

Risk Factors Comparison 2025-03-25 to 2024-03-28 Form: 10-K

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Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. The material risks and uncertainties that management believes affect the Company are described below. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also impair the Company's business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment. Some statements in the following risk factors constitute forward- looking statements. Please refer to " Cautionary Note Regarding Forward- Looking Statements " in Item 7 of this report. Risk Factor Summary Our business is subject to uncertainties and risks and our risk factors can be broadly summarized by the following: • Our ability to grow the size and geographic scope of our loan generation, loan sale, and deposit gathering business, and the infrastructure needed to support it; • Possible loan defaults, devaluation of collateral, adverse political, environmental, or economic events, and competition; • Interest rates and available sources of liquidity; • Our ability to raise capital and the effects of doing so on our shareholders; • The potential that we are subject to fraud, incorrect judgments, or other bad acts of third parties; • Laws, regulations, rules, and standards to which we are subject and the government agencies with which we interact; • Recruitment, retention, development, performance, and potential bad acts of our key executives and other employees, as well as transactions with them and our directors; • Dividend and other restrictions placed on us by our outstanding preferred stock, restrictions that may be imposed by future issuances of preferred stock, and our pledging of the stock in the Bank to secure a loan; • Rapidly developing technology; • Estimates used in certain valuations, including our allowance for credit losses; and • Features of our stock, such as liquidity, dilution, the lack of preemptive rights, our SEC reporting status, and the concentration of ownership among our insiders. Risk Factors Related to Our Business Liquidity risk could impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. Actions by the Federal Home Loan Bank of Atlanta or the Board of Governors of the Federal Reserve System may reduce our borrowing capacity. Additionally, we may not be able to attract deposits at competitive rates. Our inability to raise funds through traditional deposits, brokered deposits, borrowings, the sale of investment securities or loans, and other sources could negatively affect our liquidity or result in increased funding costs. Liquidity may also be adversely impacted by bank supervisory and regulatory authorities mandating changes in the composition of our balance sheet to asset classes that are less liquid. Changes in interest rates affect our profitability and assets. Our profitability depends to a large extent on the Bank's net interest income, which is the difference between income on interest- earning assets, such as loans and investment securities, and expenses on interest- bearing liabilities, such as deposits and borrowings. We are unable to predict changes in market interest rates, which are affected by many factors beyond our control including inflation, economic recession, unemployment, money supply, domestic and international events, and changes in the United States and other financial markets. At December 31, ~~2023~~ **2024**, our one- year interest rate sensitivity position was asset sensitive, such that a gradual increase in interest rates during the next twelve months would have a positive impact on our net interest income. Our results of operations are affected by changes in interest rates and our ability to manage this risk. The difference between interest rates charged on interest- earning assets and interest rates paid on interest- bearing liabilities may be affected by changes in market interest rates, changes in relationships between interest rate indices, and changes in the relationships between long- term and short- term market interest rates. Our net interest income may be reduced if: (i) more interest- earning assets than interest- bearing liabilities reprice or mature during a time when interest rates are declining; or (ii) more interest- bearing liabilities than interest- earning assets reprice or mature during a time when interest rates are rising. In addition, the mix of assets and liabilities could change as varying levels of market interest rates might present our customer base with more attractive options. Loss of deposits or a change in deposit mix could increase our funding costs and adversely affect our performance. Deposits are a low cost and stable source of funding. We compete with banks and other financial institutions for deposits and as a result, the Company could lose deposits in the future, clients may shift their deposits into higher cost products, or the Company may need to raise interest rates to avoid deposit attrition. Funding costs may also increase if deposits lost are replaced with wholesale funding. Higher funding costs reduce our net interest margin, net interest income, and net income. ~~The In recent months, the~~ environment for maintaining and growing deposits has become more challenging. ~~This is partially attributable to the FRB reducing the size of its balance sheet through quantitative tightening and continues to increase interest rates giving depositors an incentive to move deposits to money market funds and other higher- yielding alternatives. In addition, recent unusually high levels of withdrawals from other, larger banks, which in some cases has resulted in bank failure, may result in similar withdrawal patterns at the Company.~~ Should we experience ~~any of these events~~ **a decrease in deposits**, we may need to rely on higher cost wholesale funding, which would adversely affect our financial performance and net income. We may be unable to continue to produce the volume of loans necessary to support our SBA and other government guaranteed lending business. Our business strategy places a significant emphasis on SBA and other government guaranteed lending. In order to successfully implement this strategy, we must originate and fund a substantial dollar amount of loans. To do so, we must identify qualified and interested borrowers and have sufficient capital and liquidity to support and fund such loans. If we are not successful in implementing this strategy, our income and results of operations may be adversely affected. We depend on the sale of both the guaranteed and unguaranteed portions of our government guaranteed loans, but also face risks relating to the retained portions of unguaranteed loans. Our strategy historically has been, and may continue to be, to sell both the guaranteed balances of SBA and other government guaranteed loans, as well

