stock at any time or what the value of Dogwood voting common stock would be once it is actually received by the holders of Community First common stock.

In rendering its opinion, Piper Sandler performed a variety of financial analyses. The summary below is not a complete description of all the analyses underlying Piper Sandler's opinion or the presentation made by Piper Sandler to Dogwood's board of directors, but is a summary of the material analyses performed and presented by Piper Sandler. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Piper Sandler believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Piper Sandler's comparative analyses described below is identical to Dogwood or Community First and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or transaction values, as the case may be, of Dogwood and Community First and the companies to which they were compared. In arriving at its opinion, Piper Sandler did not attribute any particular weight to any analysis or factor that it considered. Rather, Piper Sandler made qualitative judgments as to the significance and relevance of each analysis and factor. Piper Sandler did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, Piper Sandler made its determination as to the fairness of the common stock exchange ratio on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Piper Sandler also made numerous assumptions with respect to industry performance, business, and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Dogwood, Community First, and Piper Sandler. The analyses performed by Piper Sandler are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Piper Sandler prepared its analyses solely for purposes of rendering its opinion and provided such analyses to Dogwood's board of directors at its January 31, 2024 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Piper Sandler's analyses do not necessarily reflect the value of Dogwood voting common stock or Community First common stock or the prices at which Dogwood or Community First common stock may be sold at any time. The analyses of Piper Sandler and its opinion were among a number of factors taken into consideration by Dogwood's board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of Dogwood's board of directors with respect to the fairness of the common stock exchange ratio.

Summary of Proposed Merger Consideration and Implied Transaction Metrics

Piper Sandler reviewed the financial terms of the proposed merger. Pursuant to the terms of the merger agreement, at the effective time of the merger each share of Community First common stock issued and outstanding immediately prior to the effective time of the transaction, except for certain shares as set forth in the merger agreement, shall be converted into the right to receive 0.5875 shares of Dogwood voting common stock.¹ Piper Sandler calculated an aggregate implied transaction value of approximately \$69.7 million² and an implied purchase price per share of \$11.75 consisting of the implied value of 5,514,683 common shares outstanding, 176,900 options outstanding, and 3,150 fixed rate cumulative perpetual preferred shares outstanding of Community First, and based on a Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood. Based upon financial information for Community First as of or for the last 12 months ("LTM") ended December 31, 2024 and the closing price of Community First's common stock on January 26, 2024, Piper Sandler calculated the following implied transaction metrics:

Transaction Price Per Share / Tangible Book Value Per Share ³	133%
Transaction Price Per Share / FY2023 Earnings Per Share ³	16.5x
Transaction Price Per Share / 2024 Estimated Earnings Per Share ⁴	15.3x
Tangible Book / Core Deposits ^{3,5}	3.9%
Market Premium as of January 26, 2024.....	78.8%

- (1) Assumed Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood.
- (2) Aggregate implied transaction value based on Community First 5,514,683 common shares outstanding, Community First 176,900 options outstanding, and Community First 3,150 fixed rate cumulative perpetual preferred shares outstanding; Community First options outstanding have a weighted average strike price of \$7.20; In-the-money Community First options to be cashed out at \$11.75 per share; Community First 3,150 fixed rate cumulative perpetual preferred shares outstanding which will convert to 347,287 Community First common shares based on a conversion rate of 110.25; Preferred shares to receive a fixed exchange ratio of 64.7719x of Dogwood common shares.
- (3) Preliminary December 31, 2023 information as provided by Community First.
- (4) 2024 EEPS provided by Community First and confirmed for use by Dogwood.
- (5) Core deposits defined as total deposits less time deposits with balances greater than \$250,000 per Bank Call Report.

Stock Trading History

Piper Sandler reviewed the publicly available historical reported trading prices of Dogwood voting common stock and Community First common stock for the one-year and three-year periods ended January 26, 2024. Piper Sandler then compared the relationship between the movements in the price of Dogwood common stock and Community First common stock, respectively, to movements in their respective peer groups (as described below) as well as the S&P 500 and NASDAQ Bank indices.

Dogwood's One-Year Stock Performance

	Beginning Value 1/26/2023	Ending Value 1/26/2024
Dogwood.....	100%	95.2%
Dogwood Peer Group.....	100%	91.8%
S&P 500 Index.....	100%	120.5%
NASDAQ Bank Index.....	100%	90.9%

Dogwood's Three-Year Stock Performance

	Beginning Value 1/26/2021	Ending Value 1/26/2024
Dogwood.....	100%	121.4%
Dogwood Peer Group.....	100%	105.1%
S&P 500 Index.....	100%	127.1%
NASDAQ Bank Index.....	100%	96.6%

Community First's One-Year Stock Performance

	Beginning Value 1/26/2023	Ending Value 1/26/2024
Community First.....	100%	89.4%
Community First Peer Group.....	100%	90.9%
S&P 500 Index.....	100%	120.5%
NASDAQ Bank Index.....	100%	90.9%

Community First's Three-Year Stock Performance

	Beginning Value 1/26/2021	Ending Value 1/26/2024
Community First.....	100%	106.0%
Community First Peer Group.....	100%	101.6%
S&P 500 Index.....	100%	127.1%
NASDAQ Bank Index.....	100%	96.6%

Comparable Company Analyses

Piper Sandler used publicly available information to compare selected financial information for Dogwood with a group of financial institutions selected by Piper Sandler. The Dogwood peer group included major exchange-traded banks headquartered in the Southeast with total assets between \$800 million and \$2 billion, but excluded NewtekOne, Inc. due to its classification as a non-traditional bank and excluded targets of announced mergers (the “Dogwood Peer Group”). The Dogwood Peer Group consisted of the following companies:

Affinity Bancshares, Inc.¹
Auburn National Bancorporation, Inc.¹
Bank of the James Financial Group, Inc.¹
BayFirst Financial Corp.
First Community Corporation
First National Corporation¹
First US Bancshares, Inc.
National Bankshares, Inc.
Old Point Financial Corporation¹
Peoples Bancorp of North Carolina, Inc.
Virginia National Bankshares Corporation

(1) Financial data as of September 30, 2023.

The analysis compared preliminary financial information for Dogwood with corresponding data for the Dogwood Peer Group as of or for the period ended December 31, 2023 (unless otherwise noted) with pricing data as of January 26, 2024. The table below sets forth the data for Dogwood and the median, mean, low, and high data for the Dogwood Peer Group. Certain financial data prepared by Piper Sandler, as referenced in the table presented below, may not correspond to the data presented in Dogwood’s historical financial statements, as a result of the different periods, assumptions, and methods used by Piper Sandler to compute the financial data presented.

Dogwood Comparable Company Analysis¹

	Dogwood ²	Dogwood Peer Group Median	Dogwood Peer Group Mean	Dogwood Peer Group Low	Dogwood Peer Group High
Total assets (\$M)	1,432	1,366	1,329	855	1,828
Loans / Deposits (%)	91.7	77.5	77.4	56.6	93.2
Non-performing assets ⁴ / Total assets (%)	0.12 ¹	0.16	0.32	0.04	1.23
Tangible common equity / Tangible assets (%)	11.05	7.79	7.58	4.27	11.95
Tier 1 Leverage Ratio (%)	11.05	9.96	10.04	8.45	11.71
Total RBC Ratio (%)	14.65	13.58	14.53	12.11	18.79
CRE / Total RBC Ratio (%)	286.9 ¹	231.1	213.5	71.9	311.6
MRQ Return on average assets (%)	0.80	0.79	0.76	0.37	1.04
MRQ Return on average equity (%)	7.15	10.40	10.00	5.30	15.81
MRQ Net interest margin (%)	3.42	3.35	3.15	2.17	3.70
MRQ Efficiency ratio (%)	65.2	73.5	72.4	60.9	86.3
MRQ Cost of Deposits (%)	2.67	1.71	1.81	0.99	3.88
Price / Tangible book value (%)	187 ³	122	112	55	139
Price / LTM Earnings per share (x)	27.2 ³	10.1	10.2	6.5	16.8
Current Dividend Yield (%)	0.0 ³	2.9	3.0	0.0	5.3
Market value (\$M)	294 ³	108	113	47	187

(1) Bank Call Report data used where Community First information was unavailable.

(2) Preliminary December 31, 2023 information as provided by Dogwood.

(3) Assumed Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood.

(4) Non-performing assets defined as nonaccrual loans and leases, renegotiated loans and leases, and real estate owned.

Piper Sandler used publicly available information to perform a similar analysis for Community First by comparing selected financial information for Community First with a group of financial institutions selected by Piper Sandler. The Community First peer group included major exchange-traded banks headquartered in the Southeast with total assets between \$250 million and \$1.2 billion, but excluded targets of announced merger transactions (the “Community First Peer Group”). The Community First Peer Group consisted of the following companies:

Affinity Bancshares, Inc.¹
Auburn National Bancorporation, Inc.¹
Bank of the James Financial Group, Inc.¹
BayFirst Financial Corp.
Cullman Bancorp, Inc.¹
First US Bancshares, Inc.
OptimumBank Holdings, Inc.¹
TC Bancshares, Inc.¹
Village Bank and Trust Financial Corp.

(1) Financial data as of September 30, 2023.

The analysis compared publicly available financial information for Community First with corresponding data for the Community First Peer Group as of or for the period ended December 31, 2023 (unless otherwise noted) with pricing data as of January 26, 2024. The table below sets forth the data for Community First and the median,

mean, low, and high data for the Community First Peer Group. Certain financial data prepared by Piper Sandler, as referenced in the table presented below, may not correspond to the data presented in Community First’s historical financial statements, as a result of the different periods, assumptions, and methods used by Piper Sandler to compute the financial data presented.

Community First Comparable Company Analysis¹

	Community First³	Community First Peer Group Median	Community First Peer Group Mean	Community First Peer Group Low	Community First Peer Group High
Total assets (\$M)	685	855	816	417	1,118
Loans / Deposits (%)	88.2	93.2	90.5	56.6	124.4
Non-performing assets ⁴ / Total assets (%)	0.10	0.14	0.34	0.00	1.23
Tangible common equity / Tangible assets (%)	7.13	9.17	11.02	4.27	24.25
Tier 1 Leverage Ratio (%)	10.08 ¹	10.89	11.76	9.36	18.64
CRE / Total RBC Ratio (%) ²	140.7	231.4	214.2	71.9	396.7
MRQ Return on average assets (%)	0.51	0.79	0.70	(0.09)	1.03
MRQ Return on average equity (%)	7.03	7.67	7.65	(0.46)	15.81
MRQ Net interest margin (%)	3.24	3.48	3.48	2.75	3.93
MRQ Efficiency ratio (%)	81.4	73.5	74.6	53.5	103.8
MRQ Cost of Deposits (%)	1.91	2.03	1.95	0.99	3.88
Price / Tangible book value (%)	74	83	88	51	136
Price / LTM Earnings per share (x)	9.2	8.8	13.4	6.1	32.9
Current Dividend Yield (%)	0.0	1.7	1.9	0.0	5.3
Market value (\$M)	39	58	64	34	108

(1) Bank Call Report data used where Community First information was unavailable.

(2) Bank Call Report total risk-based capital estimated per S&P Global Market Intelligence for Community First, Cullman Bancorp, Inc., and OptimumBank Holdings, Inc.

(3) Preliminary December 31, 2023 information as provided by Community First.

(4) Non-performing assets defined as nonaccrual loans and leases, renegotiated loans and leases, and real estate owned.

Analysis of Precedent Transactions

Piper Sandler reviewed two groups of merger and acquisition transactions, including a regional and nationwide group. The regional group consisted of bank transactions involving targets headquartered in the Southeast announced from January 1, 2023 to January 26, 2024, but excluded transactions with non-disclosed deal values, minority stake acquisitions, and non-bank buyers (the “Regional Precedent Transactions”). The nationwide group consisted of nationwide bank transactions announced from January 1, 2023 to January 26, 2024 with target total assets between \$300 million and \$1.5 billion at announcement, but excluded transactions with non-disclosed deal values, minority stake acquisitions, and non-bank buyers (the “Nationwide Precedent Transactions”).

The Regional Precedent Transactions group was composed of the following transactions:

Acquiror	Target
National Bankshares, Inc.	Frontier Community Bank
First Financial Corporation	SimplyBank
Old National Bancorp	CapStar Financial Holdings, Inc.
PB Financial Corporation	Coastal Bank & Trust
Burke & Herbert Financial Services Corp.	Summit Financial Group, Inc.
Atlantic Union Bankshares Corporation	American National Bankshares Inc.
United Community Banks, Inc.	First Miami Bancorp, Inc.

The Nationwide Precedent Transactions group was composed of the following transactions:

Acquiror	Target
Princeton Bancorp, Inc.	Cornerstone Financial Corporation
Hudson Valley Credit Union	Catskill Hudson Bancorp, Inc.
Equity Bancshares, Inc.	Rockhold Bancorp
First Busey Corporation	Merchants & Manufacturers Bank
First Financial Corporation	SimplyBank
Central Valley Community Bancorp	Community West Bancshares
NexTier Incorporated	Mars Bancorp, Inc.
Glacier Bancorp, Inc.	Community Financial Group, Inc.
LCNB Corp.	Cincinnati Bancorp, Inc.
Bancorp 34, Inc.	CBOA Financial, Inc.
CCFNB Bancorp, Inc.	Muncy Bank Financial, Inc.
First Mid Bancshares, Inc.	Blackhawk Bancorp, Inc.
Main Street Financial Services Corp.	Wayne Savings Bancshares, Inc.
United Community Banks, Inc.	First Miami Bancorp, Inc.

Using the latest publicly available information prior to the announcement of the relevant transaction, Piper Sandler reviewed the following transaction metrics: transaction price to last-twelve-months earnings per share, transaction price to tangible book value per share, core deposit premium, and 1-day market premium. Piper Sandler compared the indicated transaction metrics for the merger to the median, mean, low, and high metrics of the Regional Precedent Transactions group as well as to the median, mean, low, and high metrics of the Nationwide Precedent Transactions group.

	Dogwood / Community	Regional Precedent Transactions ¹			
	First	Median	Mean	Low	High
Transaction Price / LTM Earnings Per Share (x)	16.5 ²	10.6	13.4	6.5	29.8
Transaction Price / Tangible Book Value Per Share (%)	133 ²	115	132	106	185
Core Deposit Premium (%) ³	3.9 ²	1.4	2.3	0.1	8.2
1-Day Market Premium (%)	78.0 ²	8.0	18.8	3.1	44.5

(1) Bank Call Report data used where Community First information was unavailable.

(2) Assumed Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood.

(3) Core Deposit Premium calculation defined core deposits as total deposits less time deposits with balances greater than \$250,000 per Bank Call Report.

	Dogwood / Community	Nationwide Precedent Transactions ¹			
	First	Median	Mean	Low	High
Transaction Price / LTM Earnings Per Share (x)	16.5 ²	12.0	17.7	6.6	69.0
Transaction Price / Tangible Book Value Per Share (%)	133 ²	128	126	75	159
Core Deposit Premium (%) ³	3.9 ²	1.3	1.2	(2.1)	4.6
1-Day Market Premium (%)	78.0 ²	9.1	31.4	(12.3)	147.6

- (1) Bank Call Report data used where Community First information was unavailable.
- (2) Assumed Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood.
- (3) Core Deposit Premium calculation defined core deposits as total deposits less time deposits with balances greater than \$250,000 per Bank Call Report.

Net Present Value Analyses

Piper Sandler performed an analysis that estimated the net present value of a share of Dogwood common stock assuming Dogwood performed in accordance with internal projections for the years ending December 31, 2024 through December 31, 2027, as provided by and confirmed for use by Dogwood senior management. To approximate the terminal value of a share of Dogwood common stock at January 26, 2024, Piper Sandler applied price to 2027 earnings multiples ranging from 7.5x to 15.0x and multiples of 2027 tangible book value ranging from 85% to 160%. The terminal values were then discounted to present values using different discount rates ranging from 10% to 14%, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Dogwood common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Dogwood common stock of \$9.83 to \$22.87 when applying multiples of earnings and \$8.07 to \$17.68 when applying multiples of tangible book value.

Earnings Per Share Multiples

Discount Rate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
10.0%	\$11.44	\$13.72	\$16.01	\$18.30	\$20.59	\$22.87
11.0%	\$11.01	\$13.21	\$15.41	\$17.61	\$19.81	\$22.01
12.0%	\$10.59	\$12.71	\$14.83	\$16.95	\$19.07	\$21.19
13.0%	\$10.20	\$12.24	\$14.28	\$16.32	\$18.36	\$20.40
14.0%	\$9.83	\$11.79	\$13.76	\$15.72	\$17.69	\$19.65

Tangible Book Value Per Share Multiples

Discount Rate	<u>85%</u>	<u>100%</u>	<u>115%</u>	<u>130%</u>	<u>145%</u>	<u>160%</u>
10.0%	\$9.39	\$11.05	\$12.71	\$14.36	\$16.02	\$17.68
11.0%	\$9.04	\$10.63	\$12.23	\$13.82	\$15.42	\$17.01
12.0%	\$8.70	\$10.24	\$11.77	\$13.31	\$14.84	\$16.38
13.0%	\$8.38	\$9.86	\$11.33	\$12.81	\$14.29	\$15.77
14.0%	\$8.07	\$9.49	\$10.92	\$12.34	\$13.77	\$15.19

Piper Sandler also considered and discussed with the Dogwood board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings. To illustrate this impact, Piper Sandler performed a similar analysis, assuming Dogwood's earnings varied from 20.0% above projections to 20.0% below projections. This analysis resulted in the following range of per share values for Dogwood's voting common stock, applying the price to 2027 earnings multiples range of 7.5x to 15.0x referred to above and a discount rate of 12.44%.

Earnings Per Share Multiples

Annual Estimate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
<u>Variance</u>						
(20.0%)	\$8.34	\$10.00	\$11.67	\$13.34	\$15.01	\$16.67
(10.0%)	\$9.38	\$11.25	\$13.13	\$15.01	\$16.88	\$18.76
0.0%	\$10.42	\$12.51	\$14.59	\$16.67	\$18.76	\$20.84
10.0%	\$11.46	\$13.76	\$16.05	\$18.34	\$20.63	\$22.93
20.0%	\$12.51	\$15.01	\$17.51	\$20.01	\$22.51	\$25.01

Piper Sandler also performed an analysis that estimated the net present value per share of Community First common stock, assuming Community First performed in accordance with certain internal financial projections for Community First for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Community First and as adjusted by and confirmed for use in Piper Sandler's analyses by the senior management of Dogwood. To approximate the terminal value of a share of Community First common stock at January 26, 2024, Piper Sandler applied price to 2027 earnings multiples ranging from 7.5x to 15.0x and multiples of 2027 tangible book value ranging from 70% to 120%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 14.0%, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Community First common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Community First common stock of \$4.81 to \$11.20 when applying multiples of earnings and \$5.21 to \$10.39 when applying multiples of tangible book value.

Earnings Per Share Multiples

Discount Rate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
10.0%	\$5.60	\$6.72	\$7.84	\$8.96	\$10.08	\$11.20
11.0%	\$5.39	\$6.46	\$7.54	\$8.62	\$9.70	\$10.77
12.0%	\$5.18	\$6.22	\$7.26	\$8.30	\$9.33	\$10.37
13.0%	\$4.99	\$5.99	\$6.99	\$7.99	\$8.99	\$9.99
14.0%	\$4.81	\$5.77	\$6.73	\$7.69	\$8.66	\$9.62

Tangible Book Value Per Share Multiples

Discount Rate	<u>70%</u>	<u>80%</u>	<u>90%</u>	<u>100%</u>	<u>110%</u>	<u>120%</u>
10.0%	\$6.06	\$6.92	\$7.79	\$8.66	\$9.52	\$10.39
11.0%	\$5.83	\$6.66	\$7.50	\$8.33	\$9.16	\$9.99
12.0%	\$5.61	\$6.41	\$7.22	\$8.02	\$8.82	\$9.62
13.0%	\$5.40	\$6.18	\$6.95	\$7.72	\$8.49	\$9.26
14.0%	\$5.21	\$5.95	\$6.69	\$7.44	\$8.18	\$8.92

Piper Sandler also considered and discussed with the Dogwood board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings. To illustrate this impact, Piper Sandler performed a similar analysis assuming Community First's earnings varied from 20.0% above projections to 20.0% below projections. This analysis resulted in the following range of per share values for Community First common stock, applying the price to 2027 earnings multiples range of 7.5x to 15.0x referred to above and a discount rate of 12.44%.

Earnings Per Share Multiples

Annual Estimate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
Variance (20.0%)	\$4.08	\$4.90	\$5.71	\$6.53	\$7.34	\$8.16
(10.0%)	\$4.59	\$5.51	\$6.43	\$7.34	\$8.26	\$9.18
0.0%	\$5.10	\$6.12	\$7.14	\$8.16	\$9.18	\$10.20
10.0%	\$5.61	\$6.73	\$7.85	\$8.98	\$10.10	\$11.22
20.0%	\$6.12	\$7.34	\$8.57	\$9.79	\$11.02	\$12.24

In addition, Piper Sandler performed an analysis that estimated the net present value per share of Community First common stock, assuming Community First performed in accordance with certain internal financial projections for Community First for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Community First and as adjusted by and confirmed for use in Piper Sandler's analyses by the senior management of Dogwood, as well as assuming estimated cost savings of approximately 40% of Community First's projected non-interest expense base and taking into account the transaction costs needed to achieve the cost savings. To approximate the terminal value of a share of Community First common stock at January 26, 2024, Piper Sandler applied price to 2027 earnings multiples ranging from 7.5x to 15.0x and multiples of 2027 tangible book value ranging from 70% to 120%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 14.0%, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Community First common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Community First common stock of \$10.51 to \$24.47 when applying multiples of earnings and \$6.05 to \$12.08 when applying multiples of tangible book value.

Earnings Per Share Multiples

Discount Rate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
10.0%	\$12.23	\$14.68	\$17.13	\$19.57	\$22.02	\$24.47
11.0%	\$11.77	\$14.13	\$16.48	\$18.84	\$21.19	\$23.54
12.0%	\$11.33	\$13.60	\$15.86	\$18.13	\$20.40	\$22.66
13.0%	\$10.91	\$13.09	\$15.28	\$17.46	\$19.64	\$21.82
14.0%	\$10.51	\$12.61	\$14.72	\$16.82	\$18.92	\$21.02

Tangible Book Value Per Share Multiples

Discount Rate	<u>70%</u>	<u>80%</u>	<u>90%</u>	<u>100%</u>	<u>110%</u>	<u>120%</u>
10.0%	\$7.04	\$8.05	\$9.06	\$10.06	\$11.07	\$12.08
11.0%	\$6.78	\$7.75	\$8.71	\$9.68	\$10.65	\$11.62
12.0%	\$6.52	\$7.46	\$8.39	\$9.32	\$10.25	\$11.18
13.0%	\$6.28	\$7.18	\$8.08	\$8.98	\$9.87	\$10.77
14.0%	\$6.05	\$6.92	\$7.78	\$8.65	\$9.51	\$10.37

Piper Sandler also considered and discussed with the Dogwood board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings. To illustrate this impact, Piper Sandler performed a similar analysis assuming Community First's earnings varied from 20.0% above projections to 20.0% below projections. This analysis resulted in the following range of per share values for Community First common stock, applying the price to 2027 earnings multiples range of 7.5x to 15.0x referred to above and a discount rate of 12.44%.

Earnings Per Share Multiples

Annual Estimate	<u>7.5x</u>	<u>9.0x</u>	<u>10.5x</u>	<u>12.0x</u>	<u>13.5x</u>	<u>15.0x</u>
Variance						
(20.0%)	\$8.92	\$10.70	\$12.48	\$14.27	\$16.05	\$17.84
(10.0%)	\$10.03	\$12.04	\$14.05	\$16.05	\$18.06	\$20.06
0.0%	\$11.15	\$13.38	\$15.61	\$17.84	\$20.06	\$22.29
10.0%	\$12.26	\$14.71	\$17.17	\$19.62	\$22.07	\$24.52
20.0%	\$13.38	\$16.05	\$18.73	\$21.40	\$24.08	\$26.75

Piper Sandler noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Transaction Analysis

Piper Sandler analyzed certain potential pro forma effects of the merger on Dogwood assuming the transaction closes June 30, 2024. Piper Sandler utilized the following information and assumptions: (a) projections for the years ending December 31, 2024 through December 31, 2027, as provided by and confirmed for use by Dogwood; (b) projections for Community First for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Community First and as adjusted by and confirmed for use in Piper Sandler's analyses by the senior management of Dogwood; (c) certain assumptions relating to transaction expenses, purchase accounting adjustments, and cost savings, as well as certain adjustments for CECL accounting standards, as provided by the senior management of Dogwood; and (d) Dogwood Common Stock Price of \$20.00, as provided by the senior management of Dogwood. The analysis indicated that the transaction could be accretive to Dogwood's estimated earnings per share (excluding one-time transaction costs and expenses) in the years ending December 31, 2024 through December 31, 2027 and dilutive to Dogwood's estimated tangible book value per share at close and for the year ending December 31, 2024 and accretive for the years ending December 31, 2025 through December 31, 2027 with a tangible book value earnback period of 1.00 year using the crossover method and 1.02 years using the simple method.

In connection with this analysis, Piper Sandler considered and discussed with Dogwood's board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

Piper Sandler's Relationship

Piper Sandler is acting as Dogwood's financial advisor in connection with the transaction and will receive a fee for such services in an amount equal to \$950,000, which fee is contingent upon the closing of the merger. Piper Sandler also received a \$250,000 fee from Dogwood upon rendering its opinion, which opinion fee will be credited in full towards the advisory fee which will become payable to Piper Sandler upon closing of the transaction. Dogwood has also agreed to indemnify Piper Sandler against certain claims and liabilities arising out of Piper Sandler's engagement and to reimburse Piper Sandler for certain of its out-of-pocket expenses incurred in connection with Piper Sandler's engagement.

Piper Sandler did not provide any other investment banking services to Dogwood in the two years preceding the date of its opinion. Piper Sandler did not provide any investment banking services to Community First in the two years preceding the date of its opinion. In the ordinary course of Piper Sandler's business as a broker-dealer, Piper Sandler may purchase securities from and sell securities to Dogwood, Community First, and their respective affiliates. Piper Sandler may also actively trade the equity and debt securities of Dogwood, Community First, and their respective affiliates for Piper Sandler's account and for the accounts of Piper Sandler's customers.

Community First's Reasons for the Merger; Recommendation of the Community First's Board of Directors

After careful consideration, the Community First board, at its meeting held on January 31, 2024, unanimously determined the merger agreement and the ancillary documents, and the transactions contemplated thereby, to be fair and in the best interests of Community First and its shareholders. Accordingly, the Community First board unanimously adopted and approved the merger agreement and recommends that Community First's shareholders vote "FOR" the approval of the merger agreement.

In evaluating the merger agreement and reaching its decision to adopt and approve the merger agreement and recommend that Community First's shareholders approve the merger agreement, Community First's board consulted with Community First's management, as well as its outside legal and financial advisors, and considered a number of factors, including the following material factors (not in any relative order of importance):

- the Community First board's knowledge and understanding of Community First's business, markets, operations, financial condition, asset quality, earnings and prospects, and of Dogwood's business, markets, operations, financial condition, asset quality, earnings and prospects, taking into account Community First's reverse due diligence review and information provided by Community First's financial advisor;
- its understanding of Dogwood's strategies for the future and its projected financial results, and the Community First board's belief that the combined enterprise would benefit from Dogwood's ability to take advantage of economies of scale and grow in the current economic environment;
- Dogwood's earnings track record and the valuation of its common stock reflected in recent purchases of its shares by private investors and on the OTCQX marketplace;
- the ability of Community First's shareholders to benefit from Dogwood's potential growth and stock appreciation since it is more likely that the combined entity will have superior future earnings and prospects compared to Community First's earnings and prospects on an independent basis due to greater operating efficiencies and better penetration of commercial and consumer markets;
- the perceived ability of Dogwood to complete a merger transaction from financial and regulatory perspectives;
- the financial and other terms of the merger agreement, including the amount and nature of the merger consideration proposed to be paid, that the merger agreement does not preclude a third party from making an unsolicited acquisition proposal to Community First and that, under certain circumstances, Community First may furnish non-public information to and engage in discussions with such a third party regarding an acquisition proposal, as more fully described under the section entitled "The Merger Agreement—No Solicitation";
- the ability of the Community First's board of directors to submit the merger agreement to shareholders without a favorable recommendation or any recommendation, as more fully described under the section entitled "The Merger Agreement—Required Shareholder Approval" and "—No Solicitation";
- Dogwood's agreement to use its reasonable best efforts to obtain regulatory approvals.
- the fact that Community First was able to negotiate the payment of liquidated damages of \$750,000 to it by Dogwood should Dogwood fail to complete the merger by reason of a default by Dogwood;
- the fact that the outside closing date under the merger agreement allows for sufficient time to complete the merger;

- the Community First’s board’s belief that the proposed merger with Dogwood will generally be a tax-free transaction to Community First’s shareholders with respect to Dogwood voting common stock received by virtue of the merger;
- the potential expense-saving and revenue-enhancing opportunities in connection with the merger, the related potential impact on the combined company’s earnings and the fact that the nature of the stock consideration would allow former Community First shareholders to participate in the potential future upside as Dogwood shareholders;
- the anticipated effect of the acquisition on Community First’s retained employees and the terms of severance for employees who would not be retained;
- the long-term and short-term interests of Community First and its shareholders, and the interests of Community First’s employees, customers, creditors and suppliers, and the community and societal considerations of the communities in which Community First maintains offices;
- the financial analyses provided by D.A. Davidson, regarding the merger, and its opinion, delivered to Community First’s board on January 31, 2024, to the effect that, as of that date and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by D.A. Davidson in rendering its opinion, the merger consideration to be received under the terms of the merger agreement was fair, from a financial point of view, to Community First’s shareholders;
- its knowledge of the current environment in the financial services industry, including national, regional and local economic conditions, continued industry consolidation, increased regulatory burdens, evolving trends in technology and increasing nationwide and global competition, the current financial market conditions, the current environment for community banks, particularly in South Carolina, North Carolina and the surrounding states, and the likely effects of these factors on Community First’s and the combined company’s potential growth, development, productivity, profitability and strategic options;
- its knowledge of Community First’s prospects as an independent entity, including challenges relating to increasing regulatory burdens and overhead expense and its limited capital to support future growth;
- its knowledge of the strategic alternatives available to Community First, including the challenges for organic growth by a financial institution of Community First’s size; and
- its belief that the merger is more favorable to Community First’s shareholders than the alternatives to the merger, which belief was formed based on the careful review undertaken by the Community First board, with the assistance of its management and outside legal and financial advisors.

Community First’s board also considered potential risks and a variety of potential negative factors in connection with its deliberations concerning the merger agreement and the merger, including the following material factors (not in any relative order of importance):

- the fact that, while Community First expects that the merger will be consummated, there can be no assurance that all conditions to the parties’ obligations to complete the merger agreement will be satisfied, including the risk that certain regulatory approvals, the receipt of which are conditions to the consummation of the merger, might not be obtained, and, as a result, the merger may not be consummated;
- the restrictions on the conduct of Community First’s business prior to the completion of the merger, which are customary for merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent Community First from undertaking business opportunities

that may arise or any other action it would otherwise take with respect to the operations of Community First absent the pending completion of the merger;

- the significant risks and costs involved in connection with entering into or completing the merger, or failing to complete the merger in a timely manner, or at all, including as a result of any failure to obtain required regulatory approvals or shareholder approvals, such as the risks and costs relating to diversion of management and employee attention from other strategic opportunities and operational matters, potential employee attrition, and the potential effect on business and customer relationships;
- the fact that Community First would be prohibited from soliciting acquisition proposals after execution of the merger agreement, and the possibility that the \$2.5 million termination fee payable by Community First upon the termination of the merger agreement under certain circumstances could discourage other potential acquirers from making a competing bid to acquire Community First;
- the fact that some of Community First’s directors and executive officers have other interests in the merger that are different from, or in addition to, their interests as Community First shareholders generally, as more fully described under the section entitled “—Interests of Community First’s Directors and Executive Officers in the Merger;” and
- the possibility of litigation in connection with the merger.

Based on the factors described above, the Community First board determined that the merger of Community First and Community First Bank with Dogwood would be advisable and in the best interests of Community First and its shareholders, and adopted the merger agreement and resolved to recommend its approval to the shareholders of Community First.

The foregoing discussion of the material information and factors considered by the Community First board of directors is not intended to be exhaustive. The Community First board evaluated the above factors and unanimously determined that the merger was in the best interests of Community First and its shareholders. In reaching its determination to approve the merger and recommend that Community First shareholders approve the merger, the Community First board considered the totality of the information presented to it and did not assign any relative or specific weights to any of the individual factors considered, although individual directors may have given different weights to different factors. The Community First board of directors considered these factors, including the potential risks, uncertainties and disadvantages associated with the merger, in the aggregate rather than separately and determined the benefits of the merger to be favorable to and outweigh the potential risks, uncertainties and disadvantages of the merger. This explanation of the Community First board of directors’ reasoning and certain other information presented in this section are forward-looking in nature and, therefore, should be read in the context of the factors discussed under “Cautionary Statement Concerning Forward-Looking Statements.”

Accordingly, the Community First board of directors unanimously approved and adopted the merger agreement and approved the merger and unanimously recommends that the holders of Community First’s common shares vote “FOR” the Community First common shareholder merger proposal and the Community First common shareholder adjournment proposal and that the holders of Community First’s preferred shares vote “FOR” the Community First preferred shareholder merger proposal and the Community First preferred shareholder adjournment proposal.

Opinion of Community First’s Financial Advisor

On October 5, 2023, Community First entered into an engagement agreement with D.A. Davidson to render financial advisory and investment banking services to Community First. As part of its engagement, D.A. Davidson agreed to assist Community First in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between Community First and another financial institution. D.A. Davidson also agreed to provide Community First’s board of directors with an opinion as to the fairness, from a financial point of view, of the merger consideration to be paid to the holders of Community First shares in a merger. Community First engaged D.A.

Davidson because D.A. Davidson is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with Community First and its business. As part of its investment banking business, D.A. Davidson is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

On January 31, 2024, Community First's board of directors held a meeting to evaluate the merger. At this meeting, D.A. Davidson reviewed the financial aspects of the merger and rendered an opinion to Community First's board that, as of such date and based upon and subject to assumptions made, procedures followed, matters considered and limitations on the review undertaken, the merger consideration was fair, from a financial point of view, to the holders of Community First stock.

The full text of D.A. Davidson's written opinion, dated January 31, 2024, is attached as Appendix C to this joint proxy statement/offering circular and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. Community First's shareholders are urged to read the opinion in its entirety.

D.A. Davidson's opinion speaks only as of the date of the opinion and D.A. Davidson undertakes no obligation to revise or update its opinion. The opinion is directed to Community First's board of directors and addresses only the fairness, from a financial point of view, of the merger consideration to be paid in the merger to the holders of shares of Community First. The opinion does not address, and D.A. Davidson does not express a view or opinion with respect to, (i) the underlying business decision of Community First to engage in the merger, (ii) the relative merits or effect of the merger as compared to any alternative business transactions or strategies that may be or may have been available to or contemplated by Community First or Community First's board of directors, or (iii) any legal, regulatory, accounting, tax or similar matters relating to Community First, its shareholders or relating to or arising out of the merger. The opinion does not express a view or opinion as to any terms or other aspects of the merger, except for the merger consideration. Community First and Dogwood determined the merger consideration through the negotiation process. The opinion does not express any view as to the amount or nature of the compensation to any of Community First's officers, directors or employees, or any class of such persons, relative to the merger consideration, or with respect to the fairness of any such compensation. The opinion has been reviewed and approved by D.A. Davidson's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

D.A. Davidson has reviewed this joint proxy statement/offering circular and consented to the inclusion herein of its opinion to Community First's board of directors attached hereto as Appendix C and to the references to D.A. Davidson and its opinion contained herein.

In connection with rendering its opinion, D.A. Davidson reviewed, among other things, the following:

- a draft of the merger agreement, dated January 31, 2024;
- certain publicly available business and financial information about Community First, Dogwood and the banking industry;
- certain internal projections and other financial and operating data concerning the business, operations, and prospects of Community First and Dogwood prepared by or at the direction of senior management of Community First and Dogwood, as approved for D.A. Davidson's use by Community First;
- information relating to certain strategic, financial, tax, and operational benefits, including the estimated amount and timing of the cost savings and related expenses and synergies, expected to result from the merger, prepared by or at the direction of management of Community First, as approved for our use by Community First;
- the past and current business, operations, financial condition, and prospects of Community First, the strategic, financial, tax, and operational benefits expected to result from the merger, and other matters we deemed relevant, with senior management of Community First;

- a comparison of the financial and operating performance of Community First and Dogwood with publicly available information concerning certain other companies that D.A. Davidson deemed relevant;
- a comparison of the proposed financial terms of the merger with the publicly available financial terms of certain other transactions that D.A. Davidson deemed relevant;
- a comparison of the current and historical market prices and trading activity of Community First common stock and Dogwood common stock with that of certain publicly-traded companies that D.A. Davidson deemed relevant;
- the pro forma financial effects of the merger, taking into consideration the amounts and timing of transaction costs, earnings estimates, potential cost savings, and other financial and accounting considerations in connection with the merger, in each case as prepared by or at the direction of senior management of Community First, as approved for D.A. Davidson's use by Community First;
- a comparison of the merger consideration and the valuation derived by discounting future cash flows and a terminal value of Community First's business based upon Community First's internal financial forecasts, as discussed with and confirmed by senior management of Community First, at discount rates that D.A. Davidson deemed appropriate;
- the results of D.A. Davidson's efforts on behalf of Community First to solicit, at the direction of the board of directors of Community First, indications of interest and definitive proposals from third parties with respect to a possible acquisition of Community First; and
- other such financial studies, analyses, investigations, economic and market information that D.A. Davidson considered relevant including discussions with senior management and other representatives and advisors of Community First concerning the business, financial condition, results of operations and prospects of Community First and Dogwood.

In arriving at its opinion, D.A. Davidson assumed and relied upon the accuracy and completeness of all information that was publicly available, supplied or otherwise made available to, discussed with or reviewed by or for D.A. Davidson. D.A. Davidson did not independently verify, and did not assume responsibility for independently verifying, such information. D.A. Davidson relied on the assurances of senior management of Community First that they were not aware of any facts or circumstances that would make any of such information, projections or estimates inaccurate or misleading. D.A. Davidson did not undertake an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Community First. In addition, D.A. Davidson did not assume any obligation to conduct, nor did D.A. Davidson conduct any physical inspection of the properties or facilities of Community First and was not provided with any reports of such physical inspections. D.A. Davidson assumed that there was no material change in Community First's business, assets, financial condition, results of operations, cash flows, or prospects since the date of the most recent financial statements provided to D.A. Davidson.

With respect to the financial projections and estimates (including information relating to the amounts and timing of merger costs, cost savings, and revenue enhancements) provided to or otherwise reviewed by or for or discussed with D.A. Davidson, D.A. Davidson was advised by senior management of Community First that such projections and other analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of senior management of Community First as to the future financial performance of Community First and the other matters covered thereby, and that the financial results reflected in such projections and estimates would be realized in the amounts and at the times projected. D.A. Davidson did not assume responsibility for and did not express an opinion as to these projections and estimates or the assumptions on which they were based. D.A. Davidson relied on the assurances of senior management of Community First that they were not aware of any facts or circumstances that would make any of such information, projections or estimates inaccurate or misleading.

D.A. Davidson did not make an independent evaluation or appraisal of the loan and lease portfolios, classified loans, other real estate owned or any other specific assets, nor did D.A. Davidson assess the adequacy of the allowance for credit losses of Community First or Dogwood. D.A. Davidson did not review any individual credit files relating to Community First or Dogwood. D.A. Davidson assumed that the respective allowances for loan losses for both Community First and Dogwood were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity. D.A. Davidson did not make an independent evaluation of the quality of Community First's or Dogwood's deposit base, nor did D.A. Davidson independently evaluate potential deposit concentrations or the deposit composition of Community First or Dogwood. D.A. Davidson did not make an independent evaluation of the quality of Community First's or Dogwood's investment securities portfolio, nor did D.A. Davidson independently evaluate potential concentrations in the investment securities portfolio of Community First or Dogwood.

D.A. Davidson assumed that all representations and warranties contained in the merger agreement and all related agreements were true and correct in all respects material to D.A. Davidson's analysis, and that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification, or amendment of any term, condition or covenant thereof the effect of which would be in any respect material to D.A. Davidson's analysis. D.A. Davidson assumed that all material governmental, regulatory or other consents, approvals, and waivers necessary for the consummation of the merger would be obtained without any material adverse effect on Community First or the contemplated benefits of the merger. D.A. Davidson assumed that the executed merger agreement did not differ in any material respect from the draft merger agreement, dated January 31, 2024.

D.A. Davidson assumed in all respects material to its analysis that Community First and Dogwood would remain as going concerns for all periods relevant to its analysis. D.A. Davidson's opinion was necessarily based upon information available to D.A. Davidson and economic, market, financial and other conditions as they existed and could be evaluated on the date the fairness opinion letter was delivered to Community First's board of directors.

D.A. Davidson's opinion did not take into account individual circumstances of specific holders with respect to control, voting or other rights which may distinguish such holders.

D.A. Davidson expressed no opinion as to the prices at which Community First's common stock would trade following announcement of the merger or at any future time.

D.A. Davidson did not evaluate the solvency or fair value of Community First or Dogwood under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. The opinion was not a solvency opinion and did not in any way address the solvency or financial condition of Community First or Dogwood. D.A. Davidson did not express any opinion as to the impact of the merger on the solvency or viability of Community First or Dogwood or the ability of Community First or Dogwood to pay their respective obligations when they come due.

Set forth below is a summary of the material financial analyses performed by D.A. Davidson in connection with rendering its opinion. The summary of the analyses of D.A. Davidson set forth below is not a complete description of the analyses underlying its opinion, and the order in which these analyses are described below is not indicative of any relative weight or importance given to those analyses by D.A. Davidson. The following summaries of financial analyses include information presented in tabular format. These tables should be read together with the full text of the summary financial analyses, as the tables alone are not a complete description of the analyses.

Unless otherwise indicated, the following quantitative information, to the extent it is based on market data, is based on market data as of January 30, 2024, the last trading day prior to the date on which D.A. Davidson delivered the fairness opinion letter to Community First's board of directors, and is not necessarily indicative of market conditions after such date.

Implied Valuation Multiples for Community First based on the Merger Consideration

D.A. Davidson reviewed the financial terms of the merger. As described in the merger agreement, (i) each share of Community First's outstanding common stock shall be converted into and exchanged for the right to receive 0.5875 shares (the "common stock exchange ratio") of Dogwood's voting common stock, plus cash in lieu of any

fractional shares, and (ii) each share of Community First’s outstanding preferred stock shall be converted into and exchanged for the right to receive 64.7719 shares of Dogwood voting common stock (the “preferred stock exchange ratio” and, together with the common stock exchange ratio, the “exchange ratios”), plus cash in lieu of any fractional shares, (collectively, the “merger consideration”). The terms and conditions of the merger are more fully described in the merger agreement. Based upon financial information as of or for the 12-month or three-month period ended December 31, 2023, and other financial and market information described below, D.A. Davidson calculated the following transaction ratios using Dogwood’s closing trading price of \$16.60 per share as of January 30, 2024, and \$20.00 per share, which was the price at which Dogwood raised \$16.4 million of common equity in March 2023:

Merger Metrics			
	Dogwood \$20.00 Issuance Price	Dogwood \$16.60 Trading Price	
Valuation Metrics ⁽¹⁾			
Aggregate Deal Value / Tangible Book Value	134%	111%	
Core Deposit Premium	3.9%	1.3%	
Market Premium ⁽²⁾	74%	44%	
Deal Value / Core LTM Earnings ⁽³⁾	17.1x	14.1x	
Deal Value / Earnings (2024E)	15.2x	12.6x	
Deal Value / Earnings (2025E)	13.2x	10.9x	
Deal Value / 2024E Earnings + 100% Cost Savings	7.4x	5.7x	

Note: Dogwood \$16.60 Trading Price based on Dogwood closing price as of January 30, 2024; Dogwood's \$20.00 issuance price was the price at which Dogwood raised \$16.4 million of common equity in March 2023.

Note: Financial projections for Community First were approved for D.A. Davidson's use by senior management of Community First.

(1) Community First financial data as of 12/31/2023.

(2) Based on Community First's stock price of \$6.75 as of market close on January 30, 2024.

(3) Core earnings excludes a \$209 thousand loss on sale of a branch.

Stock Price Performance of Community First and Dogwood

D.A. Davidson reviewed the history of the reported trading prices of Community First and Dogwood common stock and certain stock indices, including the NASDAQ Bank Index and the S&P Bank Index. D.A. Davidson reviewed the history of the reported trading prices of Community First and compared the stock price performance of Community First and Dogwood with the performance of the NASDAQ Bank Index and the S&P Bank Index as follows:

Market Performance					
	10-Day 1/17/2024	30-Day 12/15/2023	60-Day 11/2/2023	90-Day 9/21/2023	180-Day 5/12/2023
Dogwood	(4.5%)	(4.5%)	14.1%	(2.4%)	(5.5%)
Community First	5.0%	11.5%	1.5%	(3.6%)	3.8%
NASDAQ Bank Index	6.0%	0.4%	23.0%	24.8%	41.0%
S&P Bank Index	7.4%	4.6%	27.1%	23.7%	33.4%

Ten Year Stock Performance	
	Ten Year Stock Performance as of 1/30/2024
Community First	61.7%

Dogwood Capital Offering History

D.A. Davidson reviewed the following information regarding Dogwood's capital offering history provided by Dogwood's senior management:

Dogwood Capital Offering History			
Closing Date	Price Per Share	Number of Investors	Offering Amount (thousands)
Mar-23	\$20.00	107	\$16,387
Feb-22	\$18.00	110	\$11,958
Feb-21	\$12.00	269	\$27,922
May-19	\$10.00	176	\$25,635

Dogwood Comparable Companies Analysis

D.A. Davidson used publicly available information to compare selected financial and market trading information for Dogwood and a group of 11 financial institutions selected by D.A. Davidson which: (i) were headquartered in the Southeast U.S. (Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, or West Virginia); (ii) had assets between \$1 billion and \$3 billion; (iii) had a return on average assets over the last 12 months between 0.60% and 1.25%; (iv) had non-interest income as a percent of average assets over the last 12 months greater than 0.50%; (v) had three month average daily trading volume greater than 100 shares; (vi) were not pending merger targets; and (vii) were not listed on the OTC Pink Market. The 11 financial institutions were as follows:

BankFirst Capital Corporation
C&F Financial Corporation
Chesapeake Financial Shares, Inc.
First Community Corporation
First National Corporation
National Bankshares, Inc.

Old Point Financial Corporation
Peoples Bancorp of North Carolina, Inc.
Skyline Bankshares, Inc.
Uwharrie Capital Corp
Virginia National Bankshares Corporation

Note: Does not reflect impact from pending acquisitions or acquisitions closed after January 30, 2024

The analysis compared the financial condition and market performance of Dogwood and the 11 financial institutions identified above based on publicly available financial and market trading information for Dogwood and the 11 financial institutions as of and for the 12-month or three-month period ended December 31, 2023. The table below shows the results of this analysis.

Financial Condition and Performance ⁽¹⁾⁽²⁾								
	Comparable Companies							
	Dogwood		Dogwood		Median	Average	Minimum	Maximum
	(\$16.60 Trading Price)	(\$20.00 Issuance Price)	(\$16.60 Trading Price)	(\$20.00 Issuance Price)				
Total Assets (in millions)	\$ 1,432	\$ 1,432	\$ 1,636	\$ 1,663	\$ 1,017	\$ 2,715		
Loan / Deposit Ratio	92%	92%	78%	75%	57%	88%		
Tangible Common Equity Ratio	10.8%	10.8%	6.9%	6.6%	2.5%	8.6%		
Non-Performing Assets / Total Assets	0.12%	0.12%	0.16%	0.23%	0.04%	0.77%		
Return on Average Assets	0.82%	0.82%	0.97%	0.94%	0.64%	1.22%		
Return on Average Tangible Common Equity	7.3%	7.3%	13.5%	16.4%	9.0%	31.3%		
Net Interest Margin	3.40%	3.40%	3.50%	3.47%	2.38%	4.31%		
Efficiency Ratio	66%	66%	70%	69%	56%	80%		
Noninterest Income / Average Assets	0.92%	0.92%	0.87%	0.95%	0.52%	1.69%		

Market Performance Multiples								
	Comparable Companies							
	Dogwood		Dogwood		Median	Average	Minimum	Maximum
	(\$16.60 Trading Price)	(\$20.00 Issuance Price)	(\$16.60 Trading Price)	(\$20.00 Issuance Price)				
Market Capitalization (in millions)	\$ 255	\$ 307	\$ 145	\$ 135	\$ 52	\$ 198		
Price / Tangible Book Value Per Share	166%	200%	125%	129%	90%	198%		
Price / LTM Earnings Per Share	23.4x	28.2x	8.9x	9.0x	5.8x	12.7x		
Dividend Yield (LTM)	-	-	3.04%	3.27%	2.56%	4.62%		
Price Change (LTM)	(9.0%)	-	(7.6%)	(7.3%)	(27.9%)	21.8%		
Price Change (YTD)	(4.5%)	-	(4.0%)	(3.7%)	(13.9%)	4.9%		
3-Month Average Daily Volume	238	-	5,584	6,688	543	18,218		

Note: Dogwood \$16.60 Trading Price based on Dogwood closing price as of January 30, 2024; Dogwood's \$20.00 issuance price was the price at which Dogwood raised \$16.4 million of common equity in March 2023.

(1) Income statement for the last twelve months and balance sheet as of the most recent quarter.

(2) Bank regulatory financial data used where consolidated company data was not available.

Community First Comparable Companies Analysis

D.A. Davidson used publicly available information to compare selected financial and market trading information for Community First and a group of 10 financial institutions selected by D.A. Davidson which: (i) were headquartered in the Southeast U.S. (Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, or West Virginia); (ii) had assets between \$500 million and \$1 billion; (iii) had a return on average assets over the last 12 months between 0.20% and 0.90%; (iv) were not pending merger targets; and (v) were not listed on the OTC Pink Market. The 10 financial institutions were as follows:

Affinity Bancshares, Inc.	Oak View Bankshares, Inc.
CNB Financial Services, Inc.	OptimumBank Holdings, Inc.
First Capital Bancshares, Inc.	Paragon Financial Solutions, Inc.
First Reliance Bancshares, Inc.	Touchstone Bankshares, Inc.
Marine Bancorp of Florida, Inc.	Village Bank and Trust Financial Corp.

Note: Does not reflect impact from pending acquisitions or acquisitions closed after January 30, 2024

The analysis compared the financial condition and market performance of Community First and the 10 financial institutions identified above based on publicly available financial and market trading information for Community First and the 10 financial institutions as of and for the 12-month or three-month period ended December 31, 2023. The table below shows the results of this analysis.

Financial Condition and Performance ⁽¹⁾⁽²⁾					
	Community	Comparable Companies			
	First	Median	Average	Minimum	Maximum
Total Assets (in millions)	\$ 684	\$ 716	\$ 725	\$ 597	\$ 974
Loan / Deposit Ratio	86%	93%	88%	64%	107%
Tangible Common Equity Ratio	7.6%	7.2%	7.6%	5.1%	12.0%
Non-Performing Assets / Total Assets	0.11%	0.08%	0.29%	0.00%	1.23%
Return on Average Assets	0.57%	0.64%	0.60%	0.26%	0.87%
Return on Average Tangible Common Equity	8.6%	8.2%	8.7%	3.0%	16.7%
Net Interest Margin	3.39%	3.32%	3.29%	2.58%	3.66%
Efficiency Ratio	77%	73%	73%	54%	86%
Noninterest Income / Average Assets	0.57%	0.43%	0.44%	0.08%	0.72%

Market Performance Multiples					
	Community	Comparable Companies			
	First	Median	Average	Minimum	Maximum
Market Capitalization (in millions)	\$ 37	\$ 42	\$ 50	\$ 12	\$ 107
Price / Tangible Book Value Per Share	68%	92%	91%	35%	161%
Price / LTM Earnings Per Share	9.2x	15.4x	14.7x	6.1x	33.0x
Dividend Yield (LTM)	-	2.56%	2.70%	1.69%	4.00%
Price Change (LTM)	(8.2%)	0.1%	(5.3%)	(53.8%)	12.3%
Price Change (YTD)	0.7%	6.8%	7.3%	0.0%	14.3%
3-Month Average Daily Volume	2,330	556	2,341	0	10,113

(1) Income statement for the last twelve months and balance sheet as of the most recent quarter.

(2) Bank regulatory financial data used where consolidated company data was not available

Precedent Transactions Analysis

D.A. Davidson reviewed two sets of comparable merger and acquisition transactions. The sets of mergers and acquisitions included: (1) “U.S. Transactions,” and (2) “Southeast U.S. Transactions.”

“U.S. Transactions” included 12 transactions where:

- the selling company was a bank headquartered in the United States;
- the transaction was announced between January 1, 2021 and January 30, 2024;
- the selling company’s total assets were between \$300 million and \$1 billion;
- the selling company’s return on average assets over the last 12 months was between 0.20% and 0.90%;
- the selling company’s nonperforming assets as a percent of total assets was less than 1.00%;
- the selling company’s tangible common equity as a percent of tangible assets was less than 10.0%;
- the transaction was not a merger of equals;
- the transaction did not include investor group acquirers;
- the transaction did not include a mutual Community First seller;
- the transaction was not government assisted; and
- the transaction’s pricing information was publicly available.

“Southeast U.S. Transactions” included six transactions where:

- the selling company was a bank headquartered in Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, or West Virginia;
- the transaction was announced between January 1, 2020 and January 30, 2024;
- the selling company’s total assets were between \$100 million and \$1.5 billion;
- the selling company’s return on average assets over the last 12 months was between 0.20% and 0.90%;
- the selling company’s nonperforming assets as a percent of total assets was less than 2.00%;
- the selling company’s tangible common equity as a percent of tangible assets was less than 15.0%;
- the transaction was not a merger of equals;
- the transaction did not include investor group acquirers;
- the transaction did not include a mutual Community First seller;
- the transaction was not government assisted; and
- the transaction’s pricing information was publicly available.

The following tables set forth the transactions included in “U.S. Transactions” and “Southeast Transactions” and are sorted by announcement date:

U.S. Transactions

<u>Announcement Date</u>	<u>Acquirer</u>	<u>Target</u>
8/31/2023*	Mars Bancorp, Inc.	NexTier Incorporated
4/27/2023*	CBOA Financial, Inc.	Bancorp 34, Inc.
12/12/2022	PSB Holding Corp.	Summit Financial Group, Inc.
10/19/2022	HV Bancorp, Inc.	Citizens Financial Services, Inc.
6/13/2022	Farmers & Stockmens Bank	CrossFirst Bankshares, Inc.
10/3/2021	Elmira Savings Bank	Community Bank System, Inc.
9/7/2021	Pacific Enterprise Bancorp	BayCom Corp
8/10/2021	Hancock Bancorp, Inc.	First Financial Corporation
7/22/2021	Teton Financial Services, Inc.	First Western Financial, Inc.
4/19/2021	American River Bankshares	Bank of Marin Bancorp
4/14/2021	Sevier County Bancshares, Inc.	SmartFinancial, Inc.
1/13/2021	FNS Bancshares, Inc.	BancorpSouth Bank

**Indicates the transaction was pending as of January 30, 2024*

Southeast U.S. Transactions

<u>Announcement Date</u>	<u>Acquirer</u>	<u>Target</u>
1/24/2024*	Frontier Community Bank	National Bankshares, Inc.
4/6/2022	Beach Bancorp, Inc.	The First Bancshares, Inc.
1/31/2022	Sandhills Community First, Inc.	Citizens Bancshares Corporation
4/14/2021	Sevier County Bancshares, Inc.	SmartFinancial, Inc.

2/8/2021
1/13/2021

Bank of Fincastle
FNS Bancshares, Inc.

First National Corporation
BancorpSouth Bank

*Indicates the transaction was pending as of January 30, 2024

For each transaction referred to above, D.A. Davidson compared, among other things, the following implied ratios:

- transaction price compared to tangible book value on an aggregate basis, based on the latest publicly available financial statements of the target company prior to the announcement of the transaction;
- transaction price compared to earnings per share for the last 12 months, based on the latest publicly available financial statements of the target company prior to the announcement of the transaction;
- tangible book premium to core deposits based on the latest publicly available financial statements of the target company prior to the announcement of the transaction; and
- transaction price per share compared to the closing stock price of the target company for the day prior to the announcement of the transaction.

D.A. Davidson compared the multiples of the comparable transaction groups and other operating financial data where relevant to the proposed merger multiples and other operating financial data of Community First as of or for the 12-month period ended December 31, 2023. The table below sets forth the results of this analysis.

Financial Condition and Performance ⁽¹⁾											
	Community First		U.S.				Southeast				
	(Dogwood \$20.00 Issuance Price)	(Dogwood \$16.60 Trading Price)	Median	Average	Minimum	Maximum	Median	Average	Minimum	Maximum	
Total Assets (in millions)	\$ 684	\$ 684	\$ 569	\$ 564	\$ 334	\$ 869	\$ 340	\$ 413	\$ 156	\$ 797	
Tangible Common Equity Ratio	7.6%	7.6%	8.1%	8.1%	4.8%	9.9%	9.6%	10.0%	7.0%	13.1%	
Non-Performing Assets / Total Assets	0.10%	0.10%	0.49%	0.43%	0.00%	0.91%	0.73%	0.80%	0.00%	1.77%	
Return on Average Assets (Last Twelve Months)	0.57%	0.57%	0.71%	0.69%	0.30%	0.88%	0.63%	0.58%	0.33%	0.75%	
Return on Average Equity (Last Twelve Months)	8.3%	8.3%	7.5%	7.8%	5.8%	11.5%	6.4%	5.9%	3.0%	8.6%	
Efficiency Ratio (Last Twelve Months)	77%	77%	72%	73%	58%	87%	81%	82%	70%	94%	

Transaction Multiples ⁽¹⁾											
	Community First		U.S.				Southeast				
	(Dogwood \$20.00 Issuance Price)	(Dogwood \$16.60 Trading Price)	Median	Average	Minimum	Maximum	Median	Average	Minimum	Maximum	
Aggregate Deal Value / Tang. Book Value	134%	111%	134%	136%	88%	175%	139%	133%	104%	154%	
Aggregate Deal Value / LTM EPS	17.1x	14.1x	17.3x	17.0x	9.0x	26.5x	19.3x	22.2x	17.1x	33.4x	
Core Deposits Premium	3.9%	1.3%	3.0%	3.2%	(3.0%)	8.4%	2.8%	3.6%	0.7%	9.6%	
One-Day Market Premium (1/30/2024)	74.1%	44.4%	35.1%	25.2%	(43.1%)	73.2%	23.5%	5.2%	(43.1%)	35.1%	

Note: Dogwood \$16.60 Trading Price based on Dogwood closing price as of January 30, 2024; Dogwood's \$20.00 issuance price was the price at which Dogwood raised \$16.4 million of common equity in March 2023.
(1) Bank regulatory financial data was used where holding company data was not available.

Net Present Value Analysis for Community First

D.A. Davidson performed an analysis that estimated the net present value per share of Community First's outstanding common and preferred stock under various circumstances. The analysis assumed Community First performed in accordance with financial projections for Community First as discussed with and confirmed by senior management of Community First. To approximate the terminal value of Community First's shares at December 31, 2029, D.A. Davidson applied price to earnings multiples of 9.0x to 15.0x and multiples of tangible book value ranging from 80.0% to 140.0%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 13.0% to 17.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Community First's shares. In evaluating the discount rate, D.A. Davidson used industry standard methods of adding the current risk-free rate, which is based on the Kroll Normalized Risk-Free Rate plus the Kroll Recommended Equity Risk Premium plus the Kroll company specific size premium.

D.A. Davidson noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

As illustrated in the following tables, the analysis indicates a range of \$5.91 to \$11.82 per share of Community First's outstanding common and preferred stock when applying the price to earnings multiples to the financial projections and \$5.93 to \$12.47 per share for of Community First's outstanding common and preferred stock when applying the multiples of tangible book value to the financial projections.

Earnings per Share Multiples

<u>Earnings Per Share Multiple</u>								
Discount Rate	9.0x	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x	
13.0%	\$ 7.09	\$ 7.88	\$ 8.67	\$ 9.46	\$ 10.24	\$ 11.03	\$ 11.82	
13.5%	\$ 6.93	\$ 7.70	\$ 8.47	\$ 9.24	\$ 10.01	\$ 10.78	\$ 11.55	
14.0%	\$ 6.77	\$ 7.52	\$ 8.28	\$ 9.03	\$ 9.78	\$ 10.53	\$ 11.29	
14.5%	\$ 6.62	\$ 7.35	\$ 8.09	\$ 8.82	\$ 9.56	\$ 10.29	\$ 11.03	
15.0%	\$ 6.47	\$ 7.19	\$ 7.90	\$ 8.62	\$ 9.34	\$ 10.06	\$ 10.78	
15.5%	\$ 6.32	\$ 7.02	\$ 7.73	\$ 8.43	\$ 9.13	\$ 9.83	\$ 10.54	
16.0%	\$ 6.18	\$ 6.87	\$ 7.55	\$ 8.24	\$ 8.93	\$ 9.61	\$ 10.30	
16.5%	\$ 6.04	\$ 6.71	\$ 7.38	\$ 8.06	\$ 8.73	\$ 9.40	\$ 10.07	
17.0%	\$ 5.91	\$ 6.56	\$ 7.22	\$ 7.88	\$ 8.53	\$ 9.19	\$ 9.85	

Note: Financial projections for Community First were approved for D.A. Davidson's use by senior management of Community First.

Tangible Book Value per Share Multiples

<u>Tangible Book Value Per Share Multiple</u>								
Discount Rate	80%	90%	100%	110%	120%	130%	140%	
13.0%	\$ 7.12	\$ 8.01	\$ 8.91	\$ 9.80	\$ 10.69	\$ 11.58	\$ 12.47	
13.5%	\$ 6.96	\$ 7.83	\$ 8.70	\$ 9.57	\$ 10.44	\$ 11.31	\$ 12.18	
14.0%	\$ 6.80	\$ 7.65	\$ 8.50	\$ 9.35	\$ 10.20	\$ 11.05	\$ 11.90	
14.5%	\$ 6.65	\$ 7.48	\$ 8.31	\$ 9.14	\$ 9.97	\$ 10.80	\$ 11.63	
15.0%	\$ 6.50	\$ 7.31	\$ 8.12	\$ 8.93	\$ 9.74	\$ 10.56	\$ 11.37	
15.5%	\$ 6.35	\$ 7.14	\$ 7.94	\$ 8.73	\$ 9.53	\$ 10.32	\$ 11.11	
16.0%	\$ 6.21	\$ 6.98	\$ 7.76	\$ 8.54	\$ 9.31	\$ 10.09	\$ 10.86	
16.5%	\$ 6.07	\$ 6.83	\$ 7.59	\$ 8.34	\$ 9.10	\$ 9.86	\$ 10.62	
17.0%	\$ 5.93	\$ 6.68	\$ 7.42	\$ 8.16	\$ 8.90	\$ 9.64	\$ 10.38	

Note: Financial projections for Community First were approved for D.A. Davidson's use by senior management of Community First.

D.A. Davidson also considered and discussed with the Community First board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, D.A. Davidson performed a similar analysis assuming Community First's estimated earnings per share in 2029 varied from 20.00% above projections to 20.00% below projections. As illustrated in the following table, the analysis resulted in the following range of \$5.17 to \$12.93 per share of Community First's outstanding common and preferred stock, using the price to earnings multiples of 9.0x to 15.0x and a discount rate of 15.0%.

Variance to 2029 EPS	Earnings Per Share Multiple							
	9.0x	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x	
20.0%	\$ 7.76	\$ 8.62	\$ 9.49	\$ 10.35	\$ 11.21	\$ 12.07	\$ 12.93	
15.0%	\$ 7.44	\$ 8.26	\$ 9.09	\$ 9.92	\$ 10.74	\$ 11.57	\$ 12.40	
10.0%	\$ 7.11	\$ 7.90	\$ 8.69	\$ 9.49	\$ 10.28	\$ 11.07	\$ 11.86	
5.0%	\$ 6.79	\$ 7.55	\$ 8.30	\$ 9.05	\$ 9.81	\$ 10.56	\$ 11.32	
0.0%	\$ 6.47	\$ 7.19	\$ 7.90	\$ 8.62	\$ 9.34	\$ 10.06	\$ 10.78	
(5.0%)	\$ 6.14	\$ 6.83	\$ 7.51	\$ 8.19	\$ 8.87	\$ 9.56	\$ 10.24	
(10.0%)	\$ 5.82	\$ 6.47	\$ 7.11	\$ 7.76	\$ 8.41	\$ 9.05	\$ 9.70	
(15.0%)	\$ 5.50	\$ 6.11	\$ 6.72	\$ 7.33	\$ 7.94	\$ 8.55	\$ 9.16	
(20.0%)	\$ 5.17	\$ 5.75	\$ 6.32	\$ 6.90	\$ 7.47	\$ 8.05	\$ 8.62	

Note: Financial projections for Community First were approved for D.A. Davidson's use by senior management of Community First.

Control Premium Analysis

D.A. Davidson used publicly available information to compare the average control premiums paid in merger and acquisition transactions in OTC-traded banks and NASDAQ or NYSE-traded banks since 2010 to the merger premium.

	Control Premium Analysis				
	\$20.00 Dogwood Issuance Price	\$16.60 Dogwood Trading Price	OTC	NASDAQ & NYSE	All Public Banks
Average Control Premium 2010-Present	-	-	49.6%	24.8%	38.6%
Dogwood Offer	74.1%	44.4%	-	-	-

Note: Dogwood \$16.60 Trading Price based on Dogwood closing price as of January 30, 2024; Dogwood's \$20.00 issuance price was the price at which Dogwood raised \$16.4 million of common equity in March 2023.

Note: Control Premium for Dogwood offer based on Community First's closing price of \$6.75 as of market close on January 30, 2024.

Contribution Analysis

D.A. Davidson analyzed the relative contribution of Community First and Dogwood to certain financial and operating metrics for the pro forma combined company. Such financial and operating metrics included: (i) core net income excluding gains/losses on sale of securities and other assets for the 12 months ended December 31, 2023; (ii) Community First's estimated net income for the 12 months ended December 31, 2024 and the 12 months ended December 31, 2025 based on financial projections discussed with and confirmed by senior management of Community First; (iii) Dogwood's estimated net income for the 12 months ended December 31, 2024 and the 12 months ended December 31, 2025 based on financial projections provided by senior management of Dogwood; (iv) total assets; (v) gross loans; (vi) total deposits; (vii) total core deposits; (viii) tangible common equity; and (ix) tangible common equity, excluding accumulated other comprehensive income (loss). The relative contribution analysis did not give effect to the impact of any synergies as a result of the proposed merger. The results of this analysis are summarized in the table below, which also compares the results of this analysis with the implied pro forma ownership percentages of Community First or Dogwood shareholders in the combined company based on the exchange ratio:

	Contribution Analysis					
	Dogwood Stand-alone	Dogwood % of Total	Community First Stand-alone	Community First % of Total	Combined	Implied Exchange Ratio
Income Statement - Historical						
2023 Core Net Income (in thousands) ⁽¹⁾	\$ 10,589	72.2%	\$ 4,075	27.8%	\$ 14,664	1.0093x
Income Statement - Projections						
2024E Net Income (in thousands) ⁽²⁾	\$ 11,610	71.7%	\$ 4,575	28.3%	\$ 16,185	1.0335x
2025E Net Income (in thousands) ⁽²⁾	\$ 16,640	75.9%	\$ 5,277	24.1%	\$ 21,917	0.8317x
Balance Sheet (as of 12/31/2023)						
Total Assets (in thousands)	\$ 1,431,688	67.7%	\$ 684,161	32.3%	\$ 2,115,849	1.2532x
Gross Loans (in thousands)	\$ 1,095,339	68.2%	\$ 511,003	31.8%	\$ 1,606,342	1.2234x
Total Deposits (in thousands)	\$ 1,194,279	67.3%	\$ 579,268	32.7%	\$ 1,773,547	1.2720x
Core Deposits (in thousands) ⁽³⁾	\$ 1,031,021	69.4%	\$ 454,200	30.6%	\$ 1,485,222	1.1553x
Tangible Common Equity (in thousands)	\$ 153,504	74.7%	\$ 51,907	25.3%	\$ 205,411	0.8868x
Tangible Common Equity, Excluding AOCI (in thousands)	\$ 156,674	71.5%	\$ 62,446	28.5%	\$ 219,120	1.0452x
Pro Forma Ownership						
Implied Shares Outstanding	15,372,593	81.7%	3,443,907	18.3%	18,816,500	0.5875x

Note: Pro forma contribution does not include any purchase accounting or merger adjustments.

(1) Core net income excludes gains/losses on sale of securities, branches, and other assets.

(2) Financial projections for Community First were approved for D.A. Davidson's use by senior management of Community First; financial projections for Dogwood were approved for D.A. Davidson's use by senior management of Dogwood.

(3) Community First and Dogwood core deposits are estimated based on core deposit composition percentage as of September 30, 2023.

Other Information

D.A. Davidson prepared its analyses for purposes of providing its opinion to Community First's board of directors as to the fairness, from a financial point of view, of the merger consideration to be paid to the holders of shares of Community First's outstanding common and preferred stock in the merger and to assist Community First's board of directors in analyzing the merger. The analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon projections of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties and their respective advisors, none of Community First, Dogwood or D.A. Davidson or any other person assumes responsibility if future results are materially different from those projected.

D.A. Davidson's opinion was one of many factors considered by the Community First's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the board of directors of Community First or management with respect to the merger or the merger consideration.

D.A. Davidson and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions. D.A. Davidson acted as financial advisor to Community First in connection with, and participated in certain of the negotiations leading to the merger. D.A. Davidson is a full-service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, D.A. Davidson and its affiliates may provide such services to Community First, Dogwood and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of Community First and Dogwood for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. Pursuant to a letter agreement executed on October 5, 2023, Community First engaged D.A. Davidson as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of the engagement letter, Community First agreed to pay D.A. Davidson a cash fee of \$200,000 concurrently with the rendering of its opinion. Community First agreed to pay D.A. Davidson at the time of closing of the merger a contingent cash fee equal to 1.25% of the aggregate consideration, less the \$200,000 fee paid in connection with the opinion. Community First has also agreed to reimburse D.A. Davidson up to an aggregate amount not to exceed \$20,000 for all reasonable out-of-pocket expenses, including fees of counsel, and to

indemnify D.A. Davidson and certain related persons against specified liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement.

During the two years preceding the date of this letter, neither D.A. Davidson nor its affiliates have had any other material financial advisory or other material commercial or investment banking relationships with Dogwood but have provided investment banking and other financial services to Community First for which it has received customary compensation.

In the ordinary course of our business, D.A. Davidson & Co. and its affiliates may actively trade or hold securities of Community First or Dogwood for our own accounts or for the accounts of our customers and, accordingly, may at any time hold long or short positions in such securities. We may seek to provide investment banking or other financial services to Community First or Dogwood in the future for which we would expect to receive compensation.

Interests of Certain Community First Directors and Executive Officers in the Merger

In the merger, the directors and executive officers of Community First will receive the same merger consideration for their Community First shares as the other Community First shareholders. In considering the recommendation of the Community First board of directors that you vote to approve the merger agreement, you should be aware that the executive officers and some of the directors of Community First have interests in the merger and have arrangements, as described below, that may be considered to be different from, or in addition to, those of Community First shareholders generally. The Community First board of directors was aware of these interests and arrangements and considered them, among other matters, in reaching its decision to adopt and approve the merger agreement and to recommend that you vote in favor of approving the merger agreement. See the section entitled “Community First’s Reasons for the Merger; Recommendation of Community First’s Board of Directors.” Community First shareholders should take these interests into account in deciding whether to vote “**FOR**” the Community First common shareholder merger proposal and “**FOR**” the Community First preferred shareholder merger proposal. These interests are described in more detail below, and certain of them are quantified in the disclosure below.

Employment and Change of Control Agreements

Community First and Community First Bank previously entered into employment and change of control agreements with each of Mr. Burleson and Ms. Champagne, and Community First Bank previously entered into employment and change of control agreements with Stuart L. Hester, Community First’s Executive Vice President and Chief Banking Officer, and Amanda Brackens, Community First’s Executive Vice President and Corporate Compliance Officer. These agreements provide that each executive is entitled to receive a change-of-control payment.

In the case of Mr. Burleson, if a change of control (as defined in his employment agreement) occurs, he would be entitled to receive a change of control payment equal to 3.49 times his “average annual base compensation” as defined under Section 280G(b) of the Code (the “Total Payment”) and, in the event any portion of the Total Payment would constitute an “excess parachute payment” under Section 280G, an additional payment (the “Additional Payment”) such that the net amount retained by Mr. Burleson after deduction of any excise tax imposed under Section 280G of the Code and any interest charges or penalties in respect of the imposition of such excise tax on the Total Payment (the “Excise Tax”) and deduction of any federal, state or local income tax, employment tax or Excise Tax upon the Additional Payment, shall equal the Total Payment. In exchange for these payments, Mr. Burleson agreed, for a period specified in his employment agreement, not to (1) compete with Community First and Community First Bank within 19 counties located in the Upstate region of South Carolina (the “Territory”), (2) solicit customers of Community First or Community First Bank in the Territory, or (3) solicit employees of Community First or Community First Bank to terminate their employment by such companies, in each case including the successors of such companies. Mr. Burleson has agreed that, in exchange for the termination of his employment agreement pursuant to the merger agreement, he will receive a lump sum cash payment of \$3,630,652, provided that (i) he enters into a mutually satisfactory release as of the effective time of the merger and (ii) the restrictions under his employment agreement under which he agreed not to compete against, solicit the customers of, or solicit the employees of Community First or Community First Bank (including their successors) will commence as of the effective time.

In the case of Ms. Champagne, if a change of control (as defined in her employment agreements) occurs, she would be entitled to a change of control payment equal to 1.99 times her “average annual base compensation” and the accelerated vesting as of the effective time of all unvested stock options. If a change of control (as defined in their agreements) occurs and their employment by Community First Bank is terminated other than for cause or voluntarily, each of Mr. Hester and Ms. Brackens would be entitled to a change of control payment equal to 1.99 times his or her “average annual base compensation”. Mr. Hester and Ms. Brackens would also be entitled to receive a prorated bonus equal to their bonuses for the prior fiscal year multiplied by the percentage of the fiscal year in which the merger is effective occurring prior to such effectiveness, reimbursement of insurance premiums paid by Mr. Hester or Ms. Brackens for six months of COBRA coverage following termination of his or her employment, and reimbursement of premiums for benefits (other than medical and dental insurance) which he or she would have received under Community First’s welfare benefit plans had termination of employment not occurred.

In exchange for these payments and benefits to be received by her, Ms. Champagne agreed, for a period of two years following the date of the termination of her employment by Community First and Community First Bank, not to (1) compete with Community First or Community First Bank within the Territory, (2) solicit customers of Community First or Community First Bank in the Territory, or (3) solicit employees of Community First or Community First Bank to terminate their employment by such companies, in each case including the successors of such companies. In exchange for these payments and benefits to be received by them, Mr. Hester and Ms. Brackens each agreed, for a period of 1.99 years following the termination of his or her employment not to (1) compete with Community First Bank in the geographic area within a 25 mile radius of Community First Bank's primary location in Seneca, South Carolina (the "Seneca Area"), (2) solicit customers of Community First Bank within the Seneca Area, and (3) solicit employees of Community First Bank to terminate their employment by such bank, in each case including the successors of Community First Bank. Each of Ms. Champagne, Mr. Hester and Ms. Brackens has agreed that, in exchange for the termination of such executive's employment agreement pursuant to the merger agreement, he or she will receive a lump payment (Ms. Champagne will receive \$538,206, Mr. Hester will receive \$391,235, and Ms. Brackens will receive \$391,235), provided (1) the executive enters into a mutually satisfactory release as of the effective time of the merger and (2) the period during which he or she will not compete against, solicit the customers of, or solicit the employees of Community First or Community First Bank (including their successors) will commence as of the effective time.

