BAYFIRST

BAYFIRST. FORWARD. FOCUSED.

2022 ANNUAL REPORT | BAYFIRST FINANCIAL

PERFORMANCE HIGHLIGHTS*

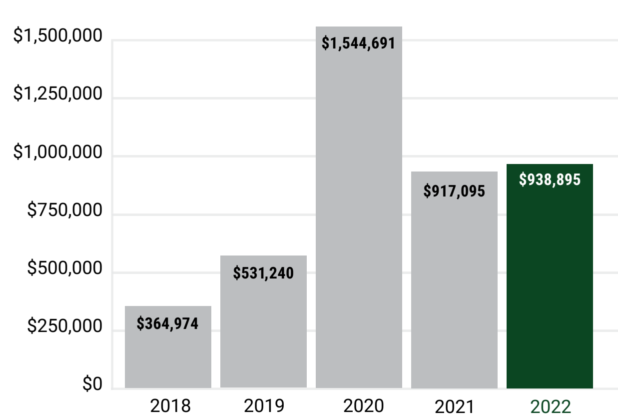
(In thousands, except per share and ratio data)

For the Years Ended December 31	2022	2021	2020	2019	2018
Interest Income	38,566	43,826	41,046	23,189	20,386
Interest Expense	8,566	7,300	10,278	8,267	4,368
Net Interest Income	30,000	36,526	30,768	14,922	16,018
Provision for Loan Losses	(700)	(3,500)	16,900	8,869	1,335
Non-Interest Income	31,550	21,973	4,953	21,841	6,695
Non-Interest Expense	55,212	50,279	34,731	25,497	21,128
Pretax Income (Loss)	7,038	11,720	(15,910)	2,397	250
Income Tax Expense (Benefit)	1,560	2,691	(4,816)	842	13
Net Income (Loss) from Continuing Operations	5,478	9,029	(11,094)	1,555	237
Net (Loss) Income from Discontinued Operations	(5,827)	15,589	23,797	2,929	(1,442)
Net Income (Loss)	(349)	24,618	12,703	4,484	(1,205)
At Year End					
Total Assets	938,895	917,095	1,544,691	531,240	364,974
Total Loans Held for Investment, Net	719,606	570,496	1,207,160	303,192	280,681
Total Deposits	795,070	721,685	558,785	448,594	305,584
Shareholders' Equity	91,884	96,290	71,069	51,332	37,786
Tier 1 Leverage Ratio (Bank only)	10.79%	12.22%	11.75%	10.49%	11.72%
Total Capital Ratio (Bank only)	15.00%	21.25%	17.02%	17.84%	18.29%
Per Share Data					
Basic Earnings (Loss) Per Common Share	$(0.29)	$6.21	$3.45	$1.27	$(0.43)
Tangible Book Value at Year End	$20.35	$21.75	$16.02	$12.77	$11.49
Performance Statistics					
Return on Average Common Equity	-1.43%	32.37%	25.50%	10.55%	-3.33%
Return on Average Assets	-0.04%	1.90%	1.06%	0.99%	-0.37%
Net Interest Margin	3.97%	3.23%	2.88%	4.08%	5.74%

**Years prior to 2022 have been restated to reflect the impact of the 2022 discontinuation of the nationwide residential lending line of business.*

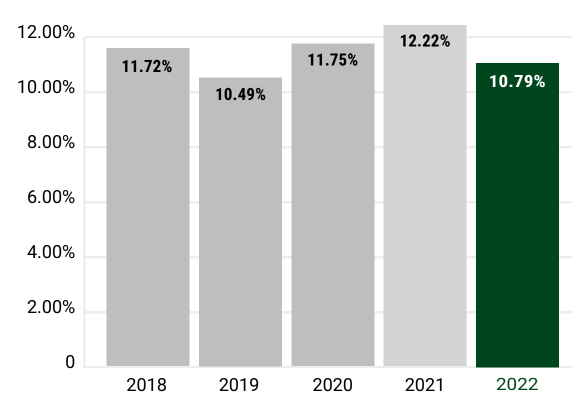
Total Assets

($ in thousands)



Capital Strength

Tier 1 Leverage Ratio



In the second quarter of 2022, the bank discontinued it's primary consumers direct residential mortgage business line. In the third quarter of 2022, management decided to discontinue the nationwide residential lending business. As a result of the discontinuance, the nationwide residential line of business was reclassified as a discontinued operation and reported in the financial statements as such. Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

BayFirst.
Bay Forward.
Bay Focused.