as a percentage of the unguaranteed portions of such loans, within legally allowable limits. A material portion of our net income and profitability depended, and may continue to depend, on gains on sales of the guaranteed portions of the government guaranteed loans that we originate. We also from time to time pursue the sales of unguaranteed portions of such loans, which provide us with additional liquidity and capital capacity to permit us to make additional loans ~~when needed~~. Our ability to sell both the guaranteed and unguaranteed portions of these loans is dependent upon our ability to identify purchasers with the demand and capacity to buy them, the attractiveness of the loans, our underwriting quality, and other factors. Our ability to continue to make new loans and hold them in our loan portfolio will be limited by our current capital and liquidity positions. To the extent we retain the unguaranteed portion of these loans in our portfolio, we may be required to make significant provisions to our ACL. ~~The Bank adopted ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments effective January 1, 2023. This standard required financial institutions to determine periodic estimates of lifetime expected credit losses on financial instruments and other commitments to extend credit. This changed the current method of providing allowances for credit losses that are probable.~~ Our loan origination processes present heightened opportunities for borrower or referral fraud. The loans we originate through our technology partners and referral sources are obtained primarily through an online application process. We do not generally meet with the borrowers in person. Our referral sources also are involved in assisting the borrowers with completing their loan applications. Therefore, it is difficult for us to definitively ascertain or confirm a borrower's identity, structure, creditworthiness, or veracity in completing the loan application process. If a borrower or a referral source intentionally, or unintentionally, provides us with incorrect information that we rely on in underwriting a loan, we could be subject to increased credit risk for that loan. Such increased risk could result in increased loan losses or heightened provisions to our ACL, either of which would adversely affect our credit quality and net income. We may also become subject to heightened regulatory scrutiny for making loans to such borrowers and may be required to dedicate time and other resources to addressing regulatory concerns. Our loan referral sources operate independently from us and may take actions for which we may be held responsible. Our referral sources for SBA and other government guaranteed loans operate independently from us and have the initial interactions with many loan applicants and borrowers. As part of those interactions, our referral sources may take actions which violate laws, regulations, or our policies. These may include, among other things, charging impermissible fees, failing to provide or properly complete required documentation or disclosures, making false or misleading statements, or encouraging an applicant to make misrepresentations. In certain instances, the Bank may be held responsible by an applicant or a government agency for such actions. If that were to happen, the Bank may be required to pay restitution or fines, be subject to regulatory enforcement actions, or lose certain statuses with the SBA or other government agencies. We rely heavily on technology partners and other referral sources in our government guaranteed loan origination process. As part of our government guaranteed lending strategy, we use the services of technology partners and other referral sources. These arrangements allow us to originate loans throughout the U. S. via the internet. We do not have an exclusivity arrangement with any referral source. Therefore, we cannot be assured that we will be able to originate and close or maintain any specific level of government guaranteed loans through such sources in the future. In addition, our technology partners are subject to online commerce risks generally, including hacking and use of the site by persons using fraudulent credentials. Should we not continue to generate a substantial volume of loan business through our use of referral sources, or if they experience operational interruptions, or direct loans to other lenders, our government guaranteed lending may be materially reduced, which could reduce our net income and our asset growth. Our operations are growing at a rapid pace and our training programs and operational protocols may lag behind our growth. Our branch network and government guaranteed lending operations are expanding at a rapid pace. As a result, we may not be able to provide comprehensive or timely training to staff. We may also not develop appropriate operational protocols as we expand our products and services. If we fail to do so, our employees may not have a set of standards and expectations pursuant to which they perform their assigned duties. If we are not able to fully and promptly provide training to our employees, or develop appropriate protocols, our employees may be susceptible to mistakes, fail to recognize fraud or other weaknesses in our operations, or fail to recognize or mitigate other risks. Changes in economic and political conditions could adversely affect our earnings through declines in deposits, loan demand, the ability of our customers to repay loans and the value of the collateral securing our loans. Our success depends to a significant extent upon local and national economic and political conditions, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy, an increasing federal government budget deficit, slowing gross domestic product, tariffs, a U. S. withdrawal from or significant renegotiation of trade agreements, trade wars, and other factors beyond our control may adversely affect our deposit levels and composition, the quality of investment securities available for purchase, demand for loans, the ability of our borrowers to repay their loans, and the value of the collateral securing loans. Recent political developments in Russia, Ukraine, the Middle East, and South America may result in substantial changes in economic and political conditions for the U. S. and the remainder of the world. Disruptions in U. S. and global financial markets, and changes in oil production and supply in those and other areas, also affect the economy and stock prices in the U. S., which can affect our earnings, capital, as well as the ability of our customers to repay loans. A shutdown of the Federal government would likely result in us being temporarily unable to make SBA and other government guaranteed loans. If the Federal government experiences a shutdown, it is likely that the SBA, and other agencies which guaranty some of the loans we make, will be unable to process those loans and sell those loans. As a result, our ability to make those loans would be delayed. During such a delay, it is possible that prospective borrowers could obtain financing from other sources or elect not to borrow. Any delay in closing these types of loans, or losing the opportunity to originate or sell them, could result in decreased fee and interest income, which would adversely affect our financial performance. Changes in the laws or regulations governing our SBA and other government guaranteed lending activities and our mortgage lending business may adversely affect our ability to operate them profitably. Our SBA and other government lending programs and our mortgage lending activities are subject to laws and regulations administered by government agencies such as the SBA, the United States

