UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

or

☐ **TRANSITION REPORT PURUSANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-38447

BUSINESS FIRST BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Louisiana	**20-5340628**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
500 Laurel Street, Suite 101 **Baton Rouge, Louisiana**	**70801**
(Address of principal executive offices)	**(Zip Code)**

(225) 248-7600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.00 per share	BFST	NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by a check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2019, the issuer has outstanding 13,277,803 shares of common stock, par value $1.00 per share.

BUSINESS FIRST BANCSHARES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Cash and Due from Banks	$ 63,356	$ 96,072
Federal Funds Sold	43,705	41,836
Securities Available for Sale, at Fair Values	288,231	309,516
Mortgage Loans Held for Sale	256	58
Loans and Lease Receivable, Net of Allowance for Loan Losses of $12,090 at September 30, 2019 and $11,220 at December 31, 2018	1,682,637	1,517,249
Premises and Equipment, Net	27,092	15,114
Accrued Interest Receivable	7,513	8,223
Other Equity Securities	12,697	9,282
Other Real Estate Owned	2,326	1,909
Cash Value of Life Insurance	32,398	31,882
Deferred Taxes	2,674	3,848
Goodwill	48,333	49,488
Core Deposit Intangible	6,916	7,885
Other Assets	2,706	2,534
Total Assets	$ 2,220,840	$ 2,094,896
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 406,146	$ 382,354
Interest Bearing	1,327,244	1,351,580
Total Deposits	1,733,390	1,733,934
Securities Sold Under Agreements to Repurchase	31,037	12,229
Subordinated Debt	25,000	25,000
Federal Home Loan Bank Borrowings	128,000	55,000
Accrued Interest Payable	1,837	1,374
Other Liabilities	21,236	7,301
Total Liabilities	1,940,500	1,834,838
Commitments and Contingencies (See Note 7)		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	-	-
Common Stock, $1 Par Value; 50,000,000 Shares Authorized; 13,274,823 and 13,213,280 Shares Issued and Outstanding at September 30, 2019 and December 31, 2018, respectively	13,275	13,213
Additional Paid-in Capital	212,104	212,332
Retained Earnings	52,265	37,982
Accumulated Other Comprehensive Income (Loss)	2,696	(3,469)
Total Shareholders' Equity	280,340	260,058
Total Liabilities and Shareholders' Equity	$ 2,220,840	$ 2,094,896

The accompanying notes are an integral part of these financial statements.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest Income:				
Interest and Fees on Loans	$ 24,408	$ 17,777	$ 70,701	$ 50,002
Interest and Dividends on Securities	1,783	1,386	5,486	4,223
Interest on Federal Funds Sold and Due From Banks	129	162	616	417
Total Interest Income	26,320	19,325	76,803	54,642
Interest Expense:				
Interest on Deposits	5,050	3,127	14,845	7,980
Interest on Borrowings	1,012	562	2,387	1,550
Total Interest Expense	6,062	3,689	17,232	9,530
Net Interest Income	20,258	15,636	59,571	45,112
Provision for Loan Losses	479	503	2,414	1,451
Net Interest Income after Provision for Loan Losses	19,779	15,133	57,157	43,661
Other Income:				
Service Charges on Deposit Accounts	1,035	695	3,007	1,941
Gain (Loss) on Sales of Securities	26	-	84	-
Other Income	861	852	5,361	3,347
Total Other Income	1,922	1,547	8,452	5,288
Other Expenses:				
Salaries and Employee Benefits	8,793	7,190	26,101	20,418
Occupancy and Equipment Expense	2,135	1,522	5,913	4,342
Other Expenses	3,950	3,158	11,231	11,079
Total Other Expenses	14,878	11,870	43,245	35,839
Income Before Income Taxes	6,823	4,810	22,364	13,110
Provision for Income Taxes	1,312	910	4,351	2,464
Net Income	$ 5,511	$ 3,900	$ 18,013	$ 10,646
Earnings Per Share:				
Basic	$ 0.41	$ 0.34	$ 1.35	$ 0.99
Diluted	$ 0.40	$ 0.33	$ 1.32	$ 0.95

The accompanying notes are an integral part of these financial statements.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2019	2018	2019	2018
Consolidated Net Income	$ 5,511	$ 3,900	$ 18,013	$ 10,646
Other Comprehensive Income (Loss):				
Unrealized Gain (Loss) on Investment Securities	605	(1,010)	7,720	(4,727)
Reclassification Adjustment for Gains (Loss) included in Net Income	26	-	84	-
Income Tax Effect	(133)	212	(1,639)	993
Other Comprehensive Income (Loss)	498	(798)	6,165	(3,734)
Consolidated Comprehensive Income (Loss)	$ 6,009	$ 3,102	$ 24,178	$ 6,912

The accompanying notes are an integral part of these financial statements.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at June 30, 2018	$ 11,533	$ 171,193	$ 32,483	$ (4,580)	$ 210,629
Comprehensive Income:					
Net Income	-	-	3,900	-	3,900
Other Comprehensive Income (Loss)	-	-	-	(798)	(798)
Cash Dividends Declared, $0.08 Per Share	-	-	(923)	-	(923)
Stock Issuance	-	(123)	-	-	(123)
Stock Based Compensation Cost	1	282	-	-	283
Surrendered Shares of Stock Based Compensation	-	(7)	-	-	(7)
Balances at September 30, 2018	$ 11,534	$ 171,345	$ 35,460	$ (5,378)	$ 212,961
Balances at June 30, 2019	$ 13,361	$ 213,823	$ 48,087	$ 2,198	$ 277,469
Comprehensive Income:					
Net Income	-	-	5,511	-	5,511
Other Comprehensive Income (Loss)	-	-	-	498	498
Cash Dividends Declared, $0.10 Per Share	-	-	(1,333)	-	(1,333)
Stock Issuance	25	339	-	-	364
Stock Based Compensation Cost	-	384	-	-	384
Stock Repurchase	(111)	(2,442)	-	-	(2,553)
Balances at September 30, 2019	$ 13,275	$ 212,104	$ 52,265	$ 2,696	$ 280,340

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at December 31, 2017	$ 10,232	$ 144,172	$ 27,175	$ (1,644)	$ 179,935
Comprehensive Income:					
Net Income	-	-	10,646	-	10,646
Other Comprehensive Income (Loss)	-	-	-	(3,734)	(3,734)
Cash Dividends Declared, $0.22 Per Share	-	-	(2,358)	-	(2,358)
Stock Issuance	1,257	26,404	-	-	27,661
Stock Based Compensation Cost	49	851	-	-	900
Surrendered Shares of Stock Based Compensation	(4)	(82)	(3)	-	(89)
Balances at September 30, 2018	$ 11,534	$ 171,345	$ 35,460	$ (5,378)	$ 212,961
Balances at December 31, 2018	$ 13,213	$ 212,332	$ 37,982	$ (3,469)	$ 260,058
Comprehensive Income:					
Net Income	-	-	18,013	-	18,013
Other Comprehensive Income (Loss)	-	-	-	6,165	6,165
Cash Dividends Declared, $0.28 Per Share	-	-	(3,730)	-	(3,730)
Stock Issuance	139	1,493	-	-	1,632
Stock Based Compensation Cost	44	919	-	-	963
Surrendered Shares of Stock Based Compensation	(10)	(198)	-	-	(208)
Stock Repurchase	(111)	(2,442)	-	-	(2,553)
Balances at September 30, 2019	$ 13,275	$ 212,104	$ 52,265	$ 2,696	$ 280,340

The accompanying notes are an integral part of these financial statements.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For The Nine Months Ended September 30,	
	2019	2018
Cash Flows From Operating Activities:		
Consolidated Net Income	$ 18,013	$ 10,646
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Provision for Loan Losses	2,414	1,451
Depreciation and Amortization	1,223	853
Net Accretion of Purchase Accounting Valuations	(1,336)	(600)
Noncash Compensation Expense	755	811
Net Amortization of Securities	1,268	1,574
Gain on Sales of Securities	(84)	-
Noncash Income on Other Equity Securities	(1,495)	(292)
Gain on Sale of Other Real Estate Owned, Net of Writedowns	(27)	(14)
Increase in Cash Value of Life Insurance	(516)	(501)
Credit for Deferred Income Taxes	(216)	(405)
Gain on Sale of Branch	(581)	-
Changes in Assets and Liabilities:		
Decrease in Accrued Interest Receivable	710	77
(Increase) Decrease in Other Assets	(325)	1,523
Increase in Accrued Interest Payable	463	216
Increase in Other Liabilities	1,235	1,230
Net Cash Provided by Operating Activities	21,501	16,569
Cash Flows From Investing Activities:		
Purchases of Securities Available for Sale	(24,162)	(4,531)
Proceeds from Maturities / Sales of Securities Available for Sale	22,825	8,843
Proceeds from Paydowns of Securities Available for Sale	29,242	24,817
Net Cash Paid in Merger	-	(49,796)
Net Cash Paid in Sale of Branch	(17,448)	-
Purchases of Other Equity Securities	(3,030)	(1,175)
Redemption of Other Equity Securities	1,110	312
Net Increase in Loans	(172,190)	(129,308)
Net Purchases of Premises and Equipment	(2,034)	(790)
Loss on Disposal of Premises and Equipment	650	-
Proceeds from Sales of Other Real Estate	891	109
Net (Increase) Decrease in Federal Funds Sold	(1,869)	12,386
Net Cash Used in Investing Activities	(166,015)	(139,133)

(CONTINUED)

	For The Nine Months Ended September 30,	
	2019	2018
Cash Flows From Financing Activities:		
Net Increase in Deposits	24,641	34,587
Net Increase (Decrease) in Securities Sold Under Agreements to Repurchase	18,808	(3,676)
Net Advances on Federal Home Loan Bank Borrowings	73,000	5,000
Net Proceeds (Repayments) from Long Term Borrowings	-	(300)
Proceeds from Issuance of Common Stock	756	27,661
Repurchase of Common Stock	(2,553)	-
Proceeds from Exercise of Stock Warrants	876	-
Payment of Dividends on Common Stock	(3,730)	(2,358)
Net Cash Provided by Financing Activities	111,798	60,914
Net Increase (Decrease) in Cash and Cash Equivalents	(32,716)	(61,650)
Cash and Cash Equivalents at Beginning of Period	96,072	107,591
Cash and Cash Equivalents at End of Period	$ 63,356	$ 45,941
Supplemental Disclosures for Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 14,402	$ 7,564
Interest on Borrowings	$ 2,367	$ 1,520
Income Tax Payments	$ 4,500	$ 2,205
Supplemental Schedule for Noncash Investing and Financing Activities:		
Change in the Unrealized Gain (Loss) on Securities Available for Sale	$ 7,804	$ (4,727)
Change in Deferred Tax Effect on the Unrealized (Gain) Loss on Securities Available for Sale	$ (1,639)	$ 993
Transfer of Loans to Other Real Estate	$ 1,310	$ 319
Transfer of Premises and Equipment to Other Real Estate	$ -	$ 1,373

The accompanying notes are an integral part of these financial statements.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation –

The unaudited consolidated financial statements include the accounts of Business First Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, Business First Bank (the "Bank"), and the Bank's wholly-owned subsidiary, Business First Insurance, LLC. The Bank operates out of branch locations in markets across Louisiana and Texas. As a state bank, it is subject to regulation by the Office of Financial Institutions, State of Louisiana, and the Federal Deposit Insurance Corporation, and undergoes periodic examinations by these agencies. The Company is also regulated by the Federal Reserve and is subject to periodic examinations.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial results for the periods presented, and all such adjustments are of a normal recurring nature. All material intercompany transactions are eliminated. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

These interim consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and footnote disclosures normally presented in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") have been omitted or abbreviated. These interim financial statements should be read in conjunction with the audited consolidated financial statements and footnote disclosures for the Company's previously filed Form 10-K for the year ended December 31, 2018.

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, the allowance for loan losses, useful lives for depreciation and amortization, fair value of financial instruments, deferred taxes, and contingencies. Estimates that are particularly susceptible to significant change for the Company include the determination of the allowance for loan losses and the assessment of deferred tax assets and liabilities and, therefore, are critical accounting policies. Management does not anticipate any material changes to estimates in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, economic conditions in our markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period presented.

Note 2 – Reclassifications –

Certain reclassifications may have been made to conform to the classifications adopted for reporting in 2019. These reclassifications have no effect on previously reported net income.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Mergers and Acquisitions –

On January 1, 2018, the Company completed the acquisition of Minden Bancorp, Inc. (MBI), and its wholly-owned subsidiary, MBL Bank, located in Minden, Louisiana, further increasing its presence in the Northwest Louisiana region. The Company paid an aggregate cash consideration equal to $56.2 million, or approximately $23.20 in exchange for each share of MBI common stock outstanding immediately prior to the effective time of the acquisition. At December 31, 2017, MBI had fair values of approximately $317.4 million in total assets, $192.7 million in net loans, $264.0 million in total deposits, and $30.6 million in total shareholders' equity, and was the leading financial institution in Webster Parish, part of the Shreveport-Bossier City MSA, through its two banking center locations.

Cost and Allocation of Purchase Price for Minden Bancorp, Inc. (MBI):
(Dollars in thousands, except per share data)

Purchase Price:			
MBI Shares Outstanding at December 31, 2017	2,407,627		
MBI Restricted Stock Awards Outstanding at December 31, 2017	1,480		
MBI Shares Cashed Out Under Terms of Merger			2,409,107
Exchange Ratio			23.20
Cash Paid to Shareholders for Shares of Common Stock		$	55,891
MBI Stock Options Outstanding at December 31, 2017 17,822 Shares at $31.50 Less Strike Price			
Cash Paid on MBI Options			296
Total Purchase Price		$	56,187
Net Assets Acquired:			
Cash and Cash Equivalents		$	15,891
Securities Available for Sale			99,867
Loans and Leases Receivable			192,714
Premises and Equipment, Net			2,678
Cash Value of Life Insurance			741
Core Deposit Intangible			2,494
Other Assets			3,055
Total Assets			317,440
Deposits			263,951
Borrowings			21,047
Other Liabilities			1,858
Total Liabilities			286,856
Net Assets Acquired			30,584
Goodwill Resulting from Merger		$	25,603

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

After the close of business on November 30, 2018, the Company completed the acquisition of Richland State Bancorp, Inc. (RSBI), and its wholly-owned subsidiary, Richland State Bank, located in Richland, Louisiana. The Company issued 1,679,559 shares of its common stock to the RSBI shareholders for a purchase price of $42.4 million. At November 30, 2018, RSBI had provisional fair values of approximately $316.5 million in total assets, $191.0 million in net loans, $290.0 million in total deposits, and $25.4 million in total shareholders' equity.

Cost and Allocation of Purchase Price for Richland State Bancorp, Inc. (RSBI):
(Dollars in thousands, except per share data)

Purchase Price:		
Shares Issued to RSBI Shareholders on December 1, 2018		1,679,559
Closing Stock Price on November 30, 2018		25.29
Total Purchase Price	$	42,476
Net Assets Acquired:		
Cash and Cash Equivalents	$	40,648
Securities Available for Sale		63,823
Loans and Leases Receivable		190,964
Premises and Equipment, Net		5,282
Cash Value of Life Insurance		7,260
Core Deposit Intangible		3,947
Other Assets		4,668
Total Assets		316,592
Deposits		289,979
Other Liabilities		1,074
Total Liabilities		291,053
Net Assets Acquired		25,539
Goodwill Resulting from Merger	$	16,937

On June 28, 2019, the Company sold a branch that was acquired from Richland State Bank. The sale resulted in a net gain of $581,000 and reduced goodwill and core deposit intangible by $1.3 million.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Earnings per Common Share –

Basic earnings per share ("EPS") represents income available to common shareholders divided by the weighted average number of common shares outstanding; no dilution for any potentially convertible shares is included in the calculation. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential common shares that may be issued by the Company relate to outstanding stock warrants and stock options.

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in thousands, except per share data)			
Numerator:				
Net Income Available to Common Shares	$ 5,511	$ 3,900	$ 18,013	$ 10,646
Denominator:				
Weighted Average Common Shares Outstanding	13,315,351	11,533,374	13,321,566	10,795,989
Dilutive Effect of Stock Options and Warrants	354,019	460,360	354,019	460,360
Weighted Average Dilutive Common Shares	13,669,370	11,993,734	13,675,585	11,256,349
Basic Earnings Per Common Share From Net Income Available to Common Shares	$ 0.41	$ 0.34	$ 1.35	$ 0.99
Diluted Earnings Per Common Share From Net Income Available to Common Shares	$ 0.40	$ 0.33	$ 1.32	$ 0.95

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Securities –

The amortized cost and fair values of securities available for sale as of September 30, 2019 and December 31, 2018 are summarized as follows:

	September 30, 2019 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agencies	$ 16,695	$ 439	$ 5	$ 17,129
Corporate Securities	22,531	90	247	22,374
Mortgage-Backed Securities	147,433	2,295	577	149,151
Municipal Securities	98,159	1,432	14	99,577
Total Securities Available for Sale	$ 284,818	$ 4,256	$ 843	$ 288,231

	December 31, 2018 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agencies	$ 17,529	$ 54	$ 144	$ 17,439
Corporate Securities	13,052	76	436	12,692
Mortgage-Backed Securities	168,854	328	3,564	165,618
Municipal Securities	114,472	250	955	113,767
Total Securities Available for Sale	$ 313,907	$ 708	$ 5,099	$ 309,516

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following tables present a summary of securities with gross unrealized losses and fair values at September 30, 2019 and December 31, 2018, aggregated by investment category and length of time in a continued unrealized loss position. Due to the nature of these investments and current prevailing market prices, these unrealized losses are considered a temporary impairment of the securities.

	September 30, 2019					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government Agencies	$ 835	$ 5	$ -	$ -	$ 835	$ 5
Corporate Securities	1,965	47	4,310	200	6,275	247
Mortgage-Backed Securities	549	3	48,240	574	48,789	577
Municipal Securities	5,560	7	2,325	7	7,885	14
Total Securities Available for Sale	$ 8,909	$ 62	$ 54,875	$ 781	$ 63,784	$ 843

	December 31, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government Agencies	$ 4,399	$ 28	$ 4,610	$ 116	$ 9,009	$ 144
Corporate Securities	6,274	260	2,324	176	8,598	436
Mortgage-Backed Securities	67,770	1,264	61,271	2,300	129,041	3,564
Municipal Securities	40,473	484	29,782	471	70,255	955
Total Securities Available for Sale	$ 118,916	$ 2,036	$ 97,987	$ 3,063	$ 216,903	$ 5,099

Management evaluates securities for other than temporary impairment when economic and market conditions warrant such evaluations. Consideration is given to the extent and length of time the fair value has been below cost, the reasons for the decline in value, and the Company's intent to sell a security or whether it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost. The Company has developed a process to identify securities that could potentially have a credit impairment that is other than temporary. This process involves evaluating each security for impairment by monitoring credit performance, collateral type, collateral geography, loan-to-value ratios, credit scores, loss severity levels, pricing levels, downgrades by rating agencies, cash flow projections and other factors as indicators of potential credit issues. When the Company determines that a security is deemed to be other than temporarily impaired, an impairment loss is recognized.

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The amortized cost and fair values of securities available for sale as of September 30, 2019 by contractual maturity are shown below. Actual maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties.