A letter from our CEO and our Chairman

No successful organization achieves its long-term aspirations by chance or by avoiding obstacles. Instead, they do so by striking a balance between executing a master plan in pursuit of their mission and knowing when to adapt in the face of challenges to achieve the same goal. Over the course of the past year, the financial sector changed dramatically. However, BayFirst Financial Corp. again proved its ability to persist and adjust. So, as we reflect on 2022, it is not the challenges we faced that stand out but how well we turned each into opportunities to better position our organization for long-term success.

SHIFTING FOR SUCCESS

We entered 2022 with much momentum on our side, on the heels of record-breaking success across all divisions of BayFirst's subsidiary, BayFirst National Bank. However, over the course of the last year, challenges resulting from rapidly rising rates and tightening financial conditions led to a precipitous decline in residential mortgage loan volume. Notwithstanding ongoing adjustments to provide our residential division a pathway to achieving sustainable profitability in the evolving environment, mortgage volume weakened far more drastically than projected by industry experts.

In Q3, without prospects for meaningful improvement and in the best interest of the overall organization, our shareholders, and the future of our company, BayFirst made the difficult decision to discontinue our nationwide residential mortgage banking business line. This did not affect our local residential mortgage lending efforts as we continue to offer mortgages within the communities the Bank serves. However, with the nationwide exit we did incur a one-time charge that resulted in a loss for the year of 2022 of $3,774,000 or $0.67 per diluted common share.

Still, our balance sheet grew to $938 million, despite the resolution of residential mortgage loans held for sale, which had averaged over $100 million in past years. Commercial loan balances, excluding SBA 7(a) loans, grew to $180 million, a 49% increase over 2021, while direct origination consumer loan balances grew an astounding 138% to $66 million. And, while the deposit balances across the industry shrank in 2022, BayFirst grew total deposits by nearly 10% to $795,070 million.

Our notable achievements in the areas of SBA, conventional commercial, and consumer lending speak volumes about our team, products, processes and capabilities. As a result, we have set the stage for a return to sustainable profitability in the years to come as we redirect our resources to focus

COMMERCIAL LOAN BALANCE GROWTH	CONSUMER LOAN BALANCE GROWTH	DEPOSIT GROWTH
$180 Million 49% increase	**$66 Million** 138% increase	**$795 Million** 10% increase

$938 Million in Total Growth

on three of our core strategies: expanding the scope of our government-guaranteed lending division, CreditBench; continuing to build a world-class community banking franchise; and advancing our technology platform.

EVOLVING TO STAND OUT

After careful consideration, in May we converted our bank to a national charter, which better suits our business model and places the bank under a single regulatory authority in the OCC. Simultaneously, we changed the bank's name from First Home Bank to BayFirst National Bank, unifying the branding of our bank and holding company with a name that more clearly defines our long-term goals. Our new name ensures consistent branding to all customers and stakeholders, conveys the values, progressive nature, and overall strategic direction of the Institution, and clears up preexisting confusion about the products and services provided by the Bank.