Department of Housing and Urban Development, and the United States Department of Agriculture. If any of these laws or regulations change, or the policies and practices of these agencies change, such changes may impact our ability to offer such products in a profitable manner, or at all. If we are unable to profitably offer these products, our net income will likely decrease and our financial condition and performance will likely deteriorate. We may not be able to retain or grow our core deposit base, which could adversely impact our funding costs. We rely on client deposits as our primary source of funding for our lending activities. Our future growth will largely depend on our ability to retain and grow our core deposit base. Our retention and acquisition of customer deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors outside of our control, such as increasing competitive pressures for deposits, changes in interest rates and returns on other investment classes, client perceptions of our financial health and general reputation, or a loss of confidence by clients in us or the banking sector generally. Such factors could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current client deposits or attract additional deposits. Additionally, any such loss of funds could result in lower loan originations or the need to sell investment securities at a loss, which could have a material adverse effect on our business, financial condition and results of operations. Unrealized losses in the Bank's investment portfolio could affect liquidity. As market interest rates increase, the unrealized losses on the Bank's investment portfolio also increase. As market interest rates decrease, the unrealized losses on the Bank's investment portfolio also decrease. The increase or decrease in unrealized losses is reflected in Accumulated Other Comprehensive Income ("AOCI") on the balance sheet and increases or reduces book capital, and therefore, the tangible common equity ratio. Unrealized losses do not affect regulatory capital ratios. The Bank's access to liquidity sources could be affected by unrealized losses if investments must be sold at a loss, tangible capital ratios continue to decline from an increase in unrealized losses or realized credit losses, the FHLB or other sources reduce capacity or bank regulators impose restrictions on the Bank such as a limit on interest rates it may pay on deposits or its ability to access brokered deposits. We have expanded into new markets with which we have less familiarity with than our historic markets. We intend to continue to expand the location and number of our Florida banking centers and the national scope of our SBA and USDA loan origination efforts when we identify attractive opportunities. Our senior management and Board of Directors have less familiarity with out of state markets and may not fully understand the nuances of our new Florida markets. We are dependent on the expertise and actions of the bankers we have hired to be successful in these markets. We are dependent on our management team and any of their departure, or subsequent employment with a competitor could adversely affect our operations. Our growth and development are particularly dependent upon the personal efforts and abilities of our executive officers and other qualified personnel. The loss or unavailability of such officers or employees could have a material adverse effect on our operations and prospects. Such adverse effect may be magnified if any such officer or employee were to become employed with a competitor of ours. ~~On December 31, 2023, our Chief Executive Officer Anthony Leo retired. Our Boards selected the current Bank President Thomas Zernick to become Chief Executive Officer of the Company and Robin Oliver to become President and COO of the Company. If this transition is not effective or if we encounter problems in implementing it, our performance may suffer.~~ We have pledged the outstanding shares of the Bank to secure a loan, and if we cannot repay the loan when due, the lender may foreclose on the loan and take ownership of the Bank. We have pledged 100 % of the outstanding shares of the Bank's capital stock to secure a term loan with another financial institution with a balance of \$ ~~2-1.49~~ million as of December 31, ~~2023~~ 2024. If we do not have cash available at BayFirst or we are unable to fund dividends from the Bank to BayFirst, we may not be able to make principal or interest payments due on the loan. If we cannot repay or refinance the loan on or prior to maturity, the lender may foreclose on the pledged stock and take ownership of the Bank. In which case, we may not have any source of revenue and it would be unlikely that we would continue to operate. The loan currently matures on March 10, 2029. We engage in transactions with our directors and their related interests, which creates the potential for conflicts of interest. Directors Mark S. Berset and Derek S. Berset are owners of an insurance agency from which the Bank purchases insurance. From time to time the Bank makes loans to, and accepts deposits from, officers and directors and their affiliates. Further, from time to time, in the ordinary course of business, the Company has entered into transactions with certain members of its Board of Directors for various professional services. Such insider transactions present reputational and corporate governance risks to BayFirst and the Bank. Insider transactions often draw the scrutiny of regulators and shareholders. If they were to identify terms of the transactions, or aspects of the process through which we entered into them, that they deemed to be inappropriately unfavorable to BayFirst or the Bank, such regulators or shareholders might take enforcement or legal action against us. Similarly, insider transactions may present an opportunity for taking advantage of BayFirst or the Bank. If any such events were to occur, BayFirst and the Bank may incur expenses or become engaged in time consuming enforcement or legal processes that could negatively affect our performance. We may not be able to collect on the guarantees of our SBA or other government guaranteed loans if borrowers default. In order to collect on their guarantees, we must strictly comply with the standards set by the SBA or other government agencies. If our government guaranteed loans or our servicing and administration of them do not comply with such standards, we may not be able to collect on their guarantees in the event of default. In such case, our asset quality, earnings, and growth prospects could be adversely affected. Our Internet-based systems and online commerce activities are subject to security threats that could adversely affect our business. Third party, or internal, systems and networks may fail to operate properly or become disabled due to deliberate attacks or unintentional events. Our operations are vulnerable to disruptions from human error, natural disasters, power loss, computer viruses, spam attacks, denial of service attacks, unauthorized access, and other unforeseen events. Undiscovered data corruption could render our customer information inaccurate. These events may obstruct our ability to provide services, underwrite loans, and process transactions. Any such incident could put confidential customer information at risk, which may result in significant liability to us, subject us to additional regulatory scrutiny, damage our reputation, result in a loss of customers, cause us to incur significant expense to remediate any damage and inhibit current and potential customers from using our online banking services, any or all of which could have a material adverse effect on our results of operations and financial condition. A failure or breach, including