Engagement as Consultant

In connection with the merger and prior to the effective time, Dogwood will enter into a consulting agreement with Mr. Burleson, whereby he will provide consulting and advisory services to Dogwood, as an independent contractor, following the effective time of the merger with respect to the transition and integration of Community First and Community First Bank into Dogwood. It is anticipated that the consulting period will continue for 12 months following the effective time. Dogwood may terminate the agreement in the event that Mr. Burleson materially fails to perform the agreed upon transition and advisory services other than a failure by reason of a failure by Dogwood to request such services or to accept Mr. Burleson's performance of such services or Dogwood's material failure to comply with the terms of the agreement. Mr. Burleson may terminate the agreement upon written notice to Dogwood. Mr. Burleson will receive a consulting fee of \$50,000 per month.

Acceleration of Stock Options

Community First's long-term incentive stock plan provides for the acceleration of the vesting of outstanding options to acquire Community First common stock as a consequence of the merger. Certain executive officers and directors have stock options that will vest as of the effective time of the merger, including Mr. Hester and Ms. Brackens.

Board of Directors

Current Community First directors, Gary Thrift and William Brown will join the Dogwood board of directors upon completion of the merger. Members of the Dogwood board are expected to receive compensation consistent with the compensation paid to current non-employee directors of Dogwood. For 2023, such compensation included an annual retainer fee of \$20,000 paid in cash.

Indemnification and Insurance

As described under the section entitled "The Merger Agreement—Indemnification and Insurance" from and after the completion of the merger, Dogwood will indemnify and hold harmless all current and former directors, officers and employees of Community First or any of its subsidiaries against all liabilities arising out of the fact that such person is or was a director, officer or employee of Community First or any of its subsidiaries if the claim is based in or arises out of any matter of fact existing or occurring at or before the effective time of the merger (including the merger and the other transactions contemplated by the merger agreement), regardless of whether such claims are asserted before or after the effective time, to the fullest extent such person would have been indemnified under articles of incorporation and bylaws of Community First as in effect on January 31, 2024 and as permitted by applicable law.

The merger agreement requires Dogwood to purchase a six year “tail”, prepaid directors’ and officers’ liability (and fiduciary) insurance policy on terms and conditions no less favorable than those contained in Community First’s currently existing directors’ and officers’ liability (and fiduciary) policy, with respect to claims arising from facts or events that occurred prior to the completion of the merger, and covering such individuals who are currently covered by Community First’s existing insurance policy. However, Dogwood is not required to spend in the aggregate an amount more than 250% of the last annual premium paid by Community First on its currently existing policy. If Dogwood is unable to obtain a “tail” policy as described above for that amount or less, Dogwood must obtain as much comparable insurance as is available for that amount.

Regulatory Approvals

Dogwood, Community First and Community First Bank cannot complete the merger without prior approval from the FDIC, the NCCOB and the SCCOB. On February 28, 2024, Dogwood filed applications with the FDIC, the NCCOB and the SCCOB seeking their approval of the merger.

As of the date of this joint proxy statement/offering circular, we have not yet received the required approvals from the FDIC, NCCOB or SCCOB. While we do not know of any reason why we would not be able to obtain such approvals in a timely manner, we cannot be certain when or if we will receive them.

Appraisal or Dissenters’ Rights in the Merger

Overview

Under South Carolina law, holders of Community First common and preferred stock will be entitled to dissent from the merger and to obtain payment in cash of the fair value of his, her or its shares of Community First common and preferred stock. Shareholders who receive a fair value cash payment will not be entitled to receive the merger consideration offered in the merger. If you are contemplating exercising your right to dissent, we urge you to read carefully the provisions of Chapter 13 of the South Carolina Business Corporation Act of 1988 (the “SCBCA”), a copy of which is attached to this joint proxy statement/offering circular as Appendix D and which qualify in all respects the following discussion of those provisions, and consult with your legal counsel before electing or attempting to exercise these rights.

Unless otherwise required by context, all references in Sections 33-13-101 to 33-13-310 of the SCBCA and in this section to a “shareholder” are to the holder of record or the beneficial owner of the shares of Community First common and preferred stock as to which dissenters’ rights are asserted.

Requirements of Dissenters’ Rights

If you wish to assert your right to dissent to the merger, you must satisfy all of the following conditions:

- you must deliver to Community First, before the vote on the merger proposal is taken, written notice of your intent to demand payment for your shares if the merger is effectuated. This notice must be in addition to and separate from any proxy or vote against the merger. Neither voting against, abstaining from voting, nor failing to vote on the merger will constitute a notice within the meaning of Chapter 13 of the SCBCA; and
- you must not vote your shares in favor of the merger proposal. A failure to vote will satisfy this requirement, as will a vote against the merger proposal, but a vote in favor of the merger proposal, by proxy or in person, or the return of a signed proxy which does not either specify a vote against the merger proposal or contain a direction to abstain, will constitute a waiver of the shareholder’s dissenters’ rights with respect to all of such shareholder’s shares. (A vote in favor of the merger proposal cast by the holder of a proxy solicited by Community First will not disqualify you from demanding payment for your shares.)

If you do not satisfy the above requirements and the merger become effective, you will not be entitled to payment for your shares under the provisions of Chapter 13 of the SCBCA.

Required Notice to Community First

If you desire to assert dissenters' rights, your written notice should be addressed to:

Community First Bancorporation
449 Highway 123 Bypass
Seneca, South Carolina 29678
Attention: Jennifer M. Champagne

This notice should be executed by the holder of record desiring to assert dissenters' rights. A beneficial owner may assert dissenters' rights only if the beneficial owner dissents with respect to all shares of Community First common and preferred stock of which he, she or it is the beneficial owner or over which such beneficial owner has power to direct the vote. A beneficial holder of shares of Community First common and preferred stock asserting dissenters' rights with respect to shares held on such owner's behalf must notify Community First in writing of the name and address of the record holder of the Community First shares, if known to the beneficial owner.

A record holder of Community First stock must assert dissenters' rights with respect to all shares registered in such holder's name, unless such holder is the record holder for multiple beneficial owners. A record holder, such as a broker or bank, who holds shares of Community First stock as a nominee for others may exercise dissenters' rights with respect to the shares held for all or less than all beneficial owners of shares as to which such person is the record holder, provided such record holder dissents with respect to all shares beneficially owned by any one person. In such case, the notice submitted by the nominee as record holder must set forth the name and address of the beneficial owner who is objecting to the merger and demanding payment for such person's shares.

Dissenters' Notice from Community First

If a shareholder properly dissents from the merger and the merger proposal is approved at the special meeting, Community First will mail a written dissenters' notice to each dissenting shareholder not later than 10 days after the date the merger proposal is approved at the special meeting. The dissenters' notice will:

- state where the dissenting shareholder's payment demand must be sent, and where such shareholder's stock certificates must be deposited;
- inform holders of uncertificated shares to what extent transfer of the shares is to be restricted after the payment demand is received;
- supply a form for demanding payment that includes the date of the first announcement of the terms of the proposed merger and requires that the person asserting dissenters' rights certify whether or not he, she or it or, if such person is a nominee asserting dissenters' rights on behalf of a beneficial shareholder, the beneficial shareholder acquired beneficial ownership of the shares before that date of first announcement;
- set a date by which Community First must receive the dissenting shareholder's payment demand (such date to be not fewer than 30 days nor more than 60 days after the date Community First's dissenters' notice is delivered to the shareholder); and
- include a copy of Chapter 13 of the SCBCA.

A shareholder who receives a dissenters' notice must demand payment, certify whether the shareholder (or the beneficial shareholder on whose behalf the holder is asserting dissenters' rights) acquired beneficial ownership of the shares before the date of first public announcement of the terms of the proposed merger, and deposit the shareholder's share certificates (if any) in accordance with the terms of the dissenters' notice. If a dissenting shareholder demands payment and deposits such shareholder's share certificates (if any), the shareholder will retain all other rights of a Community First shareholder until these rights are canceled or modified by the consummation of

the merger. If a dissenting shareholder does not demand payment or deposit such shareholder's share certificates (if any) where required, each by the date set in the Community First dissenters' notice, the shareholder will not be entitled to payment for the shareholder's shares under Chapter 13 of the SCBCA.

Community First's Payment to Dissenting Shareholders

As soon as the merger is consummated, or upon receipt of a payment demand, Community First will pay to each dissenting shareholder who complied with the requirements set forth above the amount Community First estimates to be the fair value of the shareholder's shares, plus accrued interest. The payment must be accompanied by:

- Community First's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;
- a statement of Community First's estimate of the fair value of the shares and an explanation of how the fair value was calculated;
- an explanation of how the interest was calculated;
- a statement of the dissenter's right to demand additional payment; and
- a copy of Chapter 13 of the SCBCA.

If Community First does not consummate the proposed merger within 60 days after the date set for demanding payment and depositing Community First share certificates, Community First, within the same 60-day period, must return the deposited certificates and release the transfer restrictions imposed on any uncertificated shares. If, after returning deposited certificates or releasing such transfer restrictions, the merger is consummated, Community First must send a new dissenters' notice and repeat the payment demand procedure.

Dissenter's Right to Demand Additional Payment

A dissenting shareholder may notify Community First in writing of his, her or its own estimate of the fair value of the shares and amount of interest due and demand payment of his, her or its estimate (less any payment already received) or reject Community First's offer with respect to after-acquired shares (discussed below) and demand payment of the fair value of his shares and interest due, if:

- the dissenting shareholder believes the amount paid or offered for the shares is less than fair value of the shares or that the interest due is calculated incorrectly,
- Community First fails to make payment or offer payment within 60 days after the date set for demanding payment, or
- the merger has not been consummated and Community First fails to return the deposited certificates or release transfer restrictions imposed on any uncertificated shares within 60 days after the date set for demanding payment.

However, a dissenting shareholder waives such shareholder's right to demand additional payment if the shareholder fails to notify Community First of the shareholder's demand in writing within 30 days after Community First made or offered payment for the dissenting shareholder's shares.

After-Acquired Shares

Community First may withhold payment with respect to any shares which a shareholder did not beneficially own on the date stated in the dissenters' notice as the date on which the terms of the proposed merger

were first announced. If Community First elects to withhold payment, after the merger is consummated, it must estimate the fair value of the shares, plus accrued interest, and must pay this amount to each dissenting shareholder who agrees to accept it in full satisfaction of his, her or its demand. Community First must send with its offer a statement of its estimate of the fair value of the shares, an explanation of how the fair value and interest were calculated, and a statement of the dissenter's right to demand additional payment (as described above).

Judicial Appraisal of Shares

If a demand for additional payment remains unsettled, Community First will commence a court proceeding within 60 days after receiving the demand for additional payment and petition the court to determine the fair value of the Community First shares and the accrued interest. If Community First does not commence the proceeding within the 60-day period, Community First must pay each dissenting shareholder whose demand remains unsettled the amount demanded. The court in such an appraisal proceeding will determine all costs of the proceeding and assess the costs against Community First, except the court may assess costs against some or all of the dissenting shareholders, in amounts the court finds equitable, to the extent the dissenting shareholders acted arbitrarily, vexatiously, or not in good faith in demanding additional payment. The court may also assess the fees and expenses of counsel and experts for the respective parties, in the amounts the court finds equitable (a) against Community First (or Dogwood as legal successor in the merger) if the court finds that the corporation did not comply substantially with Chapter 13 of the SCBCA or (b) against Community First (or Dogwood as legal successor) or the dissenting shareholders if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith. If the court finds that the services of counsel for any dissenting shareholder were of substantial benefit to other dissenting shareholders similarly situated, and that the fees for those services should not be assessed against Community First, the court may award to these counsel reasonable fees to be paid out of the amounts awarded to the dissenting shareholders who were benefited.

Certain Differences in Rights of Shareholders

Upon completion of the merger, Community First shareholders will become shareholders of Dogwood, and as such their shareholder rights will then be governed by the articles of incorporation and bylaws of Dogwood. In addition, Dogwood is organized under the laws of North Carolina, whereas Community First is organized under the laws of South Carolina. The rights of shareholders of Dogwood differ in certain respects from the rights of shareholders of Community First.

A summary of the material differences between the rights of a Community First shareholder under Community First's articles of incorporation, bylaws and South Carolina law, on the one hand, and the rights of a Dogwood shareholder under Dogwood's articles of incorporation, bylaws and North Carolina law, on the other hand, is provided in this joint proxy statement/offering circular in the section "Comparative Rights of Shareholders" on page 120.

Accounting Treatment

The merger will be accounted for under the acquisition method of accounting pursuant to GAAP. Under the acquisition method of accounting, the assets and liabilities, including identifiable intangible assets arising from the transaction, of Community First and Community First Bank will be recorded, as of completion of the merger, at their respective fair values and added to those of Dogwood. Any excess of purchase price over the fair values is recorded as goodwill. Financial statements and reported results of operations of Dogwood issued after completion of the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Community First and Community First Bank.

THE MERGER AGREEMENT

The following is a summary description of the material provisions of the merger agreement. It is subject to and is qualified in its entirety by reference to the merger agreement, which is attached as Appendix A to this joint proxy statement/offering circular and incorporated herein by reference. We urge you to read the merger agreement in its entirety as it is the legal document governing the merger.

Structure of the Merger

The Dogwood board of directors and the Community First board of directors have each approved the merger agreement. Pursuant to the merger agreement, Community First and Community First Bank will merge with and into Dogwood, with Dogwood as the surviving entity.

Merger Consideration

General. In the proposed merger, holders of Community First common stock will receive 0.5875 shares of voting common stock of Dogwood for each share of Community First common stock outstanding immediately before the effective time of the merger, plus cash in lieu of any fractional shares. The holders of Community First preferred stock will receive 64.7719 shares of voting common stock of Dogwood for each share of Community First preferred stock immediately before the effective time of the merger, plus cash in lieu of any fractional shares. Each share of common stock of Community First Bank that is issued and outstanding immediately before the effective time of the merger shall automatically be cancelled and retired and shall cease to exist as of the effective time of the merger.

If the number of shares of Dogwood common stock changes before the merger is completed because of a reclassification, recapitalization, stock dividend, stock split, reverse stock split or similar event, then a proportionate adjustment will be made to the exchange ratio.

Dogwood's shareholders will continue to own their existing shares of Dogwood common stock. Each share of Dogwood common stock will continue to represent one share of Dogwood common stock following the merger.

Each of Dogwood and the Exchange Agent are entitled to deduct and withhold from the merger consideration such amounts, if any, it is required to deduct and withhold. To the extent that amounts are so withheld and remitted to the appropriate governmental authority, such amounts withheld will be treated as having been paid to the person for whom the deduction or withholding was made.

Fractional Shares. Dogwood will not issue any fractional shares of common stock. Instead, a Community First shareholder who would otherwise have received a fraction of a share of Dogwood voting common stock will receive an amount of cash equal to the fraction of a share of Dogwood voting common stock to which such holder would otherwise be entitled multiplied by the average closing price per share of Dogwood voting common stock, as reported by Bloomberg Financial L.P., for the 20 consecutive trading days ending on and including the fifth trading day prior to the effective time of the merger.

Treatment of Community First Stock Options

In the merger, all outstanding Community First Company stock options, as of immediately prior to the effective time of the merger, whether vested or unvested, that are outstanding and unexercised shall be automatically canceled and cease to represent a right to acquire Community First common stock and shall be converted into the right of the holder thereof to receive a cash payment in an amount equal to the product of (i) the difference between (A) \$11.75 and (B) the per share exercise price of the Community First option immediately prior to the effective time of merger, and (ii) the number of shares of Community First common stock subject to such option. If the exercise price of a Community First option immediately prior to the effective time of the merger is greater than or equal to \$11.75, then the Community First option shall be cancelled without any payment made in exchange therefor.

Effective Date and Time; Closing

Pursuant to the merger agreement, the effective time of the merger shall be the date and time set forth in the articles of merger filed with the North Carolina Secretary of State and the South Carolina Secretary of State. Subject to the satisfaction or waiver of the closing conditions in the merger agreement, including the receipt of all necessary shareholder and regulatory approvals, Dogwood and Community First will use their commercially reasonable efforts to cause the effective time to occur in as soon as practicable after all required shareholder and regulatory approvals have been received. See “Conditions to Completion of the Merger” herein

There can be no assurances as to if or when the shareholder and regulatory approvals will be obtained or that the merger will be completed within the expected timeframe, or at all.

Exchange of Community First Shares for Dogwood Shares in the Merger

Dogwood Common Stock. Each share of Dogwood common stock issued and outstanding immediately before the effective time of the merger will remain issued and outstanding immediately after completion of the merger as a share of Dogwood common stock. As a result, there is no need for Dogwood shareholders to submit their stock certificates to Dogwood, the Exchange Agent or to any other person in connection with the merger, or otherwise take any action as a result of the completion of the merger.

Community First Common and Preferred Stock. On or before the closing date of the merger, Dogwood will cause to be deposited with its transfer agent, Equiniti Trust Company, LLC (the “Exchange Agent”), certificates or book-entry shares, or a combination thereof, representing shares of Dogwood voting common stock for the benefit of the holders of certificates or book-entry shares representing shares of Community First common stock and Community First preferred stock, and cash in lieu of any fractional shares that would otherwise be issued to Community First shareholders in the merger.

Promptly after the completion of the merger, the Exchange Agent will send transmittal materials to each holder of a certificate and/or book-entry share for Community First common stock and Community First preferred stock for use in exchanging Community First stock certificates and Community First book-entry shares for certificates or book-entry shares representing shares of Dogwood voting common stock, and cash in lieu of fractional shares, if applicable. The Exchange Agent will deliver certificates and/or book-entry shares representing Dogwood voting common stock and a check in lieu of any fractional shares, once it receives the properly completed transmittal materials together with certificates and/or book-entry shares representing a holder’s Community First common stock and preferred stock.

Community First stock certificates should NOT be returned with the enclosed proxy card. They also should NOT be forwarded to the Exchange Agent until you receive a transmittal letter following completion of the merger.

Community First stock certificates and book-entry shares may be exchanged for new Dogwood stock certificates and/or Dogwood book-entry shares with the Exchange Agent for up to nine months after the completion of the merger. At the end of that period, any Dogwood stock certificates, book-entry shares and cash in lieu of fractional shares will be returned to Dogwood. Any holders of Community First stock certificates or Community First book-entry shares who have not exchanged their certificates or book-entry shares will be entitled to look only to Dogwood for new stock certificates or book-entry shares and any cash to be received in lieu of fractional shares of Dogwood voting common stock.

Until you exchange your Community First stock certificates or Community First book-entry shares for new Dogwood shares, you will not receive any dividends or other distributions in respect of shares of Dogwood common stock. Once you exchange your Community First stock certificates or Community First book-entry shares for new Dogwood shares, you will receive, without interest, any dividends or distributions with a record date after the effective time of the merger and payable with respect to your shares.

If you own Community First stock in book-entry form or through a nominee or other holder of record, you will not need to obtain Community First stock certificates to surrender to the Exchange Agent.

If your Community First stock certificate has been lost, stolen or destroyed, you may receive a new stock certificate upon the making of an affidavit of that fact. Dogwood may require you to post a bond in a reasonable amount as an indemnity against any claim that may be made against Dogwood with respect to the lost, stolen or destroyed Community First stock certificate.

Neither Dogwood nor Community First, nor any other person, will be liable to any former holder of Community First stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

Corporate Governance

At the effective time of the merger, the articles of incorporation of Dogwood in effect immediately prior to the effective time of the merger will be the articles of incorporation of Dogwood after completion of the merger until thereafter amended in accordance with its terms and applicable law.

At the effective time of the merger, the bylaws of Dogwood in effect immediately prior to the effective time of the merger will be the bylaws of Dogwood after completion of the merger until thereafter amended in accordance with its respective terms and applicable law.

At the effective time of the merger, Dogwood will select two current directors of Community First to join the Dogwood board of directors. See “The Merger—Interests of Certain Community First Directors and Executive Officers in the Merger—Board of Directors.”

At the effective time of the merger, Dogwood shall establish an advisory board for western South Carolina (the “SC advisory board”). The SC advisory board shall be initially composed of certain directors of Community First as of the closing date of the merger and other business and community leaders chosen by Dogwood.

Representations and Warranties

The merger agreement contains representations and warranties relating to Dogwood and Community First respective businesses, including:

- corporate organization, standing and power, and subsidiaries;
- requisite corporate authority to enter into the merger agreement and to complete the contemplated transactions;
- capital structure;
- financial statements and accounting controls;
- regulatory reports filed with governmental agencies and other regulatory matters;
- absence of certain changes or events and absence of certain undisclosed liabilities;
- material contracts;
- legal proceedings and compliance with applicable laws;
- tax matters and tax treatment of merger;
- ownership and leasehold interests in properties;
- employee benefit matters;

- labor and employment matters;
- insurance;
- loan portfolio and allowance for credit losses;
- environmental matters;
- books and records;
- Community Reinvestment Act compliance;
- information systems and security;
- brokers and finders; and
- the required vote to approve the merger agreement and the merger.

In addition, the merger agreement contains representations and warranties relating to Community First's business specifically, such as:

- intellectual property;
- derivative instruments;
- deposits;
- investment securities;
- anti-takeover laws;
- transactions with affiliates;
- fiduciary accounts; and
- the fairness opinion with respect to the merger consideration.

The representations and warranties described above and included in the merger agreement were made for purposes of the merger agreement and are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of the merger agreement, including being qualified by confidential disclosures, and were made for the purposes of allocating contractual risk between Dogwood and Community First instead of establishing these matters as facts. The representations and warranties do not survive the effective time of the merger. In addition, certain representations and warranties were made as of a specific date and may be subject to a contractual standard of materiality different from what might be viewed as material to shareholders. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should only be read together with the information provided elsewhere in this joint proxy statement/offering circular, in the documents incorporated by reference into this joint proxy statement/offering circular, and in the periodic and current reports and statements provided by Dogwood. See "Where You Can Find More Information."

Business Pending the Merger

Dogwood and Community First have made customary agreements that place restrictions on them until the completion of the merger. In general, Dogwood and Community First are required to (i) conduct their respective

businesses in the ordinary and usual course consistent with past practice, (ii) take no action that would adversely affect or delay the ability to obtain the required approvals and consents for the merger, perform the covenants and agreements under the merger agreement or complete the merger on a timely basis, (iii) take no action that would prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code and (iv) take no action that would make any of their respective representations or warranties untrue.

Community First also agreed that, until the effective time of the merger and with certain exceptions, it will not, and will not permit any of its subsidiaries to, without the prior written consent of Dogwood (which may not be unreasonably withheld or delayed):

- amend, modify or repeal its articles of incorporation, bylaws or other similar governing instruments;
- issue or sell any additional shares of capital stock or grant any stock options, restricted shares or other stock-based awards;
- enter into or amend or renew any employment or severance agreement or similar arrangement with any of its directors, officers or employees, or grant any salary or wage increase or increase any employee benefit, except for normal individual merit increases in the ordinary course of business consistent with past practice (excluding executive officers), provided that no such salary or wage increase will result in an annual adjustment in any individual officer's or employee's salary or wages of more than 4.0%;
- enter into, establish, adopt, amend, terminate or make any contributions to, any pension, retirement, stock option, restricted stock, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive, welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any director, officer or employee;
- exchange, cancel, borrow from, surrender, or increase or decrease the death benefit provided under, or otherwise amend or terminate, any existing bank or corporate owned life insurance covering any current or former employee, other than any such change that is required by law;
- hire any person as an employee or promote any employee, except (i) to satisfy contractual obligations as previously disclosed to Dogwood and (ii) persons hired to fill any employee or non-officer vacancies existing as of, or arising after, the date of the merger agreement and whose employment is terminable at will and who are not contractually entitled to or subject to or eligible for any new or additional severance or similar benefits or payments that would become payable as a result of the merger or the consummation thereof, other than severance or similar benefits as disclosed to Dogwood;
- make, declare, pay or set aside for payment any dividend on, or redeem, purchase or otherwise acquire any shares of capital stock, or adjust, split, combine or reclassify any shares of capital stock;
- sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties except for (i) other real estate owned ("OREO") that is sold in the ordinary course of business consistent with past practice or (ii) other transactions in the ordinary course of business consistent with past practice in amounts that do not exceed \$25,000 individually or \$50,000 in the aggregate;
- acquire all or any portion of the assets, business, securities, deposits or properties of any other person, except for (i) acquisitions of securities permitted by the merger agreement, (ii) by way of foreclosures or of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith and in the ordinary course of business consistent with past practice, and (iii) in the ordinary course of business consistent with past practice in amounts that do not exceed \$25,000 individually or \$50,000 in the aggregate;

- implement or adopt any change in its tax or financial accounting principles, practices or methods, including reserving methodologies, other than as may be required by GAAP, regulatory accounting guidelines or applicable law;
- make or change any material tax election, adopt or change any tax accounting method, file any amended tax return, enter into any closing agreement with respect to any material amount of taxes, or surrender any right to claim a refund of a material amount of taxes, settle or compromise any material tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of taxes;
- enter into any new material line of business, introduce any material new products or services, make any material change to deposit products or deposit gathering or retention policies or strategies, change its material lending, investment, underwriting, pricing, originating, servicing, risk and asset liability management and other material banking, operating or board policies or practices or otherwise fail to follow such policies or practices, except as required by applicable law, regulation or policies imposed by any governmental authority, or change the manner in which its investment securities or loan portfolio is classified or reported, invest in any mortgage-backed or mortgage-related security that would be considered “high risk” under applicable regulatory guidance, or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office, service center or other facility;
- (i) make, renew, restructure or otherwise modify any loan other than loans made or acquired in the ordinary course of business consistent with past practice and that have (A) in the case of unsecured loans made to any one borrower that are originated in compliance with Community First’s internal loan policies, a total exposure not in excess of \$500,000, or (B) in the case of secured loans made to any one borrower that are originated in compliance with Community First’s internal loan policies, a total exposure not in excess of \$3,000,000, (ii) except in the ordinary course of business, take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above, or (iii) enter into any loan securitization or create any special purpose funding entity;
- enter into, modify, amend, terminate, cancel, fail to renew or extend certain material contracts;
- (i) acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any debt security or equity investment other than federal funds or U.S. Government securities or U.S. Government agency securities, in each case with a term of two years or less, (ii) dispose of any debt security or equity investment, or (iii) restructure or materially change its investment securities or derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or the manner in which the portfolio is classified or reported;
- enter into or settle any derivative contract;
- make any capital expenditures, other than capital expenditures in the ordinary course of business consistent with past practice, in amounts not exceeding \$25,000 individually or \$50,000 in the aggregate;
- settle any claim, action, suit, proceeding, order or investigation involving a payment in excess of \$25,000 individually or \$75,000 in the aggregate and/or would impose any material restriction on Community First’s business;
- make any investment or commitment to invest in real estate or in any real estate development project (other than as a loan or by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in

satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice);

- introduce any material marketing campaigns or any material new sales compensation or incentive programs or arrangements (except those the material terms of which have been fully disclosed in writing to, and approved by, Dogwood prior to the date of the merger agreement);
- fail to materially follow its existing policies or practices with respect to managing exposure to interest rate and other risk, or fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk;
- incur any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than with respect to (i) overnight borrowings in the ordinary course of business consistent with past practice; (ii) borrowings from the FHLB; and (iii) the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice;
- foreclose on or take a deed or title to any real estate, other than single-family residential properties, without first conducting an ASTM International E1527-13 Phase I Environmental Site Assessment (or any applicable successor standard) of the property that satisfies the requirements of 40 C.F.R. Part 312, or foreclose on or take a deed or title to any real estate other than single-family residential properties if such environmental assessment indicates the presence or likely presence of any hazardous substances under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances into structures on the property or into the ground, ground water, or surface water of the property; or
- agree to take any of the actions prohibited by the preceding bullet points.

Dogwood also agreed that until the effective time of the merger it will not, without the prior written consent of Community First (which may not be unreasonably withheld or delayed), (i) amend, repeal or modify its articles of incorporation, bylaws or other similar governing instruments in a manner which would have a material adverse effect on Community First or its shareholders or the transactions contemplated by the merger agreement or (ii) complete an acquisition of another financial institution prior to the effective time.

Assumption of Debt Obligations

Dogwood will take all necessary actions to assume, at the effective time of the merger, the due and punctual payment of the principal of and any premium and interest on the Community First 5.125% Fixed to Floating Rate Subordinated Note due 2030. Community First has agreed to cooperate as reasonably requested by Dogwood in connection with such assumption.

Employee Matters

Dogwood, at its election, shall provide to employees of Community First and Community First Bank that become employees of Dogwood after the merger (i) employee benefits under Dogwood's benefit plans (with no break in coverage), on terms and conditions that are the same for similarly situated employees of Dogwood, or (ii) maintain the benefits under the existing Community First and Community First Bank benefit plans, provided that Dogwood may amend the Community First and Community First Bank benefit plans as necessary to comply with any law or as necessary and appropriate for other business reasons. For purposes of participation, vesting and benefit accrual, service with Community First and Community First Bank will be treated as service with Dogwood.

Community First has agreed to terminate its 401(k) plan effective immediately prior to the effective time of the merger. Employees of Community First and Community First Bank that will be employed by Dogwood after the merger will be eligible to participate in Dogwood's 401(k) plan as soon as practicable following the effective time

of the merger, subject to the terms of Dogwood’s 401(k) plan. Plan balances in the Community First 401(k) plan at the time of termination of the Community First 401(k) plan are intended to be eligible for distribution or rollover.

Dogwood has entered into consulting and other arrangements with certain officers and employees of Community First and Community First Bank in connection with the merger. See “The Merger—Interests of Certain Community First Directors and Executive Officers in the Merger.”

Regulatory Matters

Dogwood and Community First have agreed to cooperate and use their commercially reasonable efforts to prepare as promptly as possible all documentation, to effect all filings, and to obtain all regulatory approvals necessary to consummate the merger. On February 29, 2024, Dogwood filed applications with the FDIC, the NCCOB and the SCCOB seeking their approval of the merger.

As of the date of this joint proxy statement/offering circular, we have not yet received the required approvals from the FDIC, the NCCOB or the SCCOB. While Dogwood and Community First do not know of any reason why they would not be able to obtain such approvals in a timely manner, or why they would be received with conditions unacceptable to Dogwood, they cannot be certain when or if they will receive them or the nature of any conditions imposed.

Required Shareholder Approval

Community First has agreed to call a meeting of shareholders as soon as reasonably practicable for the purpose of obtaining the required shareholder vote in favor of the Community First merger proposals, provided that the merger agreement has not been terminated in accordance with its terms.

In addition, Community First’s board of directors has agreed to support and recommend approval of the Community First merger proposals to its shareholders and to use reasonable best efforts to obtain from its shareholders the required shareholder votes in favor of the Community First merger proposals. However, Community First’s board of directors may (i) withhold, withdraw, modify or amend its recommendation to approve the Community First merger proposals, or (ii) authorize, adopt, approve, recommend or otherwise declare advisable a “superior proposal” as described and under the circumstances set forth in the next section (“—No Solicitation”), in each case if the board of directors of Community First has received and evaluated a superior proposal in accordance with the provisions of the merger agreement and determines in good faith (after consultation with its outside legal counsel) that failure to do so would be more likely than not to result in a violation of its fiduciary obligations under applicable law.

Dogwood’s board of directors also has agreed to support and recommend approval of the Dogwood merger proposal to its shareholders and to use reasonable best efforts to obtain from its shareholders the required shareholder votes in favor of the Dogwood merger proposal. However, Dogwood’s board of directors may withdraw, modify or amend its recommendation to approve the Dogwood merger proposal if the board of directors of Dogwood determines in good faith (after consultation with its outside legal counsel) that failure to do so would be more likely than not to result in a violation of its fiduciary obligations under applicable law.

No Solicitation

Community First has agreed that, while the merger agreement is in effect, it will not, and will cause its officers, directors, employees, agents and representatives not to, directly or indirectly:

- initiate, solicit, endorse or encourage any inquiries or proposals with respect to any “acquisition proposal” (as defined below); or
- engage or participate in any negotiations or discussions concerning, or provide any confidential or nonpublic information relating to, an acquisition proposal.

For purposes of the merger agreement, an “acquisition proposal” means, other than the transactions contemplated by the merger agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, any of the following transactions involving Community First or Community First Bank:

- a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction;
- any acquisition or purchase, direct or indirect, of 10% or more of the consolidated assets of Community First or 10% or more of any class of equity or voting securities of Community First or its subsidiaries whose assets, individually or in the aggregate, constitute more than 10% of the consolidated assets of Community First; or
- any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in a third party beneficially owning 10% or more of any class of equity or voting securities of Community First or its subsidiaries whose assets, individually or in the aggregate, constitute more than 10% of the consolidated assets of Community First.

Under the merger agreement, however, if Community First receives an unsolicited bona fide written acquisition proposal, it may engage in negotiations or discussions with or provide nonpublic information to the person or entity making the acquisition proposal if:

- the Community First board of directors receives the proposal prior to receipt of shareholder approval of the merger agreement;
- the Community First board concludes in good faith, after consultation with and based upon the advice of outside legal counsel, that the failure to take such actions would more likely than not result in a violation of its fiduciary duties to shareholders under South Carolina law;
- the Community First board also concludes in good faith, after consultation with outside legal counsel and financial advisors, that the acquisition proposal constitutes or is reasonably likely to result in a superior proposal (as defined below); and
- Community First receives from the person or entity making the proposal an executed confidentiality agreement, which confidentiality agreement does not provide such person or entity with any exclusive right to negotiate with Community First.

Community First has agreed to advise Dogwood, within 24 hours of the receipt of any such acquisition proposal, including a description of the material terms and conditions of the proposal (including the identity of the proposing party) and to keep Dogwood apprised of any material related developments, discussions and negotiations on a current basis.

For purposes of the merger agreement, a “superior proposal” means an unsolicited, bona fide written acquisition proposal made by a person or entity that the board of directors of Community First concludes in good faith, after consultation with its financial and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the acquisition proposal and including the terms and conditions of the merger agreement:

- is more favorable to the shareholders of Community First from a financial point of view, than the transactions contemplated by the merger agreement; and
- is reasonably capable of being completed on the terms proposed and in a timely manner.

For the purposes of the definition of “superior proposal,” the term “acquisition proposal” has the same meaning as described above, except the reference to “10% or more” is changed to be a reference to “a majority” and an “acquisition proposal” can only refer to a transaction involving Community First or Community First Bank.

The board of directors of Community First may change its recommendation to Community First shareholders or terminate the merger agreement only if it has determined in good faith, after consultation with outside legal counsel and financial advisers, that failure to pursue such superior proposal would result in a violation of its fiduciary duties under South Carolina law. Prior to taking such action, Community First will provide Dogwood with five business day notice and response period for Dogwood to alter the terms of the merger agreement.

Except as otherwise provided in the merger agreement, nothing contained in the non-solicitation provisions of the merger agreement will permit Community First to terminate the merger agreement or affect any of its other obligations under the merger agreement.

Loan Committee Observation Rights

Until the effective time of the merger or termination of the merger agreement, Community First will permit representatives of Dogwood to attend as observers any meeting of the management loan committee of Community First Bank at which any new loan or renewal of any existing loan where the total exposure to the borrower if such new loan or renewal is approved is (i) in the case of unsecured Loans, in excess of \$500,000, and (ii) in the case of secured loans, in excess of \$3,000,000.

Conditions to Completion of the Merger

The respective obligations of the parties to complete the merger are subject to the satisfaction or waiver of certain conditions, including the following:

- approval of the merger proposal by the Community First shareholders and the Dogwood shareholders;
- approval of the merger by the necessary federal and state regulatory authorities, provided that no such approvals contain any requirements, restrictions or conditions that would be materially financially burdensome to the business, operations, financial condition or results of operations of the business of Dogwood or on the business of Community First or Community First Bank;
- the absence of any order, decree, or injunction of a court, regulatory agency or other governmental authority that prohibits the completion of the merger;
- the accuracy of the other parties' representations and warranties in the merger agreement, subject to the material adverse effect standard in the merger agreement;
- each party's performance in all material respects of its obligations under the merger agreement;
- the dissenting of not more than 10% of the outstanding shares of Community First common stock from the merger in accordance with South Carolina law;
- the receipt by Dogwood and Community First from their respective outside legal counsel of a written legal opinion to the effect that the merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Code; and
- no material adverse effect with respect to either party have occurred.

Where the merger agreement and law permits, Dogwood or Community First and Community First Bank could choose to waive a condition to the obligation to complete the merger even if that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived or that the merger will be completed.

Termination of the Merger Agreement

Termination by Dogwood and Community First. The merger agreement may be terminated and the merger abandoned by Dogwood and Community First, at any time before the merger is completed, by mutual consent of the parties.

Termination by Dogwood or Community First. The merger agreement may be terminated and the merger abandoned by Dogwood or Community First if:

- the merger has not been consummated by October 31, 2024, unless the failure to complete the merger by such time was caused by a breach or failure to perform an obligation under the merger agreement by the terminating party;
- the Dogwood shareholders or the Community First shareholders do not approve the Dogwood merger proposal or the Community First merger proposals, respectively;
- there is a breach or inaccuracy of any representation or warranty of Dogwood or Community First contained in the merger agreement that would cause the failure of the closing conditions described above to be met, which is not cured within 30 days following notice or by its nature cannot be cured within such time period, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement;
- there is a material breach by Dogwood or Community First of any covenant or agreement contained in the merger agreement, and the breach is not cured within 30 days following notice to the other party or by its nature cannot be cured within such time period, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement; or
- any of the conditions precedent to the obligations of Dogwood or Community First to consummate the merger set forth in the merger agreement cannot be satisfied or fulfilled by October 31, 2024, unless the party wishing to terminate is in breach of any representation, warranty, covenant or agreement.

Termination by Dogwood. Dogwood may terminate the merger agreement at any time before the merger is completed if:

- at any time before Community First's shareholders approve the merger if (i) Community First breaches its obligations regarding the non-solicitation of competing offers for certain corporate transactions; (ii) the Community First board (a) fails to recommend to the Community First shareholders that they approve the merger agreement, or (b) withdraws, modifies or changes such recommendation in any manner adverse to Dogwood (or publicly proposes to do so) or takes any other action or makes any other public statement inconsistent with such recommendation; or (iii) Community First materially breaches its obligations in the merger agreement requiring the calling and holding of a meeting of shareholders to consider the merger agreement;
- Community First enters into an agreement with any person to merge or consolidate with or acquire Community First, or purchase, lease or otherwise acquire all or substantially all of the assets of Community First, or purchase or otherwise acquire from Community First securities representing 10% or more of the voting power of Community First; or
- a tender or exchange offer is commenced for 10% or more of the outstanding shares of Community First common stock, and the Community First board recommends that the Community First shareholders tender their shares or otherwise fails to recommend that shareholders reject such offer; or

Termination by Community First. Community First may terminate the merger agreement at any time before the merger is completed if at any time before Community First’s shareholders approve the merger in order for Community First to enter into an agreement with respect to a “superior proposal” (as defined herein), which has been received and considered by Community First in compliance with the applicable terms of the merger agreement with respect to a “superior proposal” (as defined herein).

In the event of termination, the merger agreement will become null and void, except that certain provisions thereof relating to fees and expenses (including the obligation to pay the termination fee described below in certain circumstances), public announcements, confidentiality of information exchanged between the parties and miscellaneous provisions will survive any such termination. Termination will not relieve any breaching party from liabilities or damages arising out of its willful and material breach of the merger agreement.

Termination Fee

The merger agreement provides that Community First must pay Dogwood a termination fee of approximately \$2.6 million under the circumstances and in the manner described below:

- if the merger agreement is terminated (i) by Dogwood for any of the reasons described under “—Termination of the Merger Agreement—Termination by Dogwood” above or by Community First for the reason described under “—Termination of the Merger Agreement—Termination by Community First” above, Community First must pay the termination fee to Dogwood concurrently with the termination of the merger agreement; or
- if the merger agreement is terminated (i) by Dogwood for any of the reasons described in the third, fourth, and fifth bullet points under “—Termination of the Merger Agreement—Termination by Dogwood or Community First” above, (ii) by either Dogwood or Community First because the merger has not been consummated by October 31, 2024, or (iii) by either Dogwood or Community First because the merger was not approved by the shareholders of Community First, and in the case of termination pursuant to clauses (i), (ii) and (iii) above an acquisition proposal (as described under “—No Solicitation” above) has been publicly announced or otherwise communicated or made known to the shareholders, senior management or the board of directors of Community First (or any person has publicly announced, communicated or made known an intention, whether or not conditional, to make an acquisition proposal) prior to the taking of the vote of the shareholders of Community First contemplated by the merger agreement, in the case of clause (iii) above, or prior to the date of termination, in the case of clauses (i) or (ii) above, then (a) if within 12 months after such termination Community First enters into an agreement or consummates a transaction with respect to an acquisition proposal (whether or not the same acquisition proposal as that referred to above), then Community First must pay to Dogwood the termination fee on the date of execution of such agreement (regardless of whether such transaction is consummated before or after the termination of this agreement) or the consummation of such transaction, or (b) if a transaction with respect to an acquisition proposal (whether or not the same acquisition proposal as that referred to above) is consummated otherwise than pursuant to an agreement with Community First within 12 months after the termination of the merger agreement, then Community First must pay to Dogwood the termination fee on the date when such transaction is consummated.

Any termination fee that becomes payable to Dogwood pursuant to the merger agreement will be paid by wire transfer of immediately available funds to an account designated by Dogwood. If Community First fails to timely pay the termination fee to Dogwood, Community First also will be obligated to pay the costs and expenses incurred by Dogwood to collect such payment, together with interest.

In addition, the parties have agreed that, in the event that either party terminates the merger agreement as a result of the other party’s material breach of any warranties, covenants or agreements contained in the merger agreement, the breaching party shall pay a fee of \$750,000 to the other party (provided that Dogwood will not be entitled to both the \$2.6 million fee and the \$750,000 fee in any circumstance).

Indemnification and Insurance

Dogwood has agreed to indemnify the directors and officers of Community First against certain liabilities arising before the effective time of the merger. Dogwood has also agreed to purchase a six year “tail” prepaid policy, on the same terms as Community First’s existing directors’ and officers’ liability insurance, for the current directors and officers of Community First, subject to a cap on the cost of such policy equal to 250% of the last annual premium paid by Community First.

Expenses

In general, whether or not the merger is completed, Dogwood and Community First will each pay its respective expenses incident to preparing, entering into and carrying out the terms of the merger agreement. The parties will share the costs and expenses of printing and mailing this proxy statement/offering circular.

Waiver and Amendment

Any term or provision of the merger agreement, other than the merger consideration, may be waived at any time by the party that is entitled to the benefits thereof, without shareholder approval, to the extent permitted under applicable law. The terms of the merger agreement may be amended at any time, whether before or after the date of the shareholder meetings, except with respect to statutory requirements and requisite shareholder and regulatory authority approvals.

Affiliate and Noncompetition Agreements

Each of the respective directors and executive officers of Dogwood and Community First has entered into an agreement with Dogwood and Community First pursuant to which such individual has agreed, subject to several conditions and exceptions, to vote all of their respective shares over which such individual has voting authority in favor of the merger proposal and against any competing acquisition proposal, respectively, subject to certain exceptions, including that certain shares held in a fiduciary capacity are not covered by the agreement.

The affiliate agreements prohibit, subject to limited exceptions, selling, transferring, pledging, encumbering or otherwise disposing of any shares of the respective common stock subject to the agreement. The affiliate agreements terminate upon the earlier to occur of the completion of the merger or the termination of the merger agreement in accordance with its terms.

In addition, each of the directors of Community First has entered into a noncompetition agreement that limits the ability of Community First’s directors to compete with Dogwood for 12 months from the effective time of the merger or such longer period that such director is a member of Dogwood’s board of directors or South Carolina advisory board.

Possible Alternative Merger Structure

The merger agreement provides that Dogwood and Community First may mutually agree to change the method or structure of the merger. However, no change may be made that:

- alters the merger consideration;
- adversely affects the tax treatment of the merger; or
- materially impedes or delays completion of the merger in a timely manner.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The material U.S. federal income tax consequences of the merger of Community First with and into Dogwood to “U.S. Holders” (as defined below) of Community First common stock and/or Community First preferred stock that exchange their shares of Community First common stock and/or Community First preferred stock for shares of Dogwood common stock in the merger are as described below. The following discussion is based upon the Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service (the “IRS”) and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not address the tax consequences of the merger under state, local or foreign tax laws, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to Section 1411 of the Code. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

This discussion is limited to U.S. Holders (as defined below) that hold their shares of Community First common stock or Community First preferred stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Furthermore, this discussion does not address all of the tax consequences that may be relevant to a particular Community First shareholder or to Community First shareholders that are subject to special rules under U.S. federal income tax laws, such as: shareholders that are not U.S. Holders; financial institutions; insurance companies; mutual funds; tax-exempt organizations; S corporations or other pass-through entities (or investors in such entities); regulated investment companies; real estate investment trusts; brokers or dealers in securities or currencies; persons subject to the alternative minimum tax provisions of the Code; former citizens or residents of the United States; persons whose functional currency is not the U.S. dollar; traders in securities that elect to use a mark-to-market method of accounting; persons who own more than 5% of the outstanding vote or value of Community First stock; persons who hold Community First common stock or Community First preferred stock as part of a straddle, hedge, constructive sale or conversion transaction; and U.S. Holders who acquired their shares of Community First common stock or Community First preferred stock through the exercise of an employee stock option or otherwise as compensation.

For purposes of this section, the term “U.S. Holder” means a beneficial owner of Community First common stock or Community First preferred stock that for United States federal income tax purposes is: an individual citizen or resident of the United States; a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; an estate that is subject to U.S. federal income tax on its income regardless of its source; or a trust, the substantial decisions of which are controlled by one or more U.S. persons and that is subject to the primary supervision of a U.S. court, or a trust that validly has elected under applicable Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership or other entity taxed as a partnership holds Community First common stock or Community First preferred stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisers about the tax consequences of the merger to them.

Holders of Community First common stock or Community First preferred stock are urged to consult with their own tax advisors as to the tax consequences of the merger in their particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of any changes in those laws.

General Tax Consequences of the Merger

Subject to the limitations, assumptions and qualifications described herein, the merger of Community First with and into Dogwood is intended to be treated as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, and as described in greater detail below, no gain or loss will be recognized for U.S. federal income tax purposes in respect of the receipt of shares of Dogwood common stock, except for any gain or loss that may result from the receipt of cash in lieu of fractional shares of Dogwood common stock.

Consummation of the merger is conditioned upon Community First and Dogwood each receiving a written tax opinion, dated the closing date of the merger, from Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, and Williams Mullen, respectively, to the effect that, based upon facts, representations and assumptions set forth in such opinions, the merger of Community First with and into Dogwood will be treated as a reorganization within the meaning of Section 368(a) of the Code. The issuance of the opinions is conditioned on, among other things, such tax counsel's receipt of representation letters from each of Community First and Dogwood, in each case in form and substance reasonably satisfactory to such counsel, and on customary factual assumptions. The opinions of counsel are not binding on the IRS or the courts and no ruling has been, or will be, sought from the IRS as to the U.S. federal income tax consequences of the merger of Community First and Community First Bank with and into Dogwood. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to the consequences set forth below. In addition, if any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger of Community First and Community First Bank with and into Dogwood could be adversely affected. Accordingly, each Community First shareholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

Tax Consequences to Dogwood, Community First and Community First Bank Inc.

Each of Dogwood, Community First and Community First Bank Inc. will be a party to the merger within the meaning of Section 368(b) of the Code, and neither Dogwood, Community First nor Community First Bank Inc. will recognize any gain or loss as a result of the merger.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "2022 Act") was signed into federal law. The 2022 Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases (including redemptions) of stock by publicly traded domestic corporations and certain domestic subsidiaries of publicly traded foreign corporations. The excise tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury has been given authority to provide regulations and other guidance to carry out, and prevent the avoidance of, the excise tax. The 2022 Act applies to repurchases that occur after December 31, 2022. It is unclear at this time how and to what extent it will apply to redemptions contemplated by the merger, including cash paid in lieu of fractional shares or payments in respect of exercised appraisal rights.

Tax Consequences to Community First Shareholders

Exchange of Community First Common Stock or Community First Preferred Stock for Dogwood common stock. U.S. Holders of Community First common stock or Community First preferred stock that exchange all of their Community First common stock or Community First preferred stock for Dogwood common stock will not recognize income, gain or loss for U.S. federal income tax purposes, except, as discussed below, with respect to cash received in lieu of fractional shares of Dogwood common stock.

Cash Received in Lieu of Fractional Shares. Generally, a U.S. Holder that receives cash in lieu of a fractional share of Dogwood common stock in the merger will be treated as if the fractional share of Dogwood common stock had been distributed to the U.S. Holder as part of the merger, and then redeemed by Dogwood in exchange for the cash actually distributed in lieu of the fractional share, with the redemption generally qualifying as an "exchange" under Section 302 of the Code for holders that do not own, directly or by attribution, a material amount of Dogwood stock before the merger. Consequently, those holders generally will recognize capital gain or loss with respect to the cash payments they receive in lieu of fractional shares measured by the difference between the amount of cash received and the portion of the holder's aggregate tax basis in the Community First common stock or Community First preferred stock surrendered allocable to the fractional shares. Such gain or loss generally will be long-term capital gain or loss if, as of the effective time of the merger, the holding period of such shares is greater than one year. For holders of Community First common stock or Community First preferred stock that are noncorporate holders, long-term capital gain generally will be taxed at a U.S. federal income tax rate that is lower than the rate for ordinary income or for short-term capital gains. The deductibility of capital losses is subject to

limitations. Community First shareholders that own a material amount of Dogwood stock before the merger, however, should consult their own tax advisors regarding the possible taxation of cash paid in lieu of a fractional share as a dividend.

Dogwood Common Stock Tax Basis and Holding Period. A U.S. Holder's aggregate tax basis in the Dogwood common stock received in the merger will be equal to such shareholder's aggregate tax basis in the Community First common stock or Community First preferred stock surrendered in the merger, reduced by any amount allocable to a fractional share of Dogwood common stock for which cash is received and gain or loss is recognized as described above. The holding period of Dogwood common stock received by a U.S. Holder in the merger will include the holding period of the Community First common stock or Community First preferred stock exchanged in the merger if the Community First common stock or Community First preferred stock exchanged is held as a capital asset at the time of the merger. If a U.S. Holder acquired different blocks of Community First common stock or Community First preferred stock at different times or at different prices, the Dogwood common stock such holder receives will be allocated pro rata to each block of Community First common stock or Community First preferred stock, and the basis and holding period of each block of Dogwood common stock such holder receives will be determined on a block-for-block basis depending on the basis and holding period of the blocks of Community First common stock or Community First preferred stock exchanged for such block of Dogwood common stock.

Dissenting Shareholders A dissenting U.S. Holder who exchanges all of the holder's shares of Community First common stock or Community First preferred stock for cash generally will recognize capital gain or loss equal to the difference between (i) the amount of cash received by the holder and (ii) the holder's adjusted tax basis in the Community First common stock or Community First preferred stock exchanged therefor. Such gain or loss generally will constitute capital gain or loss and, if the holder held the shares for more than one year at the effective time of the exchange, will be long-term capital gain or loss. Long-term capital gains of non-corporate U.S. Holders are generally subject to reduced rates of taxation for federal U.S. tax purposes. The deductibility of capital losses is subject to limitations. The tax consequences of cash received may vary depending upon a U.S. Holder's individual circumstances. Each holder of Community First common stock or Community First preferred stock who contemplates exercising dissenters' appraisal rights should consult its tax adviser as to the possibility that all or a portion of the payment received pursuant to the exercise of such rights will be treated as dividend income.

Net Investment Income Tax

Certain non-corporate holders of Community First common stock or Community First preferred stock with taxable incomes over certain threshold amounts, including individuals and certain estates and trusts, may be subject to an additional 3.8% tax on all or a portion of their "net investment income." This tax amounts to an additional 3.8% tax on the lesser of (i) the U.S. Holder's "net investment income" for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which, in the case of an individual, will be between \$125,000 and \$250,000, depending on the individual's circumstances). Net investment income may include dividends and net gains from the disposition of shares of stock, including gains or dividends recognized by holders of Community First common stock or Community First preferred stock as a result of exchanging their shares of Community First common stock or Community First preferred stock for cash and, if applicable, Dogwood common stock pursuant to the merger agreement. Holders of Community First common stock or Community First preferred stock are urged to consult their own tax advisors regarding the potential applicability of the net income tax to them and the implications of the net investment income tax.

Information Reporting and Backup Withholding

U.S. Holders of Community First common stock or Community First preferred stock, other than certain exempt recipients, may be subject to backup withholding at a rate of 24% with respect to any cash payment received in the merger in lieu of fractional shares or pursuant to dissenters' rights. However, backup withholding will not apply to any U.S. Holder that either (a) furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding or (b) otherwise proves to Dogwood and its Exchange Agent that the U.S. Holder is exempt from backup withholding. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the holder timely furnishes the required information to the IRS.

In addition, U.S. Holders of Community First common stock or Community First preferred stock are required to retain permanent records and make such records available to any authorized IRS officers and employees. The records should include the number of shares of Community First stock exchanged, the number of shares of Dogwood stock received, the fair market value and tax basis of Community First shares exchanged and the U.S. Holder's tax basis in the Dogwood common stock received.

If a U.S. Holder of Community First common stock or Community First preferred stock that exchanges such stock for Dogwood common stock is a "significant holder" with respect to Community First, the U.S. Holder is required to include a statement with respect to the exchange on or with the federal income tax return of the U.S. Holder for the year of the exchange. A U.S. Holder of Community First common stock or Community First preferred stock will be treated as a significant holder in Community First if the U.S. Holder's ownership interest in Community First is 5% or more of the vote or value of Community First' issued and outstanding stock or if the U.S. Holder's basis in securities of Community First immediately before the merger is 1,000,000 or more. The statement must be prepared in accordance with Treasury Regulations Section 1.368-3 and must be entitled "STATEMENT PURSUANT TO §1.368-3(b) BY [INSERT NAME AND TAXPAYER IDENTIFICATION NUMBER (IF ANY) OF TAXPAYER], A SIGNIFICANT HOLDER". The statement must include the names and employer identification numbers of Community First and Dogwood, the date of the merger, and the fair market value and tax basis of Community First shares exchanged (determined immediately before the merger).

This discussion of the material U.S. federal income tax consequences does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of Community First common stock or Community First preferred stock. It does not address any non-income tax or any foreign, state or local tax consequences of the merger, or any tax consequences to Community First shareholders that are not U.S. Holders. Further, it is not intended to be, and should not be construed as, tax advice. Holders of Community First common stock or Community First preferred stock are urged to consult their independent tax advisors with respect to the application of U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the U.S. federal estate, gift or other tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

DESCRIPTION OF DOGWOOD CAPITAL STOCK

The following summary description of the material features of the capital stock of Dogwood is qualified in its entirety by reference to Dogwood's articles of incorporation and bylaws, each as amended.

As a result of the merger, Community First shareholders who receive shares of Dogwood voting common stock in the merger will become shareholders of Dogwood. The rights of shareholders of Dogwood are governed by North Carolina law and the articles of incorporation and the bylaws of Dogwood, each as amended. We urge you to read the applicable provisions of the North Carolina Business Corporation Act (the "NCBCA") and Dogwood's articles of incorporation and bylaws carefully and in their entirety. To find out where copies of these documents can be obtained, see "Where You Can Find More Information."

Authorized and Outstanding Capital Stock

The authorized capital stock of Dogwood consists of 30,000,000 shares of capital stock, divided into classes as follows: (i) 20,000,000 shares of voting common stock, par value \$1.00 per share, (ii) 9,000,000 shares of non-voting common stock, par value \$1.00 per share (together with the voting common stock, the "common stock"); and (iii) 1,000,000 shares of preferred stock, par value \$1.00 per share. As of April 2, 2024, there were 9,299,718 shares of voting common stock issued and outstanding held by approximately 400 holders of record. Of these voting shares, 413,850 shares were subject to unvested restricted stock awards, granted under Dogwood's equity compensation plans. As of April 2, 2024, there were 5,719,820 shares of non-voting common stock issued and outstanding held by approximately 24 holders of record. Also, as of April 2, 2024, there were outstanding warrants to purchase 387,955 shares of non-voting common stock held by certain investors in Dogwood's recapitalization. These warrants have an exercise price of \$10.00 per share and expire on May 6, 2024. As of the date of this joint proxy statement/offering circular, no shares of Dogwood preferred stock were issued and outstanding.

Common Stock

General. Each share of Dogwood common stock, has the same relative rights, excluding voting rights, as, and is identical in all respects to, each other share of its common stock. Dogwood's voting common stock is quoted on the OTCQX marketplace under the symbol "DSBX," and is not required to be registered with the Securities and Exchange Commission.

Dividends. Except as otherwise provided in the articles of incorporation and subject to the rights of the holders of preferred stock at the time outstanding having prior rights as to dividends, Dogwood's shareholders are entitled to receive dividends or distributions that its board of directors may declare out of funds legally available for those payments. Dogwood is generally permitted under North Carolina state banking regulations to pay cash dividends subject to regulatory restrictions, including the requirement that Dogwood's capital be maintained at certain minimum levels. Under federal law, Dogwood may not pay a dividend if, after paying the dividend, it would be undercapitalized. The FDIC also has the authority under federal law to enjoin a bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances.

Dogwood does not currently pay dividends. Any future determination relating to dividend policy will be made at the discretion of the Dogwood board of directors and will depend on a number of factors, including its future earnings, capital requirements, financial condition, future prospects, regulatory restrictions, and other factors that Dogwood's board of directors may deem relevant. Dogwood can provide no assurance regarding whether, and if so when, it will be able to pay dividends in the future.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of Dogwood, the holders of shares of its common stock will be entitled to receive, after (i) payment of all debts and liabilities of Dogwood (ii) satisfaction of all liquidation preferences applicable to any preferred stock and (iii) the rights of the holders of preferred stock at the time outstanding having prior rights as to distribution have been satisfied, an equal amount per share of all the assets of Dogwood of whatever kind available for distribution to the holders of common stock.

Voting Rights

Except as otherwise required by law, in the articles of incorporation or as otherwise provided in any certificate of designation for any series of preferred stock, the holder of each share of voting common stock shall be entitled to one vote for each share of voting common stock held at all meetings of shareholders (and written actions in lieu of meetings thereof).

Except as otherwise provided in the articles of incorporation, the holder of each share of non-voting common stock shall have no voting rights. Notwithstanding the foregoing, and in addition to any other vote required by law, the affirmative vote of a majority of the outstanding shares of non-voting common stock, voting separately as a class, shall be required to amend, alter or repeal (including by merger, consolidation or otherwise) any provision of the articles of incorporation that significantly and adversely affects the rights or preferences of the non-voting common stock contained therein.

The articles of incorporation do not allow for cumulative voting. Each holder of common stock shall be entitled to notice of any meeting of shareholders.

Conversion of Common Stock

Any holder of non-voting common stock may convert any number of shares of non-voting common stock into an equal number of shares of voting common stock at the option of the holder; provided, however, that each share of non-voting common stock will not be convertible in the hands of or at the election of any Non-Conforming Holder (defined below) to the extent that such conversion would cause or result in such Non-Conforming Holder, together with any related party of the holder, to collectively own or control more than 9.99% (or 4.99% if such holder or related party is, or is a subsidiary of, a bank holding company as such term is defined under the Bank Holding Company Act of 1956, as amended (the "BHCA")) of the voting common stock upon such conversion, excluding for the purpose of this calculation any reduction in ownership resulting from transfers by such holder of voting common stock (which, for the avoidance of doubt, does not include non-voting common stock). A "Non-Conforming Holder" means (i) the initial holder, (ii) a party to whom the initial holder transfers the non-voting common stock and (iii) the transferees of such party, provided, that each of (ii) and (iii) shall not include: (A) a party who acquires the non-voting common stock as part of a widespread public distribution, including an underwriter who is conducting a widespread public distribution; (B) a party who acquires the non-voting common stock in transfers in which no party (or group of associated parties) acquires the right to purchase 2% or more of any class of voting securities (as such term is used for purposes of the BHCA, together with related regulations, interpretations and guidance) of Dogwood; and (C) a party who would control more than 50% of the voting securities (as such term is used for purposes of the BHCA, together with related regulations, interpretations and guidance) of Dogwood without giving effect to the non-voting common stock transferred.

A holder of non-voting common stock including a Non-Conforming Holder, except as otherwise provided in the articles of incorporation, may surrender to Dogwood (at its principal office) a certificate or certificates representing all or part of the holder's shares of non-voting common stock and in such event each share of non-voting common stock represented by such certificate or certificates will convert into one share of voting common stock; provided that, in connection with any transfer of shares of non-voting common stock other than to a Non-Conforming Holder, upon the request of the transferor, the transferor shall be entitled to surrender to Dogwood shares of non-voting common stock to be so transferred, and, upon such surrender, Dogwood must issue to the transferee, in lieu of shares of non-voting common stock surrendered, an equal number of shares of voting common stock. Except as otherwise provided in the articles of incorporation, each conversion of non-voting common stock shall be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing such shares of non-voting common stock to be converted have been surrendered for conversion at the principal office of Dogwood. Notwithstanding any other provision in the articles of incorporation, if a conversion of non-voting common stock is to be made in connection with a merger, reclassification or other transaction in which the shares of voting common stock are exchanged for or changed into other stock or securities, cash and/or any other property or in any dissolution or liquidation, the conversion of any shares of non-voting common stock may, at the election of the holder thereof, be conditioned upon the consummation of such event or transaction, in which case such conversion shall not be deemed to be effective until such event or transaction has been consummated.

Dogwood at all times reserves and keeps available out of its authorized but unissued shares of voting common stock, solely for the purpose of effecting the conversion of the non-voting common stock, such number of shares of voting common stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of non-voting common stock.

Directors and Classes of Directors. Dogwood's board of directors is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Currently, the Dogwood board consists of 10 directors. Under Dogwood's articles of incorporation, directors may be removed, with or without cause, only if the number of votes cast to remove the director exceeds the number of votes cast against such removal.

No Preemptive Rights; Redemption and Assessment. Holders of shares of Dogwood common stock are not entitled to preemptive rights with respect to any shares that may be issued. Dogwood common stock is not subject to redemption, or any sinking fund, and the outstanding shares are fully paid and nonassessable.

Mergers, etc. In the event of any merger, consolidation, share exchange, reclassification or other similar transaction in which the shares of voting common stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of non-voting common stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of voting common stock would be entitled to receive as a result of such transaction, provided that any securities issued with respect to the non-voting common stock shall be non-voting securities under the resulting corporation's organizational documents and Dogwood must make appropriate provisions and take such actions necessary to ensure that holders of the non-voting common stock shall retain securities with substantially the same privileges, limitations and relative rights as the non-voting common stock. Subject to the foregoing, in the event the holders of voting common stock are provided the right to convert or exchange voting common stock for stock or securities, cash and/or any other property, then the holders of the non-voting common stock shall be provided the same right based upon the number of shares of voting common stock such holders would be entitled to receive if such shares of non-voting common stock were converted into shares of voting common stock immediately prior to such offering; provided that any shares of Dogwood issued with respect to the non-voting common stock shall be issued in the form of non-voting common stock. In the event that Dogwood offers to repurchase shares of voting common stock from its shareholders generally, Dogwood must offer to repurchase non-voting common stock pro rata based upon the number of shares of voting common stock such holders would be entitled to receive if such shares were converted into shares of voting common stock immediately prior to such repurchase. In the event of any pro rata subscription offer, rights offer or similar offer to holders of voting common stock, Dogwood must provide the holders of the non-voting common stock the right to participate based upon the number of shares of voting common stock such holders would be entitled to receive if such shares were converted into shares of voting common stock immediately prior to such offering; provided that any shares issued with respect to the non-voting common stock shall be issued in the form of non-voting common stock rather than voting common stock.

Preferred Stock

The board of directors of Dogwood is empowered to authorize the issuance, in one or more series, of shares of preferred stock at such times, for such purposes and for such consideration as it may deem advisable without shareholder approval. The Dogwood board is also authorized to fix the designations, voting, conversion, preference and other relative rights, qualifications and limitations of any such series of preferred stock.

The Dogwood board of directors, without shareholder approval, may authorize the issuance of one or more series of preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of Dogwood common stock and, under certain circumstances, discourage an attempt by others to gain control of Dogwood.

The creation and issuance of any series of preferred stock, and the relative rights, designations and preferences of such series, if and when established, will depend upon, among other things, the future capital needs of

Dogwood, then existing market conditions and other factors that, in the judgment of the Dogwood board, might warrant the issuance of preferred stock.

Liability and Indemnification of Directors and Officers

As permitted by the NCBCA, Dogwood's articles of incorporation contain provisions that indemnify its directors and officers to the full extent permitted by North Carolina law, except to the extent such indemnification is prohibited by the act. This provision does not limit or eliminate the rights of Dogwood or any shareholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or officer's fiduciary duty. In addition, this provision applies only to claims against a director or officer arising out of his role as a director or officer and do not relieve a director or officer from liability if he engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

In addition, Dogwood's articles of incorporation provide for the indemnification of both directors and officers for expenses incurred by them in connection with the defense or settlement of claims asserted against them in their capacities as directors and officers. This right of indemnification extends to judgments or penalties assessed against them. Dogwood has limited its exposure to liability for indemnification of directors and officers by purchasing directors' and officers' liability insurance coverage.

Dogwood Common Stock is Not Insured by the FDIC

Dogwood's voting common stock is not a deposit or a savings account and is not insured or guaranteed by the FDIC or any other government agency.

Anti-takeover Provisions

Please refer to the section below "Comparative Rights of Shareholders—Anti-takeover Provisions" for a discussion of the provisions of the NCBCA and the articles of incorporation and bylaws of Dogwood that may discourage attempts to acquire control of Dogwood.

COMPARATIVE RIGHTS OF SHAREHOLDERS

The rights of shareholders of Dogwood and Community First are governed by their respective articles of incorporation and bylaws. In addition, Dogwood is a North Carolina corporation subject to the provisions of the NCBCA, and Community First is a South Carolina corporation subject to the provisions of the SCBCA. Upon completion of the proposed merger, Community First shareholders will become shareholders of Dogwood and, as such, their shareholder rights will be governed by the articles of incorporation and bylaws of Dogwood and the NCBCA.

The following is a summary of the material differences in the rights of shareholders of Dogwood and Community First, but it is not a complete statement of all those differences. Shareholders should read carefully the relevant provisions of the NCBCA and SCBCA and the respective articles of incorporation and bylaws of Dogwood and Community First. This summary is qualified in its entirety by reference to the articles of incorporation and bylaws of Dogwood and Community First and to the provisions of the NCBCA and SCBCA, as applicable. See “Where You Can Find More Information” to find where copies of the articles of incorporation and bylaws of Dogwood and Community First can be obtained.

Authorized Capital Stock

Dogwood. Dogwood is authorized to issue 30,000,000 shares of capital stock, divided into classes as follows: (i) 20,000,000 shares of voting common stock, par value \$1.00 per share, (ii) 9,000,000 shares of non-voting common stock, par value \$1.00 per share and (iii) 1,000,000 shares of preferred stock, par value \$1.00 per share. As of the record date for the Dogwood annual meeting, there were 9,299,718 shares of voting common stock issued and outstanding held by approximately 400 holders of record. Of these voting shares, 413,850 shares were subject to unvested restricted stock awards, granted under Dogwood’s equity compensation plans. As the record date for the Dogwood annual meeting, there were 5,719,820 shares of non-voting common stock issued and outstanding held by approximately 24 holders of record. Also, there were outstanding warrants to purchase 387,955 shares of non-voting common stock held by certain investors in Dogwood’s recapitalization. These warrants have an exercise price of \$10.00 per share and expire on May 6, 2024. As of the date of this joint proxy statement/offering circular, no shares of Dogwood preferred stock were issued and outstanding.

Dogwood’s articles of incorporation permit its board of directors, without shareholder approval, to fix the preferences, limitations and relative rights of its preferred stock and to establish classes or series of such preferred stock and determine the variations between each class or series. Holders of Dogwood stock of any class do not have any preemptive or preferential right to subscribe for, purchase or acquire (i) any shares of any class of capital stock of Dogwood, (ii) any options, warrants or rights to subscribe for, purchase or acquire any of such shares, or (iii) any securities or obligations convertible into, or exchangeable for, any such shares or warrants, rights or options to purchase any such shares.

Community First. Community First is authorized to issue 10,000,000 shares of common stock, no par value, of which 5,524,683 shares were issued and outstanding as of the record date for the Community First special meeting, and 10,000,000 shares of preferred stock, no par value, of which 3,150 shares of Series A Preferred Stock were issued and outstanding as of the record date for the Community First special meeting.

Community First’s articles of incorporation permit its board of directors, without shareholder approval, to fix the preferences, limitations and relative rights of its preferred stock and to establish classes or series of such preferred stock and determine the variations between each class or series. Holders of Community First stock of any class do not have any preemptive or preferential right to subscribe for, purchase or acquire (i) any shares of any class of capital stock of Community First, (ii) any options, warrants or rights to subscribe for, purchase or acquire any of such shares, or (iii) any securities or obligations convertible into, or exchangeable for, any such shares or warrants, rights or options to purchase any such shares.

As of the date hereof, the Community First board of directors has created one series of preferred stock, the Series A Preferred Stock. Community First issued 3,150 shares of Series A Preferred Stock on December 31, 2009. The shares have a liquidation preference of \$1,000 each and are convertible to shares of common stock at the option of the holder. The original conversion ratio was 100 shares of common stock per surrendered share of preferred

stock and is adjusted to reflect 5% stock dividends issued in 2010 and 2011. Dividends on the preferred stock accumulate at 5% per annum and, under the terms of the preferred stock, no cash dividends may be declared or become payable on common shares unless all of the accumulated preferred shares have been paid. The preferred stock is non-voting, except in limited circumstances.

Dividend Rights

The holders of Dogwood common stock and Community First common stock are entitled to share ratably in dividends when and as declared by their respective boards of directors out of funds legally available therefor. Dogwood's and Community First's articles of incorporation permit their boards to issue preferred stock with terms set by their boards, which terms may include the right to receive dividends ahead of the holders of their common stock. As of the date of this joint proxy statement/offering circular, Community First has 3,150 shares outstanding of preferred stock that have senior dividend rights to Community First common stock.

Voting Rights

Dogwood. The holders of Dogwood voting common stock have one vote for each share held on any matter presented for consideration by the holders of voting common stock at a shareholder meeting. Holders of Dogwood voting common stock are not entitled to cumulative voting in the election of directors.

Community First. The holders of Community First common stock have one vote for each share held on any matter presented for consideration by the holders of common stock at a shareholder meeting. Holders of Community First common stock are not entitled to cumulative voting in the election of directors.

The Community First preferred stock is generally non-voting except in limited circumstances. Holders of Community First preferred stock generally have one vote for each such share on any matter on which holders of preferred stock are entitled to vote.

Directors and Classes of Directors

Dogwood. The Dogwood board of directors is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Dogwood's bylaws provide that the Dogwood board of directors will consist of at least five and no more than 25 directors. As of the date of this joint proxy statement/offering circular, the Dogwood board consists of 10 directors.

Community First. The Community First board of directors is divided into three classes, apportioned as evenly as possible, with directors serving staggered three-year terms. Community First's bylaws provide that the Community First board of directors shall consist of no less than nine and no more than 25 members. As of the date of this joint proxy statement/offering circular, the Community First board consists of nine directors.

Anti-takeover Provisions

Certain provisions of the NCBCA and SCBCA and the articles of incorporation and bylaws of Dogwood and Community First may discourage attempts to acquire control of Dogwood or Community First, respectively, that the majority of either company's shareholders may determine was in their best interests. These provisions also may render the removal of one or all directors more difficult or deter or delay corporate changes of control that the Dogwood or Community First boards did not approve.

Classified Board of Directors. The provisions of Dogwood's and Community First's articles of incorporation providing for classification of their respective boards of directors into three separate classes may have certain anti-takeover effects. For example, at least two annual meetings of shareholders may be required for the shareholders to replace a majority of the directors serving on each company's board of directors.

Authorized Preferred Stock. The articles of incorporation of both Dogwood and Community First authorize the issuance of preferred stock. The Dogwood and Community First boards may, subject to application of North Carolina and South Carolina law, respectively, and federal banking regulations, authorize the issuance of

preferred stock at such times, for such purposes and for such consideration as either board of directors may deem advisable without further shareholder approval. The issuance of preferred stock under certain circumstances may have the effect of discouraging an attempt by a third party to acquire control of Dogwood or Community First by, for example, authorizing the issuance of a series of preferred stock with rights and preferences designed to impede the proposed transaction.

Removal of Directors. The articles of incorporation of Dogwood provide that any director may be removed by shareholders only if the number of votes cast to remove the director exceeds the number of votes cast against such removal. The articles of incorporation of Community First provide that a director may be removed by the shareholders only for cause and only upon the affirmative vote of at least 66 2/3% of the outstanding shares entitled to vote for such removal. Absent each such provision, under North Carolina and South Carolina law, a director may be removed with or without cause by a majority vote of the holders of the corporation's outstanding voting stock.

The requirement that directors may only be removed for cause may provide anti-takeover protection through perpetuating the terms of incumbent directors by making it more difficult for shareholders to remove directors and replace them with their own nominees.

Cumulative Voting. The articles of incorporation of both Dogwood and Community First do not permit for cumulative voting for any purpose. The absence of cumulative voting may afford anti-takeover protection by making it more difficult for shareholders of Dogwood and Community First to elect nominees opposed by the respective boards of directors of Dogwood and Community First.

Shareholder Nominations. The bylaws of Dogwood provide that shareholder nominations to the board must be in writing and must be delivered to the Secretary of Dogwood not less than 120 days prior to the meeting of shareholders at which time nominees will be considered for election to the board. The bylaws of Community First require any shareholder who intends to nominate a candidate for election to the board of directors to deliver written notice to the President of Community First at least 14 days before and no more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be delivered to the President of Community First not later than the close of business on the 7th day following the date on which the notice of meeting was mailed. The provisions in Dogwood's and Community First's bylaws require a shareholder wishing to nominate any person for election as a director to provide the corporation with certain information concerning the nominee and the proposing shareholder.

These requirements may discourage Dogwood's and Community First's shareholders from submitting director nominations.

Anti-takeover Statutes. The North Carolina Shareholder Protection Act generally requires that, unless certain "fair price" and procedural requirements are satisfied, the affirmative vote of the holders of 95% of the outstanding shares of a corporation's common stock (excluding shares owned by an "interested shareholder") is required to approve certain business transactions with another entity that is the beneficial owner of more than 20% of the corporation's voting shares or that is an affiliate of the corporation and previously has been a 20% beneficial holder of such shares. The act permits corporations to opt out by adopting provisions to that effect in their articles of incorporation or bylaws. Dogwood has opted out of the Shareholder Protection Act in its articles of incorporation.

The South Carolina Business Combination Statute provides that a 10% or greater shareholder of a South Carolina corporation cannot engage in a "business combination" (as defined in the statute) with such corporation for a period of two years following the date on which the 10% shareholder became such, unless the business combination or the acquisition of shares is approved by a majority of the disinterested members of such corporation's board of directors before the 10% shareholder's share acquisition date. This statute further provides that at no time (even after the two-year period subsequent to such share acquisition date) may the 10% shareholder engage in a business combination with the relevant corporation unless certain approvals of the board of directors or disinterested shareholders are obtained or unless the consideration given in the combination meets certain minimum standards set forth in the statute. Community First has not opted out of the Business Combination Statute.

Control Share Acquisitions. The North Carolina Control Share Acquisition Act is designed to protect shareholders of covered corporations based and incorporated in North Carolina against certain changes in control and to provide shareholders with the opportunity to vote on whether to afford voting rights to certain types of shareholders. The act is triggered by the acquisition by a person of shares of voting stock of a covered corporation that, when added to all other shares beneficially owned by the person, would result in that person holding 1/5, 1/3 or a majority of voting power for the election of directors. Under the act, the shares acquired that result in the crossing of any of these thresholds have no voting rights until such rights are conferred by the affirmative vote of the holders of a majority of all outstanding voting shares, excluding those shares held by any person involved in or proposing to be involved in the acquisition of shares in excess of the thresholds, any officer of the corporation and any employee of the corporation who is also a director of the corporation. If voting rights are conferred on the acquired shares, all shareholders of the corporation may require that their shares be redeemed at the highest price paid per share by the acquirer for any of the acquired shares. Dogwood has opted out of the Control Share Acquisition Act in its articles of incorporation.