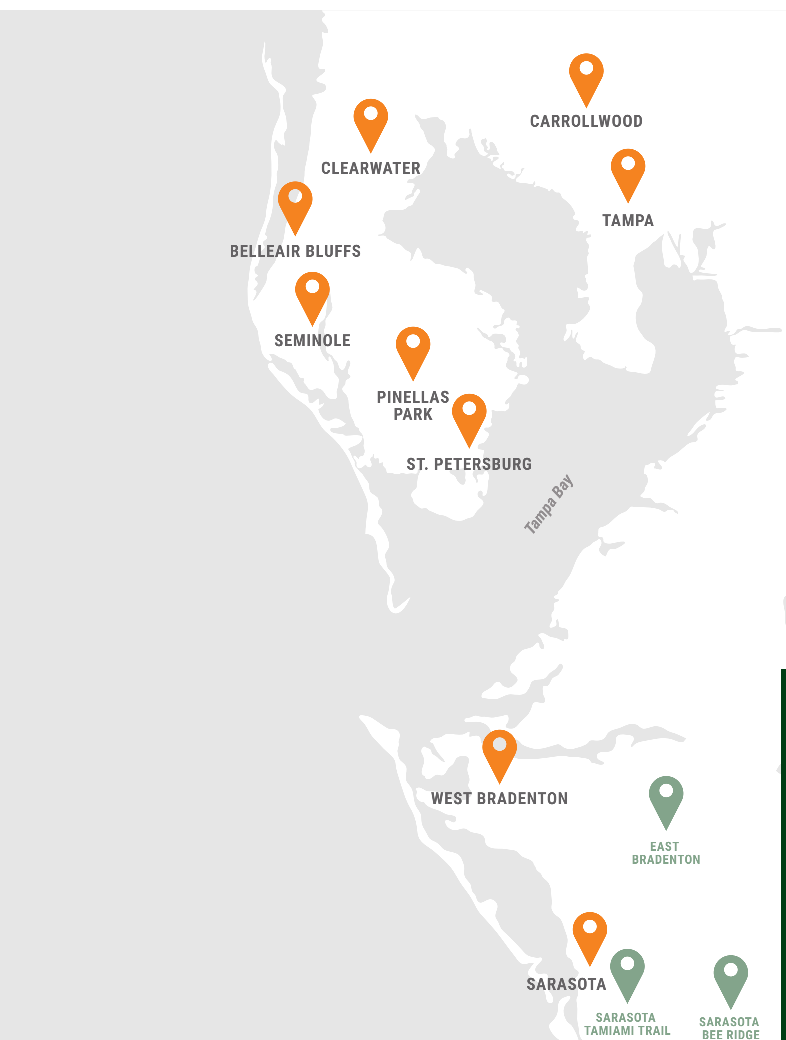
BUILDING THE BEST COMMUNITY BANK

Although we now operate under a national charter, BayFirst remains a Tampa Bay community bank, dedicated to improving the lives of those who trust us on their financial journey, and providing them with an unmatched banking experience every step of the way.

Deposit growth and increasing the breadth of savings and checking customers took precedence in 2022 as we simultaneously expanded our footprint and customer base by building deeper relationships with existing customers. We created internal efficiencies in the origination and processing of retail loans, and our enhanced consumer loan program become a significant contributor as we grew our loan portfolio by an extraordinary 138% in a single year.

Following our strategic plan, we remained focused on the continued expansion of our footprint in the Tampa Bay area. In September, we opened our eighth banking center location in West Bradenton. Additionally, we continued construction on our next banking centers in the Carrollwood section of Tampa, and on S. Tamiami Trail and Bee Ridge Road in Sarasota, as we continue to build the most enviable branch network in Tampa Bay.

At a time when other financial institutions are closing their doors, BayFirst remains committed to opening locations where we identify opportunity. Our banking centers increase our visibility and support the efforts of our lending teams, who in turn can help to grow our core deposit base. More importantly, having physical locations allows us to truly become a part of the community we serve, a crucial benchmark by which we measure our overall success.