cyberattacks, of our computer systems or other technologies could disrupt our business, result in the disclosure of confidential information, and create significant financial and legal exposure. There is no assurance that our computer systems and other technologies will provide absolute security. In the case of a failure or breach of such systems, their functionality may be disabled. In addition, the confidentiality and integrity of our and our clients' information may be compromised. Further, to access our products and services, our clients may use computers and mobile devices that are beyond our security systems. Our clients' or our websites or systems may be subject to attacks intended to obtain unauthorized access to confidential information, destroy data, or disable or sabotage services, often through the introduction of computer viruses or malware, cyberattacks, and other means. Furthermore, the methods of cyberattacks change frequently and may not be recognized until or after launch. Therefore, we may not be able to anticipate or implement effective preventive measures against all possible security breaches. Any successful cyberattack or other security breach may result in the misappropriation, loss, or other unauthorized disclosure of confidential customer information. Such an event may also compromise our ability to function and could severely damage our reputation, erode confidence in the security of our systems, products, and services, expose us to the risk of litigation and liability, and disrupt our operations. Any successful cyberattack may subject us to regulatory investigations, litigation or enforcement, or require the payment of regulatory penalties or require us to undertake costly remediation efforts. All or any of these could adversely affect our business, financial condition, or results of operations and damage our reputation. **The development and use of artificial intelligence by us or others, or our inability to effectively and timely implement its use, may adversely affect the Company. The use of artificial intelligence in the banking industry is developing and growing. Customer demand may cause us and others to offer products or services incorporating artificial intelligence. As with many developing technologies, artificial intelligence presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. Our future success will depend, in part, upon our ability to invest in and use appropriate technology, which may include artificial intelligence. To effectively make such investments, we may need to expend significant financial, human, and other resources. However, we may not be able to implement artificial intelligence in an effective or timely way, thus adversely impacting our operations. This may also adversely impact our ability to compete with financial institutions which have greater resources to invest in such technological improvements. Ultimately, any artificial intelligence we develop or use may be flawed. If our use of artificial intelligence, or its use by third parties with which we do business or otherwise interact, is deficient, biased, or inaccurate, or compromises customer privacy or implicates other ethics issues, we could be subject to competitive harm, potential legal liability, and brand or reputational harm.** The valuation of our SBA and USDA related servicing rights is based on estimates and subject to fluctuation based on market conditions and other factors that are beyond our control. The fair value of our SBA and USDA servicing rights is estimated by a third party based upon projections of expected future cash flows generated by the loans we service, historical prepayment rates, future prepayment estimates, portfolio characteristics, interest rates based on interest rate yield curves, volatility, market demand for servicing rights, and other factors. While this evaluation process uses historical and other objective information, the valuation of our servicing rights is ultimately an estimate based on our experience, judgment, and expectations regarding our servicing portfolio and the broader market. This is an inherently uncertain process and the value of our servicing rights may be adversely impacted by factors that are beyond our control, which may in turn cause us to record valuation allowances which could have a material adverse effect on our business, results of operations, and financial condition. Changes in business and economic conditions, in particular those of the Florida markets in which we operate, could lead to lower asset quality and decreased earnings. Unlike larger national or regional banks that are more geographically diversified, our business and earnings are closely tied to general business and economic conditions in our market area. The local economy is heavily influenced by tourism, real estate, and other service-based industries. Factors that could affect the local economy include declines in tourism, higher energy costs, reduced consumer or corporate spending, natural disasters or adverse weather and a significant decline in real estate values. A sustained economic downturn could adversely affect the quality of our assets, credit losses, and the demand for our products and services, which could lead to lower revenue and lower earnings. Most expansion activities require approval of our regulators, which we may not be able to obtain, or that may impose conditions that we find to be unacceptable. Branch openings, and other expansion activities, generally require the approval of our regulators. We may not be able to obtain such approvals if our regulators do not believe we are financially or managerially strong enough to integrate or manage such activities. In addition, our regulators consider our capital, liquidity, profitability, regulatory compliance, including with the Community Reinvestment Act and the Bank Secrecy Act, and levels of goodwill and intangibles when considering acquisition and expansion proposals. Our regulators may also impose conditions in approvals that we find to be unacceptable, prohibitive, or otherwise undesirable. In any of those instances, we may be unable or unwilling to consummate a transaction or undertake an expansionary activity. We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to material penalties and have negative effects on our business. The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations impose obligations and nondiscriminatory lending requirements on financial institutions. The banking regulators and the U. S. Department of Justice are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on branch expansion, merger and acquisition activity, and restrictions on entering new business lines. Private parties may also have the ability to challenge our performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations, and future prospects. We may be required to make increases in our credit loss reserve and to charge off loans in the future, which could adversely affect our results of operations. The determination of the appropriate level of the credit loss reserve involves a high degree of subjectivity and judgment and requires us to make significant estimates of current credit risks,

which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors within and outside of our control, may require an increase in the credit loss reserve. In addition, our regulators periodically review our credit loss reserve and may request an increase in the provision for credit losses or the recognition of loan charge-offs, based on judgments different than those of management.