Section 35-2-101 et seq. of the SCBCA contains a control share acquisition statute that, in general terms, provides that where a shareholder acquires issued and outstanding shares of a corporation's voting stock ("control shares") within one of several specified ranges (one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more), approval of the control share acquisition by the corporation's shareholders must be obtained before the acquiring shareholder may vote the control shares. The required shareholder vote is a majority of all votes entitled to be cast, excluding "interested shares," defined as shares held by the acquiring person, officers of the corporation and employees who are also directors of the corporation. A corporation may, however, opt out of the control share acquisition statute through a provision of the articles of incorporation or bylaws. Community First has not opted out of the control share acquisition statute.

Amendments to Articles of Incorporation and Bylaws

Dogwood

The NCBCA provides that a corporation's articles of incorporation generally may be amended upon approval by the board of directors and the holders of a majority of the outstanding shares of such corporation's common stock entitled to vote on the amendment.

Dogwood's articles of incorporation do not change this default provision.

Dogwood's bylaws may be amended, altered or repealed by the board of directors at any time. Dogwood's shareholders have the power to rescind, alter, amend or repeal any bylaw and to enact bylaws which, if so expressed by the shareholders, may not be altered, amended, or repealed by Dogwood's board of directors.

Community First

The SCBCA provides that, unless the articles of incorporation provide otherwise, a corporation's board of directors may adopt one or more amendments to the corporation's articles of incorporation without shareholder action to: (1) delete the names and addresses of the initial directors; (2) delete the name and address of the initial registered agent or registered office, if a statement of change is on file with the secretary of state; (3) change each issued and unissued authorized share of an outstanding class into a greater number of whole shares if the corporation has only shares of that class outstanding; (4) change the corporate name by substituting the word "corporation", "incorporated", "company", "limited", or the abbreviation "corp.", "inc.", "co.", or "ltd." for a similar word or abbreviation in the name or by adding, deleting, or changing a geographical attribution for the name; and (5) make any other change expressly permitted by the SCBCA to be made without shareholder action.

The SCBCA provides that, unless the articles of incorporation provide otherwise, the shareholders of a corporation may amend its articles of incorporation by (i) two-thirds of the votes entitled to be cast on the amendment, regardless of the class or voting group to which the shares belong, and (ii) two-thirds of the votes entitled to be cast on the amendment within each voting group entitled to vote as a separate voting group on the amendment.

Community First's bylaws may be amended, altered or repealed by the board of directors or a majority of shares of Community First entitled to vote to elect directors.

Director and Officer Liability; Indemnification

Dogwood

Dogwood's articles of incorporation contain a provision providing that Dogwood's directors will not be liable to Dogwood or any of its shareholders for monetary damages for breach of duty as a director to the fullest extent permitted by the NCBCA, except as otherwise prohibited by the North Carolina statutes governing banks. This provision of the articles of incorporation will eliminate director liability for monetary damages for breach of duty as a director except for (i) acts and omissions that the director knew or believed to be clearly in conflict with the best interests of Dogwood at the time of the act or omission, (ii) liability for distributions and dividends in violation of the NCBCA, (iii) any transaction from which the director derived an improper personal benefit, and (iv) acts or omissions as to which the elimination of personal liability would be inconsistent with North Carolina banking laws or the business of banking.

Dogwood will indemnify directors as provided in the NCBCA. In addition, Dogwood's bylaws provide for indemnification of Dogwood's directors and specified officers against liabilities and expenses arising out of their status as directors or officers and when serving Dogwood in other capacities, except where the director or officer knew or believed his or her actions would be clearly in conflict with the best interests of Dogwood.

Community First

The articles of incorporation of Community First provide that Community First will indemnify and advance expenses to its officers, directors, employees and agents to the full extent permitted by the SCBCA. Pursuant to the SCBCA, a corporation may not indemnify an officer or director (i) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation or (ii) in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

INFORMATION ABOUT DOGWOOD

General

Dogwood is a North Carolina-chartered bank headquartered in Raleigh, North Carolina. Dogwood provides a wide range of banking products and services through its seven branch offices in Charlotte, Fayetteville, Greenville, Morehead City, Raleigh, Sanford, and Wilmington, North Carolina. Dogwood has also received regulatory approvals for a branch office in Greenville, South Carolina that is under construction. Additionally, Dogwood specializes in providing lending services to small businesses through its Dogwood State Bank Small Business Lending Division.

In May 2019, Dogwood completed a \$100 million recapitalization as part of a plan to grow the franchise into a high performing, statewide North Carolina community bank. The recapitalization involved a private placement of shares of Dogwood's common stock at \$10.00 per share. Funds and accounts managed or advised by Patriot Financial Partners, FJ Capital Management, and T. Rowe Price Associates, Inc. were significant investors in the recapitalization. As part of its growth plan, Dogwood's board of directors and senior executive team were restructured.

In February 2021, Dogwood completed a \$28 million capital raise to support its organic growth. The capital raise consisted of a private placement offering of shares of Dogwood's common stock at \$12.00 per share.

In February 2022, Dogwood completed a \$12 million capital raise to support its organic growth. The capital raise consisted of a private placement offering of shares of Dogwood's common stock at \$18.00 per share.

In March 2023, Dogwood completed a \$16.4 million capital raise to support its organic growth. The capital raise consisted of a private placement offering of shares of Dogwood's common stock at \$20.00 per share.

Dogwood is a member of the FDIC, with its deposits insured by the FDIC's Deposit Insurance Fund to the maximum extent permitted by law. As of December 31, 2023, Dogwood had total assets of approximately \$1.4 billion and total deposits of approximately \$1.2 billion.

Product and Services

Dogwood offers a wide range of deposit products including various types of personal and business checking accounts, interest-bearing checking accounts, savings accounts, money market accounts, IOLTA accounts (attorney accounts for trust fund management), IRAs, and certificates of deposit. Dogwood also offers a full suite of lending products including installment loans, real estate loans, construction loans, commercial loans and lines of credit, SBA loans, personal and auto loans, overdraft protection lines of credit, mortgage loans, second mortgage loans, and home equity loans and lines of credit. Dogwood also offers interest rate swaps on certain qualifying commercial loans.

In addition, Dogwood provides such services as official bank checks, MasterCard debit cards, personal and business credit cards, online bill pay, direct deposit of payroll and Social Security checks, as well as a full suite of commercial treasury management services, including online and mobile banking, wires, ACH, positive pay, remote deposit capture, commercial sweep, commercial analysis, merchant services, purchasing card (P-Card), and other treasury services. Dogwood offers services through a variety of channels, including online and mobile banking.

Government Guaranteed Lending. The Government Guaranteed Lending business unit consists of experienced professionals led by the President of Government Guaranteed Lending. The President of Government Guaranteed Lending oversees a dedicated SBA lending staff of business development officers, a production manager, underwriters, closers, post close auditors, and portfolio managers. Dogwood centrally underwrites and manages all SBA loans, which management believes is critical to ensure compliant documentation and portfolio management.

Dogwood is certified as a Preferred Lender in the SBA's Preferred Lenders Program ("PLP"). The PLP designation is granted based on a successful record with the SBA and demonstrated proficiency in processing and

servicing SBA-guaranteed loans. For institutions in this program, the SBA delegates the final credit decision and most servicing and liquidation authority to the institution. PLP status reduces the SBA loan approval timeline by four to six weeks and provides a streamlined lending process to borrowers.

The SBA provides a number of financial assistance programs for small businesses that have been specifically designed to meet key financing needs, including debt financing, surety bonds, and equity financing. Regarding debt financing, the SBA sponsors a government guaranteed lending program. The SBA does not make direct loans to small businesses. Rather, the SBA sets the guidelines for loans, which are then made by its partners (lenders, community development organizations, and microlending institutions). The SBA guarantees that these loans will be repaid, thus eliminating some of the risk to the lending partners. The SBA requires that loans are structured according to SBA requirements to provide the SBA guaranty.

The 7(a) program includes financial help for small businesses with special requirements and is the SBA's most common loan program. The 504 loan program provides financing for major fixed assets such as equipment or real estate. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community, and works with SBA and private-sector lenders to provide growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.

Dogwood's SBA lending program is guided by SBA program rules, thus targeting small businesses that fit within the size parameters set by the SBA. Based on the program rules, Dogwood actively pursues loans to small businesses below the \$15 million tangible net worth and \$5 million in average annual net income size thresholds. Additionally, the SBA outlines specific size standards for its business loan programs on an industry-specific basis.

Facilities

Dogwood's principal office and headquarters are located at 5401 Six Forks Road, Raleigh, North Carolina 27609. Dogwood is leasing the building's first floor and part of the second floor, which is approximately 25,000 square feet. The branch portion of the office is approximately 1,500 square feet, and the remainder is being used for administrative and headquarters offices.

Dogwood's other branch offices are located in the following locations:

Charlotte (Leased)

5955 Carnegie Boulevard, Suite 200, Charlotte, North Carolina 28209

Fayetteville (Leased)

225 Green Street, Suite 102, Fayetteville, North Carolina 28301

Greenville, North Carolina (Leased)

4051 S. Memorial Drive, Suite B, Winterville, North Carolina 28590

Morehead City (Owned)

5039 Executive Drive, Morehead City, North Carolina 28557

Sanford (Leased)

2222 Jefferson Davis Highway, Sanford, North Carolina 27332

Wilmington (Leased)

1131 Military Cutoff Road, Wilmington, North Carolina 28405

Dogwood's approved branch office under construction is located at the following location:

Greenville, South Carolina (Leased)

942 S. Main Street, Greenville, South Carolina 29605

Additionally, Dogwood's Government Guaranteed Lending group is occupying leased office space at 10130 Mallard Creek Road, Charlotte, North Carolina.

Markets

Dogwood provides a wide range of banking products and services through its seven branch offices in Charlotte, Fayetteville, Greenville, Morehead City, Raleigh, Sanford, and Wilmington, North Carolina. Dogwood has also received regulatory approvals for a branch office in Greenville, South Carolina that is under construction. Dogwood's primary target markets are those areas located around its branch offices. Additionally, Dogwood specializes in providing lending services to small businesses through its Dogwood State Bank Small Business Lending Division. Dogwood has a regional lending strategy for its Small Business Lending Division.

Competition

Dogwood experiences strong competition in all aspects of its business, including making loans and attracting deposits, from both bank and non-bank competitors. Broadly speaking, Dogwood competes with national banks, regional banks, community banks, non-traditional internet-based banks, insurance companies and agencies, and other financial intermediaries and investment alternatives, including mortgage companies, credit card issuers, leasing companies, finance companies, credit unions, money market mutual funds, brokerage firms, governmental and corporate bond issuers, and other securities firms. Many of these non-bank competitors are not subject to the same regulatory oversight, which can provide them a competitive advantage in some instances, such as operational flexibility and lower cost structures. In many cases, Dogwood's competitors have substantially greater resources, including broader geographic markets, higher lending limits, and the ability to make greater use of large-scale advertising and promotions.

While Dogwood faces significant competition from national, regional, and community banks, management believes that the recent dramatic consolidation of North Carolina community banks coupled with the heavy concentration of the state's banking industry with the largest banks has created significant market opportunities for experienced, local community bankers with deep relationships and access to capital.

Employees

As of December 31, 2023, Dogwood had 151 full-time and three part-time employees. None of Dogwood's employees are covered by a collective bargaining agreement, and Dogwood considers relations with its employees to be good.

Legal Proceedings

From time to time, Dogwood is involved in litigation relating to claims arising out of operations in the normal course of business. As of the date of this joint proxy statement/offering circular, there are no material pending legal proceedings to which Dogwood is a party or of which any of its properties are subject; nor are there material proceedings known to Dogwood to be contemplated by any governmental authority; nor are there material proceedings known to Dogwood, pending or contemplated, in which any director, officer or affiliate or any principal security holder of Dogwood or any associate of any of the foregoing, is a party or has an interest adverse to Dogwood.

MANAGEMENT

Executive Officers

Dogwood believes one of our competitive strengths is its seasoned management team. The following table identifies Dogwood's executive officers:

Name	Age	Position	Previous Business Experience
Steve Jones	55	Chief Executive Officer	<ul style="list-style-type: none"> • Chief Banking Officer of Yadkin Bank • President of VantageSouth Bank • Various leadership positions at RBC Bank (USA)
Scott Custer	67	Executive Chairman	<ul style="list-style-type: none"> • President of Live Oak Banking Company • Chief Executive Officer of Yadkin Bank and VantageSouth Bank • Chairman and Chief Executive Officer of RBC Bank (USA)
David Therit	44	Chief Financial Officer	<ul style="list-style-type: none"> • Treasurer and Chief Accounting Officer of Yadkin Bank and VantageSouth Bank • Various finance leadership positions at Capital Bank • Various audit & assurance leadership positions at Deloitte
Natasha Austin	43	Chief Operating Officer	<ul style="list-style-type: none"> • Director of Marketing and Corporate Communications of Yadkin Bank • Led integration for Yadkin Bank and VantageSouth Bank merger in 2014 • Faculty member at the North Carolina School of Banking
Stewart Patch	42	President	<ul style="list-style-type: none"> • Senior Vice President, Commercial Real Estate Finance at Pinnacle Bank • Various commercial real estate finance positions at Wells Fargo Bank
Chris Kwiatkowski	52	President of Government Guaranteed Lending	<ul style="list-style-type: none"> • President of Government Guaranteed Lending at Yadkin Bank and VantageSouth Bank • Various government guaranteed lending leadership positions at Banco Popular North America and NationsBank
Michael Johnson	55	Chief Credit Officer	<ul style="list-style-type: none"> • Commercial Credit Officer at Capital Bank • Various credit risk leadership positions at CommunityOne Bank, Fifth Third Bank, US Bank, and Sky Bank

Directors

Dogwood currently operates under the direction of its board of directors, the members of which are accountable to us and our shareholders under fiduciary and statutory duties. The board of directors is responsible for the management and control of Dogwood's affairs.

Our current directors are:

Scott Custer (Executive Chairman)	Martin Friedman	George (Robin) Perkins, III
Steve Jones (Chief Executive Officer)	Marc McConnell	Sepi Saidi
David Brody	Fielding Miller	Richard Urquhart, III
Thomas Cestare		

The following provides biographical information of the Dogwood directors, including those nominated for election at the Dogwood annual meeting (see "Proposals to be Considered at the Dogwood Annual Meeting—Election of Directors in the Director Election Proposal (Proposal No. 2)").

Scott Custer. Scott Custer is the Executive Chairman of the Board of Directors of Dogwood. Mr. Custer is a well-known, highly experienced North Carolina banking executive and was previously President at Live Oak Banking Company ("Live Oak"). Prior to Live Oak, he was a Director and Chief Executive Officer at Yadkin Bank and Yadkin Financial Corporation ("Yadkin"). Prior to Yadkin, Mr. Custer was a Director and Chief Executive Officer at both VantageSouth Bank ("VantageSouth") and Piedmont Community Bank Holdings, Inc., which were merged into Yadkin in 2014. Prior to leading VantageSouth and Piedmont, he was Chairman and Chief Executive Officer at RBC Bank (USA). Mr. Custer graduated from the College of William and Mary where he previously served on the Board of Trustees. In addition to serving as Chairman of the Board, Mr. Custer is also the Chairman of the Board's Executive Committee and is a member of the Risk and Compensation & Governance Committees.

Steve Jones. Steve Jones is Chief Executive Officer of Dogwood. Mr. Jones is a well-known, highly experienced banking executive with experience building banking teams at institutions of various sizes and was previously Executive Vice President and Chief Banking Officer of First National Bank's Carolinas market. Prior to First National Bank, he was Executive Vice President and Chief Banking Officer at Yadkin, which was merged into First National Bank in 2017. Prior to Yadkin, Mr. Jones was President at VantageSouth, which was merged into Yadkin in 2014. Prior to VantageSouth, he held a variety of leadership roles at RBC Bank (USA) ("RBC"). Prior to RBC, Mr. Jones held various banking roles at Wachovia Bank. Mr. Jones graduated from East Carolina University where he previously served as Chairman of the Board of Trustees. Mr. Jones is a member of the Board's Executive, Risk, and Compensation & Governance Committees.

David Brody. Mr. Brody is Founder and Managing Partner of Brody Associates, a real estate development company. He is the former Managing Partner of Brody Brothers Dry Goods, and Eastern Carolina Coca Cola Bottling. Mr. Brody has significant banking experience. Most recently, he served on the Board of Directors at Yadkin. Prior to Yadkin, he was a Director of VantageSouth and Piedmont Community Bank Holdings, Inc., which were merged into Yadkin, respectively, in 2014. He was also a founding member of the Board of Directors of the Little Bank in Kinston, North Carolina, and is a former Member of the North Carolina State Banking Commission. Mr. Brody graduated from Wharton School of Business at the University of Pennsylvania. He is the past Chairman of the Board of Trustees at East Carolina University. Mr. Brody is also the President of The Brody Brothers Foundation where he is a generous supporter of the East Carolina University Brody School of Medicine and was instrumental in the creation of the East Carolina University Family Medicine Center which opened in 2011. Mr. Brody is Chairman of the Board's Compensation & Governance Committee and is also a member of the Executive, Audit, and Risk Committees.

Thomas Cestare. Mr. Cestare is currently a Partner and Chief Operating Officer at Patriot Financial Partners, L.P. Mr. Cestare has more than 30 years of banking experience. Prior to Patriot, he was Executive Vice President and Chief Financial Officer at Beneficial Bancorp. Prior to Beneficial Bancorp, he was the Executive Vice President and Chief Accounting Officer of Sovereign Bancorp, Inc. Prior to Sovereign Bancorp, Inc., he was a Partner with the public accounting firm of KPMG LLP focusing on banks and other financial service companies. Mr. Cestare graduated from the University of Delaware. Mr. Cestare is a member of the Board's Risk Committee.

Martin Friedman. Mr. Friedman founded FJ Capital Management LLC in 2007 and is the portfolio manager for the flagship Financial Opportunity Fund, a fund focused on the U.S. community and regional bank sector. Mr. Friedman has significant banking experience. In addition to Dogwood, he previously served as a member of several other bank boards. Mr. Friedman graduated from the University of Maryland. Mr. Friedman is a member of the Board's Risk Committee.

Marc McConnell. Mr. McConnell is the Chairman of the Board of Directors of Art's Way Manufacturing Co., Inc., which is diversified manufacturing business with divisions in farm equipment, modular laboratory facilities, and metal-cutting tools. He is also President of Bauer Corporation, which is a ladder manufacturing company, and is Vice-Chairman of McConnell Holdings, Inc., among other business interests. Mr. McConnell has significant banking experience. In addition to being a Director of Dogwood, he has also been Chairman of the Board of Directors for Integrated Financial Holdings, Inc. (formerly West Town Bancorp, Inc.) and West Town Bank & Trust since 2009. Mr. McConnell graduated from Cornell University. Mr. McConnell is a member of the Board's Risk Committee.

Fielding Miller. Mr. Miller is the Co-Founder, Chairman and Chief Executive Officer at CAPTRUST. Prior to co-founding CAPTRUST in 1997, he served as Senior Vice President/Investments at Interstate/Johnson Lane. He was an Ernst & Young Entrepreneur of the Year Southeast Finalist in 2013 and received the Lifetime Achievement Award from PlanAdvisor Magazine in 2012. Mr. Miller graduated from East Carolina University where he currently serves on the Board of Trustees as Vice Chairman. In 2015, his charitable gift established East Carolina University's Miller School of Entrepreneurship. Mr. Miller is a member of the Board's Compensation & Governance Committee.

George (Robin) Perkins, III. Mr. Perkins was previously Chief Executive Officer at Gildan Frontier Yarns, Inc. ("Frontier Yarns") and was previously President at Frontier Spinning Mills. Frontier Yarns was one of the largest worldwide producers of spun yarns for the knitting and weaving industries. Mr. Perkins has previous banking experience from his service as a member of the Board of Directors of Capital Bank in Raleigh, North Carolina. Mr. Perkins graduated from North Carolina State University. Mr. Perkins is Chairman of the Board's Risk Committee and is a member of the Executive, Audit, and Compensation & Governance Committees.

Sepi Saidi. Ms. Saidi is Founder, President and Chief Executive Officer at SEPI Engineering & Construction, Inc. ("SEPI"). Prior to forming SEPI in 2001, she spent 16 years in the field of transportation engineering design and management, including with the North Carolina Department of Transportation in Highway Design and Traffic Engineering. Ms. Saidi has significant banking experience. She was a founding member of the Board of Directors at TrustAtlantic Bank in Raleigh, North Carolina, and previously served on the Wells Fargo Raleigh Community Advisory Board. Ms. Saidi was a former Member of both the North Carolina State Banking Commission and the board of directors of the Federal Reserve Bank of Richmond – Charlotte Board of Directors. Ms. Saidi graduated from North Carolina State University. Ms. Saidi is a member of the Board's Audit Committee.

Richard Urquhart, III. Mr. Urquhart is retired from his position as Chief Operating Officer at Investors Management Corporation ("IMC") where he remains on the Board of Directors. IMC is a private investment firm that owns businesses such as Golden Corral and Fleet Feet Sports. Prior to IMC, Mr. Urquhart was a former Partner at Arthur Andersen & Co. Mr. Urquhart has significant banking experience from his service as a member of the Board of Directors and Chairman of the Audit Committee at Yadkin. Prior to Yadkin, he was a Director of NewBridge Bank and NewBridge Bancorp ("NewBridge"), which were merged into Yadkin in 2016. Prior to NewBridge, he was a Director of CapStone Bank and the Chairman of its Audit Committee prior to its merger into NewBridge Bank in 2014. Mr. Urquhart graduated from the University of North Carolina at Chapel Hill before earning his MBA from Harvard Business School. Mr. Urquhart is Chairman of the Board's Audit Committee and is also a member of the Executive Committee.

Committees of the Board of Directors

Our business and affairs are under the direction of our board of directors. Set forth below are the standing committees of the board of directors, the principal functions of such committees and the current members of each committee.

Executive Committee. The Executive Committee currently consists of the following members: Messrs. Custer (Chair), Jones, Brody, Perkins, and Urquhart.

Nominating, Compensation, and Corporate Governance Committee. The Nominating, Compensation, and Corporate Governance Committee currently consists of the following members: Messrs. Brody (Chair), Jones, Custer, Miller, and Perkins. This committee establishes, reviews, and interprets corporate governance policies and guidelines, evaluates the qualifications of candidates for positions on the board, nominates new and replacement members of the board, and recommends board committee composition. This committee also serves as the compensation committee of the board and, in that capacity, determines the annual and long-term, equity-based compensation of Dogwood's executive officers.

Audit Committee. The Audit Committee currently consists of Messrs. Urquhart (Chair), Brody, Perkins, and Ms. Saidi. All of the directors on the Audit Committee are non-employee directors. The Audit Committee meets on an as-needed basis, but not less than quarterly, and (i) oversees the independent auditing of Dogwood; (ii) arranges for periodic reports from the independent auditors, from management of Dogwood, and from the internal auditor of Dogwood in order to assess the impact of significant regulatory and accounting changes and developments; (iii) advises the board regarding significant accounting and regulatory developments; (iv) reviews Dogwood's policies regarding compliance with laws and regulations, conflicts of interest and employee misconduct and reviews related situations; (v) develops and implements Dogwood's policies regarding internal and external auditing and appoints, meets with and oversees the performance of those employed in connection with internal and external auditing; and (vi) performs such other duties as may be assigned to it by the board.

Risk Committee. The Risk Committee currently consists of Messrs. Perkins (Chair), Jones, Custer, Brody, Friedman, Cestare, and McConnell. The Risk Committee monitors the performance of Dogwood's loan portfolio and compliance with all general loan policies and oversees Dogwood's major financial risks, including interest rate risk, liquidity and funding risk, market risk and financial risks (including credit risk) related to Dogwood's investment security portfolio; to oversee Dogwood's capital management and planning processes; to review financial strategies for achieving financial objectives; to review financial performance results; to oversee reputation risk; and to report to the board the conclusions of the committee regarding these matters.

Independent Accountants and Fees

Dogwood's Audit Committee has selected its current independent accountants, Elliott Davis PLLC ("Elliott Davis"), to serve as Dogwood's independent accountants for 2024.

The Audit Committee's charter gives it the responsibility and authority to select and appoint Dogwood's independent accountants and to approve their fees and the terms of their engagement under which they provide services to Dogwood. Dogwood's shareholders are not required by Dogwood's bylaws or the law to ratify the Committee's selection. The Audit Committee believes that Elliott Davis is independent. Elliott Davis has served as Dogwood's independent accountants since 2018. Representatives of Elliott Davis are expected to participate in the annual meeting and they will have an opportunity to submit a statement if they choose to do so and will be available to answer questions.

Under its current procedures, Dogwood's Audit Committee specifically pre-approves all audit services and other services provided by Dogwood's accountants. The Committee reports to the full Dogwood board of directors on audit and other services provided at the next regularly scheduled meeting of the Dogwood board of directors.

Audit Fees

The aggregate fees billed by Elliott Davis for professional services rendered for the audit of Dogwood's annual financial statements for the fiscal years ended December 31, 2023 and 2022 were \$168,455 for 2023 and \$89,471 for 2022. The 2023 audit fees include work related to the initial audit of Dogwood's internal control over financial reporting in order to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act.

Audit-Related Fees

The aggregate fees billed by Elliott Davis for professional services for assurance and related services that are reasonably related to the performance of the audit of Dogwood's consolidated financial statements and not reported under the heading "Audit Fees" above for the fiscal years ended December 31, 2023 and 2022 were \$3,975 and \$0, respectively. During 2023, these services were related to Dogwood's planned acquisition of Community First.

Tax Fees

The aggregate fees billed by Elliott Davis for professional services for tax compliance, tax advice and tax planning for the fiscal years ended December 31, 2023 and 2022 were \$13,500 and \$14,215, respectively.

All Other Fees

There were no other fees billed by Elliott Davis during the fiscal years ended December 31, 2023 and 2022.

DOGWOOD'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information summarizes various aspects of Dogwood's financial performance for the periods indicated. This summary should be read in conjunction with the financial statements of Dogwood, which appear elsewhere in this joint proxy statement/offering circular.

Earnings Performance

Net income in 2023 was \$10.6 million, or \$0.72 per diluted share, compared to \$10.6 million, or \$0.75 per diluted share, in 2022. Net income benefitted from higher net interest income in 2023 but was negatively impacted by higher provision for credit losses and higher non-interest expense. Pre-tax, pre-provision net revenue in 2023 was \$18.8 million, which was an increase from \$16.4 million in 2022. Return on average assets was 0.83% and 1.05%, respectively, in 2023 and 2022. Return on average tangible common equity was 7.20% and 8.47%, respectively, in 2023 and 2022.

Net Interest Income

Net interest income was \$42.8 million in 2023, an increase from \$36.5 million in 2022. The increase was due to significant growth in interest-earning assets over the past year, partially offset by a lower net interest margin.

Total average interest-earning assets increased to \$1.22 billion in 2023 from \$952.3 million in 2022. Average loans increased by \$212.7 million. Average investment securities balances increased by \$5.0 million, and average interest-earning cash balances increased by \$45.5 million.

Net interest margin decreased to 3.52% in 2023, compared to 3.83% in 2022. Net interest margin was negatively impacted by funding costs rising at a faster rate than interest-earning asset yields. In an effort to lower the rate of inflation in the U.S. economy, the FOMC increased the federal funds target rate by an aggregate 5.25% since the beginning of 2022.

The following table provides an analysis of average balances and effective yields and rates for the major components of interest-earning assets and interest-bearing liabilities of Dogwood for the years ended December 31, 2023 and 2022.

	Year Ended					
	December 31, 2023			December 31, 2022		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
<i>(Dollars in thousands)</i>						
Interest-Earning Assets:						
Loans	\$ 984,510	\$ 59,618	6.06%	\$ 771,814	\$ 36,920	4.78%
Investment securities	121,632	3,405	2.80%	116,608	2,643	2.27%
Interest-earning deposits with banks	109,396	5,480	5.01%	63,906	733	1.15%
Total interest-earning assets	1,215,538	68,503	5.64%	952,328	40,296	4.23%
Non interest-earning assets	64,638			59,642		
Total assets	<u>\$ 1,280,176</u>			<u>\$ 1,011,970</u>		
Interest-Bearing Liabilities:						
Interest-bearing demand	\$ 114,956	\$ 1,037	0.90%	\$ 117,933	\$ 251	0.21%
Savings and money market	436,020	14,831	3.40%	325,412	2,003	0.62%
Time	197,264	7,781	3.94%	104,655	887	0.85%
Total interest-bearing deposits	748,240	23,649	3.16%	548,000	3,141	0.57%
FHLB advances	42,069	1,831	4.35%	12,973	463	3.57%
Lease obligation	10,260	239	2.33%	8,567	199	2.32%
Total interest-bearing liabilities	800,569	25,719	3.21%	569,540	3,803	0.67%
Non-interest bearing deposits	315,963			303,501		
Other liabilities	8,657			6,599		
Shareholders' equity	154,987			132,330		
Total liabilities and shareholders' equity	<u>\$ 1,280,176</u>			<u>\$ 1,011,970</u>		
Net interest income and interest rate spread		<u>\$ 42,784</u>	2.42%		<u>\$ 36,493</u>	3.56%
Net interest margin			<u>3.52%</u>			<u>3.83%</u>
Cost of funds			2.30%			0.44%
Cost of deposits			2.22%			0.37%

Provision for Credit Losses and Asset Quality

Provision for credit losses was \$5.2 million in 2023, an increase from \$2.7 million in 2022. The increase in provision expense was partially due to a \$1.2 million increase in net charge-offs and was also partially due to a \$1.2 million reserve recorded in 2023 on an SBA loan previously sold into the secondary market. This reserve was included in the allowance for credit losses on off-balance sheet credit exposures as of December 31, 2023.

Nonperforming loans were 0.15% of total loans as of December 31, 2023, which is consistent with the nonperforming loan percentage as of December 31, 2022. Net charge offs were 0.18% of average loans in 2023, compared to 0.08% in 2022. Substantially all charge offs recognized in 2023 were related to unguaranteed portions of SBA loans.

Non-Interest Income

Non-interest income was \$12.1 million in 2023, which was flat compared to 2022. Non-interest income was benefitted in 2023 by a \$1.2 million gain recorded on the early payoff of \$50.0 million in term FHLB advances.

SBA lending income in 2023 declined by \$1.4 million due to lower secondary market premiums on sales of guaranteed SBA 7(a) loans and due to a lower volume of guaranteed loans sold. The decline in SBA lending income was partially offset by a \$301 thousand recovery of previous impairment on the SBA servicing asset in 2023 versus a \$797 thousand impairment on the SBA servicing asset in 2022.

Loan production under the SBA's 7(a) loan program totaled \$120.1 million in 2023, compared to \$180.1 million in 2022. Guaranteed balances of SBA loans sold totaled \$105.1 million in 2023, compared to \$114.8 million in 2022. The weighted average net premium on SBA loans sold in 2023 was 8.14%, compared to 9.22% in 2022.

Non-Interest Expense

Non-interest expense was \$36.1 million in 2023, an increase from \$32.2 million in 2022. Part of the increase was related to compensation and benefits, which increased by \$2.5 million. Investments were made in human capital across the organization to support Dogwood's growth, including recent growth into the Greenville, South Carolina and Charleston, South Carolina markets. Software expenses increased by \$231 thousand due to technology investments, loan related costs increased by \$553 thousand due to the SBA business, and FDIC insurance expense rose by \$291 thousand due to deposit growth.

In 2022, Dogwood recognized a one-time loss of \$331 thousand from the sale of a pool of solar loans, which partially offset the increase in non-interest expense.

Income Taxes

Income tax expense was \$3.0 million in 2023, compared to \$3.1 million in 2022. The effective tax rate was 22.1% in 2023, which was slightly lower than an effective tax rate of 22.4% in 2022.

Capital and Liquidity

In March 2023, Dogwood completed a \$16.4 million capital raise through a private placement offering of common stock at \$20 per share. This growth capital was raised at an accretive valuation and was intended to accelerate the buildout of Dogwood's franchise in the Carolinas. Tangible book value per share increased to \$10.71 as of December 31, 2023, which was up by 13% in 2023. Further, the Common Equity Tier 1 ratio and Total Risk-Based Capital ratio were 13.47% and 14.65%, respectively, as of December 31, 2023. These regulatory capital ratios were significantly in excess of the required regulatory well-capitalized thresholds of 6.50% and 10.00%, respectively.

Total deposits increased by \$290.4 million in 2023, while total loans held for investment increased by \$212.6 million in 2023. Dogwood funds its loan growth primarily with customer deposits and has built a diverse product set and deposit portfolio across a wide variety of customers and industries. Dogwood also offers a number of services that can provide extended FDIC coverage. As of December 31, 2023, the percentage of uninsured and uncollateralized deposits to total deposits was 39%.

Dogwood's primary on-balance sheet liquidity consists of cash and cash equivalents along with unpledged available for sale investment securities, which totaled \$177.9 million as of December 31, 2023. Additionally, Dogwood maintains fully collateralized credit facilities with the FHLB and the Federal Reserve Bank of Richmond. As of December 31, 2023, the FHLB credit facility totaled \$234.3 million, with \$182.8 million of available borrowing capacity. As of December 31, 2023, the Federal Reserve discount window credit facility totaled \$112.4 million, and the Federal Reserve Bank Term Funding Program credit facility totaled \$16.8 million. Dogwood has not borrowed against either of the Federal Reserve credit facilities nor does it anticipate borrowing against them in the near future. In aggregate, total primary on-balance sheet liquidity and total available borrowing capacity at the FHLB and Federal Reserve was 105% of the amount of uninsured deposits as of December 31, 2023.

INFORMATION ABOUT COMMUNITY FIRST

Community First is a South Carolina corporation and a bank holding company which commenced operations in 1997, upon effectiveness of the acquisition of Community First Bank as a wholly owned subsidiary. The principal business of Community First is ownership and operation of Community First Bank.

On March 19, 2021, Community First acquired SFB Bancorp, Inc., the parent company of Security Federal Bank (“SFB”), in Elizabethton, Tennessee. SFB Bancorp, Inc. was merged into Community First and Security Federal Bank was merged into Community First Bank. Shareholders of SFB as of March 19, 2021 received \$33.00 per share in cash.

Business of Community First Bank

Community First Bank is a South Carolina state bank which commenced operations as a commercial bank in 1990. At December 31, 2023, Community First Bank operated from offices in Walhalla, Seneca, Anderson, Westminster, Williamston, and Greenville, South Carolina, Charlotte, Dallas, and Franklin, North Carolina, and Elizabethton and Johnson City, Tennessee.

Deposits

Community First Bank offers a full range of deposit services, including checking accounts, NOW accounts, retirement accounts (including Individual Retirement Accounts), time deposits and savings accounts of various types, ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates are tailored to the principal market area at rates competitive with those offered by other institutions in the area. All deposit accounts are insured by the FDIC up to the maximum amount permitted by law. Community First Bank solicits these accounts from individuals, businesses, associations and organizations, and government authorities. It does not offer trust services.

Lending Activities

Community First Bank offers a range of lending services, including commercial loans, consumer loans, and real estate mortgage loans. It offers secured and unsecured, short-to-intermediate term loans, with floating and fixed interest rates for commercial and consumer purposes. Consumer loans generally include car, recreational vehicle and boat loans, home equity loans (secured by first and second mortgages), personal expenditure loans, education loans, and overdraft lines of credit. Commercial loans generally include short term unsecured loans, short and intermediate term real estate mortgage loans, loans secured by listed stocks, loans secured by equipment, inventory, and accounts receivable.

Other Services

Community First Bank participates in a network of ATMs that may be used by its customers throughout the United States and the world. It also offers credit and debit cards together with related lines of credit. The lines of credit may be used for overdraft protection as well as pre-authorized credit for personal purchases and expenses. Community First Bank also provides direct deposit of payroll and social security benefits, and automatic drafts for various accounts. It offers foreign payments and currency exchange through a correspondent bank. It offers an internet banking product accessible via its website at www.C1stbank.com. The interactive banking product includes an electronic bill payment service that allows customers to make scheduled and/or recurring bill payments electronically. Community First Bank also offers mobile banking as a component of internet banking. Additionally, Community First Bank offers remote check deposit services, merchant services, and other related services to commercial and small business customers.

COMMUNITY FIRST'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information summarizes various aspects of Community First's consolidated financial performance for the periods indicated. This summary should be read in conjunction with the consolidated financial statements of Community First, which appear elsewhere in this joint proxy statement/offering circular.

Effect of Economic Trends

Over the past four years, the economy of the United States has experienced significant volatility. Market interest rates fell drastically in 2020 as a consequence of the effects of the COVID-19 pandemic, including business closures and supply chain disruptions and shortages. As the economy began to recover from the pandemic, inflation became a predominate economic factor. Early in 2022, geopolitical tensions increased, adding a layer of economic uncertainty. By mid-March of 2022, the Federal Reserve concluded that inflationary pressures would be more pervasive and persistent than initially expected. As a consequence, the FOMC initiated the first of a series of increases in short term interest rates aimed at reducing inflation rates. Through July of 2023, the FOMC increased short term interest rates by 525 basis points. This economic volatility has had an adverse impact upon Community First.

Earnings Performance

Community First reported net income of \$4,080,000 in 2023 compared to \$6,436,000 in 2022 and \$3,620,000 in 2021. After adjusting for dividends allocated to Community First's preferred shares, the net income per common share was \$0.71 for 2023, \$1.14 for 2022, and \$0.63 for 2021. The effect of vested options on earnings per common share was minimal in each of these years. Net income decreased in the year ended December 31, 2023 compared to the prior year, but remained higher than the net income reported for the year ended December 31, 2021. The primary reason for the decrease in 2023 from 2022 was Community First's gain of \$2,293,000 (\$1,743,000 net of tax) on its sale of SeaTrust Mortgage, Inc. ("SeaTrust"), the mortgage brokerage subsidiary of Community First Bank, in 2022. Additionally, in 2023 increased loan volume and interest income were entirely offset by increases in interest expense from deposits and borrowings.

Community First's recorded provision for credit losses increased to \$266,000 for the year ended December 31, 2023 from the \$130,000 recorded in the prior year primarily due to loan growth and Community First's adoption of CECL, effective January 1, 2023. Please refer to Notes 1 and 4 to Community First's attached consolidated financial statements for additional information on the impact of the adoption of CECL.

Community First's net interest income after provision for credit losses decreased to \$21,986,000 in the year ended December 31, 2023 from \$23,020,000 and \$19,253,000 in the years ended December 31, 2022 and 2021, respectively. The year-over-year decrease was primarily driven by changes in interest rates. Average gross loans grew \$32,248,000, or 6.77%, in 2023 compared to 2022. Overall loan yields for 2023 were 5.54% compared to 4.82% in the prior year. The yield on investments was 2.48% in the year ended December 31, 2023 compared to 2.15% in 2022. Community First recorded provisions to the allowance for credit losses of \$266,000 in 2023, \$130,000 in 2022, and \$306,000 in 2021. Net charge-offs of \$30,000 partially offset the increase in the allowance for credit losses for 2023 over 2022.

Community First had non-interest income of \$3,924,000 in the year ended December 31, 2023 following \$10,724,000 and \$13,394,000 in the years ended December 31, 2022 and 2021, respectively. Non-interest income included gains on sales of mortgage loans and mortgage origination fee income of \$3,000 in 2023, \$2,589,000 in 2022, and \$9,036,000 in 2021. Additionally, non-interest income in the years ended December 31, 2022 and 2021 included gains of \$2,058,000 and \$772,000, respectively, in fair value adjustments on mortgage banking derivatives. No gains on fair value adjustments on mortgage banking derivatives were recorded in 2023. The significant decreases in mortgage banking income and gain in fair value adjustments on mortgage banking derivatives were directly related to the sale of SeaTrust in the second quarter of 2022. As a result of the sale of SeaTrust, Community First recorded a gain in the amount of \$2,293,000 in non-interest income in the year ended December 31, 2022. Community First had other operating expenses of \$20,357,000, \$25,287,000, and \$28,153,000, in the years ended December 31, 2023,

2022, and 2021, respectively. The majority of the declines in non-interest expense year over year in 2023 and 2022 were also directly related to the sale of SeaTrust in 2022.

Net Interest Income

Net interest income is Community First's largest source of revenue and is the difference between the amount of interest earned on interest-earning assets (loans, investment securities, deposits in other banks and federal funds sold) and the interest expenses incurred on interest-bearing liabilities (interest-bearing deposits and borrowed money). Net interest income is affected by the level of market interest rates, the volume and mix of interest-earning assets and the relative funding costs of these assets. Because Community First's assets are largely monetary in nature, material changes in interest rates can have a material impact on its net interest income.

For the years ended December 31, 2023, 2022, and 2021, net interest income was \$22,252,000, \$23,150,000, and \$19,559,000, respectively. The increase in net interest income in 2023 and 2022 compared to 2021 was primarily attributable to larger volumes of loans and investments, as well as higher interest rates on interest-bearing deposits due from banks. However, the decrease in net interest income in 2023 from 2022 was primarily the result of additional interest rate increases on interest-bearing liabilities during the year ended December 31, 2023 as a consequence of the Federal Reserve's monetary policies (see "Rate/Volume Analysis of Net Interest Income" below).

Interest income attributable to loans significantly increased in the year ended December 31, 2023. The average balance of loans outstanding during 2023 increased \$32,248,000 in comparison to the 2022 average loan balance. Average yields on total loans increased to 5.54% in 2023 from 4.82% in 2022. Average balances of investment securities decreased by \$5,217,000 in 2023, primarily driven by unrealized losses. Yields on investments increased to 2.48% in 2023 compared to 2.15% in 2022. Additionally, average balances of interest-earning cash decreased by \$16,789,000 in the year ended December 31, 2023 compared to the prior year but interest income from such assets significantly increased by \$999,000 in 2023 compared to 2022 due to higher interest rates. Average yields on total interest-earning assets increased from 4.09% in 2022 to 5.02% in 2023.

In the year ended December 31, 2023, the primary driver of changes in total interest expense was a continued increase in market interest rates from the prior year. Early in 2022 and following the sale of SeaTrust in May 2022, the composition of Community First's funding was trending to lower amounts of higher interest rate time deposits and borrowings and higher amounts of lower interest rate non-maturing deposits. This trend favorably impacted overall interest expense. However, by the fourth quarter of 2022, the trend reversed, and depositors began to move funds back into higher yielding account types at Community First Bank or into higher yielding instruments available elsewhere in the marketplace. This trend accelerated as market interest rates increased rapidly from late in 2022 through July of 2023. Community First's average rate paid for interest-bearing liabilities was 2.10% in 2023 compared to 0.56% in 2022. Average balances decreased to \$481,333,000 in 2023 compared to \$492,506,000 in 2022. The significantly elevated interest rates paid on interest-bearing liabilities, particularly on time deposits and money market accounts, was the primary cause of interest expense increasing from \$2,769,000 in the year ended December 31, 2022 to \$10,092,000 in the year ended December 31, 2023. Consequently, lower average balances of interest bearing-liabilities had minimal impact on Community First's interest expense during 2023. See "Liquidity" below.

The following table provides an analysis of the effective yields and rates on the major components of the interest-earning assets and interest-bearing liabilities of Community First for the year ended December 31, 2023, compared to the year ended December 31, 2022.

Average Balances, Yields and Rates

(Dollars in thousands)

	<u>Year Ended December 31, 2023</u>			<u>Year Ended December 31, 2022</u>		
	<u>Average Balances⁽¹⁾</u>	<u>Interest Income/ Expense</u>	<u>Average Yields/ Rates⁽²⁾</u>	<u>Average Balances⁽¹⁾</u>	<u>Interest Income/ Expense</u>	<u>Average Yields/ Rates⁽²⁾</u>
<u>Assets</u>						
Interest-earning cash	\$ 38,817	\$ 1,738	4.48%	\$ 55,606	\$ 739	1.33%
Investment securities	96,728	2,398	2.48%	101,945	2,193	2.15%
Loans ⁽³⁾	<u>508,715</u>	<u>28,208</u>	5.54%	<u>476,467</u>	<u>22,987</u>	4.82%
Total interest-earning assets	644,260	32,344	5.02%	634,018	25,919	4.09%
Non-interest-earning assets, net	<u>37,050</u>			<u>38,967</u>		
Total assets	<u>\$ 681,310</u>			<u>\$ 672,985</u>		
<u>Liabilities and shareholders' equity</u>						
Interest-bearing liabilities:						
Interest-bearing transaction accounts	\$ 86,606	\$ 63	0.07%	\$ 127,298	\$ 74	0.06%
Savings and money market	150,777	2,062	1.37%	173,664	640	0.37%
Time deposits	198,439	6,009	3.03%	152,676	907	0.59%
Borrowings	<u>45,511</u>	<u>1,958</u>	4.30%	<u>38,868</u>	<u>1,148</u>	2.95%
Total interest-bearing liabilities	<u>481,333</u>	<u>10,092</u>	2.10%	<u>492,506</u>	<u>2,769</u>	0.56%
Non-interest-bearing demand deposits and other	<u>199,977</u>			<u>180,479</u>		
Liabilities and equity						
Total liabilities and shareholders' equity	<u>\$ 681,310</u>			<u>\$ 672,985</u>		
Interest rate spread ⁽⁴⁾			2.92%			3.53%
Net interest income and net yield on earning assets ⁽⁵⁾		<u>\$ 22,252</u>	3.45%		<u>\$ 23,150</u>	3.65%
Interest free funds supporting earning assets ⁽⁶⁾	\$ 162,927			\$ 141,512		

(1) Average balances of interest-earning assets and interest-bearing liabilities calculated on a daily basis.

(2) Calculated based on the number of days in the year that each type of asset or liability was in existence. Yield calculated on a pre-tax basis.

(3) Nonaccruing loans are included in the average loan balances and income on such loans is recognized on a cash basis. The effect of including nonaccruing loans is to lower the average rate shown.

(4) Total yield on interest-earning assets less the rate paid on total interest-bearing liabilities.

(5) Net interest income divided by total interest-earning assets.

(6) Total interest-earning assets less total interest-bearing liabilities.

Rate/Volume Analysis of Net Interest Income

As discussed above, Community First's net income is largely dependent on net interest income. The following table presents additional detail regarding the estimated impact that changes in loan and deposit volumes and the interest rates earned or paid had on Community First's net interest income for 2023 as compared to 2022.

Year Ended December 31, 2023 compared to Year Ended December 31, 2022

	Increase (Decrease) Due to			Total Increase (Decrease)
	Changes in Rates	Changes in Volumes	Rate/ Volume ⁽¹⁾	
Interest earned on:				
Securities ⁽²⁾	\$ 334	\$ (112)	\$ (17)	\$ 205
Interest-earning cash	1,751	(223)	(529)	999
Loans	<u>3,433</u>	<u>1,556</u>	<u>232</u>	<u>5,221</u>
Total interest income	5,518	1,221	(314)	6,425
Interest paid on:				
Deposits	5,470	164	879	6,513
Borrowings	<u>524</u>	<u>196</u>	<u>90</u>	<u>810</u>
Total interest expense	<u>5,994</u>	<u>360</u>	<u>969</u>	<u>7,323</u>
Change in Net Interest Income	\$ <u>(476)</u>	\$ <u>861</u>	\$ <u>(1,283)</u>	\$ <u>(898)</u>

(1) Rate/Volume is calculated as the difference between the average balances for the periods presented multiplied by the difference between the average rates for such periods.

(2) Income calculated on a pre-tax basis.

Interest Rate Sensitivity

Interest rate sensitivity measures the timing and magnitude of the repricing of assets compared with the repricing of liabilities and is an important part of asset/liability management. The objective of interest rate sensitivity management is to generate stable growth in net interest income and to control the risks associated with interest rate movements. Management constantly reviews Community First interest rate risk exposure and the expected interest rate environment so that adjustments in interest rate sensitivity can be made in a timely manner.

When interest sensitive liabilities exceed interest sensitive assets for a specific repricing “horizon,” a negative interest sensitivity gap results. The gap is positive when interest sensitive assets exceed interest sensitive liabilities. For a bank with a negative gap, falling interest rates would be expected to have a positive effect on net interest income and increasing rates would be expected to have the opposite effect. However, if one or more assumptions prove incorrect, the margin may not be impacted in the manner expected. During 2023, on a cumulative basis, Community First’s rate sensitive liabilities exceeded rate sensitive assets, resulting in a liability-sensitive position at the end of 2023 (assuming that all assets and liabilities would reprice at the earliest possible time). Many instruments, however, may not reprice in conjunction with final maturities and may not reprice in conjunction with or by the same magnitude as movements in market interest rates.

Non-interest Income

Non-interest income, which consists primarily of service charges on deposit accounts, mortgage banking income, other fee income, gains on sales of SBA loans, increases in the cash surrender value of bank owned life insurance contracts, loan referral fees, and fair value adjustments on mortgage banking derivatives, decreased by \$6,800,000 in the year ended December 31, 2023 compared to the prior year. The primary reasons for the decrease were the impact of the sale of SeaTrust and the effect of higher interest rates, leading to a corresponding decline in mortgage banking income. Mortgage banking income decreased to \$3,000 in 2023 compared to \$2,589,000 in 2022 and gains on fair value adjustments on mortgage banking derivatives decreased to \$0 in 2023 compared to \$2,058,000 in 2022. While Community First continues to originate mortgage loans (and to service those loans), the volume is limited to originations in its primary markets. Relatively small increases in service charges on deposit accounts and referral fee income partially offset the significant decrease in mortgage banking income during 2023. Income from gains on sales of SBA loans was \$266,000 in 2023 compared to \$653,000 in 2022 and was driven strictly by lower SBA loan sales volume. As previously discussed, pre-tax income from the gain on sale of SeaTrust in 2022 was \$2,293,000.

Non-interest Expenses

Non-interest expenses, which consist primarily of salaries and employee benefits, occupancy costs, equipment expense, data processing expenses, professional fees and expenses of foreclosed assets, were \$20,357,000 in 2023, \$25,287,000 in 2022, and \$28,153,000 in 2021. Salaries and employee benefits decreased in 2023 and 2022 after increasing in 2021. The continued decrease in these expenses in 2023 compared to 2022 and 2021 was primarily due to the sale of SeaTrust during 2022. Data processing expenses declined by approximately \$13,000 in 2023 in comparison to 2022 related to the sale of SeaTrust. These expenses also slightly decreased to \$2,445,000 in 2022 compared to \$2,471,000 in 2021. The majority of the increased levels of data processing expenses were related to additional lending automation software and the additional accounts related to Community First's acquisition of SFB in 2021. Expenses of foreclosed assets decreased to \$4,000 in 2023 from \$18,000 in 2022 and from \$69,000 in 2021. Community First disposed of all its remaining foreclosed real estate in 2022 and held non-real estate repossessed assets of \$170,000 by the end of 2023. Net occupancy and equipment expenses decreased by approximately \$153,000 in 2023 compared to 2022 primarily as the result of consolidating two branches near the end of 2022. Other non-interest expense was \$3,091,000 in 2023, \$4,469,000 in 2022, and \$4,589,000 in 2021.

Income Taxes

Community First recorded income tax expense of \$1,473,000 in 2023, \$2,021,000 in 2022, and \$874,000 in 2021. The change in recorded income tax expense is the result of significantly higher pre-tax income in 2022. Please refer to Notes 1 and 15 to Community First's consolidated financial statements contained elsewhere in this joint proxy statement/offering circular for more information.

Liquidity

Community First's liquidity is determined by our ability to meet current and future obligations through liquidation or maturity of existing assets or the acquisition of additional liabilities. Adequate liquidity is necessary to meet the requirements of customers for loans and deposit withdrawals in the most timely and economical manner and to maintain required reserve levels, pay expenses and operate Community First on an ongoing basis. Important sources of liquidity are net income from operations, cash and due from banks, federal funds sold and other short-term investments. Community First had \$45,467,000 and \$45,948,000 in cash and cash equivalents at December 31, 2023 and 2022, respectively.

Some liquidity is ensured by maintaining assets that may be immediately converted into cash at minimal cost (amounts due from banks and federal funds sold). However, the most manageable sources of liquidity are composed of liabilities, with the primary focus on liquidity management being on the ability to obtain deposits within Dogwood's service area. Core deposits (total deposits less time deposits greater than \$250,000) provide a relatively stable funding base, and were equal to 74.91% and 81.17% of total assets at December 31, 2023 and 2022, respectively.

Community First also maintains a readily accessible line of credit with the FHLB, which is subject to various conditions and may be terminated at the option of the lender. This line of credit is equal to 25% of assets provided that adequate collateral is available for pledging. It may be used for short- or long-term funding needs and may be used on a fixed or variable-rate basis. As of December 31, 2023, Community First had \$38,000,000 in borrowings under this FHLB facility. At that date, loans with a value of \$301,605,000 and investment securities with a market value of \$70,413,000 were available as collateral under the FHLB line of credit which would result in approximately \$137,655,000 of additional borrowing capacity. Management believes that Community First's overall liquidity sources are adequate to meet its operating needs in the ordinary course of its business.

In November of 2020, Community First issued a \$10,000,000 subordinated note to a third-party purchaser and recorded \$199,000 of issuance costs. The funds from the subordinated note assisted Community First with the acquisition of SFB. For additional information on Community First's short and long-term borrowings, please see Notes 9 and 10 to Community First's consolidated financial statements contained elsewhere in this joint proxy statement/offering circular.

Off-Balance Sheet Risk

In the ordinary course of its business, Community First makes contractual commitments to extend credit to customers at predetermined interest rates for a specified period of time. At December 31, 2023 and 2022, unfunded commitments to extend credit were \$74,860,000 and \$77,573,000, respectively. In addition, Community First offers an automatic overdraft protection product which had \$11,726,000 in availability outstanding at December 31, 2023 and had issued standby letters of credit of \$377,000 as of that date. Past experience indicates that many of these commitments to extend credit will expire unused and it is unlikely that a large portion would be used in a short period of time. Community First believes that its various sources of liquidity discussed above would provide the necessary resources to meet these commitments should the need arise.

Other than those arising in the ordinary course of business as discussed above, Community First does not have nor does it have other off-balance sheet contractual relationships with unconsolidated related entities that have off-balance sheet arrangements or transactions that could result in liquidity needs or other commitments or significantly impact Community First's earnings. Please refer to Note 17 to Community First's consolidated financial statements contained elsewhere in this joint proxy statement/offering circular for an additional discussion on other commitments and contingencies and financial instruments with off-balance sheet risk.

Capital Resources

Total shareholders' equity increased from \$47,053,000 at December 31, 2022 to \$52,615,000 at December 31, 2023. The increase was due to a rebound in market values on Community First's available for sale securities causing a reduction in its accumulated other comprehensive income (loss) and to its net income of \$4,080,000 in 2023.

Community First and Community First Bank are subject to regulatory capital adequacy standards. These regulatory capital requirements and the regulatory capital and related ratios of Community First and Community First Bank are summarized in Note 13 to Community First's consolidated financial statements contained elsewhere in this joint proxy statement/offering circular.

CERTAIN BENEFICIAL OWNERSHIP OF DOGWOOD COMMON STOCK

The following table shows certain information regarding those persons or groups of persons who hold of record, or who are known to Dogwood to own beneficially, more than 5% of the outstanding shares of Dogwood voting common stock as of the record date for the Dogwood annual meeting:

<u>Name and Address of Beneficial Owner</u>	<u>Shares of Voting Common Stock</u>	<u>Percent of Voting Common Stock</u>
Patriot Financial Partners III, L.P. Four Radnor Corporate Center, Suite 210 100 Matsonford Road Radnor, PA 19087	468,930	5.04%

Set forth below is certain information regarding those outstanding shares of the Dogwood voting common stock and Dogwood non-voting common stock held by the members of Dogwood's board of directors and certain of its executive officers, and the directors and certain executive officers as a group, as of the record date for the Dogwood annual meeting.

<u>Name of Directors and Executive Officers</u>	<u>Shares of Voting Common Stock</u>	<u>Percent of Voting Common Stock</u>	<u>Percent of Total Common Stock</u>
David Brody	55,500	*	*
Thomas Cestare ⁽¹⁾	—	—	—
Scott Custer	212,512	2.29%	1.38%
Martin Friedman ⁽²⁾	455,053	4.89%	10.70%
Marc McConnell	13,107	*	*
Steven Jones	302,869	3.26%	1.97%
Fielding Miller	390,556	4.20%	2.53%
George (Robin) Perkins, III	225,583	2.43%	1.46%
Sepi Saidi	23,334	*	*
Richard Urquhart, III	116,700	1.25%	*
Natasha Austin	82,027	*	*
David Therit	99,903	1.07%	*
All directors and executive officers as a group (12)	1,977,144	21.26%	20.58%

* Less than 1.0%.

- (1) Mr. Cestare also serves a partner and chief operating officer at Patriot Financial Partners, L.P., which beneficially owns 468,930 shares of Dogwood voting common stock and 2,106,070 shares of Dogwood non-voting common stock.
- (2) Includes 455,053 shares of Dogwood voting common stock and 1,193,847 shares of Dogwood non-voting common stock owned by FJ Capital Management LLC, of which Mr. Friedman serves as co-founder, managing member and senior portfolio manager.

**CERTAIN BENEFICIAL OWNERSHIP OF
COMMUNITY FIRST COMMON STOCK**

The following table shows certain information regarding those persons or groups of persons who hold of record, or who are known to Community First to own beneficially, more than 5% of the outstanding shares of Community First common stock as of the record date for the Community First special meeting:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Class</u>
AB Financial Services Opportunities Master Fund LP 1345 Avenue of the Americas New York, NY 10105	545,381	9.87%
Spence Limited LP PO Box 505 Blakely, GA 39823-0505	325,934	5.90%

Set forth below is certain information regarding those outstanding shares of the common stock and preferred stock of Community First held by the members of Community First's board of directors and its executive officers, and the directors and executive officers as a group, as of the record date for the Community First special meeting.

<u>Name</u>	<u>Common Stock</u>		<u>Preferred Stock</u>	
<u>Directors and Executive Officers</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>% of Class</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>% of Class</u>
Larry S. Bowman, M.D. ⁽¹⁾	138,993	2.46%	-	-
William M. Brown ⁽²⁾	131,983	2.34%	200	6.35%
Richard D. Burleson, Jr. ⁽³⁾	70,715	1.25%	-	-
Michael D. Fletcher	3,800	*	-	-
Amber B. Glidewell ⁽⁴⁾	13,000	*	-	-
John R. Hamrick ⁽⁵⁾	180,572	3.20%	-	-
R. Joseph Jackson ⁽⁶⁾	36,797	*	-	-
Gary V. Thrift ⁽⁷⁾	193,248	3.42%	300	9.52%
Charles L. Winchester ⁽⁸⁾	197,888	3.51%	1,210	38.41%
Jennifer M. Champagne ⁽⁹⁾	16,437	*	-	-
Stuart L. Hester ⁽¹⁰⁾	7,000	*	-	-
All directors and executive officers as a group (12 persons) ⁽¹¹⁾	<u>990,433</u>	17.55%	<u>1,710</u>	54.29%

* Less than 1.0%.

(1) Includes 74,673 shares jointly owned with Dr. Bowman's spouse; 28,192 shares owned by Dr. Bowman's spouse; 12,601 shares held as trustee for Dr. Bowman's children; and 10,000 shares subject to currently exercisable options

(2) Includes 4,604 shares owned by Mr. Brown's spouse and 10,000 shares subject to currently exercisable options.

(3) Includes 2,617 shares jointly owned with Mr. Burleson's spouse; 3,000 shares owned by Mr. Burleson's spouse; 697 shares owned by Mr. Burleson's child; and 32,700 shares subject to currently exercisable options.

- (4) Includes 1,000 shares jointly owned with Mrs. Glidewell's spouse and 9,000 shares subject to currently exercisable options.
- (5) Includes 71,095 shares jointly owned with Mr. Hamrick's spouse; 34,419 shares owned by Mr. Hamrick's spouse; 5,000 shares held as trustee for Mr. Hamrick's grandchildren; and 10,000 shares subject to currently exercisable options.
- (6) Includes 5,300 shares owned by Mr. Jackson's spouse and 10,000 shares subject to currently exercisable options.
- (7) Includes 81,067 shares owned by a trust of which Mr. Thrift is a trustee; and 10,000 shares subject to currently exercisable options.
- (8) Includes 2,054 shares held as custodian for Mr. Winchester's grandchildren under the Uniform Gift to Minors Act and 10,000 shares subject to currently exercisable options.
- (9) Includes 10,000 shares subject to currently exercisable options.
- (10) Includes 7,000 shares subject to currently exercisable options.
- (11) Includes 118,700 shares acquirable through the exercise of options exercisable within 60 days of the Record Date.

LEGAL MATTERS

Williams Mullen and Brooks, Pierce, McLendon, Humphrey & Leonard, LLP will each opine as to the qualification of the merger as a reorganization under the Code.

EXPERTS

The consolidated financial statements of Dogwood included in this joint proxy statement/offering circular have been audited by Elliott Davis, an independent auditor, and have been so included in this joint proxy statement/offering circular in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Community First included in this joint proxy statement/offering circular have been audited by Elliott Davis, an independent auditor, and have been so included in this joint proxy statement/offering circular in reliance upon the authority of said firm as experts in accounting and auditing.

FUTURE SHAREHOLDER PROPOSALS

If the merger is completed, Community First will merge into Dogwood, and there will not be any future meetings of Community First shareholders. In addition, if the merger is completed, Community First shareholders will become Dogwood shareholders. For a shareholder to nominate a candidate for director at Dogwood's annual meeting of shareholders, notice must be in writing and must be delivered to the Secretary of Dogwood not less than 120 days prior to the meeting of shareholders at which time nominees will be considered for election to the board.

If, however, the merger is not completed or Community First is otherwise required to do so under applicable law, Community First will hold its 2024 annual meeting of shareholders, and it will notify shareholders of the date, time and place of that meeting as soon as practicable after it determines that it will or must hold a 2024 meeting. Any shareholder nominations intended to be presented at any future annual meetings of Community First must be submitted to Community First as set forth below.

The bylaws of Community First require any shareholder who intends to nominate a candidate for election to the board of directors to deliver written notice to the President of Community First at least 14 days before and no more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be delivered to the President of Community First not later than the close of business on the 7th day following the date on which the notice of meeting was mailed.

OTHER MATTERS

As of the date of this joint proxy statement/offering circular, the Dogwood board and the Community First board know of no matters that will be presented for consideration at either of the shareholder meetings other than those specifically set forth in the notices for the meetings. If, however, any other matters properly come before the Dogwood annual meeting or the Community First special meeting, or any adjournments thereof, and are voted upon, it is the intention of the proxy holders to vote such proxies in accordance with the recommendation of the management of Dogwood and Community First, as applicable.

WHERE YOU CAN FIND MORE INFORMATION

Dogwood Regulatory Filings and Financial Information

Dogwood files unaudited quarterly and annual reports called "Consolidated Reports of Condition and Income" with the FDIC, which we refer to as a "Bank Call Report." The Bank Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. The financial statements and other information in the Bank Call Reports are not audited by independent auditors. Because of the special supervisory, regulatory and economic policy needs served by the Bank Call Reports, those regulatory instructions do not in all cases follow GAAP, including the opinions and statements of the Financial

Accounting Standards Board or the Accounting Principles Board. Although Bank Call Reports are primarily supervisory and regulatory documents, rather than financial accounting documents, and do not provide a complete range of financial disclosure, they nevertheless provide important information concerning Dogwood's financial condition and results of operations.

The publicly available portions of the Bank Call Reports filed by Dogwood are publicly available on the Federal Financial Institutions Examination Council's website at www.ffiec.gov. The information on, or that can be accessed through, the Federal Financial Institutions Examination Council's website is not part of, and is not incorporated into, this joint proxy statement/offering circular.

Community First Regulatory Filings and Financial Information

As a small bank holding company, Community First files unaudited semi-annual reports called "Parent Company Only Financial Statements for Small Holding Companies" on Form FR Y-9SP with the Federal Reserve, which we refer to as a "Parent Company Financial Report." In addition, Community First Bank files Bank Call Reports with the FDIC.

The Parent Company Financial Reports and Bank Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. The financial statements and other information in the Parent Company Financial Reports and Bank Call Reports are not audited by independent auditors. Because of the special supervisory, regulatory and economic policy needs served by the Parent Company Financial Reports and Bank Call Reports, those regulatory instructions do not in all cases follow GAAP, including the opinions and statements of the Financial Accounting Standards Board or the Accounting Principles Board. Although Parent Company Financial Reports and Bank Call Reports are primarily supervisory and regulatory documents, rather than financial accounting documents, and do not provide a complete range of financial disclosure, they nevertheless provide important information concerning Community First financial condition and results of operations and the financial condition and results of operations of Community First Bank.

The publicly available portions of the Parent Company Financial Reports and Bank Call Reports filed by Community First are publicly available on the Federal Financial Institutions Examination Council's website at www.ffiec.gov. The information on, or that can be accessed through, the Federal Financial Institutions Examination Council's website is not part of, and is not incorporated into, this joint proxy statement/offering circular.

Additional Information

Additional copies of Community First's Parent Company Financial Reports and Dogwood's and Community First's Bank Call Reports, audited financial statements and annual reports, articles of incorporation and bylaws, and other corporate documents and information, can be obtained without charge from Dogwood or Community First upon written request to:

Dogwood State Bank
5401 Six Forks Road
Raleigh, North Carolina 27609
Attention: Steve Jones, Chief Executive Officer
Telephone: (919) 863-2293

Community First Bancorporation
449 Highway 123 Bypass
Seneca, South Carolina 29678
Attention: Richard D. Burleson, Jr., President and
Chief Executive Officer
Telephone: (864) 886-0206

If you would like to request documents from Dogwood or Community First, please do so by May 15, 2024 in order to receive timely delivery of the documents before the shareholder meetings.

[This Page Intentionally Left Blank]

DOGWOOD STATE BANK

INDEX TO FINANCIAL STATEMENTS

Independent Auditor’s Reports F-2
Balance Sheets as of December 31, 2023 and 2022 F-6
Statements of Income for the years ended December 31, 2023 and 2022 F-7
Statements of Comprehensive Income for the years ended December 31, 2023 and 2022 F-8
Statements of Changes in Shareholders’ Equity for the years ended December 31, 2023
and 2022 F-9
Statements of Cash Flows for the years ended December 31, 2023 and 2022 F-10
Notes to Financial Statements F-11

Independent Auditor's Report

Board of Directors
Dogwood State Bank

Opinion

We have audited the financial statements of Dogwood State Bank (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations or the Treadway Commission in 2013, and our report dated March 29, 2024, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, *Financial Instruments – Credit Losses (ASC 326)*. The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Raleigh, North Carolina
March 29, 2024

Independent Auditor's Report

Board of Directors
Dogwood State Bank

Opinion on Internal Control Over Financial Reporting

We have audited Dogwood State Bank's (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the criteria established in *Internal Control—Integrated Framework* issued by COSO in 2013.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the balance sheets as of December 31, 2023 and 2022, the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements"). Our report dated March 29, 2024 expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting" section of our audit report. We are required to be independent of the Company and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the Federal Financial Institutions Examination Council (FFIEC) Instructions for Consolidated Reports of Condition and Income. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that the receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Company, and the Federal Deposit Insurance Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
March 29, 2024

Dogwood State Bank

Balance Sheets

As of December 31, 2023 and 2022

(dollars in thousands, except per share information)

	2023	2022
Assets		
<i>Cash and cash equivalents</i>		
Cash and due from banks	\$ 5,191	\$ 3,149
Interest-earning deposits with banks	123,474	36,734
Total cash and cash equivalents	128,665	39,883
Investment securities available for sale (amortized cost of \$53,361 and \$45,533 at December 31, 2023 and 2022)	49,244	41,043
Investment securities held to maturity (fair value of \$66,155 and \$69,500 at December 31, 2023 and 2022)	77,556	81,512
Marketable equity securities	329	252
Loans held for sale	15,274	11,545
Paycheck Protection Program (PPP) loans	165	6,656
Loans, excluding PPP loans	1,095,174	876,122
Allowance for credit losses	(11,943)	(8,728)
Loans, net	1,083,231	867,394
Premises and equipment, net	18,707	17,377
Bank-owned life insurance	27,458	26,707
Goodwill	7,016	7,016
Accrued interest receivable and other assets	24,043	18,871
Total assets	<u>\$ 1,431,688</u>	<u>\$ 1,118,256</u>
Liabilities and Shareholders' Equity		
<i>Liabilities</i>		
Deposits:		
Non-interest bearing demand	\$ 291,910	\$ 315,804
Interest-bearing demand	121,876	96,895
Money market and savings	620,209	339,872
Time	160,284	151,345
Total deposits	1,194,279	903,916
FHLB advances	50,000	60,000
Reserve for unfunded commitments	2,060	162
Lease liability	11,187	9,730
Accrued interest payable and other liabilities	9,659	6,531
Total liabilities	1,267,185	980,339
Commitments and contingencies (Note 11)		
Shareholders' Equity		
Preferred stock (1,000,000 shares authorized; no shares outstanding in any period)	-	-
Voting common stock, par value \$1 (20,000,000 shares authorized; 9,264,818 and 8,382,996 shares issued and outstanding at December 31, 2023 and 2022, respectively)	9,265	8,383
Non-voting common stock, par value \$1 (9,000,000 shares authorized; 5,444,920 shares issued and outstanding at December 31, 2023 and 2022, respectively)	5,445	5,445
Additional paid-in-capital	132,373	116,129
Retained earnings	22,406	13,199
Accumulated other comprehensive loss	(4,986)	(5,239)
Total shareholders' equity	164,503	137,917
Total liabilities and shareholders' equity	<u>\$ 1,431,688</u>	<u>\$ 1,118,256</u>

See Notes to Financial Statements

Dogwood State Bank

Statements of Income

For the years ended December 31, 2023 and 2022

(dollars in thousands)

	<u>2023</u>	<u>2022</u>
Interest Income		
Loans	\$ 59,618	\$ 36,920
Investment securities	3,405	2,643
Federal funds sold and interest-earning deposits	5,480	733
Total interest income	<u>68,503</u>	<u>40,296</u>
Interest Expense		
Deposits	23,649	3,141
FHLB advances	1,831	463
Lease liability	239	199
Total interest expense	<u>25,719</u>	<u>3,803</u>
Net interest income	42,784	36,493
Provision for credit losses	5,164	2,710
Net interest income after provision for credit losses	<u>37,620</u>	<u>33,783</u>
Non-interest income		
Government-guaranteed lending	8,421	9,841
Service charges and fees on deposit accounts	1,399	1,311
Bank-owned life insurance	751	696
Gain on payoff of FHLB advances	1,230	-
Other	328	224
Total non-interest income	<u>12,129</u>	<u>12,072</u>
Non-interest expense		
Salaries, employee benefits, and other compensation	24,139	21,632
Occupancy and equipment	2,403	2,210
Data processing	1,010	1,144
Amortization of other intangible assets	111	217
Loss on sale of portfolio loans	-	331
Other	8,414	6,669
Total non-interest expense	<u>36,077</u>	<u>32,203</u>
Income before income taxes	13,672	13,652
Income tax expense	3,024	3,057
Net income	<u>\$ 10,648</u>	<u>\$ 10,595</u>

See Notes to Financial Statements

Dogwood State Bank

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

	<u>2023</u>	<u>2022</u>
Net income	\$ 10,648	\$ 10,595
Other comprehensive income (loss)		
Unrealized gains (losses) on investment securities available for sale:		
Net unrealized gains (losses) on investment securities available for sale	131	(4,332)
Tax effect	(63)	1,017
Total change in unrealized gains (losses) on investment securities available for sale, net of tax	68	(3,315)
Unrealized losses on investment securities available for sale transferred to held to maturity:		
Unrealized losses on investment securities available for sale transferred to held to maturity	-	(2,154)
Tax effect	-	506
Accretion of unrealized losses on investment securities held to maturity previously recognized in other comprehensive income	242	474
Tax effect	(57)	(111)
Total change in unrealized losses on investment securities available for sale transferred to held to maturity, net of tax	185	(1,285)
Other comprehensive income (loss), net of tax	253	(4,600)
Total comprehensive income	<u>\$ 10,901</u>	<u>\$ 5,995</u>

See Notes to Financial Statements

Dogwood State Bank

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

	Number of voting shares	Number of non- voting shares	Voting common stock	Non- voting common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2021	7,677,680	5,444,920	\$ 7,678	\$ 5,445	\$ 103,869	\$ 2,604 10,595	\$ (639)	\$ 118,957 10,595
Net income	-	-	-	-	-	10,595	-	10,595
Other comprehensive loss	-	-	-	-	-	-	(4,600)	(4,600)
Common stock issued	664,316	-	664	-	11,280	-	-	11,944
Restricted stock awards issued	58,500	-	59	-	(59)	-	-	-
Restricted stock awards forfeited	(17,500)	-	(18)	-	18	-	-	-
Stock-based compensation	-	-	-	-	1,021	-	-	1,021
Balance, December 31, 2022	8,382,996	5,444,920	8,383	5,445	116,129	13,199 10,648	(5,239)	137,917 10,648
Net income	-	-	-	-	-	10,648	-	10,648
Adoption of new accounting standard	-	-	-	-	-	(1,441)	-	(1,441)
Other comprehensive income	-	-	-	-	-	-	253	253
Common stock issued	819,333	-	820	-	15,537	-	-	16,357
Restricted stock awards issued	74,350	-	74	-	(74)	-	-	-
Restricted stock awards forfeited	(10,761)	-	(11)	-	11	-	-	-
Vested restricted stock funded	-	-	-	-	(210)	-	-	(210)
Vested restricted stock tax withholding	(1,100)	-	(1)	-	(23)	-	-	(24)
Stock-based compensation	-	-	-	-	1,003	-	-	1,003
Balance, December 31, 2023	9,264,818	5,444,920	\$ 9,265	\$ 5,445	\$ 132,373	\$ 22,406	\$ (4,986)	\$ 164,503

See Notes to Financial Statements

Dogwood State Bank

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(dollars in thousands)

	2023	2022
Operating activities		
Net income	\$ 10,648	\$ 10,595
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	5,164	2,710
Deferred tax benefit	(1,136)	(779)
Depreciation and amortization	2,089	1,841
Stock-based compensation	1,003	1,021
Vesting restricted stock - tax withholding	(24)	-
Origination of loans held for sale	(139,490)	(148,318)
Proceeds from sale of loans held for sale	142,601	155,320
Gains on sale of loans	(6,840)	(9,217)
Gain on marketable equity securities	(77)	(9)
Change in cash surrender value of bank owned life insurance	(751)	(439)
Net increase in accrued interest payable	663	492
Net increase in accrued interest receivable	(642)	(1,276)
Net change in other assets	(3,165)	(4,661)
Net change in other liabilities	3,761	1,513
Net cash provided by operating activities	<u>13,804</u>	<u>8,793</u>
Investing activities		
Net increase in loans outstanding	(220,843)	(285,050)
Net decrease in PPP loans	6,491	54,671
Purchases of investment securities available for sale	(10,705)	(14,400)
Purchases of investment securities held to maturity	(445)	(12,413)
Proceeds from maturities, calls, and principal repayments of investment securities available for sale	2,740	3,888
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	4,258	7,497
Proceeds from sales of premises and equipment	1,598	558
Purchases of premises and equipment	(4,625)	(2,914)
Net cash used in investing activities	<u>(221,531)</u>	<u>(248,163)</u>
Financing activities		
Net increase in demand, money market, and savings deposits	281,424	64,085
Net increase in time deposits	8,939	52,117
Net increase (decrease) in FHLB advances	(10,000)	56,000
Proceeds from issuance of common stock, net	16,147	11,944
Net cash provided by financing activities	<u>296,510</u>	<u>184,146</u>
Change in cash and cash equivalents	88,782	(55,224)
Cash and cash equivalents, beginning of period	<u>39,883</u>	<u>95,107</u>
Cash and cash equivalents, end of period	<u>\$ 128,665</u>	<u>\$ 39,883</u>
Cash paid for:		
Interest	\$ 25,056	\$ 3,311
Income taxes	\$ 4,846	\$ 983
Supplemental disclosure of non-cash transactions		
Transfers of investment securities available for sale to investment securities held to maturity	\$ -	\$ 32,212
Adoption of CECL	\$ (1,441)	\$ -
Initial recognition of right-of-use asset	\$ 2,287	\$ 1,796
Initial recognition of lease obligation	\$ 2,287	\$ 1,796

See Notes to Financial Statements

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 1. Nature of Operations and Basis of Presentation

Nature of operations:

Dogwood State Bank (the “Company”) is a state-chartered bank organized under the laws of North Carolina. The Company is headquartered in Raleigh, North Carolina, and provides a wide range of banking services and products through its seven branch offices in Charlotte, Fayetteville, Greenville, Morehead City, Raleigh, Sanford and Wilmington, North Carolina. The Company has also received regulatory approval for a branch in Greenville, South Carolina. The Company also supports various guaranteed government lending (GGL) programs of the Small Business Administration (SBA) through its small business lending division.