	Amortized Cost	Fair Value
	(Dollars in thousands)	
Less Than One Year	$ 21,184	$ 21,210
One to Five Years	53,754	54,333
Over Five to Ten Years	137,275	139,054
Over Ten Years	72,605	73,634
Total Securities Available for Sale	$ 284,818	$ 288,231

Note 6 – Loans and the Allowance for Loan Losses –

Loans receivable at September 30, 2019 and December 31, 2018 are summarized as follows:

	September 30, 2019	December 31, 2018
	(Dollars in thousands)	
Real estate loans:		
Construction and land	$ 220,524	$ 211,054
Farmland	45,809	45,989
1-4 family residential	281,413	270,583
Multi-family residential	31,448	39,273
Nonfarm nonresidential	620,427	518,660
Commercial	415,163	363,640
Consumer	79,943	79,270
Total loans held for investment	1,694,727	1,528,469
Less:		
Allowance for loan losses	(12,090)	(11,220)
Net loans	$ 1,682,637	$ 1,517,249

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The performing 1-4 family residential, multi-family residential, commercial real estate, and commercial loans are pledged, under a blanket lien, as collateral securing advances from the FHLB at September 30, 2019 and December 31, 2018.

Net deferred loan origination fees were $2.6 million and $1.7 million at September 30, 2019 and December 31, 2018, respectively, and are netted in their respective loan categories above. In addition to loans issued in the normal course of business, the Company considers overdrafts on customer deposit accounts to be loans, and reclassifies overdrafts as loans in its consolidated balance sheets. At September 30, 2019 and December 31, 2018, overdrafts of $1.5 million and $858,000, respectively, have been reclassified to loans.

The Bank is the lead lender on participations sold, without recourse, to other financial institutions which amounts are not included in the consolidated balance sheets. The unpaid principal balances of mortgages and other loans serviced for others were approximately $145.8 million and $147.0 million at September 30, 2019 and December 31, 2018, respectively.

The Bank grants loans and extensions of credit to individuals and a variety of businesses and corporations located in its general market areas throughout Louisiana and Texas. Management segregates the loan portfolio into portfolio segments which is defined as the level at which the Bank develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate.

Loans acquired in business combinations are initially recorded at fair value, which includes an estimate of credit losses expected to be realized over the remaining lives of the loans and, therefore, no corresponding allowance for loan losses is recorded for these loans at acquisition. Methods utilized to estimate any subsequently required allowance for loan losses for acquired loans not deemed credit-impaired at acquisition are similar to originated loans; however, the estimate of loss is based on the unpaid principal balance and then compared to any remaining unaccreted purchase discount. To the extent the calculated loss is greater than the remaining unaccreted discount, an allowance is recorded for such difference.

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Loans acquired in business combinations were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses.

Total loans held for investment at September 30, 2019 includes $221.6 million of loans acquired in acquisitions that were recorded at fair value as of the acquisition date. Included in the acquired balances at September 30, 2019 were acquired impaired loans accounted for under the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30") with a net carrying amount of $7.5 million and acquired performing loans not accounted for under ASC 310-30 totaling $216.4 million with a related purchase discount of $2.3 million.

Total loans held for investment at December 31, 2018 includes $334.8 million of loans acquired in acquisitions that were recorded at fair value as of the acquisition date. Included in the acquired balances at December 31, 2018 were acquired impaired loans with a net carrying amount of $10.7 million and acquired performing loans totaling $327.3 million with a related purchase discount of $3.2 million.

The following tables set forth, as of September 30, 2019 and December 31, 2018, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Credit Losses and Recorded Investment in Loans Receivable

	September 30, 2019 (Dollars in thousands)							
	Real Estate: Construction and Land	Real Estate: Farmland	Real Estate: 1-4 Family Residential	Real Estate: Multi-family Residential	Real Estate: Nonfarm Nonresidential	Commercial	Consumer	Total
Allowance for credit losses:								
Beginning Balance	$ 1,590	$ 104	$ 1,538	$ 236	$ 2,715	$ 4,453	$ 584	$ 11,220
Charge-offs	(2)	(2)	(54)	-	(10)	(1,544)	(23)	(1,635)
Recoveries	-	-	12	-	-	37	42	91
Provision	(111)	84	321	(46)	1,299	802	65	2,414
Ending Balance	$ 1,477	$ 186	$ 1,817	$ 190	$ 4,004	$ 3,748	$ 668	$ 12,090
Ending Balance:								
Individually evaluated for impairment	$ -	$ 4	$ 122	$ -	$ 46	$ 401	$ 101	$ 674
Collectively evaluated for impairment	$ 1,477	$ 182	$ 1,695	$ 190	$ 3,958	$ 3,347	$ 567	$ 11,416
Purchased Credit Impaired (1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:								
Ending Balance	$ 220,524	$ 45,809	$ 281,413	$ 31,448	$ 620,427	$ 415,163	$ 79,943	$ 1,694,727
Ending Balance:								
Individually evaluated for impairment	$ 399	$ 186	$ 2,567	$ -	$ 4,078	$ 4,607	$ 389	$ 12,226
Collectively evaluated for impairment	$ 220,125	$ 45,390	$ 278,779	$ 31,448	$ 609,408	$ 410,280	$ 79,554	$ 1,674,984
Purchased Credit Impaired (1)	$ -	$ 233	$ 67	$ -	$ 6,941	$ 276	$ -	$ 7,517

(1) Purchased credit impaired loans are evaluated for impairment on an individual basis.

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	December 31, 2018							
	(Dollars in thousands)							
	Real Estate: Construction and Land	Real Estate: Farmland	Real Estate: 1-4 Family Residential	Real Estate: Multi-family Residential	Real Estate: Nonfarm Nonresidential	Commercial	Consumer	Total
Allowance for credit losses:								
Beginning balance	$ 1,421	$ 76	$ 1,284	$ 144	$ 2,323	$ 3,147	$ 370	$ 8,765
Charge-offs	(90)	-	(294)	-	-	-	(88)	(472)
Recoveries	398	-	18	-	13	28	80	537
Provision	(139)	28	530	92	379	1,278	222	2,390
Ending Balance	$ 1,590	$ 104	$ 1,538	$ 236	$ 2,715	$ 4,453	$ 584	$ 11,220
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ 96	$ -	$ 47	$ 1,112	$ 25	$ 1,280
Collectively evaluated for impairment	$ 1,590	$ 104	$ 1,442	$ 236	$ 2,668	$ 3,341	$ 559	$ 9,940
Purchased Credit Impaired (1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:								
Ending Balance	$ 211,054	$ 45,989	$ 270,583	$ 39,273	$ 518,660	$ 363,640	$ 79,270	$ 1,528,469
Ending Balance:								
Individually evaluated for impairment	$ 32	$ 112	$ 2,728	$ -	$ 4,155	$ 5,208	$ 125	$ 12,360
Collectively evaluated for impairment	$ 211,022	$ 45,713	$ 267,761	$ 39,273	$ 507,506	$ 354,985	$ 79,145	$ 1,505,405
Purchased Credit Impaired (1)	$ -	$ 164	$ 94	$ -	$ 6,999	$ 3,447	$ -	$ 10,704

(1) Purchased credit impaired loans are evaluated for impairment on an individual basis.

Management further disaggregates the loan portfolio segments into classes of loans, which are based on the initial measurement of the loan, risk characteristics of the loan and the method for monitoring and assessing the credit risk of the loan.

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As of September 30, 2019 and December 31, 2018, the credit quality indicators, disaggregated by class of loan, are as follows:

Credit Quality Indicators

	September 30, 2019				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 217,772	$ 1,199	$ 1,154	$ 399	$ 220,524
Farmland	43,700	1,771	51	287	45,809
1-4 family residential	271,963	4,062	3,001	2,387	281,413
Multi-family residential	31,415	-	33	-	31,448
Nonfarm nonresidential	598,332	12,067	4,125	5,903	620,427
Commercial	396,752	9,488	6,701	2,222	415,163
Consumer	77,923	1,502	129	389	79,943
Total	$ 1,637,857	$ 30,089	$ 15,194	$ 11,587	$ 1,694,727

	December 31, 2018				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 209,027	$ 718	$ 1,277	$ 32	$ 211,054
Farmland	45,563	153	161	112	45,989
1-4 family residential	260,325	4,601	2,929	2,728	270,583
Multi-family residential	39,237	-	36	-	39,273
Nonfarm nonresidential	494,698	14,421	3,510	6,031	518,660
Commercial	347,839	5,690	7,448	2,663	363,640
Consumer	77,731	1,180	234	125	79,270
Total	$ 1,474,420	$ 26,763	$ 15,595	$ 11,691	$ 1,528,469

The above classifications follow regulatory guidelines and can generally be described as follows:

- Pass loans are of satisfactory quality.
- Special mention loans have an existing weakness that could cause future impairment, including the deterioration of financial ratios, past due status, questionable management capabilities and possible reduction in the collateral values.
- Substandard loans have an existing specific and well defined weakness that may include poor liquidity and deterioration of financial ratios. The loan may be past due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.
- Doubtful loans have specific weaknesses that are severe enough to make collection or liquidation in full highly questionable and improbable.

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The following tables reflect certain information with respect to the loan portfolio delinquencies by loan class and amount as of September 30, 2019 and December 31, 2018. All loans greater than 90 days past due are generally placed on nonaccrual status.

Aged Analysis of Past Due Loans Receivable

	September 30, 2019 (Dollars in thousands)						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment Over 90 Days Past Due and Still Accruing
Real Estate Loans:							
Construction and land	$ -	$ 6	$ 379	$ 385	$ 220,139	$ 220,524	$ -
Farmland	23	138	106	267	45,542	45,809	-
1-4 family residential	1,484	483	1,260	3,227	278,186	281,413	169
Multi-family residential	-	-	-	-	31,448	31,448	-
Nonfarm nonresidential	2,119	-	3,946	6,065	614,362	620,427	-
Commercial	295	104	1,780	2,179	412,984	415,163	30
Consumer	188	31	386	605	79,338	79,943	78
Total	$ 4,109	$ 762	$ 7,857	$ 12,728	$ 1,681,999	$ 1,694,727	$ 277

	December 31, 2018 (Dollars in thousands)						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment Over 90 Days Past Due and Still Accruing
Real Estate Loans:							
Construction and land	$ 325	$ 13	$ 89	$ 427	$ 210,627	$ 211,054	$ 60
Farmland	-	96	-	96	45,893	45,989	-
1-4 family residential	1,596	588	1,400	3,584	266,999	270,583	270
Multi-family residential	36	-	-	36	39,237	39,273	-
Nonfarm nonresidential	2,437	-	3,967	6,404	512,256	518,660	450
Commercial	328	287	3,241	3,856	359,784	363,640	1,038
Consumer	237	89	106	432	78,838	79,270	58
Total	$ 4,959	$ 1,073	$ 8,803	$ 14,835	$ 1,513,634	$ 1,528,469	$ 1,876

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The following is a summary of information pertaining to impaired loans as of September 30, 2019 and December 31, 2018. Acquired non-impaired loans are placed on nonaccrual status and reported as impaired using the same criteria applied to the originated portfolio. Purchased impaired credits are excluded from this table. The interest income recognized for impaired loans was $217,000 and $186,000 for the nine months ending September 30, 2019 and 2018, respectively.

	September 30, 2019			
	(Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ -	$ -	$ -	$ 1
Farmland	20	22	4	21
1-4 family residential	207	237	122	178
Multi-family residential	-	-	-	-
Nonfarm nonresidential	546	560	46	601
Other Loans:				
Commercial	796	865	401	1,127
Consumer	175	179	101	113
Total	$ 1,744	$ 1,863	$ 674	$ 2,041
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 399	$ 423	$ -	$ 112
Farmland	166	170	-	177
1-4 family residential	2,360	3,008	-	2,562
Multi-family residential	-	-	-	-
Nonfarm nonresidential	3,533	3,800	-	3,693
Other Loans:				
Commercial	3,811	4,658	-	4,373
Consumer	213	266	-	163
Total	$ 10,482	$ 12,325	$ -	$ 11,080
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 399	$ 423	$ -	$ 113
Farmland	186	192	4	198
1-4 family residential	2,567	3,245	122	2,740
Multi-family residential	-	-	-	-
Nonfarm nonresidential	4,079	4,360	46	4,294
Other Loans:				
Commercial	4,607	5,523	401	5,500
Consumer	388	445	101	276
Total	$ 12,226	$ 14,188	$ 674	$ 13,121

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	December 31, 2018			
	(Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ -	$ -	$ -	$ 22
Farmland	-	-	-	-
1-4 family residential	363	451	96	303
Multi-family residential	-	-	-	-
Nonfarm nonresidential	447	501	47	367
Other Loans:				
Commercial	1,883	2,935	1,112	547
Consumer	25	25	25	2
Total	$ 2,718	$ 3,912	$ 1,280	$ 1,241
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 32	$ 56	$ -	$ 15
Farmland	112	193	-	9
1-4 family residential	2,365	3,975	-	2,708
Multi-family residential	-	-	-	-
Nonfarm nonresidential	3,708	3,833	-	5,240
Other Loans:				
Commercial	3,325	4,198	-	5,350
Consumer	100	144	-	261
Total	$ 9,642	$ 12,399	$ -	$ 13,583
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 32	$ 56	$ -	$ 37
Farmland	112	193	-	9
1-4 family residential	2,728	4,426	96	3,011
Multi-family residential	-	-	-	-
Nonfarm nonresidential	4,155	4,334	47	5,607
Other Loans:				
Commercial	5,208	7,133	1,112	5,897
Consumer	125	169	25	263
Total	$ 12,360	$ 16,311	$ 1,280	$ 14,824

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The Company elected to account for certain loans acquired in business combinations as acquired impaired loans under ASC 310-30 due to evidence of credit deterioration at acquisition and the probability that the Company will be unable to collect all contractually required payments. The expected cash flows approximated fair value as of the date of mergers.

The following table presents the changes in the carrying amount of the purchased impaired credits accounted for under ASC 310-30 for the periods presented.

	Purchased Impaired Credits
	(Dollars in thousands)
Carrying amount - December 31, 2017	$ 696
Carrying amount of purchased impaired credits acquired in MBI acquisition	5,798
Carrying amount of purchased impaired credits acquired in RSBI acquisition	4,533
Payments received, net of discounts realized	(507)
Purchased impaired credit participation interest sales proceeds, net of discount realized	210
Charge-offs	(26)
Carrying amount - December 31, 2018	10,704
Payments received, net of discounts realized	(3,187)
Carrying amount - September 30, 2019	$ 7,517

The Bank seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. The Bank makes loan modifications, primarily utilizing internal renegotiation programs via direct customer contact, that manage customers' debt exposures held only by the Bank. Additionally, the Bank makes loan modifications with customers who have elected to work with external renegotiation agencies and these modifications provide solutions to customers' entire unsecured debt structures. During the periods ended September 30, 2019 and December 31, 2018, the concessions granted to certain borrowers included extending the payment due dates, lowering the contractual interest rate, reducing accrued interest, and reducing the debt's face or maturity amount.

Once modified in a troubled debt restructuring, a loan is generally considered impaired until its contractual maturity. At the time of the restructuring, the loan is evaluated for specific allowance for credit losses. The Bank continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If a borrower subsequently defaults on the loan after it is restructured, the Bank provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral.

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The following tables present informative data regarding troubled debt restructurings as of September 30, 2019 and December 31, 2018. The Bank had $79,000 in troubled debt restructurings that had subsequently defaulted during the year ended December 31, 2018 and none that had subsequently defaulted during the nine months ended September 30, 2019.

Modifications as of September 30, 2019:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled Debt Restructuring			
Real Estate Loans:			
1-4 family residential	3	$ 235	$ 221
Nonfarm nonresidential	3	2,411	2,103
Other Loans:			
Commercial	6	5,914	2,814
Consumer	1	11	10
Total	13	$ 8,571	$ 5,148

Modifications as of December 31, 2018:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled Debt Restructuring			
Real Estate Loans:			
1-4 family residential	1	$ -	$ -
Nonfarm nonresidential	3	2,412	2,308
Other Loans:			
Commercial	6	5,914	3,512
Total	10	$ 8,326	$ 5,820

Note 7 – Commitments and Contingencies –

In the normal course of business, the Bank is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit which are not included in the accompanying financial statements. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and commercial letters of credit is represented by the contractual amount of those instruments. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. The Bank uses the same credit policies in making such commitments and conditional obligations as it does for instruments that are included in the balance sheet. In the normal course of business, the Bank has made commitments to extend credit of approximately $341.1 million and standby and commercial letters of credit of approximately $22.8 million at September 30, 2019.

The Bank leases certain branch offices through non-cancelable operating leases with terms that range from one to ten years and contain various renewal options for certain of the leases. Rental expense under these agreements was $2.3 million and $1.8 million for the nine months ended September 30, 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

	(Dollars in thousands)
3 months remaining in 2019	$ 514
2020	1,949
2021	1,780
2022	1,620
2023	1,506
After 2023	6,932
Total Future Minimum Lease Payments	14,301
Imputed Interest	(1,811)
Present Value of Lease Liabilities	$ 12,490

In the normal course of business, the Bank is involved in various legal proceedings. In the opinion of management and counsel, the disposition or ultimate resolution of such proceedings would not have a material adverse effect on the Bank's financial statements.

Note 8 – Fair Value of Financial Instruments –

Fair Value Disclosures

The Company groups its financial assets and liabilities measured at fair value in three levels. Fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Includes the most reliable sources, and includes quoted prices in active markets for identical assets or liabilities.
- Level 2 – Includes observable inputs. Observable inputs include inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates) as well as inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 – Includes unobservable inputs and should be used only when observable inputs are unavailable.

Recurring Basis

Fair values of investment securities available for sale were primarily measured using information from a third-party pricing service. This pricing service provides information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data from market research publications.

The fair values of mortgage loans held for sale are based on commitments on hand from investors within the secondary market for loans with similar characteristics.

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The following tables present the balance of assets and liabilities measured on a recurring basis as of September 30, 2019 and December 31, 2018. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

	Fair Value	Level 1	Level 2	Level 3
		(Dollars in thousands)		
September 30, 2019				
Available for Sale:				
U.S. Government Agency Securities	$ 17,129	$ -	$ 17,129	$ -
Corporate Securities	22,374	-	22,374	-
Mortgage-Backed Securities	149,151	-	149,151	-
Municipal Securities	99,577	-	92,990	6,587
Mortgage Loans Held for Sale	256	-	256	-
Total	$ 288,487	$ -	$ 281,900	$ 6,587
December 31, 2018				
Available for Sale:				
U.S. Government Agency Securities	$ 17,439	$ -	$ 17,439	$ -
Corporate Securities	12,692	-	12,692	-
Mortgage-Backed Securities	165,618	-	165,618	-
Municipal Securities	113,767	-	105,383	8,384
Mortgage Loans Held for Sale	58	-	58	-
Total	$ 309,574	$ -	$ 301,190	$ 8,384

Nonrecurring Basis

The Company has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the tables below. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a nonrecurring basis.

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The fair value of the impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are Level 2 assets measured using appraisals from external parties of the collateral less any prior liens. Repossessed assets are initially recorded at fair value less estimated cost to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, the Bank records repossessed assets as Level 2.

	Fair Value	Level 1	Level 2	Level 3
		(Dollars in thousands)		
September 30, 2019				
Assets:				
Impaired Loans	$ 18,635	$ -	$ 18,635	$ -
Repossessed Assets	2,331	-	2,331	-
Total	$ 20,966	$ -	$ 20,966	$ -
December 31, 2018				
Assets:				
Impaired Loans	$ 21,557	$ -	$ 21,557	$ -
Repossessed Assets	1,920	-	1,920	-
Total	$ 23,477	$ -	$ 23,477	$ -

Fair Value Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. 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. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. In accordance with generally accepted accounting principles, certain financial instruments and all non-financial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments – For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities – Fair value of securities is based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
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Loans – The fair value for loans is estimated using discounted cash flow analyses, with interest rates currently being offered for similar loans to borrowers with similar credit rates. Loans with similar classifications are aggregated for purposes of the calculations. The allowance for loan losses, which was used to measure the credit risk, is subtracted from loans.