~~Furthermore, the Financial Accounting Standards Board has issued a current expected credit loss rule, which will change our accounting for losses by requiring us to record, at the time of origination, credit losses expected throughout the life of loans, held-to-maturity investment securities, and certain other assets and off-balance sheet credit exposures as opposed to the current practice of recording losses when it is probable that a loss event has occurred. We implemented this new standard on January 1, 2023 and we will recognize a one-time adjustment to the allowance of \$ 3.1 million. Also, if charge-offs in future periods exceed the allowance, we will need additional provisions to increase the allowance, which would result in a decrease in net income and capital, and could have a material adverse effect on our financial condition and results of operations.~~

If real estate values in our markets decline, we could experience losses upon foreclosure of the loan or sale of the real estate. A material portion of our loan portfolio consists of mortgages secured by real estate located in Pinellas, Pasco, Hillsborough, Manatee, and Sarasota Counties, Florida. Real estate values in our market may decline due to changes in national, regional or local economic conditions; fluctuations in interest rates and the availability of loans to potential purchasers; changes in the tax laws and other governmental statutes, regulations and policies; and acts of nature. If real estate values decline in our market, the value of the real estate collateral securing our loans will likely be reduced. Any reduction in the value of the collateral securing our loans could reduce the amount of money we could realize on the sale of any collateral and thereby adversely affect our financial performance. Hurricanes or other adverse weather events, as well as climate change, could negatively affect our local economies or disrupt our operations, which could have an adverse effect on our business and results of operations. Our market areas in Florida are susceptible to hurricanes, tropical storms, and related flooding and wind damage. Such weather events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where we operate. Such weather events could result in a decline in loan originations, a decline in the value, or destruction of properties securing our loans and an increase in delinquencies, foreclosures, or credit losses. Our business and results of operations may be adversely affected by these and other negative effects of future hurricanes, tropical storms, related flooding and wind damage and other similar weather events. Climate change may be increasing the severity and frequency of adverse weather conditions, making the impact from these types of natural disasters on us or customers worse. Further, concerns over the long-term impacts of climate change have led and may continue to lead to governmental efforts around the world to mitigate those impacts. Investors, consumers, and businesses also may change their behavior on their own as a result of these concerns. The State of Florida could be disproportionately impacted by long-term climate changes. We and our customers may face cost increases, asset value reductions, and changes in supply or demand for products and services resulting from new laws, regulations, and changing consumer and investor preferences regarding responses to climate change. The Florida property insurance market is in **crises crisis** and the inability of our borrowers to obtain insurance on properties securing our loans may adversely affect the value of the collateral, the performance of our loan portfolio, and our ability to make loans secured by real estate. Florida is susceptible to hurricanes, tropical storms and related flooding and wind damage and other similar weather events. Such events can disrupt operations, result in damage to properties and negatively affect the local economies in our markets. As a result of the potential for such weather events, many of our customers have incurred significantly higher insurance premiums, or been unable to secure insurance, on their properties. This may adversely affect real estate sales and values in our markets and leave our borrowers without funds to repay their loans in the event of destructive weather events. Such events could result in a decline in loan originations, a decline in the value or destruction of properties securing loans and a decrease in credit quality, negatively impacting our business and results of operations. Public health emergencies could hurt our business. The COVID pandemic and the governmental and public response disrupted day-to-day life and the normal functioning of the domestic and global economy. Future developments or new emergencies will be highly uncertain and cannot be predicted, including the effectiveness of remote working arrangements, third party providers' abilities to continue to support our and our customer's operations, and any further actions taken by governmental authorities and other third parties. Accordingly, public health crises could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels. Further, it is impossible to effectively predict future events relative to the nature, duration, or severity of recent events. Therefore, we cannot provide guidance as to the effect a global pandemic or other health crisis may have on us, Florida, the remainder of the U. S., or the global economy. Our loan portfolio includes a material amount of commercial real estate and commercial and industrial loans. The credit risk associated with commercial real estate loans and C & I loans is a result of several factors, including the concentration of principal in a limited number of loans and to borrowers in similar lines of business, the size of loan balances, the effects of general economic conditions on the demand for C & I products and services and income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Repayment of commercial real estate and C & I loans in some cases is dependent upon the successful operation of the related business or the development or sale of the related real estate. If the actual or potential cash flow from a business or property is reduced, the borrower's ability to repay the loan may be impaired. As a result, repayment of these loans may, to a greater extent than other types of loans, be subject to adverse conditions in the real estate market or economy. In addition, if the Bank forecloses on the collateral securing C & I loans, the potential market for selling such collateral may be limited to persons already engaged in a similar business. That may result in the Bank recovering an amount for such collateral less than the amount of the loan or taking an extended time to liquidate such collateral. Our use of appraisals in deciding whether to make a loan secured by real property or how to value the loan in the future may not accurately describe the net value of the collateral that we can realize. In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may