Basis of presentation:

The accompanying financial statements include the accounts and transactions of the Company. The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies

Cash and cash equivalents:

Cash and cash equivalents include cash and due from banks, interest-earning deposits with banks, and federal funds sold. Cash and cash equivalents have original maturities of three months or less. The carrying amount of such instruments is considered a reasonable estimate of fair value.

Investment securities:

The Company classifies investment securities as held to maturity, available for sale, or trading at the time of purchase. Premiums and discounts are recognized in interest income using the interest method over the period to maturity. Debt securities are classified as held to maturity where the Company has both the intent and ability to hold the securities to maturity. These securities are reported at amortized cost.

Investment securities available for sale are carried at fair value and consist of debt securities not classified as trading or held to maturity. Unrealized holding gains and losses on investment securities available for sale are reported in other comprehensive income, net of related tax effects. Gains and losses on the sale of investment securities available for sale are determined using the specific identification method recorded on a trade date basis.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Marketable equity securities:

Investments in equity securities having readily determinable fair values are stated at fair value. Realized and unrealized gains and losses on these securities are determined by specific identification and are included in noninterest income.

Allowance for credit losses – Held to Maturity Securities:

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities was excluded from the estimate of credit losses.

The estimate of expected credit losses is primarily based on historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: US Government agency securities, agency mortgage-backed securities, agency commercial mortgage obligations, commercial mortgage-backed securities, taxable municipal securities, and municipal securities.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes held to maturity security is confirmed to be uncollectible All residential and commercial mortgage-backed securities held by the Company are issued by government-sponsored enterprises and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The state and local government securities held by the Company are highly rated by major rating agencies. As a result, no allowance for credit losses was recorded on held-to-maturity securities at adoption of Accounting Standard Update (ASU) 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL) or at December 31, 2023.

Allowance for credit losses – Available-for-sale securities

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – Available-for-sale securities, continued

If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At adoption CECL and at December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities was excluded from the estimate of credit losses.

Loans held for sale:

Loans held for sale include the guaranteed portion of loans originated through the small business lending division that are expected to be sold in the secondary market to investors. Loans held for sale are carried at fair value.

Paycheck Protection Program (PPP) loans:

Loans originated by the Company under the PPP represent the outstanding balance of loans to assist small businesses and non-profit organizations affected by the COVID-19 pandemic. PPP loans are fully guaranteed by the SBA, and management believes the Company will fully collect the outstanding balance of all of these loans. As of December 31, 2023 and 2022, PPP loans totaled \$165 and \$6,656, respectively. None of these loans are past due. As of December 31, 2023 and 2022, there was no allowance for PPP loans due to the full SBA guarantee.

Loans, excluding PPP loans:

Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity, are reported at their outstanding principal balance, adjusted for any charge-offs, deferred fees or costs on originated loans and unamortized premiums or discounts on acquired loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment to the yield of the related loan. Interest on loans is recorded based on the principal amount outstanding.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Loans, excluding PPP loans, continued:

Loans are placed on nonaccrual status when they are past due 90 days or more. When a loan is placed in nonaccrual status, all unpaid accrued interest is reversed, and subsequent collections of interest and principal payments are generally applied as a reduction to the principal outstanding. Should the credit quality of a nonaccrual loan improve, the loan may be returned to an accrual status after demonstrating consistent payment history for at least six months.

The Company's loan policies, guidelines, and procedures establish the basic guidelines governing its lending operations. They address the types of loans sought, target markets, underwriting, collateral requirements, term, interest rate, yield considerations and compliance with laws and regulations. The loan policies are reviewed and approved annually by the Board of Directors.

Purchased Credit Deteriorated Loans:

Upon adoption of CECL, loans that were designated as purchased credit impaired (PCI) loans under the previous accounting guidance were classified as purchased credit deteriorated (PCD) loans without reassessment.

In future acquisitions, the Company may purchase loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, the Company will consider internal loan grades, delinquency status, and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at the amount paid. An initial allowance for credit loss is determined using the same methodology as other loans held for investment, but with no impact to earnings. The initial allowance for credit loss determined on a collective basis is allocated to loans on an individual basis.

The sum of the loan's purchase price and allowance for credit loss becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the allowance for credit loss recorded through provision expense.

Allowance for credit losses – loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – loans, continued

The allowance for credit losses (ACL) represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications.

The ACL is a reserve established through a provision for credit losses charged to expense. Loan balances are charged off against the ACL when the collectability of principal is unlikely.

Subsequent recoveries, if any, are credited to the ACL. The ACL is maintained at a level based on management's best estimate of probable credit losses that are inherent in the loan portfolio. Management evaluates the adequacy of the ACL on at least a quarterly basis.

For the majority of loans the ACL is calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and then a reversion period. When the discounted cash flow method is used to determine the ACL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Management evaluates loans originated under government guaranteed lending (GGL) programs separately from loans originated from traditional sources due to risks specific to GGL lending, including risks related to customers being out of the Company's primary market areas. The Company's loan segments, and the specific risks of each segment are described below.

Construction/development loans – Risks common to construction/development loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values. Construction/development loans are further segmented into residential construction/development loans, GGL construction/development loans and other construction/development loans. Residential construction/development loans are also susceptible to risks associated with residential mortgage loans. Changes in market demand for property could lead to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

Commercial real estate loans – Loans in this category are susceptible to declines in occupancy rates, business failure and general economic conditions. Also, declines in real estate values and lack of suitable alternative use for the properties are risks for loans in this category. Commercial real estate loans are further segmented into loans secured by non-owner occupied commercial real estate, loans secured by owner-occupied real estate that are originated under GGL programs, and loans secured by all other owner-occupied commercial real estate.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Allowance for credit losses, continued:

1-4 family loans – Residential mortgage loans are susceptible to weakening general economic conditions and increases in unemployment rates and declining real estate values. This segment includes loans secured by both first lien and subordinate lien positions.

Commercial and industrial loans – Risks to this loan category include industry concentration and the inability to monitor the condition of the collateral which often consists of inventory, accounts receivable and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt. Commercial and industrial loans are further segmented into commercial and industrial loans estate that are originated under GGL programs, including solar, and all other commercial and industrial loans.

Home equity loans – Risks common to home equity loans and lines of credit are general economic conditions, including an increase in unemployment rates, and declining real estate values which reduce or eliminate the borrower's home equity.

Other consumer loans – Risks common to these loans include regulatory risks, unemployment, and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The Company evaluates loans that are classified as doubtful, substandard, or special mention. This evaluation includes several factors, including review of the loan payment status and the borrower's financial condition and operating results such as cash flows, operating income, or loss.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Allowance for Credit Losses – Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same aggregate reserve rates calculated for the funded portion of loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in liabilities on the Company's balance sheets.

Premises and equipment:

Land is carried at cost. Other components of premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of assets, which range from thirty-seven to forty years for buildings and three to seven years for furniture and equipment. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Repairs and maintenance costs are charged to operations as incurred, and additions and improvements to premises and equipment are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and any gains or losses are reflected in earnings.

Premises and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Assets to be disposed of are transferred to other real estate owned and are reported at the lower of the carrying amount or fair value less costs to sell.

Bank-owned life insurance:

The Company has purchased life insurance policies on certain current and former employees and directors. These policies are recorded at their cash surrender value, or the amount that could be realized by surrendering the policies. Income from these policies and changes in the net cash surrender value are recorded in non-interest income.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Income taxes:

Deferred tax assets and liabilities are included in other assets. Deferred tax assets and liabilities reflect the estimated future tax consequences attributable to differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are also recognized for operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized.

Other real estate owned:

Other real estate owned is included in other assets and includes assets acquired through loan foreclosure. These properties are held for sale and are initially recorded at fair value less costs to sell upon foreclosure. After foreclosure, valuations are periodically performed, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and valuation adjustments are included in noninterest expense. There was no other real estate owned as of December 31, 2023 or 2022.

Equity investments at cost:

As a requirement for membership, the Company has invested in common stock of the Federal Home Loan Bank of Atlanta. This investment, which is included in other assets, is carried at cost, and is periodically evaluated for impairment.

Stock-based compensation:

Compensation cost is recognized for restricted stock awards granted to employees. Compensation cost is based on the fair value of restricted stock awards based on the market price of the Company's common stock at the date of grant. Compensation cost is recognized over the required service period, generally defined as the vesting period for restricted stock awards.

Fair value measurements:

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company follows the fair value hierarchy which gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to management's assumptions (unobservable inputs). For assets and liabilities recorded at fair value, the Company's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Fair value measurements, continued:

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Investment securities available for sale are recorded at fair value on a recurring basis. Additionally, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Assets and liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls to a lower level in the hierarchy. These levels are described as follows:

- Level 1: Valuations for assets and liabilities traded in active exchange markets.
- Level 2: Valuations for assets and liabilities that can be obtained from readily available pricing sources via independent providers for market transactions involving similar assets or liabilities. The Company's principal market for these securities is the secondary institutional markets, and valuations are based on observable market data in those markets.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The determination of where an asset or liability falls in the fair value hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures at each reporting period and based on various factors, it is possible that an asset or liability may be classified differently. However, management expects that changes in classifications between levels will be rare.

Accumulated other comprehensive income:

The Company's accumulated other comprehensive loss is comprised of unrealized gains and losses, net of taxes, on investment securities available for sale.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Segment reporting:

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Management has determined that the Company has a single operating segment, which is providing general commercial banking and financial services to individuals and businesses located in North Carolina and to customers in various states through its GGL Small Business Administration (SBA) lending program. The Company's various products and services are those generally offered by community banks, and the allocation of resources is based on the overall performance of the Company versus individual regions, branches, products, and services.

Revenue from contracts with customers:

All of the Company's revenues that are within the scope of ASC 606 (Revenue Recognition) are recognized within noninterest income. The following table presents the Company's sources of noninterest income for the years ended December 31, 2023 and 2022. Items outside the scope of Revenue Recognition are noted as such.

	<u>2023</u>	<u>2022</u>
Non-interest income		
Government-guaranteed lending ¹	\$ 8,421	\$ 9,841
Service charges and fees on deposit accounts	1,399	1,311
Gain on payoff of FHLB advances ¹	1,230	-
Bank-owned life insurance ¹	751	696
Other ²	328	224
Total non-interest income	<u>\$ 12,129</u>	<u>\$ 12,072</u>

¹Not within the scope of ASC 606

²The other category includes \$328 and \$224 of income sources that are within the scope of Revenue Recognition but determined immaterial as of December 31, 2023 and 2022, respectively.

There were no impairment losses recognized on any receivables or contract assets arising from the Company's contracts with customers during the years ended December 31, 2023 and 2022. While the Company has noninterest income related to government-guaranteed lending, changes in cash surrender value of life insurance and sales of investment securities available for sale, these are not within the scope of Revenue Recognition. Service charge revenue generated from contracts with customers is noninterest income and relates to fees charged on deposit accounts and certain loan and deposit fees.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Revenue from contracts with customers, continued:

Revenues generated from each of these contracts are recognized when a performance obligation is met, and each obligation is associated with a transaction tied to an account. Given each of these accounts are transactional and the related contracts are day-to-day contracts, the performance obligations on these accounts occur when the contract provision is triggered on the account, which results in the related service charge.

Based on the Company's analysis, there are no fees generated for opening an account or for a service on the account where the good or service has not been transferred or prior to the performance obligation being met.

As of December 31, 2023 and 2022, the Company did not have amounts of material receivables, contract assets or contract liabilities tied to these contracts with customers. The Company believes that while loan and deposit accounts generate service charge income, these contracts do not create receivables, assets or liabilities given the fees associated with these service charges are typically charged and collected once the performance obligation is triggered.

In addition, during the years ended December 31, 2023 and 2022, the Company did not recognize revenue that was included in any contract liabilities, and no revenues were recognized related to performance obligations satisfied in prior reporting periods. The Company analyzes its payment streams associated with contracts with customers on a quarterly basis.

As of December 31, 2023 and 2022, the nature of the performance obligations within the contracts generating these service charges on deposit and loan accounts have a duration of one year or less. Also, based on the Company's analysis and the nature of the contracts discussed within this note, management determined that there are no significant judgements associated with the recognition of revenue associated with these contracts. Based on the Company's analysis, each of the service charge revenues discussed above are associated with the transfer of services through administration of a customer's deposit account or through an agreed-upon, fixed amount that is disclosed in the customer's contract and are charged to the customer when the related service is performed on the customer's account. In addition, based on the Company's analysis, none of the contracts discussed above required a material cost to obtain or fulfill the contract, which resulted in no capitalized asset associated with these contracts as of December 31, 2023 and 2022.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Accounting Standards Adopted in 2023:

FASB ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326) (CECL)

On January 1, 2023, the Company adopted CECL. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

PCD loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings.

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Company adopted CECL and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of \$1,156, net of PCD gross up, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of \$583, which is recorded within Other Liabilities. The adoption of CECL had an insignificant impact on the Company's held-to-maturity and available-for-sale securities portfolios. The Company recorded a net decrease to retained earnings of \$1,441 as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards (“Incurred Loss”).

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Accounting Standards Adopted in 2023, continued:

FASB ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326), continued

The Company adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as PCI under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption.

Regarding PCD assets, the Company elected to disaggregate the former PCI pools and no longer considers these pools to be the unit of account; contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

FASB ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued ASU 2022-02. The amendments in this ASU: (i) eliminate the previous recognition and measurement guidance for TDRs and requires an entity to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, (ii) require new disclosures for loan modifications when a borrower is experiencing financial difficulty and (iii) require disclosures of current period gross charge-offs by year of origination in the vintage disclosures.

The Company adopted ASU 2022-02 on January 1, 2023, along with the adoption of ASC 326. As a result of adopting this ASU, the Company did not have a material impact to our consolidated results of operations or our consolidated financial position. The additional disclosures were applied prospectively.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements:

FASB ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures.

The update requires disclosure of specific categories in the rate reconciliation and information for reconciling items that meet a quantitative threshold. In addition, the update requires disaggregated disclosure of income taxes paid and income tax expense by jurisdiction. This guidance is effective for annual periods beginning after December 31, 2024. The Company does not expect the new guidance to have a material impact on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 3. Investment Securities

The following tables summarize the amortized cost, gross unrealized gains and losses, and fair value of investment securities available for sale and held to maturity by major classification:

	December 31, 2023			
	Amortized Cost	Unrealized Loss	Unrealized Gain	Fair Value
Investment securities available for sale:				
Agency residential mortgage-backed	\$ 23,954	\$ (1,727)	\$ 85	\$ 22,312
Corporate bonds	18,373	(1,516)	10	16,867
US Treasury securities	5,939	(584)	-	5,355
Agency commercial mortgage-backed	3,420	(336)	-	3,084
Agency CMO/REMIC	1,675	(51)	2	1,626
	<u>\$ 53,361</u>	<u>\$ (4,214)</u>	<u>\$ 97</u>	<u>\$ 49,244</u>
Investment securities held to maturity:				
Agency residential mortgage-backed	\$ 34,189	\$ (3,671)	\$ 5	\$ 30,523
Agency CMO/REMIC	22,384	(4,638)	-	17,746
Taxable municipals	12,867	(2,066)	-	10,801
Municipal securities	4,925	(771)	-	4,154
US Government agency securities	1,911	(89)	-	1,822
Commercial mortgage-backed	1,280	(171)	-	1,109
	<u>\$ 77,556</u>	<u>\$ (11,406)</u>	<u>\$ 5</u>	<u>\$ 66,155</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 3. Investment Securities, Continued

	December 31, 2022			
	Amortized Cost	Unrealized Loss	Unrealized Gain	Fair Value
Investment securities available for sale:				
Agency residential mortgage-backed	\$ 19,243	\$ (2,067)	\$ 34	\$ 17,210
Corporate bonds	15,000	(1,424)	-	13,576
US Treasury securities	5,933	(686)	-	5,247
Agency commercial mortgage-backed	3,451	(311)	-	3,140
Agency CMO/REMIC	1,906	(55)	19	1,870
	<u>\$ 45,533</u>	<u>\$ (4,543)</u>	<u>\$ 53</u>	<u>\$ 41,043</u>
Investment securities held to maturity:				
Agency residential mortgage-backed	\$ 36,012	\$ (3,568)	\$ -	\$ 32,444
Agency CMO/REMIC	24,387	(4,690)	-	19,697
Taxable municipals	12,895	(2,485)	-	10,410
Municipal securities	4,990	(1,006)	-	3,984
US Government agency securities	1,885	(105)	-	1,780
Commercial mortgage-backed	1,343	(158)	-	1,185
	<u>\$ 81,512</u>	<u>\$ (12,012)</u>	<u>\$ -</u>	<u>\$ 69,500</u>

There is no allowance for credit losses on available-for-sale securities or held to maturity securities as of December 31, 2023.

The amortized cost and fair values of investment securities available for sale and held to maturity, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2023	
	Amortized Cost	Fair Value
Investment securities available for sale with scheduled maturities:		
Within 1 year	\$ 755	\$ 727
After 1 through 5 years	28,881	26,653
After 5 years through 10 years	23,725	21,864
	<u>\$ 53,361</u>	<u>\$ 49,244</u>
Investment securities held to maturity with scheduled maturities:		
After 1 through 5 years	\$ 5,021	\$ 4,561
After 5 years through 10 years	57,275	48,351
After 10 years	15,260	13,243
	<u>\$ 77,556</u>	<u>\$ 66,155</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 3. Investment Securities, Continued

	December 31, 2022	
	Amortized Cost	Fair Value
Investment securities available for sale with scheduled maturities:		
Within 1 year	\$ 1,500	\$ 1,440
After 1 through 5 years	16,457	15,082
After 5 years through 10 years	27,576	24,521
	<u>\$ 45,533</u>	<u>\$ 41,043</u>
Investment securities held to maturity with scheduled maturities:		
After 1 through 5 years	\$ 2,326	\$ 2,209
After 5 years through 10 years	62,055	52,781
After 10 years	17,131	14,510
	<u>\$ 81,512</u>	<u>\$ 69,500</u>

During 2022, the Company transferred certain investment securities available for sale to investment securities held to maturity. At the time of the transfer the securities had an amortized cost basis of \$34,365 and a fair value of \$32,212. The \$2,154 difference between the amortized cost basis and fair value at the date of transfer is amortized as a yield adjustment over the remaining life of the securities and the \$32,213 fair value, adjusted for subsequent amortization, became the securities new cost basis.

The following table shows the gross unrealized losses and estimated fair value of available for sale securities for which an allowance for credit losses has not been recorded aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2023:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities available for sale:						
Agency residential mortgage-backed	\$ 1,211	\$ (1)	\$ 15,202	\$ (1,726)	\$ 16,413	\$ (1,727)
Corporate Bonds	-	-	9,735	(1,516)	9,735	(1,516)
US Treasury securities	-	-	5,355	(584)	5,355	(584)
Agency commercial mortgage-backed	-	-	3,084	(336)	3,084	(336)
Agency CMO/REMIC	-	-	763	(51)	763	(51)
	<u>\$ 1,211</u>	<u>\$ (1)</u>	<u>\$ 34,139</u>	<u>\$ (4,213)</u>	<u>\$ 35,350</u>	<u>\$ (4,214)</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 3. Investment Securities, Continued

The following table shows the gross unrealized losses and estimated fair value of available sale securities and held-to-maturity securities aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2022:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities available for sale:						
Agency residential mortgage-backed	\$ 4,621	\$ (326)	\$ 12,590	\$ (1,708)	\$ 17,211	\$ (2,034)
Corporate bonds	6,577	(673)	4,749	(751)	11,326	(1,424)
US Treasury securities	-	-	5,246	(686)	5,246	(686)
Agency commercial mortgage-backed	1,382	(53)	1,756	(259)	3,138	(312)
Agency CMO/REMIC	876	(54)	-	-	876	(54)
	<u>\$ 13,456</u>	<u>\$ (1,106)</u>	<u>\$ 24,341</u>	<u>\$ (3,404)</u>	<u>\$ 37,797</u>	<u>\$ (4,510)</u>

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities held to maturity:						
Agency residential mortgage-backed	\$ 9,599	\$ (574)	\$ 20,408	\$ (4,301)	\$ 30,007	\$ (4,875)
Agency CMO/REMIC	2,314	(402)	17,383	(4,720)	19,697	(5,122)
Taxable municipals	4,535	(644)	5,874	(1,811)	10,409	(2,455)
Municipal securities	-	-	3,984	(1,006)	3,984	(1,006)
US Government agency securities	-	-	1,779	(220)	1,779	(220)
Commercial mortgage-backed	-	-	1,186	(251)	1,186	(251)
	<u>\$ 16,448</u>	<u>\$ (1,620)</u>	<u>\$ 50,614</u>	<u>\$ (12,309)</u>	<u>\$ 67,062</u>	<u>\$ (13,929)</u>

The securities in an unrealized loss position as of December 31, 2023 and 2022 continue to perform and are expected to perform through maturity, and the issuers have not experienced significant adverse events that would call into question their ability to repay these debt obligations according to contractual terms.

As of December 31, 2023, the Company held no individual investment securities with an aggregate book value greater than 10 percent of total shareholders' equity.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 3. Investment Securities, Continued

No investment securities available for sale were sold during the year ended December 31, 2023 and 2022. There were no realized gains or losses on investment securities available for sale for the year ended December 31, 2023 and 2022.

As of December 31, 2023, securities with a book value of \$66,201 and a fair value of \$55,361 pledged as collateral for public deposits and to the Bank Term Funding Program.

The Company owns 36,000 shares of common stock of a North Carolina community bank. This investment is classified as a marketable equity security and has a cost basis of \$227. As of December 31, 2023 and 2022, the fair value was \$329 and \$252, respectively.

Note 4. Loans and Allowance for Credit Losses

The following table summarizes the Company's loans by type:

	<u>2023</u>	<u>2022</u>
Construction/development - GGL	\$ 14,149	\$ 39,926
Construction/development - other	107,022	74,616
Commercial real estate - owner occupied - GGL	50,611	30,375
Commercial real estate - owner occupied - other	223,325	187,096
Commercial real estate - non-owner occupied - GGL	10,815	9,226
Commercial real estate - non-owner occupied - other	334,273	247,339
Commercial and industrial - GGL	76,420	63,817
Commercial and industrial - other	111,991	83,153
1-4 family	138,480	108,400
Home equity	19,754	13,988
Construction/development - residential	5,955	16,551
Other consumer	2,379	1,635
	<u>\$ 1,095,174</u>	<u>\$ 876,122</u>

The preceding table and all following disclosures exclude \$165 and \$6,656 of PPP loans as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, loans with a recorded investment of \$480,739 and \$371,360, respectively, were pledged to secure borrowings or available lines of credit with correspondent banks.

As of December 31, 2023 and 2022, there were no loans to directors and executive officers outstanding.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The following table presents an analysis of past-due loans as of December 31, 2023:

	December 31, 2023					
	30-59 days past due	60-89 days past due	90+ days past due and still accruing	Nonaccrual Loans	Current Loans	Total Loans
Construction/development - GGL	\$ -	\$ -	\$ -	\$ -	\$ 14,149	\$ 14,149
Construction/development - other	-	-	-	-	107,022	107,022
Commercial real estate - owner occupied - GGL	343	177	-	85	50,006	50,611
Commercial real estate - owner occupied - other	-	-	-	-	223,325	223,325
Commercial real estate - non-owner occupied - GGL	-	-	-	-	10,815	10,815
Commercial real estate - non-owner occupied - other	-	-	-	-	334,273	334,273
Commercial and industrial - GGL	1,106	640	-	1,407	73,267	76,420
Commercial and industrial - other	-	-	-	-	111,991	111,991
1-4 family	113	-	-	114	138,253	138,480
Home equity	-	-	-	2	19,752	19,754
Construction/development - residential	-	-	-	-	5,955	5,955
Other consumer	43	125	-	-	2,211	2,379
	<u>\$ 1,605</u>	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ 1,608</u>	<u>\$ 1,091,019</u>	<u>\$ 1,095,174</u>

There was \$2 in interest income earned on one nonaccrual loan during the year ended December 31, 2023. There was \$62 in interest income earned on nonaccrual loans during the year ended December 31, 2022.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The following table presents an analysis of past-due loans as of December 31, 2022:

	December 31, 2022					
	30-59 days past due	60-89 days past due	90+ days past due and still accruing	Nonaccrual Loans	Current Loans	Total Loans
Construction/development - GGL	\$ -	\$ -	\$ -	\$ -	\$ 39,926	\$ 39,926
Construction/development - other	-	-	-	-	74,616	74,616
Commercial real estate - owner occupied - GGL	-	535	-	214	29,626	30,375
Commercial real estate - owner occupied - other	193	-	-	-	186,903	187,096
Commercial real estate - non-owner occupied - GGL	-	-	-	-	9,226	9,226
Commercial real estate - non-owner occupied - other	-	-	-	-	247,339	247,339
Commercial and industrial - GGL	887	269	301	357	62,003	63,817
Commercial and industrial - other	-	-	-	367	82,786	83,153
1-4 family	58	-	-	77	108,265	108,400
Home equity	-	-	1	-	13,987	13,988
Construction/development - residential	-	-	-	-	16,551	16,551
Other consumer	-	2	-	-	1,633	1,635
	<u>\$ 1,138</u>	<u>\$ 806</u>	<u>\$ 302</u>	<u>\$ 1,015</u>	<u>\$ 872,861</u>	<u>\$ 876,122</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt including current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans according to credit risk. The Company uses the following general definitions for risk ratings:

Pass – These loans range from superior quality with minimal credit risk to loans requiring heightened management attention but that are still an acceptable risk and continue to perform as contracted.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Not Rated – Not rated loans represent loans not included in the individual credit grading process due to their relatively small balances or borrower type.

Dogwood State Bank

Notes to Financial Statements
For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:

	Term Loans by Year of Origination						Revolving	Total
	2023	2022	2021	2020	2019	Prior		
Construction/development - GGL								
Pass	\$ 1,369	\$ 1,165	\$ 5,343	\$ -	\$ -	\$ -	\$ -	\$ 7,877
Special Mention	-	-	-	-	-	-	-	-
Classified	-	-	-	6,272	-	-	-	6,272
Total Construction/development - GGL	1,369	1,165	5,343	6,272	-	-	-	14,149
Current period gross write-offs	-	-	-	-	-	-	-	-
Construction/development - other								
Pass	67,682	23,133	12,248	295	2,432	93	43	105,926
Special Mention	-	-	-	-	-	-	-	-
Classified	668	-	-	-	-	-	-	668
Not Rated	428	-	-	-	-	-	-	428
Total Construction/development - other	68,778	23,133	12,248	295	2,432	93	43	107,022
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial real estate - owner occupied - GGL								
Pass	9,640	18,961	11,019	9,380	481	-	-	49,481
Special Mention	-	996	45	-	-	-	-	1,041
Classified	-	2	59	-	28	-	-	89
Total Commercial real estate - owner occupied - GGL	9,640	19,959	11,123	9,380	509	-	-	50,611
Current period gross write-offs	-	-	-	-	-	-	-	-

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

	Term Loans by Year of Origination					Total		
	2023	2022	2021	2020	2019		Prior	Revolving
Commercial real estate - owner occupied - other								
Pass	\$ 49,814	\$ 75,810	\$ 59,416	\$ 13,730	\$ 11,409	\$ 12,620	\$ 150	\$ 222,949
Special Mention	-	-	-	-	-	-	-	-
Classified	-	376	-	-	-	-	-	376
Total commercial real estate - owner occupied - other	49,814	76,186	59,416	13,730	11,409	12,620	150	223,325
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial real estate - non-owner occupied - GGL								
Pass	-	8,748	1,966	-	-	101	-	10,815
Special Mention	-	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-	-
Total commercial real estate - non-owner occupied - GGL	-	8,748	1,966	-	-	101	-	10,815
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial real estate - non-owner occupied - other								
Pass	68,808	131,680	73,263	38,280	7,335	13,585	-	332,951
Special Mention	-	-	-	-	-	-	-	-
Classified	-	-	-	-	-	1,322	-	1,322
Total commercial real estate - non-owner occupied - other	68,808	131,680	73,263	38,280	7,335	14,907	-	334,273
Current period gross write-offs	-	-	-	-	-	-	-	-

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

	Term Loans by Year of Origination						Revolving	Total
	2023	2022	2021	2020	2019	Prior		
Commercial and industrial - GGL								
Pass	\$ 18,985	\$ 20,548	\$ 6,129	\$ 3,905	\$ 111	\$ 21,109	\$ 132	\$ 70,919
Special Mention	-	209	42	230	-	1,504	211	2,196
Classified	-	506	946	727	96	811	219	3,305
Not Rated	-	-	-	-	-	-	-	-
Total commercial and industrial - GGL	18,985	21,263	7,117	4,862	207	23,424	562	76,420
Current period gross write-offs	-	143	122	196	-	1,376	35	1,872
Commercial and industrial - other								
Pass	49,370	32,372	15,293	5,258	5,617	1,671	1,287	110,868
Special Mention	-	1,097	-	-	-	-	-	1,097
Classified	-	25	-	-	-	-	-	25
Not Rated	1	-	-	-	-	-	-	1
Total commercial and industrial - other	49,371	33,494	15,293	5,258	5,617	1,671	1,287	111,991
Current period gross write-offs	-	-	-	-	-	-	-	-
1-4 family								
Pass	27,798	73,030	17,155	10,320	2,570	5,549	1,870	138,292
Special Mention	-	-	-	-	-	-	-	-
Classified	-	73	-	55	-	60	-	188
Total 1-4 family	27,798	73,103	17,155	10,375	2,570	5,609	1,870	138,480
Current period gross write-offs	-	-	-	-	-	-	-	-

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

	Term Loans by Year of Origination						Total
	2023	2022	2021	2020	2019	Prior	
Home Equity							
Pass	\$ 7,469	\$ 3,544	\$ 4,097	\$ 2,447	\$ 459	\$ 1,736	\$ 19,752
Special Mention	-	-	-	-	-	-	-
Classified	-	-	-	-	-	2	2
Total Home Equity	7,469	3,544	4,097	2,447	459	1,738	19,754
Current period gross write-offs	-	-	-	-	-	1	1
Construction/development - residential							
Pass	4,151	1,637	-	-	-	-	5,955
Special Mention	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Not Rated	-	-	-	-	-	-	-
Total construction/development - residential	4,151	1,637	-	-	-	-	5,955
Current period gross write-offs	-	-	-	-	-	-	-
Other Consumer							
Pass	1,152	233	517	79	-	269	2,250
Special Mention	-	-	-	-	-	-	125
Classified	-	-	-	-	-	1	1
Not Rated	-	-	3	-	-	-	3
Total other consumer	1,152	233	520	79	-	270	2,379
Current period gross write-offs	-	-	-	-	-	5	5

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The following table presents the Company's recorded investment in loans by credit quality indicators as of December 31, 2022:

	December 31, 2022			
	Pass	Special Mention	Substandard	Total
Construction/development - GGL	\$ 39,926	\$ -	\$ -	\$ 39,926
Construction/development - other	69,066	5,550	-	74,616
Commercial real estate - owner occupied - GGL	30,148	-	227	30,375
Commercial real estate - owner occupied - other	185,749	-	1,347	187,096
Commercial real estate - non-owner occupied - GGL	9,117	109	-	9,226
Commercial real estate - non-owner occupied - other	245,968	-	1,371	247,339
Commercial and industrial - GGL	60,920	1,769	1,128	63,817
Commercial and industrial - other	81,726	1,060	367	83,153
1-4 family	108,323	-	77	108,400
Home equity	13,985	-	3	13,988
Construction/development - residential	16,551	-	-	16,551
Other consumer	1,627	7	1	1,635
	<u>\$ 863,106</u>	<u>\$ 8,495</u>	<u>\$ 4,521</u>	<u>\$ 876,122</u>

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated.

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans With an Allowance Recorded	Nonaccrual Loans With No Allowance Recorded	Total Nonaccrual Loans	Nonaccrual Loans
Commercial and industrial - GGL	\$ 79	\$ 1,328	\$ 1,407	\$ 357
Commercial real estate - owner occupied - GGL	-	85	85	214
1-4 family	-	114	114	77
Home equity	-	2	2	-
Commercial and industrial - other	-	-	-	367
	<u>\$ 79</u>	<u>\$ 1,529</u>	<u>\$ 1,608</u>	<u>\$ 1,015</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2023:

Commercial and industrial - GGL	\$	82
Commercial real estate - owner occupied - GGL		11
1-4 family		1
	\$	<u>94</u>

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan.

Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

Home equity lines of credit are generally secured by second mortgages on residential real estate property.

Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles, and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans:

	December 31, 2023	
Commercial and industrial - GGL	\$	1,407
1-4 family		114
Commercial real estate - owner occupied - GGL		85
Home equity		2
	\$	<u>1,608</u>

Dogwood State Bank

Notes to Financial Statements
For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued Allowance for Credit Losses

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology.

	December 31, 2023											Total	
	Construction/development -GGL	Construction/development -other	Commercial real estate -owner-occupied-GGL	Commercial real estate -owner-occupied-other	Commercial real estate -owner-occupied-GGL	Commercial real estate -owner-occupied-other	Commercial real estate -owner-occupied-GGL	Commercial real estate -owner-occupied-other	Commercial and industrial -GGL	Commercial and industrial -other	1-4 family equity		Home equity
Beginning balance	\$ 876	\$ 520	\$ 643	\$ 1,047	\$ 212	\$ 1,410	\$ 2,430	\$ 659	\$ 750	\$ 76	\$ 89	\$ 16	\$ 8,728
Adjustment to allowance for adoption of ASU 2016-13	104	337	(16)	99	130	221	344	(11)	(92)	47	(7)	-	1,156
Charge-offs	-	-	-	-	-	-	(1,872)	-	-	(1)	-	(5)	(1,878)
Recoveries	-	-	18	-	-	-	35	7	26	1	-	-	87
Provision for credit losses	(513)	155	380	388	(178)	823	2,089	242	424	51	(31)	20	3,850
Ending balance	\$ 467	\$ 1,012	\$ 1,025	\$ 1,534	\$ 164	\$ 2,454	\$ 3,026	\$ 897	\$ 1,108	\$ 174	\$ 51	\$ 31	\$ 11,943

Dogwood State Bank

Notes to Financial Statements
For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued Allowance for Credit Losses, Continued

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods.

	December 31, 2022												
	Construction development -GGL	Construction / development - other	Commercial real estate - owner- occupied- GGL	Commercial real estate - owner- occupied - other	Commercial real estate - non-owner occupied- GGL	Commercial real estate - non-owner occupied	Commercial and Industrial - GGL	Commercial and Industrial - other	1-4 family equity	Home equity	Construction/ development - residential	Other consumer	Total
Allowance for loans loss ending balance	\$ 876	\$ 518	\$ 643	\$ 1,047	\$ 204	\$ 1,410	\$ 2,430	\$ 659	\$ 600	\$ 76	\$ 89	\$ 13	\$ 8,565
Collectively evaluated for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Individually evaluated for impairment	-	2	-	-	8	-	-	-	2	-	-	3	15
Purchased credit non-impaired	-	-	-	-	-	-	-	-	148	-	-	-	148
Purchased credit impaired	\$ 876	\$ 520	\$ 643	\$ 1,047	\$ 212	\$ 1,410	\$ 2,430	\$ 659	\$ 750	\$ 76	\$ 89	\$ 16	\$ 8,728
Loans ending balance	\$ 39,926	\$ 74,347	\$ 30,161	\$ 185,939	\$ 9,165	\$ 242,098	\$ 63,459	\$ 82,783	\$ 106,598	\$ 13,150	\$ 16,551	\$ 1,534	\$ 865,711
Collectively evaluated for impairment	-	-	214	-	-	-	357	367	123	2	-	-	1,063
Individually evaluated for impairment	-	269	-	795	61	4,861	1	3	1,295	836	-	101	8,222
Purchased credit non-impaired	-	-	-	362	-	380	-	-	384	-	-	-	1,126
Purchased credit impaired	\$ 39,926	\$ 74,616	\$ 30,375	\$ 187,096	\$ 9,226	\$ 247,339	\$ 63,817	\$ 83,153	\$ 108,400	\$ 13,988	\$ 16,551	\$ 1,635	\$ 876,122

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022
(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued Allowance for Credit Losses, Continued

	December 31, 2022												
	Construction/ development -GGL	Construction / development -other	Commercial real estate - owner - occupied- GGL	Commercial real estate - owner- occupied-other	Commercial real estate - non- owner occupied- GGL	Commercial real estate - non- owner occupied -other	Commercial real and industrial - GGL	Commercial industrial - other	1-4 family	Home equity	Construction/ development - residential	Other consumer	Total
Beginning balance	\$ 470	\$ 642	\$ 403	\$ 885	\$ -	\$ 937	\$ 1,945	\$ 652	\$ 564	\$ 81	\$ 16	\$ 30	\$ 6,625
Adjustment to allowance for													
Charge-offs	-	-	(132)	-	-	-	(471)	-	-	-	-	(5)	(608)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	1	1
Provision for loan losses	406	(122)	372	162	204	473	956	15	186	(5)	73	(10)	2,710
Ending balance	\$ 876	\$ 520	\$ 643	\$ 1,047	\$ 204	\$ 1,410	\$ 2,430	\$ 667	\$ 750	\$ 76	\$ 89	\$ 16	\$ 8,728

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Company individually assessed for impairment all nonaccrual loans and all troubled debt restructurings (including all troubled debt restructurings, whether or not currently classified as such). The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following table presents loans individually evaluated for impairment by class of loans, excluding PCI loans, as of December 31, 2022:

	With a recorded allowance	With no allowance recorded	Total	Unpaid Principal Balance	Related Allowance Recorded
Home equity	\$ -	\$ 2	\$ 2	\$ 8	\$ -
1-4 family	-	123	123	123	-
Commercial real estate - owner occupied - GGL	-	214	214	227	-
Commercial and industrial - other	-	367	367	367	-
Commercial and industrial - GGL	-	357	357	400	-
	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ 1,063</u>	<u>\$ 1,125</u>	<u>\$ -</u>

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no modifications made to borrowers experiencing financial difficulty for the year ended December 31, 2023.

Prior to the adoption of ASU 2016-13, the following table provides the number and recorded investment of TDRs outstanding at December 31, 2022:

	December 31, 2022	
	Recorded Investment	Number
1-4 family	\$ 45	5
Commercial real estate - owner occupied - other	-	-
Home equity	2	1
	<u>\$ 47</u>	<u>6</u>

As of December 31, 2022, there were no TDRs that were not performing in accordance with the modified loan terms.

For all periods presented, the Company used a one-year reasonable and supportable forecast period. Expected credit losses were estimated using a regression model for each segment based on historical data from peer banks combined with the Federal Reserve's baseline economic forecast to predict the change in credit losses. For periods beyond the reasonable and supportable forecast period of one year, United reverted to historical credit loss information on a straight line basis

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 4. Loans and Allowance for Credit Losses, Continued

At December 31, 2023, the Federal Reserve's baseline forecast was slightly better than at January 1, 2023. However, the Company's charge offs increased from January 1, 2023 to December 31, 2023 resulting in a higher quantitative ACL level at December 31, 2023. At December 31, 2023, the Company applied qualitative adjustments to the model output for all loans, with an additional qualitative reserve for GGL loans. The increase in qualitative reserves was primarily driven by an increase in loan volume. Compared to December 31, 2022, the allowance increased due to the implementation of ASC 326 which measures reserves based on an expected credit loss model, rather than an incurred loss model.

Note 5. Premises and Equipment

A summary of premises and equipment as of December 31, 2023 and 2022 is presented in the table below:

	2023	2022
Land	\$ 836	\$ 1,564
Building and leasehold improvements	18,658	15,617
Furniture and equipment	2,806	3,045
Less accumulated depreciation	(3,593)	(2,849)
	<u>\$ 18,707</u>	<u>\$ 17,377</u>

Depreciation on premises and equipment, which is recorded in occupancy and equipment expense, totaled \$1,698 and \$1,502 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, buildings and leasehold improvements included \$10,457 and \$9,124, respectively, related to the Company's right of use lease assets.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 6. Leases

The following table summarizes the Company's lease assets and liabilities as of December 31, 2023 and 2022:

Description	Balance Sheet		2023	2022
	Classification			
Assets:				
Finance	Premises and equipment, net		\$ 10,457	\$ 9,124
Operating	Accrued interest receivable and other assets		1,866	452
Total leased assets			<u>\$ 12,323</u>	<u>\$ 9,576</u>
Liabilities:				
Finance	Lease liability		\$ 11,187	\$ 9,730
Operating	Accrued interest payable and other liabilities		1,861	453
Total lease liabilities			<u>\$ 13,048</u>	<u>\$ 10,183</u>

The following table provides information regarding the minimum lease payments in future periods that will reduce lease-related liabilities outstanding as of December 31, 2023:

	Finance Leases	Operating Leases	Total
2024	\$ 1,217	\$ 292	\$ 1,509
2025	1,356	268	1,624
2026	1,389	180	1,569
2027	1,423	186	1,609
2028	1,298	191	1,489
Thereafter	6,335	1,179	7,514
Total minimum lease payments	<u>13,018</u>	<u>2,296</u>	<u>15,314</u>
Discount	(1,831)	(435)	(2,266)
Lease liability	<u>\$ 11,187</u>	<u>\$ 1,861</u>	<u>\$ 13,048</u>

The following table provides the weighted average remaining lease term (in years) and the weighted average discount rate of finance and operating leases as of December 31, 2023:

	Finance Leases	Operating Leases
Weighted average remaining lease term in years	9.4	9.3
Weighted average discount rate	3.06%	4.47%

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 7. Goodwill and Other Intangible Assets

The table below summarizes the changes in carrying amounts of goodwill and other intangible assets (core deposit intangible) for the periods presented:

	Goodwill	Other intangible assets
Balance at December 31, 2021	\$ 7,016	\$ 343
Accumulated amortization	-	(217)
Balance at December 31, 2022	7,016	126
Accumulated amortization	-	(111)
Balance at December 31, 2023	\$ 7,016	\$ 15

Goodwill represents the excess of the purchase price over the fair value of acquired net assets under the acquisition method of accounting. The acquisition that generated the Company's goodwill was a nontaxable event and, as a result, there is no tax basis in the goodwill, and none of the goodwill is deductible for tax purposes.

Goodwill is evaluated for impairment annually or more frequently if events occur or circumstances change that may indicate that impairment exists. The most recent goodwill impairment evaluation was performed as of December 31, 2023. No goodwill impairment was recorded during 2023 or 2022.

The value of other intangible assets was determined using the present value of the difference between a market participant's cost of obtaining alternative funds and the cost to maintain the acquired deposit base. The other intangible assets are amortized over a seven-year period using an accelerated method. Other intangible assets are evaluated for impairment if events and circumstances indicate impairment may exist.

The following table presents estimated future amortization expense for the Company's other intangible assets:

2024	\$	15
2025		-
2026		-
2027		-
2028		-
Thereafter		-
	\$	15

No impairment charges were recorded for other intangible assets during 2023 or 2024.

SBA servicing assets, which are included in other assets, represent the present value of projected future servicing income when an SBA loan is sold servicing retained. The SBA servicing asset was \$4,641, net of \$674 valuation allowance, at December 31, 2023, and \$4,143, net of \$975 valuation allowance at December 31, 2022. The SBA servicing asset is amortized over the servicing life of the loan and is subject to impairment based on changes in servicing values.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 8. Income Taxes

The significant components of the provision for income taxes for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Current tax provision:		
Federal	\$ 3,724	\$ 3,456
State	436	380
Total current tax expense	<u>4,160</u>	<u>3,836</u>
Deferred tax provision:		
Federal	(987)	(710)
State	(149)	(69)
Total deferred tax benefit	<u>(1,136)</u>	<u>(779)</u>
Total income tax expense	<u>\$ 3,024</u>	<u>\$ 3,057</u>

The difference between the provision for income taxes and the amounts computed by applying the statutory federal income tax rate of 21 percent for 2023 and 2022 to income before income taxes is summarized below:

	<u>2023</u>	<u>2022</u>
Income tax expense at federal statutory rate	\$ 2,871	\$ 2,867
Increase (decrease) resulting from:		
State income taxes, net of federal benefit	209	259
Bank-owned life insurance	(158)	(146)
Stock-based compensation	(52)	-
Nondeductible expenses	163	99
Other permanent difference, net	-	(13)
Other	(9)	(9)
Total income tax expense	<u>\$ 3,024</u>	<u>\$ 3,057</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 8. Income Taxes, Continued

Significant components of deferred taxes at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax asset relating to:		
Allowance for credit losses	\$ 2,744	\$ 2,023
Unfunded commitments	473	-
Deferred compensation	442	352
Stock-based compensation	594	463
Unrealized loss on investment securities available for sale	1,487	1,609
Amortization of intangible assets	111	125
Other	15	25
Total deferred tax assets	5,866	4,597
Deferred tax liabilities relating to:		
Premises and equipment	(1,127)	(836)
Acquisition accounting	(4)	(40)
Total deferred tax liabilities	(1,131)	(876)
Total deferred tax asset, net	\$ 4,735	\$ 3,721

As of December 31, 2022, the Company has no remaining post-2017 net operating losses. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits carryovers and carrybacks to offset 100 percent of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows net operating losses incurred in 2020, 2019 and 2018 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company utilized this provision in the CARES Act by carrying back the 2019 net operating loss to tax years 2018, 2017 and 2016, generating a benefit through the ability to carry back to higher tax rate years.

The Company's net deferred tax asset was \$4,735 and \$3,721 at December 31, 2023 and 2022, respectively. In evaluating whether it will realize the full benefit of the net deferred tax asset, the Company evaluated both positive and negative evidence, including among other things recent earnings trends, projected earnings, and asset quality. No valuation allowance was recorded at December 31, 2023.

Significant negative trends in credit quality, losses from operations or other factors could impact the realization of the deferred tax asset in the future.

The Company's policy is to report interest and penalties, if any, related to uncertain tax positions in income tax expense. As of December 31, 2023 and 2022, the Company had no uncertain tax positions.

With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2020.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 9. Deposits

The scheduled maturities of time deposits as of December 31, 2023 are presented below:

	Less than \$250	\$250 and Greater	Total
2024	\$ 130,883	\$ 16,679	\$ 147,562
2025	4,314	-	4,314
2026	267	-	267
2027	7,870	-	7,870
2028	271	-	271
Total	<u>\$ 143,605</u>	<u>\$ 16,679</u>	<u>\$ 160,284</u>

Brokered deposits totaled \$109,545 and \$74,218 as of December 31, 2023 and 2022, respectively. Time deposits, excluding brokered deposits, in excess of the FDIC insurance limit of \$250 totaled \$16,679 and \$17,191 as of December 31, 2023 and 2022, respectively. As of December 31, 2023, the bank had one depositor that made up 5.78% of total deposits.

Note 10. FHLB Advances

A summary of FHLB advances as of December 31, 2023 and 2022 is presented below:

Description	Interest Rate	Maturity Date	2023	2022
Daily Rate Credit	4.57%	June 30, 2023	-	60,000
Daily Rate Credit	5.57%	June 28, 2024	30,000	-
Fixed Rate Credit	5.32%	July 22, 2024	20,000	-
			<u>\$ 50,000</u>	<u>\$ 60,000</u>

As of December 31, 2023, the Company had access to an additional \$184,267 at the FHLB on a secured basis. As of December 31, 2023, the Company also had unused unsecured federal funds lines of credit with various counterparty banks totaling \$80,000.

Note 11. Commitments and Contingencies

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the Company's maximum exposure. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 11. Commitments and Contingencies, Continued

Commitments to extend credit, which totaled \$290,364 and \$215,873 at December 31, 2023 and 2022, respectively, represent agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., the commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans and are discussed in Note 4. The allowance for credit losses for unfunded loan commitments of \$2,060 and \$162 at December 31, 2023 and December 31, 2022, respectively, is separately classified on the balance sheet.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2023.

Beginning Balance, December 31, 2022	\$	162
Adjustment to the allowance for unfunded commitments for adoption of ASU 2016-13		584
Provision for unfunded commitments		1,314
Balance, December 31, 2023	<u>\$</u>	<u>2,060</u>

Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit is based on a credit evaluation of the borrower. Collateral obtained varies but may include real estate, equipment, stocks, bonds, and certificates of deposit.

Note 12. Stock-Based Compensation and Retirement Plans

Restricted Stock

The Company amended and restated the 2019 Omnibus Incentive Plan on June 20, 2023. The amended and restated plan authorizes an additional 500,000 shares in addition to the original 1,205,346 shares of the Company's voting common stock to be awarded under various incentive programs. Pursuant to authority under the 2019 Omnibus Incentive Plan, the Company adopted a restricted stock program that allows shares of stock to be awarded to employees. All shares vest over a five-year period.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 12. Stock-Based Compensation and Retirement Plans, Continued

The following table provides information on the number of shares of restricted stock awarded in each of the years ended December 31, 2023 and 2022, the aggregate number of shares awarded as of December 31, 2023 and 2022, the restricted stock expense recorded during the years ended December 31, 2023 and 2022, and the unrecognized compensation cost for non-vested restricted stock awards as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Shares of restricted stock awarded during current year	74,350	58,500
Shares of restricted stock awarded as of December 31	1,247,840	1,173,490
Restricted stock expense recognized in current year	\$ 1,003	\$ 1,021
Unrecognized compensation cost related to non-vested restricted stock awards as of December 31	2,514	2,025

Defined Contribution Plans

The Company sponsors a 401(k) plan for substantially all employees. Participants may make voluntary contributions resulting in salary deferrals in accordance with Section 401(k) of the Internal Revenue Code. The plan provides for employer contributions of up to 4 percent of pre-tax salary contributed by each participant. Employer contributions to the 401(k) plans totaled \$537 for the year ended December 31, 2023, compared to \$459 for 2022.

Supplemental Executive Retirement Plans

As of December 31, 2023 and 2022, the Company had a \$1,923 and \$1,531 accrued liability related to retirement plans, respectively, included in accrued interest payable and other liabilities on the balance sheet. The Company had \$907 in accrued liability as of both December 31, 2023 and 2022 related to obligations to two former employees, representing the present value of the future payments expected to be made pursuant to the terms of a non-qualified plan.

Additionally, in 2021 the Company implemented a long-term retention agreement with three current executives and has accrued an additional \$392 and \$357 as of December 31, 2023 and 2022, respectively, in accrued liability related to the present value of the future payments expected to be made to these executives under the new agreement. The long-term retention agreements provide for specified cash retention payment amounts for 10 years generally commencing on the date that the Executive attains age 62 provided that the Executive remains employed by the Company.

Note 13. Shareholders' Equity

During the first quarter of 2022, the Company completed a secondary offering of its voting common stock in a private placement. The Company issued a total of 664,316 shares at an offering price of \$18 per share, resulting in an additional \$11,944 of new capital.

During the first quarter of 2023, the Company completed a secondary offering of its voting common stock in a private placement. The Company issued a total of 819,333 shares at an offering price of \$20 per share, resulting in an additional \$16,357 of new capital.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 14. Fair Value

Fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Fair value estimates may not be realized in an immediate settlement, and the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Cash and cash equivalents:

The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value. The fair value of cash and cash equivalents is measured using level 1 inputs.

Investment securities available for sale:

Fair values are determined in the manner described above. The fair value of investment securities available for sale is measured using level 2 inputs.

Investment securities held to maturity:

Fair values are determined in the manner described above. The fair value of investment securities held to maturity is measured using level 2 inputs.

Marketable equity securities:

Fair values are based upon quoted market prices. The fair value of investment securities available for sale is measured using level 1 inputs.

Loans held for sale:

Fair values of SBA loans held for sale are based on estimated instrument-level gains or losses to be realized upon sale, which management consider to be level 2 inputs.

PPP loans:

The carrying value of PPP loans approximates fair value. Management believes the Company will be able to fully collect the outstanding balance of these loans.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 14. Fair Value, Continued

Loans, excluding PPP loans, net:

The fair value of loans represents the amount at which the loans of the Company could be exchanged on the open market, based upon the current lending rate for similar types of lending arrangements discounted over the remaining life of the loans. For fixed rate loans and for variable rate loans with infrequent re-pricing or re-pricing limits, fair value is based on discounted cash flows using current market rates applied to the cash flow analysis. The fair value of loans is measured using level 2 inputs. The fair value of collateral dependent loans relies on level 3 inputs.

Deposits:

The fair value of time deposits is based on discounted cash flows using current market rates applied to the cash flow analysis for each time deposit. Other non-maturity deposits are reported at their carrying values. The fair value of deposits is measured using level 2 inputs.

Short-term borrowings:

Fair values of short-term borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Estimated maturity dates are also included in the calculation of fair value for these borrowings. The fair value of short-term borrowings is measured using level 2 inputs.

Off-balance sheet instruments:

Off-balance sheet instruments include commitments to extend credit, standby letters of credit, and financial guarantees. Because of the uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market and the wide diversity of fee structures, the Company does not believe it is meaningful to provide an estimate of fair value for these instruments.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 14. Fair Value, Continued

The carrying amounts and fair values of the Company's financial instruments at December 31, 2023 and 2022 were as follows:

	Fair Value				Total
	December 31, 2023				
	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Total cash and cash equivalents	\$ 128,665	\$ 128,665	\$ -	\$ -	\$ 128,665
Investment securities available for sale	49,244	-	49,244	-	49,244
Investment securities held to maturity	77,556	-	66,155	-	66,155
Marketable equity securities	329	329	-	-	329
Loans held for sale	15,274	-	15,274	-	15,274
PPP loans	165	-	165	-	165
Loans, excluding PPP loans, net	1,083,231	-	1,028,597	1,608	1,030,205
Deposits	1,194,279	-	1,193,392	-	1,193,392
FHLB advances	50,000	-	50,000	-	50,000

	December 31, 2022				Total
	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Total cash and cash equivalents	\$ 39,883	\$ 39,883	\$ -	\$ -	\$ 39,883
Investment securities available for sale	41,043	-	41,043	-	41,043
Investment securities held to maturity	81,512	-	69,500	-	69,500
Marketable equity securities	252	252	-	-	252
Loans held for sale	11,545	-	11,545	-	11,545
PPP loans	6,656	-	6,656	-	6,656
Loans, excluding PPP loans, net	867,394	-	809,371	1,063	810,434
Deposits	903,916	-	901,435	-	901,435
FHLB advances	60,000	-	60,000	-	60,000

Recurring – Investment Securities Available for Sale:

Investment securities available for sale are reported at fair value utilizing measurements from independent third-party sources, which are level 2 inputs. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bond's terms and conditions, among other inputs.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 14. Fair Value, Continued

Recurring – loans held for sale:

Loans held for sale are reported at fair value utilizing projected sale price guidance, which is a level 2 input. The fair value measurements consider observable data that may include dealer quotes, market spreads, live trading levels, trade execution data, among other inputs.

The following tables summarize the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022, segregated by the level of the valuation inputs within the fair value hierarchy.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Agency mortgage-backed	\$ -	\$ 22,312	\$ -	\$ 22,312
Agency CMO/REMIC	-	1,626	-	1,626
Corporate bonds	-	16,867	-	16,867
US Treasury securities	-	5,355	-	5,355
Commercial mortgage-backed	-	3,084	-	3,084
Marketable equity security	329	-	-	329
Loans held for sale	-	15,274	-	15,274

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Agency mortgage-backed	\$ -	\$ 17,210	\$ -	\$ 17,210
Agency CMO/REMIC	-	1,870	-	1,870
Corporate bonds	-	13,576	-	13,576
US Treasury securities	-	5,247	-	5,247
Commercial mortgage-backed	-	3,140	-	3,140
Marketable equity security	252	-	-	252
Loans held for sale	-	11,545	-	11,545

Non recurring – loans held for investment:

The Company does not record loans at fair value on a recurring basis. However, from time to time, management concludes that payment of principal and interest will not be made in accordance with the contractual terms of the loan agreement. Management individually reviews these loans using one of several methods, including appraised collateral value and /or tax assessed value, liquidation value and discounted expected cash flow. Those loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. For real estate collateral, the Company frequently obtains appraisals prepared by external professional appraisers and applies of 10 percent depending on various factors including the type of property, condition, and location. . For equipment and other collateral, a discount of up to the advance rate as defined by the policy.

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 14. Fair Value, Continued

Non recurring – loans held for investment, continued:

In certain instances, the Company prepares internally generated valuations from on-site inspections, third-party valuation models or other information. Due to the significance of the unobservable market inputs and assumptions, as well as the absence of a liquid secondary market for most loans, these loans are classified as Level 3. No nonaccrual loans were recorded at fair value as of December 31, 2023 or 2022. The Company had a recorded investment in nonaccrual loans of \$1,608 and \$1,063 as of December 31, 2023 and 2022, respectively.

Note 15. Regulatory Capital Requirements

The Company is required to maintain reserve and clearing balances with the Federal Reserve Bank in the form of vault cash or deposits.

Banking regulators have established various ratios to monitor capital adequacy. Failure to comply with these capital adequacy requirements may affect various bank activities including the ability to undertake new business initiatives such as acquisitions and branch expansion, access to funding and cost of new business initiatives, the ability to pay dividends, the ability to repurchase shares or other capital instruments, the cost of deposit insurance, and the level of regulatory oversight.

Based on current regulatory guidance, banks are required to maintain a common equity tier 1 ratio of 4.50 percent, a tier 1 leverage ratio of 4.00 percent, a tier 1 risk-based capital ratio of 6.00 percent and a total risk-based capital ratio of 8.00 percent. Current regulations also require creation and maintenance of a capital conservation buffer in addition to the regulatory minimum capital requirements. The capital conservation buffer was phased in over four years beginning January 1, 2016, at 0.625 percent of risk-weighted assets. After increasing each subsequent year by an additional 0.625 percent, at January 1, 2018, the capital conservation buffer was 1.875 percent, and, as fully phased in on January 1, 2019, the capital conservation buffer is 2.50 percent.

As of December 31, 2023, and 2022, the Company exceeded all applicable capital adequacy requirements.

2023

	Actual		Minimum to be adequately capitalized		Minimum to be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1	\$ 159,405	13.47%	\$ 53,255	4.50%	\$ 76,923	6.50%
Tier 1 leverage	159,405	11.05%	57,726	4.00%	72,157	5.00%
Tier 1 risk-based capital	159,405	13.47%	71,006	6.00%	94,675	8.00%
Total risk-based capital	173,409	14.65%	94,675	8.00%	118,343	10.00%

Dogwood State Bank

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(dollars in thousands, except per share information)

Note 15. Regulatory Capital Requirements, Continued

	2022					
	Actual		Minimum to be adequately capitalized		Minimum to be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity tier 1	\$ 133,475	14.20%	\$ 42,309	4.50%	\$ 61,112	6.50%
Tier 1 leverage	133,475	12.45%	42,879	4.00%	53,599	5.00%
Tier 1 risk-based capital	133,475	14.20%	56,411	6.00%	75,215	8.00%
Total risk-based capital	142,366	15.14%	75,215	8.00%	94,019	10.00%

Note 16. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

On January 31, 2024, the Company and Community First Bancorporation (Community First) entered into a definitive merger agreement, pursuant to which Community First and its wholly-owned bank subsidiary, Community First Bank, Inc. will merge with and into the Company. Under the terms of the agreement, each share of Community First common stock will be converted into 0.5875 shares of the Company's voting common stock and each share of Community First preferred stock will be converted into 64.7719 shares of the Company's voting common stock. Based on an assumed price for the Company's voting common stock of \$20.00 per share, which was used in the merger negotiations, the exchange ratio represents approximately \$11.75 in value for each share of Community First common stock, or approximately \$69,700 in total transaction value. The transaction is anticipated to close during the second half of 2024, subject to the receipt of regulatory approvals and the satisfaction of other customary closing conditions.

As of December 31, 2023, Community First reported approximately \$685,000 in total assets, \$579,000 in deposits and \$511,000 in loans (unaudited). Through March 29, 2024, the Company has recognized \$877 in merger-related costs.

Management has reviewed the events occurring through March 29, 2024, the date the financial statements were issued. No additional subsequent events occurred requiring accrual or disclosure.

COMMUNITY FIRST BANCORPORATION

INDEX TO FINANCIAL STATEMENTS

Independent Auditor’s Report.....	G-2
Consolidated Balance Sheets as of December 31, 2023 and 2022	G-4
Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021	G-5
Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2023, 2022 and 2021	G-6
Consolidated Statements of Changes in Shareholders’ Equity for the years ended December 31, 2023, 2022 and 2021	G-6
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	G-7
Notes to Consolidated Financial Statements.....	G-8



Independent Auditor's Report

Board of Directors
Community First Bancorporation and Subsidiaries
Walhalla, South Carolina

Opinion

We have audited the consolidated financial statements of Community First Bancorporation and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, *Financial Instruments – Credit Losses (ASC 326)*. The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements, Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Elliott Davis, LLC

Greenville, South Carolina
March 27, 2024

Consolidated Balance Sheets
Community First Bancorporation and Subsidiaries

(Dollars in thousands, except share information)

	December 31,	
	2023	2022
ASSETS		
Cash and due from banks	\$ 5,471	\$ 6,553
Federal funds sold	3,682	5,609
Interest-bearing deposits due from banks	<u>36,314</u>	<u>33,786</u>
Cash and cash equivalents	45,467	45,948
Debt securities available-for-sale, at fair value	94,495	97,001
Equity securities, at fair value	12	4
Federal Home Loan Bank stock, at cost	2,267	1,731
Loans held for investment, gross	511,003	484,676
Allowance for credit losses	<u>(6,077)</u>	<u>(5,594)</u>
Loans, net	504,926	479,082
Premises and equipment, net	12,242	12,749
Accrued interest receivable	2,095	1,877
Bank-owned life insurance	16,284	15,866
Foreclosed assets	170	25
Deferred income tax assets	3,381	4,360
Goodwill and intangible assets	708	828
Other assets	<u>2,614</u>	<u>1,704</u>
Total assets	<u>\$ 684,661</u>	<u>\$ 661,175</u>
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 142,016	\$ 121,169
Interest-bearing	<u>437,252</u>	<u>447,464</u>
Total deposits	579,268	568,633
Short-term borrowings	-	3,000
Long-term borrowings	47,922	39,882
Accrued interest payable	2,412	478
Other liabilities	<u>2,444</u>	<u>2,129</u>
Total liabilities	<u>632,046</u>	<u>614,122</u>
Commitments and contingent liabilities (Note 17)		
Shareholders' equity		
Preferred stock – Series A – non-voting 5% cumulative - \$1,000 per share liquidation preference; 5,000 shares authorized, 3,150 shares issued and outstanding	3,126	3,126
Preferred stock – no par value; 9,995,000 shares authorized, none issued	-	-
Common stock – no par value; 10,000,000 shares authorized; 5,514,683 shares issued and outstanding at December 31, 2023 and 2022	40,668	40,668
Additional paid-in capital	10,873	10,849
Retained earnings	8,487	4,850
Accumulated other comprehensive loss	<u>(10,539)</u>	<u>(12,440)</u>
Total shareholders' equity	<u>52,615</u>	<u>47,053</u>
Total liabilities and shareholders' equity	<u>\$ 684,661</u>	<u>\$ 661,175</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Operations
Community First Bancorporation and Subsidiaries

(Dollars in thousands, except per common share information)

	Year Ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
INTEREST INCOME			
Interest and fees on loans	\$ 28,207	\$ 22,987	\$ 21,377
Interest on securities	2,280	2,145	1,101
Interest-bearing deposits	1,738	739	72
Other	<u>118</u>	<u>48</u>	<u>49</u>
Total interest income	<u>32,343</u>	<u>25,919</u>	<u>22,599</u>
INTEREST EXPENSE			
Interest on time deposits \$100 and over	3,945	562	722
Interest on other deposits	4,188	1,059	993
Interest on short-term borrowings	-	181	418
Interest on long-term borrowings	<u>1,958</u>	<u>967</u>	<u>907</u>
Total interest expense	<u>10,091</u>	<u>2,769</u>	<u>3,040</u>
Net interest income	<u>22,252</u>	<u>23,150</u>	<u>19,559</u>
Provision for credit losses	<u>266</u>	<u>130</u>	<u>306</u>
Net interest income after provision for credit losses	<u>21,986</u>	<u>23,020</u>	<u>19,253</u>
NONINTEREST INCOME			
Service charges on deposit accounts	1,675	1,103	1,004
Mortgage banking income	3	2,589	9,036
Gain on sale of SBA loans	266	653	485
Net gain (loss) on investment securities transactions	-	(1)	153
Net gain on sale of subsidiary	-	2,293	-
Fair value adjustments on derivatives	-	2,058	772
Increase in cash surrender value of life insurance contracts	418	380	354
Other	<u>1,562</u>	<u>1,649</u>	<u>1,590</u>
Total other income	<u>3,924</u>	<u>10,724</u>	<u>13,394</u>
NONINTEREST EXPENSES			
Salaries and employee benefits	11,273	14,422	16,374
Net occupancy	1,343	1,502	1,510
Furniture and equipment	1,140	1,134	893
Legal and professional fees	758	958	991
FDIC insurance	316	295	322
Expenses of foreclosed assets	4	18	69
Data processing	2,432	2,445	2,471
Merger-related expenses	-	44	934
Other	<u>3,091</u>	<u>4,469</u>	<u>4,589</u>
Total other expenses	<u>20,357</u>	<u>25,287</u>	<u>28,153</u>
Income before income taxes	<u>5,553</u>	<u>8,457</u>	<u>4,494</u>
Income tax expense	<u>1,473</u>	<u>2,021</u>	<u>874</u>
Net income	<u>4,080</u>	<u>6,436</u>	<u>3,620</u>
Deductions for amounts not available to common shareholders:			
Dividends declared or accumulated on preferred stock	<u>158</u>	<u>158</u>	<u>158</u>
Net income available to common shareholders	<u>\$ 3,922</u>	<u>\$ 6,278</u>	<u>\$ 3,462</u>
Per common share			
Net income	<u>\$ 0.71</u>	<u>\$ 1.14</u>	<u>\$ 0.63</u>
Net income, assuming dilution	<u>\$ 0.71</u>	<u>\$ 1.14</u>	<u>\$ 0.63</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Consolidated Statements of Comprehensive (Loss) Income
Community First Bancorporation and Subsidiaries**

(Dollars in thousands)

	Year Ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net income	\$ 4,080	\$ 6,436	\$ 3,620
Other comprehensive (loss) income:			
Unrealized gains (losses) on securities available for sale arising during the period	2,571	(15,819)	(1,409)
Less: Reclassification adjustment for net gains (losses) included in net income	-	1	(153)
Related income tax impact	(670)	3,635	498
Other comprehensive (loss) income	<u>1,901</u>	<u>(12,183)</u>	<u>(1,064)</u>
Comprehensive income (loss)	<u>\$ 5,981</u>	<u>\$ (5,747)</u>	<u>\$ 2,556</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Consolidated Statements of Changes in Shareholders' Equity
Community First Bancorporation and Subsidiaries**

(Dollars in thousands, except share information)

	Preferred Stock	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2020	3,126	5,494,612	40,668	10,528	(4,341)	807	50,788
Net income	-	-	-	-	3,620	-	3,620
Other comprehensive loss	-	-	-	-	-	(1,064)	(1,064)
Dividends paid on preferred stock	-	-	-	-	(158)	-	(158)
Proceeds from exercise of stock options and stock issuance	-	2,071	-	14	-	-	14
Stock based compensation	-	-	-	105	-	-	105
Balance, December 31, 2021	<u>3,126</u>	<u>5,496,683</u>	<u>40,668</u>	<u>10,647</u>	<u>(879)</u>	<u>(257)</u>	<u>53,305</u>
Net income	-	-	-	-	6,436	-	6,436
Other comprehensive loss	-	-	-	-	-	(12,183)	(12,183)
Issuance of restricted stock	-	18,000	-	-	-	-	-
Dividends paid on preferred stock	-	-	-	-	(158)	-	(158)
Dividends paid on common stock	-	-	-	-	(549)	-	(549)
Stock based compensation	-	-	-	202	-	-	202
Balance, December 31, 2022	<u>\$ 3,126</u>	<u>5,514,683</u>	<u>\$ 40,668</u>	<u>\$ 10,849</u>	<u>\$ 4,850</u>	<u>\$ (12,440)</u>	<u>\$ 47,053</u>
Adoption of ASU 2016-13	-	-	-	-	(285)	-	(285)
Net income	-	-	-	-	4,080	-	4,080
Other comprehensive income	-	-	-	-	-	1,901	1,901
Dividends paid on preferred stock	-	-	-	-	(158)	-	(158)
Stock based compensation	-	-	-	24	-	-	24
Balance, December 31, 2023	<u>\$ 3,126</u>	<u>5,514,683</u>	<u>\$ 40,668</u>	<u>\$ 10,873</u>	<u>\$ 8,487</u>	<u>\$ (10,539)</u>	<u>\$ 52,615</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Cash Flows
Community First Bancorporation and Subsidiaries
(Dollars in thousands)

	For the years ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES			
Net income	\$ 4,080	\$ 6,436	\$ 3,620
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Provision for credit losses, including unfunded commitments	266	130	306
Depreciation	970	916	797
Gain on sale of premises and equipment	-	(50)	(15)
Write-down of premises and equipment	215	-	-
Accretion of net loan fees and costs	(1,062)	(905)	(770)
Securities discount accretion and premium amortization, net	397	469	530
Net losses (gains) realized on available-for-sale securities	-	1	(153)
Net change in fair value of equity securities	(8)	5	17
Stock based compensation	24	202	105
Increase in cash surrender value of life insurance	(418)	(380)	(354)
Loss (gain) on sale of foreclosed assets	16	(9)	(57)
Subsequent write-downs of foreclosed assets	10	15	59
Originations of loans held-for-sale	-	(116,515)	(236,218)
Proceeds from sales of loans held-for-sale	-	117,303	231,042
Gain on sales of loans held-for-sale	-	(1,212)	(8,011)
Gain on fair value adjustment of loans held-for-sale	-	(439)	(610)
Net gain (loss) on change in derivative assets and liabilities	-	216	(278)
(Increase) decrease in accrued interest receivable	(218)	(240)	160
Increase (decrease) in accrued interest payable	1,934	68	(372)
Decrease in deferred income tax assets	396	1,985	852
Increase in prepaid expenses and other assets, net	(1,162)	(297)	(1,571)
Increase (decrease) in accrued expenses, net	<u>315</u>	<u>14</u>	<u>(15)</u>
Net cash provided by (used for) operating activities	<u>5,755</u>	<u>7,713</u>	<u>(10,936)</u>
INVESTING ACTIVITIES			
Purchases of available-for-sale securities	-	(27,435)	(67,295)
Maturities, calls, and paydowns of available-for-sale securities	4,680	7,533	10,434
Proceeds from the sale of securities available-for-sale	-	-	14,715
(Purchase) sale of Federal Home Loan Bank stock	(536)	(509)	5
Net increase in loans made to customers	(25,291)	(24,947)	(7,414)
Purchases of premises and equipment	(678)	(537)	(823)
Proceeds from sale of premises and equipment	-	643	15
Net cash paid for acquisition of SFB	-	-	(1,732)
Net cash received for sale of SeaTrust	-	1,498	-
Proceeds from sale of foreclosed assets	<u>72</u>	<u>424</u>	<u>496</u>
Net cash used for investing activities	<u>(21,753)</u>	<u>(43,330)</u>	<u>(51,599)</u>
FINANCING ACTIVITIES			
Net increase in deposits	10,635	5,122	74,993
Net increase (decrease) in advances from Federal Home Loan Bank	5,000	7,968	(1,065)
Accretion of subordinated debt issuance costs	40	41	40
Net decrease in PPPLF	-	-	(4,394)
Net increase in warehouse lines of credit	-	-	4,684
Proceeds from exercise of stock options and stock issuance	-	-	14
Payment of dividends on common stock	-	(549)	-
Payment of dividends on preferred stock	<u>(158)</u>	<u>(158)</u>	<u>(158)</u>
Net cash provided by financing activities	<u>15,517</u>	<u>12,424</u>	<u>74,114</u>
(Decrease) increase in cash and cash equivalents	(481)	(23,193)	11,579
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>45,948</u>	<u>69,141</u>	<u>57,562</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 45,467</u>	<u>\$ 45,948</u>	<u>\$ 69,141</u>
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for			
Interest	\$ 8,156	\$ 2,712	\$ 3,371
Income taxes	967	468	235
Noncash investing and financing activities			
Transfer of loans to foreclosed assets	243	25	140
Unrealized gain (loss) on securities available-for-sale, net of tax	1,901	(12,183)	(1,064)
Loans transferred from held for sale to held-for-investment	-	-	9,216

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Community First Bancorporation and Subsidiaries

(Dollars in thousands, except per common share information)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Community First Bancorporation (the “Company,” “we” and other such terms), a bank holding company, and its wholly-owned subsidiary, Community First Bank, Inc. (the “Bank”), are engaged in providing domestic commercial banking services from offices in Walhalla, Seneca, Anderson, Williamston, Westminster, and Greenville, South Carolina, Dallas and Charlotte, North Carolina, and Elizabethton and Johnson City, Tennessee. The Company is a South Carolina corporation and its banking subsidiary is a state chartered commercial bank with its deposits insured by the Federal Deposit Insurance Corporation (the “FDIC”). Therefore, the Company and its bank subsidiary operate under the supervision, rules and regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”), FDIC and South Carolina State Board of Financial Institutions. Community First Bank was organized on December 1, 1988 and received its charter and commenced operations on March 12, 1990. The holding company was incorporated on May 23, 1997. In 2017, the Bank established Community First Financial Services, which works through a trusted partner to offer online pricing options for various types of insurance products. To date, Community First Financial Services has engaged in limited operations. SeaTrust Mortgage Company (“SeaTrust”), a wholly-owned subsidiary of the Bank headquartered in Wilmington, North Carolina, was established in 2019 to offer mortgage loan services to consumers in the Southeast. SeaTrust is a non-supervised lender and may originate, purchase, hold, service, and sell all types of loans, including multifamily loans. SeaTrust sells substantially all the mortgage loans it originates and does not retain any mortgage servicing rights. During 2022, the Bank sold SeaTrust and recorded a gain on sale in the consolidated statement of operations. The Company continues to originate and service mortgage loans to consumers in its primary markets.

Community First Bank, Inc. is a community-oriented institution offering a full range of traditional banking services, with the exception of trust services. Substantially all of its loans held for investment are made to individuals and businesses within its local markets in South Carolina, North Carolina, and Tennessee, and substantially all of its deposits are acquired within its local market areas.

On March 19, 2021, the Company acquired SFB Bancorp, Inc., the parent company of Security Federal Bank (“SFB”) in Elizabethton, Tennessee. SFB Bancorp, Inc. was merged into the Company and SFB was merged into the Bank. Shareholders of SFB as of March 19, 2021 received cash consideration of \$33.00 per share.

Principles of Consolidation and Basis of Presentation - The consolidated financial statements include the accounts of the parent company and its subsidiaries after elimination of all significant intercompany balances and transactions. The accounting and reporting policies of the Company and its subsidiaries are in conformity with generally accepted accounting principles and general practices within the banking industry.

Accounting Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses, fair value of investment securities, and valuation of deferred tax assets. In connection with the determination of the allowance for credit losses, management has identified specific loans and adopted a policy of providing amounts for loan valuation purposes which are not identified with any specific loan but are derived from actual loss experience ratios, loan types, loan volume, economic conditions and industry standards. Management believes that the allowance for credit losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the banking subsidiary’s allowance for credit losses. Such agencies may require additions to the allowance based on their judgments about information available to them at the time of their examination.

Concentrations of Credit Risk - Most of the Company’s, and its banking subsidiary’s, activities are with customers located within the Company’s local market areas. See Note 4 for a discussion of the types of lending the Bank is engaged in. The ability of borrowers to comply with the terms of their loan contracts is largely dependent upon local real estate and general economic conditions in our market areas. We do not have any

significant concentrations to any single industry or customer nor do we engage in originating, holding, guaranteeing, servicing or investing in loans where the terms of the loan give rise to a concentration of credit risk.