Cash Value of Bank-Owned Life Insurance ("BOLI") – The carrying amount approximates its fair value.

Other Equity Securities – The carrying amount approximates its fair value.

Deposits – The fair value of demand deposits and certain money market deposits is the amount payable at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using discounted cash flow analyses, with interest rates currently offered for deposits of similar remaining maturities.

Borrowings – The fair value of FHLB advances and other long-term borrowings is estimated using the rates currently offered for advances of similar maturities. The carrying amount of short-term borrowings maturing within ninety days approximates the fair value.

Commitments to Extend Credit and Standby and Commercial Letters of Credit – The fair values of commitments to extend credit and standby and commercial letters of credit do not differ significantly from the commitment amount and are therefore omitted from this disclosure.

The estimated approximate fair values of the Bank's financial instruments as of September 30, 2019 and December 31, 2018 are as follows:

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
September 30, 2019					
Financial Assets:					
Cash and Short-Term Investments	$ 107,061	$ 107,061	$ 107,061	$ -	$ -
Securities	288,231	288,231	-	281,644	6,587
Mortgage Loans Held for Sale	256	256	-	256	-
Loans - Net	1,682,637	1,677,482	-	-	1,677,482
Cash Value of BOLI	32,398	32,398	-	32,398	-
Other Equity Securities	12,697	12,697	-	-	12,697
Total	$ 2,123,280	$ 2,118,125	$ 107,061	$ 314,298	$ 1,696,766
Financial Liabilities:					
Deposits	$ 1,733,390	$ 1,738,300	$ -	$ -	$ 1,738,300
Borrowings	184,037	202,089	-	202,089	-
Total	$ 1,917,427	$ 1,940,389	$ -	$ 202,089	$ 1,738,300

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	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
December 31, 2018					
Financial Assets:					
Cash and Short-Term Investments	$ 137,908	$ 137,908	$ 137,908	$ -	$ -
Securities	309,516	309,516	-	301,132	8,384
Mortgage Loans Held for Sale	58	58	-	58	-
Loans - Net	1,517,249	1,495,454	-	-	1,495,454
Cash Value of BOLI	31,882	31,882	-	31,882	-
Other Equity Securities	9,282	9,282	-	-	9,282
Total	$ 2,005,895	$ 1,984,100	$ 137,908	$ 333,072	$ 1,513,120
Financial Liabilities:					
Deposits	$ 1,733,934	$ 1,717,698	$ -	$ -	$ 1,717,698
Borrowings	92,229	104,930	-	104,930	-
Total	$ 1,826,163	$ 1,822,628	$ -	$ 104,930	$ 1,717,698

Note 9 – Recently Issued Accounting Pronouncements –

Accounting Standards Adopted in Current Period

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842), Conforming Amendments Related to Leases*. This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of condition and disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU was effective on January 1, 2019. The Company recognized a right-of-use asset and lease liability of approximately $12.5 million as of September 30, 2019. The right-of-use asset and lease liability are recorded within premises and equipment and other liabilities, respectively.

Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments introduce an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments (ex. loans and held to maturity securities), including certain off-balance sheet financial instruments (ex. commitments to extend credit and standby letters of credit that are not unconditionally cancellable). The CECL should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments, over the contractual term. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. Financial instruments with similar risk characteristics may be grouped together when estimating the CECL. The allowance for credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis is determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial estimate of expected credit loss would be recognized through an allowance for credit losses with an offset (i.e. increase) to the purchase price at acquisition. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. The ASU also amends the current available for sale security impairment model for debt securities whereby credit losses relating to available for sale debt securities should be recorded through an allowance for credit losses. The amendments will be applied through a modified retrospective approach, resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. On October 18, 2019, FASB approved an effective date delay applicable to smaller reporting companies until January 2023. The Company anticipates electing the delay and implementing the standard sometime after 2020. The adoption of this ASU may have a material effect on the Company's consolidated financial statements

On January 26, 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350)* which simplifies the accounting for goodwill impairment. The guidance in this ASU removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. The goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The revised guidance will be applied prospectively, and is effective for calendar year-end ending in 2020 for public business entities. Early adoption is permitted for any impairment tests performed after January 1, 2017. Based on recent goodwill impairment tests, which did not require the application of Step 2, the Company does not expect the adoption of this ASU to have any immediate impact on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

When we refer in this Form 10-Q to "we," "our," "us," the "Company" and "Business First," we are referring to Business First Bancshares, Inc. and its consolidated subsidiaries, including Business First Bank, which we sometimes refer to as "the Bank," unless the context indicates otherwise.

The information contained in this Form 10-Q is accurate only as of the date of this form and the dates specified herein.

All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q (this "Report") and other periodic reports filed by the Company, and other written or oral statements made by us or on our behalf, are "forward-looking statements," as defined by (and subject to the "safe harbor" protections under) the federal securities laws. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and the banking industry in general. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "will continue," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," and similar expressions of a future or forward-looking nature. These statements involve estimates, assumptions, and risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements.

We believe these factors include, but are not limited to, the following:

- risks related to the integration of any acquired businesses, including exposure to potential asset quality and credit quality risks and unknown or contingent liabilities, the time and costs associated with integrating systems, technology platforms, procedures and personnel, the need for additional capital to finance such transactions, and possible failures in realizing the anticipated benefits from acquisitions;
- changes in the strength of the United States ("U.S.") economy in general and the local economy in our local market areas adversely affecting our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;
- economic risks posed by our geographic concentration in Louisiana and the Dallas/Fort Worth metroplex;
- the ability to sustain and continue our organic loan and deposit growth, and manage that growth effectively;
- market declines in industries to which we have exposure, such as the volatility in oil prices and downturn in the energy industry that impact certain of our borrowers and investments that operate within, or are backed by collateral associated with, the energy industry;
- volatility and direction of interest rates and market prices, which could reduce our net interest margins, asset valuations and expense expectations;
- interest rate risk associated with our business;
- changes in the levels of loan prepayments and the resulting effects on the value of our loan portfolio;
- increased competition in the financial services industry, particularly from regional and national institutions;
- increased credit risk in our assets and increased operating risk caused by a material change in commercial, consumer and/or real estate loans as a percentage of our total loan portfolio;
- changes in the value of collateral securing our loans;
- deteriorating asset quality and higher loan charge-offs, and the time and effort required to resolve problem assets;
- the failure of assumptions underlying the establishment of and provisions made to our allowance for credit losses;
- changes in the availability of funds resulting in increased costs or reduced liquidity;
- our ability to maintain important deposit customer relationships and our reputation;

- a determination or downgrade in the credit quality and credit agency ratings of the securities in our securities portfolio;
- increased asset levels and changes in the composition of assets and the resulting impact on our capital levels and regulatory capital ratios;
- our ability to prudently manage our growth and execute our strategy;
- risks associated with our acquisition and de novo branching strategy;
- the loss of senior management or operating personnel and the potential inability to hire qualified personnel at reasonable compensation levels;
- legislative or regulatory developments, including changes in the laws, regulations, interpretations or policies relating to financial institutions, accounting, tax, trade, monetary and fiscal matters;
- government intervention in the U.S. financial system;
- changes in statutes and government regulations or their interpretations applicable to us, including changes in tax requirements and tax rates;
- natural disasters and adverse weather, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control; and
- other risks and uncertainties listed from time to time in our reports and documents filed with the U.S. Securities and Exchange Commission ("SEC").

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Report. Additional information on these and other risk factors can be found in Item 1A. "Risk Factors" of this Report and in Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission.

In the event that one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF BUSINESS FIRST

The following discussion and analysis focuses on significant changes in the financial condition of Business First from December 31, 2018 to September 30, 2019, and its results of operations for the three and nine months ended September 30, 2019. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this report and should be read in conjunction with (i) the accompanying unaudited consolidated financial statements and the notes thereto (the "Notes") and (ii) our Annual Report on Form 10-K for the year ended December 31, 2018, including the audited consolidated financial statements and notes thereto, management's discussion and analysis, and the risk factor disclosures contained therein. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that Business First believes are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under "Forward-Looking Statements," "Risk Factors" and elsewhere in this report, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. Business First assumes no obligation to update any of these forward-looking statements.

Overview

We are a registered bank holding company headquartered in Baton Rouge, Louisiana. Through our wholly-owned subsidiary, Business First Bank, a Louisiana state chartered bank, we provide a broad range of financial services tailored to meet the needs of small to medium-sized businesses and professionals. Since our inception in 2006, our priority has been and continues to be creating shareholder value through the establishment of an attractive commercial banking franchise in Louisiana and across our region. We consider our primary market to include the State of Louisiana and Dallas, Texas. We currently operate out of 25 banking centers in markets across Louisiana and in Dallas, Texas. As of September 30, 2019, we had total assets of $2.2 billion, total loans of $1.7 billion, total deposits of $1.7 billion, and total shareholders' equity of $280.3 million.

As a bank holding company operating through one market segment, community banking, we generate most of our revenues from interest income on loans, customer service and loan fees, and interest income from securities. We incur interest expense on deposits and other borrowed funds and noninterest expense, such as salaries and employee benefits and occupancy expenses. We analyze our ability to maximize income generated from interest earning assets and expense of our liabilities through our net interest margin. Net interest margin is a ratio calculated as net interest income divided by average interest-earning assets. Net interest income is the difference between interest income on interest-earning assets, such as loans and securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings, which are used to fund those assets.

Changes in the market interest rates and the interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and shareholders' equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions, and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in Louisiana, as well as developments affecting the real estate, technology, financial services, insurance, transportation, manufacturing and energy sectors within our markets.

Financial Highlights

The financial highlights as of and for the three and nine months ended September 30, 2019 include:

- **Total assets** of $2.2 billion, a $125.9 million, or 6.0%, increase from December 31, 2018.
- **Total loans held for investment** of $1.7 billion, a $166.3 million, or 10.9%, increase from December 31, 2018.
- **Total deposits** of $1.7 billion, relatively unchanged from December 31, 2018.
- **Net income** of $5.5 million, a $1.6 million, or 41.3%, increase from the three months ended September 30, 2018.
- **Net interest income** of $20.3 million, an increase of $4.6 million, or 29.6%, from the three months ended September 30, 2018.
- **Allowance for loan and lease losses** of 0.71% of total loans held for investment, compared to 0.73% as of December 31, 2018, and a ratio of nonperforming loans to total loans held for investment of 0.70%, compared to 0.89% as of December 31, 2018.
- **Earnings per share** for the first nine months of 2019 of $1.35 per basic share and $1.32 per diluted share, compared to $0.99 per basic share and $0.95 per diluted share for the first nine months of 2018.

- **Return on average assets** of 1.14% over the first nine months of 2019, compared to 0.87% for the first nine months of 2018.
- **Return on average equity** of 8.88% over the first nine months of 2019, compared to 7.45% for the first nine months of 2018.
- **Capital ratios** for Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 10.59%, 11.50%, 11.50% and 13.42%, respectively, compared to 11.66%, 11.83%, 11.83%, and 13.91%, respectively as of December 31, 2018.
- **Book value per share** of $21.12, an increase of 7.3% from $19.68 at December 31, 2018.

Results of Operations for the Three and Nine Months Ended September 30, 2019 and 2018

Performance Summary

For the three months ended September 30, 2019, net income was $5.5 million, or $0.41 per basic share and $0.40 per diluted share, compared to net income of $3.9 million, or $0.34 per basic share and $0.33 per diluted share, for the three months ended September 30, 2018. Return on average assets, on an annualized basis, increased to 1.02% for the three months ended September 30, 2019, from 0.94% for the three months ended September 30, 2018. Return on average equity, on an annualized basis, increased to 7.93% for the three months ended September 30, 2019, as compared to 7.37% for the three months ended September 30, 2018.

For the nine months ended September 30, 2019, net income was $18.0 million, or $1.35 per basic share and $1.32 per diluted share, compared to net income of $10.6 million, or $0.99 per basic share and $0.95 per diluted share, for the nine months ended September 30, 2018. Return on average assets, on an annualized basis, increased to 1.14% for the nine months ended September 30, 2019, from 0.87% for the nine months ended September 30, 2018. Return on average equity, on an annualized basis, increased to 8.88% for the nine months ended September 30, 2019, as compared to 7.45% for the nine months ended September 30, 2018.

Net Interest Income

Our operating results depend primarily on our net interest income, calculated as the difference between interest income on interest-earning assets, such as loans and securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Fluctuations in market interest rates impact the yield and rates paid on interest sensitive assets and liabilities. Changes in the amount and type of interest-earning assets and interest-bearing liabilities also impact net interest income. The variance driven by the changes in the amount and mix of interest-earning assets and interest-bearing liabilities is referred to as a “volume change.” Changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds are referred to as a “rate change.”

To evaluate net interest income, we measure and monitor (1) yields on our loans and other interest-earning assets, (2) the costs of our deposits and other funding sources, (3) our net interest spread and (4) our net interest margin. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits and shareholders’ equity also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources. We calculate average assets, liabilities, and equity using a monthly average, and average yield / rate utilizing a 30/360 day count convention.

For the three months ended September 30, 2019, net interest income totaled $20.3 million, and net interest margin and net interest spread were 4.10% and 3.66%, respectively, compared to $15.6 million, 4.05%, and 3.70%, respectively, for the three months ended September 30, 2018. The average yield on the loan portfolio was 5.87% for the three months ended September 30, 2019, compared to 5.65% for the three months ended September 30, 2018, and the average yield on total interest-earning assets was 5.32% for the three months ended September 30, 2019, compared to 5.01% for the three months ended September 30, 2018. For the three months ended September 30, 2019, overall cost of funds (which includes noninterest-bearing deposits) increased 29 basis points compared to the three months ended September 30, 2018, primarily due to our issuance of subordinated debt in December 2018 and increasing rates. While we experienced significant loan growth in average loan balances, we anticipate continued pressure on our net interest margin and net interest spread in future periods based on the current yield curve.

For the nine months ended September 30, 2019, net interest income totaled $59.6 million, and net interest margin and net interest spread were 4.10% and 3.68%, respectively, compared to $45.1 million, 4.00%, and 3.72%, respectively, for the nine months ended September 30, 2018. The average yield on the loan portfolio was 5.87% for the nine months ended September 30, 2019, compared to 5.48% for the nine months ended September 30, 2018, and the average yield on total interest-earning assets was 5.29% for the nine months ended September 30, 2019, compared to 4.85% for the nine months ended September 30, 2018. For the nine months ended September 30, 2019, overall cost of funds (which includes noninterest-bearing deposits) increased 37 basis points compared to the nine months ended September 30, 2018, primarily due to our issuance of subordinated debt in December 2018 and increasing rates.

The following tables present, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average amounts outstanding and the interest earned or paid on such amounts. The tables also set forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. Interest earned on loans that are classified as nonaccrual is not recognized in income; however the balances are reflected in average outstanding balances for the period. For the three and nine months ended September 30, 2019 and 2018, interest income not recognized on nonaccrual loans was not material. Any nonaccrual loans have been included in the table as loans carrying a zero yield. The average total loans reflected below is net of deferred loan fees and discounts. Acquired loans were recorded at fair value at acquisition and accrete interest income over the remaining lives of the respective loans.

	For the Three Months Ended September 30,					
	2019			2018		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands) (Unaudited)					
Assets						
Interest-earning assets:						
Total loans	$ 1,664,283	$ 24,408	5.87%	$ 1,258,060	$ 17,777	5.65%
Securities available for sale	297,121	1,783	2.40	253,902	1,386	2.18
Interest-bearing deposits in other banks	16,070	129	3.21	31,858	162	2.03
Total interest-earning assets	1,977,474	26,320	5.32	1,543,820	19,325	5.01
Allowance for loan losses	(11,783)			(9,945)		
Noninterest-earning assets	191,068			132,242		
Total assets	$ 2,156,759	$ 26,320		$ 1,666,117	$ 19,325	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 1,300,740	$ 5,050	1.55%	$ 1,028,412	$ 3,127	1.22%
Subordinated debt	25,000	422	6.75	—	—	—
Advances from Federal Home Loan Bank ("FHLB")	105,588	560	2.12	85,000	506	2.38
Other borrowings	23,718	30	0.51	17,484	56	1.28
Total interest-bearing liabilities	1,455,046	6,062	1.67	1,130,896	3,689	1.31
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	398,748			315,111		
Other liabilities	24,937			8,479		
Total noninterest-bearing liabilities	423,685			323,590		
Shareholders' equity	278,028			211,631		
Total liabilities and shareholders' equity	$ 2,156,759			$ 1,666,117		
Net interest rate spread[1]			3.66%			3.70%
Net interest income		$ 20,258			$ 15,636	
Net interest margin[2]			4.10%			4.05%

(1) Net interest spread is the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.
(2) Net interest margin is equal to net interest income divided by average interest-earning assets.

	For the Nine Months Ended September 30,					
	2019			2018		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands) (Unaudited)					
Assets						
Interest-earning assets:						
Total loans	$ 1,605,423	$ 70,701	5.87%	$ 1,216,395	$ 50,002	5.48%
Securities available for sale	303,374	5,486	2.41	254,035	4,223	2.22
Interest-bearing deposits in other banks	26,621	616	3.09	32,899	417	1.69
Total interest-earning assets	1,935,418	76,803	5.29	1,503,329	54,642	4.85
Allowance for loan losses	(11,625)			(9,516)		
Noninterest-earning assets	187,924			141,209		
Total assets	$ 2,111,717	$ 76,803		$ 1,635,022	$ 54,642	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 1,323,927	$ 14,845	1.50%	$ 1,022,982	$ 7,980	1.04%
Subordinated debt	25,000	1,267	6.76	—	—	—
Advances from FHLB	59,990	1,065	2.37	84,777	1,387	2.18
Other borrowings	16,863	55	0.43	18,478	163	1.18
Total interest-bearing liabilities	1,425,780	17,232	1.61	1,126,237	9,530	1.13
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	396,452			309,526		
Other liabilities	19,105			8,604		
Total noninterest-bearing liabilities	415,557			318,130		
Shareholders' equity	270,380			190,655		
Total liabilities and shareholders' equity	$ 2,111,717			$ 1,635,022		
Net interest rate spread[(1)]			3.68%			3.72%
Net interest income		$ 59,571			$ 45,112	
Net interest margin[(2)]			4.10%			4.00%

(1) Net interest spread is the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.
(2) Net interest margin is equal to net interest income divided by average interest-earning assets.

The following tables present information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities, and distinguishes between the changes attributable to changes in volume and changes attributable to changes in interest rates. For purposes of these tables, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

	For the Three Months Ended September 30, 2019 compared to the Three Months Ended September 30, 2018		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans	$ 5,958	$ 673	$ 6,631
Securities available for sale	259	138	397
Interest-earning deposits in other banks	(127)	94	(33)
Total increase in interest income	$ 6,090	$ 905	$ 6,995
Interest-bearing liabilities:			
Interest-bearing deposits	$ 1,057	$ 866	$ 1,923
Subordinated debt	422	—	422
Advances from FHLB	109	(55)	54
Other borrowings	8	(34)	(26)
Total increase in interest expense	1,596	777	2,373
Increase in net interest income	$ 4,494	$ 128	$ 4,622

	For the Nine Months Ended September 30, 2019 compared to the Nine Months Ended September 30, 2018		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans	$ 17,132	$ 3,567	$ 20,699
Securities available for sale	892	371	1,263
Interest-earning deposits in other banks	(145)	344	199
Total increase in interest income	$ 17,879	$ 4,282	$ 22,161
Interest-bearing liabilities:			
Interest-bearing deposits	$ 3,374	$ 3,491	$ 6,865
Subordinated debt	1,267	—	1,267
Advances from FHLB	(440)	118	(322)
Other borrowings	(5)	(103)	(108)
Total increase in interest expense	4,196	3,506	7,702
Increase in net interest income	$ 13,683	$ 776	$ 14,459

Provision for Loan Losses

Our provision for loan losses is a charge to income in order to bring our allowance for loan losses to a level deemed appropriate by management. For a description of the factors taken into account by management in determining the allowance for loan losses see *"—Financial Condition—Allowance for Loan Losses."* The provision for loan losses was $479,000 for the three months ended September 30, 2019 and $503,000 for the same period in 2018. For the nine months ended September 30, 2019 and 2018, the provision for loan losses was $2.4 million and $1.5 million, respectively. The higher provision for the nine months ended September 30, 2019 compared to the same periods in 2018 was generally attributable to a previously identified impaired loan as well as higher loan balances.