fluctuate over relatively short periods of time, especially in times of heightened economic uncertainty, this estimate might not accurately describe the net value of the collateral after the loan has been closed. If the appraisal does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property. In addition, we rely on appraisals and other valuations to establish the value of foreclosed real estate and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our foreclosed upon real estate, and our credit loss reserve may not accurately reflect loan impairments. Inaccurate valuations of properties could materially adversely affect our business, results of operations and financial condition. We operate in a highly competitive industry and market area. We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources than we do. Such competitors primarily include Internet banks and national, regional and community banks within the various markets we serve. We also face competition from many other types of financial institutions, including, without limitation, savings and loan institutions, credit unions, mortgage companies, other finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes, as well as continued consolidation. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Our success depends on our ability to compete successfully in our market area, and there is no guarantee that we will be able to do so. We may face risks with respect to future expansion. We may consider and enter into new lines of business or offer new products or services. We may acquire all or parts of other institutions and we may engage in additional de novo branch expansion. Expansion involves a number of risks, including the costs associated with identifying and evaluating potential acquisitions and merger partners, inaccurate estimates and judgments regarding credit, operations, management and market risks of the target institution, our ability to finance expansion, possible dilution to our existing shareholders, the diversion of our management's attention to the negotiation of a transaction, the integration of the operations and personnel of combining businesses, and the possibility of unknown or contingent liabilities. We may need additional capital in the future, but such capital may not be available when needed. We may need to obtain additional debt or equity financing to fund future growth and meet our capital needs. We cannot guarantee that such financing will be available to us on acceptable terms or at all. If our financial performance is unsatisfactory or if negative economic events or disruptions in the capital markets occur, it may not be possible for us to find sources of sufficient capital for our business operations. If we are unable to obtain future financing, we may not have the resources available to fund our planned growth. We are subject to government regulation and monetary policy that could constrain our growth and profitability. We are subject to extensive federal government supervision and regulations that impose substantial limitations with respect to lending activities, purchases of investment securities, the payment of dividends, and many other aspects of our business. Many of these regulations are intended to protect depositors, the public, and the FDIC, but not our shareholders. The banking industry is heavily regulated. We are subject to examinations, supervision and comprehensive regulation by various federal and state agencies. Our compliance with these regulations is costly and restricts certain activities. The burden imposed by federal and state regulations puts banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies, and leasing companies. Federal economic and monetary policy may also affect our ability to attract deposits, make loans, and achieve our planned operating results. New laws and regulations may increase costs of regulatory compliance. Further, additional legislation and regulations that could significantly affect our power and authority, and operations may be enacted or adopted in the future which could have a material adverse effect on our financial condition and results of operations. Legislation and regulatory proposals enacted in response to market and economic conditions may materially adversely affect our business and results of operations. Changes in the laws, regulations, and regulatory practices affecting the banking industry may increase our costs of doing business or otherwise adversely affect us and create competitive advantages for our competitors. ~~For example, the Dodd-Frank Act in particular represented a significant overhaul of many aspects of the regulation of the financial services industry, some of which have yet to be implemented.~~ In addition, because regulation of financial institutions changes regularly and is the subject of constant legislative debate, we cannot forecast how federal or state regulation of financial institutions may change in the future and impact our operations. Recent and forthcoming changes to banking regulations may impact the profitability of our business activities, require changes to some of our business practices, or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. It may also require us to hold higher levels of regulatory capital and / or liquidity and it may cause us to adjust our business strategy and limit our future business opportunities. We cannot predict the effects of future legislation and new or revised regulations on us, our competitors, or on the financial markets and economy, although they may significantly increase costs and impede the efficiency of our internal business processes. Inflation could negatively impact our business and our profitability. Significant or prolonged inflation may impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and executive and other employee compensation expense, and negatively impacting the demand for banking products and services. Additionally, inflation may lead to a decrease in client purchasing power and negatively affect the need or demand for loans or deposit accounts. If significant inflation continues, our business could also be negatively affected by, among other things, increased loan default and losses. If we experience such effects of inflation, our results of operations could suffer. ~~ESG risks could adversely affect our reputation and shareholder, employee, client and third party relationships. As a publicly traded company, we face increasing public scrutiny related to ESG activities. If we fail to act responsibly in areas, such as DEI, environmental stewardship, human capital management, support for our local communities, corporate governance, and transparency, or fail to consider ESG factors in our business operations, our reputation may be adversely affected. Furthermore, as a result of the diversity of our clients and business partners, we may face negative publicity because of the identity of our clients or business partners and the public's view of those entities. Additionally, we may face pressure to not do business in~~

certain industries that are viewed as harmful to the environment or are otherwise negatively perceived, which could impact our growth. If we, or our clients or business partners, become the subject of such negative publicity, our ability to attract and retain clients, employees, and business partners, may be negatively impacted, which could affect our results of operation or growth prospects. Additionally, investors and shareholder advocates are increasing their emphasis on how corporations address ESG issues in their business strategies.