Business Combinations - The Company applies the acquisition method of accounting for all business combinations. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieved control. The acquirer recognizes the fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree at the acquisition date. If the fair value of assets purchased exceeded the fair value of liabilities assumed, it results in a “gain on acquisition”. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Generally, fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available (the “measurement period”). During the measurement period, the Company may recognize adjustments to the initial amounts recorded as if the accounting for the business combination had been completed at the acquisition date. Adjustments are typically recorded as a result of new information received after the acquisition date that is necessary to identify and measure identifiable assets acquired and liabilities assumed. In many cases, the determination of acquisition-date fair values requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are subjective in nature and subject to change.

Securities - The majority of the securities invested by the Company and the Bank are considered to have low levels of credit risk. Equity securities that have readily determinable fair values and all debt securities are classified generally at the time of purchase into one of three categories: held-to-maturity, trading, or available-for-sale. Debt securities that we have the positive intent and ability to hold until ultimate maturity are classified as held-to-maturity and are accounted for at amortized cost. Debt and equity securities bought and held primarily for sale in the near term would be classified as trading, and accounted for on an estimated fair value basis, with unrealized gains and losses included in other income; however, we have never held any securities for trading purposes. Securities not classified as either held-to-maturity or trading are classified as available-for-sale and are accounted for at estimated fair value. Unrealized holding gains and losses on available-for-sale debt securities are excluded from net income and recorded as other comprehensive income, net of applicable income tax effects. The change in fair value of equity securities is recognized in net income. Dividend and interest income, including amortization of any premium or accretion of discount arising at acquisition, are included in earnings for all three categories of securities. Realized gains and losses on all categories of securities are included in other operating income, based on the amortized cost of the specific security on a trade date basis.

Management evaluates debt securities for credit impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For debt securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a debt security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) impairment related to credit loss, which must be recognized in the income statement and 2) impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Federal Home Loan Bank Stock - The Bank is a member of the Federal Home Loan Bank (“FHLB”) of Atlanta and, accordingly, is required to own restricted stock in that institution in amounts that may vary from time to time. Additionally, the Bank owned restricted stock of FHLB Cincinnati as of December 31, 2022 due to borrowings assumed in the SFB acquisition, which was redeemed during 2023. The Bank is not a member of the FHLB of Cincinnati. Because of the restrictions imposed, the stock may not be sold to other parties, but is redeemable by the FHLB at the same price as that at which it was acquired by the Bank. We evaluate this security for impairment based on the probability of ultimate recoverability of the par value of the investment. No impairment has been recognized based on this evaluation.

Loans Held for Investment and Interest Income - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled \$1,706 at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination

fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Allowance for Credit Losses – On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit deteriorated (“PCD”) loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings.

In January 2023, the Company adopted ASU 2022-02, “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures” (“ASU 2022-02”), which eliminated the accounting guidance for troubled debt restructurings (“TDRs”) while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. The Company adopted the guidance using the modified retrospective method. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective cohort and a historical loss rate is applied to the current loan balance to arrive at the quantitative baseline portion of the allowance. The difference between the allowance previously determined and the current allowance was not material to the Company’s financial statements.

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of \$236, which includes an adjustment of PCD loans of \$98 and is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of \$233, which is recorded within Other Liabilities. The Company recorded a net decrease to retained earnings of \$285 as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. The PCD adjustment of \$98 is excluded from the impact on retained earnings. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards (“Incurred Loss”).

The Company adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as purchased credit impaired (“PCI”) under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of PCD assets were adjusted to reflect the addition of \$98 to establish the allowance for credit losses. The remaining interest-related discount of approximately \$491 will be accredited into interest income at the effective interest rate as of January 1, 2023.

Regarding PCD assets, the Company elected to disaggregate the former PCI pools and no longer considers these pools to be the unit of account; contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

Allowance for Credit Losses – Available-for-Sale Securities:

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled \$389 at December 31, 2023 and was excluded from the estimate of credit losses.

Allowance for Credit Losses – Loans:

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Management utilizes top-down loss data from prior cycles, both the Bank's own data and peer institution data from the Federal Financial Institutions Examination Council Call Report filings. This data has been used to inform regression analysis designed to quantify the impact of reasonable and supportable forecasts in projective models.

The Company uses the FOMC to obtain various forecasts for unemployment rate and gross domestic product. While national data is being utilized versus local data, the probability of default is calculated so it is specific to the

Bank through peer group data. Based on the final values in the forecast and the uncertainty of a post-pandemic recovery, the Company has elected to forecast the first four quarters of the credit loss estimate and revert to a long-run average of each considered economic factor as permitted in ASC 326.

The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using the discounted cash flows methodology described above:

Commercial, financial, and, industrial

- These loans are for commercial, corporate, and business purposes across a variety of industries. These loans include general commercial and industrial loans, loans to purchase capital equipment, and other business loans for working capital and operational purposes. These loans are generally secured by accounts receivable, inventory, and other business assets.

Real estate – construction

- These loans finance the ground up construction, improvement, carrying for sale, and loans secured by raw or improved land. The repayment of construction loans is generally dependent upon the successful completion of the improvements by the builder for the end user, or sale of the property to a third-party.
- These loans also consist of loans to construct a borrower's primary or secondary residence or vacant land upon which the owner intends to construct a dwelling at a future date. These loans are typically secured by undeveloped or partially developed land in anticipation of completing construction of a 1-4 family residential property.

Real estate – mortgage

- These loans include real estate loans for a variety of commercial property types and purposes, including those secured by commercial office or industrial buildings, warehouses, retail buildings, and various special purpose properties.
- These loans also consist of loans to purchase or refinance the borrower's primary dwelling, second residence or vacation home and are often secured by 1-4 family residential property. Significant and rapid declines in real estate values can result in borrowers having debt levels in excess of the current market value of the collateral.
- Lastly, these loans consist of home equity lines of credit and other lines of credit secured by first or second liens on the borrower's primary residence. These loans are secured by both senior and junior liens on the residential real estate and are particularly susceptible to declining collateral values. This risk is elevated for loans secured by junior lines as a substantial decline in value could render the junior lien position effectively unsecured.

Consumer installment

- Consumer installment loans include loans secured by deposit accounts or personal property such as automobiles, boats, and motorcycles, as well as unsecured consumer debt like credit cards.
- Management determined the credit card portfolio should be assessed using the remaining life methodology rather than the discounted cash flow methodology. In the absence of loan level data to calculate the life of the Credit Card pool, management assumed a one-year life for the analysis. This assumption is based on management's expertise and judgement.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. When the borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, the expected credit losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses – Unfunded Commitments:

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Purchased Credit Deteriorated Loans - Upon adoption of ASC 326, loans that were designated as PCI loans under the previous accounting guidance were classified as PCD loans without reassessment.

In future acquisitions, the Company may purchase loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, the Company will consider internal loan grades, delinquency status and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at the amount paid. An initial allowance for credit loss is determined using the same methodology as other loans held for investment, but with no impact to earnings. The initial allowance for credit loss determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit loss becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the allowance for credit loss recorded through provision expense.

Loans Held for Sale - The Company's loans held for sale consisted primarily of mortgages originated by SeaTrust with the intent to sell. SeaTrust's secondary market mortgage lending activities were comprised of accepting residential mortgage loan applications, qualifying borrowers to standards established by investors, funding residential mortgage loans, and selling mortgage loans to investors under pre-existing commitments. Funded residential mortgages held temporarily for sale to investors were recorded at the lower of cost or market value. Application and origination fees collected by SeaTrust were recognized as income at closing.

The Company elected the lower of cost or market in accounting for residential mortgage loans held for sale. These loans were initially recorded and carried at lower of cost or market value, with changes in fair value recognized in income or expense in the statements of operations.

Gains and losses on the sale of loans were recognized at the time of the sale. Additionally, losses on sales of loans were recognized when management determined that such loans would be sold at a price less than the carrying value. Gains and losses were determined by the difference between the net sales proceeds and the cost basis of the loans sold.

Gains and losses from the sale of mortgage loans and related fee income consisting of origination fees and ancillary fees were included in mortgage banking income on the consolidated statement of operations. Under the operations of SeaTrust, mortgage loans were sold servicing-released, without continuing involvement, and satisfied the criteria for sale accounting. Interest income on loans held for sale was recorded in the statements of operations.

Due to the sale of SeaTrust in 2022, the Company has no loans held for sale as of December 31, 2023 and 2022.

Derivative Financial Instruments - Under the operations of SeaTrust, the Company issued rate lock commitments to borrowers and forward sales commitments on prices quoted by secondary market investors. Derivatives related to these commitments were recorded as either assets or liabilities in the balance sheets and were measured at fair value. SeaTrust did not engage in activities that qualified for hedge accounting. Accordingly, changes in the fair value of the derivatives were reported in income or expense in the statements of operations as

part of mortgage banking income. Due to the sale of SeaTrust in 2022, the Company has no derivatives as of December 31, 2023 and 2022. For additional discussion related to derivatives see Note 11.

Premises and Equipment - Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method. Rates of depreciation are generally based on the following estimated useful lives: buildings - 40 years; land improvements - 15 years; furniture and equipment - 3 to 25 years. The cost of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and the resulting gains or losses are reflected in the consolidated statement of operations. Maintenance and repairs are charged to current expense as incurred and the costs of major renewals and improvements are capitalized. Capitalized leases are amortized using the same methods as premises and equipment over the estimated useful lives or lease terms, whichever is less.

Operating Leases - Effective January 1, 2022, the Company adopted ASU 2016-02, "Leases (Topic 842)" which requires for all operating leases the recognition of a right-of-use ("ROU") asset and a corresponding lease liability, in the balance sheet. Upon adoption, the Company elected practical expedients including existing leases retaining their classification as operating leases and combining lease and non-lease components. The Company also elected to not recognize right-of-use assets and lease liabilities arising from short-term leases. Disclosures about the Company's leasing activities are presented in Note 8.

Foreclosed Assets - Assets (primarily real estate and vehicles, including boats and recreational vehicles) acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at fair value, less estimated costs to sell, at the date of foreclosure, establishing a new cost basis. Losses determined as of the date a collateral is acquired are charged against the allowance for credit losses. Subsequent to foreclosure or acquisition, valuations are periodically obtained from independent appraisers and the assets are carried at the lower of the new cost basis or fair value, less estimated costs to sell. Revenues and expenses from operations and changes in any subsequent valuation allowance are included in expenses of foreclosed assets.

Bank-Owned Life Insurance - In connection with the supplemental retirement benefits described in Note 16, the Bank has purchased life insurance policies on certain key executives, officers, and employees. The bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Intangible Assets - Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Goodwill and intangible assets with finite useful lives are amortized over their estimated useful lives to their estimated residual values. The Company has determined its goodwill and intangible assets, consisting of core deposit and acquired customer relationship intangible assets arising from whole bank and branch acquisitions, are amortized on an accelerated method over their estimated useful lives of 10 years.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from us, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) we do not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Revenue Recognition - The Company's primary source of revenue is derived from interest earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. A description of the Company's revenue streams accounted for under ASC 606 follows:

- **Service charges on deposits** - Fees from these services are either transaction-based, for which the performance obligations are satisfied when the individual transaction is processed, or set periodic service charges, for which the performance obligations are satisfied over the period the service is provided. Transaction-based fees are recognized at the time the transaction is processed, and periodic service charges are recognized over the service period.

- **Gains on sales of foreclosed assets** - A gain on sale should be recognized when a contract for sale exists and control of the asset has been transferred to the buyer. ASC 606 lists several criteria required to conclude that a contract for sale exists, including a determination that the institution will collect substantially all of the consideration to which it is entitled. In addition to the loan-to-value, the analysis is based on various other factors, including credit quality of the borrower, the structure of the loan, and any other factors that may affect collectability.

Advertising - We expense advertising and promotion costs as they are incurred. See Note 14.

Retirement Plans - We have a salary reduction profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code as more fully described in Note 16. We currently do not sponsor any other postretirement or postemployment benefits.

Deferred Income Taxes - We use an asset and liability approach for financial accounting and reporting of deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax bases of assets and liabilities as measured by the currently enacted tax rates, which are assumed will be in effect when these differences reverse. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. Deferred income tax expense or credit is the result of changes in deferred tax assets and liabilities. See Note 15 for more information.

Net Income Per Common Share - Net income per common share is calculated by dividing net income available to common shareholders by the weighted average number of shares of the Company's common stock outstanding during the period. Net income per common share, assuming dilution, is calculated by dividing net income available to common shareholders by the total of the weighted average number of shares outstanding during the period and the weighted average number of any dilutive potential common shares and stock options that would have been outstanding if the dilutive potential shares and stock options had been issued. In computing the number of dilutive potential common shares, it is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year. See Note 12.

Stock-Based Compensation - Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Comprehensive Income - Comprehensive income consists of net income for the current period and other comprehensive income (loss), defined as income, expenses, gains and losses that bypass the consolidated statements of operations and are reported directly in a separate component of shareholders' equity. We classify and report items of other comprehensive income (loss) according to their nature, report total comprehensive income in the consolidated statements of changes in shareholders' equity, and display the accumulated balance of other accumulated comprehensive income (loss) separately in the shareholders' equity section of the consolidated balance sheets. At December 31, 2023 and 2022, the only component of accumulated other comprehensive income was unrealized gains and losses on available-for-sale investments.

Consolidated Statements of Cash Flows - The consolidated statements of cash flows report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents. Cash equivalents include amounts due from banks, federal funds sold and securities purchased under agreements to resell.

Reclassifications - Certain reclassifications have been made to prior years' financial statements in order to comply with current year presentation. These reclassifications had no effect on previously reported results of operations or shareholders' equity.

NOTE 2 – BUSINESS COMBINATIONS

On March 19, 2021, the Company acquired SFB Bancorp, Inc., the parent company of Security Federal Bank (“SFB”), headquartered in Elizabethton, Tennessee. Upon consummation of the acquisition, SFB Bancorp, Inc. was merged with and into the Company, with the Company as the surviving entity in the merger; concurrently, SFB was merged with and into the Bank. Through the acquisition, the Company entered the eastern Tennessee market and expanded its deposit base to fund planned future growth. SFB operated two retail bank branches in Elizabethton. Under the terms of the acquisition, shareholders of SFB Bancorp, Inc. received \$33.00 for each share of common stock owned. Goodwill of \$635 arising from the acquisition consisted of synergies resulting from the combining of the operation of the companies. See Note 7 for additional information on goodwill.

The Company incurred merger-related expenses of \$0, \$44, and \$934 for the years ended December 31, 2023, 2022, and 2021, respectively.

Acquired loans were evaluated to determine if they were purchased credit-impaired (PCI). PCI loans are loans with evidence of deterioration of credit quality since origination for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable. See Note 4 for additional information on PCI loans prior to the adoption of ASU 2016-13.

NOTE 3 – SECURITIES

The aggregate amortized cost and estimated fair values of securities, as well as gross unrealized gains and losses of securities were as follows:

	December 31,							
	2023				2022			
	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Estimated Fair Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Estimated Fair Value
<u>Available-for-sale</u> Mortgage-backed securities								
(MBS) issued by U.S. Government agencies	\$ 64	\$ -	\$ 2	\$ 62	\$ 76	\$ -	\$ 3	\$ 73
Government sponsored enterprises (GSEs)	16,838	-	1,883	14,955	17,109	-	2,395	14,714
Mortgage-backed securities issued by GSEs	44,719	-	6,285	38,434	48,045	-	6,914	41,131
Asset-backed securities and commercial MBS	20,601	-	2,334	18,267	21,835	-	2,906	18,929
U.S. Treasury securities	7,228	-	522	6,706	7,219	-	729	6,490
State, county and municipal	<u>18,612</u>	<u>-</u>	<u>2,541</u>	<u>16,071</u>	<u>18,855</u>	<u>-</u>	<u>3,191</u>	<u>15,664</u>
Total	<u>\$108,062</u>	<u>\$ -</u>	<u>\$ 13,567</u>	<u>\$ 94,495</u>	<u>\$113,139</u>	<u>\$ -</u>	<u>\$ 16,138</u>	<u>\$ 97,001</u>

There is no allowance for credit losses on available-for-sale securities as of December 31, 2023. The Company had no securities classified as held-to-maturity at December 31, 2023 and 2022.

The estimated fair values and gross unrealized losses of investment securities whose estimated fair values were less than amortized cost as of December 31, 2023 and 2022 for which an allowance for credit loss has not been recorded are presented below. The securities have been aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position.

	<u>December 31, 2023</u>					
	<u>Continuously in Unrealized Loss Position for a Period of</u>					
	<u>Less than 12 Months</u>		<u>12 Months or more</u>		<u>Total</u>	
<u>Available-for-sale</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>
Mortgage-backed securities (MBS) issued by U.S. Government agencies	\$ -	\$ -	\$ 62	\$ 2	\$ 62	\$ 2
Government-sponsored enterprises (GSEs)	-	-	14,955	1,883	14,955	1,883
Mortgage-backed securities issued by GSEs	-	-	38,434	6,285	38,434	6,285
Asset-backed securities and commercial MBS	-	-	18,267	2,334	18,267	2,334
U.S. Treasury securities	-	-	6,706	522	6,706	522
State, county and municipal securities	-	-	16,071	2,541	16,071	2,541
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,495</u>	<u>\$ 13,567</u>	<u>\$ 94,495</u>	<u>\$ 13,567</u>

	<u>December 31, 2022</u>					
	<u>Continuously in Unrealized Loss Position for a Period of</u>					
	<u>Less than 12 Months</u>		<u>12 Months or more</u>		<u>Total</u>	
<u>Available-for-sale</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>	<u>Estimated Fair Value</u>	<u>Unrealized Loss</u>
Mortgage-backed securities (MBS) issued by U.S. Government agencies	\$ 73	\$ 3	\$ -	\$ -	\$ 73	\$ 3
Government-sponsored enterprises (GSEs)	5,919	557	8,795	1,838	14,714	2,395
Mortgage-backed securities issued by GSEs	16,711	1,661	24,420	5,253	41,131	6,914
Asset-backed securities and commercial MBS	3,417	227	15,512	2,679	18,929	2,906
U.S. Treasury securities	-	-	6,490	729	6,490	729
State, county and municipal securities	5,224	634	10,440	2,557	15,664	3,191
Total	<u>\$ 31,344</u>	<u>\$ 3,082</u>	<u>\$ 65,657</u>	<u>\$ 13,056</u>	<u>\$ 97,001</u>	<u>\$ 16,138</u>

At December 31, 2023 and 2022, 0 and 43 securities, respectively, had been continuously in an unrealized loss position for less than 12 months, and 117 and 75 securities, respectively, had been continuously in an unrealized loss position for 12 months or more. We have not recognized unrealized losses into income because the unrealized losses involve primarily securities issued by government-sponsored enterprises and state, county and municipal governments, none of the rated securities have been downgraded below investment grade, and there have been no failures by the issuers to remit their periodic interest payments as required. Although we classify our investment securities as available-for-sale, management has not determined that any specific securities will be disposed of prior to maturity and believes that we have both the ability and the intent to hold those investments until a recovery of fair value, including until maturity. Substantially all of the issuers of state, county and municipal securities held were rated at least "investment grade" as of December 31, 2023 and 2022. For non-rated state, county and municipal government obligations with significant unrealized losses, management periodically reviews financial information and continuing disclosures to assess the issuers' condition and ability to honor their obligations.

The amortized cost and estimated fair value of available-for-sale debt securities by contractual maturity are shown below:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Available-for-sale</u>		<u>Available-for-sale</u>	
	Amortized	Estimated	Amortized	Estimated
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Non-mortgage-backed securities issued by GSEs and by state, county and municipal issuers				
Due within one year	\$ 1,729	\$ 1,680	\$ 95	\$ 95
Due after one through five years	17,829	16,223	12,688	11,589
Due after five through ten years	25,284	22,272	31,739	27,132
Due after ten years	<u>18,437</u>	<u>15,824</u>	<u>20,496</u>	<u>16,981</u>
	63,279	55,999	65,018	55,797
Mortgage-backed securities issued by:				
US Government agencies	64	62	76	73
GSEs	<u>44,719</u>	<u>38,434</u>	<u>48,045</u>	<u>41,131</u>
Total	<u>\$ 108,062</u>	<u>\$ 94,495</u>	<u>\$ 113,139</u>	<u>\$ 97,001</u>

Equity securities consist of Federal National Mortgage Association preferred stock and are measured at fair value. During 2023, 2022, and 2021, \$8 of net gain, \$5 and \$17 of net loss, respectively, was recognized due to the change in fair value of equity securities.

During 2023, three securities were called, partially called, or paid off for no net impact to the results of operations. No securities were sold in 2023. During 2022, five securities were called, partially called, or paid off, resulting in net realized losses of approximately \$1. No securities were sold in 2022. During 2021, four securities matured and six securities were called, in addition to one security being partially called, resulting in net realized losses of approximately \$1. A total of 49 securities were sold during 2021 resulting in net realized gains of approximately \$153.

At December 31, 2023 securities with a market value of \$35,688 were pledged as collateral to secure public deposits and for other purposes required or permitted by law.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loan Composition

At December 31, 2023 and 2022, loans held for investment consisted of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Commercial, financial, and industrial	\$ 15,933	\$ 17,675
Real estate - construction	38,457	43,360
Real estate - mortgage	289,357	271,112
Consumer installment	<u>167,256</u>	<u>152,529</u>
Total	511,003	484,676
Allowance for credit losses	<u>(6,077)</u>	<u>(5,594)</u>
Loans - net	<u>\$ 504,926</u>	<u>\$ 479,082</u>

Net deferred loan costs of \$6,057 and \$5,783 were allocated to the various loan categories as of December 31, 2023 and 2022, respectively.

The following table presents the outstanding balance and recorded investment of non-PCI loans accounted for under ASC 310-20 at December 31, 2022, prior to the adoption of ASU 2016-13:

	<u>Outstanding Balance</u>	<u>Fair Value Mark</u>	<u>Recorded Investment</u>
<u>As of December 31, 2022</u>			
Commercial, financial, and industrial	\$ 1,000	\$ 7	\$ 1,007
Real estate - construction	1,042	(12)	1,030
Real estate - mortgage	17,004	(86)	16,918
Consumer installment	<u>199</u>	<u>(4)</u>	<u>195</u>
Total	<u>\$ 19,245</u>	<u>\$ (95)</u>	<u>\$ 19,150</u>

The following table presents the outstanding balance and recorded investment of PCI loans accounted for under ASC 310-30 at December 31, 2022, prior to the adoption of ASU 2016-13:

	<u>Outstanding Balance</u>	<u>Fair Value Mark</u>	<u>Recorded Investment</u>
<u>As of December 31, 2022</u>			
Commercial, financial, and industrial	\$ -	\$ -	\$ -
Real estate - construction	828	(90)	738
Real estate - mortgage	2,188	(391)	1,797
Consumer installment	<u>23</u>	<u>(2)</u>	<u>21</u>
Total	<u>\$ 3,039</u>	<u>\$ (483)</u>	<u>\$ 2,556</u>

Certain officers and directors of the Company and its banking subsidiary, their immediate families and business interests were loan customers of, and had other transactions with, the banking subsidiary in the normal course of business. Related party loans are made on substantially the same terms, including interest rates and collateral, as loans made to unrelated third parties and do not involve more than normal risk of collectability of loans to such third parties. The aggregate dollar amount of these loans was \$2,509 and \$3,218 at December 31, 2023 and 2022, respectively. During 2023, \$580 of new loans and advances on lines of credit were made and repayments and other reductions totaled \$1,289.

As of December 31, 2023 and 2022 there were no significant concentrations of credit risk in any single borrower or groups of borrowers. Our loan portfolio consists primarily of extensions of credit to businesses and individuals in our market areas. The economy of these areas is diversified and does not depend on any one industry or group of related industries. Management has established loan policies and practices that include set limitations on loan-to-collateral value for different types of collateral, requirements for appraisals, obtaining and maintaining current credit and financial information on borrowers, and credit approvals. The Bank makes loans to consumers that are collateralized by personal property such as boats, recreational vehicles and automobiles through a direct relationship with fully vetted retailers that meet certain criteria. The Bank utilizes defined underwriting procedures which are designed to mitigate risks associated with such loans, which are financed indirectly to consumers. These loans are typically made with loan to actual collateral values averaging 94.59% and typically have terms ranging from 186 to 202 months on average. Internal policy limits allow a maximum loan to value of 130% and term of 240 months, respectively.

Paycheck Protection Program - The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) created the Paycheck Protection Program (“PPP”) to provide certain small businesses with liquidity to support their operations during the COVID-19 pandemic. Entities must meet certain eligibility requirements to receive PPP loans, and they must maintain specified levels of payroll and employment to have the loans forgiven. The conditions are subject to audit by the U.S. government, but entities that borrow less than \$2 million (together with any affiliates) will be deemed to have made the required certification concerning the necessity of the loan in good faith.

Under the PPP, eligible small businesses can apply to an SBA-approved lender for a loan that does not require collateral or personal guarantees. The loans have a 1% fixed interest rate. Loans issued prior to June 5, 2020 are due in two years unless otherwise modified and loans issued after June 5, 2020 are due in five years. However, they are eligible for forgiveness (in full or in part, including any accrued interest) under certain conditions. For loans (or parts of loans) that are forgiven, the lender will collect the forgiven amount from the U.S. government.

In response to the COVID-19 pandemic, the Company offered various forms of support to its customers, employees, and communities that experienced impacts from this development, including participation in the PPP. During 2020, the Company originated 411 PPP loans for a total of \$19,187 and recorded deferred SBA lender fee income of \$761, net of origination costs. Through December 31, 2022, the Company's customers had received forgiveness on all remaining outstanding PPP loans. At December 31, 2023 and 2022, the Company had \$0 outstanding PPP loans. For the periods ended December 31, 2023, 2022 and 2021, the Company recognized SBA lender fee income related to PPP loans of approximately \$0, \$7, and \$690, respectively, net of origination costs.

Credit Quality

The following tables provide an analysis of past-due loans:

	<u>30-89 Days Past Due</u>	<u>Nonaccrual or 90 Days or More Past Due</u>	<u>Current</u>	<u>Total Loans</u>
<u>As of December 31, 2023</u>				
Commercial, financial, and industrial	\$ -	\$ 79	\$ 15,854	\$ 15,933
Real estate - construction	-	-	38,457	38,457
Real estate - mortgage	167	363	288,827	289,357
Consumer installment	<u>288</u>	<u>46</u>	<u>166,922</u>	<u>167,256</u>
Total	<u>\$ 455</u>	<u>\$ 488</u>	<u>\$ 510,060</u>	<u>\$ 511,003</u>

	<u>30-89 Days Past Due</u>	<u>Nonaccrual or 90 Days or More Past Due</u>	<u>Current</u>	<u>Total Loans</u>
<u>As of December 31, 2022</u>				
Commercial, financial, and industrial	\$ 15	\$ -	\$ 17,660	\$ 17,675
Real estate - construction	16	16	43,328	43,360
Real estate - mortgage	243	35	270,834	271,112
Consumer installment	<u>82</u>	<u>189</u>	<u>152,258</u>	<u>152,529</u>
Total	<u>\$ 356</u>	<u>\$ 240</u>	<u>\$ 484,080</u>	<u>\$ 484,676</u>

As of December 31, 2022, PCI loans with a recorded investment totaling \$93 are excluded from nonaccruing loans due to the accretion of discounts established in accordance with the acquisition method of accounting for business combinations.

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated:

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans with <u>No Allowance</u>	Nonaccrual Loans with an <u>Allowance</u>	Total Nonaccrual <u>Loans</u>	Total Nonaccrual <u>Loans</u>
Commercial, financial, and industrial	\$ 13	\$ 66	\$ 79	\$ -
Real estate - construction	-	-	-	16
Real estate - mortgage	363	-	363	-
Consumer installment	<u>46</u>	<u>-</u>	<u>46</u>	<u>189</u>
Total	<u>\$ 422</u>	<u>\$ 66</u>	<u>\$ 488</u>	<u>\$ 205</u>

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2023:

	December 31, 2023
Commercial, financial, and industrial	\$ 8
Real estate - mortgage	3
Consumer installment	<u>7</u>
Total loans	<u>\$ 18</u>

The amount of interest income that would have been included in income if nonaccrual loans had been current in accordance with their terms was approximately \$2 for the year ended December 31, 2022.

We categorize our loans into risk categories based on relevant information about the ability of the borrower to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. A description of the general characteristics of the risk grades is as follows:

- Pass - These loans range from minimal credit risk to average however still acceptable credit risk.
- Special mention - A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.
- Substandard - A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that may jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful - A doubtful loan has all of the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

The following table presents loan balances classified by credit quality indicators by year of origination as of December 31, 2023.

	Term Loans by Year of Origination					Total
	2023	2022	2021	Prior	Revolving	
Commercial, financial, and industrial						
Pass	\$ 2,165	\$ 4,518	\$ 2,521	\$ 4,702	\$ 1,938	\$ 15,844
Special Mention	-	-	5	5	-	10
Substandard	-	-	-	13	66	79
Total	<u>\$ 2,165</u>	<u>\$ 4,518</u>	<u>\$ 2,526</u>	<u>\$ 4,720</u>	<u>\$ 2,004</u>	<u>\$ 15,933</u>
Current period gross write-offs	-	-	-	-	-	-
Real estate - construction						
Pass	\$ 13,988	\$ 12,681	\$ 7,020	\$ 4,768	\$ -	\$ 38,457
Total	<u>\$ 13,988</u>	<u>\$ 12,681</u>	<u>\$ 7,020</u>	<u>\$ 4,768</u>	<u>\$ -</u>	<u>\$ 38,457</u>
Current period gross write-offs	-	-	-	-	-	-
Real estate - mortgage						
Pass	\$ 32,050	\$ 56,298	\$ 54,696	\$ 117,298	\$ 26,840	\$ 287,182
Special Mention	-	1,251	-	273	217	1,741
Substandard	-	-	203	184	47	434
Total	<u>\$ 32,050</u>	<u>\$ 57,549</u>	<u>\$ 54,899</u>	<u>\$ 117,755</u>	<u>\$ 27,104</u>	<u>\$ 289,357</u>
Current period gross write-offs	-	-	-	-	-	-
Consumer installment						
Pass	\$ 41,627	\$ 42,036	\$ 21,329	\$ 60,352	\$ 1,563	\$ 166,907
Special Mention	-	114	52	139	-	305
Substandard	-	-	-	44	-	44
Total	<u>\$ 41,627</u>	<u>\$ 42,150</u>	<u>\$ 21,381</u>	<u>\$ 60,535</u>	<u>\$ 1,563</u>	<u>\$ 167,256</u>
Current period gross write-offs	1	3	3	148	21	176
Total loans	<u>\$ 89,830</u>	<u>\$ 116,898</u>	<u>\$ 85,826</u>	<u>\$ 187,778</u>	<u>\$ 30,671</u>	<u>\$ 511,003</u>

The following table provides additional information about the credit quality of the Bank's loans, as indicated by its internal risk grading system as of December 31, 2022. The table excludes purchased loans.

<u>As of December 31, 2022</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Commercial, financial, and industrial	\$ 16,566	\$ 102	\$ -	\$ -	\$ 16,668
Real estate - construction	41,592	-	-	-	41,592
Real estate - mortgage	250,787	1,565	45	-	252,397
Consumer installment	<u>151,942</u>	<u>193</u>	<u>178</u>	<u>-</u>	<u>152,313</u>
	<u>\$ 460,887</u>	<u>\$ 1,860</u>	<u>\$ 223</u>	<u>\$ -</u>	<u>\$ 462,970</u>

The following table presents the Company's recorded investment of purchased loans accounted for under ASC 310-20 (non-PCI) as of December 31, 2022, prior to the adoption of ASU 2016-13:

<u>As of December 31, 2022</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Commercial, financial, and industrial	\$ 1,007	\$ -	\$ -	\$ -	\$ 1,007
Real estate - construction	1,013	-	17	-	1,030
Real estate - mortgage	16,794	124	-	-	16,918
Consumer installment	<u>195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195</u>
	<u>\$ 19,009</u>	<u>\$ 124</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 19,150</u>

The following table presents the Company's recorded investment of purchased loans accounted for under ASC 310-30 (PCI) as of December 31, 2022, prior to the adoption of ASU 2016-13:

<u>As of December 31, 2022</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Commercial, financial, and industrial	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate - construction	691	47	-	-	738
Real estate - mortgage	1,525	214	58	-	1,797
Consumer installment	<u>20</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>21</u>
	<u>\$ 2,236</u>	<u>\$ 262</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 2,556</u>

Loans that are graded Special Mention are not believed to represent more than a minimal likelihood of loss. A rating of Special Mention indicates that a change in the borrower's circumstances, or some other event, has occurred such that an elevated level of monitoring is warranted. Such loans generally are evaluated collectively for purposes of estimating the allowance for credit losses. Loans graded Substandard are believed to present a moderate likelihood of loss due to the presence of well-defined weakness in the borrower's financial condition, a change in the customer's demonstrated repayment history, the effects of lower collateral values combined with other financial difficulties that the borrower may be experiencing, and deterioration of other indicators of the borrower's ability to service the loan as agreed. Loans graded Doubtful are believed to present a high likelihood of loss due to serious deterioration of a borrower's financial condition, severe past due status and/or substantial deterioration of collateral value, or other factors. Management updates its internal risk grading no less often than monthly.

Modifications to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For multiple types of modifications

made on the same loan within the current reporting period, the combination may be at least two of the following: a term extension, principal forgiveness, and interest rate reduction.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The Company did not modify any loans to borrowers experiencing financial difficulty during 2023. The Company has not committed to lend any additional amount to borrowers experiencing financial difficulty.

Troubled Debt Restructurings, Under the Incurred Loss Model

Troubled debt restructurings ("TDRs") occur when, for reasons related to a borrower's financial difficulties, we agree to modify the terms of a loan and, in the process, grant a concession. Modifications of loan terms and concessions granted may take many forms. Sometimes, both we and the borrower may grant concessions. In such cases, we are considered to have granted a concession if the value of the concession(s) we made in the borrower's favor exceed the value of the concession(s) made by the borrower in our favor.

Due to the concessions granted in loan modifications that result in TDRs, we generally recognize loan losses when such modifications are made. For loans in the real estate segment, TDR recognition generally indicates that the loans are collateral dependent. Consequently, we write down such restructured loans to the extent that the pre-modification outstanding recorded investment exceeds the fair value of the collateral, less estimated selling costs. For loans in the other segments, collateral may or may not be held. If we hold collateral and the loan is collateral dependent, we write down to the fair value of the collateral. If we hold no collateral, the expected cash flows under the modified terms are discounted at the effective interest rate of the original loan and, if there is a shortfall, we write down to that amount. In both cases, if we had previously allowed for the losses sufficiently in the allowance for loan losses, no further provision expense would result in the current period. If we had not previously allowed sufficiently, additional current expenses may be necessary to cover the shortfall.

At December 31, 2022, the recorded investment in TDRs totaled \$469. There were no loans modified during 2022 that were considered to be TDRs. During 2022, there were no TDRs that subsequently defaulted payment within 12 months of the restructuring date.

All TDRs were considered classified and impaired at December 31, 2022. Of the balance outstanding at December 31, 2022, zero loans were on nonaccrual status. The remaining loans were accruing and performing in accordance with the new terms. The allowance for loan losses associated with troubled debt restructurings, on the basis of a current evaluation of loss, was \$36 at December 31, 2022.

As of December 31, 2022, we had no new loan commitments to borrowers who have loans included in TDRs.

Collateral Dependent Loans

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial, financial, and, industrial loans include general commercial and industrial loans, loans to purchase capital equipment, and other business loans for working capital and operational purposes. These loans are generally secured by accounts receivable, inventory, and other business assets.
- Real estate – construction loans finance the ground up construction, improvement, carrying for sale, and loans secured by raw or improved land. The repayment of construction loans is generally dependent upon the successful completion of the improvements by the builder for the end user, or sale of the property to a third-party. These loans also consist of loans to construct a borrower's primary or secondary residence or vacant land upon which the owner intends to construct a dwelling at a future date. These loans are typically secured by undeveloped or partially developed land in anticipation of completing construction of a 1-4 family residential property.
- Real estate – mortgage loans include real estate loans for a variety of commercial property types and purposes, including those secured by commercial office or industrial buildings, warehouses, retail

buildings, and various special purpose properties. These loans also consist of loans to purchase or refinance the borrower's primary dwelling, second residence or vacation home and are often secured by 1-4 family residential property. Significant and rapid declines in real estate values can result in borrowers having debt levels in excess of the current market value of the collateral.

Lastly, these loans consist of home equity lines of credit and other lines of credit secured by first or second liens on the borrower's primary residence. These loans are secured by both senior and junior liens on the residential real estate and are particularly susceptible to declining collateral values. This risk is elevated for loans secured by junior lines as a substantial decline in value could render the junior lien position effectively unsecured.

- Consumer installment loans include loans secured by deposit accounts or personal property such as automobiles, boats, and motorcycles.

The following table details the amortized cost of collateral dependent loans:

	<u>December 31,</u> <u>2023</u>
Commercial, financial, and industrial	\$ <u>66</u>
Total loans	\$ <u>66</u>

Allowance for Credit Losses

On January 1, 2023, we adopted the Current Expected Credit Loss (CECL) methodology for estimating credit losses, which resulted in an increase of \$236 in our allowance for credit losses. The \$277 provision for credit losses, excluding the provision for unfunded loan commitments, for the 12 months ended December 31, 2023 was driven primarily by \$26,327 in loan growth for the year.

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology. The provision for credit losses in this table excludes the provision for unfunded loan commitments.

	<u>For the Year Ended December 31, 2023</u>					
	<u>Real Estate- Construction</u>	<u>Real Estate- Mortgage</u>	<u>Commercial, Financial, and Industrial</u>	<u>Consumer- Installment</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for credit losses:						
Beginning balance	\$ 139	\$ 2,438	\$ 81	\$ 2,749	\$ 187	\$ 5,594
Adjustment for CECL	159	(300)	85	292	-	236
Charge-offs	-	-	-	(176)	-	(176)
Recoveries	15	82	36	13	-	146
Provision for credit losses	<u>119</u>	<u>(53)</u>	<u>24</u>	<u>373</u>	<u>(186)</u>	<u>277</u>
Ending balance	\$ <u>432</u>	\$ <u>2,167</u>	\$ <u>226</u>	\$ <u>3,251</u>	\$ <u>1</u>	\$ <u>6,077</u>

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for credit losses under the incurred loss methodology. The following tables summarize the activity related to the allowance for credit losses in prior periods under this methodology.

For the Year Ended December 31, 2022

	<u>Real Estate- Construction</u>	<u>Real Estate- Mortgage</u>	<u>Commercial, Financial, and Industrial</u>	<u>Consumer- Installment</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for credit losses:						
Beginning balance	\$ 59	\$ 2,570	\$ 66	\$ 2,233	\$ 439	\$ 5,367
Charge-offs	-	(3)	-	(89)	-	(92)
Recoveries	37	87	51	14	-	189
Provision for credit losses	<u>43</u>	<u>(216)</u>	<u>(36)</u>	<u>591</u>	<u>(252)</u>	<u>130</u>
Ending balance	<u>\$ 139</u>	<u>\$ 2,438</u>	<u>\$ 81</u>	<u>\$ 2,749</u>	<u>\$ 187</u>	<u>\$ 5,594</u>

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Company individually assessed for impairment all nonaccrual loans greater than \$50 and all troubled debt restructurings greater than \$50 (including all troubled debt restructurings, whether or not currently classified as such). The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following table presents loans individually evaluated for impairment by class of loans, excluding PCI loans, as of December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
<u>As of December 31, 2022</u>					
With no related allowance recorded:					
Commercial, financial, and industrial	\$ -	\$ -	\$ -	\$ 18	\$ -
Real estate - mortgage	2	2	-	114	2
Consumer installment	75	72	-	-	-
With an allowance recorded:					
Commercial, financial, and industrial	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate - construction	31	31	3	47	2
Real estate - mortgage	437	437	33	449	33
Total:					
Commercial, financial, and industrial	\$ -	\$ -	\$ -	\$ 18	\$ -
Real estate - construction	31	31	3	47	2
Real estate - mortgage	439	439	33	563	35
Consumer installment	<u>75</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 545</u>	<u>\$ 542</u>	<u>\$ 36</u>	<u>\$ 628</u>	<u>\$ 37</u>

The following tables provide information about how we evaluated loans for impairment, the amount of the allowance for credit losses estimated for loans subjected to each type of evaluation, and the related total amounts, by loan portfolio segment:

	December 31, 2022					
	Real Estate- Construction	Real Estate- Mortgage	Commercial, Financial, and Industrial	Consumer Installment	Unallocated	Total
Allowance for credit losses						
Ending balance	\$ 86	\$ 2,570	\$ 81	\$ 2,749	\$ 108	\$ 5,594
Ending balance - individually evaluated for impairment	\$ 3	\$ 33	\$ -	\$ -	\$ -	\$ 36
Ending balance - collectively evaluated for impairment	\$ 83	\$ 2,537	\$ 81	\$ 2,749	\$ 108	\$ 5,558
Allowance for PCI loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans						
Ending balance	\$ 43,360	\$ 271,112	\$ 17,675	\$ 152,529	\$ -	\$ 484,676
Ending balance - individually evaluated for impairment	\$ 31	\$ 439	\$ -	\$ 75	\$ -	\$ 545
Ending balance - collectively evaluated for impairment	\$ 42,591	\$ 268,876	\$ 17,675	\$ 152,433	\$ -	\$ 481,575
PCI loans	\$ 738	\$ 1,797	\$ -	\$ 21	\$ -	\$ 2,556

The following table presents a summary of changes in the accretable yield for PCI loans for the year ended December 31, 2022:

	December 31, 2022
Accretable yield, beginning of period	\$ 498
Additions	-
Accretion	(273)
Reclassification of nonaccretable difference due to improvement in expected cash flows	273
Other changes, net	214
Accretable yield, end of period	\$ 712

Allowance for Credit Losses – Unfunded Loan Commitments

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

On January 1, 2023, the Company recorded an adjustment for unfunded commitments of \$233 for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded a negative provision for credit losses for unfunded commitments of \$11. At December 31, 2023, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was \$222.

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

	December 31,	
	2023	2022
Land	\$ 4,137	\$ 4,081
Buildings and land improvements	10,755	10,429
Furniture and equipment	7,806	8,185
Construction in progress	<u>82</u>	<u>493</u>
Total	22,780	23,188
Accumulated depreciation	<u>(10,538)</u>	<u>(10,439)</u>
Premises and equipment - net	<u>\$ 12,242</u>	<u>\$ 12,749</u>

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was \$970, \$916, and \$797, respectively.

NOTE 6 - FORECLOSED ASSETS

The following table summarizes activity with respect to foreclosed assets:

	December 31,	
	2023	2022
Balance, beginning of year	\$ 25	\$ 430
Additions, net	243	25
Sales	(88)	(415)
Write-downs	<u>(10)</u>	<u>(15)</u>
Balance, end of year	<u>\$ 170</u>	<u>\$ 25</u>

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

The carrying amount of goodwill and other intangible assets is summarized below:

	December 31,	
	2023	2022
Core deposit intangible	\$ 638	\$ 638
Goodwill	635	635
Less: accumulated amortization	(565)	(445)
Total goodwill and other intangible assets, net	<u>\$ 708</u>	<u>\$ 828</u>

The amortization expense for intangible assets subject to amortization for 2023, 2022 and 2021 was \$119, \$114, and \$80, respectively, which was recognized in operating expenses. The estimated aggregate amortization expense for future periods is as follows:

Year	
2024	\$ 112
2025	105
2026	98
2027	91
2028	83
Thereafter	<u>219</u>
Total	<u>\$ 708</u>

NOTE 8 – LEASES

The Company's operating leases are office space and a bank branch. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to 12 additional years. The exercise of lease renewal options is at management's sole discretion. When it is reasonably certain that the Company will exercise our option to renew or extend the lease term, that option is included in estimating the value of the ROU and lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Most of the Company's lease agreements include periodic rate adjustments for inflation. The depreciable life of ROU assets and leasehold improvements are limited to the shorter of the useful life or the expected lease term. Leases with an initial term of 12 months or less are not recorded on the Company's Consolidated Balance Sheets. The Company recognizes lease expense for these leases over the lease term. The Company recognized \$2, \$5, and \$0 of rent expense related to short-term leases during 2023, 2022, and 2021, respectively.

The following tables present supplemental balance sheet information related to operating leases. ROU assets are included in other assets and lease liabilities are included in other liabilities.

	December 31,	
	2023	2022
Supplemental balance sheet information:		
ROU assets	\$ 77	\$ 95
Lease liabilities	\$ 77	\$ 95
Remaining lease terms (years)	4	5
Discount rate	3.75%	3.75%

The following schedule summarizes aggregate future minimum operating lease payments at December 31, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 21
2025	21
2026	22
2027	17
2028	-
Total undiscounted lease payments:	<u>\$ 81</u>
Imputed interest:	\$ 4
Net lease liabilities:	\$ 77

NOTE 9 – DEPOSITS

A summary of deposits follows:

	December 31,	
	2023	2022
Noninterest-bearing demand	\$ 142,016	\$ 121,169
Interest-bearing transaction accounts	149,844	212,623
Savings	64,557	79,441
Time deposits over \$250	41,268	31,720
Other time deposits	<u>181,583</u>	<u>123,680</u>
Total deposits	<u>\$ 579,268</u>	<u>\$ 568,633</u>

As of December 31, 2023 and 2022, \$119 and \$79, respectively, of overdrawn deposit balances were reclassified as loans. As of December 31, 2023 and 2022, deposits of directors, officers and their related business interests totaled approximately \$3,220 and \$5,076, respectively.

At December 31, 2023, the scheduled maturities of time deposits were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 185,186
2025	19,773
2026	11,203
2027	6,355
2028	334
	<u>\$ 222,851</u>

At December 31, 2023, it is estimated that approximately \$59,858, or 10.33%, of the Company's deposit accounts were uninsured. The Company had no concentrations of depositors at December 31, 2023.

Also, at December 31, 2023, the Company had \$21,346 deposits in brokered deposits, or deposits that were obtained outside the Company's primary market, while at December 31, 2022 the Company had \$0 deposits in brokered deposits.

NOTE 10 – BORROWINGS

Short-Term Borrowings

The Company had no short-term borrowings at December 31, 2023. At December 31, 2022, short-term borrowings consisted of FHLB of Cincinnati advances in the amount of \$3,000.

On April 15, 2022 and June 20, 2022 FHLB of Cincinnati advances in the amount of \$1,000 each and interest rates of 1.77% and 1.00%, respectively, matured. On February 13, 2023 and March 20, 2023 FHLB of Cincinnati advances in the amount of \$1,000 and 2,000 and interest rates of 1.77% and 1.00%, respectively, matured. The advances from FHLB of Cincinnati were collateralized by securities, cash and FHLB of Cincinnati stock. The Company subsequently closed all accounts with the FHLB of Cincinnati during 2023.

The Company has access to secured lines of credit through the Federal Reserve Bank of Richmond's (the "FRB") Discount Window. At December 31, 2023 the Company had \$1,677 in collateral pledged to the FRB. Our access to the FRB Discount Window would allow us to additionally borrow up to approximately \$58,807 from it at the end of 2023, subject to our providing collateral of sufficient market value.

The Company has arranged for unsecured lines of credit totaling \$46,000 from correspondent banks. The Company has not pledged securities toward these lines and did not draw on these lines during 2023. The lines are usable on a short-term basis and may be withdrawn by the correspondent banks at any time.

Long-Term Borrowings

At December 31, 2023, long-term borrowings consisted of FHLB advances and subordinated debt. At December 31, 2023 and 2022, the Bank had the ability to borrow up to 25 percent of its total assets from the FHLB of Atlanta subject to available qualifying collateral and collateralization requirements. We may use different forms of collateral (certain eligible loans, certain investment securities, etc.) for each advance and the amounts of collateral required to secure borrowings vary depending upon the type of collateral utilized.

At December 31, 2023 and 2022, the outstanding balances of FHLB of Atlanta advances are summarized as follows:

	2023		2022	
	Balance	Weighted Average Coupon Rate	Balance	Weighted Average Coupon Rate
FHLB of Atlanta Advances	\$ 38,000	4.19%	\$ 30,000	3.56%

The scheduled maturity dates, conversion dates, and related interest rates on FHLB of Atlanta advances at December 31, 2023:

<u>Maturity Date</u>	<u>Conversion Date Option</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>	
October 25, 2024	N/A	4.57%	\$	1,500
October 30, 2025	April 30, 2024	4.75%		5,000
May 18, 2026	May 20, 2024	3.84 %		6,500
June 12, 2026	June 12, 2024	4.07%		5,000
August 21, 2026	February 21, 2024	4.14%		5,000
August 21, 2026	February 21, 2024	4.27%		5,000
December 14, 2026	March 14, 2024	3.67%		5,000
November 5, 2027	N/A	4.59%		5,000
Total FHLB of Atlanta Advances			\$	38,000

The above advances can be converted to variable interest rates at the option of the FHLB of Atlanta. If the FHLB of Atlanta converts the advances to variable rates of interest, the Bank has the option to prepay the advances without penalty. As of December 31, 2023, none of the outstanding the FHLB of Atlanta advances have converted to variable rates of interest.

We have pledged certain of our first mortgage loans secured by one-to-four family residential properties and our holdings of FHLB stock (collectively, “qualifying collateral instruments”) to secure our debt due to the FHLB under a blanket lien agreement. The amount of qualifying collateral instruments pledged to secure any potential borrowings as of December 31, 2023 and 2022 was approximately \$42,627 and \$32,583, respectively.

On November 19, 2020, the Company entered into an agreement to issue a \$10,000 subordinated note to a third party purchaser. The note pays interest semi-annually at a fixed rate of 5.125% with a floating rate period beginning November 19, 2025 and quarterly adjustments through the maturity date of November 19, 2030. The first semi-annual interest payment was due November 30, 2020. During the floating rate period, interest will be paid quarterly at the three-month Secured Overnight Financing Rate plus 4.843%. The subordinated note may be redeemed in whole or in part for qualifying reasons prior to November 19, 2025 and for any reason after November 19, 2025 until the maturity date. The recorded balance of the subordinated debt, net of unamortized debt issuance costs, was \$9,922 and \$9,882 at December 31, 2023 and 2022, respectively. Recorded interest expense on the subordinated debt totaled \$553 in 2023, 2022, and 2021, respectively.

NOTE 11 – DERIVATIVES

Due to the sale of SeaTrust in 2022, the Company has no outstanding derivatives as of December 31, 2023 and 2022. The impact of the Company’s derivatives can be seen in the consolidated statements of operations and consolidated statements of cash flows for years ended December 31, 2022 and 2021.

In the ordinary course of business, the Company entered into various types of derivative transactions. For its related mortgage banking activities under SeaTrust, the Company held derivative instruments, which consisted of interest rate lock commitments related to expected funding of fixed-rate mortgage loans to customers and forward commitments to sell fixed-rate mortgage loans to investors.

The Company entered into mortgage loan commitments that are also referred to as derivative loan commitments, if the loan that resulted from exercise of the commitment was to be held for sale upon funding. The Company entered into commitments to fund residential mortgage loans at specified rates and times in the future, with the intention that these loans would subsequently be sold in the secondary market.

Outstanding derivative loan commitments exposed the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increased, the value of these loan commitments typically decreased. Conversely, if interest rates decreased, the value of these loan commitments typically increased.

To protect against the price risk inherent in derivative loan commitments, the Company utilized both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a “mandatory delivery” contract, the Company committed to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company failed to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it was obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a “best efforts” contract, the Company committed to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closed. Generally, the price the investor paid the seller for an individual loan was specified prior to the loan being funded (e.g., on the same day the lender committed to lend funds to a potential borrower). The Company expected that these forward loan sale commitments would experience changes in fair value opposite to the change in fair value of derivative loan commitments.

Derivatives related to these commitments were recorded as either a derivative asset or a derivative liability on the balance sheet and were measured at fair value. Both the interest rate lock commitments and the forward commitments were reported at fair value, with adjustments recorded in current period earnings in “mortgage banking income” within noninterest income in the consolidated statements of operations.

NOTE 12 – SHAREHOLDERS’ EQUITY

Preferred Stock - The Company issued 3,150 shares of Series A Cumulative Convertible Preferred Stock (“Series A”) on December 31, 2009. The shares were issued following the approval on January 27, 2009, by the Company’s shareholders, of an amendment to the Company’s articles of incorporation authorizing the issuance of up to 10,000,000 shares of preferred stock in one or more series with the preferences, limitations, and relative rights of each series to be determined by the Company’s Board of Directors before any such series is issued. The issued shares have a liquidation preference of \$1,000 each. On the tenth anniversary of the Effective Date (as defined), or June 17, 2019, the shares became convertible to shares of common stock at the option of the holder. The original conversion ratio was 100 shares of common stock per surrendered share of preferred stock. The number of shares of common stock to be issued upon conversion was affected by 5% stock dividends issued in each of the years 2010 and 2011. As a result, on December 31, 2023, the total number of common shares that could be issued if all shares of preferred stock were surrendered to be converted into shares of common stock is 347,287 shares. As of December 31, 2023, zero shares of preferred stock have been converted into common stock.

Dividends on the Series A non-voting preferred shares accumulate at 5% per annum and, under the terms of the preferred stock, no cash dividends may be declared or become payable on common shares unless all of the accumulated preferred shares have been paid. The Company paid \$158 in preferred dividends during 2023 and none are accrued as of December 31, 2023.

Common Stock - There were no shares of common stock issued by the Company during 2023 and 18,000 shares of common stock issued by the Company during 2022. Of the shares issued in 2022, all 18,000 were restricted stock issued under the performance awards provisions of the Company’s 2016 Long-Term Stock Incentive Plan (“The 2016 Plan”).

Stock Options - The Company currently awards incentive stock options under a plan approved by the Company's Shareholders in 2016, as amended. The 2016 Plan replaced the 1998 Stock Option Plan ("the 1998 Plan"). All options granted under the 1998 Plan expired, with none exercised, in 2016.

Pursuant to the 2016 Plan, as amended, 500,000 shares of the Company's authorized but unissued common stock were reserved for possible issuance pursuant to the exercise of stock awards. Under the 2016 Plan, eligible employees will be eligible for awards of non-qualified stock options ("NSOs"), incentive stock options ("ISOs"), rights to receive shares of common stock at a future date or dates ("Restricted Stock Units"), restricted shares of the Company's common stock ("Restricted Stock"), and/or performance units having a designated value ("Performance Units") (collectively "Awards") over the 10-year term of the 2016 Plan. Non-employees (including non-employee directors) will be eligible for awards of NSOs, Restricted Stock Units and/or Restricted Stock. Except with respect to Awards then outstanding, unless sooner terminated, all Awards must be granted or awarded on or before the 10th anniversary of the date on which the 2016 Plan was approved by the Company's shareholders, May 25, 2016.

In January 2022, 18,500 ISOs were granted to officers of the Company. Each option has an exercise price of \$8.40 as determined on the grant date and expires 10 years from the grant date. The fair value of each option award was estimated on the date of the grant using the Black-Scholes option valuation model, which resulted in a per share fair value of \$3.24. These options are scheduled to vest over a five-year period.

In October 2022, 5,000 ISOs were granted to an officer of the Company. Each option has an exercise price of \$6.69 as determined on the grant date and expires 10 years from the grant date. The fair value of each option award was estimated on the date of the grant using the Black-Scholes option valuation model, which resulted in a per share fair value of \$2.25. These options are scheduled to vest over a five-year period.

There were no options granted during 2023.

A summary of the activity in the 2016 Plan is presented below:

	Options to Acquire Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (1)
Outstanding at December 31, 2021	167,400	\$ 7.08	5.7	\$ 150,100
Options Granted	23,500	\$ 8.04		
Exercised	-	\$ -		
Forfeited	<u>(12,500)</u>	\$ 7.22		
Outstanding at December 31, 2022	178,400	\$ 7.20	5.1	\$ 25,470
Options Granted	-	\$ -		
Exercised	-	\$ -		
Forfeited	<u>(1,500)</u>	\$ 7.10		
Outstanding at December 31, 2023	<u>176,900</u>	\$ 7.20	4.1	\$ 9,650
Restricted stock awards approved, not issued, net of forfeitures	-			
Remaining unissued options or units under the 2016 Plan	293,129			

(1) The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price in the option). At each year end date the amount represents the value that would have been received by the option holders had all option holders exercised their options on that date. This amount changes based on changes in the market value of the Company's common stock.

In April 2022, the Company granted 18,000 restricted stock units to members of the Board of Directors. The restricted stock units vested over a nine month period ending December 31, 2022.

Total compensation expense recognized in the statement of operations for share-based payment arrangements during the years ended December 31, 2023, 2022, and 2021 was \$24, \$202, and \$105, respectively.

As of December 31, 2023 and 2022, there was \$46 and \$70, respectively, of total unrecognized compensation expense related to non-vested share based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.94 years.

Net Income per Common Share - Net Income per common share and net income per common share, assuming dilution, were computed as follows:

	Year Ended December 31,		
	2023	2022	2021
Net income per common share, basic			
Numerator - net income available to common shareholders	\$ 3,922	\$ 6,278	\$ 3,462
Denominator - Weighted average common shares issued and outstanding	5,514,683	5,508,913	5,495,086
Net income per common share, basic	\$ 0.71	\$ 1.14	\$ 0.63

	Year Ended December 31,		
	2023	2022	2021
Net income per common share, diluted			
Numerator - net income available to common shareholders	\$ 3,922	\$ 6,278	\$ 3,462
Denominator - Weighted average common shares issued and outstanding	5,514,683	5,508,913	5,495,086
Effect of dilutive stock options			
Stock options	1,513	15,261	3,528
Total shares	5,516,196	5,524,174	5,498,614
Net income per common share, assuming dilution	\$ 0.71	\$ 1.14	\$ 0.63

At December 31, 2023, the Company excluded 131,700 potentially dilutive shares of common stock issuable upon exercise of stock options with a weighted average exercise price of \$7.44 from the computation of dilutive income per common share because of their antidilutive effect. At December 31, 2022, the Company excluded 38,500 potentially dilutive shares of common stock issuable upon exercise of stock options with a weighted average exercise price of \$8.27 from the computation of dilutive income per common share because of their antidilutive effect.

Dividends - In 2023 and 2022, the Company paid \$158 in dividends, respectively, to preferred shareholders. In 2022, the Company paid \$549 in dividends to common shareholders.

NOTE 13 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and, possibly additional discretionary, actions by regulators that, if undertaken, could have a material adverse effect on the Company's financial statements. Under regulatory capital adequacy guidelines, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Additionally, the Bank must meet specific capital guidelines to be considered well capitalized per the regulatory framework for prompt corrective action. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

The Bank must maintain certain minimum capital ratios as set forth in the table below for capital adequacy purposes. In 2019, the regulatory agencies adopted a final rule, effective January 1, 2020, creating a community bank leverage ratio ("CBLR") for institutions with total consolidated assets of less than \$10 billion and that meet other qualifying criteria. Qualifying institutions that elect to use the CBLR framework and that maintain a leverage

ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules and to have met the well-capitalized ratio requirements. In April 2020, as directed by Section 4012 of the CARES Act, the regulatory agencies introduced temporary changes to the CBLR. These changes, which subsequently were adopted as a final rule, temporarily reduced the CBLR requirement to 8% through the end of calendar year 2020. Beginning in calendar year 2021, the CBLR requirement increased to 8.5% for the calendar year before returning to 9% in calendar year 2022. Management has elected to use the CBLR framework for the Bank. We may opt out of the framework at any time, without restriction, by reverting to the generally applicable risk-based capital rule.

Before electing to use the CBLR framework, the Bank was required to maintain a capital conservation buffer above certain minimum risk-based capital ratios for capital adequacy purposes in order to avoid certain restrictions on capital distributions and other payments including dividends and certain compensation. The capital conservation buffer was 2.5% at December 31, 2019, and the Bank exceeded the capital conservation buffer requirement at that time.

The actual capital amounts and ratios and minimum regulatory amounts and ratios for the Bank are presented in the table that follows.

	<u>Actual</u>		<u>Minimum for Capital Adequacy</u>		<u>Minimum to be Well Capitalized</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2023	(Dollars in thousands)					
Community First Bank						
CBLR	\$ 71,406	10.1%	\$ 63,772	9.0%	NA	NA
December 31, 2022	(Dollars in thousands)					
Community First Bank						
CBLR	\$ 67,056	9.9%	\$ 60,683	9.0%	NA	NA

NOTE 14 – NONINTEREST EXPENSES

Other expenses are summarized below:

	Year Ended December 31,		
	2023	2022	2021
Salaries and employee benefits	\$ 11,273	\$ 14,422	\$ 16,374
Net occupancy	1,343	1,502	1,510
Furniture and equipment	1,140	1,134	893
Legal and professional fees	758	958	991
FDIC insurance	316	295	322
Foreclosed asset costs and expenses, net	4	18	69
Data processing	2,432	2,445	2,471
Merger-related expenses	-	44	934
Other			
Miscellaneous loan expenses	306	812	1,174
Stationery, printing and postage	95	151	123
Telephone	98	104	138
Advertising and promotion	502	744	810
Directors' compensation	324	446	270
Travel expense	149	240	226
Other	1,617	1,972	1,848
Total	<u>\$ 20,357</u>	<u>\$ 25,287</u>	<u>\$ 28,153</u>

NOTE 15 – INCOME TAXES

The Company's provision for income taxes differs from applying the federal statutory income tax rate to income before income taxes.

Income tax expense consisted of:

	Year Ended December 31,		
	2023	2022	2021
Current			
Federal	\$ 873	\$ (143)	\$ -
State	<u>204</u>	<u>179</u>	<u>22</u>
Total current	<u>1,077</u>	<u>36</u>	<u>22</u>
Deferred			
Federal	376	1,973	856
State	140	(16)	(28)
Change in valuation allowance against net deferred tax assets	<u>(120)</u>	<u>28</u>	<u>24</u>
Total deferred	<u>396</u>	<u>1,985</u>	<u>852</u>
Total income tax expense	<u>\$ 1,473</u>	<u>\$ 2,021</u>	<u>\$ 874</u>

A reconciliation between the income tax expense (benefit) and the amount computed by applying the federal statutory rate of 21% for 2023, 2022, and 2021 to income before income taxes follows:

	Year Ended December 31		
	2023	2022	2021
Tax expense at statutory rate	\$ 1,166	\$ 1,776	\$ 944
State income taxes, net of federal benefit	272	142	17
Tax-exempt interest income	(14)	(20)	(18)
Non-taxable increase in value of life insurance contracts	(87)	(79)	(74)
Merger costs	-	-	20
Change in valuation allowance against net deferred tax assets	(120)	28	-
Other, net	<u>256</u>	<u>174</u>	<u>(15)</u>
Total	<u>\$ 1,473</u>	<u>\$ 2,021</u>	<u>\$ 874</u>

Deferred tax assets and liabilities included in the consolidated balance sheets consisted of the following:

	December 31,		
	2023	2022	2021
Deferred tax assets			
Allowance for credit losses	\$ 1,391	\$ 1,281	\$ 1,220
Unfunded commitments	51	-	-
Write-downs of foreclosed assets	3	1	28
Non-qualified stock options	107	107	98
Deferred compensation	286	337	386
Excess charitable contributions carryforward	7	11	14
Net operating loss carryforward	68	788	2,391
Unrealized net holding losses on available-for-sale securities	3,056	3,724	90
Other	<u>309</u>	<u>-</u>	<u>121</u>
Gross deferred tax assets	5,278	6,249	4,348
Valuation allowance	<u>(25)</u>	<u>(145)</u>	<u>(117)</u>
Net deferred taxes	<u>5,253</u>	<u>6,104</u>	<u>4,231</u>
Deferred tax liabilities			
Accelerated depreciation and amortization	707	501	579
Deferred net loan fees	1,387	1,324	1,137
Acquired in business combination, net	43	56	70
Other	<u>-</u>	<u>128</u>	<u>-</u>
Gross deferred tax liabilities	<u>2,137</u>	<u>2,009</u>	<u>1,786</u>
Net deferred income tax assets	<u>\$ 3,116</u>	<u>\$ 4,095</u>	<u>\$ 2,445</u>

As of December 31, 2023, we have South Carolina net operating loss carryforwards totaling \$640 having no expiration.

Deferred tax assets represent the future tax benefit of deductible differences and, if it is more-likely-than-not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. The valuation allowance relates to the parent company's state operating loss carryforwards for which its ability to realize is uncertain. Realization of deferred tax assets is dependent upon sufficient taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income. Based on management's projections, the deferred tax assets are more-likely-than-not to be fully recovered with projected taxable income.

As of December 31, 2023 and 2022, there were no uncertain tax positions. The amount of uncertain tax positions may increase or decrease in the future for various reasons including adding amounts for current tax positions, expiration of open tax returns due to statutes of limitations, changes in management's judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions. The Company's policy is to report interest and penalties, if any, related to uncertain tax positions in income tax expense. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2020.

NOTE 16 – RETIREMENT PLANS

The Company sponsors the Community First Bank 401(k) Plan (the “401(k) Plan”) for the exclusive benefit of all eligible employees and their beneficiaries. Employees are eligible to participate in the 401(k) Plan with a minimum age requirement of 18, and there is no minimum service requirement for deferral. Employees are allowed to defer and contribute any amount of their salary, up to a maximum determined under the Internal Revenue Code each year. The Company provides a safe harbor match of 100% of each dollar deferred up to 3% of eligible compensation and 50% of each dollar deferred between 3% and 5% of eligible compensation. The Board of Directors can also elect to make discretionary contributions. Employees are fully vested in any discretionary contributions after five years of service. The employer contributions to the plan for 2023, 2022 and 2021 totaled \$245, \$376, and \$299, respectively.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit - In the normal course of business, the Bank is party to financial instruments with off-balance-sheet risk. These financial instruments include commitments to extend credit and standby letters of credit, and have elements of credit risk in excess of the amount recognized in the balance sheet. The exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual, or notional, amount of those instruments. Generally, the same credit policies used for on-balance-sheet instruments, such as loans, are used in extending loan commitments and standby letters of credit.

Following are the off-balance-sheet financial instruments whose contract amounts represent credit risk:

	December 31,	
	2023	2022
Loan commitments	\$ 74,860	\$ 77,573
Committed overdraft protection	11,726	12,129
Standby letters of credit	377	590

Loan commitments involve agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and some involve payment of a fee. Many of the commitments are expected to expire without being fully drawn; therefore, the total amount of loan commitments does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if any, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include commercial and residential real properties, accounts receivable, inventory and equipment.

The Bank offers an automatic overdraft protection product for non-maturing deposits and expects that much of this capacity will not be utilized. During 2023, the average balance of total non-maturing deposit overdrafts for participating bank customers was approximately \$118.

Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is the same as that involved in making loan commitments to customers.

Litigation – As of December 31, 2023, the Bank was involved as a defendant in litigation brought by a former bank customer. The former customer is asserting tort claims, as well as a claim for an accounting, against the Bank and a former Bank employee based on allegations that the former employee, who held the former customer's power of attorney, misappropriated funds from the former customer's account. The former customer is seeking damages in excess of \$1,750. The Bank is vigorously defending its interests, has denied all of the former customer's substantive allegations, has asserted various defenses, and has asserted counterclaims against the former customer of approximately \$789. In September 2017, the Oconee County, South Carolina Court of Common Pleas entered an order granting the Bank summary judgment on all claims. Counsel for the former customer filed a motion to reconsider that order which was subsequently denied by the Court. Counsel for the

former customer filed an appeal with the South Carolina Court of Appeals, and the Court of Appeals granted a writ of certiorari. Briefing for the appeal to the South Carolina Supreme Court has been completed, and oral argument is currently scheduled to occur by the end of March 2024.

NOTE 18 – DISCLOSURES ABOUT FAIR VALUES

Generally accepted accounting principles (“GAAP”) defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. A three-level hierarchy is used for fair value measurements based upon the transparency of inputs to the valuation. For disclosure purposes, fair values for assets and liabilities are shown in the level of the hierarchy that correlates with the least observable level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described as follows:

Level 1 inputs reflect quoted prices in active markets for identical assets or liabilities.

Level 2 inputs reflect observable inputs that may consist of quoted market prices for similar assets or liabilities, quoted prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities being valued.

Level 3 inputs reflect the use of pricing models and/or discounted cash flow methodologies using other than contractual interest rates or methodologies that incorporate a significant amount of management judgment, use of the entity’s own data, or other forms of unobservable data.

Valuation Techniques

Securities available-for-sale - Pricing for securities available-for-sale is obtained from an independent third-party that uses a process that may incorporate current prices, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, other reference items and industry and economic events that a market participant would be expected to use as inputs in valuing the securities. Not all of the inputs listed apply to each individual security at each measurement date. The independent third party assigns specific securities into an “asset class” for the purpose of assigning the applicable level of the fair value hierarchy used to value the securities. Securities available-for-sale are measured at fair value with unrealized gains and losses, net of income taxes, recorded in other comprehensive income. The fair values of U.S. Treasury securities are based on quoted market prices using active markets and are classified as recurring Level 1. Remaining securities available-for-sale are classified as recurring Level 2.

Equity securities - The change in fair value of equity securities is recognized in net income in accordance with Accounting Standards Update (“ASU”) 2016-01. Equity securities are classified as recurring Level 1.

Loans held for sale - Loans held for sale are comprised of loans originated for sale in the ordinary course of business. The fair value of loans originated for sale in the secondary market is based on purchase commitments or quoted prices for the same or similar loans and are classified as recurring Level 2.

Collateral dependent individually evaluated loans and foreclosed assets - Fair values of collateral dependent individually evaluated loans are estimated based on recent appraisals of the underlying properties or other information derived from market sources. The fair value of foreclosed assets is estimated based on recent appraisals or other information obtained from market sources. Management reviews all fair value estimates periodically or whenever new information indicates that there may have been a significant change in the fair value of a property. The Company has classified all collateral dependent impaired loans and foreclosed assets as nonrecurring Level 3.

The following is a summary of the measurement attributes applicable to financial assets and liabilities that would be measured at fair value on a recurring basis:

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
	<u>Measured at Fair Value at December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities available-for-sale:				
Mortgage-backed securities issued by U.S. Government agencies	\$ 62	\$ -	\$ 62	\$ -
GSEs	14,955	-	14,955	-
Mortgage-backed securities issued by GSEs	38,434	-	38,434	-
Asset-backed securities and commercial MBS	18,267	-	18,267	-
U.S. Treasury securities	6,706	6,706	-	-
State, county and municipal	<u>16,071</u>	<u>-</u>	<u>16,071</u>	<u>-</u>
Total securities available-for-sale	94,495	6,706	87,789	-
Equity securities	12	12	-	-

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
	<u>Measured at Fair Value at December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities available-for-sale:				
Mortgage-backed securities issued by U.S. Government agencies	\$ 73	\$ -	\$ 73	\$ -
GSEs	14,714	-	14,714	-
Mortgage-backed securities issued by GSEs	41,131	-	41,131	-
Asset-backed securities and commercial MBS	18,929	-	18,929	-
U.S. Treasury securities	6,490	6,490	-	-
State, county and municipal	<u>15,664</u>	<u>-</u>	<u>15,664</u>	<u>-</u>
Total securities available-for-sale	97,001	6,490	90,511	-
Equity securities	4	4	-	-

The following is a summary of assets measured at fair value on a nonrecurring basis in the consolidated balance sheets, including the general classification of such instruments pursuant to the valuation hierarchy.

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
	<u>Measured at Fair Value at December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Collateral dependent individually evaluated loans	\$ 42	\$ -	\$ -	\$ 42
Foreclosed assets	170	-	-	170

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			
	<u>Measured at Fair Value at December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Impaired loans	\$ 75	\$ -	\$ -	\$ 75
Foreclosed assets	25	-	-	25

NOTE 19 – RECENT ACCOUNTING PRONOUNCEMENTS

In March 2022, the FASB issued ASU 2022-02 amendments which are intended to improve the decision usefulness of information provided to investors about certain loan re-financings, restructurings, and write-offs. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2023, the FASB amended the Leases topic in the Accounting Standards Codification to provide a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also change the guidance for public and private companies to require that leasehold improvements be amortized over the useful life of those improvements to the common control group regardless of the lease term. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 20 – CONDENSED FINANCIAL INFORMATION

The following is condensed financial information of Community First Bancorporation (parent company only).

	December 31,	
	2023	2022
Condensed Balance Sheets		
Assets		
Cash	\$ 290	\$ 743
Investment in banking subsidiary	61,544	55,429
Deferred income tax assets, net	636	636
Land	138	138
Other assets	<u>43</u>	<u>32</u>
Total assets	<u>\$ 62,651</u>	<u>\$ 56,978</u>
Liabilities		
Subordinated debt	\$ 9,922	\$ 9,882
Accrued interest payable	43	43
Other liabilities	<u>71</u>	<u>-</u>
Total liabilities	<u>10,036</u>	<u>9,925</u>
Shareholders' equity	<u>52,615</u>	<u>47,053</u>
Total liabilities and shareholders' equity	<u>\$ 62,651</u>	<u>\$ 56,978</u>

	Year Ended December 31,		
	2023	2022	2021
Condensed Statements of Income			
Income			
Distribution income from banking subsidiary	\$ <u>246</u>	\$ <u>158</u>	\$ <u>158</u>
Total income	<u>246</u>	<u>158</u>	<u>158</u>
Expenses			
Interest expense	553	553	553
Merger expenses	-	-	283
Other expenses	<u>87</u>	<u>60</u>	<u>80</u>
Total expenses	<u>640</u>	<u>613</u>	<u>916</u>
Loss before income taxes and equity in undistributed earnings of subsidiaries	(394)	(455)	(758)
Equity in undistributed earnings of banking subsidiary	<u>4,474</u>	<u>6,845</u>	<u>3,952</u>
Income before income taxes	4,080	6,390	3,194
Income tax benefit	<u>-</u>	<u>(46)</u>	<u>(426)</u>
Net income	\$ <u>4,080</u>	\$ <u>6,436</u>	\$ <u>3,620</u>

	Year Ended December 31,		
	2023	2022	2021
Condensed Statements of Cash Flows			
Operating activities			
Net income	\$ 4,080	\$ 6,436	\$ 3,620
Adjustments to reconcile net income to net cash provided by operating activities			
Increase in accrued interest payable	-	-	1
Increase in other assets	(11)	(108)	(427)
Increase (decrease) in other liabilities	71	(1)	(37)
Equity in undistributed net income of banking subsidiary	<u>(4,474)</u>	<u>(6,845)</u>	<u>(3,952)</u>
Net cash used by operating activities	<u>(334)</u>	<u>(518)</u>	<u>(795)</u>
Investing activities			
Investment in banking subsidiary	<u>-</u>	<u>-</u>	<u>(8,328)</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>(8,328)</u>
Financing activities			
Cash dividends paid	(158)	(707)	(158)
Proceeds from exercise of stock options and stock issuance	-	-	14
Other, net	<u>39</u>	<u>41</u>	<u>40</u>
Net cash used by financing activities	<u>(119)</u>	<u>(666)</u>	<u>(104)</u>
Decrease in cash and cash equivalents	(453)	(1,184)	(9,227)
Cash and cash equivalents, beginning	<u>743</u>	<u>1,927</u>	<u>11,154</u>
Cash and cash equivalents, ending	\$ <u>290</u>	\$ <u>743</u>	\$ <u>1,927</u>

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

On February 1, 2024, the Company jointly announced with Dogwood State Bank the signing of a definitive merger agreement for Dogwood State Bank to acquire Community First Bancorporation, and its subsidiary, Community First Bank in an all-stock merger. The merger agreement provides that each Community First Bancorporation common shareholder receive 0.5875 shares and each preferred shareholder will receive 64.7719 shares of Dogwood's voting common stock. The transaction is intended to qualify as a tax-free reorganization for federal income tax purposes and to provide a tax-free exchange for Community First Bancorporation stockholders. Based on Dogwood's most recent capital raise of \$16.4 million in March 2023 at \$20.00 per share, this would imply a transaction value per share of \$11.75 for each Community First Bancorporation common share. The Company incurred \$312 in merger-related fees in 2024 through the date these consolidated financial statements were available to be issued.

The Company has disclosed deposit balances, mix, and concentrations in Note 9. In relation to current economic conditions, management has monitored deposits through the date the financial statements were issued noting no significant changes to balances, mix, or concentrations.