Noninterest Income

Our primary sources of noninterest income are service charges on deposit accounts, debit card and automated teller machine ("ATM") fee income, income from bank-owned life insurance, and pass-through income from SBIC partnerships. The following tables present, for the periods indicated, the major categories of noninterest income:

	For the Three Months Ended September 30,		Increase
	2019	2018	(Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 1,035	$ 695	$ 340
Debit card and ATM fee income	460	267	193
Bank-owned life insurance income	175	168	7
Gain on sales of investment securities	26	—	26
Brokerage commissions	15	(6)	21
Mortgage origination income	120	77	43
Correspondent bank income	118	118	—
Rental income	159	166	(7)
Gain on sale of banking center	(12)	—	(12)
Loss on sale / disposal of other assets	(650)	(103)	(547)
Pass-through income from SBIC partnerships	138	—	138
Other	338	165	173
Total noninterest income	$ 1,922	$ 1,547	$ 375

	For the Nine Months Ended September 30,		Increase
	2019	2018	(Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 3,007	$ 1,941	$ 1,066
Debit card and ATM fee income	1,397	772	625
Bank-owned life insurance income	517	502	15
Gain on sales of investment securities	84	—	84
Brokerage commissions	58	506	(448)
Mortgage origination income	308	191	117
Correspondent bank income	343	280	63
Rental income	488	495	(7)
Gain on sale of banking center	581	—	581
Loss on sale / disposal of other assets	(650)	(56)	(594)
Pass-through income from SBIC partnerships	1,404	222	1,182
Other	915	435	480
Total noninterest income	$ 8,452	$ 5,288	$ 3,164

Noninterest income for the three months ended September 30, 2019 increased $375,000, or 24.2%, to $1.9 million compared to noninterest income of $1.5 million for the same period in 2018. Noninterest income for the nine months ended September 30, 2019 increased $3.2 million, or 59.8%, to $8.5 million compared to noninterest income of $5.3 million for the same period in 2018. The primary components of noninterest income were as follows:

Service charges on deposit accounts. We earn fees from our customers for deposit-related services, and these fees constitute a significant and predictable component of our noninterest income. Service charges on deposit accounts were $1.0 million for the three months ended September 30, 2019, an increase of $340,000 over the same period in 2018. For the nine months ended September 30, 2019, service charges on deposit accounts were $3.0 million, an increase of $1.1 million over the same period in 2018. The increase for both the three and nine months ended September 30, 2019, over the same period in 2018, was primarily due to increases in deposit balances and accounts from the acquisition of Richland State Bancorp, Inc. ("RSBI") in November 2018 and organic growth.

Debit card and ATM fee income. We earn fees from our customers based upon card activity, and these fees constitute a significant recurring component of our noninterest income. Fee income was $460,000 and $267,000 for the three months ended September 30, 2019 and 2018, respectively, representing an increase of $193,000, or 72.3%. For the nine months ended September 30, 2019 and 2018, fee income was $1.4 million and $772,000, respectively, representing an increase of $625,000, or 81.0%. The increase for both the three and nine months ended September 30, 2019, over the same period in 2018, was primarily due to the additional accounts from the acquisition of RSBI and organic growth.

Brokerage commissions. We earn commissions from brokerage services provided by our Wealth Solutions Group. Brokerage commissions were $58,000 and $506,000 for the nine months ended September 30, 2019 and 2018, respectively. The decrease for the nine months ended September 30, 2019 over the same period in 2018, was primarily due to restructuring our brokerage activities.

Gain on sale of banking center. We sold a banking center located in Mangham, Louisiana that resulted in a gain of $581,000 during the second quarter of 2019.

Loss on sale / disposal of other assets. The $650,000 loss for both the three months and nine months ended September 30, 2019 was largely attributable to the rebuilding of the Port Allen, Louisiana banking center.

Pass-through income from SBIC partnerships. During the second quarter of 2019, we recognized investment income (largely related to a dividend recapitalization) which increased our nine months ended September 30, 2019 income, compared to the same period in 2018.

Other. This category includes a variety of other income producing activities, including wire transfer fees, mortgage-related income, insurance commissions, credit card income and participation fee income. Other income increased $173,000, or 104.8%, for the three months ended September 30, 2019, compared to the same period in 2018. For the nine months ended September 30, 2019, other income increased $480,000, or 110.3%. The increase for both the three months and nine months ended September 30, 2019, compared to the same periods in 2018, was primarily due to increases in the use of these services by legacy RSBI customers. We also received a grant for the nine months ended September 30, 2019 in the amount of $113,000 that represented part of the increase.

Noninterest Expense

Generally, noninterest expense is composed of all employee expenses and costs associated with operating our facilities, obtaining and retaining customer relationships, and providing bank services. The largest component of noninterest expense is salaries and employee benefits. Noninterest expense also includes operational expenses, such as occupancy expenses, depreciation and amortization, professional and regulatory fees, including Federal Deposit Insurance Corporation ("FDIC") assessments, data processing expenses, and advertising and promotion expenses, among others.

The following tables present, for the periods indicated, the major categories of noninterest expense:

	For the Three Months Ended September 30,		Increase
	2019	2018	(Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 8,793	$ 7,190	$ 1,603
Non-staff expenses:			
Occupancy of bank premises	1,230	914	316
Depreciation and amortization	645	417	228
Data processing	380	395	(15)
FDIC assessment fees	(105)	221	(326)
Legal and other professional fees	346	328	18
Advertising and promotions	544	290	254
Utilities and communications	397	294	103
Ad valorem shares tax	345	321	24
Directors' fees	121	93	28
Other real estate owned expenses and write-downs	19	—	19
Merger and conversion related expenses	350	138	212
Other	1,813	1,269	544
Total noninterest expense	$ 14,878	$ 11,870	$ 3,008

	For the Nine Months Ended September 30,		Increase
	2019	2018	(Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 26,101	$ 20,418	$ 5,683
Non-staff expenses:			
Occupancy of bank premises	3,412	2,632	780
Depreciation and amortization	1,906	1,246	660
Data processing	1,572	1,160	412
FDIC assessment fees	293	945	(652)
Legal and other professional fees	1,017	1,239	(222)
Advertising and promotions	1,150	817	333
Utilities and communications	1,018	835	183
Ad valorem shares tax	1,035	965	70
Directors' fees	451	344	107
Other real estate owned expenses and write-downs	118	9	109
Merger and conversion related expenses	331	1,065	(734)
Other	4,841	4,164	677
Total noninterest expense	$ 43,245	$ 35,839	$ 7,406

Noninterest expense for the three months ended September 30, 2019 increased $3.0 million, or 25.3%, to $14.9 million, compared to noninterest expense of $11.9 million for the same period in 2018. For the nine months ended September 30, 2019, noninterest expense increased $7.4 million, or 20.7%, to $43.2 million, compared to noninterest expense of $35.8 million for the same period in 2018. The most significant components of the increases were as follows:

Salaries and employee benefits. Salaries and employee benefits are the largest component of noninterest expense and include payroll expense, the cost of incentive compensation, stock-based compensation, benefit plans, health insurance and payroll taxes. Salaries and employee benefits were $8.8 million for the three months ended September 30, 2019, an increase of $1.6 million, or 22.3%, compared to the same period in 2018. For the nine months ended September 30, 2019, salaries and benefits were $26.1 million, an increase of $5.7 million, or 27.8%, compared to the same period in 2018. The increases were primarily due to additional hires for new positions, our merit increase cycle, and the acquisition of RSBI (including severance and retention payments related to the acquisitions) and its legacy operations and employees. As of September 30, 2019, we had 346 full-time equivalent employees, compared to 253 as of September 30, 2018.

Occupancy of bank premises. Expenses associated with occupancy of premises were $1.2 million and $914,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, occupancy and bank premises expenses were $3.4 million and $2.6 million, respectively. The increase for both the three and nine months ended September 30, 2019, compared to the same period in 2018, is primarily due to the acquisition of RSBI and its legacy branch locations.

Depreciation and amortization. Depreciation and amortization costs were $645,000 and $417,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, depreciation and amortization costs were $1.9 million and $1.2 million, respectively. This category includes leasehold, furniture, fixtures and equipment depreciation totaling $423,000 and $286,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, depreciation expense totaled $1.2 million and $852,000, respectively. The amortization of intangible assets was $222,000 and $131,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, amortization of intangible assets was $683,000 and $394,000, respectively.

Data processing. Expenses associated with data processing were $380,000 and $395,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, data processing expenses were $1.6 million and $1.2 million, respectively. The increase for the nine months ended September 30, 2019, compared to the same period in 2018, is primarily due to the acquisition of RSBI and operating on separate core systems until the conversion into one system in July 2019.

FDIC assessment fees. FDIC assessments was a net credit of $105,000 and fees of $221,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, FDIC assessment fees were $293,000 and $945,000, respectively. The decrease for both the three months and nine months ended September 30, 2019, compared to the same period in 2018, is primarily due to increased capital ratios and a credit back to the bank in the third quarter.

Legal and other professional fees. Other professional fees include audit, loan review, compliance, and other consultants. For the nine months ended September 30, 2019 and 2018, legal and other professional fees were $1.0 million and $1.2 million, respectively. The decrease for the nine months ended September 30, 2019 was due to legal fees in 2018 related to acquisitions and our listing on the NASDAQ Global Select Market.

Advertising and promotions. Advertising and promotions costs were $544,000 and $290,000 for the three months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, advertising and promotions costs were $1.2 million and $817,000, respectively. The increase for both the three and nine months ended September 30, 2019, compared to the same period in 2018, is largely attributable to one-time production costs for future advertising campaigns.

Merger and conversion related expenses. Merger and conversion related expenses for the three months and nine months ended September 30, 2019 and 2018 were related to the acquisitions of RSBI and Minden Bancorp, Inc. ("MBI"), respectively. During the three months ended September 30, 2019, we completed our conversion of RSBI's core system into our core system and had costs associated with the conversion. During the nine months ended September 30, 2019, we had a merger related termination fee downward adjustment of $469,000 from the original estimate.

Other. This category includes various operating and administrative expenses, including business development expenses (i.e. travel and entertainment, donations and club dues), insurance, supplies and printing, equipment rent, and software support and maintenance. Other noninterest expense increased $544,000 for the three months ended September 30, 2019 compared to the same period in 2018. Other noninterest expense increased $677,000 for the nine months ended September 30, 2019. The increase in other expenses for both the three months and nine months ended September 30, 2019, compared to the same period in 2018, was primarily due to the acquisition of RSBI and its legacy operations.

Income Tax Expense

The amount of income tax expense is influenced by the amounts of our pre-tax income, tax-exempt income and other nondeductible expenses. Deferred tax assets and liabilities are reflected at currently enacted income tax rates in effect for the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

For the three months ended September 30, 2019, income tax expense totaled $1.3 million, an increase of $402,000, or 44.2%, compared to the same period in 2018. For the nine months ended September 30, 2019, income tax expense totaled $4.4 million, an increase of $1.9 million, or 76.6%, compared to the same period in 2018. Our effective tax rates for the three months ended September 30, 2019 and 2018 were 19.2% and 18.9%, respectively. For the nine months ended September 30, 2019 and 2018, our effective tax rates were 19.5% and 18.8%, respectively. The increase in our effective tax rate for both the three and nine months ended September 30, 2019 is primarily due to higher taxable income. Our effective tax rate for both periods was affected by tax-exempt income generated by municipal securities and BOLI and by other nondeductible expenses.

Financial Condition

Our total assets increased $125.9 million, or 6.0%, from December 31, 2018 to September 30, 2019.

Loan Portfolio

Our primary source of income is interest on loans to individuals, professionals and small to medium-sized businesses located in our markets. Our loan portfolio consists primarily of commercial loans and real estate loans secured by commercial real estate properties located in our primary market areas. Our loan portfolio represents the highest yielding component of our earning asset base.

As of September 30, 2019, total loans held for investment were $1.7 billion, an increase of $166.3 million, or 10.9%, compared to December 31, 2018. The increase was primarily due to our continued loan penetration in our primary market areas. Additionally, $256,000 and $58,000 in mortgage loans were classified as loans held for sale as of September 30, 2019 and December 31, 2018, respectively.

Total loans held for investment as a percentage of total deposits were 97.8% and 88.2% as of September 30, 2019 and December 31, 2018, respectively. Total loans held for investment as a percentage of total assets were 76.3% and 73.0% as of September 30, 2019 and December 31, 2018, respectively.

The following table summarizes our loan portfolio by type of loan as of the dates indicated:

	As of September 30, 2019 (Unaudited)		As of December 31, 2018	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial	$ 415,163	24.5%	$ 363,640	23.8%
Real estate:				
Construction and land	220,524	13.0	211,054	13.8
Farmland	45,809	2.7	45,989	3.0
1-4 family residential	281,413	16.6	270,583	17.7
Multi-family residential	31,448	1.9	39,273	2.6
Nonfarm nonresidential	620,427	36.6	518,660	33.9
Consumer	79,943	4.7	79,270	5.2
Total loans held for investment	$ 1,694,727	100.0%	$ 1,528,469	100.0%

Commercial loans. Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. These loans are made based primarily on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and generally include personal guarantees.

Commercial loans increased $51.5 million, or 14.2%, to $415.2 million as of September 30, 2019 from $363.6 million as of December 31, 2018, primarily due to the efforts of our bankers who attracted new clients and leveraged existing bank relationships to fund expansion and growth opportunities.

Construction and land. Construction and land development loans are comprised of loans to fund construction, land acquisition and land development construction. The properties securing the portfolio are located primarily throughout Louisiana and Dallas, Texas, and are generally diverse in terms of type.

Construction and land loans increased $9.5 million, or 4.5%, to $220.5 million as of September 30, 2019 from $211.1 million as of December 31, 2018, primarily due to opportunities to fund small residential land development projects with proven developers who are existing customers of the Bank and have demonstrated a successful track record for many years.

1-4 family residential. Our 1-4 family residential loan portfolio is comprised of loans secured primarily by single family homes, which are both owner-occupied and investor owned. Our 1-4 family residential loans have a relatively small average balance spread between many individual borrowers.

1-4 family residential loans increased $10.8 million, or 4.0%, to $281.4 million as of September 30, 2019 from $270.6 million as of December 31, 2018.

Nonfarm nonresidential. Nonfarm nonresidential loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. These loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the portfolio are located throughout Louisiana and Texas and are generally diverse in terms of type. This diversity helps reduce the exposure to adverse economic events that affect any single industry.

Nonfarm nonresidential loans increased $101.8 million, or 19.6%, to $620.4 million as of September 30, 2019 from $518.7 million as of December 31, 2018.

Other loan categories. Other categories of loans included in our loan portfolio include farmland and agricultural loans made to farmers and ranchers relating to their operations, multi-family residential loans, and consumer loans. None of these categories of loans represent a significant portion of our total loan portfolio.

The contractual maturity ranges of loans in our loan portfolio and the amount of such loans with fixed and floating interest rates in each maturity range as of the date indicated are summarized in the following tables:

	As of September 30, 2019			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands) (Unaudited)			
Commercial	$ 157,238	$ 198,994	$ 58,931	$ 415,163
Real estate:				
Construction and land	108,588	100,723	11,213	220,524
Farmland	9,070	28,509	8,230	45,809
1-4 family residential	37,683	161,393	82,337	281,413
Multi-family residential	5,944	11,691	13,813	31,448
Nonfarm nonresidential	87,039	362,304	171,084	620,427
Consumer	22,798	53,740	3,405	79,943
Total loans held for investment	$ 428,360	$ 917,354	$ 349,013	$ 1,694,727
Amounts with fixed rates	$ 162,439	$ 688,239	$ 265,075	$ 1,115,753
Amounts with floating rates	265,921	229,115	83,938	578,974

	As of December 31, 2018			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial	$ 137,581	$ 161,874	$ 64,185	$ 363,640
Real estate:				
Construction and land	104,033	74,730	32,291	211,054
Farmland	12,340	31,755	1,894	45,989
1-4 family residential	40,613	137,617	92,353	270,583
Multi-family residential	12,253	12,945	14,075	39,273
Nonfarm nonresidential	61,561	294,683	162,416	518,660
Consumer	36,129	37,161	5,980	79,270
Total loans held for investment	$ 404,510	$ 750,765	$ 373,194	$ 1,528,469
Amounts with fixed rates	$ 147,087	$ 541,076	$ 267,748	$ 955,911
Amounts with floating rates	257,423	209,689	105,446	572,558

Nonperforming Assets

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

We have several procedures in place to assist in maintaining the overall quality of our loan portfolio. We have established underwriting guidelines to be followed by our bankers, and we also monitor our delinquency levels for any negative or adverse trends. There can be no assurance, however, that our loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

We believe our conservative lending approach and focused management of nonperforming assets has resulted in sound asset quality and timely resolution of problem assets. We had $14.2 million and $15.5 million in nonperforming assets as of September 30, 2019 and December 31, 2018, respectively. We had $11.9 million in nonperforming loans as of September 30, 2019 compared to $13.6 million as of December 31, 2018. The decrease in nonperforming assets from December 31, 2018 to September 30, 2019 is primarily due to the reduction in nonaccrual loans and loans past due 90 or more days.

The following tables present information regarding nonperforming loans at the dates indicated:

	As of September 30, 2019 (Unaudited)	As of December 31, 2018
	(Dollars in thousands)	
Nonaccrual loans	$ 11,577	$ 11,691
Accruing loans 90 or more days past due	277	1,876
Total nonperforming loans	11,854	13,567
Repossessed assets	5	11
Other real estate owned:		
Commercial real estate, construction, land and land development	2,071	1,568
Residential real estate	255	341
Total other real estate owned	2,326	1,909
Total nonperforming assets	$ 14,185	$ 15,487
Restructured loans-nonaccrual	$ 2,967	$ 2,900
Restructured loans-accruing	2,181	2,920
Ratio of nonperforming loans to total loans held for investment	0.70%	0.89%
Ratio of nonperforming assets to total assets	0.64	0.74

	As of September 30, 2019 (Unaudited)	As of December 31, 2018
	(Dollars in thousands)	
Nonaccrual loans by category:		
Real estate:		
Construction and land	$ 399	$ 32
Farmland	287	112
1-4 family residential	2,387	2,728
Multi-family residential	—	—
Nonfarm nonresidential	5,903	6,031
Commercial	2,222	2,663
Consumer	379	125
Total	$ 11,577	$ 11,691

Potential Problem Loans

From a credit risk standpoint, we classify loans in our portfolio in one of four categories: pass, special mention, substandard or doubtful. Loans classified as loss are charged-off. The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. Ratings are adjusted to reflect the degree of risk and loss that is believed to be inherent in each credit. Our methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk of loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk of loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that we generally expect to experience significant loss within the short-term. These credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits with a lower rating.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses which exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful have all the weaknesses inherent in those rated 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.

The following tables summarize our internal ratings of loans held for investment as of the dates indicated.