An economic downturn could have a material adverse effect on our capital, financial condition, results of operations, and future growth. We monitor market conditions and economic factors throughout, and beyond, our geographic markets. If economic conditions were to worsen nationally, regionally, or locally, we could experience a decline in credit quality and loan and deposit demand. Such declines could negatively affect our business and have a material adverse effect on our capital, financial condition, results of operations, and future growth. In addition, international economic and political uncertainty could impact the U. S. financial markets by potentially suppressing stock prices, including ours, and adding to overall market volatility, which could adversely affect our business. The effects of any economic downturn on our business could continue for many years after the downturn is considered to have ended. We may incur losses if asset values decline, including due to changes in interest rates and prepayment speeds. We have a large portfolio of financial instruments, including loans and loan commitments, debt securities, and certain other assets and liabilities that we measure at fair value that are subject to valuation and impairment assessments. We determine these values based on applicable accounting guidance. For financial instruments measured at fair value, this requires us to base fair value on exit price and to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurements. The fair values of financial instruments include adjustments for market liquidity, credit quality, and other transaction- specific factors, if appropriate. Gains or losses on these instruments can have a direct impact on our results of operations. Increases in interest rates or changes in spreads may adversely impact the fair value of loans or debt securities and, accordingly, for debt securities classified as available for sale, may adversely affect accumulated other comprehensive income and, thus, capital levels. These market factors also may adversely impact the value of debt securities we hold to meet regulatory liquidity requirements. Decreases in interest rates may increase prepayments of certain assets, and, therefore, may adversely affect net interest income. Technological changes, including online and mobile banking, have the potential of disrupting our business model, and we may have fewer resources than many competitors to invest in technological improvements. The financial services industry continues to undergo rapid technological changes with frequent introductions of new technology- driven products and services, including mobile and online banking services. Changes in customer behaviors have increased the need to offer these options to our customers. In addition to serving clients better, the effective use of technology may increase efficiency and may enable financial institutions to reduce costs. Our future success will depend, in part, upon our ability to invest in and use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations. We may need to make significant additional capital investments in technology in the future, and we may not be able to effectively implement new technology- driven products and services in a timely manner in response to changes in customer behaviors, thus adversely impacting our operations. Many of our competitors have substantially greater resources to invest in technological improvements and banking regulators may permit emerging technology companies to engage in activities previously reserved to traditional commercial banks. Such competition could adversely affect our performance and results of operations. Changes in accounting standards may affect our performance. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and statements of operations. Future changes in financial accounting and reporting standards could require us to apply a new or revised standard retroactively, which could result in a material adverse effect on our financial condition or could even require us to restate prior period financial statements. We face risks related to our operational, technological, and organizational infrastructure. Our ability to grow and compete is dependent on our ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure while we expand. Similar to other financial institutions, our operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or outside persons, and exposure to external events. We are dependent on our operational infrastructure to help manage these risks. In addition, we are heavily dependent on the strength and capability of our technology systems, which we use both to interface with our customers and to manage our internal financial and other systems. Our ability to develop and deliver new products that meet the needs of our existing customers and attract new ones depends on the functionality of our technology systems.

Risks Related to Our Securities A vibrant public trading market for our common stock has not and may not develop, which may hinder your ability to sell the common stock and may lower the market price of the stock. Our common stock is quoted and traded on Nasdaq under the symbol “BAFN.” However, this listing has not yet resulted in a substantially liquid market for our common stock. We cannot be certain if or when such a market may develop. Accordingly, investors should consider the potential illiquid and long-term nature of an investment in our common stock. You may, therefore, be required to bear the risks of this investment for an indefinite period of time. Shareholders may face dilution resulting from the issuance of common stock in the future. We may issue common stock without shareholder approval, up to the number of authorized shares set forth in our Articles of Incorporation. Our Board may determine, from time to time, a need to obtain additional capital through the issuance of additional shares of common stock or other securities. There can be no assurance that such shares will be issued at prices or on terms better than or equal to historical prices or terms. The issuance of any additional shares of common stock by us in the future may result in a reduction of the book value or market price, if any, of the then- outstanding common stock. Issuance of additional shares of common stock will reduce the proportionate ownership and voting power of our existing shareholders. The price of our common stock could be volatile. The market price of our common stock may be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include, among

other things: variations in our quarterly results of operations; recommendations by securities analysts; performance of other companies that investors deem comparable to us; economic factors unrelated to our performance; general market conditions; and changes in government regulations. In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition, or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management. An investment in our common stock is not an insured deposit. An investment in our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC. Investment in our common stock is inherently risky for the reasons described herein, and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment. Owning our stock will not give you the right to participate in any future offerings of our capital stock and your ownership could be diluted. As a shareholder, you are not automatically entitled to purchase additional shares of common stock in future issuances of our common stock; therefore, you may not be able to maintain your current percentage of ownership in BayFirst. If we decide to issue additional shares of common stock or conduct an additional offering of stock, your ownership in BayFirst could be diluted and your potential share of future profits may be reduced. Management has broad discretion concerning the use of our capital. We use our capital to maintain liquidity and to continue to support the growth of the Bank. This growth may include the opening of branch offices, increasing the size and volume of loans, or other such activities that may require additional