FUTURE AREA BANKING LOCATIONS

SARASOTA TAMIAMI TRAIL
2075 S. Tamiami Trail
Sarasota, FL 34239

EAST BRADENTON
8704 State Road 70
Bradenton, FL 34202

SARASOTA BEE RIDGE
5600 Bee Ridge Road
Sarasota, FL 34242

BANKING CENTERS

BELLEAIR BLUFFS
401 N. Indian Rocks Rd
Belleair Bluffs, FL 33770

ST. PETERSBURG
700 Central Ave
St. Petersburg, FL 33701

SEMINOLE
9190 Seminole Blvd
Seminole, FL 33772

PINELLAS PARK
5250 Park Blvd
Pinellas Park, FL 33781

CLEARWATER
2520 Countryside Blvd
Clearwater, FL 33763

CARROLLWOOD
16002 N. Dale Mabry Highway
Tampa, FL 33618

SARASOTA
2033 Main St, Suite 101
Sarasota, FL 34237

WEST BRADENTON
2102 59th Street
West Bradenton, FL 34209

WEST TAMPA
3015 W. Columbus Dr
Tampa, FL 33607

MEETING CUSTOMER EXPECTATIONS IN A DIGITAL AGE

While personalized service remains the hallmark of community banking, we recognize we must expand and refine our digital capabilities to ensure relevance in the 21st century, with a heightened focus on improving the omni-channel delivery of products and services. To further enhance our popular mobile banking app, we integrated two new services, enabling users to bank much more efficiently. In early 2022, we introduced Autobooks to streamline how our business banking clients request and receive payment from their customers. Concurrently, we simplified the way our app users send money through our app with the integration of Zelle into our popular mobile banking platform, allowing for person-to-person payments with the click of a button. We also introduced My Credit Manager, a tool that allows users to view their credits scores and glean insight into how credit scores are determined and affected to allow for more informed banking decisions. These programs round out a robust suite of in-demand mobile services already being offered, including electronic bill payment and online loan applications.

Additional enhancements are nearing completion as well, as we expect to roll out many exciting new services in the coming months, including Smart Pay, and free bank-to-bank transfers. All combined, these offerings will further separate us from the competition in our own backyard and put us toe to toe with any bank in the nation in terms of digital banking capabilities.

In 2022, we soft launched PowerLOS, our fully integrated, end-to-end commercial loan operating system which will revolutionize how we do both conventional and SBA commercial lending and dramatically improve our customer experience. PowerLOS provides the capability to seamlessly integrate with our fintech partners to improve efficiency in the processing and delivery of our small SBA loans. While our technology driven banking strategy includes the continual development and expansion of services such as these, it extends to include the exploration of tech partnerships and product development that will put us at the forefront of the industry and, as a result, in the minds of a growing, digitally savvy customer base.

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As threats grow more sophisticated, an equally important focus remained ensuring the cybersecurity of our organization. Our ongoing phishing prevention campaign and multi-factor authentication for our Microsoft and virtual private network (VPN) environments deter scammers from accessing the end-user's data, while software upgrades and network updates ensure our team has the patches required to close vulnerabilities.

Though finding better ways to utilize existing and new technology while anticipating trends and continuing to build a solid infrastructure requires diligence and foresight, BayFirst has proven its ability to best leverage our investments while rationalizing costs to lead the way in a digital age.

DIGITAL BANKING FEATURES

NEW

Zelle: Our user-friendly money transfer program allows for safe person-to-person payments.

My Credit Manager: Monitor your credit for changes, learn how loans and credit cards can affect your score.

Autobooks: Simplifying the way our business banking customers request and receive payment.

Forward Pay: Get your paycheck up to two days early when you use direct deposit.

COMING SOON

Smart Pay: Pay your BayFirst loan online or in office from any bank account.

Bank-to-Bank Transfer: Move money from your checking or savings into any bank account for free.

Contactless Cards: Pay for the things you want with one easy and secure tap.

PUTTING OUR PEOPLE FIRST

At BayFirst, we recognize that we must attract and retain top talent, measuring our overall success by the satisfaction of our employees. This past year, however, tested even the strongest organizations as the Great Resignation shook up the workforce.

Fortunately, with an industry-leading employee benefits package in place BayFirst was already well-positioned to weather the storm. In addition to comprehensive medical plans, 100% employer paid life insurance, 401(k) and ESOP plans, over the past few years BayFirst's benefits were expanded to include paid parental leave, tuition and student loan assistance, and much more to maintain our position as a premier place to work for all.

As a result of these and countless ongoing efforts and initiatives, in 2022 BayFirst was selected by the Tampa Bay Business Journal as one of the Best Places to Work for going beyond the norm to foster an enjoyable and meaningful work environment for their employees. Selected based upon a confidential survey of our employees, BayFirst was evaluated on areas including team effectiveness, retention risk, alignment with goals, trust with co-workers, individual contribution, manager effectiveness, trust in senior leaders, feeling valued, work engagement, and people practices. We are proud that our employees earned us this honor which we will strive to earn again and again.