	As of September 30, 2019				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands) (Unaudited)				
Real estate:					
Construction and land	$ 217,772	$ 1,199	$ 1,154	$ 399	$ 220,524
Farmland	43,700	1,771	51	287	45,809
1-4 family residential	271,963	4,062	3,001	2,387	281,413
Multi-family residential	31,415	—	33	—	31,448
Nonfarm nonresidential	598,332	12,067	4,125	5,903	620,427
Commercial	396,752	9,488	6,701	2,222	415,163
Consumer	77,923	1,502	129	389	79,943
Total	$ 1,637,857	$ 30,089	$ 15,194	$ 11,587	$ 1,694,727

	As of December 31, 2018				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real estate:					
Construction and land	$ 209,027	$ 718	$ 1,277	$ 32	$ 211,054
Farmland	45,563	153	161	112	45,989
1-4 family residential	260,325	4,601	2,929	2,728	270,583
Multi-family residential	39,237	—	36	—	39,273
Nonfarm nonresidential	494,698	14,421	3,510	6,031	518,660
Commercial	347,839	5,690	7,448	2,663	363,640
Consumer	77,731	1,180	234	125	79,270
Total	$ 1,474,420	$ 26,763	$ 15,595	$ 11,691	$ 1,528,469

Allowance for Loan Losses

We maintain an allowance for loan losses that represents management's best estimate of the loan losses and risks inherent in the loan portfolio. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of the allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature of the loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates. For additional information, see Note 6 to the consolidated financial statements.

In connection with our review of the loan portfolio, we consider risk elements attributable to particular loan types or categories in assessing the quality of individual loans. Some of the risk elements we consider include:

- for commercial and industrial loans, the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category, and the value, nature and marketability of collateral;
- for commercial mortgage loans and multifamily residential loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan payment requirements), operating results of the owner in the case of owner occupied properties, the loan to value ratio, the age and condition of the collateral, and the volatility of income, property value and future operating results typical for properties of that type;
- for 1-4 family residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan to value ratio, and the age, condition and marketability of the collateral; and
- for construction, land development and other land loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, the experience and ability of the developer, and the loan to value ratio.

As of September 30, 2019, the allowance for loan losses totaled $12.1 million, or 0.71%, of total loans held for investment. As of December 31, 2018, the allowance for loan losses totaled $11.2 million, or 0.73%, of total loans held for investment.

The following table presents, as of and for the periods indicated, an analysis of the allowance for loan losses and other related data:

	As of and For the Nine Months Ended September 30, 2019 (Unaudited)	As of and For the Year Ended December 31, 2018
	(Dollars in thousands)	
Average loans outstanding[1]	$ 1,605,423	$ 1,258,178
Gross loans held for investment outstanding at end of period	$ 1,694,727	$ 1,528,469
Allowance for loan losses at beginning of period	$ 11,220	$ 8,765
Provision for loan losses	2,414	2,390
Charge-offs:		
Real estate:		
Construction, land and farmland	4	90
Residential	54	294
Nonfarm non-residential	10	—
Commercial	1,544	—
Consumer	23	88
Total charge-offs	1,635	472
Recoveries:		
Real estate:		
Construction, land and farmland	—	398
Residential	12	18
Nonfarm non-residential	—	13
Commercial	37	28
Consumer	42	80
Total recoveries	91	537
Net charge-offs (recoveries)	1,544	(65)
Allowance for loan losses at end of period	$ 12,090	$ 11,220
Ratio of allowance to end of period loans held for investment	0.71%	0.73%
Ratio of net charge-offs (recoveries) to average loans	0.10%	—

(1) Excluding loans held for sale.

Although we believe that we have established our allowance for loan losses in accordance with U.S. generally accepted accounting principles ("GAAP") and that the allowance for loan losses was adequate to provide for known and inherent losses in the portfolio at all times shown above, future provisions will be subject to ongoing evaluations of the risks in our loan portfolio. If we experience economic declines or if asset quality deteriorates, material additional provisions could be required.

The following table shows the allocation of the allowance for loan losses among loan categories and certain other information as of the dates indicated. The allocation of the allowance for loan losses as shown in the table should neither be interpreted as an indication of future charge-offs, nor as an indication that charge-offs in future periods will necessarily occur in these amounts or in the indicated proportions. The total allowance is available to absorb losses from any loan category.

	As of September 30, 2019 (Unaudited)		As of December 31, 2018	
	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands)			
Real estate:				
Construction and land	$ 1,477	12.2%	$ 1,590	14.2%
Farmland	186	1.6	104	0.9
1-4 family residential	1,817	15.0	1,538	13.7
Multi-family residential	190	1.6	236	2.1
Nonfarm nonresidential	4,004	33.1	2,715	24.2
Total real estate	7,674	63.5	6,183	55.1
Commercial	3,748	31.0	4,453	39.7
Consumer	668	5.5	584	5.2
Total allowance for loan losses	$ 12,090	100.0%	$ 11,220	100.0%

Securities

We use our securities portfolio to provide a source of liquidity, an appropriate return on funds invested, manage interest rate risk, meet collateral requirements, and meet regulatory capital requirements. As of September 30, 2019, the carrying amount of investment securities totaled $288.2 million, a decrease of $21.3 million, or 6.9%, compared to $309.5 million as of December 31, 2018. Our securities portfolio represented 13.0% and 14.8% of total assets as of September 30, 2019 and December 31, 2018, respectively.

Our investment portfolio consists entirely of securities classified as available for sale. As a result, the carrying values of our investment securities are adjusted for unrealized gain or loss, and any gain or loss is reported on an after-tax basis as a component of other comprehensive income in shareholders' equity. The following tables summarize the amortized cost and estimated fair value of investment securities as of the dates shown:

	As of September 30, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Dollars in thousands) (Unaudited)		
U.S. government agencies	$ 16,695	$ 439	$ 5	$ 17,129
Corporate bonds	22,531	90	247	22,374
Mortgage-backed securities	147,433	2,295	577	149,151
Municipal securities	98,159	1,432	14	99,577
Total	$ 284,818	$ 4,256	$ 843	$ 288,231

	As of December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Dollars in thousands)		
U.S. government agencies	$ 17,529	$ 54	$ 144	$ 17,439
Corporate bonds	13,052	76	436	12,692
Mortgage-backed securities	168,854	328	3,564	165,618
Municipal securities	114,472	250	955	113,767
Total	$ 313,907	$ 708	$ 5,099	$ 309,516

All of our mortgage-backed securities are agency securities. We do not hold any Fannie Mae or Freddie Mac preferred stock, corporate equity, collateralized debt obligations, collateralized loan obligations, structured investment vehicles, private label collateralized mortgage obligations, subprime, Alt-A, or second lien elements in our investment portfolio. As of September 30, 2019, the investment portfolio did not contain any securities that are directly backed by subprime or Alt-A mortgages.

Management evaluates securities for other-than-temporary impairment, at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

The following tables set forth the fair value, maturities and approximated weighted average yield based on estimated annual income divided by the average amortized cost of the securities portfolio as of the dates indicated. The contractual maturity of a mortgage-backed security is the date at which the last underlying mortgage matures.

	As of September 30, 2019									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands) (Unaudited)									
U.S. government agencies	$ 995	2.88%	$ 4,732	2.87%	$ 10,720	2.89%	$ 682	3.48%	$ 17,129	2.91%
Corporate bonds	6,500	3.52%	1,965	3.12%	13,909	5.52%	—	—%	22,374	4.73%
Mortgage-backed securities	42	—%	9,640	2.42%	76,213	2.18%	63,256	2.71%	149,151	2.42%
Municipal securities	13,673	2.05%	37,996	2.14%	38,212	2.29%	9,696	2.86%	99,577	2.25%
Total	$ 21,210	2.54%	$ 54,333	2.29%	$ 139,054	2.60%	$ 73,634	2.74%	$ 288,231	2.57%

	As of December 31, 2018									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
U.S. government agencies	$ 997	1.11%	$ 6,915	2.85%	$ 9,527	2.85%	$ —	—%	$ 17,439	2.75%
Corporate bonds	—	—%	8,316	3.78%	4,376	5.22%	—	—%	12,692	4.28%
Mortgage-backed securities	71	1.27%	13,308	2.45%	82,754	2.16%	69,485	2.82%	165,618	2.46%
Municipal securities	14,227	1.98%	45,674	2.09%	38,222	2.20%	15,644	2.77%	113,767	2.21%
Total	$ 15,295	1.92%	$ 74,213	2.42%	$ 134,879	2.32%	$ 85,129	2.81%	$ 309,516	2.46%

The contractual maturity of mortgage-backed securities, collateralized mortgage obligations and asset backed securities is not a reliable indicator of their expected life because borrowers have the right to prepay their obligations at any time. Mortgage-backed securities and asset-backed securities are typically issued with stated principal amounts and are backed by pools of mortgage loans and other loans with varying maturities. The term of the underlying mortgages and loans may vary significantly due to the ability of a borrower to pre-pay. Monthly pay downs on mortgage-backed securities tend to cause the average life of the securities to be much different than the stated contractual maturity. During a period of increasing interest rates, fixed rate mortgage-backed securities do not tend to experience heavy prepayments of principal and, consequently, the average life of this security will be lengthened. If interest rates begin to fall, prepayments may increase, thereby shortening the estimated life of this security. The weighted average life of our investment portfolio was 4.39 years with an estimated effective duration of 38.26 months as of September 30, 2019.

As of September 30, 2019 and December 31, 2018, we did not own securities of any one issuer for which aggregate adjusted cost exceeded 10% of our consolidated shareholders' equity as of such respective dates.

Deposits

We offer a variety of deposit accounts having a wide range of interest rates and terms including demand, savings, money market and time accounts. We rely primarily on competitive pricing policies, convenient locations and personalized service to attract and retain these deposits.

Total deposits decreased by $544,000 between December 31, 2018 and September 30, 2019 primarily due to the sale of our Mangham, Louisiana banking center and $24.9 million in associated deposits, which occurred in the second quarter of 2019.

Noninterest-bearing deposits as of September 30, 2019 were $406.1 million, compared to $382.4 million as of December 31, 2018, an increase of $23.8 million, or 6.2%.

Average deposits for the nine months ended September 30, 2019 were $1.7 billion, an increase of $348.8 million, or 25.4%, over the average deposits for the year ended December 31, 2018 of $1.4 billion. The average rate paid on total interest-bearing deposits increased over this period from 1.12% for the year ended December 31, 2018 to 1.50% for the nine months ended September 30, 2019. The increase in average rates during the nine months ended September 30, 2019 over the average for the year ended December 31, 2018 was primarily due to the increase in deposit pricing from rising interest rates. In addition, the stability and continued growth of noninterest-bearing demand accounts served to reduce the cost of deposits to 1.15% for the nine months ended September 30, 2019 and 0.86% for the year ended December 31, 2018.

The following table presents the monthly average balances and weighted average rates paid on deposits for the periods indicated:

	For the Nine Months Ended September 30, 2019 (Unaudited)		For the Year Ended December 31, 2018	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Interest-bearing demand accounts	$ 35,152	1.35%	$ 37,178	0.88%
Negotiable order of withdrawal (“NOW”) accounts	265,988	0.88%	183,705	0.57%
Limited access money market accounts and savings	434,653	1.02%	356,880	0.74%
Certificates and other time deposits > $250k	185,086	2.10%	152,159	1.60%
Certificates and other time deposits ≤ $250k	403,048	2.15%	322,010	1.67%
Total interest-bearing deposits	1,323,927	1.50%	1,051,932	1.12%
Noninterest-bearing demand accounts	396,452	—	319,623	—
Total deposits	$ 1,720,379	1.15%	$ 1,371,555	0.86%

The ratio of average noninterest-bearing deposits to average total deposits for the nine months ended September 30, 2019 and the year ended December 31, 2018 was 23.0% and 23.3%, respectively.

The following tables set forth the certificates of deposit by time remaining until maturity:

	As of September 30, 2019			
	Certificates of Deposit More Than $250,000	Certificates of Deposit of $100,000 Through $250,000	Certificates of Deposit Less Than $100,000	Total
	(Dollars in thousands) (Unaudited)			
1 year or less	$ 99,653	$ 246,810	$ 70,335	$ 416,798
More than 1 year but less than 3 years	60,726	89,058	36,403	186,187
3 years or more but less than 5 years	4,627	6,571	6,026	17,224
5 years or more	—	—	—	—
Total	$ 165,006	$ 342,439	$ 112,764	$ 620,209

	As of December 31, 2018			
	Certificates of Deposit More Than $250,000	Certificates of Deposit of $100,000 Through $250,000	Certificates of Deposit Less Than $100,000	Total
	(Dollars in thousands)			
1 year or less	$ 89,045	$ 214,470	$ 71,097	$ 374,612
More than 1 year but less than 3 years	60,161	69,613	36,438	166,212
3 years or more but less than 5 years	10,939	12,226	7,121	30,286
5 years or more	—	—	—	—
Total	$ 160,145	$ 296,309	$ 114,656	$ 571,110

Borrowings

We utilize short-term and long-term borrowings to supplement deposits in funding our lending and investment activities. In addition, we use short-term borrowings to periodically repurchase outstanding shares of our common stock and for general corporate purposes. Each of these relationships are discussed below.

FHLB advances. The FHLB allows us to borrow on a blanket floating lien status collateralized by certain securities and loans. We utilize these borrowings to meet liquidity needs and to fund certain fixed rate loans in our portfolio. As of September 30, 2019 and December 31, 2018, total borrowing capacity of $617.3 million and $544.0 million, respectively, was available under this arrangement, and $128.0 million and $55.0 million, respectively, was outstanding with a weighted average stated interest rate of 2.07% as of September 30, 2019 and 2.47% as of December 31, 2018. Our current FHLB advances mature within five years.

The following table presents our FHLB borrowings at the dates indicated.

	FHLB Advances
	(Dollars in Thousands)
September 30, 2019	
Amount outstanding at quarter-end	$ 128,000
Weighted average stated interest rate at quarter-end	2.07%
Maximum month-end balance during the quarter	$ 128,000
Average balance outstanding during the quarter	$ 105,588
Weighted average interest rate during the quarter	2.12%
December 31, 2018	
Amount outstanding at year-end	$ 55,000
Weighted average stated interest rate at year-end	2.47%
Maximum month-end balance during the year	$ 105,000
Average balance outstanding during the year	$ 84,187
Weighted average interest rate during the year	2.20%

Subordinated Debt. On December 17, 2018 we entered into a subordinated note purchase agreement with EJF Capital, LLC providing for the issuance of $25.0 million in subordinated notes due in 2033. This subordinated debt is due at maturity with quarterly interest payments bearing a 6.75% fixed-to-floating rate. The balance outstanding at both September 30, 2019 and December 31, 2018 was $25.0 million. This subordinated note purchase agreement was established for the purpose of paying off our long term advance and line of credit with FNBB and to gain additional Tier 2 capital.

The following table presents the subordinated debt at the dates indicated.

	Subordinated Debt (Dollars in Thousands)
September 30, 2019	
Amount outstanding at quarter-end	$ 25,000
Weighted average stated interest rate at quarter-end	6.75%
Maximum month-end balance during the quarter	$ 25,000
Average balance outstanding during the quarter	$ 25,000
Weighted average interest rate during the quarter	6.75%
December 31, 2018	
Amount outstanding at year-end	$ 25,000
Weighted average stated interest rate at year-end	6.75%
Maximum month-end balance during the year	$ 25,000
Average balance outstanding during the year	$ 1,027
Weighted average interest rate during the year	6.75%

Correspondent Bank Federal Funds Purchased Relationships

We maintain Federal Funds Purchased Relationships with the following financial institutions and limits as of September 30, 2019:

	Fed Funds Limits (Dollars in Thousands)
FNBB	$ 35,000
Compass Bank	$ 30,000
The Independent Bankers Bank	$ 25,000
FTN	$ 17,000
ServisFirst Bank	$ 10,000
CenterState Bank	$ 9,000

The following table represents combined Federal Funds Purchased for all relationships at the dates indicated.

	Fed Funds Purchased (Dollars in Thousands)
September 30, 2019	
Amount outstanding at quarter-end	$ —
Weighted average interest rate at quarter-end	—%
Maximum month-end balance during the quarter	$ 975
Average balance outstanding during the quarter	$ 240
Weighted average interest rate during the quarter	2.02%
December 31, 2018	
Amount outstanding at year-end	$ —
Weighted average interest rate at year-end	—%
Maximum month-end balance during the year	$ —
Average balance outstanding during the year	$ 114
Weighted average interest rate during the year	2.44%

Liquidity and Capital Resources

Liquidity

Liquidity involves our ability to utilize funds to support asset growth and acquisitions or reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements and otherwise to operate on an ongoing basis and manage unexpected events. For the nine months ended September 30, 2019 and the year ended December 31, 2018, liquidity needs were primarily met by core deposits, security and loan maturities, and amortizing investment and loan portfolios. Although access to brokered deposits, purchased funds from correspondent banks and overnight advances from the FHLB have been utilized on occasion to take advantage of investment opportunities, we do not generally rely on these external funding sources. As of September 30, 2019 and December 31, 2018, we maintained six lines of credit with commercial banks which provided for extensions of credit with an availability to borrow up to an aggregate of $126.0 million. There were no funds under these lines of credit outstanding as of September 30, 2019 or December 31, 2018.

The following table illustrates, during the periods presented, the mix of our funding sources and the average assets in which those funds are invested as a percentage of average total assets for the periods indicated. Average total assets equaled $2.1 billion and $1.7 billion for the nine months ended September 30, 2019 and the year ended December 31, 2018, respectively.

	For the Nine Months Ended September 30, 2019 (Unaudited)	For the Year Ended December 31, 2018
Sources of Funds:		
Deposits:		
Noninterest-bearing	18.8%	19.0%
Interest-bearing	62.7%	62.5%
Subordinated debt	1.2%	0.1%
Advances from FHLB	2.8%	5.0%
Other borrowings	0.8%	1.1%
Other liabilities	0.9%	0.4%
Shareholders' equity	12.8%	11.9%
Total	100.0%	100.0%
Uses of Funds:		
Loans, net of allowance for loan losses	75.5%	74.2%
Securities available for sale	14.4%	15.3%
Interest-bearing deposits in other banks	1.2%	1.9%
Other noninterest-earning assets	8.9%	8.6%
Total	100.0%	100.0%
Average noninterest-bearing deposits to average deposits	23.0%	23.3%
Average loans to average deposits	93.3%	91.7%

Our primary source of funds is deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future. Our average loans increased 32.0% for the nine months ended September 30, 2019 compared to the same period in 2018, primarily due to the acquisition of RSBI and organic growth. We predominantly invest excess deposits in overnight deposits with the Federal Reserve, securities, interest-bearing deposits at other banks or other short-term liquid investments until needed to fund loan growth. Our securities portfolio had a weighted average life of 4.39 years and an effective duration of 38.26 months as of September 30, 2019. As of December 31, 2018, our securities portfolio had a weighted average life of 4.50 years and an effective duration of 44.69 months.

As of September 30, 2019, we had outstanding $341.1 million in commitments to extend credit and $22.8 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2018, we had outstanding $322.5 million in commitments to extend credit and $11.5 million in commitments associated with outstanding standby and commercial letters of credit. Because commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements.

As of September 30, 2019 and December 31, 2018, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature. As of September 30, 2019, we had cash and cash equivalents of $63.4 million compared to $96.1 million as of December 31, 2018.

Capital Resources

Total shareholders' equity increased to $280.3 million as of September 30, 2019, compared to $260.1 million as of December 31, 2018, an increase of $20.3 million, or 7.8%. This increase was primarily due to $18.0 million in net income and a $6.2 million change in unrealized gains (losses) on our investment portfolio, offset with $3.7 million in paid dividends.