The Company has disclosed its investment portfolio position in Note 3. There has been no significant deterioration in the investment portfolio through the date the consolidated financial statements were issued.

Management has evaluated subsequent events through March 27, 2024, the date these consolidated financial statements were available to be issued, and has determined that there are no other subsequent events that would require recognition or disclosure in the Company's consolidated financial statements.

This Annual Report serves as the **ANNUAL FINANCIAL DISCLOSURE STATEMENT** furnished pursuant to Part 350 of the Federal Deposit Insurance Corporation's Rules and Regulations. **THIS STATEMENT HAS NOT BEEN REVIEWED OR CONFIRMED FOR ACCURACY OR RELEVANCE, BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.** Community First Bancorporation will furnish free of charge a copy of this Annual Report upon written request to Community First Bancorporation, P.O. Box 1097, Walhalla, South Carolina 29691.

[This Page Intentionally Left Blank]

AGREEMENT AND PLAN OF MERGER

by and among

DOGWOOD STATE BANK,

COMMUNITY FIRST BANCORPORATION

and

COMMUNITY FIRST BANK, INC.

January 31, 2024

[This Page Intentionally Left Blank]

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 THE MERGER AND RELATED MATTERS.....	A-1
1.1 The Merger.....	A-1
1.2 Effective Time; Closing.....	A-2
1.3 Corporate Governance and Related Matters.....	A-3
1.4 Articles of Incorporation and Bylaws of Dogwood.....	A-3
1.5 Tax Treatment of the Merger.....	A-3
ARTICLE 2 MERGER CONSIDERATION; EXCHANGE PROCEDURES	A-4
2.1 Conversion of Shares.....	A-4
2.2 Exchange Procedures.....	A-5
2.3 Holding Company Stock Options.....	A-7
2.4 No Fractional Shares.....	A-7
2.5 Anti-Dilution.....	A-8
2.6 Dissenters' Rights.....	A-8
ARTICLE 3 REPRESENTATIONS AND WARRANTIES.....	A-8
3.1 Disclosure Letters.....	A-8
3.2 Standard.....	A-9
3.3 Representations and Warranties of Holding Company and Bank Subsidiary.....	A-10
3.4 Representations and Warranties of Dogwood.....	A-35
ARTICLE 4 COVENANTS RELATING TO CONDUCT OF BUSINESS.....	A-46
4.1 Conduct of Business of Holding Company and Bank Subsidiary Pending the Merger.....	A-46
4.2 Conduct of Business of Dogwood Pending the Merger.....	A-50
4.3 Transition.....	A-51
4.4 No Control of the Other Party's Business.....	A-52
ARTICLE 5 ADDITIONAL AGREEMENTS.....	A-52
5.1 Reasonable Best Efforts.....	A-52
5.2 Access to Information; Confidentiality.....	A-52
5.3 Shareholder Approvals.....	A-53
5.4 Joint Proxy Statement.....	A-54
5.5 No Other Acquisition Proposals.....	A-55
5.6 Applications and Consents.....	A-57
5.7 Public Announcements.....	A-58
5.8 Affiliate Agreements.....	A-59
5.9 Director Noncompetition Agreements.....	A-59
5.10 Employee Benefit Plans.....	A-59
5.11 Reservation of Shares.....	A-60
5.12 Indemnification; Insurance.....	A-61
5.13 Employment and Other Arrangements.....	A-61

5.14	Takeover Laws.....	A-62
5.15	Change of Method.....	A-62
5.16	Certain Policies.....	A-63
5.17	Assumption of Debt Obligations.....	A-63
5.18	Litigation and Claims.....	A-63
5.19	Significant Credit Loan Committee Meetings.....	A-63
5.20	Consent to Assign and Use Leased Premises; Extensions.....	A-63
ARTICLE 6 CONDITIONS TO THE MERGER		A-64
6.1	General Conditions.....	A-64
6.2	Conditions to Obligations of Dogwood.....	A-64
6.3	Conditions to Obligations of Holding Company and Bank Subsidiary.....	A-65
ARTICLE 7 TERMINATION.....		A-66
7.1	Termination.....	A-66
7.2	Effect of Termination.....	A-69
7.3	Non-Survival of Representations, Warranties and Covenants.....	A-69
7.4	Fees and Expenses.....	A-69
ARTICLE 8 GENERAL PROVISIONS		A-71
8.1	Entire Agreement.....	A-71
8.2	Binding Effect; No Third Party Rights.....	A-71
8.3	Waiver and Amendment.....	A-71
8.4	Governing Law.....	A-71
8.5	Notices.....	A-71
8.6	Counterparts.....	A-72
8.7	Waiver of Jury Trial.....	A-73
8.8	Severability.....	A-73
8.9	Interpretation; Global Terms.....	A-73
8.10	Specific Performance.....	A-73
8.11	Confidential Supervisory Information.....	A-73
8.12	Delivery by Facsimile or Electronic Transmission.....	A-74

LIST OF EXHIBITS

EXHIBIT 5.8(a)	Form of Dogwood Affiliate Agreement
EXHIBIT 5.8(b)	Form of Holding Company Affiliate Agreement
EXHIBIT 5.9	Form of Noncompetition Agreement

INDEX OF DEFINED TERMS

ACA	Section 3.3(m)(ii)
Acquisition Proposal	Section 5.5(c)
Affected Agreements	Section 5.13(b)
Affected Employees	Section 5.13(b)
Affiliate Agreements	Section 5.8
Agreement	Recitals
Articles of Merger	Section 1.2(a)
Bank Reports	Section 3.3(f)
Bank Shareholder Approval	Section 3.3(c)(i)
Bank Subsidiary	Recitals
Burdensome Condition	Section 5.6(a)
CARES Act	Section 3.3(j)(i)
Change of Recommendation	Section 5.5(e)
Closing Date	Section 1.2(b)
Code	Recitals
Common Stock Exchange Ratio	Section 2.1(c)
Computer Systems	Section 3.3(aa)(i)
CRA	Section 3.3(j)(i)
Credit Loss Allowance	Section 3.3(p)(iii)
Derivative Contract	Section 3.3(t)
Disclosure Letter	Section 3.1
Dissenting Shares	Section 2.6(a)
Dogwood	Recitals
Dogwood Affiliates	Section 5.8
Dogwood Board Recommendation	Section 5.3(a)
Dogwood Benefit Plan(s)	Section 3.4(m)(i)
Dogwood Common Stock	Section 2.1(b)
Dogwood Contract	Section 3.4(i)(i)
Dogwood Non-Voting Common Stock	Section 2.1(b)
Dogwood Regulatory Agencies	Section 3.4(f)
Dogwood Shareholder Approval	Section 3.4(c)(i)
Dogwood Shareholders Meeting	Section 5.3(a)
Dogwood Stock Plan	Section 3.4(d)
Dogwood Subsidiary	Section 3.4(b)
Dogwood Voting Common Stock	Section 2.1(a)
Dogwood Warrants	Section 3.4(d)
Effective Time	Section 1.2(a)
Environmental Claim	Section 3.3(q)(v)(A)
Environmental Laws	Section 3.3(q)(v)(B)
ERISA	Section 3.3(m)(i)
ERISA Affiliate	Section 3.3(m)(i)
Exchange Act	Section 3.3(i)(i)
Exchange Agent	Section 2.2(a)
Exchange Fund	Section 2.2(a)
Exchange Ratios	Section 2.1(c)

Extinguished Shares.....	Section 2.1(f)
FDIC	Section 1.1(b)
Federal Reserve.....	Section 3.3(c)(iii)
Financial Statements	Section 3.3(e)(i)
GAAP.....	Section 3.3(e)(i)
Governmental Authority	Section 3.2(b)
Holding Company.....	Recitals
Holding Company Affiliates.....	Section 5.8
Holding Company Benefit Plan(s).....	Section 3.3(m)(i)
Holding Company Board Recommendation.....	Section 5.3(b)
Holding Company Book-Entry Shares	Section 2.1(e)
Holding Company Certificate.....	Section 2.1(e)
Holding Company Common Stock.....	Section 2.1(c)
Holding Company Contract(s).....	Section 3.3(i)(i)
Holding Company Continuing Directors	Section 1.3
Holding Company Continuing Employees	Section 5.10(a)
Holding Company Note	Section 5.17
Holding Company Preferred Stock.....	Section 2.1(c)
Holding Company Option.....	Section 2.3(a)
Holding Company Regulatory Agencies	Section 3.3(f)
Holding Company Shareholder Approvals.....	Section 3.3(c)(i)
Holding Company Shareholders Meeting.....	Section 5.3(b)
Holding Company Stock.....	Section 2.1(c)
Holding Company Stock Plan.....	Section 2.3(a)
Holding Company Subsidiary.....	Section 3.3(b)(i)
Holding Company Technology Systems	Section 3.3(s)
IPI	Section 5.2(e)
Intellectual Property	Section 3.3(s)
IRS	Section 3.3(m)(ii)
Joint Proxy Statement	Section 5.4(a)
Knowledge	Section 3.2(c)
Loan	Section 3.3(p)(xi)
Material Adverse Effect.....	Section 3.2(b)
Materials of Environmental Concern.....	Section 3.3(q)(v)(C)
Merger.....	Recitals
Merger Consideration	Section 2.1(c)
NCBCA.....	Section 1.1(a)
NCCOB.....	Section 3.3(c)(iii)
NCSOS.....	Section 1.2(a)
Noncompetition Agreements	Section 5.9
OREO.....	Section 3.3(p)(iv)
Organizational Documents.....	Section 3.3(a)(i)
Permitted Liens	Section 3.3(l)(ii)
PPP	Section 3.3(p)(x)
Preferred Stock Exchange Ratio	Section 2.1(c)
Real Property	Section 3.3(l)(i)

Regulatory Approvals	Section 3.3(c)(iii)
Sarbanes-Oxley Act	Section 3.3(e)(ii)
SC Advisory Board	Section 1.3(b)
SCBCA	Section 1.1(a)
SCCOB	Section 3.3(c)(iii)
SCSOS	Section 1.2(a)
Superior Proposal.....	Section 5.5(d)
Surviving Bank	Section 1.1(a)
Tax(es)	Section 3.3(k)(viii)
Tax Return	Section 3.3(k)(ix)
Termination Fee	Section 7.4(b)(i)
Treasury Regulations	Section 1.5

[This Page Intentionally Left Blank]

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the “Agreement”) is made and entered into as of January 31, 2024, by and among Dogwood State Bank, a North Carolina banking corporation (“Dogwood”), Community First Bancorporation, a South Carolina corporation (“Holding Company”), and Community First Bank, Inc., a South Carolina banking corporation and wholly owned subsidiary of Holding Company (“Bank Subsidiary”).

WHEREAS, the Boards of Directors of Dogwood, Holding Company and Bank Subsidiary have approved, and deem it advisable and in the best interests of their respective shareholders to consummate, the business combination transactions provided for herein, including the merger of Holding Company and Bank Subsidiary with and into Dogwood, with Dogwood as the surviving entity (the “Merger”);

WHEREAS, the Boards of Directors of Dogwood, Holding Company and Bank Subsidiary have each determined that the Merger is consistent with, and will further, their respective business strategies and goals; and

WHEREAS, it is the intention of the parties to this Agreement that, for federal income tax purposes, the Merger shall qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and that this Agreement shall constitute, and is adopted as, a “plan of reorganization” for purposes of Sections 354 and 361 of the Code.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1 The Merger and Related Matters

1.1 The Merger.

(a) *The Merger.* Subject to the terms and conditions of this Agreement, at the Effective Time (as defined herein), Holding Company and Bank Subsidiary will be merged with and into Dogwood. The separate corporate existence of each of Holding Company and Bank Subsidiary thereupon shall cease, and Dogwood will be the surviving corporation in the Merger and shall continue its corporate existence under the laws of the State of North Carolina (sometimes referred to herein as the “Surviving Bank” whenever reference is made to it as of the Effective Time or thereafter). The Merger will have the effects set forth in Section 55-11-06 of the North Carolina Business Corporation Act (the “NCBCA”) and Section 33-11-106 of the South Carolina Business Corporation Act (the “SCBCA”).

(b) *Name; Offices.* The name of the Surviving Bank shall be “Dogwood State Bank”. The principal office of the Surviving Bank shall be the principal office of Dogwood State Bank immediately prior to the Effective Time. All branch offices of Dogwood and Bank Subsidiary that were in lawful operation immediately prior to the Effective Time shall be the

branch offices of the Surviving Bank upon consummation of the Merger, subject to the opening or closing of any offices that may be authorized by the Federal Deposit Insurance Corporation (the “FDIC”) after the date hereof.

(c) *Directors and Executive Officers.* The directors of Dogwood in office immediately prior to the Effective Time, together with such additional persons as may thereafter be elected or appointed (including pursuant to Section 1.3 of this Agreement), shall serve as the directors of the Surviving Bank from and after the Effective Time in accordance with the articles of incorporation and bylaws of Dogwood, until the earlier of their resignation or removal or otherwise ceasing to be a director. The officers of Dogwood in office immediately prior to the Effective Time, together with such additional persons as may thereafter be appointed, shall serve as the officers of the Surviving Bank from and after the Effective Time in accordance with the articles of incorporation and bylaws of Dogwood, until the earlier of their resignation or removal or otherwise ceasing to be an officer.

(d) *Additional Actions.* If, at any time after the Effective Time, the Surviving Bank shall determine that any further assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect or confirm, of record or otherwise, in the Surviving Bank its right, title or interest in, to or under any of the rights, properties or assets of Holding Company or Bank Subsidiary acquired or to be acquired by the Surviving Bank as a result of, or in connection with, the Merger, or (ii) otherwise carry out the purposes of this Agreement, Holding Company, Bank Subsidiary and their respective proper officers and directors, shall be deemed to have granted to the Surviving Bank and its proper officers and directors an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Bank and otherwise to carry out the purposes of this Agreement, and the proper officers and directors of the Surviving Bank are fully authorized in the name of the Surviving Bank, Holding Company, Bank Subsidiary or otherwise to take any and all such action.

1.2 Effective Time; Closing.

(a) Subject to the satisfaction or waiver of the conditions set forth in Article 6 (other than those conditions that by their nature are to be satisfied at the consummation of the Merger, but subject to the fulfillment or waiver of those conditions), and subject to applicable law, the parties hereto shall cause articles of merger relating to the Merger (the “Articles of Merger”) to be filed with the North Carolina Secretary of State (the “NCSOS”) pursuant to Section 55-11-05 of the NCBCA and the South Carolina Secretary of State (the “SCSOS”) pursuant to Section 33-11-105 of the SCBCA. The “Effective Time” of the Merger shall be the effective time specified in the Articles of Merger.

(b) Subject to the terms and conditions of this Agreement, the closing of the Merger shall take place at 10:00 a.m. Eastern Time at the offices of Williams Mullen, Raleigh, North Carolina on a date mutually agreed to by the parties and which shall be held at or before the Effective Time (the “Closing Date”). All documents required by this Agreement to be delivered at or before the Effective Time will be exchanged by the parties on the Closing Date.

1.3 Corporate Governance and Related Matters.

(a) At or before the Effective Time, Dogwood shall cause two (2) current directors of Holding Company selected by Dogwood from, and in consultation with, the Board of Directors of Holding Company (the “Holding Company Continuing Directors”) to be appointed as directors of Dogwood as of the Effective Time to serve until the first annual meeting of the shareholders of Dogwood following the Effective Time. Subject to compliance by the Board of Directors of Dogwood with its fiduciary duties (including compliance with Dogwood’s Organizational Documents (as defined herein) and corporate governance guidelines), Dogwood shall nominate and recommend the Holding Company Continuing Directors for reelection to the Board of Directors of Dogwood at the first annual meeting of the shareholders of Dogwood following the Effective Time, and Dogwood’s proxy materials with respect to such annual meeting shall include the recommendation of the Board of Directors of Dogwood that its shareholders vote to reelect the Holding Company Continuing Directors to the same extent as recommendations are made with respect to other directors on the Board of Directors of Dogwood.

(b) At the Effective Time, Dogwood will establish an advisory board for western South Carolina (the “SC Advisory Board”). The SC Advisory Board will initially be composed of certain current directors of Holding Company and other business and community leaders chosen by Dogwood after consultation with Holding Company. The SC Advisory Board will meet quarterly and will receive attendance fees as set forth in Section 1.3(b) of Dogwood’s Disclosure Letter.

1.4 Articles of Incorporation and Bylaws of Dogwood.

The articles of incorporation of Dogwood as in effect immediately prior to the Effective Time shall be the articles of incorporation of Dogwood at and after the Effective Time until thereafter amended in accordance with applicable law. The Bylaws of Dogwood as in effect immediately prior to the Effective Time shall be the Bylaws of Dogwood at and after the Effective Time until thereafter amended in accordance with applicable law.

1.5 Tax Treatment of the Merger.

The parties to this Agreement intend that the Merger constitute a “reorganization” within the meaning of Section 368(a) of the Code. Such parties hereby adopt this Agreement as a “plan of reorganization” within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the final regulations promulgated under the Code by the United States Department of the Treasury (the “Treasury Regulations”). All parties hereto agree to cooperate and use their best efforts in order to qualify the transactions contemplated herein as a reorganization under Section 368(a)(1) of the Code, to not take any action that could reasonably be expected to cause the Merger to fail to so qualify, and to report the Merger for federal, state, and any local income Tax (as defined herein) purposes in a manner consistent with such characterization.

ARTICLE 2
Merger Consideration; Exchange Procedures

2.1 Conversion of Shares.

At the Effective Time, by virtue of the Merger and without any action on the part of Dogwood, Holding Company or Bank Subsidiary, or their respective shareholders:

(a) Each share of voting common stock, par value \$1.00 per share, of Dogwood (“Dogwood Voting Common Stock”) that is issued and outstanding immediately before the Effective Time shall remain issued and outstanding and shall remain unchanged by the Merger.

(b) Each share of non-voting common stock, par value \$1.00 per share, of Dogwood (“Dogwood Non-Voting Common Stock” and, together with the Dogwood Voting Common Stock, the “Dogwood Common Stock”) that is issued and outstanding immediately before the Effective Time shall remain issued and outstanding and shall remain unchanged by the Merger.

(c) Subject to Sections 2.1(f) and 2.6, (i) each share of common stock, no par value per share, of Holding Company (“Holding Company Common Stock”) that is issued and outstanding immediately before the Effective Time shall be converted into and exchanged for the right to receive 0.5875 shares of Dogwood Voting Common Stock (the “Common Stock Exchange Ratio”), plus cash in lieu of any fractional shares pursuant to Section 2.4, and (ii) each share of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value per share, of Holding Company (“Holding Company Preferred Stock” and, together with the Holding Company Common Stock, the “Holding Company Stock”) that is issued and outstanding immediately before the Effective Time shall be converted into and exchanged for the right to receive 64.7719 shares of Dogwood Voting Common Stock (the “Preferred Stock Exchange Ratio” and, together with the Common Stock Exchange Ratio, the “Exchange Ratios”), plus cash in lieu of any fractional shares pursuant to Section 2.4 (collectively, the “Merger Consideration”). All shares of Holding Company Stock converted pursuant to this Section 2.1 shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(d) Each share of common stock, par value \$5.00 per share, of Bank Subsidiary that is issued and outstanding immediately before the Effective Time shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(e) Each certificate previously representing shares of Holding Company Stock (a “Holding Company Certificate”) and the non-certificated shares of Holding Company Stock (the “Holding Company Book-Entry Shares”) shall cease to represent any rights except the right to receive with respect to each share of Holding Company Stock (i) the Merger Consideration as provided in Section 2.2, and (ii) any dividends or distributions which the holder thereof has the right to receive pursuant to Section 2.2(c).

(f) Each share of Holding Company Stock held by any party hereto and each share of Dogwood Common Stock held by Holding Company or any of the Holding Company Subsidiaries (as defined herein) prior to the Effective Time (in each case other than in a fiduciary or agency capacity or on behalf of third parties as a result of debts previously contracted) shall be

cancelled and retired and shall cease to exist at the Effective Time and no consideration shall be issued in exchange therefor (the “Extinguished Shares”); provided, that such shares of Dogwood Common Stock shall resume the status of authorized and unissued shares of Dogwood Common Stock.

2.2 Exchange Procedures.

(a) On or before the Closing Date, Dogwood shall deposit with Equiniti Trust Company, LLC (the “Exchange Agent”) for exchange in accordance with this Section 2.2, the Merger Consideration (collectively, the “Exchange Fund”). In the event the cash in the Exchange Fund is insufficient to fully satisfy all of the payment obligations to be made by the Exchange Agent hereunder (including pursuant to Section 2.4), Dogwood shall promptly make available to the Exchange Agent the amounts so required to satisfy such payment obligations in full. The Exchange Agent shall deliver the Merger Consideration out of the Exchange Fund. Except as contemplated by this Section 2.2, the Exchange Fund will not be used for any other purpose.

(b) Unless different timing is agreed to by Dogwood and Holding Company, as soon as reasonably practicable after the Effective Time, but in any event no more than ten (10) business days after the Effective Time, Dogwood shall cause the Exchange Agent to mail to the former shareholders of Holding Company appropriate transmittal materials (which shall specify that delivery shall be effected, and risk of loss and title to Holding Company Certificates or other instruments theretofore representing shares of Holding Company Stock shall pass, only upon proper delivery of such Holding Company Certificates or other instruments to the Exchange Agent). In the event of a transfer of ownership of shares of Holding Company Stock represented by one or more Holding Company Certificates that are not registered in the transfer records of Holding Company, the Merger Consideration payable for such shares as provided in Section 2.1 may be issued to a transferee if the Holding Company Certificate or Holding Company Certificates representing such shares are delivered to the Exchange Agent, accompanied by all documents required to evidence such transfer and by evidence reasonably satisfactory to the Exchange Agent that such transfer is proper and that any applicable stock transfer taxes have been paid. In the event any Holding Company Certificate shall have been lost, mutilated, stolen, or destroyed, upon the making of an affidavit of that fact by the person or entity claiming such Holding Company Certificate to be lost, stolen, mutilated, or destroyed and the posting by such person or entity of a bond in such amount as Dogwood may reasonably direct as indemnity against any claim that may be made against it with respect to such Holding Company Certificate, the Exchange Agent shall issue in exchange for such lost, mutilated, stolen, or destroyed Holding Company Certificate the Merger Consideration as provided for in Section 2.1. The Exchange Agent may establish such other reasonable and customary rules and procedures in connection with its duties as it may deem appropriate. Such transmittal materials shall also contain appropriate instructions for the distribution of the Merger Consideration to holders of Holding Company Book-Entry Shares. Dogwood shall pay all charges and expenses, including those of the Exchange Agent in connection with the distribution of the Merger Consideration as provided in Section 2.1. Dogwood or the Exchange Agent will maintain a book-entry list of Dogwood Voting Common Stock to which each former holder of Holding Company Stock is entitled. Certificates evidencing Dogwood Voting Common Stock into which Holding Company Stock has been converted will not be issued.

(c) Unless different timing is agreed to by Dogwood and Holding Company, after the Effective Time, each holder of shares of Holding Company Stock (other than Extinguished Shares) issued and outstanding at the Effective Time shall surrender the Holding Company Certificate or Holding Company Certificates representing, such shares, or shall provide appropriate instructions with respect to Holding Company Book-Entry Shares, to the Exchange Agent and shall promptly upon surrender thereof or the giving of such instructions receive in exchange therefor the consideration provided in Section 2.1, without interest, pursuant to this Section 2.2. The Holding Company Certificate or Holding Company Certificates so surrendered shall be duly endorsed as the Exchange Agent may reasonably require. Dogwood shall not be obligated to deliver the consideration to which any former holder of Holding Company Stock is entitled as a result of the Merger until such holder surrenders such holder's Holding Company Certificate or Holding Company Certificates for exchange as provided in this Section 2.2. Similarly, no dividends or other distributions in respect of the Dogwood Voting Common Stock shall be paid to any holder of any unsurrendered Holding Company Certificate or Holding Company Certificates until such Holding Company Certificate or Holding Company Certificates (or affidavit in lieu thereof as provided in Section 2.2(b)) are surrendered for exchange as provided in this Section 2.2.

(d) Each of Dogwood and the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Holding Company Stock and any holder of Holding Company Options (as defined herein) such amounts, if any, as it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local, or foreign Tax law or by any taxing authority or Governmental Authority (as defined herein); provided, however, that Dogwood shall use commercially reasonable efforts to give Holding Company advance notice of its intentions to make any such deduction or withholding and cooperate in good faith with Holding Company to mitigate any such deduction or withholding to the extent permitted by law (other than with respect to payments in respect of Holding Company Options described in Section 2.3). To the extent that any amounts are so withheld by Dogwood or the Exchange Agent, as the case may be, and paid to the appropriate Governmental Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Holding Company Stock or the Holding Company Options, as applicable, in respect of which such deduction and withholding was made by Dogwood or the Exchange Agent, as the case may be.

(e) Any portion of the Merger Consideration delivered to the Exchange Agent by Dogwood pursuant to Section 2.2(a) that remains unclaimed by the holder of shares of Holding Company Stock for nine (9) months after the Effective Time (as well as any proceeds from any investment thereof) shall be delivered by the Exchange Agent to Dogwood. Any holder of shares of Holding Company Stock who has not theretofore complied with Section 2.2(c) shall thereafter look only to Dogwood for the consideration deliverable in respect of each share of Holding Company Stock such holder holds as determined pursuant to this Agreement without any interest thereon. If outstanding Holding Company Certificates are not surrendered or the payment for them is not claimed prior to the date on which such Merger Consideration would otherwise escheat to or become the property of any Governmental Authority, the unclaimed items shall, to the extent permitted by abandoned property and any other applicable law, shall become the property of Dogwood (and to the extent not in its possession shall be delivered to it),

free and clear of all claims or interest of any person or entity previously entitled to such property. Neither the Exchange Agent nor any party to this Agreement shall be liable to any holder of Holding Company Stock for any amounts paid or properly delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws. Dogwood and the Exchange Agent shall be entitled to rely upon the stock transfer books of Holding Company to establish the identity of those persons or entities entitled to receive the consideration specified in this Agreement, which books shall be conclusive with respect thereto. In the event of a dispute with respect to ownership of stock represented by any Holding Company Certificate or Holding Company Certificates, Dogwood and the Exchange Agent shall be entitled to deposit any consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

2.3 Holding Company Stock Options.

(a) Section 2.3(a) of Holding Company's Disclosure Letter lists all of the equity or equity-based compensation plans maintained by Holding Company under which awards are currently outstanding or any awards may be made thereunder (each, a "Holding Company Stock Plan"). At the Effective Time, each option to purchase shares of Holding Company Common Stock (a "Holding Company Option") granted under a Holding Company Stock Plan, whether vested or unvested, that is outstanding and unexercised immediately prior to the Effective Time shall, at the Effective Time, be cancelled and cease to represent a right to acquire Holding Company Common Stock and shall automatically be converted at the Effective Time without any action on the part of the holder thereof into the right to receive a cash payment in an amount equal to the product of (i) the difference between (A) \$11.75 and (B) the per share exercise price of the Holding Company Option immediately prior to the Effective Time, and (ii) the number of shares of Holding Company Common Stock subject to such Holding Company Option, subject to any applicable withholdings authorized by Section 2.2(d). If the exercise price of a Holding Company Option immediately prior to the Effective Time is greater than or equal to \$11.75, then at the Effective Time such Holding Company Option shall be cancelled without any payment made in exchange therefor.

(b) At or prior to the Effective Time, the Board of Directors of Holding Company shall adopt any resolutions and take any actions which are necessary to (i) effectuate the provisions of this Section 2.3 and (ii) terminate each Holding Company Stock Plan, effective as of the Effective Time and contingent upon the consummation of the Merger.

2.4 No Fractional Shares.

Notwithstanding anything in this Agreement to the contrary, each holder of shares of Holding Company Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Dogwood Voting Common Stock shall receive, in lieu thereof, cash (without interest and rounded to the nearest cent) in an amount equal to such fractional part of a share of Dogwood Voting Common Stock multiplied by the average closing price per share of Dogwood Voting Common Stock, as reported by Bloomberg Financial L.P., for the twenty (20) consecutive trading days ending on and including the fifth trading day prior to the Effective Time.

2.5 Anti-Dilution.

If, prior to the Effective Time, the outstanding shares of Holding Company Stock or the outstanding shares of Dogwood Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, or if a record date prior to the Effective Time has been established with respect to any such change in capitalization, then appropriate and proportionate adjustments shall be made to the Common Stock Exchange Ratio or Preferred Stock Exchange Ratio, as applicable.

2.6 Dissenters' Rights.

(a) Any holder of Holding Company Stock who properly exercises the right of dissent with respect to the Merger as provided in Chapter 13 of the SCBCA shall be entitled to receive payment of the fair value of his, her or its shares of Holding Company Stock in the manner and pursuant to the procedures provided therein; provided, that no such payment shall be made to any dissenting shareholder unless and until such dissenting shareholder has complied with all applicable provisions of the SCBCA, and surrendered to Holding Company or Dogwood the Holding Company Certificates or given appropriate distribution instructions with respect to Holding Company Book-Entry Shares for which payment is being made (the "Dissenting Shares").

(b) If any holder of a Dissenting Share fails to perfect his, her or its right to dissent against the Merger pursuant to Section 2.6(a), or withdraws or otherwise loses such holder's rights as a dissenting shareholder, such Dissenting Share shall be converted automatically into and exchanged for the right to receive the Merger Consideration payable pursuant to Section 2.1(c).

(c) Holding Company will provide Dogwood prompt notice of any written notices or other communications received by Holding Company from holders of Holding Company Stock regarding the exercise or perfection of dissenters' rights in connection with the Merger.

ARTICLE 3 Representations and Warranties

3.1 Disclosure Letters.

On or before the date of this Agreement, Holding Company has delivered to Dogwood a letter and Dogwood has delivered to Holding Company a letter (each respectively, its "Disclosure Letter") setting forth, among other things, the disclosure of items that are necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 3.3 or 3.4 or to one or more covenants or agreements contained in Article 4 or 5; provided that, (i) no such item is required to be set forth in a Disclosure Letter as an exception to any representation or warranty if its absence would not result in the related representation or warranty being deemed untrue or incorrect under the standard established by Section 3.2, and (ii) the mere inclusion of an item in a Disclosure Letter as an exception to a representation or warranty shall not be

deemed an admission by a party that such item represents a material exception or fact, event or circumstance or that, absent such inclusion in the Disclosure Letter, such item is reasonably likely to result in a Material Adverse Effect (as defined herein). Information disclosed under one section of a Disclosure Letter shall be deemed to qualify (i) any sections of the Agreement specifically referenced or cross-referenced therein and (ii) other sections of the Agreement to the extent it is reasonably apparent (notwithstanding the absence of a specific cross reference) from a reading of the disclosure that such disclosure applies to such other sections and contains sufficient detail to enable a reasonable person to recognize the relevance of such disclosure to such other sections.

3.2 Standard.

(a) No representation or warranty of Holding Company or Bank Subsidiary on the one hand or Dogwood on the other hand contained in Article 3 (other than the representations and warranties contained in (i) Section 3.3(c)(i) for Holding Company and Bank Subsidiary, and Section 3.4(c)(i) for Dogwood, which shall be true in all material respects to it, and (ii) Sections 3.3(c)(ii)(A), 3.3(d) (other than inaccuracies that are de minimis in amount and effect) and 3.3(g)(ii) for Holding Company and Bank Subsidiary, and Sections 3.4(c)(ii)(A), 3.4(d) (other than inaccuracies that are de minimis in amount and effect) and 3.4(g)(ii) for Dogwood, which shall be true and correct in all respects) will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence or absence of any fact, event or circumstance unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 3.3 or Section 3.4, has had or is reasonably likely to have a Material Adverse Effect on such party, disregarding for these purposes (i) any qualification or exception for, or reference to, materiality in any such representation or warranty and (ii) any use of the terms “material,” “materially,” “in all material respects,” “Material Adverse Effect” or similar terms or phrases in any such representation or warranty.

(b) The term “Material Adverse Effect,” as used with respect to a party, means an event, change, effect or occurrence which, individually or together with any other event, change, effect or occurrence, (i) is materially adverse to the business, properties, financial condition or results of operations of such party and its subsidiaries (meaning the Holding Company Subsidiaries or the Dogwood Subsidiaries, as the case may be), taken as a whole, or (ii) materially impairs the ability of such party to perform its obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement on a timely basis; provided that in the case of clause (i) a Material Adverse Effect shall not be deemed to include the impact of (A) changes after the date of this Agreement in laws, rules or regulations generally affecting the banking and bank holding company businesses and the interpretation of such laws and regulations by courts or Governmental Authorities, (B) changes after the date of this Agreement in generally accepted accounting principles in the United States (“GAAP”) or regulatory accounting requirements generally affecting the banking and bank holding company businesses, (C) changes or events after the date of this Agreement generally affecting the banking and bank holding company businesses, including changes in prevailing interest rates, and not specifically relating to Dogwood, the Dogwood Subsidiaries, Holding Company or the Holding Company Subsidiaries, (D) the effects of the actions expressly permitted or required by this Agreement or that are taken with the prior informed consent of the other parties in

contemplation of the transactions contemplated hereby, (E) the public disclosure of this Agreement and the transactions contemplated hereby, (F) changes in national or international political or social conditions, including any outbreak or escalation of major hostilities or acts of terrorism, declarations of any national or global epidemic, pandemic or disease outbreak, or the material worsening of such conditions threatened or existing as of the date of this Agreement, or (G) a decline, in and of itself, in the trading price of a party's common stock or the failure, in and of itself, to meet earnings projections or other internal financial forecasts, but not including the underlying causes thereof to the extent such causes are not otherwise excluded by clauses (A) through (F); except, with respect to clauses (A), (B), (C) or (F), to the extent that the impact of such change is materially disproportionately adverse to the business, properties, assets, liabilities, financial condition or results of operations of such party hereto and its subsidiaries, taken as a whole, as compared to other comparable companies in the commercial banking industry.

(c) As used in this Agreement, the term "Knowledge" when used with respect to a party means the actual knowledge and belief, after due inquiry, of such party's executive officers. For the purpose of the term Knowledge, "executive officer" shall mean (y) with respect to Dogwood and the Dogwood Subsidiaries, those individuals set forth on Section 3.2(c) of Dogwood's Disclosure Letter, and (z) with respect to Holding Company and the Holding Company Subsidiaries, those individuals set forth on Section 3.2(c) of Holding Company's Disclosure Letter.

3.3 Representations and Warranties of Holding Company and Bank Subsidiary.

Subject to and giving effect to Sections 3.1 and 3.2 and except as set forth in Holding Company's Disclosure Letter, Holding Company and Bank Subsidiary hereby jointly and severally represent and warrant to Dogwood as follows:

(a) *Organization, Standing and Power.*

(i) Holding Company is a South Carolina corporation duly organized, validly existing and in good standing under the laws of the State of South Carolina. Holding Company has all requisite corporate power and authority to carry on its business as now being conducted and to own and operate its assets, properties and business. Holding Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. Holding Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on it. True and complete copies of the articles of incorporation, bylaws or other similar governing instruments ("Organizational Documents") of Holding Company, in each case as amended to the date hereof and as in full force and effect as of the date hereof, are attached to Section 3.3(a)(i) of Holding Company's Disclosure Letter. Holding Company is not in violation of any provision of its Organizational Documents.

(ii) Bank Subsidiary, a wholly owned subsidiary of Holding Company, is a South Carolina state chartered bank duly organized, validly existing and in good standing

under the laws of the State of South Carolina, and has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business. Bank Subsidiary's deposits are insured by the Deposit Insurance Fund of the FDIC to the maximum extent permitted by law. True and complete copies of the Organizational Documents of Bank Subsidiary, in each case as amended to the date hereof and as in full force and effect as of the date hereof, are attached to Section 3.3(a)(ii) of Holding Company's Disclosure Letter. Bank Subsidiary is not in violation of any provision of its Organizational Documents.

(iii) The minute books of Holding Company and Bank Subsidiary contain records of all meetings held by, and all other corporate or similar actions of, their respective shareholders and boards of directors (including committees of their respective boards of directors), which records are complete and accurate in all material respects. The stock ledgers and the stock transfer books of Holding Company and Bank Subsidiary contain complete and accurate records of the record ownership of the equity securities of Holding Company and Bank Subsidiary.

(b) *Subsidiaries.*

(i) Each Holding Company Subsidiary (i) is a duly organized bank or corporation validly existing and in good standing under applicable laws, (ii) has full corporate or other applicable power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on Holding Company on a consolidated basis. The outstanding shares of capital stock of each Holding Company Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by Holding Company free and clear of all liens, claims and encumbrances or preemptive rights of any person. No rights are authorized, issued or outstanding with respect to the capital stock of any Holding Company Subsidiary and there are no agreements, understandings or commitments relating to the right of Holding Company to vote or to dispose of the capital stock or equity interests of any Holding Company Subsidiary. A true and complete list of each direct and indirect Holding Company Subsidiary as of the date hereof is set forth in Section 3.3(b)(i) of Holding Company's Disclosure Letter that shows the jurisdiction of organization of each Holding Company Subsidiary and lists the owner(s), number of shares held and percentage ownership (direct or indirect) of each Holding Company Subsidiary. Section 3.3(b)(i) of Holding Company's Disclosure Letter also lists any corporation, bank or other business organization of which it owns, directly or indirectly, five percent (5%) or more of the outstanding capital stock or other equity interests, and shows the jurisdiction of organization, form of organization, and lists the owner(s), number of shares or other equity interests held and percentage ownership (direct or indirect) of each such entity. As used herein, the term "Holding Company Subsidiary" means any corporation, bank or other business organization, whether incorporated or unincorporated, as to which Holding Company owns or controls, directly or indirectly, at least a majority of the securities or other interests that have by their terms ordinary voting

power to elect a majority of the board of directors or others performing similar functions with respect to such corporation, bank or other business organization.

(ii) Except as set forth in Section 3.3(b)(ii) of Holding Company's Disclosure Letter, neither Holding Company nor any of the Holding Company Subsidiaries beneficially owns, directly or indirectly (other than in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted), any equity securities or similar interests of any corporation, bank or other organization actively engaged in business, or any interest in a partnership or joint venture of any kind.

(c) *Authority; No Breach of the Agreement.*

(i) Each of Holding Company and Bank Subsidiary has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and, subject to obtaining the Holding Company Shareholder Approvals and the Bank Shareholder Approval (each as defined herein), to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Holding Company and Bank Subsidiary, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of Holding Company and Bank Subsidiary, respectively (including valid authorization and adoption of this Agreement by the Boards of Directors of Holding Company and Bank Subsidiary and approval by the sole shareholder of Bank Subsidiary (the "Bank Shareholder Approval")), subject only to the receipt of approval of this Agreement by (A) the holders of at least two-thirds of the outstanding shares of Holding Company Common Stock, (B) the holders of at least two-thirds of the outstanding shares of Holding Company Preferred Stock, and (C) the holders of at least two-thirds of the outstanding shares of Holding Company Stock (collectively, the "Holding Company Shareholder Approvals"). This Agreement has been duly executed and delivered by Holding Company and Bank Subsidiary and assuming due authorization, execution and delivery of this Agreement by Dogwood, this Agreement is a valid and legally binding obligation of Holding Company and Bank Subsidiary, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by Holding Company and Bank Subsidiary, nor the consummation by Holding Company and Bank Subsidiary of the transactions contemplated hereby, nor compliance by Holding Company and Bank Subsidiary with any of the provisions hereof will: (A) conflict with, violate or result in a breach or default of any provision of the Organizational Documents of Holding Company or Bank Subsidiary; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of Holding Company or any Holding Company Subsidiary pursuant to any (1) note, bond, mortgage or indenture, or (2) any material license, agreement or other instrument or obligation, to which Holding Company or any Holding Company Subsidiary is a party or by which Holding Company

or any Holding Company Subsidiary or any of their properties or assets may be bound; or (C) subject to the receipt of all required shareholder approvals and the receipt, or the making, of the consents, approvals, waivers, non-objections, authorizations and filings referred to in Section 3.3(c)(iii) and the expiration of related waiting periods, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Holding Company or any Holding Company Subsidiary.

(iii) Except for (A) the filing of any required applications, filings or notices with the Governmental Authorities and the receipt of any approvals, waivers, non-objections and authorizations of the Governmental Authorities necessary to consummate the transactions contemplated by this Agreement (the “Regulatory Approvals”), (B) the filing of Articles of Merger with the NCSOS and SCSOS to effect the Merger, and (C) such filings and approvals as are required to be made or obtained under the securities or “Blue Sky” laws of the various states in connection with the issuance of shares of Dogwood Voting Common Stock pursuant to this Agreement, no consents or approvals of, or notices to or filings with, any Governmental Authority are necessary in connection with the execution and delivery of this Agreement and the consummation by Holding Company and Bank Subsidiary of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, to Holding Company’s Knowledge, there are no facts or circumstances that would materially impede or delay receipt of any Regulatory Approvals nor any reason why the necessary Regulatory Approvals will not be received in order to permit consummation of the Merger. For the purposes of this Agreement, a “Governmental Authority” means any court, administrative agency or commission or other governmental authority, agency or instrumentality, domestic or foreign, or any industry self-regulatory authority, including but not limited to the Board of Governors of the Federal Reserve System (the “Federal Reserve”), the FDIC, the NCSOS, the North Carolina Office of the Commissioner of Banks (“NCCOB”), the SCSOS, and the South Carolina Office of the Commissioner of Banking (“SCCOB”).

(d) *Holding Company Capital Stock.*

(i) The authorized capital stock of Holding Company consists of 10,000,000 shares of Holding Company Common Stock, of which 5,514,683 shares are issued and outstanding as of the date of this Agreement, and 10,000,000 shares of preferred stock, no par value per share, of which 3,150 shares of Holding Company Preferred Stock are issued and outstanding as of the date of this Agreement. All outstanding shares of Holding Company Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. All shares of Holding Company’s capital stock issued and outstanding have been issued in compliance with and not in violation of any applicable federal or state securities laws. As of the date of this Agreement, no shares of Holding Company Common Stock are subject to unvested restricted stock awards granted under a Holding Company Stock Plan and 176,900 shares of Holding Company Common Stock are subject to Holding Company Options granted under a Holding Company Stock Plan. As of the date of this Agreement, there are 293,129 shares of Holding Company Common Stock reserved for issuance pursuant to the Holding Company Options. Other than the Holding Company Options, there are no outstanding or authorized options, warrants, rights, agreements,

convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to its capital stock pursuant to which Holding Company is or may become obligated to issue shares of capital stock or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of its capital stock (collectively, “Rights”). Section 3.3(d)(i) of Holding Company’s Disclosure Letter sets forth with respect to each Holding Company Option the (A) name of the holder, (B) grant date, (C) expiration date, (D) vesting schedule, if applicable, (E) number of shares of Holding Company Stock subject to the Holding Company Option and the number of such shares exercisable as of the date of this Agreement, and (F) per share exercise price.

(ii) Section 3.3(d)(ii) of Holding Company’s Disclosure Letter sets forth, as of December 31, 2023, the name and address, as reflected on the books and records of Holding Company, of each holder of record, and the number of shares of Holding Company Stock held by each such holder.

(iii) No bonds, debentures, notes, or other indebtedness having the right to vote on any matters on which shareholders of Holding Company or Bank Subsidiary may vote are issued or outstanding. Section 3.3(d)(iii) of Holding Company’s Disclosure Letter includes a true, correct, and complete list of senior and subordinated debt securities of Holding Company or any Holding Company Subsidiary that are issued and outstanding as of the date of this Agreement, including, with respect to each such security, the aggregate principal amount outstanding as of December 31, 2023, maturity date, call date (if not currently callable), current interest rate and date of the next adjustment of interest rate (if any). Holding Company or Bank Subsidiary has administered all such debt securities in accordance with the terms thereof. Holding Company has made available to Dogwood true and correct copies of the forms of note or other evidence of indebtedness related to such debt securities.

(e) *Financial Statements; Accounting Controls.*

(i) Holding Company has made available to Dogwood copies of Holding Company’s (A) audited consolidated balance sheets as of December 31, 2022, 2021 and 2020, and the related consolidated statements of income and comprehensive income, changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes to the financial statements and (B) unaudited consolidated balance sheets and the related statements of income as of and for the nine (9) months ended September 30, 2023, and will make available to Dogwood, as soon as reasonably practicable following the issuance thereof, audited consolidated balance sheets and the related statements of income and comprehensive income, changes in shareholders’ equity, and cash flows for year ended December 31, 2023 and the related notes to such financial statements, and unaudited consolidated balance sheets and the related statements of income for each calendar quarter subsequent to September 30, 2023 (collectively, the “Financial Statements”). The Financial Statements fairly present (or, in the case of financial statements for quarterly periods prepared and delivered to Dogwood after the date of this Agreement, will fairly present) in all material respects the consolidated financial position of Holding Company and the Holding Company Subsidiaries, as at the respective dates and the consolidated results of Holding

Company's operations and, to the extent included, cash flows for the periods indicated, in each case in accordance with GAAP consistently applied during the periods indicated, except in each case as may be noted therein, and subject, in the case of unaudited interim statements, to normal year-end audit adjustments.

(ii) Holding Company and Bank Subsidiary have each devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, (B) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to it or other criteria applicable to such financial statements, and to maintain proper accountability for items therein, (C) access to its properties and assets is permitted only in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, and (D) the recorded accountability for items is compared with the actual levels at reasonable intervals and appropriate actions taken with respect to any differences. Holding Company and Bank Subsidiary are not subject to the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and nothing contained in this Section 3.3(e)(ii) shall be construed as a representation or warranty that the internal accounting controls of Holding Company or Bank Subsidiary are, or would be, in compliance in all respects with those required by the Sarbanes-Oxley Act.

(iii) Since January 1, 2021, neither Holding Company nor Bank Subsidiary nor, to Holding Company's Knowledge, any director, officer, employee, auditor, accountant or representative of Holding Company or Bank Subsidiary has received, or otherwise had or obtained Knowledge of, any material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of Holding Company or Bank Subsidiary or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that Holding Company or Bank Subsidiary has engaged in questionable accounting or auditing practices.

(f) *Bank Reports.* Holding Company and Bank Subsidiary have filed all reports, forms, correspondence, registrations and statements, together with any amendments required to be made with respect thereto (the "Bank Reports"), that they were required to file since December 31, 2019 with the Federal Reserve, the FDIC, the SCCOB and any other federal, state or foreign governmental or regulatory agency or authority having jurisdiction over Holding Company or Bank Subsidiary (collectively, the "Holding Company Regulatory Agencies"), including any Bank Report required to be filed pursuant to the laws of the United States, any state or any Holding Company Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith, except where the failure to file such Bank Report or to pay such fees and assessments, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on it. Any such Bank Report regarding Holding Company or Bank Subsidiary filed with or otherwise submitted to any Holding Company Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Holding Company Regulatory Agency in the ordinary course of Holding Company's and Bank Subsidiary's business, there is

no pending proceeding before, or, to Holding Company's Knowledge, examination or investigation by, any Holding Company Regulatory Agency into the business or operations of Holding Company or Bank Subsidiary. There is no unresolved violation, criticism or exception by any Holding Company Regulatory Agency with respect to any Bank Report or relating to any examination or inspection of Holding Company or Bank Subsidiary, and there has been no formal or informal inquiries by, or disagreements or disputes with, any Holding Company Regulatory Agency with respect to the business, operations, policies or procedures of Holding Company or Bank Subsidiary since December 31, 2020, in each case, which would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Holding Company.

(g) *Absence of Certain Changes or Events.* Since December 31, 2022, except as disclosed in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (i) Holding Company and Bank Subsidiary have conducted their respective businesses in all material respects in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which have had or are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Holding Company.

(h) *Absence of Undisclosed Liabilities.* Except as set forth in Section 3.3(h) of Holding Company's Disclosure Letter and except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (ii) liabilities incurred since December 31, 2022 in the ordinary course of business consistent with past practice, (iii) liabilities that arise out of executory obligations under contracts, (iv) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and (v) liabilities incurred in connection with the transactions contemplated by this Agreement, neither Holding Company nor any Holding Company Subsidiary has, and since December 31, 2021 neither has incurred (except as permitted by Section 4.1), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in the Financial Statements or Bank Reports).

(i) *Material Contracts; Defaults.*

(i) Set forth in Section 3.3(i)(i) of Holding Company's Disclosure Letter is a list that includes each of the following agreements, contracts, arrangements, commitments or understandings (whether written or oral) that Holding Company or any Holding Company Subsidiary is a party to, bound by or subject to (each, a "Holding Company Contract" and collectively, "Holding Company Contracts"): (A) with respect to the employment of any of its directors, officers, employees or consultants, including any employment or engagement, severance, termination, consulting or retirement agreement, (B) which would entitle any present or former director, officer, employee or consultant of Holding Company or a Holding Company Subsidiary to indemnification from Holding Company or a Holding Company Subsidiary, (C) which would be required to be filed as an exhibit to a Form 10-K filed by Holding Company as of the date of this Agreement pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if Holding Company were subject to such reporting

requirements, (D) which is an agreement (including data processing, software programming, consulting and licensing contracts) not terminable on sixty (60) days or less notice and involving the payment or value of more than \$50,000 per year and/or has a termination fee, (E) which relates to the incurrence of indebtedness by Holding Company or Bank Subsidiary (other than deposit liabilities, advances and loans from the Federal Home Loan Bank of Atlanta, and sales of securities subject to repurchase, in each case, in the ordinary course of business), (F) which grants any person a right of first refusal, right of first offer or similar right with respect to any material properties, rights, assets or businesses of Holding Company or a Holding Company Subsidiary, (G) which involves the purchase or sale of assets with a purchase price of \$50,000 or more in any single case or \$100,000 in all such cases, other than purchases and sales of investment securities and loans in the ordinary course of business consistent with past practice, (H) which provides for the payment by Holding Company or a Holding Company Subsidiary of payments upon a change in control thereof, (I) which is a lease for any real or material personal property owned or presently used by Holding Company or a Holding Company Subsidiary, (J) which prohibits or materially restricts the conduct of any business by Holding Company or a Holding Company Subsidiary or limits the freedom of Holding Company or a Holding Company Subsidiary to engage in any line of business in any geographic area (or to Holding Company's Knowledge would so restrict Dogwood or a Dogwood Subsidiary (as defined herein) after consummation of the Merger) or which requires exclusive referrals of business or requires Holding Company or a Holding Company Subsidiary to offer specified products or services to its customers or depositors on a priority or exclusive basis, (K) involves Intellectual Property (as defined herein) (other than contracts entered into in the ordinary course with customers and "shrink-wrap" software licenses) that is material to business of Holding Company or a Holding Company Subsidiary, or (L) which is with respect to, or otherwise commits Holding Company or a Holding Company Subsidiary to do, any of the foregoing. Holding Company has previously made available to Dogwood true, complete and correct copies of each such Holding Company Contract, including any and all amendments and modifications thereto.

(ii) With respect to each Holding Company Contract: (A) the contract is in full force and effect, (B) neither Holding Company nor any Holding Company Subsidiary is in default thereunder, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default, (C) neither Holding Company nor any of the Holding Company Subsidiaries has repudiated or waived any material provision of any such contract from January 1, 2022 to the date hereof, (D) no other party to any such contract is, to Holding Company's Knowledge, in default in any material respect, and (E) Section 3.3(i)(ii) of Holding Company's Disclosure Letter contains a true and complete list of the deadlines for extensions or terminations with respect to each such Holding Company Contract (including specifically real property leases and data processing agreements) that involves the payment or value of more than \$100,000 per year and/or has a termination fee.

(iii) Each Holding Company Contract is valid and binding on Holding Company and is in full force and effect (other than due to the ordinary expiration thereof), and to the Knowledge of Holding Company is valid and binding on the other

parties thereto. Holding Company and each Holding Company Subsidiary is not, and to the Knowledge of Holding Company, no other party thereto, is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business or operations may be bound or affected, or under which it or its respective assets, business or operations receives benefits which is reasonably likely to have a Material Adverse Effect, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by Holding Company or a Holding Company Subsidiary is currently outstanding.

(iv) Section 3.3(i)(iv) of Holding Company's Disclosure Letter sets forth a true and complete list of all Holding Company Contracts pursuant to which consents, waivers or notices are required to be given thereunder, in each case, prior to the performance by Holding Company and Bank Subsidiary of this Agreement and the consummation of the Merger and the other transactions contemplated hereby and thereby.

(j) *Legal Proceedings; Compliance with Laws.*

(i) There are no actions, lawsuits, arbitrations or administrative or judicial proceedings (or, to the Knowledge of Holding Company, any basis therefor) instituted or pending or, to its Knowledge, threatened against Holding Company or any of the Holding Company Subsidiaries or against any of Holding Company's or any of the Holding Company Subsidiaries' properties, assets, interests or rights, or to the Knowledge of Holding Company, against any of Holding Company's or a Holding Company Subsidiary's officers, directors or employees in their capacities as such. Neither Holding Company nor any of the Holding Company Subsidiaries is a party to or subject to any cease-and-desist or other agreement, order, memorandum of understanding, enforcement action, supervisory or commitment letter or similar undertaking by or with any Governmental Authority that, in each of any such case, restricts Holding Company's operations or the operations of any of the Holding Company Subsidiaries or that relates to Holding Company's or Bank Subsidiary's capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, and neither Holding Company nor any of the Holding Company Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing, ordering, or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. Except for examinations of Holding Company and any of the Holding Company Subsidiaries conducted by a Governmental Authority in the ordinary course of business and except as set forth in Section 3.3(j)(i) of Holding Company's Disclosure Letter, no Governmental Authority has ordered Holding Company or any of the Holding Company Subsidiaries to pay any civil penalty or initiated or has pending any actions, lawsuits, arbitrations or administrative or judicial proceedings or, to the Knowledge of Holding Company, investigation into the business or operations of Holding Company or any of the Holding Company Subsidiaries since December 31, 2018. There is no claim, action, suit, proceeding, investigation or notice of violation (whether civil, criminal or administrative) pending or, to the Knowledge of Holding Company, threatened against any officer or director of Holding Company, or any of the

Holding Company Subsidiaries, in connection with the performance of his or her duties as an officer or director of Holding Company or any of the Holding Company Subsidiaries. Except as set forth in Section 3.3(j)(i) of Holding Company's Disclosure Letter, Holding Company and each of the Holding Company Subsidiaries have complied in all material respects with, and have not been in material default or violation under, all laws, statutes, ordinances, requirements, regulations, rules or orders of any Governmental Authority applicable to Holding Company or such Holding Company Subsidiary, including (to the extent applicable to Holding Company or any Holding Company Subsidiary), all laws related to data protection or privacy, the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Community Reinvestment Act ("CRA"), the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Growth, Regulatory Relief and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Foreign Corrupt Practices Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, the Truth-in-Lending Act and Regulation Z, the Home Mortgage Disclosure Act, and any other laws relating to bank secrecy, discriminatory or abusive or deceptive lending or any other product or service, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. Neither Holding Company nor any of the Holding Company Subsidiaries have been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition or approval of any Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Holding Company or any of the Holding Company Subsidiaries. Except as set forth in Section 3.3(j)(i) of Holding Company's Disclosure Letter, Holding Company and each of the Holding Company Subsidiaries hold, and have at all times since December 31, 2018, held, all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets (and have paid all fees and assessments due and payable in connection therewith), except where neither the cost of failure to hold nor the cost of obtaining and holding such license, franchise, permit or authorization (nor the failure to pay any fees or assessments) would be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Holding Company, and to the Knowledge of Holding Company no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened.

(ii) Holding Company has no Knowledge of, nor has Holding Company or any of the Holding Company Subsidiaries been advised of, or has any reason to believe that any facts or circumstances exist, which would cause Holding Company or any of the Holding Company Subsidiaries: (A) to be deemed to be operating in violation of the federal Bank Secrecy Act, as amended, and its implementing regulations, the USA PATRIOT Act, and the regulations promulgated thereunder, the Anti-Money Laundering Act of 2020, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable

anti-money laundering statute, rule or regulation; or (B) to be deemed not to be in satisfactory compliance with the applicable requirements contained in any federal and state privacy or data security laws and regulations.

(k) *Tax Matters.*

(i) Holding Company and each of the Holding Company Subsidiaries have timely filed all Tax Returns required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes owed by Holding Company or any of the Holding Company Subsidiaries have been timely paid. No Tax Return filed by Holding Company or any of the Holding Company Subsidiaries is the subject of any administrative or judicial proceeding, no unpaid Tax deficiency has been asserted against Holding Company or any of the Holding Company Subsidiaries by any Governmental Authority, and to the Knowledge of Holding Company, no Tax Return filed by Holding Company or any of the Holding Company Subsidiaries is under examination by any Governmental Authority.

(ii) Holding Company and each of the Holding Company Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. Holding Company and each of the Holding Company Subsidiaries have complied in all material respects with all Tax information reporting and backup withholding provisions of applicable law. Holding Company and each of the Holding Company Subsidiaries has obtained and maintains on file a Form W-9 or the appropriate Form W-8 with respect to each of its depositors or other account holders, bondholders and shareholders and is in full compliance with all reporting, record keeping and due diligence requirements under the Foreign Account Tax Compliance Act and all of the rules and regulations promulgated thereunder.

(iii) There are no liens for Taxes (other than statutory liens for Taxes not yet due and payable) upon any of the assets of Holding Company or any of the Holding Company Subsidiaries. Neither Holding Company nor any of the Holding Company Subsidiaries (i) is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Holding Company and the Holding Company Subsidiaries) (ii) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group of which Holding Company was the common parent) or (iii) has any liability for the Taxes of any person (other than Holding Company and the Holding Company Subsidiaries) arising from the application of Treasury regulation Section 1.1502-6, or any similar provision of state, local or non-U.S. law, as a transferee or successor, by contract or otherwise. Neither Holding Company nor any of the Holding Company Subsidiaries has distributed stock to another person, or has had its stock distributed by another person during the two-year period ending on the date hereof that was intended to be governed in whole or in part by Section 355 of the Code.

(iv) Neither Holding Company nor any of the Holding Company Subsidiaries is or has been a party to any “reportable transaction,” as defined in Section 1.6011-4(b) of

the Treasury Regulations. Holding Company and each of the Holding Company Subsidiaries have disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. Holding Company is not and has not been a “United States real property holding company” within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(v) Neither Holding Company nor any of the Holding Company Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable year (or portion thereof) ending after the Closing Date as a result of any (i) installment sale or open transaction made on or prior to the Closing Date or (ii) prepaid amount received on or prior to the Closing Date. There is currently no limitation on the use of the Tax attributes of Holding Company and the Holding Company Subsidiaries under Sections 269, 382, 383, 384 or 1502 of the Code (and similar provisions of state, local or foreign tax law); provided that Holding Company and Bank Subsidiary make no representation or warranty regarding whether any such limitation will result from the transactions contemplated by this Agreement.

(vi) Neither Holding Company nor any of the Holding Company Subsidiaries has any unrecognized deferred intercompany gain or excess loss account described in Treasury regulations promulgated under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non- U.S. Tax law). No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings have been entered into or issued by any taxing authority with respect to Holding Company or any of the Holding Company Subsidiaries and no such agreement or ruling has been applied for and is currently pending.

(vii) Neither Holding Company nor any of the Holding Company Subsidiaries has taken or agreed to take (or failed to take or agree to take) any action or knows of any facts or circumstances that would reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

(viii) For the purposes of this Agreement, “Tax” or “Taxes” mean any and all taxes, charges, fees, levies or other assessments in the nature of a tax imposed by a Governmental Authority, including, without limitation, all income, gross receipts, sales, use, ad valorem, goods and services, escheat, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Authority.

(ix) As used in this Agreement, the term “Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof, supplied or required to be supplied to a Governmental Authority.

(1) *Property.*

(i) Except as set forth in Section 3.3(l)(i) of Holding Company's Disclosure Letter or reserved against as disclosed in its Financial Statements or Bank Reports, Holding Company and each of the Holding Company Subsidiaries have good and marketable title in fee simple absolute free and clear of all material liens, encumbrances, charges, defaults or equitable interests, other than Permitted Liens (as defined herein), to all of the properties and assets, real and personal, reflected in the balance sheet included in its Financial Statements or Bank Reports as of December 31, 2022 or acquired after such date. All buildings, and all fixtures, equipment, and other property and assets that are material to Holding Company's or any of the Holding Company Subsidiaries' business, held under leases, subleases or licenses, are held under valid instruments, and to Holding Company's Knowledge, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Other than real estate that was acquired by foreclosure or voluntary deed in lieu of foreclosure, all buildings, structures, and appurtenances owned, leased, or occupied by Holding Company and each of the Holding Company Subsidiaries (the "Real Property") are in good operating condition and in a state of good maintenance and repair and comply with applicable zoning and other municipal laws and regulations, and there are no latent defects therein. With regard to the Real Property, there are no eminent domain or similar proceedings pending or, to the Knowledge of Holding Company, threatened, affecting all or any material portion of such Real Property, and further, there is no writ, injunction, decree, order or judgement outstanding, nor any action, claim suit or proceeding pending or, to the Knowledge of Holding Company, threatened, relating to the ownership, lease, use, occupancy or operation of such Real Property.

(ii) Section 3.3(l)(ii) of Holding Company's Disclosure Letter identifies and sets forth the address of each parcel of real estate or interest therein, leased, licensed or subleased by Holding Company and each of the Holding Company Subsidiaries or in which Holding Company or any of the Holding Company Subsidiaries has any ownership or leasehold interest. Holding Company has made available to Dogwood true and complete copies of all lease, license and sublease agreements, including without limitation every amendment thereto, for each parcel of real estate or interest therein to which Holding Company or any of the Holding Company Subsidiaries is a party.

For purposes of this Section 3.3(l), "Permitted Liens" shall mean: (a) liens arising by operation of law for taxes or other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings; (b) liens arising by operation of law, including liens arising by virtue of the rights of customers, suppliers and subcontractors in the ordinary course of business under general principles of commercial law, that do not, individually or in the aggregate, materially impair the value of the assets to which they relate and that are for current obligations; (c) imperfections of title that do not, individually or in the aggregate, materially impair the continued ownership, use and operation of the assets to which they relate in the business of Holding Company or the Holding Company Subsidiaries as currently conducted; and (d) in each case as set forth in Section 3.3(l)(i) of Holding Company's Disclosure Letter security interests granted in connection with either (i) the lease of

equipment in the ordinary course of business, or (ii) an existing mortgage agreement encumbering Real Property.

(m) *Employee Benefit Plans.*

(i) Section 3.3(m)(i) of Holding Company's Disclosure Letter sets forth a complete and accurate list of all employee benefit plans and programs of Holding Company and the Holding Company Subsidiaries, including without limitation: (A) all retirement, savings, pension, stock bonus, profit sharing and other similar plans, programs or arrangements; (B) all health, life, severance, insurance, disability and other employee welfare or fringe benefit plans, programs, contracts or similar arrangements; (C) all employment agreements, change in control agreements, severance agreements or similar agreements; (D) all vacation, paid time off and other similar plans or policies; and (E) all bonus, stock option, stock purchase, restricted stock, restricted stock unit, equity or equity based compensation, phantom stock, incentive, deferred compensation, supplemental retirement, excess benefit, change in control and other employee and director benefit plans, programs or arrangements, and all other employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees, directors and contractors, or any spouse, dependent or beneficiary thereof, whether written or unwritten for which (1) Holding Company, (2) any Holding Company Subsidiary or (3) any of their subsidiaries or former subsidiaries or any trade or business of Holding Company or any entity, whether or not incorporated, all of which together with it are or were deemed a "single employer" within the meaning of Section 4001(b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 414 of the Code ("ERISA Affiliates"), sponsors, has (or had, during the last six (6) years) an obligation to contribute or has (or had, during the last six (6) years) any liability (individually, a "Holding Company Benefit Plan" and collectively, the "Holding Company Benefit Plans"). Neither Holding Company nor any Holding Company Subsidiary or ERISA Affiliate is subject to or obligated under any oral or unwritten Holding Company Benefit Plan.

(ii) Holding Company has, with respect to each Holding Company Benefit Plan, previously delivered or made available to Dogwood true and complete copies of: (A) the most recent plan document and/or agreements and any amendments thereto and related trust agreements or annuity contracts and any amendments thereto; (B) all current summary plan descriptions and material communications to employees and Holding Company Benefit Plan participants and beneficiaries; (C) the Form 5500 filed in each of the most recent three (3) plan years (including all schedules thereto and the opinions of independent accountants); (D) the most recent actuarial valuation (if any); (E) the most recent annual and periodic accounting of plan assets; (F) all information regarding determination of full-time status of employees for purposes of the Patient Protection and Affordable Care Act of 2010, as amended (the "ACA"), including any look-back measurement periods thereunder, for each of the most recent three (3) years; (G) if the Holding Company Benefit Plan is intended to qualify under Sections 401(a) or 403(a) of the Code, the most recent determination letter or opinion letter, as applicable, received from the Internal Revenue Service (the "IRS"); (H) copies of the most recent nondiscrimination tests for all Holding Company Benefit Plans, as applicable; (I) copies

of all material correspondence with any governmental agency within the last six (6) years, including but not limited to any investigation materials, any “Top Hat” filings, and any filings under amnesty, voluntary compliance, or similar programs; and (J) any such other related documents as reasonably requested by Dogwood.

(iii) Except as set forth in Section 3.3(m)(iii) of Holding Company’s Disclosure Letter, neither Holding Company nor any Holding Company Subsidiary, nor any of its or their ERISA Affiliates have at any time been a party to or maintained, sponsored, contributed to, or been obligated to contribute to, or had any liability with respect to: (A) any plan subject to Title IV of ERISA, including a “multiemployer plan” (as defined in Section 3(37) of ERISA and 4001(a)(3) or Section 414(f) of the Code) or a plan subject to Section 412 of the Code; (B) a “multiple employer plan” (within the meaning of ERISA or Section 413(c) of the Code); (C) any voluntary employees’ beneficiary association (within the meaning of Section 501(c)(9) of the Code); or (D) a “multiple employer welfare association” (as defined in Section 3(40) of ERISA).

(iv) All of the Holding Company Benefit Plans are in compliance in all material respects with applicable laws and regulations, and all Holding Company Benefit Plans have been maintained, operated and administered in accordance with applicable laws and regulations in all material respects.

(v) Each Holding Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, as reflected in a current favorable determination letter or opinion letter, as applicable. Nothing has occurred since the date of any such determination that is reasonably likely to affect such qualification or exemption, or result in the imposition of excise Taxes or income Taxes on unrelated business income under the Code or ERISA with respect to any Tax-qualified plan.

(vi) All required contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments due for the current plan year or any plan year ending on or before the Closing Date, under all Holding Company Benefit Plans have been made or properly accrued. All contributions to any Holding Company Benefit Plan have been contributed within the time specified in ERISA and the Code and the respective regulations thereunder.

(vii) Neither Holding Company nor Bank Subsidiary has engaged in any prohibited transactions, as defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Holding Company Benefit Plan. To Holding Company’s Knowledge, no “fiduciary,” as defined in Section 3(21) of ERISA, of any Holding Company Benefit Plan has any liability (including threatened, anticipated or contingent) for breach of fiduciary duty under ERISA.

(viii) There are no actions, suits, investigations or claims (other than routine claims for benefits) pending or, to the Knowledge of Holding Company, threatened with respect to any of the Holding Company Benefit Plans or any fiduciary thereof in its capacity with respect to the Holding Company Benefit Plan. None of the Holding

Company Benefit Plans is the subject of a pending or, to the Knowledge of Holding Company, threatened investigation or audit by the IRS, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation, or any other Governmental Authority.

(ix) Except as set forth in Section 3.3(m)(ix) of Holding Company's Disclosure Letter (A) no compensation or benefit that is or will be payable in connection with the transactions contemplated by this Agreement will be characterized as an "excess parachute payment" within the meaning of Section 280G of the Code, (B) no Holding Company Benefit Plan contains any provision that would give rise to any severance, termination or other payments or liabilities as a result of the transactions contemplated by this Agreement (either alone or in conjunction with any other event), (C) no Holding Company Benefit Plan contains any provision that would materially increase any benefits otherwise payable under any Holding Company Benefit Plan or result in any acceleration of the time of payment, vesting, exercisability or delivery of, or increase the amount of any such payment, right or benefits as a result of the transactions contemplated by this Agreement (either alone or in conjunction with any other event), and (D) the transactions contemplated by this Agreement (either alone or in conjunction with any other event) will not result in any requirement to fund any benefits or set aside benefits in a trust (including a rabbi trust) or in any limitation on the right of Holding Company or any Holding Company Subsidiary to amend, merge, terminate or receive a reversion of assets from any Holding Company Benefit Plan or related trust. Except as set forth in Section 3.3(m)(ix) of Holding Company's Disclosure Letter, no Holding Company Benefit Plan maintained by Holding Company or any Holding Company Subsidiary provides for the gross-up, indemnification or reimbursement of Taxes under Section 4999 or 409A of the Code, or otherwise.

(x) Each Holding Company Benefit Plan that is a health or welfare plan has terms that are in compliance with and has been administered in accordance with the requirements of the ACA and all reporting required under Sections 6055 and 6056 of the Code has been completed. Holding Company and the Holding Company Subsidiaries have complied in all respects with the requirements of Section 4980H of the Code so as to avoid the imposition of any taxes or assessable payments thereunder. Holding Company has not established and does not maintain a welfare plan, as defined in Section 3(1) of ERISA, that provides benefits to any former or retired employee or such employee's beneficiary at its expense after a termination of employment, except to the extent required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

(xi) Except as set forth in Section 3.3(m)(xi) of Holding Company's Disclosure Letter, Holding Company and the Holding Company Subsidiaries have made all bonus and commission payments they were required to make prior to the date hereof to any employee under any Holding Company Benefit Plan for calendar years 2021, 2022 and 2023.

(xii) All "group health plans," as defined in Section 5000(b)(1) of the Code, covering the employees of Holding Company or any Holding Company Subsidiary have been maintained in compliance with Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA.

(xiii) Except as set forth in Section 3.3(m)(xiii) of Holding Company’s Disclosure Letter, each Holding Company Benefit Plan that is a “nonqualified deferred compensation plan,” as defined in Section 409A(d)(1) of the Code has at all times (A) been maintained and operated in compliance with Section 409A of the Code, and (B) been in documentary compliance with Section 409A of the Code, such that no amounts paid pursuant to any such Holding Company Benefit Plan is or could be subject to a Tax under Section 409A of the Code. Each Holding Company Benefit Plan which is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA that is not qualified under Section 401(a) or 403(a) of the Code is exempt from Parts 2, 3, and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA and, except as otherwise set forth in Section 3.3(m)(xiii) of Holding Company’s Disclosure Letter, it has filed a “Top Hat” registration letter with the Department of Labor for each such plan.

(xiv) Section 3.3(m)(xiv) of Holding Company’s Disclosure Letter sets forth calculations with respect to each individual who has a contractual right to severance or other change in control pay from Holding Company or any Holding Company Subsidiary based upon the assumptions set forth in such calculations triggered by a change in control of Holding Company or any Holding Company Subsidiary and the amounts potentially payable to each such individual in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event) or as a result of a termination of employment or service at or after the Effective Time, taking into account any contractual provisions relating to Section 280G of the Code.

(xv) Section 3.3(m)(xv) of Holding Company’s Disclosure Letter sets forth Holding Company’s preliminary estimate and analysis as to whether any amount paid or payable to the individuals identified in Section 3.3(m)(xiv) of such Disclosure Letter (whether in cash, in property, or in the form of benefits) in connection with the transactions contemplated hereby (either solely as a result thereof or as a result of such transactions in conjunction with any other event) will be an “excess parachute payment” within the meaning of Section 280G of the Code, and to Holding Company’s Knowledge and subject to the assumptions and methods described or set forth in those materials, such estimates are true, correct and complete. With respect to individuals who are not identified in Section 3.3(m)(xiv) of Holding Company’s Disclosure Letter, Holding Company is not required to make any payments or provide any benefits that will be an “excess parachute payment” within the meaning of Section 280G of the Code.

(n) *Labor and Employment Matters.*

(i) Holding Company has provided Dogwood a true and complete list, in each case for 2022 and 2023, of (A) all employees of Holding Company and the Holding Company Subsidiaries, including for each such employee: name, unique employee identification number, hire date, work location, current annual salary and any incentive compensation and (B) all independent contractors or consultants used by Holding

Company or the Holding Company Subsidiaries, including for each such person: name, contact information, description of the services performed, consulting fee and consulting term.

(ii) Neither Holding Company nor any of the Holding Company Subsidiaries is a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Holding Company or any of the Holding Company Subsidiaries the subject of a pending or, to the Knowledge of Holding Company, threatened action, lawsuit, arbitration or administrative or judicial proceeding asserting that Holding Company or any such Holding Company Subsidiary has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Holding Company or any such Holding Company Subsidiary to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Holding Company or any of the Holding Company Subsidiaries pending or, to the Knowledge of Holding Company, threatened, nor is Holding Company, to the Knowledge of Holding Company, subject to any activity involving Holding Company's or any of the Holding Company Subsidiaries' employees seeking to certify a collective bargaining unit or engaging in other organizational activity.

(iii) Holding Company and the Holding Company Subsidiaries have complied in all material respects with all applicable state and federal equal employment opportunity laws and regulations and other laws and regulations related to employment, including those related to wages, hours, working classification, and collective bargaining, and there are no actions, lawsuits, arbitrations or administrative or judicial proceedings of any nature pending or, to Holding Company's Knowledge, threatened against Holding Company or the Holding Company Subsidiaries brought by or on behalf of any applicant for employment, any current or former employee, any person alleging to be a current or former employee, any class of the foregoing, or any Governmental Authority, relating to any such law, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with employment with Holding Company or the Holding Company Subsidiaries. To the Knowledge of Holding Company, there are no unfair labor practice complaints pending against Holding Company or any of the Holding Company Subsidiaries before the National Labor Relations Board or any other labor relations tribunal or authority. Holding Company and the Holding Company Subsidiaries have properly classified individuals providing services to it or them as employees or independent contractors, as the case may be, and have properly withheld and reported related income and employment taxes in accordance with such classification.

(iv) Except as set forth in Section 3.3(n)(iv) of Holding Company's Disclosure Letter, employment of each employee and the engagement of each independent contractor by Holding Company or a Holding Company Subsidiary is terminable at will by Holding Company or such Holding Company Subsidiary without (A) any penalty, liability or severance obligation and (B) prior consent by any Governmental Authority. Each of Holding Company and the Holding Company Subsidiaries has paid, or has properly accrued no later than the Closing Date, all accrued salaries, wages, bonuses,

commissions, overtime and incentives due to be paid or properly accrued on or before the Closing Date.

(v) To the Knowledge of Holding Company and to the extent it is permitted by law to ascertain, all of its employees are legally entitled to work in the United States under the Immigration Reform and Control Act of 1986, as amended, other United States immigration laws and the laws related to the employment of non-United States citizens applicable in the state in which the employees are employed. Holding Company has completed a Form I-9 (Employment Eligibility Verification) for each employee for which one is required by applicable law and each such Form I-9 has since been updated as required by applicable law and is correct and complete in all material respects as of the date hereof.

(o) *Insurance.* Set forth in Section 3.3(o) of Holding Company's Disclosure Letter is a list of all insurance policies or bonds currently maintained by Holding Company or each Holding Company Subsidiary. Holding Company and the Holding Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of Holding Company reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2022, neither Holding Company nor any of the Holding Company Subsidiaries has received any notice of cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2023, has been refused any insurance coverage sought or applied for, and Holding Company has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of Holding Company or the Holding Company Subsidiaries.

(p) *Loan Portfolio; Allowance for Credit Losses; Mortgage Loan Buy-Backs.* Except as set forth in Section 3.3(p) of Holding Company's Disclosure Letter:

(i) All Loans (as defined herein) payable to Holding Company or Bank Subsidiary are (A) evidenced by notes, agreements or evidences of indebtedness which are true, genuine and what they purport to be; (B) to the extent secured, secured by valid liens and security interests which to Holding Company's Knowledge have been perfected; (C) the legal, valid and binding obligation of the obligor and any guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and no defense, offset or counterclaim has been asserted with respect to any such Loan which if successful could have a Material Adverse Effect on Holding Company; and (D) in all material respects made in accordance with its standard loan policies except for workout credits and approved policy exceptions.