DOUBLING DOWN ON DEI

In addition to best-in-class benefits and highly competitive salaries, we continuously strive to improve the quality of workplace environment. This includes ongoing evaluation of our organization's values and viewpoints to ensure we acknowledge and celebrate the differences among those employed at the Bank. With the assistance of a third-party consultant, we developed and conducted an employee Diversity, Equity and Inclusion (DEI) climate survey to provide benchmarks and action items related to our employees' perceptions, experiences, and perspectives. We used the results to further craft a DEI approach that is strategic, measurable, impactful, and sustainable over time. We then formed the DEI Council and tasked them with creating a charter to provide scope and vision while aligning directly with the existing Environment, Social and Governance (ESG) Committee to guarantee continued progress.

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One of The Council's first actions was to launch BayFirst Employee Resource Groups (BERGS), an initiative that unites team members sharing common qualities, beliefs, commitments, hobbies, backgrounds, etc., and encourages them to come together to address concerns, provide support and become involved in the community far beyond the walls of the organization.

TAMPA BAY BUSINESS JOURNAL

BPtW

2022 BEST PLACES TO WORK

2022
TAMPA BAY BUSINESS JOURNAL BEST PLACES TO WORK

BayFirst was selected by the Tampa Bay Business Journal as one of the Best Places to Work for going beyond the norm to foster an enjoyable and meaningful work environment for our employees.

MINORITY OWNED BUSINESS LENDING

Over $255 Million
in Minority Lending

AFFORDABLE HOUSING FUNDS IN NEWTOWN

Over $800,000
in Funding to build affordable housing

2022 SBA 7(a) LOANS

Over $328 Million
SBA 7(a) Loans Closed

HELPING SMALL BUSINESS IN NEED

In 2022, CreditBench, BayFirst's government-guaranteed lending division, found new and better ways to assist nationwide small business owners facing their own set of challenges, including rising interest rates, inflation, and more. CreditBench launched FlashCap BOLT, a streamlined SBA loan program designed to put working capital up to $150,000 in the hands of businesses in a matter of days, not weeks. In the first seven months of the program, the CreditBench team approved 923 loans, providing more than $121 million in working capital to small businesses around the nation through the FlashCap BOLT program.

The new BOLT product, combined with our existing FlashCap program and our traditional core SBA loan program, provided CreditBench the means to achieve the key strategic initiative of regaining its position as a top 10 SBA lender. When the SBA's 2022 fiscal year closed on September 30, CreditBench had approved more than $328 million in small business loans, officially becoming the nation's No. 8 SBA7(a) lender by loan amount and volume and the top 7(a) lender in Tampa Bay. By year's end, the team surpassed the $396 million mark, setting its sight on the top five in 2023.

SERVING THE UNDERSERVED

As part of our continued commitment to addressing the financial challenges facing minority-owned small businesses, in 2022 the Bank set and shattered an ambitious goal for the second year of its Minority Owned Business Lending Program (MOBLP). In just under eight months, our SBA and commercial lending divisions surpassed its $100 million goal. By years end, the team surpassed $255 million in loans to women- and minority-owned businesses.

Simultaneously, as the first financial institution located in the heart of the historically-underserved community of Newtown in North Sarasota, BayFirst's loan production office and financial resource center experienced unprecedented levels of success both in meeting the financial and educational needs of this predominantly African American neighborhood and ingraining itself in the community through partnerships and support.

In one year, the office has become a trusted financial resource, helping residents and business owners achieve their financial goals. Today, it provides more than a dozen nonprofits support through free meeting space, volunteer hours, financial literacy courses, and financial counseling. Further, it provided more than $800,000 in funding to build affordable housing in Newtown. As our office enters its second year of operation, BayFirst's has never been more committed to improving the lives of all who call Newtown home and doing its part to ensure the community's continued development and success in the years to come.

In addition to concentrated financial literacy efforts in Newtown, the Bank's learning and development team formally unveiled a Financial Literacy and Outreach Library developed for bank representatives taking part in financial literacy program, speaking engagements and more, anywhere in the country. This vastly improves our ability to teach the important lessons of our field to those who need it most.

DEEPENING OUR COMMUNITY ENGAGEMENT

BayFirst's community engagement program, Impact, entered its second year and expanded to include the adoption of SPARK, a technology platform that is utilized to communicate and track volunteerism across the organization and better manage and track our Community Reinvestment Act (CRA) activities.