On October 17, 2019, our Board of Directors (the "Board") declared a quarterly dividend based upon our financial performance for the three months ended September 30, 2019 in the amount of $0.10 per share to the common shareholders of record as of November 15, 2019. The dividend is to be paid on November 30, 2019, or as soon as practicable thereafter.

The declaration and payment of dividends to our shareholders, as well as the amounts thereof, are subject to the discretion of the Board and depend upon our results of operations, financial condition, capital levels, cash requirements, future prospects and other factors deemed relevant by the Board. As a bank holding company, our ability to pay dividends is largely dependent upon the receipt of dividends from our subsidiary, Business First Bank. There can be no assurance that we will declare and pay any dividends to our shareholders.

Capital management consists of providing equity to support current and future operations. Banking regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. We are subject to regulatory capital requirements at the bank holding company and bank levels. As of September 30, 2019 and December 31, 2018, we and Business First Bank were in compliance with all applicable regulatory capital requirements, and Business First Bank was classified as "well-capitalized," for purposes of prompt corrective action regulations. As we employ our capital and continue to grow our operations, our regulatory capital levels may decrease depending on our level of earnings. However, we expect to monitor and control our growth in order to remain in compliance with all applicable regulatory capital standards applicable to us.

The following table presents the actual capital amounts and regulatory capital ratios for us and Business First Bank as of the dates indicated.

	As of September 30, 2019 (Unaudited)		As of December 31, 2018	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Business First Bancshares, Inc. (Consolidated)				
Total capital (to risk weighted assets)	$ 259,357	13.42%	$ 242,144	13.91%
Tier 1 capital (to risk weighted assets)	222,267	11.50%	205,924	11.83%
Common Equity Tier 1 capital (to risk weighted assets)	222,267	11.50%	205,924	11.83%
Tier 1 Leverage capital (to average assets)	222,267	10.59%	205,924	11.66%
Business First Bank				
Total capital (to risk weighted assets)	$ 247,716	12.83%	$ 224,356	12.90%
Tier 1 capital (to risk weighted assets)	235,626	12.20%	213,136	12.26%
Common Equity Tier 1 capital (to risk weighted assets)	235,626	12.20%	213,136	12.26%
Tier 1 Leverage capital (to average assets)	235,626	11.23%	213,136	12.08%

Long Term Debt

For information on our borrowings for the subordinated debt, please refer to *"Borrowings."*

Contractual Obligations

The following tables summarize contractual obligations and other commitments to make future payments as of September 30, 2019 and December 31, 2018 (other than non-maturity deposit obligations), which consist of future cash payments associated with our contractual obligations pursuant to our FHLB short term advances, subordinated debt, and non-cancelable future operating leases. Payments related to leases are based on actual payments specified in underlying contracts. Advances from the FHLB totaled approximately $128.0 million and $55.0 million at September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019 and December 31, 2018, the FHLB short term advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 2.07% and 2.47%, respectively, and maturing within five years. The subordinated debt agreement totaled $25.0 million at both September 30, 2019 and December 31, 2018. This subordinated debt bears interest at a fixed rate of 6.75% through December 31, 2028 and a floating rate, based on a benchmark rate plus 369 basis points, thereafter through maturity in 2033.

	As of September 30, 2019				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands) (Unaudited)				
Non-cancelable future operating leases	$ 1,614	$ 2,903	$ 2,455	$ 5,518	$ 12,490
Time deposits	416,887	186,098	17,224	—	620,209
Subordinated debt	—	—	—	25,000	25,000
Advances from FHLB	45,000	30,000	53,000	—	128,000
Securities sold under agreements to repurchase	31,037	—	—	—	31,037
Standby and commercial letters of credit	10,564	12,216	—	—	22,780
Commitments to extend credit	193,356	97,223	25,190	25,281	341,050
Total	$ 698,458	$ 328,440	$ 97,869	$ 55,799	$ 1,180,566

	As of December 31, 2018				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Non-cancelable future operating leases	$ 2,366	$ 3,087	$ 2,294	$ 4,751	$ 12,498
Time deposits	374,612	166,212	30,286	—	571,110
Subordinated debt	—	—	—	25,000	25,000
Advances from FHLB	25,000	—	30,000	—	55,000
Securities sold under agreements to repurchase	12,229	—	—	—	12,229
Standby and commercial letters of credit	8,691	2,816	—	—	11,507
Commitments to extend credit	171,113	113,441	16,696	21,216	322,466
Total	$ 594,011	$ 285,556	$ 79,276	$ 50,967	$ 1,009,810

Off-Balance Sheet Items

In the normal course of business, we enter into various transactions which, in accordance with generally accepted accounting principles, or GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby and commercial letters of credit which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

Our commitments associated with outstanding standby and commercial letters of credit and commitments to extend credit expiring by period as of the dates indicated are summarized below. Because commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

	As of September 30, 2019				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands) (Unaudited)				
Standby and commercial letters of credit	$ 10,564	$ 12,216	$ —	$ —	$ 22,780
Commitments to extend credit	193,356	97,223	25,190	25,281	341,050
Total	$ 203,920	$ 109,439	$ 25,190	$ 25,281	$ 363,830

	As of December 31, 2018				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Standby and commercial letters of credit	$ 8,691	$ 2,816	$ —	$ —	$ 11,507
Commitments to extend credit	171,113	113,441	16,696	21,216	322,466
Total	$ 179,804	$ 116,257	$ 16,696	$ 21,216	$ 333,973

Standby and commercial letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer, we have rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and/or marketable securities. The credit risk to us in issuing letters of credit is essentially the same as that involved in extending loan facilities to our customers.

Commitments to extend credit are 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 may require payment of a fee. Because many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by us, upon extension of credit, is based on management's credit evaluation of the customer.

Interest Rate Sensitivity and Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our asset liability and funds management policy provides management with the guidelines for effective funds management, and we have established a measurement system for monitoring our net interest rate sensitivity position. We manage our sensitivity position within our established guidelines.

Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most of our assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

We manage our exposure to interest rates by structuring our balance sheet in the ordinary course of business. We do not enter into instruments such as leveraged derivatives, interest rate swaps, financial options, financial futures contracts or forward delivery contracts for the purpose of reducing interest rate risk. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Our exposure to interest rate risk is managed by the asset-liability committee of Business First Bank, in accordance with policies approved by our board of directors. The committee formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, the committee considers the impact on earnings and capital of the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors. The committee meets regularly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sale activities, commitments to originate loans and the maturities of investments and borrowings. Additionally, the committee reviews liquidity, cash flow flexibility, maturities of deposits and consumer and commercial deposit activity. Management employs methodologies to manage interest rate risk which include an analysis of relationships between interest-earning assets and interest-bearing liabilities, and an interest rate shock simulation model.

We use interest rate risk simulation models and shock analysis to test the interest rate sensitivity of net interest income and fair value of equity, and the impact of changes in interest rates on other financial metrics. Contractual maturities and re-pricing opportunities of loans are incorporated in the model as are prepayment assumptions, maturity data and call options within the investment portfolio. Average lives of non-maturity deposit accounts are based on standard regulatory decay assumptions and are also incorporated into the model. Model assumptions are revised and updated as more accurate information becomes available. The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and the application and timing of various management strategies.

On at least a quarterly basis, we run two simulation models including a static balance sheet and dynamic growth balance sheet. These models test the impact on net interest income and fair value of equity from changes in market interest rates under various scenarios. Under the static and dynamic growth models, rates are shocked instantaneously based upon parallel and non-parallel yield curve shifts. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Non-parallel simulation involves analysis of interest income and expense under various changes in the shape of the yield curve. Internal policy regarding interest rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net interest income at risk for the subsequent one-year period should not decline by more than 5% for a 100 basis point shift, 10% for a 200 basis point shift, and 12.5% for a 300 basis point shift. Internal policy regarding interest rate simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated fair value of equity at risk for the subsequent one-year period should not decline by more than 10% for a 100 basis point shift, 15% for a 200 basis point shift, and 25% for a 300 basis point shift.

The following table summarizes the simulated change in net interest income and fair value of equity over a 12-month horizon as of the dates indicated:

	As of September 30, 2019		As of December 31, 2018	
Change in Interest Rates (Basis Points)	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity
+300	8.90%	(1.18%)	5.20%	(2.07%)
+200	5.90%	(0.88%)	3.10%	(1.24%)
+100	3.00%	(0.62%)	1.10%	(0.64%)
Base	0.00%	0.00%	0.00%	0.00%
-100	(3.50%)	(0.39%)	(4.40%)	(0.29%)

The results are primarily due to the behavior of demand, money market and savings deposits during such rate fluctuations. We have found that, historically, interest rates on these deposits change more slowly than changes in the discount and federal funds rates. This assumption is incorporated into the simulation model and is generally not fully reflected in a gap analysis.

Impact of Inflation

Our consolidated financial statements and related notes included elsewhere in this statement have been prepared in accordance with GAAP. These require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession.

Unlike many industrial companies, substantially all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. Interest rates may not necessarily move in the same direction or in the same magnitude as the prices of goods and services. However, other operating expenses do reflect general levels of inflation.

Non-GAAP Financial Measures

Our accounting and reporting policies conform to GAAP, and the prevailing practices in the banking industry. However, we also evaluate our performance based on certain additional non-GAAP financial measures. We classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP as in effect from time to time in the United States in our statements of income, balance sheets or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures or ratios or statistical measures calculated using exclusively either financial measures calculated in accordance with GAAP, operating measures or other measures that are not non-GAAP financial measures or both.

This discussion and analysis section includes certain non-GAAP financial measures (e.g., referenced as “core” or “tangible”) intended to supplement, not substitute for, comparable GAAP measures. These measures typically adjust income available to common shareholders for certain significant activities or transactions that in management’s opinion can distort period-to-period comparisons of Business First’s performance. Transactions that are typically excluded from non-GAAP measures include realized and unrealized gains/losses on former bank premises and equipment, impaired loan sales, and acquisition-related expenses (including, but not limited to, legal costs, system conversion costs, severance and retention payments, etc.). The measures also typically adjust goodwill and intangible assets from book value and shareholders’ equity.

Management believes presentations of these non-GAAP financial measures provide useful supplemental information that is essential to a proper understanding of the operating results of the Company’s core business. These non-GAAP disclosures are not necessarily comparable to non-GAAP measures that may be presented by other companies. You should understand how such other banking organizations calculate their financial metrics or with names similar to the non-GAAP financial measures we have discussed in this statement when comparing such non-GAAP financial measures.

Core Net Income. Core net income, which excludes noncore income and expenses, for the three months ended September 30, 2019 was $6.3 million, or $0.46 per diluted share, compared to core net income of $4.4 million, or $0.37 per diluted share, for the three months ended September 30, 2018. As adjusted, core return on average assets and core return on average equity, in each case on an annualized basis, were 1.16% and 9.01% for the three months ended September 30, 2019, compared to 1.06% and 8.37% for the three months ended September 30, 2018. Core net income, which excludes noncore income and expenses, for the nine months ended September 30, 2019 was $18.5 million, or $1.35 per diluted share, compared to core net income of $12.1 million, or $1.07 per diluted share, for the nine months ended September 30, 2018. As adjusted, core return on average assets and core return on average equity, in each case on an annualized basis, were 1.17% and 9.12% for the nine months ended September 30, 2019, compared to 0.98% and 8.44% for the nine months ended September 30, 2018. Notable noncore events impacting earnings for the three months ended September 30, 2019 include the incurrence of $594,000 in losses associated with the disposal of former bank premises and equipment in noninterest income and $288,000 related to acquisition-related activities (including, but not limited to, severance and retention, system conversion, legal costs, etc.) in noninterest expense. Notable noncore events impacting earnings for the nine months ended September 30, 2019 include the same noninterest income impact as the three months ended September 30, 2019 and additional noninterest income of $593,000 in gains on the sale of a banking center and noninterest expense of $386,000 related to acquisition-related activities (including, but not limited to, severance and retention, system conversion, legal costs, etc.). Notable noncore events impacting earnings for the quarter for the three months ended September 30, 2018 include noninterest expense of $509,000 related to acquisition-related activities (including, but not limited to, severance and retention, system conversion, legal costs, etc.) and $139,000 in losses associated with the closure of a banking center in noninterest income. Notable noncore events impacting earnings for the nine months ended September 30, 2018 include the same noninterest income impact as the three months ended September 30, 2018, and $118,000 incurred in noninterest expenses for share awards granted to all nonexecutives in connection with Business First Bancshares, Inc.’s listing on NASDAQ, and additional noninterest expense of $927,000 related to acquisition-related activities (including, but not limited to, severance and retention, system conversion, legal costs, etc.).

	For the Three Months Ended September 30, (Unaudited)		For the Nine Months Ended September 30, (Unaudited)	
	2019	2018	2019	2018
	(Dollars in thousands, except per share data)			
Core Net Income				
Net income	$ 5,511	$ 3,900	$ 18,013	$ 10,646
Adjustments: [1]				
Noninterest Income				
Sale of Impaired Credit	—	—	(91)	—
Tax impact	—	—	19	—
(Gains) Losses on Former Bank Premises and Equipment	594	139	594	139
Tax impact	(125)	(29)	(125)	(29)
(Gains) Losses on Sale of Securities	(26)	—	(84)	—
Tax impact	5	—	18	—
(Gains) Losses on Sale of Banking Center	12	—	(581)	—
Tax impact	(3)	—	122	—
Noninterest Expense				
Early Lease Termination Penalty	87	—	87	—
Tax impact	(18)	—	(18)	—
Employee Share Awards – NASDAQ Listing	—	—	—	118
Tax impact	—	—	—	(25)
Acquisition-Related Expenses	288	509	674	1,436
Tax impact	(60)	(90)	(135)	(213)
Core net income	$ 6,265	$ 4,429	$ 18,493	$ 12,072
Average common shares outstanding	13,315,351	11,533,374	13,321,566	10,795,989
Average diluted shares outstanding	13,669,370	11,993,734	13,675,585	11,256,349
Core earnings per share - basic	$ 0.47	$ 0.38	$ 1.39	$ 1.12
Core earnings per share - diluted	$ 0.46	$ 0.37	$ 1.35	$ 1.07
Total quarterly average assets	2,156,759	1,666,117	2,111,717	1,635,022
Total quarterly average equity	278,028	211,631	270,380	190,655
Core return on average assets	1.16%	1.06%	1.17%	0.98%
Core return on average equity	9.01%	8.37%	9.12%	8.44%

(1) Tax rates, exclusive of certain nondeductible acquisition-related expenses, utilized were 21% for both 2019 and 2018. These rates approximated the marginal tax rates for the applicable periods.

Tangible Book Value Per Common Share. Tangible book value per common share is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate (1) tangible common equity as shareholders' equity less goodwill and core deposit intangible and other intangible assets, net of accumulated amortization, and (2) tangible book value per common share as tangible common equity divided by shares of common stock outstanding. The most directly comparable GAAP financial measure for tangible book value per common share is book value per common share.

The following table reconciles, as of the dates set forth below, total shareholders' equity to tangible common equity and presents tangible book value per common share compared to book value per common share:

	As of September 30, 2019 (Unaudited)	As of December 31, 2018
	(Dollars in thousands, except per share data)	
Tangible Common Equity		
Total shareholders' equity	$ 280,340	$ 260,058
Adjustments:		
Goodwill	(48,333)	(49,488)
Core deposit and other intangibles	(6,916)	(7,885)
Total tangible common equity	$ 225,091	$ 202,685
Common shares outstanding(1)	13,274,823	13,213,280
Book value per common share(1)	$ 21.12	$ 19.68
Tangible book value per common share(1)	16.96	15.34

(1) Excludes the dilutive effect, if any, of 729,840 and 867,705 shares of common stock issuable upon exercise of outstanding stock options and warrants as of September 30, 2019 and December 31, 2018, respectively.

Tangible Common Equity to Tangible Assets. Tangible common equity to tangible assets is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate tangible common equity, as described above, and tangible assets as total assets less goodwill, core deposit intangible and other intangible assets, net of accumulated amortization. The most directly comparable GAAP financial measure for tangible common equity to tangible assets is total common shareholders' equity to total assets.

The following table reconciles, as of the dates set forth below, total shareholders' equity to tangible common equity and total assets to tangible assets:

	As of September 30, 2019 (Unaudited)	As of December 31, 2018
	(Dollars in thousands, except per share data)	
Tangible Common Equity		
Total shareholders' equity	$ 280,340	$ 260,058
Adjustments:		
Goodwill	(48,333)	(49,488)
Core deposit and other intangibles	(6,916)	(7,885)
Total tangible common equity	$ 225,091	$ 202,685
Tangible Assets		
Total assets	$ 2,220,840	$ 2,094,896
Adjustments:		
Goodwill	(48,333)	(49,488)
Core deposit and other intangibles	(6,916)	(7,885)
Total tangible assets	$ 2,165,591	$ 2,037,523
Common Equity to Total Assets	12.6%	12.4%
Tangible Common Equity to Tangible Assets	10.4	9.9

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Risk identification and management are essential elements for the successful management of our business. In the normal course of business, we are subject to various types of risk, including interest rate, credit, and liquidity risk. We control and monitor these risks with policies, procedures, and various levels of managerial and board oversight. Our objective is to optimize profitability while managing and controlling risk within board approved policy limits. Interest rate risk is the sensitivity of net interest income and the market value of financial instruments to the magnitude, direction, and frequency of changes in interest rates. Interest rate risk results from various repricing frequencies and the maturity structure of assets and liabilities. We use our asset liability management policy to control and manage interest rate risk. See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Interest Rate Sensibility and Market Risk" for additional discussion of interest rate risk.

Liquidity risk represents the inability to generate cash or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers, as well as, the obligations to depositors. We use our asset liability management policy and contingency funding plan to control and manage liquidity risk.

Credit risk represents the possibility that a customer may not perform in accordance with contractual terms. Credit risk results from extending credit to customers, purchasing securities, and entering into certain off-balance sheet loan funding commitments. Our primary credit risk is directly related to our loan portfolio. We use our credit policy and disciplined approach to evaluate the adequacy of our allowance for loan losses to control and manage credit risk. Our investment policy limits the degree of the amount of credit risk that we may assume in our investment portfolio. Our principal financial market risks are liquidity risks and exposures to interest rate movements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on such evaluation, our principal executive officer and principal financial officer concluded our disclosure controls and procedures were effective as of the end of the period covered by this Report to provide reasonable assurance that the information we are required to disclose in reports that are filed or furnished under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, including to ensure that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. As a result, we cannot assure you that our disclosure controls and procedures will detect all errors or fraud.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to claims and legal proceedings arising in the ordinary course of business. Management evaluates our exposure to these claims and proceedings individually and in the aggregate, and provides for potential losses on such litigation if the amount of the loss is estimable and the loss is probable. We are not currently involved in any pending legal proceedings other than routine, nonmaterial proceedings occurring in the ordinary course of business.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, we refer you to Item 1A. "Risk Factors" of our Annual Report on Form 10-K for December 31, 2018 filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceed

(a) Not applicable.

(b) Not applicable.

(c) Business First purchased equity securities during the three months ended September 30, 2019 as follows:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
Month #1:				
July 1 through July 31, 2019	—	—	—	—
Month #2:				
August 1 through August 31, 2019	110,846	$ 23.00	—	$ 12,447,000
Month #3:				
September 1 through September 30, 2019	—	—	—	—
Total	110,846	$ 23.00	—	$ 12,447,000

On December 14, 2018, the Company announced the approval of a stock repurchase program authorizing the Company to repurchase shares of its common stock with an aggregate purchase price of up to $15,000,000 from time to time, subject to certain limitations and conditions. The stock repurchase program was effective immediately and will continue for a period of 24 months.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Employment Agreement with Mr. Melville

On November 6, 2019, the Bank entered into an Amended and Restated Executive Employment Agreement with David R. Melville, III, which amends and restates the existing Executive Employment Agreement, dated August 6, 2009, by and between the Bank and Mr. Melville. A copy of the employment agreement is attached hereto as Exhibit 10.1. The following summary of the key provisions of the employment agreement is qualified by the full text of the employment agreement.