(ii) (A) There is no material modification or amendment, oral or written, of a Loan that is not reflected on the records of Holding Company or Bank Subsidiary, (B) all currently outstanding Loans are owned by Holding Company or Bank Subsidiary free and clear of any liens, except for liens on Loans granted to a member of the Federal Home

Loan Bank System or a Federal Reserve Bank, (C) no claims of defense as to the enforcement of any Loan with an outstanding balance of \$50,000 or more have been asserted in writing against Holding Company or Bank Subsidiary for which there is a reasonable possibility of an adverse determination in any action, lawsuit, arbitration or administrative or judicial proceeding, and to the Knowledge of Holding Company there are no acts or omissions which could give rise to any claim or right of rescission, set-off, counterclaim or defense for which there is a possibility of an adverse determination in any action, lawsuit, arbitration or administrative or judicial proceeding, and (D) no Loans owned by Holding Company or Bank Subsidiary are presently serviced by third parties, and there is no obligation that could result in any such Loan becoming subject to any third party servicing.

(iii) The allowance for possible loan or credit losses (the “Credit Loss Allowance”) shown on the Financial Statements or Bank Reports as of September 30, 2023 was, and the Credit Loss Allowance to be shown on the Financial Statements or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for all known or reasonably anticipated losses, net of recoveries relating to Loans previously charged off, in respect of Loans outstanding (not including letter of credit or commitments to make loans or extend credit which are included in “other liabilities”).

(iv) Any reserve for losses with respect to other real estate owned (“OREO”) and any reserve for repossession with respect to mortgage Loans to be shown on the Financial Statements or Bank Reports as of any date subsequent to the execution of this Agreement will be, as of such dates, adequate to provide for losses relating to the OREO or mortgage Loan portfolio, as the case may be, of Holding Company and Bank Subsidiary as of the dates thereof.

(v) The Credit Loss Allowance has been established in accordance with GAAP and applicable regulatory requirements and guidelines.

(vi) Section 3.3(p)(vi) of Holding Company’s Disclosure Letter sets forth all residential or commercial mortgage Loans originated on or after January 1, 2019 by Bank Subsidiary (A) that were sold in the secondary mortgage market and have been re-purchased by Bank Subsidiary or (B) that the institutions to whom such Loans were sold (or their successors or assigns) have asked Bank Subsidiary to purchase back (but have not been purchased back), or (C) that the institutions to whom such Loans were sold (or their successors or assigns) have submitted a claim for indemnification from Bank Subsidiary, or have notified Bank Subsidiary of an intent to request indemnification, in connection with such Loans.

(vii) As of December 31, 2023, neither Holding Company nor Bank Subsidiary was a party to any Loan (A) under the terms of which the obligor was sixty (60) days delinquent in payment of principal or interest or in default of any other provision as of the date hereof; (B) which had been classified by it as “Other Loans Specially Mentioned,” “Special Mention,” “Substandard,” “Doubtful,” “Loss,” “Classified,” “Criticized,” “Watch List,” or any comparable classifications by such persons; or (C) in violation of

any law, regulation or rule applicable to Holding Company or Bank Subsidiary including, but not limited to, those promulgated, interpreted or enforced by any Governmental Authority.

(viii) As of the date of this Agreement neither Holding Company nor Bank Subsidiary was a party to any Loan with any of Holding Company's directors or officers or the directors or officers of any of the Holding Company Subsidiaries that was not made in compliance with Regulation O, as amended, of the Federal Reserve.

(ix) Each Loan outstanding as of the date of this Agreement has been solicited and originated, and is and has been administered and, where applicable, serviced (including by a third party servicer or sub-servicer, if applicable), and the relevant Loan files are being maintained, in accordance in all material respects with the relevant notes or other credit or security documents, Holding Company's or Bank Subsidiary's applicable written underwriting and servicing standards (and, in the case of Loans held for resale to investors, the underwriting standards, if any, of the applicable investors) and with all applicable federal, state and local laws, regulations and rules.

(x) To the extent that Holding Company or Bank Subsidiary originated any Loan under or otherwise participated in any program created or modified by the CARES Act, including but not limited to the Paycheck Protection Program (the "PPP"), it did so in good faith and in material compliance with all laws, regulations and guidance governing such program, including but not limited to all regulations and guidance issued by the U.S. Department of the Treasury and/or the U.S. Small Business Administration applicable to Loans originated pursuant to or in association with the PPP.

(xi) As used herein, the term "Loan" means any loan, loan agreement, loan commitment, letter of credit, note, borrowing arrangement or other extension of credit.

(q) *Environmental Matters.*

(i) Holding Company and each of the Holding Company Subsidiaries are in compliance in all material respects with all Environmental Laws (as defined herein). Neither Holding Company nor any of the Holding Company Subsidiaries has received any communication alleging that Holding Company or such Holding Company Subsidiary is not in such compliance, and, to its Knowledge, there are no present circumstances that would prevent or interfere with the continuation of such compliance.

(ii) Neither Holding Company nor any of the Holding Company Subsidiaries has received notice of pending, and, to Holding Company's Knowledge, there are no threatened, legal, administrative, arbitral or other proceedings, asserting Environmental Claims (as defined herein) or other claims, causes of action or governmental investigations of any nature, seeking to impose, or that could result in the imposition of, any material liability arising under any Environmental Laws upon (A) Holding Company or such Holding Company Subsidiary, (B) any person or entity whose liability for any Environmental Claim Holding Company or any Holding Company Subsidiary has or may have retained either contractually or by operation of law, (C) any real or personal

property owned or leased by Holding Company or any Holding Company Subsidiary, or any real or personal property which Holding Company or any Holding Company Subsidiary has been, or is, judged to have managed or to have supervised or to have participated in the management of, or (D) any real or personal property in which Holding Company or a Holding Company Subsidiary holds a security interest securing a loan recorded on the books of Holding Company or such Holding Company Subsidiary. Neither Holding Company nor any of the Holding Company Subsidiaries is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

(iii) With respect to all real and personal property owned or leased by Holding Company or any of the Holding Company Subsidiaries, or all real and personal property which Holding Company or any of the Holding Company Subsidiaries has been, or is, judged to have managed or to have supervised or to have participated in the management of, Holding Company will promptly provide Dogwood with access to copies of any environmental audits, analyses and surveys that have been prepared relating to such properties (a list of which is included in Holding Company's Disclosure Letter). Holding Company and all of the Holding Company Subsidiaries are in compliance in all material respects with all recommendations contained in any such environmental audits, analyses and surveys.

(iv) To the Knowledge of Holding Company, there are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against Holding Company or any of the Holding Company Subsidiaries or against any person or entity whose liability for any Environmental Claim Holding Company or any of the Holding Company Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(v) For purposes of this Agreement, the following terms shall have the following meanings:

(A) "Environmental Claim" means any written notice from any governmental authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, clean-up, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based upon, or resulting from the presence, or release into the environment, of any Materials of Environmental Concern (as defined herein).

(B) "Environmental Laws" means all applicable federal, state and local laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, that relate to pollution or protection of human health or the environment.

(C) “Materials of Environmental Concern” means pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, underground storage tanks and any other materials regulated under Environmental Laws.

(r) *Books and Records.* The books and records of Holding Company and the Holding Company Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(s) *Intellectual Property.* Holding Company and the Holding Company Subsidiaries own, or are licensed or otherwise possess sufficient legally enforceable rights to use, all Intellectual Property and the Holding Company Technology Systems (as such terms are defined herein) that are used by Holding Company and the Holding Company Subsidiaries in their respective businesses as currently conducted. Holding Company and the Holding Company Subsidiaries, to Holding Company’s Knowledge, have not infringed or otherwise violated the Intellectual Property rights of any other person, and there is no claim asserted, or to Holding Company’s Knowledge threatened, against Holding Company or any of the Holding Company Subsidiaries concerning the ownership, validity, registerability, enforceability, infringement, use or licensed right to use any Intellectual Property. “Intellectual Property” means all trademarks, trade names, service marks, patents, domain names, database rights, copyrights, and any applications therefor, technology, know-how, trade secrets, processes, computer software programs or applications, and tangible or intangible proprietary information or material. The term “Holding Company Technology Systems” means the electronic data processing, information, record keeping, communications, telecommunications, hardware, third party software, networks, peripherals and computer systems, including any outsourced systems and processes, and Intellectual Property used by Holding Company and the Holding Company Subsidiaries.

(t) *Derivative Instruments.* All derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for Holding Company’s own account, or for the account of one or more of the Holding Company Subsidiaries or its or their customers (each a “Derivative Contract”), were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of Holding Company or one of the Holding Company Subsidiaries, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Neither Holding Company nor any of the Holding Company Subsidiaries, nor, to the Knowledge of Holding Company or any of the Holding Company Subsidiaries, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement.

(u) *Deposits.* Except as set forth in Section 3.3(u) of Holding Company’s Disclosure Letter, as of December 31, 2023, none of Bank Subsidiary’s deposits are “brokered” deposits or are subject to any legal restraint or other legal process (other than garnishments, pledges, liens, levies, subpoenas, set off rights, escrow limitations and similar actions taken in the ordinary course of business), and no portion of such deposits represents a deposit of Holding Company or any of the Holding Company Subsidiaries.

(v) *Investment Securities.*

(i) Holding Company and each of the Holding Company Subsidiaries has good and marketable title to all securities held by it (except securities sold under repurchase agreements or held in any fiduciary or agency capacity) free and clear of any lien, encumbrance or security interest, except to the extent that such securities are pledged in the ordinary course of business consistent with prudent business practices to secure obligations of Holding Company or the Holding Company Subsidiaries and except for such defects in title or liens, encumbrances or security interests that would not be material to it. Such securities are valued on the books of Holding Company and each of the Holding Company Subsidiaries in accordance with GAAP.

(ii) Holding Company and each of the Holding Company Subsidiaries employs investment, securities risk management and other policies, practices and procedures that Holding Company and each of the Holding Company Subsidiaries believes are prudent and reasonable in the context of such businesses.

(w) *Takeover Laws and Provisions.* Each of Holding Company and the Holding Company Subsidiaries has taken all necessary action, if any, to exempt the transactions contemplated by this Agreement from, or if necessary to challenge the validity or applicability of, any applicable “moratorium,” “fair price,” “business combination,” “control share,” or other anti-takeover laws.

(x) *Transactions With Affiliates.* All “covered transactions” between Holding Company or any of the Holding Company Subsidiaries and an “affiliate” or “associate”, within the meaning of Sections 23A and 23B of the Federal Reserve Act and regulations promulgated thereunder, have been in compliance with such provisions. As of the date hereof, except as set forth in Section 3.3(x) of Holding Company’s Disclosure Letter, there are no outstanding amounts payable to or receivable from, or advances by Holding Company or any of the Holding Company Subsidiaries to, and neither Holding Company nor any of the Holding Company Subsidiaries is otherwise a creditor of or debtor to (i) any director, executive officer, five percent (5%) or greater shareholder of Holding Company or any of the Holding Company Subsidiaries or, to the Knowledge of Holding Company, to any of their respective affiliates or associates, other than as part of the normal and customary terms of such person’s employment or service as a director of Holding Company or any of the Holding Company Subsidiaries and other than deposits held by Bank Subsidiary in the ordinary course of business, or (ii) any other affiliate or associate of Holding Company or any of the Holding Company Subsidiaries. As of the date hereof, except as set forth in Section 3.3(x) of Holding Company’s Disclosure Letter, neither Holding Company nor any of the Holding Company Subsidiaries is a party to any transaction or agreement with any of its respective directors, executive officers or other affiliates or associates, other than such person’s employment or service as a director with Holding Company or any of the Holding Company Subsidiaries and excluding any deposit relationship.

(y) *Community Reinvestment Act.* Bank Subsidiary had a rating of “satisfactory” or better as of its most recent CRA examination, and neither Holding Company nor Bank Subsidiary has been advised of, or has reason to believe that, any facts or circumstances exist that would reasonably be expected to cause Bank Subsidiary to be deemed not to be in

satisfactory compliance in any respect with the CRA or to be assigned a rating for CRA purposes by any Holding Company Regulatory Agency of lower than “satisfactory.”

(z) *Fiduciary Accounts.* Each of Holding Company and the Holding Company Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including, but not limited to, accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents of such account and applicable laws and regulations. Neither Holding Company nor any of the Holding Company Subsidiaries, nor, to the Knowledge of Holding Company, any director, officer or employee of Holding Company or any of the Holding Company Subsidiaries, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(aa) *Information Systems and Security.*

(i) Holding Company, each of the Holding Company Subsidiaries, and, to the Knowledge of Holding Company, each third-party vendor to Holding Company or a Holding Company Subsidiary, has established and is in compliance in all material respects with (A) commercially reasonable security programs designed to protect (1) the integrity, security and confidentiality of information processed and transactions executed through any servers, computer hardware, networks, software (whether embodied in software, firmware or otherwise), databases, telecommunications systems, data centers, storage devices, voice and data network services interfaces and related systems (“Computer Systems”) maintained by or on behalf of Holding Company or the Holding Company Subsidiaries, and (2) the integrity, security and confidentiality of all confidential or proprietary data or personal financial information in its possession, and (B) commercially reasonable security policies and privacy policies that comply with all applicable legal and regulatory requirements. Except as set forth in Section 3.3(aa)(i) of Holding Company’s Disclosure Letter, to the Knowledge of Holding Company, neither Holding Company nor any of the Holding Company Subsidiaries has suffered a security incident or breach with respect to its data or Computer Systems any part of which occurred within the past three (3) years.

(ii) To the Knowledge of Holding Company, all of Holding Company’s and the Holding Company Subsidiaries’ Computer Systems have been properly maintained by technically competent personnel, in accordance with standards set by the manufacturers or otherwise in accordance with industry practice. Neither Holding Company nor any of the Holding Company Subsidiaries has experienced within the past three (3) years any material disruption to, or material interruption in, conduct of its business attributable to a defect, breakdown, bug or other deficiency of its Computer Systems. Holding Company and the Holding Company Subsidiaries have taken reasonable measures to provide for the back-up and recovery of the data and information necessary to the conduct of its business without material disruption to, or material interruption in, the conduct of its business.

(bb) *Required Vote.* Other than the Holding Company Shareholder Approvals and the Bank Shareholder Approval, no other vote of the shareholders of Holding Company or Bank Subsidiary is required by the SCBCA, Holding Company's Organizational Documents, Bank Subsidiary's Organizational Documents or otherwise to approve this Agreement and the Merger.

(cc) *Financial Advisors.* None of Holding Company, any of the Holding Company Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, Holding Company has retained D.A. Davidson & Co. as its financial advisor (pursuant to an engagement letter, a true and complete copy of which is attached to Section 3.3(cc) of Holding Company's Disclosure Letter and under which such firm will be entitled to certain fees in connection with this Agreement).

(dd) *Fairness Opinion.* Prior to the execution of this Agreement, the Board of Directors of Holding Company has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of D.A. Davidson & Co. to the effect that, as of the date thereof and based upon and subject to the matters set forth therein, the Exchange Ratios are fair, from a financial point of view, to the holders of Holding Company Stock. Such opinion has not been amended or rescinded as of the date of this Agreement.

(ee) *No Further Representations.* Except for the representations and warranties specifically set forth in this Section 3.3, neither Holding Company nor any of the Holding Company Subsidiaries makes or shall be deemed to make any representation or warranty to Dogwood or any of the Dogwood Subsidiaries, express or implied, at law or in equity, with respect to the transactions contemplated by this Agreement and each of Holding Company and the Holding Company Subsidiaries hereby disclaims any such representation or warranty whether by it or any of its officers, directors, employees, agents, representatives or any other person.

3.4 Representations and Warranties of Dogwood.

Subject to and giving effect to Sections 3.1 and 3.2 and except as set forth in Dogwood's Disclosure Letter, Dogwood hereby represents and warrants to Holding Company and Bank Subsidiary as follows:

(a) *Organization, Standing and Power.* Dogwood is a North Carolina state chartered bank duly organized, validly existing and in good standing under the laws of the State of North Carolina, and has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business. Dogwood's deposits are insured by the Deposit Insurance Fund of the FDIC to the maximum extent permitted by law.

(b) *Subsidiaries.* Each Dogwood Subsidiary (i) is a duly organized corporation, limited liability company or statutory trust, validly existing and in good standing under applicable laws, (ii) has full corporate or other applicable power and authority to carry on its

business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on Dogwood on a consolidated basis. The outstanding shares of capital stock or equity interests of each Dogwood Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by Dogwood free and clear of all liens, claims and encumbrances or preemptive rights of any person. As used herein, the term “Dogwood Subsidiary” means any corporation or other business organization, whether incorporated or unincorporated, as to which Dogwood owns or controls, directly or indirectly, at least a majority of the securities or other interests that have by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation, bank or other business organization.

(c) *Authority; No Breach of the Agreement.*

(i) Dogwood has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and, subject to obtaining the Dogwood Shareholder Approval, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Dogwood, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of Dogwood (including valid authorization and adoption of this Agreement by the Board of Directors of Dogwood), subject only to the receipt of the approval of this Agreement by a majority of the outstanding shares of Dogwood Voting Common Stock (the “Dogwood Shareholder Approval”). This Agreement has been duly executed and delivered by Dogwood and assuming due authorization, execution and delivery of this Agreement by Holding Company and Bank Subsidiary, this Agreement is a valid and legally binding obligation of Dogwood, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by Dogwood, nor the consummation by Dogwood of the transactions contemplated hereby, nor compliance by Dogwood with any of the provisions hereof will: (A) conflict with, violate or result in a breach or default of any provision of the Organizational Documents of Dogwood; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of Dogwood or any Dogwood Subsidiary pursuant to any (1) note, bond, mortgage or indenture, or (2) any material license, agreement or other instrument or obligation, to which Dogwood or any Dogwood Subsidiary is a party or by which Dogwood or any Dogwood Subsidiary or any of their properties or assets may be bound; or (C) subject to the receipt of all required shareholder approvals and the receipt, or the making, of the consents, approvals, waivers, non-objections, authorizations and filings referred to in Section 3.4(c)(iii) and the expiration of the related waiting periods, violate

any order, writ, injunction, decree, statute, rule or regulation applicable to Dogwood or any Dogwood Subsidiary.

(iii) Except for (A) the Regulatory Approvals, (B) the filing of Articles of Merger with the NCSOS and SCSOS to effect the Merger, and (C) such filings and approvals as are required to be made or obtained under the securities or “Blue Sky” laws of the various states in connection with the issuance of shares of Dogwood Voting Common Stock pursuant to this Agreement, no consents or approvals of, or notices to or filings with, any Governmental Authority are necessary in connection with the execution and delivery of this Agreement and the consummation by Dogwood of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, to Dogwood’s Knowledge, there are no facts or circumstances that would materially impede or delay receipt of any Regulatory Approvals nor any reason why the necessary Regulatory Approvals will not be received in order to permit consummation of the Merger.

(d) *Dogwood Capital Stock.* The authorized capital stock of Dogwood consists of 20,000,000 shares of Dogwood Voting Common Stock, of which 9,263,718 shares are issued and outstanding as of the date of this Agreement, 9,000,000 shares of Dogwood Non-Voting Common Stock, of which 6,107,775 shares are issued and outstanding as of the date of this Agreement, and 1,000,000 shares of preferred stock, par value \$1.00 per share, of which none are issued and outstanding as of the date of this Agreement. All outstanding shares of Dogwood Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. All shares of Dogwood’s capital stock issued and outstanding have been issued in compliance with and not in violation of any applicable federal or state securities laws. As of the date of this Agreement, (i) 377,850 shares of Dogwood Voting Common Stock are subject to unvested restricted stock awards granted under an equity-based compensation plan (a “Dogwood Stock Plan”), and (ii) there are warrants outstanding to purchase 662,855 shares of Dogwood Non-Voting Common Stock (the “Dogwood Warrants”). As of the date of this Agreement, there are no shares of capital stock reserved for issuance, or any outstanding Rights with respect to any capital stock of Dogwood, except for the Dogwood Warrants or as contemplated by a Dogwood Stock Plan.

(e) *Financial Statements; Accounting Controls.*

(i) Dogwood has made available to Holding Company copies of Dogwood’s Financial Statements. Dogwood’s Financial Statements fairly present (or, in the case of financial statements for quarterly periods prepared and delivered to Holding Company after the date of this Agreement, will fairly present) in all material respects the consolidated financial position of Dogwood and the Dogwood Subsidiaries, as at the respective dates and the consolidated results of Dogwood’s operations and, to the extent included, cash flows for the periods indicated, in each case in accordance with GAAP consistently applied during the periods indicated, except in each case as may be noted therein, and subject, in the case of unaudited interim statements, to normal year-end audit adjustments.

(ii) Dogwood has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, (B) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to institutions such as Dogwood or other criteria applicable to such financial statements, and to maintain proper accountability for items therein, (C) access to its properties and assets is permitted only in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, and (D) the recorded accountability for items is compared with the actual levels at reasonable intervals and appropriate actions taken with respect to any differences. Dogwood is not subject to the Sarbanes-Oxley Act and nothing contained in this Section 3.4(e)(ii) shall be construed as a representation or warranty that the internal accounting controls of Dogwood are, or would be, in compliance in all respects with those required by the Sarbanes-Oxley Act.

(iii) Since January 1, 2021, neither Dogwood nor, to Dogwood's Knowledge, any director, officer, employee, auditor, accountant or representative of Dogwood has received, or otherwise had or obtained Knowledge of, any material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of Dogwood or its internal accounting controls, including any material complaint, allegation, assertion or claim that Dogwood has engaged in questionable accounting or auditing practices.

(f) *Bank Reports.* Dogwood has filed all Bank Reports that it was required to file since December 31, 2019 with the FDIC, the NCCOB and any other federal, state or foreign governmental or regulatory agency or authority having jurisdiction over Dogwood (collectively, the "Dogwood Regulatory Agencies"), including any Bank Report required to be filed pursuant to the laws of the United States, any state or any Dogwood Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith, except where the failure to file such Bank Report or to pay such fees and assessments, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on it. Any such Bank Report regarding Dogwood filed with or otherwise submitted to any Dogwood Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Dogwood Regulatory Agency in the ordinary course of Dogwood's business, there is no pending proceeding before, or, to Dogwood's Knowledge, examination or investigation by, any Dogwood Regulatory Agency into the business or operations of Dogwood and no enforcement action, to Dogwood's Knowledge, is threatened by any Dogwood Regulatory Agency.

(g) *Absence of Certain Changes or Events.* Since December 31, 2022, except as disclosed in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (i) Dogwood has conducted its business in all material respects in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which have had or are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Dogwood.

(h) *Absence of Undisclosed Liabilities.* Except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (ii) liabilities incurred since December 31, 2022 in the ordinary course of business consistent with past practice, (iii) liabilities that arise out of executory obligations under contracts, (iv) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and (v) liabilities incurred in connection with the transactions contemplated by this Agreement, neither Dogwood nor any Dogwood Subsidiary has, and since December 31, 2021 neither has incurred (except as permitted by Section 4.2), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its financial statements contained in its Financial Statements or Bank Reports).

(i) *Material Contracts.*

(i) With respect to each Dogwood Contract: (A) the contract is in full force and effect, (B) neither Dogwood nor any Dogwood Subsidiary is in default thereunder, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default, (C) neither Dogwood nor any of the Dogwood Subsidiaries has repudiated or waived any material provision of any such contract from January 1, 2022 to the date hereof, and (D) no other party to any such contract is, to Dogwood's Knowledge, in default in any material respect. The term "Dogwood Contract" means any agreement, contract, arrangement, commitment or understanding (whether written or oral) that would be required to be filed as an exhibit to a Form 10-K filed by Dogwood as of the date of this Agreement pursuant to the reporting requirements of the Exchange Act if Dogwood were subject to such reporting requirements.

(ii) Each Dogwood Contract is valid and binding on Dogwood and is in full force and effect (other than due to the ordinary expiration thereof), and to the Knowledge of Dogwood is valid and binding on the other parties thereto. Dogwood and each Dogwood Subsidiary is not, and to the Knowledge of Dogwood, no other party thereto, is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business or operations may be bound or affected, or under which it or its respective assets, business or operations receives benefits which is reasonably likely to have a Material Adverse Effect, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by Dogwood or a Dogwood Subsidiary is currently outstanding.

(j) *Legal Proceedings; Compliance with Laws.*

(i) There are no actions, lawsuits, arbitrations or administrative or judicial proceedings (or, to the Knowledge of Dogwood, any basis therefor) instituted or pending or, to its Knowledge, threatened against Dogwood or any of the Dogwood Subsidiaries or against any of Dogwood's or any of the Dogwood Subsidiaries' properties, assets, interests or rights, or to the Knowledge of Dogwood, against any of Dogwood's or a Dogwood Subsidiary's officers, directors or employees in their capacities as such.

Neither Dogwood nor any of the Dogwood Subsidiaries is a party to or subject to any cease-and-desist or other agreement, order, memorandum of understanding, enforcement action, supervisory or commitment letter or similar undertaking by or with any Governmental Authority that, in each of any such case, restricts Dogwood's operations or the operations of any of the Dogwood Subsidiaries or that relates to Dogwood's capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, and neither Dogwood nor any of the Dogwood Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing, ordering, or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. Except for examinations of Dogwood and any of the Dogwood Subsidiaries conducted by a Governmental Authority in the ordinary course of business, no Governmental Authority has ordered Dogwood or any of the Dogwood Subsidiaries to pay any civil penalty or initiated or has pending any actions, lawsuits, arbitrations or administrative or judicial proceedings or, to the Knowledge of Dogwood, investigation into the business or operations of Dogwood or any of the Dogwood Subsidiaries since December 31, 2018. There is no claim, action, suit, proceeding, investigation or notice of violation (whether civil, criminal or administrative) pending or, to the Knowledge of Dogwood, threatened against any officer or director of Dogwood, or any of the Dogwood Subsidiaries, in connection with the performance of his or her duties as an officer or director of Dogwood or any of the Dogwood Subsidiaries. Dogwood and each of the Dogwood Subsidiaries have complied in all material respects with, and have not been in material default or violation under, all laws, statutes, ordinances, requirements, regulations, rules or orders of any Governmental Authority applicable to Dogwood or such Dogwood Subsidiary, including (to the extent applicable to Dogwood or any Dogwood Subsidiary), all laws related to data protection or privacy, the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the CRA, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Growth, Regulatory Relief and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Foreign Corrupt Practices Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, the Truth-in-Lending Act and Regulation Z, the Home Mortgage Disclosure Act, and any other laws relating to bank secrecy, discriminatory or abusive or deceptive lending or any other product or service, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the CARES Act, and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. Neither Dogwood nor any of the Dogwood Subsidiaries have been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition or approval of any Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Dogwood or any of the Dogwood Subsidiaries. Dogwood and each of the Dogwood Subsidiaries hold, and have at all times since December 31, 2018, held, all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets (and have paid all fees and

assessments due and payable in connection therewith), except where neither the cost of failure to hold nor the cost of obtaining and holding such license, franchise, permit or authorization (nor the failure to pay any fees or assessments) would be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Dogwood, and to the Knowledge of Dogwood no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened.

(ii) Dogwood has no Knowledge of, nor has Dogwood or any of the Dogwood Subsidiaries been advised of, or has any reason to believe that any facts or circumstances exist, which would cause Dogwood or any of the Dogwood Subsidiaries: (A) to be deemed to be operating in violation of the federal Bank Secrecy Act, as amended, and its implementing regulations, the USA PATRIOT Act, and the regulations promulgated thereunder, the Anti-Money Laundering Act of 2020, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (B) to be deemed not to be in satisfactory compliance with the applicable requirements contained in any federal and state privacy or data security laws and regulations.

(k) *Tax Matters.*

(i) Dogwood and each of the Dogwood Subsidiaries have timely filed all Tax Returns required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes owed by Dogwood or any of the Dogwood Subsidiaries have been timely paid. No Tax Return filed by Dogwood or any of the Dogwood Subsidiaries is the subject of any administrative or judicial proceeding, no unpaid Tax deficiency has been asserted against Dogwood or any of the Dogwood Subsidiaries by any Governmental Authority, and to the Knowledge of Dogwood, no Tax Return filed by Dogwood or any of the Dogwood Subsidiaries is under examination by any Governmental Authority.

(ii) Dogwood and each of the Dogwood Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. Dogwood and each of the Dogwood Subsidiaries have complied in all material respects with all Tax information reporting and backup withholding provisions of applicable law.

(iii) There are no liens for Taxes (other than statutory liens for Taxes not yet due and payable) upon any of the assets of Dogwood or any of the Dogwood Subsidiaries. Neither Dogwood nor any of the Dogwood Subsidiaries (i) is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Dogwood and the Dogwood Subsidiaries) (ii) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group of which Dogwood was the common parent) or (iii) has any liability for the Taxes of any person (other than Dogwood and the Dogwood Subsidiaries) arising from the application of Treasury regulation Section 1.1502-6, or any similar provision of state, local or non-U.S. law, as a transferee or successor, by contract or otherwise.

(iv) Neither Dogwood nor any of the Dogwood Subsidiaries is or has been a party to any “reportable transaction,” as defined in Section 1.6011-4(b) of the Treasury Regulations. Dogwood and each of the Dogwood Subsidiaries have disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. Dogwood is not and has not been a “United States real property holding company” within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(v) Neither Dogwood nor any of the Dogwood Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable year (or portion thereof) ending after the Closing Date as a result of any (i) installment sale or open transaction made on or prior to the Closing Date or (ii) prepaid amount received on or prior to the Closing Date.

(vi) Neither Dogwood nor any of the Dogwood Subsidiaries has any unrecognized deferred intercompany gain or excess loss account described in Treasury regulations promulgated under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non- U.S. Tax law).

(vii) Neither Dogwood nor any of the Dogwood Subsidiaries has taken or agreed to take (or failed to take or agree to take) any action or knows of any facts or circumstances that would reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

(l) *Property.* Except as set forth in Section 3.4(l) of Dogwood’s Disclosure Letter or reserved against as disclosed in its Financial Statements or Bank Reports, Dogwood and each of the Dogwood Subsidiaries have good and marketable title in fee simple absolute free and clear of all material liens, encumbrances, charges, defaults or equitable interests, other than Permitted Liens, to all of the properties and assets, real and personal, reflected in the balance sheet included in its Financial Statements or Bank Reports as of December 31, 2022 or acquired after such date. All buildings, and all fixtures, equipment, and other property and assets that are material to Dogwood’s or any of the Dogwood Subsidiaries’ business, held under leases, subleases or licenses, are held under valid instruments, and to Dogwood’s Knowledge, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws.

(m) *Employee Benefit Plans.*

(i) All of the Dogwood Benefit Plans are in compliance in all material respects with applicable laws and regulations, and Dogwood has administered such benefit plans in accordance with applicable laws and regulations in all material respects. For the purposes of this Agreement, a “Dogwood Benefit Plan” means an employee benefit plan and program of Dogwood and the Dogwood Subsidiaries, including without limitation: (A) all retirement, savings pension, stock bonus, profit sharing and other similar plans, programs or arrangements; (B) all health, life, severance, insurance, disability and other employee welfare or fringe benefit plans, programs, contracts or

similar arrangements; and (C) all employment agreements, change in control agreements, severance agreements or similar agreements; and (D) all vacation, paid time off and other similar plans or policies; and (E) all bonus, stock option, stock purchase, restricted stock, restricted stock unit, equity or equity based compensation, phantom stock, incentive, deferred compensation, supplemental retirement, excess benefit, change in control and other employee and director benefit plans, programs or arrangements, and all other employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees, directors and contractors, or any spouse, dependent or beneficiary thereof, whether written or unwritten for which (1) Dogwood, (2) any Dogwood Subsidiary or (3) any of their subsidiaries or former subsidiaries or any trade or business of Dogwood or any entity, whether or not incorporated, all of which together with it are or were deemed a “single employer” within the meaning of Section 4001(b) of ERISA, sponsors, has (or had, during the last six (6) years) an obligation to contribute or has (or had, during the last six (6) years) any liability.

(ii) Each Dogwood Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, as reflected in a current favorable determination letter or opinion letter, as applicable. Nothing has occurred since the date of any such determination that is reasonably likely to affect such qualification or exemption, or result in the imposition of excise Taxes or income Taxes on unrelated business income under the Code or ERISA with respect to any Tax-qualified plan.

(n) *Labor and Employment Matters.*

(i) Neither Dogwood nor any of the Dogwood Subsidiaries is a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Dogwood or any of the Dogwood Subsidiaries the subject of a pending or, to the Knowledge of Dogwood, threatened action, lawsuit, arbitration or administrative or judicial proceeding asserting that Dogwood or any such Dogwood Subsidiary has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Dogwood or any such Dogwood Subsidiary to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Dogwood or any of the Dogwood Subsidiaries pending or, to the Knowledge of Dogwood, threatened, nor is Dogwood, to the Knowledge of Dogwood, subject to any activity involving Dogwood’s or any of the Dogwood Subsidiaries’ employees seeking to certify a collective bargaining unit or engaging in other organizational activity.

(ii) Dogwood and the Dogwood Subsidiaries have complied in all material respects with all applicable state and federal equal employment opportunity laws and regulations and other laws and regulations related to employment, including those related to wages, hours, working classification, and collective bargaining, and there are no actions, lawsuits, arbitrations or administrative or judicial proceedings of any nature pending or, to Dogwood’s Knowledge, threatened against Dogwood or the Dogwood Subsidiaries brought by or on behalf of any applicant for employment, any current or former employee, any person alleging to be a current or former employee, any class of

the foregoing, or any Governmental Authority, relating to any such law, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with employment with Dogwood or the Dogwood Subsidiaries. To the Knowledge of Dogwood, there are no unfair labor practice complaints pending against Dogwood or any of the Dogwood Subsidiaries before the National Labor Relations Board or any other labor relations tribunal or authority. Dogwood and the Dogwood Subsidiaries have properly classified individuals providing services to it or them as employees or independent contractors, as the case may be, and have properly withheld and reported related income and employment taxes in accordance with such classification.

(o) *Insurance.* Dogwood and the Dogwood Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of Dogwood reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2022, neither Dogwood nor any of the Dogwood Subsidiaries has received any notice of cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2023, has been refused any insurance coverage sought or applied for, and Dogwood has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of Dogwood or the Dogwood Subsidiaries.

(p) *Loan Portfolio; Allowance for Credit Losses.*

(i) All Loans payable to Dogwood are (A) evidenced by notes, agreements or evidences of indebtedness which are true, genuine and what they purport to be; (B) to the extent secured, secured by valid liens and security interests which to Dogwood's Knowledge have been perfected; (C) the legal, valid and binding obligation of the obligor and any guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and no defense, offset or counterclaim has been asserted with respect to any such Loan which if successful could have a Material Adverse Effect on Dogwood; and (D) in all material respects made in accordance with its standard loan policies except for workout credits and approved policy exceptions.

(ii) The Credit Loss Allowance shown on the Financial Statements or Bank Reports as of September 30, 2023 was, and the Credit Loss Allowance to be shown on the Financial Statements or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for all known or reasonably anticipated losses, net of recoveries relating to Loans previously charged off, in respect of Loans outstanding (not including letter of credit or commitments to make loans or extend credit which are included in "other liabilities").

(iii) The Credit Loss Allowance has been established in accordance with GAAP and applicable regulatory requirements and guidelines.

(q) *Environmental Matters.* Dogwood and each of the Dogwood Subsidiaries are in compliance in all material respects with all Environmental Laws. Neither Dogwood nor any of the Dogwood Subsidiaries has received any communication alleging that Dogwood or such Dogwood Subsidiary is not in such compliance, and, to the Knowledge of Dogwood, there are no present circumstances that would prevent or interfere with the continuation of such compliance. To the Knowledge of Dogwood, there are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against Dogwood or any of the Dogwood Subsidiaries or against any person or entity whose liability for any Environmental Claim Dogwood or any of the Dogwood Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(r) *Books and Records.* The books and records of Dogwood and the Dogwood Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(s) *Community Reinvestment Act.* Dogwood had a rating of “satisfactory” or better as of its most recent CRA examination, and neither Dogwood nor any of the Dogwood Subsidiaries has been advised of, or has reason to believe that, any facts or circumstances exist that would reasonably be expected to cause Dogwood to be deemed not to be in satisfactory compliance in any respect with the CRA or to be assigned a rating for CRA purposes by any Dogwood Regulatory Agency of lower than “satisfactory.”

(t) *Information Systems and Security.*

(i) Dogwood, each of the Dogwood Subsidiaries, and, to the Knowledge of Dogwood, each third-party vendor to Dogwood or a Dogwood Subsidiary, has established and is in compliance in all material respects with (A) commercially reasonable security programs designed to protect (1) the integrity, security and confidentiality of information processed and transactions executed through any Computer Systems maintained by or on behalf of Dogwood or the Dogwood Subsidiaries, and (2) the integrity, security and confidentiality of all confidential or proprietary data or personal financial information in its possession, and (B) commercially reasonable security policies and privacy policies that comply with all applicable legal and regulatory requirements. To the Knowledge of Dogwood, neither Dogwood nor any of the Dogwood Subsidiaries has suffered a security incident or breach with respect to its data or Computer Systems any part of which occurred within the past three (3) years.

(ii) To the Knowledge of Dogwood, all of Dogwood’s and the Dogwood Subsidiaries’ Computer Systems have been properly maintained by technically competent personnel, in accordance with standards set by the manufacturers or otherwise in accordance with industry practice. Neither Dogwood nor any of the Dogwood Subsidiaries has experienced within the past three (3) years any material disruption to, or

material interruption in, conduct of its business attributable to a defect, breakdown, bug or other deficiency of its Computer Systems. Dogwood and the Dogwood Subsidiaries have taken reasonable measures to provide for the back-up and recovery of the data and information necessary to the conduct of its business without material disruption to, or material interruption in, the conduct of its business.

(u) *Required Vote.* Other than the Dogwood Shareholder Approval, no other vote of the shareholders of Dogwood is required by the NCBCA, Dogwood's Organizational Documents or otherwise to approve this Agreement and the Merger.

(v) *Financial Advisors.* None of Dogwood, any of the Dogwood Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, Dogwood has retained Piper Sandler & Co. as its financial advisor (pursuant to an engagement letter under which such firm will be entitled to certain fees in connection with this Agreement).

(w) *No Further Representations.* Except for the representations and warranties specifically set forth in this Section 3.4, neither Dogwood nor any of the Dogwood Subsidiaries makes or shall be deemed to make any representation or warranty to Holding Company or any of the Holding Company Subsidiaries, express or implied, at law or in equity, with respect to the transactions contemplated by this Agreement and each of Dogwood and the Dogwood Subsidiaries hereby disclaims any such representation or warranty whether by it or any of its officers, directors, employees, agents, representatives or any other person.

ARTICLE 4

Covenants Relating to Conduct of Business

4.1 Conduct of Business of Holding Company and Bank Subsidiary Pending the Merger.

From the date hereof until the Effective Time, except as expressly contemplated or permitted by this Agreement, as required by applicable law or regulation, or as expressly set forth in Holding Company's Disclosure Letter, without the prior written consent of Dogwood (not to be unreasonably conditioned, withheld or delayed), Holding Company agrees that it will not, and will cause each of the Holding Company Subsidiaries not to:

(a) Conduct its business and the business of the Holding Company Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its reasonable best efforts to maintain and preserve intact their material assets, rights and properties and preserve their relationships with customers, employees, suppliers, Holding Company Regulatory Agencies and others with which they have advantageous business relationships.

(b) Take any action that would prevent or adversely affect or delay the ability of Dogwood, Holding Company or Bank Subsidiary (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Amend, modify or repeal its Organizational Documents.

(d) Other than pursuant to Rights outstanding as of the date hereof as disclosed in Section 3.3(d)(i) of Holding Company's Disclosure Letter, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of capital stock, or any Rights with respect thereto, (ii) enter into any agreement with respect to the foregoing, or (iii) permit any additional shares of capital stock to become subject to new grants of employee and director stock options, restricted stock, stock appreciation rights or similar or other stock-based rights.

(e) Except as set forth in Section 4.1(e) of Holding Company's Disclosure Letter, enter into or amend or renew any employment, consulting, severance, change in control, bonus, salary continuation or similar agreements or arrangements with any director, officer or employee of Holding Company or a Holding Company Subsidiary, or grant any salary or wage increase or increase any employee benefit (including by making incentive or bonus payments), except for normal individual merit increases in compensation to employees in the ordinary course of business consistent with past practice, excluding executive officers, provided that no such salary or wage increase will result in an annual adjustment in any individual officer's or employee's salary or wages of more than four percent (4.00%).

(f) Enter into, establish, adopt, amend, terminate or make any contributions to (except (i) as may be required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof under any Holding Company Benefit Plan and as set forth in Section 4.1(f) of Holding Company's Disclosure Letter or (iii) to comply with the requirements of this Agreement), any pension, retirement, stock option, restricted stock, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive, welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any director, officer or employee, including without limitation taking any action that accelerates, or causes the lapsing of restrictions with respect to, the vesting or exercise of any benefits payable thereunder.

(g) Hire any person as an employee of Holding Company or a Holding Company Subsidiary or promote any employee, except (i) to satisfy contractual obligations existing as of the date hereof and set forth in Section 4.1(g) of Holding Company's Disclosure Letter and (ii) persons hired to fill any employee or non-officer vacancies existing as of the date hereof or arising after the date hereof and whose employment is terminable at the will of Holding Company and who are not contractually entitled to or subject to or eligible for any new or additional severance or similar benefits or payments that would become payable as a result of the Merger or the consummation thereof (other than severance or similar benefits provided pursuant to Section 5.10(c) of this Agreement).

(h) Exchange, cancel, borrow from, surrender, or increase or decrease the death benefit provided under, or otherwise amend or terminate, any existing bank or corporate owned life insurance covering any current or former employee, other than any such change that is required by law.

(i) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its capital stock, or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock; provided, however, that in the ordinary course of business consistent with past practice

(i) Holding Company may declare and pay its regular quarterly cash dividends to holders of Holding Company Preferred Stock, and (ii) Bank Subsidiary may declare and pay dividends and distributions to Holding Company.

(j) Except as set forth in Section 4.1(j) of Holding Company's Disclosure Letter, make any capital expenditures, other than capital expenditures in the ordinary course of business consistent with past practice, in amounts not exceeding \$25,000 individually or \$100,000 in the aggregate.

(k) Implement or adopt any change in its Tax or financial accounting principles, practices or methods, including reserving methodologies, other than as may be required by GAAP, regulatory accounting guidelines or applicable law.

(l) Make or change any material Tax election, settle or compromise any material Tax liability of Holding Company or any Holding Company Subsidiary, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of Taxes of Holding Company or any Holding Company Subsidiary, enter into any closing agreement with respect to any material amount of Taxes or surrender any right to claim a material Tax refund, adopt or change any method of accounting with respect to Taxes, or file any amended Tax Return.

(m) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

(n) Sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any portion of its assets, deposits, business or properties except for (i) OREO properties sold in the ordinary course of business consistent with past practice, and (ii) other transactions in the ordinary course of business consistent with past practice in amounts that do not exceed \$25,000 individually or \$50,000 in the aggregate.

(o) Acquire all or any portion of the assets, business, securities, deposits or properties of any other person, including without limitation, by merger or consolidation or by investment in a partnership or joint venture except for (i) acquisitions of securities as permitted by Section 4.1(w); (ii) such acquisitions by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith and in the ordinary course of business consistent with past practice; and (iii) such other acquisitions in the ordinary course of business consistent with past practice in amounts that do not exceed \$25,000 individually or \$50,000 in the aggregate.

(p) Except as otherwise permitted under this Section 4.1, enter into, modify, amend, terminate, cancel, fail to renew or extend any (i) material agreement, lease or license relating to real property, personal property, data security or cybersecurity, data processing, electronic banking mobile banking or bankcard functions; or (ii) Holding Company Contract or any agreement, contract, lease, license, arrangement, commitment or understanding (not covered by (i) and whether written or oral) that would constitute a Holding Company Contract if entered into prior to the date hereof, other than in the ordinary course of business consistent with past practice or for the non-renewal or termination of a Holding Company Contract upon expiration of its term.

(q) Enter into any settlements or similar agreements with respect to any claims, actions, suits, proceedings, orders or investigations to which Holding Company or a Holding Company Subsidiary is or becomes a party after the date of this Agreement, which settlements, agreements or actions involve payment by Holding Company and the Holding Company Subsidiaries collectively of an amount that exceeds \$25,000 individually or \$75,000 in the aggregate and/or would impose any material restriction on the business of Holding Company or Bank Subsidiary.

(r) Enter into any new material line of business; introduce any material new products or services; make any material change to deposit products or deposit gathering or retention policies or strategies; change its material lending, investment, underwriting, pricing, originating, servicing, risk and asset liability management and other material banking, operating or board policies or practices or otherwise fail to follow such policies or practices, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or change the manner in which its investment securities or loan portfolio is classified or reported; or invest in any mortgage-backed or mortgage-related security that would be considered "high risk" under applicable regulatory guidance; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office, service center or other facility.

(s) Fail to materially follow its existing policies or practices with respect to managing exposure to interest rate and other risk, or fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk.

(t) Introduce any material marketing campaigns or any material new sales compensation or incentive programs or arrangements (except those the material terms of which have been fully disclosed in writing to, and approved by, Dogwood prior to the date hereof).

(u) (i) Make, renew, restructure or otherwise modify any Loan other than Loans that are made in the ordinary course of business consistent with past practice (excluding participations) or Loans that were previously acquired in the ordinary course of business consistent with past practice, in each case originated in compliance with Holding Company's and Bank Subsidiary's internal loan policies and that have (A) in the case of unsecured Loans, total exposure to the borrower and its affiliates not in excess of \$500,000, and (B) in the case of secured Loans, total exposure to the borrower and its affiliates not in excess of \$3,000,000, (ii) except in the ordinary course of business, take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts

set forth in clause (i) above; or (iii) enter into any Loan securitization or create any special purpose funding entity. In the event that Dogwood's prior written consent is required pursuant to clause (i) above, Dogwood shall use its reasonable efforts to provide such consent within two (2) business days of any request by Holding Company.

(v) Incur any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than with respect to (i) overnight borrowings in the ordinary course of business consistent with past practice; (ii) borrowings from the Federal Home Loan Bank of Atlanta; and (iii) the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice.

(w) (i) Acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any debt security or equity investment other than federal funds or United States government securities or United States government agency securities, in each case with a term of two (2) years or less, (ii) dispose of any debt security or equity investment or (iii) restructure or materially change its investment securities or derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or the manner in which the portfolio is classified or reported.

(x) Enter into or settle any Derivative Contract other than contracts used to hedge mortgage rate risk in the ordinary course of business as currently conducted.

(y) Make any investment in or commitment to invest in real estate or in any real estate development project (other than as a Loan or by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice).

(z) Foreclose on or take a deed or title to any real estate, other than single-family residential properties, without first conducting an ASTM International E1527-13 Phase I Environmental Site Assessment (or any applicable successor standard) of the property that satisfies the requirements of 40 C.F.R. Part 312, or foreclose on or take a deed or title to any real estate other than single-family residential properties if such environmental assessment indicates the presence or likely presence of any Hazardous 40 Substances under conditions that indicate an existing release, a past release, or a material threat of a release of any Hazardous Substances into structures on the property or into the ground, ground water, or surface water of the property.

(aa) Take any other action that would make any representation or warranty in Section 3.3 hereof untrue, taking into account the standard set forth in Section 3.2.

(bb) Agree to take any of the actions prohibited by this Section 4.1.

4.2 Conduct of Business of Dogwood Pending the Merger.

From the date hereof until the Effective Time, except as expressly contemplated or permitted by this Agreement, as required by applicable law or regulation, without the prior

written consent of Holding Company (not to be unreasonably conditioned, withheld or delayed), Dogwood agrees that it will not, and will cause each of the Dogwood Subsidiaries not to:

(a) Conduct its business and the business of the Dogwood Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its reasonable best efforts to maintain and preserve intact their material assets, rights and properties and preserve their relationships with their customers, employees, suppliers, Dogwood Regulatory Agencies and others with which it has advantageous business relationships.

(b) Take any action that would prevent or adversely affect or delay the ability of Dogwood, Holding Company or Bank Subsidiary (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

(d) Amend, modify or repeal any provision of its Organizational Documents in a manner which would have a Material Adverse Effect on Holding Company, would adversely affect the rights or benefits of Holding Company's shareholders contemplated by this Agreement, or would impair the consummation or the transactions contemplated by this Agreement.

(e) Take any other action that would make any representation or warranty in Section 3.4 hereof untrue, taking into account the standard set forth in Section 3.2.

(f) Complete an acquisition of another financial institution (or the holding company thereof) prior to the Effective Time.

(g) Agree to take any of the actions prohibited by this Section 4.2.

4.3 Transition.

To facilitate the integration of the operations of Dogwood, Holding Company and Bank Subsidiary and to permit the coordination of their related operations on a timely basis, and in an effort to accelerate to the earliest time possible following the Effective Time the realization of synergies, operating efficiencies and other benefits expected to be realized by the parties as a result of the Merger, each of Dogwood, Holding Company and Bank Subsidiary shall, and shall cause its subsidiaries (if any) to, consult with the other parties on all strategic and operational matters to the extent such consultation is not in violation of applicable laws, including laws regarding the exchange of information and other laws regarding competition.

4.4 No Control of the Other Party's Business.

Prior to the Effective Time, nothing contained in this Agreement (including, without limitation, Section 4.1 and Section 4.3) shall give Dogwood, directly or indirectly, the right to control or direct the operations of Holding Company or Bank Subsidiary or to exercise, directly or indirectly, a controlling influence over the management or policies of Holding Company or Bank Subsidiary, and nothing contained in this Agreement (including, without limitation, Section 4.2 and Section 4.3) shall give Holding Company or Bank Subsidiary, directly or indirectly, the right to control or direct the operations of Dogwood or to exercise, directly or indirectly, a controlling influence over the management or policies of Dogwood. Prior to the Effective Time, each party shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over it and its subsidiaries' (if any) respective operations.

ARTICLE 5 Additional Agreements

5.1 Reasonable Best Efforts.

Subject to the terms and conditions of this Agreement, the parties hereto will use their reasonable best efforts to take, or cause to be taken, in good faith all actions, and to do, or cause to be done, all things necessary or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as promptly as practicable and shall cooperate fully with the other parties hereto to that end.

5.2 Access to Information; Confidentiality.

(a) Upon reasonable notice and subject to applicable laws regarding the disclosure or exchange of information, Holding Company and Bank Subsidiary shall permit Dogwood to make or cause to be made such investigation of Holding Company's and Bank Subsidiary's operational, financial and legal condition as Dogwood reasonably requests; provided, that such investigation shall be reasonably related to the Merger and shall not interfere unreasonably with normal operations. No investigation, in and of itself, by Dogwood shall affect the representations and warranties of Holding Company and Bank Subsidiary. Holding Company and Bank Subsidiary shall provide to Dogwood all written agendas and meeting or written consent materials provided to the directors of Holding Company and Bank Subsidiary in connection with board and committee meetings, subject to applicable laws relating to the exchange of information. Notwithstanding the above provisions in this Section 5.2(a), Dogwood and their representatives shall not be entitled to receive information directly relating to the negotiation and prosecution of this Agreement or, except as otherwise provided herein, relating to an Acquisition Proposal, a Superior Proposal (as such terms are defined herein) or any matters relating thereto. Neither Holding Company nor any Holding Company Subsidiary shall be required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege of Holding Company or such Holding Company Subsidiary.

(b) During the period from the date of this Agreement to the Effective Time, Holding Company shall, upon the request of Dogwood, cause one or more of its designated executive

officers to confer on a monthly or more frequent basis with Dogwood regarding Holding Company's financial condition, operations and business and matters relating to the completion of the Merger. As soon as reasonably available, but in no event later than the earlier of (i) the thirtieth (30th) day after the end of each calendar quarter ending after the date of this Agreement, and (ii) the date of public dissemination of earnings information pertaining to such calendar quarter (or year with respect to a quarter ending on December 31), Holding Company will deliver to Dogwood its unaudited balance sheet and the related statements of income, without related notes, for such quarter (or year with respect to a quarter ending on December 31) prepared in accordance with GAAP. Within fifteen (15) days after the end of each month, Holding Company will deliver to Dogwood (i) such loan reports as Dogwood may reasonably request, and (ii) such other financial data as Dogwood may reasonably request.

(c) Each party hereto will give prompt notice to the other parties (and subsequently keep the other parties informed on a current basis) upon it becoming aware of the occurrence or existence of any fact, event or circumstance known that (i) is reasonably likely to result in any Material Adverse Effect with respect to it, or (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

(d) Each party hereto shall maintain, and shall use its reasonable best efforts to cause each of its directors, officers, attorneys and advisors to maintain the confidentiality of all information of the other parties obtained pursuant to this Agreement that is not otherwise publicly disclosed by the other parties, unless such information is required to be included in any filing required by law or in an application for any Regulatory Approval required for the consummation of the transactions contemplated hereby. Additionally, if this Agreement is terminated prior to the Effective Time, confidential information of a party shall not be used by the other parties for any purpose. Such undertakings with respect to confidentiality and use shall survive any termination of this Agreement. In the case of information that a party believes is necessary in making any such filing or obtaining any such Regulatory Approval, that party will provide the other parties a reasonable opportunity to review any such filing or any application for such Regulatory Approval before it is filed sufficient for it to comment on and object to the content of such filing or application. If this Agreement is terminated, each party shall promptly return to the furnishing party or, at the request of the furnishing party, promptly destroy in a manner that renders the information impracticable to read or reconstruct and certify the destruction of all confidential information received from the other party.

(e) Dogwood acknowledges that information relating to an identifiable or identified natural person ("IIP") disclosed to it in connection with this Agreement has been and will be disclosed pursuant to 15 U.S.C. § 6802(e)(7) and 12 C.F.R. § 1016.15(a)(6). Dogwood may not use or disclose IIP, nor permit the use or disclosure of IIP, other than as necessary to consummate and to make effective the Merger and the transactions contemplated hereby as permitted under 15 U.S.C. § 6802(e)(7) and 12 C.F.R. § 1016.15(a)(6).

5.3 Shareholder Approvals.

(a) Dogwood shall call a meeting of its shareholders for the purpose of obtaining the Dogwood Shareholder Approval and shall use its reasonable best efforts to cause such meeting to occur as soon as reasonably practicable (such meeting and any adjournment thereof, the

“Dogwood Shareholders Meeting”). For as long as the Holding Company has not made a Change of Recommendation (as defined herein), the Board of Directors of Dogwood shall (i) recommend to Dogwood’s shareholders the approval of this Agreement and the transactions contemplated hereby, including the Merger (the “Dogwood Board Recommendation”), (ii) include the Dogwood Board Recommendation in the Joint Proxy Statement (as defined herein), and (iii) solicit and use its reasonable best efforts to obtain the Dogwood Shareholder Approval; provided, however, that the Board of Directors of Dogwood may withdraw, modify or change the Dogwood Board Recommendation in the event it concludes in good faith, after consultation with and based upon the advice of outside legal counsel, that the failure to do so would be more likely than not to result in a violation of its fiduciary duties to shareholders under applicable law.

(b) Holding Company shall call a meeting of its shareholders for the purpose of obtaining the Holding Company Shareholder Approvals and shall use its reasonable best efforts to cause such meeting to occur as soon as reasonably practicable (such meeting and any adjournment thereof, the “Holding Company Shareholders Meeting”). Subject to Section 5.5(f), the Board of Directors of Holding Company shall (i) recommend to Holding Company’s shareholders the approval of this Agreement and the transactions contemplated hereby, including the Merger (the “Holding Company Board Recommendation”), (ii) include the Holding Company Board Recommendation in the Joint Proxy Statement, and (iii) solicit and use its reasonable best efforts to obtain the Holding Company Shareholder Approvals.

5.4 Joint Proxy Statement.

(a) Each party will cooperate with the other parties, and their respective legal, financial and accounting advisers, in the preparation of a joint proxy statement and offering circular and other proxy solicitation materials constituting a part thereof (the “Joint Proxy Statement”), in connection with (i) the solicitation of proxies from the shareholders of Dogwood for the Dogwood Shareholders Meeting and from the shareholders of Holding Company for the Holding Company Shareholders Meeting, and (ii) the offering and issuance of Dogwood Common Stock in the Merger. Each party agrees to cooperate with the other parties and their respective legal, financial and accounting advisors in the preparation of the Joint Proxy Statement. Each party shall prepare and furnish to the other parties such information relating to it and its directors, officers and shareholders and such party’s business and operations, which information may be based on such party’s knowledge of and access to the information required for said document and advice of counsel with respect to disclosure obligations. Each party shall provide the other parties and their respective legal, financial and accounting advisors the opportunity to review and provide comments on (i) such Joint Proxy Statement a reasonable time prior to its preparation in definitive form and (ii) all amendments and supplements to the Joint Proxy Statement and all responses to requests for additional information. Each party shall consider in good faith all comments from the other parties and their respective legal, financial and accounting advisors to the Joint Proxy Statement, all amendments and supplements thereto and all responses to requests for additional information, and shall not include any information in the foregoing about a party or its officers, directors, business, arrangements, operations or stock or the Merger that has not been approved by the other parties, which approval shall not be unreasonably withheld, delayed or conditioned. Each party agrees to cooperate with the other parties and the other parties’ counsel and accountants in requesting and obtaining appropriate

opinions, consents, analyses and letters from its financial advisor and independent auditor in connection with the Joint Proxy Statement. Dogwood also agrees to use its reasonable best efforts to obtain all necessary state securities law or “Blue Sky” permits and approvals required to carry out the transactions contemplated by this Agreement.

(b) Each party agrees, as to itself and its subsidiaries, that none of the information supplied or to be supplied by it for inclusion in the Joint Proxy Statement and any amendment or supplement thereto, at the date(s) of mailing to shareholders and the time of the Dogwood Shareholders Meeting and the Holding Company Shareholders Meeting, will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading. Each party further agrees that if it becomes aware that any information furnished by it that would cause any of the statements in the Joint Proxy Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other parties thereof and to take appropriate steps to correct the Joint Proxy Statement.

5.5 No Other Acquisition Proposals.

(a) Holding Company agrees that it will not, and will cause the Holding Company Subsidiaries and Holding Company’s and the Holding Company Subsidiaries’ officers, directors, employees, agents and representatives (including any financial advisor, attorney or accountant retained by Holding Company) not to, directly or indirectly, (i) initiate, solicit, endorse or encourage inquiries, proposals or offers with respect to, (ii) furnish any confidential or nonpublic information relating to, or (iii) engage or participate in any negotiations or discussions concerning, an Acquisition Proposal (as defined herein).

(b) Notwithstanding the foregoing, nothing contained in this Section 5.5 shall prohibit Holding Company, prior to obtaining the Holding Company Shareholder Approvals and subject to compliance with the other terms of this Section 5.5, from furnishing nonpublic information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited, bona fide written Acquisition Proposal with respect to Holding Company (that did not result from a breach of this Section 5.5) if, and only to the extent that (i) the Board of Directors of Holding Company concludes in good faith, after consultation with and based upon the advice of outside legal counsel, that the failure to take such actions would be more likely than not to result in a violation of its fiduciary duties to shareholders under applicable law, (ii) before taking such actions, Holding Company receives from such person or entity an executed confidentiality agreement providing for reasonable protection of confidential information, which confidentiality agreement shall not provide such person or entity with any exclusive right to negotiate with Holding Company, provided that any nonpublic information furnished or to be furnished to such person or entity shall have previously been provided to Dogwood or will simultaneously be provided to Dogwood, and (iii) the Board of Directors of Holding Company concludes in good faith, after consultation with its outside legal counsel and financial advisors, that the Acquisition Proposal constitutes or is reasonably likely to result in a Superior Proposal (as defined herein). Holding Company shall promptly (within twenty-four (24) hours) notify Dogwood orally and in writing of Holding Company’s receipt of any such proposal or inquiry, the material terms and conditions thereof, the identity of the person or entity making such proposal or inquiry, and will

keep Dogwood apprised of any related developments, discussions and negotiations on a current basis, including by providing a copy of all material documentation or correspondence relating thereto.

(c) For purposes of this Agreement, an “Acquisition Proposal” means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, any of the following transactions involving Holding Company or Bank Subsidiary: (i) a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction; (ii) any acquisition or purchase, direct or indirect, of ten percent (10%) or more of the consolidated assets of Holding Company or ten percent (10%) or more of any class of equity or voting securities of Holding Company or the Holding Company Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of Holding Company; or (iii) any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party beneficially owning ten percent (10%) or more of any class of equity or voting securities of Holding Company or the Holding Company Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of Holding Company.

(d) For purposes of this Agreement, a “Superior Proposal” means an unsolicited, bona fide written Acquisition Proposal made by a person or entity (or group of persons or entities acting in concert within the meaning of Rule 13d-5 under the Exchange Act) that the Board of Directors of Holding Company concludes in good faith, after consultation with its financial and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the Acquisition Proposal and including the terms and conditions of this Agreement is (i) more favorable to the shareholders of Holding Company from a financial point of view, than the transactions contemplated by this Agreement, (ii) fully financed or reasonably capable of being fully financed, (iii) reasonably likely to receive all required approvals of Governmental Authorities, and (iv) otherwise reasonably capable of being completed on the terms proposed on a timely basis; provided that, for purposes of this definition of “Superior Proposal,” the term “Acquisition Proposal” shall have the meaning assigned to such term in Section 5.5(c), except the reference to “ten percent (10%) or more” in such definition shall be deemed to be a reference to “a majority”.

(e) Except as provided in Section 5.5(f), the Board of Directors of Holding Company shall not (i) withhold, withdraw, qualify, modify or fail to make in any manner adverse to Dogwood the Holding Company Board Recommendation; (ii) propose publicly to withhold, withdraw, qualify or modify in any manner adverse to Dogwood the Holding Company Board Recommendation or (iii) take such other action or make any other public statement in connection with the Holding Company Shareholders Meeting inconsistent with the Holding Company Board Recommendation (collectively, a “Change of Recommendation”).

(f) Notwithstanding anything in this Agreement to the contrary, at any time prior to receipt of the Holding Company Shareholder Approvals, the Board of Directors of Holding Company may (1) make a Change of Recommendation, in which event the Board of Directors of Holding Company may communicate the basis for its lack of Holding Company Board Recommendation to its shareholders in the Joint Proxy Statement or an appropriate amendment

or supplement thereto to the extent required by applicable law or regulation, or (2) terminate the Agreement pursuant to Section 7.1(k) and enter into an acquisition agreement or similar agreement with respect to a Superior Proposal; provided, that the Board of Directors of Holding Company may only take actions under this Section 5.5(f) if and only to the extent that:

(i) the Board of Directors of Holding Company has received and evaluated a Superior Proposal in accordance with this Section 5.5;

(ii) the Board of Directors of Holding Company has determined in good faith, after consultation with outside legal counsel and financial advisers, that failure to pursue such Superior Proposal and make a Change of Recommendation, as applicable, would be more likely than not to result in a violation of its fiduciary duties to shareholders under applicable law; and

(iii) prior to taking such any such action, (A) Holding Company shall notify Dogwood in writing, at least five (5) business days in advance, that it intends to accept a Superior Proposal; (B) upon Dogwood's request, Holding Company shall discuss with Dogwood the facts and circumstances giving rise to such decision and negotiate in good faith with Dogwood to facilitate Dogwood's evaluation of whether to improve the terms and conditions of this Agreement as would permit the Board of Directors of Holding Company not to accept the Superior Proposal; (C) if Dogwood shall have delivered to Holding Company a written offer capable of being accepted by Holding Company and Bank Subsidiary to alter the terms of this Agreement during such five (5) business day notice period, the Board of Directors of Holding Company shall have determined in good faith (after consultation with its outside legal counsel and financial advisor), after considering the terms of such offer by Dogwood, that such Superior Proposal would continue to constitute a Superior Proposal; and (D) in the event of any material change to the material terms of such Superior Proposal, Holding Company shall, in each case, provide Dogwood with an additional notice and the five (5) business day notice period shall recommence.

(g) Except as otherwise provided in this Agreement (including Section 7.1), nothing in this Section 5.5 shall permit Holding Company to terminate this Agreement or affect any other obligation of Holding Company or Bank Subsidiary under this Agreement.

(h) Holding Company agrees that any violation of the restrictions set forth in this Section 5.5 by any representative of Holding Company shall be deemed a breach of this Section 5.5 by Holding Company.

5.6 Applications and Consents.

(a) The parties hereto shall cooperate and shall use their reasonable best efforts to, as promptly as practicable, prepare all documentation and make all filings necessary to obtain the Regulatory Approvals. Each of the parties hereto shall use its reasonable best efforts to comply with the terms and conditions of all such Regulatory Approvals and resolve objections, if any, which may be asserted with respect to this Agreement or the transactions contemplated hereby under any applicable law or regulation; provided, that, in no event shall Dogwood be required,

and Holding Company and Bank Subsidiary shall not be permitted (without prior written consent of Dogwood, as the case may be), in connection with a Regulatory Approval or the transactions contemplated by this Agreement, to take any action, or commit to take any action, or to accept any restriction or condition, involving Dogwood, any Dogwood Subsidiary, Holding Company or any Holding Company Subsidiary, which the Board of Directors of Dogwood reasonably determines in good faith would be materially financially burdensome to the business, operations, financial condition or results of operations of the business of Dogwood or on the business of Holding Company or Bank Subsidiary (which restriction, commitment, or condition could include materially increasing capital, divesting or reducing lines of businesses or asset classes, entering into compliance or remediation programs, and making material lending or investment commitments) (any such condition, commitment or restriction, a “Burdensome Condition”).

(b) Each party will furnish to the other parties copies of proposed applications in draft form and provide a reasonable opportunity for comment prior to the filing of any such application with any Governmental Authority. Each party will promptly furnish to the other parties copies of applications filed with all Governmental Authorities and copies of written communications received by such party from any Governmental Authority with respect to the transactions contemplated hereby. Each party will consult with the other parties with respect to the obtaining of all Regulatory Approvals and other material consents from third parties advisable to consummate the transactions contemplated by this Agreement, and each party will keep the other parties apprised of the status of material matters relating to completion of the transactions contemplated hereby. All documents that the parties are responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby (including to obtain Regulatory Approvals) will comply as to form in all material respects with the provisions of applicable law.

(c) If any Holding Company Contract will require a consent from a third party as a result of the Merger, and such consent has not been obtained as of the Effective Time, then neither this Agreement nor any other document related to the consummation of the Merger shall constitute a sale, assignment, assumption, transfer conveyance or delivery (or an attempt to do any of the foregoing) of such Holding Company Contract until such time as such consent is obtained.

5.7 Public Announcements.

The initial press release with respect to the execution and delivery of this Agreement shall be a release mutually agreed to by Dogwood, Holding Company and Bank Subsidiary. Thereafter, no public release or announcement or statement concerning this Agreement or the transactions contemplated hereby shall be issued by any party without the prior consent of the other parties (which consent shall not be unreasonably withheld, conditioned or delayed), except (a) as required by applicable law or the rules or regulations of any applicable Governmental Authority, in which case the party required to make the release or announcement shall, subject to applicable law, consult with the other parties about, and allow the other parties reasonable time to comment on, such release or announcement in advance of such issuance or (b) for such releases, announcements or statements that are consistent with other such releases, announcement or statements made after the date of this Agreement in compliance with this Section 5.7.

5.8 Affiliate Agreements.

Dogwood has identified to Holding Company all persons who are, as of the date hereof, directors or executive officers of Dogwood (the “Dogwood Affiliates”), and Holding Company has identified to Dogwood all persons who are, as of the date hereof, directors or executive officers of Holding Company (the “Holding Company Affiliates”). Simultaneously with the execution of this Agreement, each Dogwood Affiliate shall enter into an agreement, substantially in the form of Exhibit 5.8(a) hereto, and each Holding Company Affiliate shall enter into an agreement, substantially in the form of Exhibit 5.8(b) hereto (collectively, the “Affiliate Agreements”).

5.9 Director Noncompetition Agreements.

Holding Company and Bank Subsidiary shall have delivered to Dogwood on or prior to the Effective Time an executed copy of a written noncompetition agreement in the form of Exhibit 5.9 hereto from each director of Holding Company and Bank Subsidiary who, effective at the Effective Time, will be appointed to the Board of Directors of Dogwood or to SC Advisory Board (the “Noncompetition Agreements”).

5.10 Employee Benefit Plans.

(a) After the Effective Time, Dogwood at its election shall either: (i) provide generally to officers and employees of Holding Company or the Holding Company Subsidiaries, who at or after the Effective Time become employees of Dogwood or the Dogwood Subsidiaries (“Holding Company Continuing Employees”), employee benefits under the Dogwood Benefit Plans (with no break in coverage), on terms and conditions which are the same as for similarly situated officers and employees of Dogwood and the Dogwood Subsidiaries; or (ii) maintain for the benefit of the Holding Company Continuing Employees, the Holding Company Benefit Plans maintained by Holding Company immediately prior to the Effective Time; provided that Dogwood may reasonably request that Holding Company take action to amend any Holding Company Benefit Plan prior to the Effective Time to comply with any law or, so long as the benefits provided under those Holding Company Benefit Plans following such amendment are no less favorable to the Holding Company Continuing Employees than benefits provided by Dogwood to its officers and employees under any comparable Dogwood Benefit Plans, as necessary and appropriate for other business reasons.

(b) For purposes of participation, vesting and benefit accrual (except not for purposes of benefit accrual with respect to any plan in which such accrual would result in a duplication of benefits) under the Dogwood Benefit Plans, service with or credited by Holding Company or any of the Holding Company Subsidiaries shall be treated as service with Dogwood. To the extent permitted under applicable law, for any plan year during which Holding Company Continuing Employees transition to the welfare Dogwood Benefit Plans, Dogwood shall use its best efforts to cause welfare Dogwood Benefit Plans maintained by Dogwood that cover the Holding Company Continuing Employees after the Effective Time to (i) waive any waiting period and restrictions and limitations for preexisting conditions or insurability (except for pre-existing conditions that were excluded, or restrictions or limitations that were applicable, under the Holding Company Benefit Plans), and (ii) cause any deductible, co-insurance, or maximum out-of-pocket payments made by the Holding Company Continuing Employees under welfare

Holding Company Benefit Plans to be credited to such Holding Company Continuing Employees under welfare Dogwood Benefit Plans, so as to reduce the amount of any deductible, co-insurance or maximum out-of-pocket payments payable by such Holding Company Continuing Employees under welfare Dogwood Benefit Plans for such plan year (if any).

(c) Each employee of Holding Company or any Holding Company Subsidiary at the Effective Time whose employment is involuntarily terminated other than for cause by Dogwood after the Effective Time, but on or before the date that is nine (9) months from the Effective Time, excluding any employee who has a contract providing for severance pay, shall be entitled to receive severance in accordance with Section 5.10(c) of Holding Company's Disclosure Letter.

(d) With respect to Holding Company's 401(k) plan, Holding Company shall cause such plan to be terminated effective immediately prior to the Effective Time, in accordance with applicable law and subject to the receipt of all applicable regulatory or governmental approvals. Each Holding Company Continuing Employee who was a participant in the Holding Company 401(k) plan and who continues at the Effective Time in the employment of Dogwood or any Dogwood Subsidiary shall be eligible to participate in Dogwood's 401(k) plan on or as soon as administratively practicable after the Effective Time, and account balances under the terminated Holding Company 401(k) plan will be eligible for distribution or rollover, including direct rollover, to Dogwood's 401(k) plan for Holding Company Continuing Employees, subject to the terms of Dogwood's 401(k) plan. Dogwood shall use commercially reasonable efforts to allow any such rollover to include any outstanding loan notes under the Holding Company 401(k) plan. Any other former employee of Holding Company who is employed by Dogwood or the Dogwood Subsidiaries after the Effective Time shall be eligible to be a participant in the Dogwood 401(k) plan upon complying with eligibility requirements. All rights to participate in Dogwood's 401(k) plan are subject to Dogwood's right to amend or terminate the Dogwood 401(k) plan. For purposes of administering Dogwood's 401(k) plan, service with Holding Company and the Holding Company Subsidiaries shall be deemed to be service with Dogwood for participation and vesting purposes, but not for purposes of benefit accrual.

(e) Nothing in this Section 5.10 shall be interpreted as preventing Dogwood, from and after the Effective Time, from amending, modifying or terminating any Dogwood Benefit Plans or Holding Company Benefit Plans or any other contracts, arrangements, commitments or plans of any party in accordance with their terms and applicable law. The provisions of this Agreement, including this Section 5.10, are for the benefit of the parties to this Agreement only and shall not be construed to grant any rights, as a third party beneficiary or otherwise, to any person who is not a party to this Agreement, nor shall any provision of this Agreement be deemed to be the adoption of, or an amendment to, any employee benefit plan, as that term is defined in Section 3(3) of ERISA.

5.11 Reservation of Shares.

Dogwood shall take all corporate action as may be necessary to authorize and reserve for issuance such number of shares of Dogwood Common Stock to be issued pursuant to this Agreement, and to cause all such shares, when issued pursuant to this Agreement, to be duly authorized, validly issued, fully paid and nonassessable.

5.12 Indemnification; Insurance.

(a) Following the Effective Time, Dogwood shall indemnify, defend and hold harmless any person who has rights to indemnification from Holding Company and/or a Holding Company Subsidiary to the same extent and on the same conditions as such person was entitled to indemnification pursuant to applicable law and the Organizational Documents of Holding Company and/or such Holding Company Subsidiary, as applicable, as in effect on the date of this Agreement. Without limiting the foregoing, in any case in which corporate approval may be required to effectuate any indemnification, Dogwood shall direct, if the party to be indemnified elects, that the determination of permissibility of indemnification shall be made by independent counsel mutually agreed upon between Dogwood and the indemnified party.

(b) Dogwood shall, at or prior to the Effective Time, purchase a six (6) year “tail” prepaid policy on terms and conditions no less favorable than those of the existing directors’ and officers’ liability (and fiduciary) insurance maintained by Holding Company and/or Bank Subsidiary from insurance carriers with comparable credit ratings, covering, without limitation, the Merger; provided, however, that the cost of such “tail” policy shall in no event exceed two hundred fifty percent (250%) of the amount of the last annual premium paid by Holding Company and/or Bank Subsidiary for such existing directors’ and officers’ liability (and fiduciary) insurance. If, but for the proviso to the immediately preceding sentence, Dogwood would be required to expend more than two hundred fifty percent (250%) of the amount of the last annual premium paid by Holding Company and/or Bank Subsidiary, Dogwood will obtain the maximum amount of that insurance obtainable by payment of two hundred fifty percent (250%) of the amount of the last annual premium paid by Holding Company.

(c) The provisions of this Section 5.12 are intended to be for the benefit of and shall be enforceable by each indemnified party and his or her heirs and representatives.

5.13 Employment and Other Arrangements.

(a) Dogwood will, as of and after the Effective Time, assume and honor all employment, severance, change in control, supplemental executive retirement and deferred compensation agreements or arrangements that Holding Company and the Holding Company Subsidiaries have with their current and former officers, directors and employees and which are set forth in Section 5.13(a) of Holding Company’s Disclosure Letter, except to the extent (i) the affected individual has consented to alternative treatment, (ii) any such agreements or arrangements shall be superseded on or after the Effective Time or (iii) any such agreements or arrangements shall have been amended, terminated or superseded without Dogwood’s consent after the date hereof but prior to the Effective Time.

(b) Forty-five (45) days prior to the Effective Time, Holding Company shall provide Dogwood with an updated version of the preliminary calculations called for in Section 3.3(m)(xiv) of Holding Company’s Disclosure Letter and such Section 3.3(m)(xiv) shall be deemed to be thereby amended. Holding Company shall take all steps necessary to terminate the agreements listed in Section 5.13(b) of Holding Company’s Disclosure Letter (collectively, the “Affected Agreements”) immediately preceding the Effective Time. Following the Effective Time, Dogwood shall pay or cause to be paid to each individual who was a party to an Affected

Agreement (“Affected Employees”) the applicable amount set forth on Section 5.13(b) of Holding Company’s Disclosure Letter at the time or times specified therein, net of applicable tax withholdings; provided, however, that each such amount shall be reduced as necessary to ensure that the amount so paid (when aggregated with any other benefits or payments payable upon a change in control to the affected individual) will not constitute an “excess parachute payment” within the meaning of Section 280G of the Code, as determined by an accounting firm or other third-party mutually acceptable to Holding Company and Dogwood. All documents issued, adopted or executed in connection with the implementation of this Section 5.13(b) shall be subject to Dogwood’s prior review and approval, which shall not be unreasonably withheld, conditioned or delayed.