As part of Impact, we continued our quarterly partner program which this year included teaching financial literacy lessons through book readings and accompanying curriculum at a St. Pete elementary school, sponsoring a pet-adoption event at SPCA Tampa Bay, serving food to those in need through Feeding Tampa Bay, and sponsoring and completing an entire home build with Habitat for Humanity Pinellas and West Pasco Counties.

Focusing on the next generation of bankers, we also launched the "Growing in Financial Services" certification program with St. Petersburg College, designed to provide hands-on training to those interested in starting or advancing their career in the financial services industry and aid in attracting non-traditional students and individuals to banking. The Program offers separate courses in three core areas of banking: Personal Banking, Teller Line Production, and Business Banking, each developed by industry experts BayFirst and culminating in arranged meetings with recruiters.

$50,000
donated

300 HOURS
of manpower

50+
BayFirst
volunteers

The Adras family home was sponsored by BayFirst and built in partnership with Habitat.

PROTECTING THE PLANET

Reaching the underserved and supporting individuals in the most in need in the community is just one aspect of BayFirst's commitment to social responsibility. Doing our part to protect the planet we all share is another. As we continue in our quest for success in both areas, minimizing our footprint, protecting the planet, and combatting climate change continue to be our most challenging but rewarding commitments.

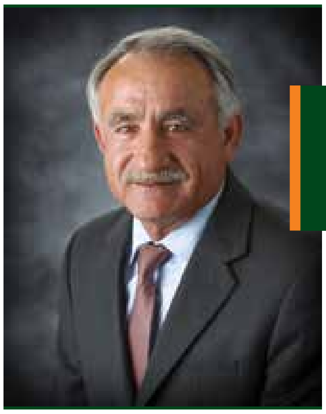
We are proud to announce that we are 100% carbon neutral at our banking centers and are in the process of obtaining the coveted LEED certification for each as well. As part of these efforts, we have installed free electric vehicle charging stations at existing locations and worked a station into the plans for each in development to both support the use of environmentally friendly vehicles and ensure a higher level of customer service.

RELYING ON LEADERSHIP

At BayFirst we know that the positive impact we can have on our environment, community, customers and shareholders is only possible under the direction of trusted leaders who share a common vision for BayFirst Financial Corp. and know what it takes to achieve it.

Early in the year, BayFirst announced the strategic promotions of two individuals who have played pivotal roles in its overall success to date. Tom Zernick, who had served as president of CreditBench since 2016, was promoted to president, and Robin Oliver was promoted to chief operating officer.

Additionally, longtime bank CEO Anthony N. Leo announced plans to retire at year-end 2023, with Tom Zernick designated as his successor by the Board of Directors. Tom's appointment is a testament to the depth of management we enjoy at BayFirst.



George Apostolou
Longtime Board Director
(1951 - 2023)

Together with an experienced management team, we benefit from a highly engaged board of directors. Over the past few years, we have added new directors bringing special talents and increased diversity to our board. But with great sadness, early in 2023 we said goodbye to longtime director George Apostolou, who passed away in February. George was a beacon of wisdom and an inspiration to all of us at BayFirst. He will be missed.

CEO ANTHONY LEO - RETIREMENT ANNOUNCEMENT

"CEO Anthony N. Leo has been instrumental in the evolution of BayFirst into one of the premier banking institutions in the region, and among the top SBA lenders in the nation. We are fortunate that Tony will remain a member of the Board and continue to serve management as Special Counsel for strategic matters."

– Anthony Saravanos, *Chairman of the Board*

FOCUSING FORWARD

By turning setbacks into opportunities in 2022, we propelled the Company into a position to provide even greater value to clients, employees and shareholders in the long term. With a new name, two top-performing divisions, tech at the forefront, the right leadership in place, and a commitment to doing what is right as our guide, BayFirst Financial Corp. has proven it has both the flexibility and fortitude required for greatness. Though we will now face a new year with new unforeseen obstacles, we stand prepared to face them head on. And if this past year has proven anything, it's that BayFirst is up for the challenge.

Anthony Saravanos
Chairman of the Board

Anthony Leo
Chief Executive Officer

HERE FOR WHAT'S NEXT.®

EXECUTIVE CENTER

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