The employment agreement with Mr. Melville provides for an initial five-year term, and thereafter the employment agreement automatically renews for a one-year term unless either the Bank or Mr. Melville gives notice to the other party at least 90 days prior to the end of the term that the agreement will not be renewed. The employment agreement provides for Mr. Melville to receive a base salary of not less than $500,000 annually, as well as for Mr. Melville's participation in benefit plans and incentive bonus plans offered by the Bank. Mr. Melville is also entitled to paid vacation, a vehicle allowance, a country club membership, and health insurance.

If Mr. Melville's employment is terminated by the Bank without cause (as defined in the employment agreement) during the term of the agreement or if Mr. Melville terminates his employment for good reason (as defined in the employment agreement), he will be entitled to payment of an amount equal to three times the sum of (a) his then current annual base salary, plus (b) his average incentive bonus compensation for the three previous years, plus certain continued benefits. In addition, if Mr. Melville is terminated by the Bank without cause or if he terminates his employment for good reason, either three months prior to a change in control (as defined in the employment agreement) of the Company or the Bank or within 24 months following such a change-in-control, Mr. Melville will be entitled to payment of an amount equal to three times the sum of (a) his then current annual base salary, plus (b) his average incentive bonus compensation for the three previous years, plus certain continued benefits.

During the two-year period following the expiration or termination of the employment agreement, Mr. Melville has agreed to certain non-solicitation and non-competition terms that inure to the benefit of the Bank. The employment agreement also contains other customary covenants and conditions.

Change in Control Agreements with Messrs. Robertson and Jordan

On November 6, 2019, the Company and the Bank entered into Change in Control Agreements with each of Messrs. Robertson and Jordan. The Change in Control Agreements replaced the existing change in control agreements to which each of Messrs. Robertson and Jordan were a party. Copies of the change in control agreements are attached hereto as Exhibits 10.2 and 10.3. The following summary of the key provisions of the change in control agreements are qualified by the full text of the agreements.

Each agreement generally provides that, in the event that the officer is terminated by the Company or the Bank without cause (as defined in the change in control agreement), or if the officer terminates his employment for good reason (as defined in the change in control agreement), in either case during the period beginning three months before and ending 24 months after a change in control (as defined in the change in control agreement) of the Company or the Bank, the officer would be due a one-time payment equal to two times the sum of (a) the officer's annual base salary, plus (b) the officer's average incentive bonus compensation for the three previous years, plus certain continued benefits. The officer' right to such a payment upon a change in control is subject to his compliance, during the two-year period following such change in control, with certain non-solicitation and non-competition terms that inure to the benefit of the Company and the Bank. In the event the officer is terminated outside of the prescribed period, or if he is terminated with cause or terminates his employment without good reason during the prescribed period, the officer would not be entitled to such payment.

Item 6. Exhibits

Number	Description
3.1	Amended and Restated Articles of Incorporation of Business First Bancshares, Inc., adopted September 28, 2017 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on October 2, 2017 (File No. 333-200112)).
3.2	Amended and Restated Bylaws of Business First Bancshares, Inc., adopted August 23, 2017 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2017 filed by Business First Bancshares, Inc. on November 9, 2017 (File No. 333-200112)).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 filed by Business First Bancshares, Inc. on November 12, 2014 (File No. 333-200112)).
4.2	Form of 6.75% Fixed-to-Floating Subordinated Note due 2033 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on December 19, 2018 (File No. 001-38447)).
10.1	Amendment and Restated Executive Employment Agreement by and between Business First Bank and David R. Melville, III, dated November 6, 2019*.
10.3	Change in Control Agreement, dated November 6, 2019, between Business First Bank and Gregory Robertson*.
10.4	Change in Control Agreement, dated November 6, 2019, between Business First Bank and Philip Jordan*.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant hereby duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BUSINESS FIRST BANCSHARES, INC.

November 7, 2019

/s/ David R. Melville, III
David R. Melville, III
President and Chief Executive Officer

November 7, 2019

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer

Exhibit 10.1

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement"), dated as of the 6th day of November 2019 (the "Effective Date"), is entered into by and between Business First Bank, a Louisiana state bank (the "Bank"), and David R. Melville, III ("Executive"). This Agreement amends and restates, and supersedes and replaces, that certain Executive Employment Agreement (as amended), dated August 6, 2009, by and between the Bank and the Executive.

WHEREAS, the Bank desires for Executive to continue to be employed as President and Chief Executive Officer of the Bank, and Executive desires to continue such employment, on the terms and conditions set forth in this Agreement; and

WHEREAS, the Bank and Executive have read and understood the terms and provisions set forth in this Agreement and have been afforded a reasonable opportunity to review this Agreement with their respective legal counsel.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. **Employment.** The Bank hereby agrees to continue to employ Executive as the President and Chief Executive Officer of the Bank, and Executive hereby agrees to continue employment on the terms and conditions set forth in this Agreement. Executive also serves as the President Chief Executive Officer of Business First Bancshares, Inc. (the "Company"), the parent holding company of the Bank.

Section 2. **Term.** The initial term of this Agreement shall commence on the Effective Date and continue until the fifth (5^{th}) anniversary of the Effective Date (such period the "Initial Employment Period"), unless earlier terminated as provided Section 6 of this Agreement. Thereafter, unless written notification is given by either party at least ninety (90) days before the expiration of the Initial Employment Period or any subsequent renewal period (each, a "Renewal Employment Period"), this Agreement will automatically renew for one (1) year successive Renewal Employment Periods. For purposes of this Agreement, when the word "Employment Period" is used alone, it collectively refers to the Initial Employment Period and all Renewal Employment Period(s). Unless otherwise acknowledged by each party hereto in writing, a party's decision not to extend the Employment Period of this Agreement is not considered a termination of Executive's employment hereunder, unless otherwise expressly stated in writing by either party. In the event of termination of this Agreement by either party, neither party shall have any further obligation to the other party, except as specifically provided in this Agreement.

Section 3. Position and Duties. During the Employment Period, Executive will serve in the position(s) set forth in Section 1 and will report directly to the Board of Directors of the Bank (the "Board"). Executive shall perform all services reasonably required by the Board in conformity with the appropriate standards of the banking industry to fully execute the duties and responsibilities associated with Executive's positions. Executive will devote substantially all Executive's working time, attention and energies to the performance of Executive's duties for the Bank. Notwithstanding the above, Executive will be permitted, to the extent such activities do not interfere with the performance by Executive of Executive's duties and responsibilities under this Agreement, to (i) manage Executive's personal, financial and legal affairs, and (ii) serve on civic or charitable boards or committees.

Section 4. Place of Performance. Executive's place of employment will be Baton Rouge, Louisiana, or such other place as the parties may mutually determine.

Section 5. Compensation and Related Matters.

(a) Base Salary. During the Employment Period, the Bank will pay Executive a base salary of not less than $500,000.16 ("Base Salary") in approximate equal installments in accordance with the Bank's customary payroll practices. Executive's Base Salary may be increased, but not decreased, pursuant to annual review by the Board. In the event Executive's Base Salary is increased, the increased amount will then constitute the Base Salary for all purposes of this Agreement.

(b) Annual Incentive Bonus. Executive shall be entitled to participate in an executive bonus plan maintained by the Bank. Executive's annual bonus, if any, shall be subject to the attainment of certain performance goals and metrics as may be established from time to time by the Board.

(c) Incentive, Pension and Welfare Benefit Plans.

(i) During the Employment Period, Executive will be entitled to participate in any pension or other retirement benefit plan, incentive bonus, profit sharing, stock option, employee stock ownership, or other plans, benefits and privileges given to similarly situated employees (the "Incentive Plans"), pursuant to the terms of such plans, benefits and privileges. The Bank shall not make any changes to the Incentive Plans which would adversely affect Executive's right or benefits thereunder, unless such change occurs pursuant to a program applicable to all similarly situated employees of the Bank.

(ii) During the Employment Period, Executive (and Executive's spouse and/or dependents to the extent provided in the applicable plans and programs) will be entitled to participate in and be covered under all the welfare benefit plans or programs maintained by the Bank for the benefit of its similarly situated employees pursuant to the terms of such plans and programs including, without limitation, all medical, life, hospitalization, dental, disability, accidental death and dismemberment and travel accident insurance plans and programs (the "Benefit Plans"). The Bank shall not make any changes to the Benefit Plans which would adversely affect Executive's right or benefits thereunder, unless such change occurs pursuant to a program applicable to all similarly situated employees of the Bank.

(iii) All employee benefits provided to the Executive by the Bank incident to Executive's employment shall be governed by the applicable plan documents, summary plan descriptions and employment policies, and may be modified, suspended or revoked at any time, in accordance with the terms and provisions of the applicable documents.

(iv) During the Employment Period, the Bank shall reimburse Executive for all out-of-pocket costs and expenses incurred by Executive in obtaining an executive physical examination on an annual basis.

(d) Vacation. Executive will be entitled to four (4) weeks of paid vacation annually in accordance with the vacation policies of the Bank in effect from time to time. Notwithstanding the foregoing, any accrued but unpaid vacation that exists as of the date of this Agreement shall be paid to Executive upon Executive's separation from service with the Bank for any reason.

(e) Reimbursement of Expenses. During the Employment Period, the Bank shall promptly pay all reasonable expenses incurred by Executive for all business travel and other reasonable business-related expenses incurred by Executive in performing Executive's obligations under this Agreement in accordance with the Bank's travel and business expense policy, such expenses to be reviewed by the Board on a periodic basis. The Bank may provide Executive with a credit card for Executive's business-related expenses. Additionally, the Bank will provide to, or reimburse Executive for, a cellular telephone and reasonably monthly fees related to the use thereof. Executive shall comply with all applicable limitations and reporting requirements with respect to such expenses as the Board may establish from time to time.

(f) Automobile. During the Employment Period, the Bank shall provide Executive with an automobile allowance of not less than $894.00 per month and shall also reimburse Executive, on a monthly basis, for all documented gasoline, maintenance and similar expenses.

(g) Country Club. During the Employment Period, the Bank shall pay, or reimburse Executive, for all membership initiation fees and monthly membership dues (including any sales tax imposed thereon) on behalf of Executive and Executive's immediate family at a country club or other dining club, which club must be acceptable to the Board.

(h) Executive Allowance. During the Employment Period, the Bank shall pay Executive an executive allowance of not less than $1,000 per month to cover other memberships, dues and other miscellaneous expenses that may be incurred by Executive in his sole discretion.

(i) Payment, Withholding and Taxes. All payments of salary and other compensation to Executive shall be payable in accordance with, and subject to, the Bank's regular payroll and all other current and future policies and procedures of the Bank. The Bank shall have the right to deduct from any payment of compensation to Executive any federal, state or local taxes required by law to be withheld with respect to such payments and any other amounts specifically authorized to be withheld or deducted by Executive.

(j) Payment of Accrued Benefits Upon Termination. If Executive's employment is terminated for any reason, the Bank shall, within thirty (30) days following the Date of Termination, pay to Executive or Executive's estate (A) any Base Salary and accrued vacation pay earned but not yet paid through the Date of Termination, (B) reimbursement for reasonable business expenses incurred, but not paid, prior to the Date of Termination, and (C) and any benefits payable under the Incentive Plans (such amounts collectively referred to as the "Accrued Benefits"). If Executive's employment is terminated due to the Disability of Executive as determined under Section 6(c), the portion of Executive's Base Salary due shall be reduced by the amount of any benefits received by Executive under any disability policy maintained by the Bank under the Benefits Plans. No termination under Section 6 shall terminate or adversely affect any rights of Executive then vested under any Benefits Plan of the Bank.

Section 6. Termination.

(a) Notice of Termination. Any termination of Executive's employment by the Bank or by Executive during the Employment Period (other than termination upon Executive's death) will be communicated by written Notice of Termination to the other party.

(b) Death. Executive's employment under this Agreement will terminate automatically upon Executive's death.

(c) Disability. If, as a result of Executive's Disability (as hereinafter defined), Executive is substantially unable to perform Executive's duties under this Agreement (with or without reasonable accommodation, as defined under the Americans With Disabilities Act) for an entire period of six (6) consecutive months, and within thirty (30) days after a Notice of Termination (as defined in below) is given by the Bank to Executive, Executive does not return to the substantial performance of Executive's duties on a full-time basis, the Bank has the right to terminate Executive's employment under this Agreement for "Disability," and such termination will not be a breach of this Agreement by the Bank. For purposes of this Agreement, Executive shall not be deemed to be in breach of this Agreement for Executive's failure to substantially perform Executive's duties under this Agreement where such failure results because of Executive's Disability.

(d) Termination by the Bank. The Bank has the right to terminate Executive's employment for Cause or without Cause at any time, and such termination will not be a breach of this Agreement by the Bank.

(e) Termination by the Executive. Executive has the right to terminate Executive's employment for Good Reason or without Good Reason at any time, and such termination will not be a breach of this Agreement by the Executive.

(f) Definitions. For purposes of this Agreement:

"Cause" means, with respect to an Executive's termination of employment by the Bank means: (i) performance of any act or failure to perform any act in bad faith and to the detriment of Company or the Bank; (ii) dishonesty, intentional misconduct or material breach of any agreement with Company or the Bank; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. Whether Cause exists, whether Cause is susceptible to correction and whether Cause has been corrected shall be determined in the sole discretion of the Board.

"Change in Control" means the occurrence of any one of the following:

(i) the consummation of a transaction as a result of which any person becomes the "beneficial owner" (as defined in Rule 13d-3 of the Securities Exchange Act of 1933, as amended (the "Exchange Act")), directly or indirectly, of securities of the Company or the Bank representing fifty percent (50%) or more of the total voting power represented by the Company's or the Bank's then outstanding voting securities. For the purposes of this paragraph (i), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(1) a trustee or other fiduciary holding securities under an Executive benefit plan of the Company or an affiliate of the Company (including, without limitation, the Bank);

(2) a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of common stock of the Company;

(3) the Company; and

(4) a corporation or other entity of which at least a majority of its combined voting power is owned directly by the Company;

(ii) the consummation of the sale, lease, transfer or other disposition by the Company or the Bank of all or substantially all of the assets of either the Company or the Bank to any third party other than (A) the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale or (B) to a corporation or other entity owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the consolidation or corporate reorganization which does not result in a Change in Control as defined herein;

(iii) a change in the effective control of the Company which occurs on the date that a majority of members of the Board are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For the purpose of this paragraph, if any person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same person will not be considered a Change in Control;

(iv) a complete winding up, liquidation or dissolution of the Company or the Bank; or

(v) the consummation of a merger or consolidation of the Company or the Bank with or into any other entity or any other corporate reorganization, other than a merger, consolidation or other corporate reorganization that would result in the voting securities of the Company or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or the Bank, or such surviving entity or its parent outstanding immediately after such merger, consolidation or other corporate reorganization.

Notwithstanding any provision of this definition of Change in Control to the contrary, the following transactions shall not constitute a Change in Control for purposes of this Agreement: (A) if the transaction's sole purpose is to change the legal jurisdiction of the Company's or the Bank's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the securities of the Company or the Bank immediately before such transaction, such transaction shall not constitute a Change in Control; or (B) a sale by the Company of its securities in a transaction, the primary purpose of which is to raise capital for the Company's or the Bank's operations and business activities, including, without limitation, an initial public offering of Shares under the Securities Act or other applicable law shall not constitute a Change in Control.

"Date of Termination" means (i) if Executive's employment is terminated by Executive's death, the date of Executive's death, (ii) if Executive's employment is terminated due to Disability, thirty (30) days after Notice of Termination, (iii) if Executive's employment is terminated by Executive without Good Reason, thirty (30) days after a Notice of Termination is given, (iv) if Executive's employment is terminated by Executive for Good Reason, as provided in the definition of Good Reason below, or (v) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days after the giving of such Notice of Termination) set forth in such Notice of Termination.

"Disability" means a total and permanent disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

"Good Reason" means the Executive's voluntary termination of employment from the Bank due to any of the following conditions, provided that any interpretation of such conditions shall comply with Section 409A of the Code and all applicable guidance thereunder:

(i) a material diminution of Executive's Base Salary;

(ii) the assignment to Executive of any duties materially and adversely inconsistent with Executive's status as Chief Executive Officer of the Bank or the Company;

(iii) a material change in geographic location at which Executive must perform services, for which purpose a material change shall be limited to a relocation of such principal place of employment by more than seventy-five (75) miles;

(iv) any other action or inaction that constitutes a material breach of the terms of this Agreement;

provided that, any of these conditions shall be regarded as "Good Reason" only if (i) Executive actually terminates employment with the Bank prior to a date that is one hundred eighty (180) days following the initial existence of the condition described above, and (ii) only if Executive provides the Bank with notice of the existence of "Good Reason" within sixty (60) days of the initial existence of the applicable condition and the Bank does not remedy that condition within sixty (60) days of such notice from Executive. The foregoing definition of Good Reason is intended to satisfy the safe harbor conditions for a separation from service for Good Reason as described in Treasury Regulation § 1.409A-1(n)(2)(ii), and in all events is intended to satisfy the requirements for a separation from service to be treated as an involuntary separation from service pursuant to Treasury Regulation § 1.409A-1(n)(2)(ii), and should be interpreted and administered in a manner that is consistent with such intent.

"Notice of Termination" means a written notice which indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment.

"Qualifying Termination" means the Executive incurs an involuntary termination of employment by the Bank other than for Cause, or the Executive terminates employment with the Bank (i.e., resignation) for Good Reason.

Section 7. Compensation Upon Termination or During Disability. Upon the termination of Executive's employment under this Agreement or Executive's Disability during the Employment Period, the Bank will provide Executive with the payments and benefits set forth below, as well as any other rights, compensation and/or benefits as may be due to Executive following such termination to which Executive is otherwise entitled in accordance with the terms and provisions of any plans or programs of the Bank. Executive agrees that the Bank has the right to deduct any amounts owed by Executive to the Bank for any reason, including, without limitation, Executive's misappropriation of Bank funds, or any amount required to be withheld for tax purposes from the payments set forth in this Section 7.

(a) Termination Without Cause or With Good Reason. If Executive's employment is terminated by the Bank without Cause or by Executive for Good Reason, the Bank shall pay to Executive (A) the Accrued Benefits, (B) within thirty (30) days after the Date of Termination, a lump-sum payment in an amount equal to three (3) times the sum of (i) Executive's then current Base Salary plus (ii) the average of Executive's annual incentive bonus compensation for the three (3) years immediately preceding the termination date (the "Severance Payment"), and (C) continued coverage (the "Continued Coverage") under any Benefit Plans provided to Executive and Executive's spouse and dependents at the Date of Termination, with the Bank paying the contribution it pays with respect to similarly situated employees during such period in respect of such health care plan or plans; *provided that* if the Bank cannot maintain such coverage under the terms and provisions of the Benefits Plans (or where such continuation would adversely affect the tax status of the Benefits Plans), the Bank shall provide the Continued Coverage by either providing substantially identical benefits directly or through an insurance arrangement or by paying Executive the estimated cost of the expected contribution therefor for such period. The Continued Coverage will cease upon the earlier of (i) the twelve (12) month anniversary of the Date of Termination or (ii) the date Executive obtains health care coverage under one or more welfare benefit plans of a subsequent employer that provides for substantially similar or greater benefits to Executive and Executive's spouse and dependents with respect to the specific type of benefit.