(c) Prior to the Effective Time, Holding Company shall have obtained a general release from each Affected Employee associated with such individual’s respective employment prior to the Effective Time and confirming that the receipt of the payment to be made to such Affected Employee in respect of the applicable Affected Agreement constitutes full satisfaction of all amounts due and owing under such Affected Agreement to such recipient. Such release shall be in a form reasonably acceptable to Dogwood.

(d) As of the date hereof, Dogwood has entered into a letter agreement with the individual named in Section 5.13(d) of Dogwood’s Disclosure Letter as set forth on such section, and agrees to take all actions described in Section 5.13(d) of Dogwood’s Disclosure Letter.

5.14 Takeover Laws.

If any federal or state anti-takeover laws or regulations may become, or may purport to be, applicable to the transactions contemplated hereby, each party hereto and the members of their respective Boards of Directors will grant such approvals and take such actions as are necessary and legally permissible so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any such laws or regulations on any of the transactions contemplated by this Agreement.

5.15 Change of Method.

Dogwood, Holding Company and Bank Subsidiary shall be empowered, upon their mutual agreement and at any time prior to the Effective Time (and whether before or after the Dogwood Shareholders Meeting or Holding Company Shareholders Meeting), to change the method or structure of effecting the combination of Dogwood, Holding Company and Bank Subsidiary (including the provisions of Article 1), if and to the extent the parties deem such change to be necessary, appropriate or desirable; provided that no such change shall (i) alter or change the Merger Consideration, (ii) adversely affect the tax treatment of the Merger as set forth in Section 1.5 of this Agreement or (iii) materially impede or delay the consummation of the transactions contemplated by this Agreement in a timely manner. The parties hereto agree to reflect any such change in an appropriate amendment to this Agreement executed by all parties hereto in accordance with Section 8.3.

5.16 Certain Policies.

Prior to the Effective Time, each of Holding Company and Bank Subsidiary shall, consistent with GAAP and applicable banking laws and regulations, modify or change its respective Loan, OREO, accrual, reserve, Tax, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of Dogwood; provided, however, that no such modifications or changes need be made prior to the satisfaction of the conditions set forth in Section 6.1(a) and Section 6.1(b).

5.17 Assumption of Debt Obligations.

At the Effective Time, Dogwood shall assume the due and punctual payment of the principal of and any premium and interest on the Holding Company Note (as defined herein) in accordance with its terms, and the due and punctual performance of all covenants and conditions thereof on the part of Holding Company to be performed or observed. As used herein, the term “Holding Company Note” shall mean the Holding Company 5.125% Fixed to Floating Rate Subordinated Note due 2030. Holding Company agrees to cooperate as reasonably requested by Dogwood in connection with such assumption.

5.18 Litigation and Claims.

Each party shall promptly notify the other parties in writing of any actions, lawsuits, arbitrations or administrative or judicial proceedings pending or, to the Knowledge of such party, threatened against Dogwood, any of the Dogwood Subsidiaries, Holding Company, or any of the Holding Company Subsidiaries, respectively, in each case that (i) questions or would reasonably be expected to question the validity of this Agreement, the Merger or the other transactions contemplated hereby or any actions taken or to be taken by Dogwood, any Dogwood Subsidiary, Holding Company, or any Holding Company Subsidiary with respect to this Agreement, the Merger or the other transactions contemplated hereby or (ii) seeks to enjoin, restrain or prohibit the transactions contemplated hereby. Holding Company shall not settle any such litigation without the prior written consent of Dogwood (such consent not to be unreasonably withheld, conditioned or delayed).

5.19 Significant Credit Loan Committee Meetings.

Following the date hereof until the Effective Time or termination of this Agreement, Holding Company and Bank Subsidiary shall permit representatives of Dogwood to attend as observers any meeting of the management loan committee of Bank Subsidiary at which any new Loan or renewal of any existing Loan where the total exposure to the borrower if such new Loan or renewal is approved is (i) in the case of unsecured Loans, in excess of \$500,000, and (ii) in the case of secured Loans, in excess of \$3,000,000.

5.20 Consent to Assign and Use Leased Premises; Extensions.

On Section 5.20 of its Disclosure Letter, Holding Company has provided a list of all leases with respect to real or personal property used by Holding Company or Bank Subsidiary. With respect to the leases disclosed in Section 5.20 of its Disclosure Letter, Holding Company

will use commercially reasonable efforts to obtain all consents necessary or appropriate to transfer and assign, as of the Effective Time, all right, title and interest of Holding Company and Bank Subsidiary to Dogwood and to permit the use and operation of the leased premises by Dogwood. If any such consent has not been obtained as of the Effective Time, then neither this Agreement nor any other document related to the consummation of the Merger shall constitute a sale, assignment, assumption, transfer conveyance or delivery (or an attempt to do any of the foregoing) of such lease until such time as such consent is obtained.

ARTICLE 6

Conditions to the Merger

6.1 General Conditions.

The respective obligations of each party to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by each party pursuant to Section 8.3.

(a) *Corporate Action.* All corporate action necessary to authorize the execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby shall have been duly and validly taken, including without limitation the Dogwood Shareholder Approval, the Holding Company Shareholder Approvals and the Bank Shareholder Approval.

(b) *Regulatory Approvals.* Dogwood, Holding Company and Bank Subsidiary shall have received all Regulatory Approvals, all notice periods and waiting periods required after the granting of any such Regulatory Approvals shall have passed, all such Regulatory Approvals shall be in effect, and no such Regulatory Approvals shall contain a Burdensome Condition.

(c) *Joint Proxy Statement.* The Joint Proxy Statement shall have been produced for use in definitive form and it shall not be subject any stop order or any threatened stop order (or an order, demand, request or other action with similar effect) of any Regulatory Agency.

(d) *Legal Proceedings.* No party hereto shall be subject to any order, decree or injunction of (i) a court or agency of competent jurisdiction or (ii) a Governmental Authority that enjoins or prohibits the consummation of the Merger.

6.2 Conditions to Obligations of Dogwood.

The obligations of Dogwood to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by Dogwood pursuant to the provisions of this Section 6.2 and Section 8.3.

(a) *Representations and Warranties.* The representations and warranties of Holding Company and Bank Subsidiary set forth in Section 3.3, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date as though made on and as of the Closing Date, and Dogwood shall have received certificates, dated as of the Closing Date, signed on behalf of Holding Company

and Bank Subsidiary by the Chief Executive Officer and Chief Financial Officer of Holding Company and Bank Subsidiary, respectively, to such effect.

(b) *Performance of Obligations.* Holding Company and Bank Subsidiary shall have performed in all material respects all obligations required to be performed by it under this Agreement on or before the Closing Date, and Dogwood shall have received certificates, dated as of the Closing Date, signed on behalf of Holding Company and Bank Subsidiary by the Chief Executive Officer and Chief Financial Officer of Holding Company and Bank Subsidiary, respectively, to such effect.

(c) *Federal Tax Opinion.* Dogwood shall have received a written opinion, dated the Closing Date, from its counsel, Williams Mullen, in form and substance reasonably satisfactory to Dogwood, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger of Holding Company with and into Dogwood will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and shall be entitled to rely upon representations of officers of Dogwood, Holding Company and Bank Subsidiary reasonably satisfactory in form and substance to such counsel.

(d) *Dissenting Shares.* Not more than ten percent (10%) of the outstanding shares of Holding Company Common Stock shall constitute Dissenting Shares.

(e) *No Material Adverse Effect.* No Material Adverse Effect with respect to Holding Company or Bank Subsidiary shall have occurred.

6.3 Conditions to Obligations of Holding Company and Bank Subsidiary.

The obligations of Holding Company and Bank Subsidiary to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by Dogwood pursuant to Section 8.3.

(a) *Representations and Warranties.* The representations and warranties of Dogwood set forth in Section 3.4, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date, as though made on and as of the Closing Date and Holding Company shall have received a certificate, dated as of the Closing Date, signed on behalf of Dogwood by the Chief Executive Officer and Chief Financial Officer of Dogwood to such effect.

(b) *Performance of Obligations.* Dogwood shall have performed in all material respects all obligations required to be performed by it under this Agreement on or before the Closing Date, and Holding Company shall have received a certificate, dated as of the Closing Date, signed on behalf of Dogwood by the Chief Executive Officer and Chief Financial Officer of Dogwood to such effect.

(c) *Federal Tax Opinion.* Holding Company shall have received a written opinion, dated the Closing Date, from its counsel, Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, in form and substance reasonably satisfactory to Holding Company, to the effect that, on

the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger of Holding Company with and into Dogwood will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and shall be entitled to rely upon representations of officers of Dogwood, Holding Company and Bank Subsidiary reasonably satisfactory in form and substance to such counsel.

(d) *No Material Adverse Effect.* No Material Adverse Effect with respect to Dogwood shall have occurred.

ARTICLE 7 Termination

7.1 Termination.

This Agreement may be terminated and the Merger abandoned at any time before the Effective Time, whether before or after receipt of the Dogwood Shareholder Approval and the Holding Company Shareholder Approvals, as provided below:

(a) *Mutual Consent.* By the mutual consent in writing of Dogwood, Holding Company and Bank Subsidiary;

(b) *Closing Delay.* By Dogwood or Holding Company and Bank Subsidiary, evidenced by written notice, if the Merger has not been consummated by October 31, 2024 or such later date as shall have been agreed to in writing by the parties, provided that the right to terminate under this Section 7.1(b) shall not be available to any party whose breach or failure to perform an obligation hereunder has caused the failure of the Merger to occur on or before such date;

(c) *Breach of Representation or Warranty.*

(i) By Dogwood (provided that Dogwood is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a breach or inaccuracy of any representation or warranty of Holding Company or Bank Subsidiary contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Holding Company of such breach or inaccuracy and which breach or inaccuracy (subject to the applicable standard set forth in Section 3.2) would provide Dogwood the ability to refuse to consummate the Merger under Section 6.2(a); or

(ii) By Holding Company and Bank Subsidiary (provided that neither Holding Company nor Bank Subsidiary is then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a breach or inaccuracy of any representation or warranty of Dogwood contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Dogwood of such breach or inaccuracy and which breach or inaccuracy (subject to the applicable standard set forth in Section 3.2) would provide

Holding Company and Bank Subsidiary the ability to refuse to consummate the Merger under Section 6.3(a);

(d) *Breach of Covenant or Agreement.*

(i) By Dogwood (provided that Dogwood is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a material breach by Holding Company or Bank Subsidiary of any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Holding Company of such breach;

(ii) By Holding Company and Bank Subsidiary (provided that neither Holding Company nor Bank Subsidiary is then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a material breach by Dogwood of any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Dogwood of such breach;

(e) *Conditions to Performance Not Met.* By either Dogwood on the one hand or Holding Company and Bank Subsidiary on the other hand (provided that the terminating party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event that any of the conditions precedent to the obligations of such party to consummate the Merger set forth in Section 6.2 or Section 6.3, as applicable, cannot be satisfied or fulfilled by the date specified in Section 7.1(b), as the date after which such party may terminate this Agreement;

(f) *Holding Company Solicitation and Recommendation Matters; Holding Company Shareholders Meeting Failure.* At any time prior to the receipt of the Holding Company Shareholder Approvals, by Dogwood if (i) Holding Company shall have breached Section 5.5, (ii) the Holding Company Board of Directors shall have failed to make the Holding Company Board Recommendation, (iii) the Holding Company Board of Directors shall have effected a Change of Recommendation or (iv) Holding Company shall have materially breached its obligations under Section 5.3(b) by failing to call, give notice of, convene and hold the Holding Company Shareholders Meeting in accordance with (and subject to the exceptions set forth in) Section 5.3(b);

(g) *No Holding Company Shareholder Approvals.* By either Dogwood or Holding Company and Bank Subsidiary, if the Holding Company Shareholder Approvals shall not have been attained by reason of the failure to obtain the required vote at the Holding Company Shareholders Meeting or any adjournment thereof;

(h) *Dogwood Solicitation and Recommendation Matters; Dogwood Shareholders Meeting Failure.* At any time prior to the receipt of the Dogwood Shareholder Approval, by

Holding Company and Bank Subsidiary if (i) the Dogwood Board of Directors shall have failed to make the Dogwood Board Recommendation, or (ii) Dogwood shall have materially breached its obligations under Section 5.3(a) by failing to call, give notice of, convene and hold the Dogwood Shareholders Meeting in accordance with (and subject to the exceptions set forth in) Section 5.3(a);

(i) *No Dogwood Shareholder Approval.* By either Dogwood on the one hand or Holding Company and Bank Subsidiary on the other hand, if the Dogwood Shareholder Approval shall not have been attained by reason of the failure to obtain the required vote at the Dogwood Shareholders Meeting or any adjournment thereof;

(j) *Termination Event.* By Dogwood upon the occurrence of any of the following events after the date hereof:

(i) (A) Holding Company or Bank Subsidiary, without having received Dogwood's prior written consent, shall have entered into an agreement with any person or entity to (1) acquire, merge or consolidate, or enter into any similar transaction, with Holding Company or Bank Subsidiary, or (2) purchase, lease or otherwise acquire all or substantially all of the assets of Holding Company or Bank Subsidiary; or (B) Holding Company or Bank Subsidiary, without having received Dogwood's prior written consent, shall have entered into an agreement with any person or entity to purchase or otherwise acquire directly from Holding Company securities representing ten percent (10%) or more of the voting power of Holding Company; or

(ii) a tender offer or exchange offer for ten percent (10%) or more of the outstanding shares of Holding Company Common Stock is commenced (other than by Dogwood or a Dogwood Subsidiary), and the Holding Company Board recommends that the shareholders of Holding Company tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender offer or exchange offer within the ten (10) business day period specified in Rule 14e-2(a) under the Exchange Act; or

(k) *Other Agreement.* At any time prior to the receipt of the Holding Company Shareholder Approvals, by Holding Company and Bank Subsidiary in order to enter into an acquisition agreement or similar agreement with respect to a Superior Proposal which has been received and considered by Holding Company and the Holding Company Board of Directors in compliance with Section 5.5 hereof; provided that this Agreement may be terminated by Holding Company and Bank Subsidiary pursuant to this Section 7.1(k) only after taking the following actions: (A) Holding Company shall notify Dogwood in writing, at least five (5) business days in advance, that it intends to accept a Superior Proposal; (B) upon Dogwood's request, Holding Company shall discuss with Dogwood the facts and circumstances giving rise to such decision and negotiate in good faith with Dogwood to facilitate Dogwood's evaluation of whether to improve the terms and conditions of this Agreement as would permit the Board of Directors of Holding Company not to accept the Superior Proposal; (C) if Dogwood shall have delivered to Holding Company a written offer capable of being accepted by Holding Company to alter the terms of this Agreement during such five (5) business day notice period, the Board of Directors of Holding Company shall have determined in good faith (after consultation with its outside legal

counsel and financial advisor), after considering the terms of such offer by Dogwood, that such Superior Proposal would continue to constitute a Superior Proposal; and (D) in the event of any material change to the material terms of such Superior Proposal, Holding Company shall, in each case, provide Dogwood with an additional notice and, unless Holding Company provides such additional notice to Dogwood within three (3) business days of providing Dogwood with the original notice contemplated by clause (A), the notice period shall recommence, except that the notice period shall be three (3) business days rather than the five (5) business day notice period otherwise contemplated by clause (A).

7.2 Effect of Termination.

In the event of termination of this Agreement as provided in Section 7.1, none of Dogwood, Holding Company, any Dogwood Subsidiary or any Holding Company Subsidiary, or any of the officers or directors of any of them shall have any liability hereunder or in connection with the transactions contemplated hereby, except that (i) Section 5.2(d), Section 5.7, this Article 7 and Article 8 shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary in this Agreement, termination will not relieve a breaching party from any liabilities or damages arising out of its willful and material breach of any provision of this Agreement.

7.3 Non-Survival of Representations, Warranties and Covenants.

None of the representations and warranties set forth in this Agreement or in any instrument delivered pursuant to this Agreement (other than the Affiliate Agreements and Noncompetition Agreements, which shall survive in accordance with their terms) shall survive the Effective Time, except for Section 5.12 and for any other covenant and agreement contained in this Agreement that by its terms applies or is to be performed in whole or in part after the Effective Time.

7.4 Fees and Expenses.

(a) Except as otherwise provided in this Agreement, each of the parties shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated herein, including fees and expenses of its own financial consultants, accountants and legal advisors, except that the costs and expenses of printing and mailing the Joint Proxy Statement shall be borne equally by Dogwood and Holding Company.

(b) In recognition of the effort made, the expenses incurred and the other opportunities for acquisition forgone by Dogwood while structuring the Merger, Holding Company shall pay Dogwood:

(i) the sum of \$2,600,000 (the “Termination Fee”) if this Agreement is terminated as follows:

(A) if this Agreement is terminated by Dogwood pursuant to Section 7.1(f) or Section 7.1(j), or by Holding Company and Bank Subsidiary pursuant to Section 7.1(k), payment shall be made to Dogwood concurrently with the termination of this Agreement; or

(B) if this Agreement is terminated (x) by Dogwood pursuant to Section 7.1(c)(i), Section 7.1(d)(i) or Section 7.1(e), (y) by either Dogwood or Holding Company and Bank Subsidiary pursuant to Section 7.1(b), or (z) by either Dogwood or Holding Company and Bank Subsidiary pursuant to Section 7.1(g), and only if in the case of any termination pursuant to clause (x), (y) or (z) an Acquisition Proposal shall have been publicly announced or otherwise communicated or made known to the shareholders, senior management or the Board of Directors of Holding Company (or any person or entity shall have publicly announced, communicated or made known an intention, whether or not conditional, to make an Acquisition Proposal) at any time after the date of this Agreement and prior to the taking of the vote of the shareholders of Holding Company contemplated by this Agreement at the Holding Company Shareholders Meeting, in the case of clause (z), or prior to the date of termination, in the case of clause (x) or (y), then if within twelve (12) months after such termination Holding Company or Bank Subsidiary enters into an agreement or consummates a transaction with respect to an Acquisition Proposal (whether or not the same Acquisition Proposal as that referred to above), then Holding Company shall pay to Dogwood the Termination Fee on the date of execution of such agreement (regardless of whether such transaction is consummated before or after the termination of this Agreement) or the date when such transaction is consummated.

(ii) the sum of \$750,000 if this Agreement is terminated by Dogwood pursuant to Section 7.1(d)(i) of this Agreement, and such amount shall be payable concurrently with the termination of this Agreement; provided, however, that to the extent Dogwood is entitled to be paid both the \$750,000 amount set forth in this Section 7.4(b)(ii) as well as the Termination Fee set forth in Section 7.4(b)(i), in no event will the amount payable to Dogwood pursuant to Sections 7.4(b)(i) and 7.4(b)(ii) exceed the amount of the Termination Fee.

(c) In recognition of the effort made, the expenses incurred and the other opportunities forgone by Holding Company and Bank Subsidiary while structuring the Merger, Dogwood shall pay Holding Company the sum of \$750,000 if this Agreement is terminated by Holding Company and Bank Subsidiary pursuant to Section 7.1(d)(ii) of this Agreement, and such amount shall be payable concurrently with the termination of this Agreement.

(d) The agreements contained in paragraphs (b) and (c) of this Section 7.4 shall be deemed an integral part of the transactions contemplated by this Agreement, that without such agreements the parties would not have entered into this Agreement and that no such amount constitutes a penalty or liquidated damages in the event of a breach of this Agreement by a party. If Dogwood or Holding Company fails to pay or cause payment to the other party the amount due under paragraph (b) or (c) above at the time specified therein, the party failing to pay shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by the other party in connection with any legal action taken to collect payment of such amount in which the collecting party prevails, together with interest on the amount of any such unpaid amount at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, calculated on a daily basis from the date such amount was required to be paid until the date of actual payment.

(e) Any payment required to be made pursuant to this Section 7.4 shall be made by wire transfer of immediately available funds to an account designated by the receiving party in the notice of demand for payment delivered pursuant to this Section 7.4. For the avoidance of doubt, in no event shall a party be required to pay an amount set forth in paragraph (b) or (c) above on more than one occasion, whether or not the amount may be payable under multiple provisions of this Agreement at the same time or at different times or upon the occurrence of different events.

ARTICLE 8 General Provisions

8.1 Entire Agreement.

This Agreement, including the Disclosure Letters and the Exhibits hereto, contains the entire agreement among Dogwood, Holding Company and Bank Subsidiary with respect to the Merger and the related transactions and supersedes all prior arrangements or understandings with respect thereto.

8.2 Binding Effect; No Third Party Rights.

This Agreement shall bind Dogwood, Holding Company and Bank Subsidiary and their respective successors and assigns. Other than Sections 5.10, 5.12 and 5.13, nothing in this Agreement is intended to confer upon any person or entity, other than the parties hereto or their respective successors, any rights or remedies under or by reason of this Agreement.

8.3 Waiver and Amendment.

Any term or provision of this Agreement may be waived in writing at any time by the party that is, or whose shareholders are, entitled to the benefits thereof, and this Agreement may be amended or supplemented by a written instrument duly executed by the parties hereto at any time, whether before or after the dates of the Dogwood Shareholders Meeting and Holding Company Shareholders Meeting, except statutory requirements and requisite approvals of shareholders and Governmental Authorities.

8.4 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina without regard to the conflict of law principles thereof (except to the extent that mandatory provisions of federal law are applicable). The parties hereby consent and submit to the exclusive jurisdiction and venue of any state or federal court located in the State of North Carolina.

8.5 Notices.

All notices, requests and other communications given or made under this Agreement must be in writing and will be deemed given (i) on the date given if delivered prior to 5:00 p.m. Eastern Time on a business day, personally or by e-mail (with confirmation); (ii) on the date received if sent by commercial overnight delivery service; or (iii) on the third business day after

being mailed by registered or certified mail (return receipt requested) to the persons and addresses set forth below or such other place as such party may specify by notice.

If to Dogwood:

Steven W. Jones
President and Chief Executive Officer
Dogwood State Bank
5401 Six Forks Road
Raleigh, North Carolina 27609
Email: sjones@dsbnc.com

with a copy to (which shall not constitute notice to Dogwood):

David F. Paulson, Esq.
Scott H. Richter, Esq.
Williams Mullen
301 Fayetteville Street, Suite 1700
Raleigh, North Carolina 27601
Email: dpaulson@williamsmullen.com
srichter@williamsmullen.com

If to Holding Company and Bank Subsidiary:

Richard D. Burleson, Jr.
President and Chief Executive Officer
Community First Bancorporation
3685 Blue Ridge Blvd
Walhalla, South Carolina 29691
Email: rburleson@c1stbank.com

with a copy to (which shall not constitute notice to Holding Company or Bank Subsidiary):

Robert A. Singer, Esq.
Brooks, Pierce, McLendon, Humphrey & Leonard, LLP
230 North Elm Street, Suite 2000
Greensboro, NC 27401
Email: Rsinger@brookspierce.com

8.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same agreement.

8.7 Waiver of Jury Trial.

Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of or relating to this Agreement or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (i) it understands and has considered the implications of this waiver and (ii) it makes this waiver voluntarily.

8.8 Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

8.9 Interpretation; Global Terms.

Any reference contained in this Agreement to specific statutory or regulatory provisions or to specific governmental agencies or entities includes any successor statute or regulation, or agency or entity, as the case may be. Unless otherwise specified, the references to “Section” and “Article” in this Agreement are to the Sections and Articles of this Agreement. When used in this Agreement, words such as “herein”, “hereinafter”, “hereof”, “hereto”, and “hereunder” refer to this Agreement as a whole, unless the context clearly requires otherwise. The use of the words “include” or “including” in this Agreement is by way of example rather than by limitation. Unless the context clearly indicates otherwise, the masculine, feminine, and neuter genders will be deemed to be interchangeable.

8.10 Specific Performance.

Each of Dogwood, Holding Company and Bank Subsidiary agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and, accordingly, that the parties shall be entitled to an injunction or injunctions to prevent breaches of the Agreement or to enforce specifically the performance of the terms and provisions hereof (including the parties’ obligation to consummate the Merger), in addition to any other remedy to which they are entitled in law or in equity.

8.11 Confidential Supervisory Information.

Notwithstanding any other provision of this Agreement, no disclosure, representation or warranty shall be made (or other action taken) pursuant to this Agreement that would involve the disclosure of confidential supervisory information (including confidential supervisory information as defined in 12 C.F.R. § 261.2(b) and as identified in 12 C.F.R. § 309.5 and 6) of a Governmental Authority by any party to this Agreement to the extent prohibited by applicable

law. To the extent legally permissible, appropriate substitute disclosures or actions shall be made or taken under circumstances in which the limitations of the preceding sentence apply.

8.12 Delivery by Facsimile or Electronic Transmission.

This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments or waivers hereto or thereto, to the extent signed and delivered by means of a facsimile machine or by e-mail delivery of a “.pdf” format data file, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or e-mail delivery of a “.pdf” format data file to deliver a signature to this Agreement or any amendment hereto or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a “.pdf” format data file as a defense to the formation of a contract and each party hereto forever waives any such defense.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers and their corporate seals to be affixed hereto, all as of the date first written above.

DOGWOOD STATE BANK

By: _____
Steven W. Jones
President and Chief Executive Officer

COMMUNITY FIRST BANCORPORATION

By: _____
Richard D. Burleson, Jr.
President and Chief Executive Officer

COMMUNITY FIRST BANK, INC.

By: _____
Richard D. Burleson, Jr.
President and Chief Executive Officer

FORM OF DOGWOOD AFFILIATE AGREEMENT

THIS AFFILIATE AGREEMENT (the “Agreement”), dated as of January 31, 2024, is by and among Dogwood State Bank, a North Carolina banking corporation (“Dogwood”), Community First Bancorporation, a South Carolina corporation (“Holding Company”), and the undersigned shareholder of Dogwood (“Shareholder”). All capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Merger Agreement (as defined herein).

WHEREAS, the Boards of Directors of Dogwood, Holding Company and Community First Bank, Inc., a South Carolina banking corporation (“Bank Subsidiary”), have approved a business combination of their companies through the merger (the “Merger”) of Holding Company and Bank Subsidiary with and into Dogwood pursuant to the terms and conditions of an Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood, Holding Company and Bank Subsidiary (the “Merger Agreement”);

WHEREAS, Shareholder is the beneficial and/or holder of record of, and has the sole right and power to vote or direct the disposition of the number of shares of voting common stock, par value \$1.00 per share, of Dogwood (“Dogwood Voting Common Stock”) set forth below Shareholder’s name on the signature page hereto (such shares, together with all shares of Dogwood Voting Common Stock subsequently acquired by Shareholder during the term of this Agreement and over which such Shareholder has the sole right and power to vote or direct the disposition, but excluding the shares described in the last sentence of Section 5(a) hereof, are referred to herein as the “Shares”); and

WHEREAS, as a condition and inducement to Dogwood and Holding Company entering into the Merger Agreement, Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, in consideration of the covenants, representations, warranties and agreements set forth herein and in the Merger Agreement, and other good and valuable consideration (including the merger consideration set forth in Article 2 of the Merger Agreement), the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Agreement to Vote.

During the term of this Agreement and at such time as Dogwood conducts the Dogwood Shareholders Meeting, except as provided in Section 5(b) hereof, Shareholder agrees to vote or cause to be voted all of the Shares, and to cause any holder of record of the Shares to vote all such Shares, in person or by proxy: (i) in favor of the Merger Agreement at the Dogwood Shareholders Meeting; and (ii) against (A) any action, proposal, transaction or agreement which could reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of Dogwood under the Merger Agreement or of Shareholder under

this Agreement and (B) any action, proposal, transaction or agreement that could reasonably be expected to impede, interfere with, delay, discourage, adversely affect or inhibit the timely consummation of the Merger or the fulfillment of conditions of Dogwood, Holding Company or Bank Subsidiary under the Merger Agreement.

2. Covenants of Shareholder.

The Shareholder covenants and agrees as follows:

(a) *Ownership.* Shareholder is the beneficial and/or holder of record of the Shares as set forth below Shareholder's name on the signature page hereto. Except for (i) the Shares and (ii) the shares of Dogwood Voting Common Stock subject to unvested restricted stock awards under a Dogwood Stock Plan (which shares, if any, are set forth on the signature page hereto), Shareholder is not the beneficial or holder of record of any other shares of Dogwood Voting Common Stock or rights to acquire shares of Dogwood Voting Common Stock and for which Shareholder has the sole right and power to vote and/or dispose. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(b) *Restrictions on Transfer and Dispositions.* During the term of this Agreement, Shareholder will not sell, pledge, hypothecate, grant a security interest in, transfer or otherwise dispose of or encumber any of the Shares and will not enter into any agreement, arrangement or understanding (other than a proxy for the purpose of voting the Shares in accordance with Section 1 hereof) which would during that term (i) restrict, (ii) establish a right of first refusal to, or (iii) otherwise relate to, the transfer or voting of the Shares.

(c) *Authority.* Shareholder has full power, authority and legal capacity to enter into, execute and deliver this Agreement and to perform fully Shareholder's obligations hereunder. This Agreement has been duly and validly executed and delivered by Shareholder and constitutes the legal, valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) *No Breach.* None of the execution and delivery of this Agreement nor the consummation by Shareholder of the transactions contemplated hereby will result in a violation of, or a default under, or conflict with, any contract, loan and credit arrangements, Liens (as defined in Section 2(e) below), trust, commitment, agreement, understanding, arrangement or restriction of any kind to which Shareholder is a party or bound or to which the Shares are subject.

(e) *No Liens.* The Shares and the certificates representing the Shares are now, and at all times during the term of this Agreement, will be, held by Shareholder, or by a nominee or custodian for the benefit of Shareholder, free and clear of all pledges, liens, security interests, claims, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever (each, a "Lien"), except for (i) any Liens arising hereunder and (ii) Liens, if any, which have been disclosed to Holding Company in an attachment to this Agreement.

(f) *Consents and Approvals.* The execution and delivery of this Agreement by Shareholder does not, and the performance by Shareholder of his, her or its obligations under this Agreement and the consummation by him, her or it of the transactions contemplated hereby will not, require Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(g) *Absence of Litigation.* There is no suit, action, investigation or proceeding pending or, to the knowledge of Shareholder, threatened against or affecting Shareholder or any of his, her or its affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of Shareholder to perform his, her or its obligations hereunder or to consummate the transactions contemplated hereby.

(h) *Statements.* Shareholder shall not make any statement, written or oral, to the effect that he, she or it does not support the Merger or that other shareholders of Dogwood should not support the Merger.

3. No Prior Proxies.

Shareholder represents, warrants and covenants that any proxies or voting rights previously given in respect of the Shares are revocable, and that any such proxies or voting rights are hereby irrevocably revoked.

4. Certain Events.

Shareholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal or beneficial ownership of the Shares shall pass, whether by operation of law or otherwise, including Shareholder's successors or assigns. In the event of any stock split, stock dividend, merger, exchange, reorganization, recapitalization or other change in the capital structure of Dogwood affecting the Shares, the number of Shares subject to the terms of this Agreement shall be appropriately adjusted, and this Agreement and the obligations hereunder shall attach to any additional securities of Dogwood issued to or acquired by Shareholder.

5. Capacity; Obligation to Vote.

(a) With respect to the terms of this Agreement relating to the Shares, this Agreement relates solely to the capacity of Shareholder as a holder of record or beneficial owner of the Shares and is not in any way intended to affect or prevent the exercise by Shareholder of his or her responsibilities as a director or officer of Dogwood. The term "Shares" shall not include any securities beneficially owned by Shareholder as a trustee or fiduciary, and this Agreement is not in any way intended to affect the exercise by Shareholder of his, her or its fiduciary responsibility in respect of any such securities.

(b) The parties hereto agree that, notwithstanding the provisions contained in Section 1 hereof, Shareholder shall not be obligated to vote as required in Section 1 of this Agreement in the event that (i) Holding Company is in material default with respect to any

covenant, representation, warranty or agreement with respect to it contained in the Merger Agreement, or (ii) Dogwood is otherwise entitled to terminate the Merger Agreement.

6. Term; Termination.

The term of this Agreement shall commence on the date hereof. This Agreement shall terminate upon the earlier of (i) the Effective Time of the Merger, or (ii) termination of the Merger Agreement in accordance with Article 7 of the Merger Agreement. Other than as provided for herein, following the termination of this Agreement, there shall be no further liabilities or obligations hereunder on the part of Shareholder, Holding Company or Dogwood, or their respective officers or directors, except that nothing in this Section 6 shall relieve any party hereto from any liability for breach of this Agreement before such termination.

7. Stop Transfer Order.

In furtherance of this Agreement, Shareholder hereby authorizes and instructs Dogwood to instruct its transfer agent to enter a stop transfer order with respect to all of the Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 6 hereof.

8. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the applicable party hereto in accordance with their specific terms or were otherwise breached. Each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the other and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which it is entitled at law or in equity. Each party hereto waives the posting of any bond or security in connection with any proceeding related thereto.

9. Banking Relationships.

Notwithstanding any other terms and provisions of this Agreement, including Section 6, Shareholder further covenants and agrees that (i) from the date hereof and through the Effective Time, he, she or it will use best efforts to maintain and continue with Dogwood such banking relationships (e.g., lending, deposit or other accounts) that Shareholder (or affiliates thereof) currently maintains with Dogwood, in form and substance substantially the same as currently maintained; and (ii) after the Effective Time and until the one (1) year anniversary of the Effective Time, he, she or it will use best efforts to maintain and continue with the Surviving Bank such banking relationships that the Shareholder (or affiliates thereof) maintained with Dogwood prior to the Merger.

10. Amendments.

This Agreement may not be modified, amended, altered or supplemented except by execution and delivery of a written agreement by the parties hereto.

11. Governing Law.

This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of North Carolina without regard to the conflict of law principles thereof.

12. Notices.

All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by facsimile or like transmission and on the next business day when sent by a reputable overnight courier service as follows: (i) with respect to Dogwood or Holding Company, the applicable address set forth in Section 8.5 of the Merger Agreement, and (ii) with respect to Shareholder, at the address for Shareholder shown on the records of Dogwood.

13. Benefit of Agreement; Assignment.

This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, the parties hereto and their respective personal representatives, successors and assigns, except that the parties hereto may not transfer or assign any of their respective rights or obligations hereunder without the prior written consent of the other parties.

14. Counterparts.

This Agreement may be executed in one or more counterparts, and by the different parties in separate counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. A facsimile copy or electronic transmission of the signature page hereto shall be deemed to be an original signature page.

15. Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

[Signatures on following page]

IN WITNESS WHEREOF, Dogwood, Holding Company and Shareholder have caused this Agreement to be duly executed as of the date and year first above written.

DOGWOOD STATE BANK

By: _____
Steven W. Jones
President and Chief Executive Officer

COMMUNITY FIRST BANCORPORATION

By: _____
Richard D. Burleson, Jr.
President and Chief Executive Officer

SHAREHOLDER

[Insert Name]

Number of Shares
(including restricted stock): _____

Number of Shares Underlying
Restricted Stock Awards: _____

FORM OF HOLDING COMPANY AFFILIATE AGREEMENT

THIS AFFILIATE AGREEMENT (the “Agreement”), dated as of January 31, 2024, is by and among Dogwood State Bank, a North Carolina banking corporation (“Dogwood”), Community First Bancorporation, a South Carolina corporation (“Holding Company”), and the undersigned shareholder of Holding Company (“Shareholder”). All capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Merger Agreement (as defined herein).

WHEREAS, the Boards of Directors of Dogwood, Holding Company and Community First Bank, Inc., a South Carolina banking corporation (“Bank Subsidiary”), have approved a business combination of their companies through the merger (the “Merger”) of Holding Company and Bank Subsidiary with and into Dogwood pursuant to the terms and conditions of an Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood, Holding Company and Bank Subsidiary (the “Merger Agreement”);

WHEREAS, Shareholder is the beneficial and/or holder of record of, and has the sole right and power to vote or direct the disposition of the number of shares of (i) common stock, no par value per share, of Holding Company (“Holding Company Common Stock”) and (ii) preferred stock, no par value per share, of Holding Company (“Holding Company Preferred Stock”) set forth below Shareholder’s name on the signature page hereto (such shares, together with all shares of Holding Company Common Stock and Holding Company Preferred Stock subsequently acquired by Shareholder during the term of this Agreement and over which such Shareholder has the sole right and power to vote or direct the disposition, but excluding the shares described in the last sentence of Section 5(a) hereof, are referred to herein as the “Shares”); and

WHEREAS, as a condition and inducement to Dogwood and Holding Company entering into the Merger Agreement, Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, in consideration of the covenants, representations, warranties and agreements set forth herein and in the Merger Agreement, and other good and valuable consideration (including the merger consideration set forth in Article 2 of the Merger Agreement), the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Agreement to Vote.

During the term of this Agreement and at such time as Holding Company conducts the Holding Company Shareholders Meeting, except as provided in Section 5(b) hereof, Shareholder agrees to vote or cause to be voted all of the Shares, and to cause any holder of record of the Shares to vote all such Shares, in person or by proxy: (i) in favor of the Merger Agreement at the Holding Company Shareholders Meeting; and (ii) against (A) any Acquisition Proposal, (B) any action, proposal, transaction or agreement which could reasonably be expected to result in a breach of any

covenant, representation or warranty or any other obligation or agreement of Holding Company under the Merger Agreement or of Shareholder under this Agreement and (C) any action, proposal, transaction or agreement that could reasonably be expected to impede, interfere with, delay, discourage, adversely affect or inhibit the timely consummation of the Merger or the fulfillment of conditions of Dogwood, Holding Company or Bank Subsidiary under the Merger Agreement.

2. Covenants of Shareholder.

The Shareholder covenants and agrees as follows:

(a) *Ownership.* Shareholder is the beneficial and/or holder of record of the Shares as set forth below Shareholder's name on the signature page hereto. Except for (i) the Shares and (ii) options to purchase Holding Company Common Stock issued under a Holding Company Stock Plan (which option shares, if any, are set forth on the signature page hereto), Shareholder is not the beneficial or holder of record of any other shares of Holding Company Common Stock, Holding Company Preferred Stock or rights to acquire shares of Holding Company Common Stock or Holding Company Preferred Stock and for which Shareholder has the sole right and power to vote and/or dispose. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(b) *Restrictions on Transfer and Dispositions.* During the term of this Agreement, Shareholder will not sell, pledge, hypothecate, grant a security interest in, transfer or otherwise dispose of or encumber any of the Shares and will not enter into any agreement, arrangement or understanding (other than a proxy for the purpose of voting the Shares in accordance with Section 1 hereof) which would during that term (i) restrict, (ii) establish a right of first refusal to, or (iii) otherwise relate to, the transfer or voting of the Shares.

(c) *Authority.* Shareholder has full power, authority and legal capacity to enter into, execute and deliver this Agreement and to perform fully Shareholder's obligations hereunder. This Agreement has been duly and validly executed and delivered by Shareholder and constitutes the legal, valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) *No Breach.* None of the execution and delivery of this Agreement nor the consummation by Shareholder of the transactions contemplated hereby will result in a violation of, or a default under, or conflict with, any contract, loan and credit arrangements, Liens (as defined in Section 2(e) below), trust, commitment, agreement, understanding, arrangement or restriction of any kind to which Shareholder is a party or bound or to which the Shares are subject.

(e) *No Liens.* The Shares and the certificates representing the Shares are now, and at all times during the term of this Agreement, will be, held by Shareholder, or by a nominee or custodian for the benefit of Shareholder, free and clear of all pledges, liens, security interests, claims, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever (each, a "Lien"), except for (i) any Liens arising hereunder and (ii) Liens, if any, which have been disclosed to Dogwood in an attachment to this Agreement.

(f) *Consents and Approvals.* The execution and delivery of this Agreement by Shareholder does not, and the performance by Shareholder of his, her or its obligations under this Agreement and the consummation by him, her or it of the transactions contemplated hereby will not, require Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(g) *Absence of Litigation.* There is no suit, action, investigation or proceeding pending or, to the knowledge of Shareholder, threatened against or affecting Shareholder or any of his, her or its affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of Shareholder to perform his, her or its obligations hereunder or to consummate the transactions contemplated hereby.

(h) *No Solicitation.* During the term of this Agreement, Shareholder shall not, nor shall he, she or it permit any investment banker, attorney or other adviser or representative of Shareholder to, directly or indirectly, (i) solicit, initiate or encourage the submission of any Acquisition Proposal, or (ii) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal.

(i) *Statements.* The Shareholder shall not make any statement, written or oral, to the effect that he, she or it does not support the Merger or that other shareholders of Holding Company should not support the Merger.

3. No Prior Proxies.

Shareholder represents, warrants and covenants that any proxies or voting rights previously given in respect of the Shares are revocable, and that any such proxies or voting rights are hereby irrevocably revoked.

4. Certain Events.

Shareholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal or beneficial ownership of the Shares shall pass, whether by operation of law or otherwise, including Shareholder's successors or assigns. In the event of any stock split, stock dividend, merger, exchange, reorganization, recapitalization or other change in the capital structure of Holding Company affecting the Shares, the number of Shares subject to the terms of this Agreement shall be appropriately adjusted, and this Agreement and the obligations hereunder shall attach to any additional securities of Holding Company issued to or acquired by Shareholder.

5. Capacity; Obligation to Vote.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that the Board of Directors of Holding Company is permitted to engage in negotiations or discussions with any person or entity who made an unsolicited bona fide written Acquisition Proposal in accordance with Section 5.5 of the Merger Agreement, Shareholder shall be permitted, at the

request of the Board of Directors of Holding Company, to respond to inquiries from, and discuss such Acquisition Proposal with, the Board of Directors of Holding Company. With respect to the terms of this Agreement relating to the Shares, this Agreement relates solely to the capacity of Shareholder as the holder of record or beneficial owner of the Shares and is not in any way intended to affect or prevent the exercise by Shareholder of his, her or its responsibilities as a director or officer of Holding Company, including actions permitted to be taken in compliance with Section 5.5 of the Merger Agreement. The term “Shares” shall not include any securities beneficially owned by Shareholder as a trustee or fiduciary, and this Agreement is not in any way intended to affect the exercise by Shareholder of his, her or its fiduciary responsibility in respect of any such securities.

(b) The parties hereto agree that, notwithstanding the provisions contained in Section 1 hereof, Shareholder shall not be obligated to vote as required in Section 1 of this Agreement in the event that (i) Dogwood is in material default with respect to any covenant, representation, warranty or agreement with respect to it contained in the Merger Agreement, or (ii) Holding Company is otherwise entitled to terminate the Merger Agreement.

6. Term; Termination.

The term of this Agreement shall commence on the date hereof. This Agreement shall terminate upon the earlier of (i) the Effective Time of the Merger, or (ii) termination of the Merger Agreement in accordance with Article 7 of the Merger Agreement. Other than as provided for herein, following the termination of this Agreement, there shall be no further liabilities or obligations hereunder on the part of Shareholder, Holding Company or Dogwood, or their respective officers or directors, except that nothing in this Section 6 shall relieve any party hereto from any liability for breach of this Agreement before such termination.

7. Stop Transfer Order.

In furtherance of this Agreement, Shareholder hereby authorizes and instructs Holding Company to instruct its transfer agent to enter a stop transfer order with respect to all of the Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 6 hereof.

8. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the applicable party hereto in accordance with their specific terms or were otherwise breached. Each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the other and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which it is entitled at law or in equity. Each party hereto waives the posting of any bond or security in connection with any proceeding related thereto.

9. Banking Relationships.

Notwithstanding any other terms and provisions of this Agreement, including Section 6, the Shareholder further covenants and agrees that (i) from the date hereof and through the Effective Time, he, she or it will use best efforts to maintain and continue with Holding Company and Bank Subsidiary such banking relationships (e.g., lending, deposit or other accounts) that the Shareholder (or affiliates thereof) currently maintains with Bank Subsidiary, in form and substance substantially the same as currently maintained; and (ii) after the Effective Time and until the one (1) year anniversary of the Effective Time, he, she or it will use best efforts to maintain and continue with the Surviving Bank such banking relationships that the Shareholder (or affiliates thereof) maintained with Holding Company and Bank Subsidiary prior to the Merger.

10. Amendments.

This Agreement may not be modified, amended, altered or supplemented except by execution and delivery of a written agreement by the parties hereto.

11. Governing Law.

This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of North Carolina without regard to the conflict of law principles thereof.

12. Notices.

All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by facsimile or like transmission and on the next business day when sent by a reputable overnight courier service as follows: (i) with respect to Dogwood or Holding Company, the applicable address set forth in Section 8.5 of the Merger Agreement, and (ii) with respect to Shareholder, at the address for Shareholder shown on the records of Holding Company.

13. Benefit of Agreement; Assignment.

(a) This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, the parties hereto and their respective personal representatives, successors and assigns, except that the parties hereto may not transfer or assign any of their respective rights or obligations hereunder without the prior written consent of the other parties.

(b) The parties hereto agree and designate Bank Subsidiary as a third-party beneficiary of this Agreement, with Bank Subsidiary having the right to enforce the terms hereof.

14. Counterparts.

This Agreement may be executed in one or more counterparts, and by the different parties in separate counterparts, each of which shall be deemed to be an original, but all of which shall

constitute one and the same agreement. A facsimile copy or electronic transmission of the signature page hereto shall be deemed to be an original signature page.

15. Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

[Signatures on following page]

IN WITNESS WHEREOF, Dogwood, Holding Company and Shareholder have caused this Agreement to be duly executed as of the date and year first above written.

DOGWOOD STATE BANK

By: _____
Steven W. Jones
President and Chief Executive Officer

COMMUNITY FIRST BANCORPORATION

By: _____
Richard D. Burleson, Jr.
President and Chief Executive Officer

SHAREHOLDER

[Insert Name]

Number of Shares:
Holding Company Common Stock
(including restricted stock): _____

Holding Company Preferred Stock: _____

Number of Shares Underlying Options
for Holding Company Common Stock: _____

FORM OF NONCOMPETITION AGREEMENT

January 31, 2024

Dogwood State Bank
5401 Six Forks Road
Raleigh, North Carolina 27609

Ladies and Gentlemen:

The undersigned is a director of Community First Bancorporation, a South Carolina corporation (“Holding Company”), and Community First Bank, Inc., a South Carolina banking corporation and wholly owned subsidiary of Holding Company (“Bank Subsidiary”). Dogwood State Bank, a North Carolina banking corporation (“Dogwood”), has agreed to acquire Holding Company and Bank Subsidiary (the “Merger”), pursuant to an Agreement and Plan of Merger, dated as of January 31, 2024, by and among Dogwood, Holding Company and Bank Subsidiary (the “Agreement”). The undersigned has been offered the opportunity to become a member of the Board of Directors or the SC Advisory Board of Dogwood following the Effective Time (as such terms are defined in the Agreement).

As a condition of acceptance of such offer, and subject to the exceptions below, the undersigned hereby agrees that, for a period of 12 months following the Effective Time (or such longer period that the undersigned shall be a member of the Board of Directors or the SC Advisory Board of Dogwood), the undersigned will not, directly or indirectly: (i) become a member of the board of directors or an advisory board of, or be an organizer of, or be a 1% or more shareholder of, any entity engaged in or formed for the purpose of engaging in a Competitive Business anywhere in the Market Area (as such terms are defined below); or (ii) in any individual or representative capacity whatsoever or induce any individual to terminate his or her employment with Dogwood (as such term is defined below).

As used in this Agreement, the term “Competitive Business” means the financial services business, which includes one or more of the following businesses: consumer and commercial banking, insurance brokerage, asset management, residential and commercial mortgage lending, and any other business in which Dogwood is currently engaged; the term “Market Area” means (i) the counties of Gaston, Macon and Mecklenburg in North Carolina, the counties of Anderson, Greenville and Oconee in South Carolina, and the counties of Washington and Carter in Tennessee, and (ii) any other city, town, county or municipality in which Dogwood has established and is continuing to operate a banking office or a loan production office (excluding, for purposes of this letter agreement, an office providing solely residential mortgage loans, unless such office is in the areas identified in clause (i) above); and the term “Person” means any person, limited liability company, partnership, corporation, company, group or other entity.

Notwithstanding the foregoing, in no event shall the undersigned be prevented from continuing to engage in, or being or continuing to engage in any activities as an officer, employee, owner, shareholder, partner or member in or of, or a member of the board of directors or a member of an advisory board of, any entity engaged in, a Competitive Business if the undersigned holds such position (or a corresponding position with the predecessor to such entity) or otherwise engages in that Competitive Business on the date hereof.

This letter agreement is the complete agreement between Dogwood and the undersigned concerning the subject matter hereof and shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina, without regard to its conflicts of laws provisions.

This letter agreement is executed as of the _____ day of _____, 2024.

Very truly yours

[Insert Name]

January 31, 2024

Board of Directors
Dogwood State Bank
5401 Six Forks Road, Suite 100
Raleigh, NC 27609

Ladies and Gentlemen:

Dogwood State Bank (“Dogwood”), Community First Bancorporation (“Holding Company”) and Community First Bank, Inc., a wholly-owned subsidiary of Holding Company (“Bank Subsidiary”), are proposing to enter into an Agreement and Plan of Merger (the “Agreement”) pursuant to which Holding Company and Bank Subsidiary will, subject to the terms and conditions set forth in the Agreement, merge with and into Dogwood with Dogwood as the surviving entity (the “Merger”). As set forth in the Agreement, each share of Holding Company Common Stock that is issued and outstanding immediately before the Effective Time shall be converted into and exchanged for the right to receive 0.5875 shares of Dogwood Voting Common Stock (the “Common Stock Exchange Ratio”), plus cash in lieu of any fractional shares. We have assumed for purposes of our analyses, at Dogwood’s direction and with Dogwood’s consent, that the per share value of Dogwood Voting Common Stock is \$20.00 (the “Dogwood Common Stock Price”). Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, of the Common Stock Exchange Ratio to Dogwood.

Piper Sandler & Co. (“Piper Sandler”, “we” or “our”), as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In connection with this opinion, we have reviewed and considered, among other things: (i) an execution copy of the Agreement; (ii) certain publicly available financial statements and other historical financial information of Dogwood that we deemed relevant; (iii) certain publicly available financial statements and other historical financial information of Holding Company and Bank Subsidiary that we deemed relevant; (iv) certain internal financial projections for Dogwood for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Dogwood; (v) certain internal financial projections for Holding Company for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Holding Company and as adjusted by and confirmed for use in our analysis by the senior management of

Dogwood; (vi) the pro forma financial impact of the Merger on Dogwood based on certain assumptions relating to the Dogwood Common Stock Price, transaction expenses, purchase accounting adjustments and cost savings, as well as certain adjustments for current expected credit losses (CECL) accounting standards, as provided by the senior management of Dogwood; (vii) the publicly reported historical price and trading activity for Dogwood Voting Common Stock and Holding Company Common Stock, including a comparison of certain stock trading information for Dogwood Voting Common Stock and Holding Company Common Stock and certain stock indices, as well as similar publicly available information for certain other companies, the securities of which are publicly traded; (viii) a comparison of certain financial and market information for Dogwood and Holding Company with similar financial institutions for which information is publicly available; (ix) the financial terms of certain recent business combinations in the bank and thrift industry (on a regional and nationwide basis), to the extent publicly available; (x) the current market environment generally and the banking environment in particular; and (xi) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant. We also discussed with certain members of the senior management of Dogwood and its representatives the business, financial condition, results of operations and prospects of Dogwood and held similar discussions with certain members of the senior management of Holding Company and its representatives regarding the business, financial condition, results of operations and prospects of Holding Company.

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided to us by Dogwood, Holding Company or their respective representatives, or that was otherwise reviewed by us, and we have assumed such accuracy and completeness for purposes of rendering this opinion without any independent verification or investigation. We have further relied on the assurances of the senior management of Dogwood and Holding Company that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading in any respect material to our analyses. We have not been asked to undertake, and have not undertaken, an independent verification of any such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Dogwood or Holding Company. We render no opinion on or evaluation of the collectability of any assets or the future performance of any loans of Dogwood, Holding Company or Bank Subsidiary. We did not make an independent evaluation of the adequacy of the allowance for loan losses of Dogwood, Holding Company or Bank Subsidiary, or the combined entity after the Merger, and we have not reviewed any individual credit files relating to Dogwood, Holding Company or Bank Subsidiary. We have assumed, with

your consent, that the respective allowances for loan losses for each of Dogwood, Holding Company and Bank Subsidiary are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Piper Sandler used certain internal financial projections for Dogwood for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Dogwood. Piper Sandler also used certain internal financial projections for Holding Company for the years ending December 31, 2024 through December 31, 2027, as provided by the senior management of Holding Company and as adjusted by and confirmed for use in our analysis by the senior management of Dogwood. Piper Sandler also received and used in its pro forma analyses certain assumptions relating to the Dogwood Common Stock Price, transaction expenses, purchase accounting adjustments and cost savings, as well as certain adjustments for CECL accounting standards, as provided by the senior management of Dogwood. With respect to the foregoing information, the senior management of Dogwood confirmed to us that such information reflected the best currently available projections, estimates and judgements of senior management as to the future financial performance of Dogwood and Holding Company, respectively, and we assumed that the financial results reflected in such information would be achieved. We express no opinion as to such estimates or judgements, or the assumptions on which they are based. We have also assumed that there has been no material change in Dogwood's or Holding Company's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analyses that Dogwood and Holding Company will remain as going concerns for all periods relevant to our analyses.

We have also assumed, with your consent, that (i) each of the parties to the Agreement will comply in all material respects with all material terms and conditions of the Agreement and all related agreements required to effect the Merger, that all of the representations and warranties contained in such agreements are true and correct in all material respects, that each of the parties to such agreements will perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements are not and will not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect that would be material to our analyses of Dogwood, Holding Company, Bank Subsidiary or the Merger, or any related transactions, and (iii) the Merger and any related transactions will be consummated in accordance with the terms of the Agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and

other requirements. Finally, with your consent, we have relied upon the advice that Dogwood has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement. We express no opinion as to any such matters.

Our opinion is necessarily based on financial, regulatory, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We express no opinion as to the Dogwood Common Stock Price, the trading value of Dogwood Voting Common Stock or Holding Company Common Stock at any time or what the value of Dogwood Voting Common Stock will be once it is actually received by the holders of Holding Company Common Stock.

We have acted as Dogwood's financial advisor in connection with the Merger and will receive a fee for our services, which advisory fee is contingent upon consummation of the Merger. We will also receive a fee for rendering this opinion, which opinion fee will be credited in full towards the advisory fee which will become payable to Piper Sandler upon consummation of the Merger. Dogwood has also agreed to indemnify us against certain claims and liabilities arising out of our engagement and to reimburse us for certain of our out-of-pocket expenses incurred in connection with our engagement. Piper Sandler did not provide any other investment banking services to Dogwood in the two years preceding the date hereof. Piper Sandler did not provide any investment banking services to Holding Company or Bank Subsidiary in the two years preceding the date hereof. In the ordinary course of our business as a broker-dealer, we may purchase securities from and sell securities to Dogwood, Holding Company and their respective affiliates. We may also actively trade the equity and debt securities of Dogwood and Holding Company for our own account and for the accounts of our customers.

Our opinion is directed to the Board of Directors of Dogwood in connection with its consideration of the Agreement and the Merger and does not constitute a recommendation to any shareholder of Dogwood as to how any such shareholder should vote at any meeting of shareholders called to consider and vote upon the approval of the Agreement and the transactions contemplated therein. Our opinion is directed only as to the fairness, from a financial point of view, of the Common Stock Exchange Ratio to Dogwood and does not address the underlying business decision of Dogwood to engage in the Merger, the form or structure of the Merger or any other transactions contemplated in the Agreement, the relative merits of the Merger as compared to any other alternative transactions or business strategies that might exist for Dogwood or the effect of any other transaction in which Dogwood might engage. We also do not express any

opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by any Dogwood or Holding Company officer, director or employee, or class of such persons, if any, relative to the amount of compensation to be received by any other shareholder. This opinion has been approved by Piper Sandler's fairness opinion committee. This opinion may not be reproduced without Piper Sandler's prior written consent; *provided*, however, Piper Sandler will provide its consent for the opinion to be included in regulatory filings to be completed in connection with the Merger and the Joint Proxy Statement to be provided to holders of Dogwood Voting Common Stock in connection with the Dogwood Shareholders Meeting.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Common Stock Exchange Ratio is fair to Dogwood from a financial point of view.

Very truly yours,

Piper Sandler & Co.

[This Page Intentionally Left Blank]



January 31, 2024

Board of Directors
Community First Bancorporation
449 Hwy 123 Bypass
Seneca, SC 29678

Members of the Board:

We understand that Community First Bancorporation, a South Carolina corporation (the “Holding Company”) and Community First Bank, Inc., a South Carolina banking corporation and wholly owned subsidiary of the Holding Company (the “Bank Subsidiary”, collectively the “Company”) proposes to enter into an Agreement and Plan of Merger (the “Agreement”) with Dogwood State Bank, a North Carolina banking corporation (the “Dogwood”), pursuant to which, among other things, the Holding Company and the Bank Subsidiary will be merged with and into the Dogwood (the “Merger”). The separate corporate existence of each of Holding Company and Bank Subsidiary thereupon shall cease, and Dogwood will be the surviving corporation in the Merger and shall continue its corporate existence under the laws of the State of North Carolina. Each share of common stock, \$5.00 par value per share, of the Holding Company (the “Holding Company Common Stock”) shall be converted into and exchanged for the right to receive 0.5875 shares (the “Common Stock Exchange Ratio”) of Dogwood Voting Common Stock, plus cash in lieu of any fractional shares, and each share of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value per share, of the Holding Company (“Holding Company Preferred Stock” and, together with the Holding Company Common Stock, the “Holding Company Stock”) that is issued and outstanding shall be converted into and exchanged for the right to receive 64.7719 shares of Dogwood Voting Common Stock (the “Preferred Stock Exchange Ratio” and, together with the Common Stock Exchange Ratio, the “Exchange Ratios”), plus cash in lieu of any fractional shares, (collectively, the “Merger Consideration”). All shares of Holding Company Stock converted pursuant to this Merger shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Time. The terms and conditions of the Merger are more fully set forth in the Agreement.

Capitalized terms used herein without definition have the respective meanings ascribed to them in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to the holders of shares of Holding Company Stock of the Merger Consideration to be paid to such holders in connection with the proposed Merger.

In connection with preparing our opinion, we have reviewed, among other things:

- (i) a draft of the Agreement, dated January 30, 2024;

- (ii) certain publicly available business and financial information about the Company and the industry in which it operates;
- (iii) certain internal projections and other financial and operating data concerning the business, operations, and prospects of the Company prepared by or at the direction of management of the Company, as approved for our use by the Company;
- (iv) information relating to certain strategic, financial, tax, and operational benefits, including the estimated amount and timing of the cost savings and related expenses and synergies, expected to result from the Merger, prepared by or at the direction of management of the Company, as approved for our use by the Company;
- (v) the past and current business, operations, financial condition, and prospects of the Company, the strategic, financial, tax, and operational benefits expected to result from the Merger, and other matters we deemed relevant, with senior management of the Company;
- (vi) the financial and operating performance of the Company with publicly available information concerning certain other companies that we deemed relevant;
- (vii) the proposed financial terms of the Merger with the publicly available financial terms of certain other transactions that we deemed relevant;
- (viii) the current and historical market prices and trading activity of the Company Common Stock with that of certain other publicly-traded companies that we deemed relevant;
- (ix) the pro forma financial effects of the Merger, taking into consideration the amounts and timing of transaction costs, earnings estimates, potential cost savings, and other financial and accounting considerations in connection with the Merger;
- (x) the value of the Merger Consideration to the valuation derived by discounting future cash flows and a terminal value of the Company's business based upon the Company's internal financial forecasts at discount rates that we deemed appropriate;
- (xi) the results of our efforts on behalf of the Company to solicit, at the direction of the Board of Directors of the Company, indications of interest and definitive proposals from third parties with respect to a possible acquisition of the Company; and
- (xii) other such financial studies, analyses, investigations, economic and market information that we considered relevant including discussions with management and other representatives and advisors of the Company concerning the business, financial condition, results of operations and prospects of the Company and Dogwood.

In arriving at our opinion, we have, with your consent, assumed and relied upon the accuracy and completeness of all information that was publicly available or supplied or otherwise made available to, discussed with or reviewed by or for us. We have not independently verified (nor have we assumed responsibility for independently verifying) such information or its accuracy or completeness. We have relied on the assurances of management of the Company that they are not aware of any facts or circumstances that would make any of such information, forecasts or estimates inaccurate or misleading. We have not undertaken or been provided with any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of the Company, and

have not been provided with any reports of such physical inspections. We have assumed that there has been no material change in the Company's business, assets, financial condition, results of operations, cash flows or prospects since the date of the most recent financial statements provided to us.

With respect to the financial projections and estimates (including information relating to the amounts and timing of the merger costs, cost savings, and revenue enhancements) provided to or otherwise reviewed by or for or discussed with us, we have been advised by management of the Company, and have assumed with your consent, that such projections and estimates were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of management of the Company as to the future financial performance of the Company and the other matters covered thereby, and that the financial results reflected in such projections and estimates will be realized in the amounts and at the times projected. We assume no responsibility for and express no opinion as to these projections and estimates or the assumptions on which they were based. We have relied on the assurances of management of the Company that they are not aware of any facts or circumstances that would make any of such information, projections or estimates inaccurate or misleading.

We are not experts in the evaluation of loan and lease portfolios, classified loans or other real estate owned or in assessing the adequacy of the allowance for loan losses with respect thereto, and we did not make an independent evaluation or appraisal thereof, or of any other specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of the Company or Dogwood or any of their respective subsidiaries. We have not reviewed any individual loan or credit files relating to the Company or Dogwood. We have assumed, with your consent, that the respective allowances for loan and lease losses for both the Company and Dogwood are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. We did not make an independent evaluation of the quality of the Company's or Dogwood's deposit base, nor have we independently evaluated potential deposit concentrations or the deposit composition of the Company or Dogwood. We did not make an independent evaluation of the quality of the Company's or Dogwood's investment securities portfolio, nor have we independently evaluated potential concentrations in the investment securities portfolio of the Company or Dogwood.

We have assumed that all of the representations and warranties contained in the Agreement and all related agreements are true and correct in all respects material to our analysis, and that the Merger will be consummated in accordance with the terms of the Agreement, without waiver, modification or amendment of any term, condition or covenant thereof the effect of which would be in any respect material to our analysis. We also have assumed that all material governmental, regulatory or other consents, approvals, and waivers necessary for the consummation of the Merger will be obtained without any material adverse effect on the Company or the contemplated benefits of the Merger. Further, we have assumed that the executed Agreement will not differ in any material respect from the draft Agreement, dated January 30, 2024, reviewed by us.

We have assumed in all respects material to our analysis that the Company and Dogwood will remain as a going concern for all periods relevant to our analysis. We express no opinion regarding the liquidation value of the Company and Dogwood or any other entity.

Our opinion is limited to the fairness, from a financial point of view, of the Merger Consideration to be paid to the holders of the Holding Company Stock in the proposed Merger. We do not express any view on, and our opinion does not address, any other term or aspect of the Agreement or Merger (including, without limitation, the form or structure of the Merger) or any term or aspect of any other agreement or instrument contemplated by the Agreement or entered into in connection with the Merger, or as to the underlying business decision by the Company to engage in the Merger. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors or employees of the Company or Dogwood, or any class of such persons, relative to the Merger Consideration to be paid to the

holders of the Holding Company Stock in the Merger, or with respect to the fairness of any such compensation. Our opinion does not take into account individual circumstances of specific holders with respect to control, voting or other rights which may distinguish such holders.

We express no view as to, and our opinion does not address, the relative merits of the Merger as compared to any alternative business transactions or strategies, or whether such alternative transactions or strategies could be achieved or are available. In addition, our opinion does not address any legal, regulatory, tax or accounting matters, as to which we understand that the Company obtained such advice as it deemed necessary from qualified professionals.

We have not evaluated the solvency or fair value of the Company or Dogwood under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. This opinion is not a solvency opinion and does not in any way address the solvency or financial condition of the Company or Dogwood. We are not expressing any opinion as to the impact of the Merger on the solvency or viability of the Company or Dogwood or the ability of the Company or Dogwood to pay their respective obligations when they come due.

We have acted as the Company's financial advisor in connection with the Merger and will receive a fee for our services, a portion of which is payable upon the rendering of this opinion and a significant portion of which is contingent upon consummation of the Merger. In addition, the Company has agreed to reimburse our reasonable expenses and indemnify us against certain liabilities arising out of our engagement.

Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or other material commercial or investment banking relationships with Dogwood but have provided investment banking and other financial services to the Company for which we have received customary compensation.

In the ordinary course of our business, D.A. Davidson & Co. and its affiliates may actively trade or hold securities of the Company or Dogwood for our own accounts or for the accounts of our customers and, accordingly, may at any time hold long or short positions in such securities. We may seek to provide investment banking or other financial services to the Company or Dogwood in the future for which we would expect to receive compensation.

This fairness opinion was reviewed and approved by a D.A. Davidson & Co. Fairness Opinion Committee.

This opinion is solely for the information of the Board of Directors of the Company (solely in its capacity as such) in connection with its consideration of the Merger and shall not be relied upon by any other party or disclosed, referred to, published or otherwise used (in whole or in part), nor shall any public references to us be made, without our prior written consent.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion. This opinion is not intended to be and does not constitute a recommendation as to how holders of the Holding Company Stock should vote or act with respect to the Merger or any other matter relating thereto (including, without limitation, the Holding Company Stock holder approval).

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration to be paid to the holders of the Holding Company Stock in the Merger is fair, from a financial point of view, to such holders.

Very truly yours,

D. A. Davidson

D.A. Davidson & Co.

[This Page Intentionally Left Blank]

CHAPTER 13
Dissenters' Rights

ARTICLE 1
Right to Dissent and Obtain Payment for Shares

SECTION 33-13-101. Definitions.

In this chapter:

(1) "Corporation" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(2) "Dissenter" means a shareholder who is entitled to dissent from corporate action under Section 33-13-102 and who exercises that right when and in the manner required by Sections 33-13-200 through 33-13-280.

(3) "Fair value", with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable. The value of the shares is to be determined by techniques that are accepted generally in the financial community.

(4) "Interest" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

(5) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(6) "Beneficial shareholder" means the person who is a beneficial owner of shares held by a nominee as the record shareholder.

(7) "Shareholder" means the record shareholder or the beneficial shareholder.

HISTORY: 1988 Act No. 444, Section 2.

SECTION 33-13-102. Right to dissent.

(A) A shareholder is entitled to dissent from, and obtain payment of the fair value of, his shares in the event of any of the following corporate actions:

(1) consummation of a plan of merger to which the corporation is a party (i) if shareholder approval is required for the merger by Section 33-11-103 or the articles of incorporation and the shareholder is entitled to vote on the merger or (ii) if the corporation is a subsidiary that is merged with its parent under Section 33-11-104 or 33-11-108 or if the corporation is a parent that is merged with its subsidiary under Section 33-11-108;

(2) consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares are to be acquired, if the shareholder is entitled to vote on the plan;

(3) consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale must be distributed to the shareholders within one year after the date of sale;

(4) an amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter's shares because it:

(i) alters or abolishes a preferential right of the shares;

(ii) creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;

(iii) alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities;

(iv) excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or

(v) reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under Section 33-6-104; or

(5) any corporate action to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares;

(6) the conversion of a corporation into a limited liability company pursuant to Section 33-11-111 or conversion of a corporation into either a general partnership or limited partnership pursuant to Section 33-11-113;

(7) the consummation of a plan of conversion to a limited liability company pursuant to Section 33-11-111 or to a partnership or limited partnership pursuant to Section 33-11-113.

(B) Notwithstanding subsection (A), no dissenters' rights under this section are available for shares of any class or series of shares which, at the record date fixed to determine shareholders entitled to receive notice of a vote at the meeting of shareholders to act upon the agreement of merger or exchange, were either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2], Section 33-15-10 [1962 Code Section 12-19.1; 1952 Code Sections 12-401 to 12-404; 1942 Code Sections 7676, 7736, 7741, 7744; 1932 Code Sections 7676, 7736, 7741, 7744; Civ. C. '22 Sections 4250, 4310, 4315, 4318; Civ. C. '12 Sections 2846, 2849, 2873; Civ. C. '02 Sections 1842, 1851, 1892; R. S. 1499; 1886 (19) 846; 1896 (22) 97; 1898 (22) 769, 771; 1901 (23) 710; 1917 (30) 36; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2], Section 33-17-50 [1962 Code Section 12-20.5; 1962 (52) 1996; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2], Section 33-17-90 [1962 Code Section 12-20.9; 1952 Code Sections 12-459 to 12-462; 1942 Code Section 7759; 1932 Code Section 7759; 1925 (34) 246; 1962 (52) 1996; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2], and Section 33-19-50 [1962 Code Section 12-21.5; 1952 Code Sections 12-633 to 12-635; 1942 Code Section 7706; 1932 Code Section 7706; 1926 (34) 1052; 1962 (52) 1996; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2; 1998 Act No. 328, Section 8; 2004, Act No. 221, Section 17.

SECTION 33-13-103. Dissent by nominees and beneficial owners.

(a) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in his name only if he dissents with respect to all shares beneficially owned by any one person and notifies the corporation in writing of the name and address of each person on whose behalf he asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares to which he dissents and his other shares were registered in the names of different shareholders.

(b) A beneficial shareholder may assert dissenters' rights as to shares held on his behalf only if he dissents with respect to all shares of which he is the beneficial shareholder or over which he has power to direct the vote. A beneficial shareholder asserting dissenters' rights to shares held on his behalf shall notify the corporation in writing of the name and address of the record shareholder of the shares, if known to him.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

ARTICLE 2
Procedure for Exercise of Dissenters' Rights

SECTION 33-13-200. Notice of dissenters' rights.

(a) If proposed corporate action creating dissenters' rights under Section 33-13-102 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.

(b) If corporate action creating dissenters' rights under Section 33-13-102 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in Section 33-13-220.

HISTORY: 1988 Act No. 444, Section 2.

SECTION 33-13-210. Notice of intent to demand payment.

(a) If proposed corporate action creating dissenters' rights under Section 33-13-102 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights (1) must give to the corporation before the vote is taken written notice of his intent to demand payment for his shares if the proposed action is effectuated and (2) must not vote his shares in favor of the proposed action. A vote in favor of the proposed action cast by the holder of a proxy solicited by the corporation shall not disqualify a shareholder from demanding payment for his shares under this chapter.

(b) A shareholder who does not satisfy the requirements of subsection (a) is not entitled to payment for his shares under this chapter.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-220. Dissenters' notice.

(a) If proposed corporate action creating dissenters' rights under Section 33-13-102 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of Section 33-13-210(a).

(b) The dissenters' notice must be delivered no later than ten days after the corporate action was taken and must:

(1) state where the payment demand must be sent and where certificates for certificated shares must be deposited;

(2) inform holders of uncertificated shares to what extent transfer of the shares is to be restricted after the payment demand is received;

(3) supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not he or, if he is a nominee asserting dissenters' rights on behalf of a beneficial shareholder, the beneficial shareholder acquired beneficial ownership of the shares before that date;

(4) set a date by which the corporation must receive the payment demand, which may not be fewer than thirty nor more than sixty days after the date the subsection (a) notice is delivered and set a date by which certificates for certificated shares must be deposited, which may not be earlier than twenty days after the demand date; and

(5) be accompanied by a copy of this chapter.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-230. Shareholders' payment demand.

(a) A shareholder sent a dissenters' notice described in Section 33-13-220 must demand payment, certify whether he (or the beneficial shareholder on whose behalf he is asserting dissenters' rights) acquired beneficial ownership of the shares before the date set forth in the dissenters' notice pursuant to Section 33-13-220(b)(3), and deposit his certificates in accordance with the terms of the notice.

(b) The shareholder who demands payment and deposits his share certificates under subsection (a) retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

(c) A shareholder who does not comply substantially with the requirements that he demand payment and deposit his share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for his shares under this chapter.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-240. Share restrictions.

(a) The corporation may restrict the transfer of uncertificated shares from the date the demand for payment for them is received until the proposed corporate action is taken or the restrictions are released under Section 33-13-260.

(b) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

HISTORY: 1988 Act No. 444, Section 2.

SECTION 33-13-250. Payment.

(a) Except as provided in Section 33-13-270, as soon as the proposed corporate action is taken, or upon receipt of a payment demand, the corporation shall pay each dissenter who substantially complied with Section 33-13-230 the amount the corporation estimates to be the fair value of his shares, plus accrued interest.

(b) The payment must be accompanied by:

(1) the corporation's balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(2) a statement of the corporation's estimate of the fair value of the shares and an explanation of how the fair value was calculated;

(3) an explanation of how the interest was calculated;

(4) a statement of the dissenter's right to demand additional payment under Section 33-13-280; and

(5) a copy of this chapter.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-260. Failure to take action.

(a) If the corporation does not take the proposed action within sixty days after the date set for demanding payment and depositing share certificates, the corporation, within the same sixty-day period, shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(b) If, after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters' notice under Section 33-13-220 and repeat the payment demand procedure.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-270. After-acquired shares.

(a) A corporation may elect to withhold payment required by section 33-13-250 from a dissenter as to any shares of which he (or the beneficial owner on whose behalf he is asserting dissenters' rights) was not the beneficial owner on the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action, unless the beneficial ownership of the shares devolved upon him by operation of law from a person who was the beneficial owner on the date of the first announcement.

(b) To the extent the corporation elects to withhold payment under subsection (a), after taking the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of his demand. The corporation shall send with its offer a statement of its estimate of the fair value of the shares, an explanation of how the fair value and interest were calculated, and a statement of the dissenter's right to demand additional payment under Section 33-13-280.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2] and Section 33-11-290 [1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-280. Procedure if shareholder dissatisfied with payment or offer.

(a) A dissenter may notify the corporation in writing of his own estimate of the fair value of his shares and amount of interest due and demand payment of his estimate (less any payment under Section 33-13-250) or reject the corporation's offer under Section 33-13-270 and demand payment of the fair value of his shares and interest due, if the:

(1) dissenter believes that the amount paid under Section 33-13-250 or offered under Section 33-13-270 is less than the fair value of his shares or that the interest due is calculated incorrectly;

(2) corporation fails to make payment under Section 33-13-250 or to offer payment under Section 33-13-270 within sixty days after the date set for demanding payment; or

(3) corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty days after the date set for demanding payment.

(b) A dissenter waives his right to demand additional payment under this section unless he notifies the corporation of his demand in writing under subsection (a) within thirty days after the corporation made or offered payment for his shares.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759;

1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

ARTICLE 3 Judicial Appraisal of Shares

SECTION 33-13-300. Court action.

(a) If a demand for additional payment under Section 33-13-280 remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the demand for additional payment and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(b) The corporation shall commence the proceeding in the circuit court of the county where the corporation's principal office (or, if none in this State, its registered office) is located. If the corporation is a foreign corporation without a registered office in this State, it shall commence the proceeding in the county in this State where the principal office (or, if none in this State, the registered office) of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(c) The corporation shall make all dissenters (whether or not residents of this State) whose demands remain unsettled parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication, as provided by law.

(d) The jurisdiction of the court in which the proceeding is commenced under subsection (b) is plenary and exclusive. The court may appoint persons as appraisers to receive evidence and recommend decisions on the question of fair value. The appraisers have the powers described in the order appointing them or in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

(e) Each dissenter made a party to the proceeding is entitled to judgment for the amount, if any, by which the court finds the fair value of his shares, plus interest, exceeds the amount paid by the corporation.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

SECTION 33-13-310. Court costs and counsel fees.

(a) The court in an appraisal proceeding commenced under Section 33-13-300 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under Section 33-13-280.

(b) The court also may assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

(1) against the corporation and in favor of any or all dissenters if the court finds the corporation did not comply substantially with the requirements of Sections 33-13-200 through 33-13-280; or

(2) against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this chapter.

(c) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

(d) In a proceeding commenced by dissenters to enforce the liability under Section 33-13-300(a) of a corporation that has failed to commence an appraisal proceeding within the sixty-day period, the court shall assess the costs of the proceeding and the fees and expenses of dissenters' counsel against the corporation and in favor of the dissenters.

HISTORY: Derived from 1976 Code Section 33-11-270 [1962 Code Section 12-16.27; 1952 Code Sections 12-459 to 12-462, 12-633 to 12-635; 1942 Code Sections 7706, 7759; 1932 Code Sections 7706, 7759; 1925 (34) 246; 1926 (34) 1052; 1962 (52) 1996; 1963 (53) 327; 1981 Act No. 146, Section 2; Repealed, 1988 Act No. 444, Section 2]; 1988 Act No. 444, Section 2.

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