capital. Capital may also be used to service our outstanding debt. Our management may determine that it is in the best interest of the Company or the Bank to apply our capital in a manner that is inconsistent with a shareholder's wishes. Failure to use such funds effectively might harm your investment. If equity research analysts do not publish research or reports about our business, or if they do publish such reports but issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline. The trading market for our common stock could be affected by whether and to what extent equity research analysts publish research or reports about us and our business. We cannot predict at this time whether any research analysts will cover us and our common stock or whether they will publish research and reports on us. The price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us. If any of the analysts who elect to cover us downgrade their recommendation with respect to our common stock, our stock price could decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid. Our Board of Directors owns a significant percentage of our shares and will be able to make decisions to which you may be opposed. As of December 31, 2023-2024, BayFirst's directors and named executive officers as a group owned approximately 14.42-43% of our outstanding common stock. In addition, the directors and named executive officers have stock options to acquire shares of common stock, which, if fully exercised within sixty days of December 31, 2023-2024, would have resulted in them owning approximately 18.83-62% of our outstanding common stock. Our directors and executive officers are expected to exert a significant influence on the election of Board members and on the direction of the Company. This influence could negatively affect the price of our shares or be inconsistent with other shareholders' desires. We have outstanding preferred stock and our Board may authorize the issuance of additional series of preferred stock. We have 1,000,000 shares of authorized preferred stock, no par value. Of those, shares in three classes are issued and outstanding. The terms of those shares currently require us to pay quarterly dividends of \$385 thousand (subject to increase if we do not timely redeem them) and prohibit us from paying common stock dividends if we are delinquent in payment of preferred stock dividends. Additionally, our Articles of Incorporation provide that our Board of Directors may authorize additional series of preferred stock without shareholder approval. Accordingly, the issuance of new shares of preferred stock may adversely affect the rights of the holders of shares of our common stock. BayFirst has outstanding debt and either BayFirst or the Bank may incur additional debt. BayFirst has outstanding debt and either BayFirst or the Bank may incur additional debt. At December 31, 2023-2024, BayFirst had a \$2-1.39-93 million term loan and \$5.95-96 million in subordinated debt. BayFirst's obligation to make payments on its debt will reduce the amount of cash available to BayFirst to pay dividends on its common stock. Either or both of BayFirst or the Bank may issue additional debt. Payments due on such debt will further reduce the amount of money available to BayFirst to pay dividends on its common stock. We are restricted by law and government policy in our ability to pay dividends to our shareholders. Holders of shares of our capital stock are only entitled to receive such dividends as our Board may declare out of funds legally available for such payments. Although we have recently declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Furthermore, the terms of our subordinated debt and the preferred stock will prohibit us from declaring or paying any dividends on any junior series of our capital stock, including our common stock, or from repurchasing, redeeming or acquiring such junior stock, unless we have declared and paid full dividends on our outstanding preferred stock for the most recently completed dividend period. The holders of our outstanding Series A Preferred Stock are entitled to receive quarterly cash dividends at 9% per annum (subject to increase to 11% if we have not redeemed the shares by the tenth anniversary of their issuance in 2019), the holders of our Series B Convertible Preferred Stock are entitled to receive quarterly cash dividends at 8% per annum (subject to increase to 9% if we have not redeemed the shares by the tenth anniversary of their issuance in 2020 and 2021), and the holders of our Series C Cumulative Convertible Preferred Stock are entitled to receive quarterly cash dividends at 11% per annum (subject to increase to 12% if we have not redeemed the shares by the tenth anniversary of their issuance in 2023). Additionally, our Articles of Incorporation provide that our Board of Directors may authorize and issue additional series of preferred stock without shareholder approval. Any preferred shares issued in the future may further restrict our ability to declare or pay dividends on any junior stock, including the common stock. We are also subject to state and federal statutory and regulatory limitations on our ability to pay dividends on our capital stock. For example, it is the

policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratio exceeding 30 % of after-tax net income. You should not purchase common stock if you will need or expect an investment that pays dividends. We are an emerging growth company, and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors. We are an emerging growth company, **and expect to remain an emerging growth company through December 31, 2026**, as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. These include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an emerging growth company, which could be as long as five full fiscal years following the initial listing of our common stock on Nasdaq. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile. Further, the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non- emerging growth companies but any such election to opt out is irrevocable. We have not opted out of such extended transition period. This means that when a standard is issued or revised and it has different application dates for public business entities or non- public business entities we, as an emerging growth company, can adopt the new or revised standard at the time non- public entities do so. This may make our financial statements not comparable with those of public companies which are neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period because of the potential differences in accounting standards used. We are a smaller reporting company and are exempt from certain disclosure requirements, which could make our common stock less attractive to potential investors. We are a smaller reporting company, as defined under the Exchange Act, and may continue to be so after we no longer qualify as an emerging growth company. As a smaller reporting company, we will: (i) not be required and may not include a Compensation Discussion and Analysis section in our proxy statements, (ii) provide only two years of financial statements; and (iii) not need to provide a table of selected financial data. We also will have other scaled disclosure requirements that are less comprehensive than issuers that are not smaller reporting companies which could make our common stock less attractive to potential investors. We cannot predict if investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile. Certain provisions of Florida and federal law may discourage or prevent a takeover of BayFirst and result in a lower market price for our common stock. Florida and federal law contain anti- takeover provisions that apply to us. These provisions could discourage potential buyers from seeking to acquire us in the future, even if the proposed transaction would allow shareholders to realize a premium for their shares and even if a majority of our shareholders wish to participate in such a transaction. As a result, these provisions could also adversely affect the market price of our common stock.