(b) Termination for Cause or Without Good Reason. If Executive's employment is terminated by the Bank for Cause or by Executive without Good Reason, the Bank shall pay to Executive the Accrued Benefits.

(c) Disability. During any period that Executive fails to perform Executive's duties under this Agreement as a result of incapacity due to physical or mental illness ("Disability Period"), Executive will continue to receive Executive's full Base Salary set forth in Section 5(a) until Executive's employment is terminated pursuant to Section 6(c). In the event Executive's employment is terminated for Disability pursuant to Section 6(c), the Bank will pay the Executive (A) the Accrued Benefits, and (B) provide Executive with disability benefits pursuant to the terms of the Bank's disability programs and/or practices, if any.

(d) Death. If Executive's employment is terminated by Executive's death, the Bank will, on the next regularly scheduled payroll date following Executive's death, pay in a lump-sum to Executive's beneficiary, legal representatives or estate, the Accrued Benefits.

Section 8. Termination in Connection with a Change in Control.

(a) If there occurs a Change in Control and either (x) within three (3) months prior to the Change in Control, or (y) within twenty-four (24) months following the Change in Control, the Executive incurs a Qualifying Termination, then, in addition to all Base Salary, Accrued Benefits and bonuses earned but not yet paid through the Date of Termination, the Bank shall pay to the Executive an amount equal to three (3) times the sum of (i) Executive's then current Base Salary plus (ii) the average of Executive's annual incentive bonus compensation for the three (3) years immediately preceding the termination date, and the Continued Coverage (as described and paid at the time provided for in Section 8(a) of this Agreement).

(b) Notwithstanding any provision of this Agreement to the contrary, neither the Company nor the Bank shall be required to pay any benefit under this Agreement if, upon the advice of counsel, the Company or the Bank determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding Executive compensation promulgated by any regulatory agency having jurisdiction over the Company, the Bank or any of their respective affiliates. If any payments or benefits received or to be received by the Executive in connection with a Change in Control (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 8(b), be subject to the excise tax imposed under Section 4999 of the Code according to an independent accounting firm or independent tax counsel, then such payments shall, after application of available reasonable mitigation strategies and techniques, be reduced by the minimum possible amount in a manner that is consistent with the requirements of Section 409A of the Code until no amount payable to the Executive will be subject to excise taxes imposed under Section 4999 of the Code.

Section 9. Non-Disclosure and Confidentiality.

(a) Proprietary Information. Executive acknowledges that, by the nature of Executive's duties, Executive has had and will continue to have access to and become informed of confidential, proprietary, and highly sensitive information relating to the Company and the Bank and which is a competitive asset of the Company and the Bank, including, without limitation, information pertaining to: (i) the identities of the Bank's existing and prospective customers or clients, including names, addresses, credit status, and pricing levels; (ii) the habits and customs of the Bank's existing and prospective customers or clients; (iii) financial information about the Company and the Bank; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, the Bank's employees; (vi) the identities of and pricing information about the Bank's suppliers and vendors; (vii) training programs developed by the Bank; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) the Company's and the Bank's financial results and business conditions; (xii) business plans and strategies; (xiii) special processes, procedures, and services of the Bank and its suppliers and vendors; and (xiv) computer programs and software developed by the Bank or its consultants (collectively, "Proprietary Information").

(b) Use of Proprietary Information. Executive agrees not to: (i) use, at any time, any Proprietary Information for Executive's own benefit and for the benefit of another; or (ii) disclose, directly or indirectly, any Proprietary Information to any person who is not a current employee of the Bank, except in the performance of the duties assigned to Executive in this Agreement, at any time prior or subsequent to the termination of Executive's employment with the Bank, except as such disclosure may be required by law. Executive further agrees not to make copies of any Proprietary Information, except in the performance of the duties assigned to Executive in this Agreement.

(c) Recipient Materials. Executive acknowledges that all memoranda, notes, records, reports, manuals, books, papers, letters, client and customer lists, contracts, software programs, information and records, drafts of instructions, guides and manuals, and other documentation (whether in draft or final form), and other sales or financial information and aids relating to the Bank's business, and any and all other documents containing Proprietary Information furnished to Executive by any representative of the Bank or otherwise acquired or developed by Executive in connection with Executive's association with the Bank (collectively, "Recipient Materials") shall at all times be the property of the Bank. Within twenty-four (24) hours of the termination of Executive's employment with the Bank, Executive shall return to the Bank any Recipient Materials which are in Executive's possession, custody or control.

Section 10. Non-Solicitation and Non-Competition.

(a) Acknowledgements. Executive acknowledges that the special relationship of trust and confidence between Executive, the Bank, and its clients and customers creates a high risk and opportunity for Executive to misappropriate the relationship and goodwill existing between the Bank and its clients and customers. Executive further acknowledges and agrees that it is fair and reasonable for the Bank to take steps to protect itself from the risk of such misappropriation. Executive further acknowledges that throughout Executive's employment with the Bank, Executive has been and shall continue to be provided with access to and informed of Proprietary Information, which shall enable Executive to benefit from the Company's and the Bank's goodwill and know-how. Executive acknowledges that it would be inevitable in the performance of Executive's duties as a director, officer, employee, investor, agent or consultant of any person, association, entity, or company which competes with the Company or the Bank, or which intends to or may compete with the Company or the Bank, to disclose and/or use the Proprietary Information, as well as to misappropriate the Company's and the Bank's goodwill and know-how, to or for the benefit of such other person, association, entity, or company. Executive also acknowledges that, in exchange for the execution of the non-solicitation restrictions and non-competition restrictions set forth in this Section 10, Executive has received substantial, valuable consideration. Executive further acknowledges and agrees that this consideration constitutes fair and adequate consideration for the execution of the non-competition and the non-solicitation restrictions set forth in this Section 10.

(b) Non-Solicitation of Employees. During the twenty-four (24) month period following the Date of Termination (the "Restricted Period"), Executive shall not take any actions, whether on behalf of Executive or Executive's then current employer or any other person or entity, to hire, solicit, induce or attempt to induce any individual who worked for or was affiliated with the Bank (either as an employee or a contractor) in the twelve (12) month period immediately preceding the Date of Termination, to terminate their employment with the Bank, to work for a competitor of the Bank or any affiliate of the Bank, or to violate any covenants that any such other employee may have with the Bank.

(c) Non-Solicitation of Business. During the Restricted Period, the Executive shall not take any actions, directly or indirectly, whether to assist or aid the Executive, the Executive's then-current employer, or any other person in soliciting business with or attempting to solicit business with, accepting business from, or servicing the persons or entities with whom the Bank had a customer relationship during the two (2) year period prior to the Date of Termination.

(d) Non-Competition. During the Employment Period and the Restricted Period, the Executive shall not, whether on behalf of himself or any other entity, engage, directly or indirectly, either as proprietor, stockholder, partner, officer, director, consultant, employee or otherwise, for any entity engaged in a business similar to that of the Company and the Bank that maintains a location in the Louisiana Parishes and Texas Counties set forth on Exhibit A, which Exhibit A may be amended from time to time by the Bank to include any additional parishes and counties in which the Bank has a branch banking facility, which amendments will be presented to Executive in writing and will become effective and binding on Executive unless Executive provides a notice of termination of this Agreement on or prior to the fifth (5^{th}) business day following the date on which notice of the amendment is duly provided to Executive. Notwithstanding the foregoing, Executive may invest in the securities of any enterprise if (i) such securities are listed on any national or regional securities exchange, (ii) Executive does not beneficially own more than one percent (1%) of the outstanding capital stock of such enterprise, and (iii) Executive does not otherwise participate in the activity of such enterprise. For purposes of this Section 10, Executive acknowledges and agrees that the "business" of the Company and the Bank and their affiliates involves and relates to extending credit, accepting deposits, and engaging in those other activities permissible for bank holding companies and FDIC-insured financial institutions, either directly or indirectly, through financial or operating subsidiaries and affiliates; that Executive understands and knows the business in which the Company and the Bank and their affiliates is engaged and the scope, activities and business pursuits involved in the business of the Company and the Bank and their affiliates; and that the noncompetition and non-solicitation covenants contained in this Section 10 prohibit the Executive from engaging, in any capacity or any position, and from conducting any activities or business similar to that of the Company and the Bank and their affiliates. As used in this Section 10, "customers" includes, but is not limited to, businesses, persons and entities for whom the Company and the Bank and their affiliates has extended credit, accepted deposits or provided other financial services, or with whom the Company and the Bank and their affiliates has had contracts, agreements, arrangements or any type of business, or working relationship. Executive acknowledges and represents that he understands the nature of the customer relationships of the Company and the Bank and their affiliates and who and what comprises its customers. As used in this Section 10, "the Company and the Bank and their affiliates" includes any and all predecessor, successor, parent subsidiary and affiliate entities.

(e) Reasonable Restrictions. Executive agrees that the non-competition and non-solicitation restrictions set forth in this Agreement are ancillary to an otherwise enforceable agreement, are supported by independent valuable consideration, and that the limitations as to time, geographical area, and scope of activity to be restrained by this Agreement are reasonable and acceptable, and do not impose any greater restraint than is reasonably necessary to protect the goodwill and other business interests of the Bank. Executive agrees that if, at some later date, a court of competent jurisdiction determines that the non-competition and non-solicitation agreements set forth in this Agreement do not meet the criteria set forth by applicable law, this Agreement may be reformed by the court and enforced to the maximum extent permitted under applicable law.

(f) Tolling. In the event the Company or the Bank shall file a lawsuit in any court of competent jurisdiction alleging a breach of any of the obligations under this Agreement, any time period that Executive is in breach of this Agreement shall be deemed tolled as of the time such lawsuit is filed and shall remain tolled until such dispute finally is resolved

(g) Remedies. It is specifically understood and agreed that any breach of the provisions of this Agreement is likely to result in irreparable injury to the Company and the Bank and that the remedy at law alone will be an inadequate remedy for such breach, and that in addition to any other remedy it may have, the Company and the Bank shall be entitled to enforce the specific performance of this Agreement by Executive in any court of competent jurisdiction and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without bond and without liability should such relief be denied, modified or violated. Neither the right to obtain such relief nor the obtaining of such relief shall be exclusive or preclude the Company and the Bank from any other remedy.

Section 11. Mitigation. Executive will not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there will be no offset against amounts due Executive under this Agreement on account of subsequent employment except as specifically provided herein.

Section 12. Release. Executive agrees that if Executive's employment is terminated under circumstances entitling Executive to the Severance Amount and Continued Coverage, in consideration for the payment of the Severance Amount and Continued Coverage, Executive will execute a general release of claims against the Bank in a form reasonably acceptable to the Bank, through which Executive releases the Bank from any and all claims as may relate to or arise out of Executive's employment relationship (excluding claims Executive may have under any "employee pension plan" as described in Section 3(3) of ERISA or any claims under this Agreement).

Section 13. Indemnification and Insurance. Executive shall be indemnified and held harmless by the Bank during the term of this Agreement and following any termination of this Agreement for any reason whatsoever in the same manner as would any similarly situated employee of the Bank with respect to acts or omissions occurring prior to (a) the termination of this Agreement or (b) the termination of employment of Executive.

Section 14. Arbitration; Legal Fees and Expenses. The parties agree that Executive's employment and this Agreement relate to interstate commerce, and that any disputes, claims or controversies between Executive and the Bank which may arise out of or relate to Executive's employment relationship or this Agreement shall be settled by arbitration. This agreement to arbitrate shall survive the termination of this Agreement. Any arbitration shall be in accordance with the Rules of the American Arbitration Association and undertaken pursuant to the Federal Arbitration Act. Arbitration will be held in Baton Rouge, Louisiana, unless the parties mutually agree on another location. The decision of the arbitrator(s) will be enforceable in any court of competent jurisdiction. The parties agree that punitive, liquidated or indirect damages shall not be awarded by the arbitrator(s). Nothing in this Agreement to arbitrate shall preclude the Bank from obtaining injunctive relief from a court of competent jurisdiction prohibiting any ongoing breaches by Executive of this Agreement including, without limitation, violations of Section 9 and Section 10.

Section 15. Agreement Binding on Successors.

(a) The Bank's Successors. The Bank shall require any successor (whether direct or indirect, by purchase, merger, reorganization, sale, transfer of stock, consolidation or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no succession had taken place. As used in this Agreement, the "Bank" means the Bank, and any successor to the Bank's business and/or assets (by merger, purchase or otherwise) which executes and delivers the agreement provided for in this Section 15 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) Executive's Successors. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to payments or benefits under this Agreement, which may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive under this Agreement shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive will be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable under this Agreement following Executive's death by giving the Bank written notice thereof in a form acceptable to the Bank. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary(ies), estate or other legal representative(s). If Executive should die following his Date of Termination while any amounts would still be payable to him under this Agreement if he had continued to live, unless otherwise provided, all such amounts shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, or otherwise to his legal representatives or estate.

Section 16. **409A Compliance.** The Parties intend for the payments and benefits under this Agreement to be exempt from Code section 409A ("Section 409A") or, if not so exempt, to be paid or provided in a manner that complies with the requirements of such section and intend that this Agreement will be construed and administered in accordance with such intention. If any payments or benefits due to Executive hereunder would cause the application of an accelerated or additional tax under Section 409A, such payments or benefits will be restructured in a manner that does not cause such an accelerated or additional tax. To the extent any amount payable to Executive is subject to Executive's entering into a release of claims with the Bank and any such amount is a deferral of compensation under Section 409A which amount could be payable in either of two taxable years, and the timing of such payment is not subject to terms and conditions under another plan, program or agreement of the Bank that otherwise satisfies Section 409A, such payments will be made or commence, as applicable, on January 15 (or any later date that is not earlier than 8 days after the date that the release becomes irrevocable) of such later taxable year and will include all payments that otherwise would have been made before such date. In no event whatsoever will the Bank be liable for any tax, interest or penalties that may be imposed on Executive under Section 409A or have any obligation to indemnify or otherwise hold Executive harmless from any and all such taxes, interest or penalties, or liability for any damages related thereto. Executive acknowledges that Executive has been advised to obtain independent legal, tax or other related counsel in connection with Section 409A and taxation.

Section 17. **Restrictions Upon Funding**. The Bank shall have no obligation to set aside, earmark or entrust any fund or money with which to pay its obligations under this Agreement. Executive or any successor-in-interest to Executive shall be and remain simply a general creditor of the Bank in the same manner as any other creditor having a general unsecured claim. For purposes of the Code, the Bank intends this Agreement to be an unfunded, unsecured promise to pay on the part of the Bank. For purposes of Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Bank intends that this Agreement not be subject to ERISA. If it is deemed subject to ERISA, it is intended to be an unfunded arrangement for the benefit of a select member of management, who is a highly compensated employee of the Bank for the purpose of qualifying this Agreement for the "top hat" plan exception under sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. At no time shall Executive have or be deemed to have any lien nor right, title or interest in or to any specific investment or to any assets of the Bank. If the Bank elects to invest in a life insurance, disability or annuity policy upon the life of Executive, Executive shall assist the Bank by freely submitting to a physical examination and supplying such additional information necessary to obtain such insurance or annuities.

Section 18. **Notice.** For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered either personally or by United States certified or registered mail, return receipt requested, postage prepaid, to the addresses of such parties as of the date of the Agreement or such address as any party may have furnished to the others in writing in accordance with this Agreement, except that notices of change of address shall be effective only upon receipt.

Section 19. **Amendment and Waiver.** No provision of this Agreement may be amended, modified, or waived unless agreed to in writing and signed by Executive and by a duly authorized officer of the Bank. No waiver by either party of any breach by the other party of any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

Section 20. **Construction.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Louisiana without regard to its conflicts of law principles. The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and will not affect its interpretation.

Section 21. **Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

Section 22. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

Section 23. **Entire Agreement.** Except as provided elsewhere herein, this Agreement sets forth the entire agreement of the parties with respect to its subject matter and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party to this Agreement with respect to such subject matter. In the event the terms of this Agreement conflict with the terms of any other agreement between the Bank and Executive, the terms of this Agreement shall govern and control.

Section 24. **Voluntary Agreement**. The Parties acknowledge that each has carefully read this agreement, that each has had an opportunity to consult with his or its attorney concerning the meaning, import and legal significance of this Agreement, that each understands its terms, that all understandings and agreements between Executive and the Bank relating to the subjects covered in this Agreement are contained in it, and that each has entered into the Agreement voluntarily and not in reliance on any promises or representations by the other than those contained in this Agreement.

Section 25. **Survival of Obligations.** The respective rights and obligations of the parties under this Agreement, including the obligations contained in Section 5(i), and Section 7 through Section 24, shall survive Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

[Signature Page Follows]

[Signature Page to Amended and Restated Executive Employment Agreement]

IN WITNESS WHEREOF, the parties have executed this Agreement effective the date first above written.

BUSINESS FIRST BANK
a Louisiana bank

By: /s/ Robert S. Greer, Jr.
Robert S. Greer, Jr.
Chairman of the Board

EXECUTIVE

/s/ David R. Melville, III
David R. Melville, III

Exhibit A

Louisiana Parishes

Acadia	Claiborne	Jefferson Davis	Point Coupee	Saint Tammany
Ascension	De Soto	Lafayette	Red River	Tangipahoa
Assumption	East Carroll	Lafourche	Richland	Terrebonne
Beauregard	East Feliciana	Lincoln	Saint Charles	Union
Bienville	Easton Baton Rouge	Livingston	Saint Helena	Vermilion
Bossier	Franklin	Madison	Saint James	Washington
Caddo	Iberia	Morehouse	Saint John the Baptist	Webster
Caicasieu	Iberville	Orleans	Saint Landry	West Baton Rouge
Caldwell	Jackson	Ouachita	Saint Martin	West Carroll
Cameron	Jefferson	Plaquemine	Saint Mary	West Feliciana

Texas Counties

Collin	Dallas	Denton	Ellis	Kaufman
Rockwall	Tarrant			

Exhibit 10.3

CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement ("Agreement") is made and entered into effective as of the 6th day of November, 2019 by and among Business First Bancshares, Inc., a Louisiana corporation and registered bank holding company ("BFST"), Business First Bank, a Louisiana chartered bank and wholly-owned subsidiary of BFST with its principal office in Baton Rouge, Louisiana (the "Bank"), and Gregory Robertson (the "Executive").

WITNESSETH:

WHEREAS, the Executive is an officer of BFST and/or the Bank;

WHEREAS, the boards of directors of BFST and the Bank (the "Boards"), without the Executive's participation in its deliberations, recognizes that the possibility of a Change in Control (as hereinafter defined) of BFST or the Bank exists or may exist in the future, and that the prospect or the occurrence of a Change in Control can result in significant distractions of its key management personnel because of the uncertainties inherent in such a situation;

WHEREAS, the Boards believe that it is beneficial to diminish the distraction of the Executive by virtue of the personal uncertainties and risks created by a potential Change in Control, and has determined that it is in the best interest of BFST, its stockholders and the Bank for the services of the Executive to be retained in the event of an occurrence of a Change in Control and to provide for the Executive's continued dedication and efforts in such event without undue concern for the Executive's personal financial and employment security; and

WHEREAS, to induce the Executive to remain employed with BFST and/or the Bank, particularly in the event of a threat or the occurrence of a Change in Control, BFST and the Bank desire to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event of a Change in Control.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, BFST, the Bank and the Executive hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions. The following terms shall have the definitions set forth below for purposes of this Agreement.

(a) "***Base Salary***" means the Executive's annual base salary from BFST and/or the Bank, as applicable, excluding bonuses, commissions, incentive, and all other remuneration for services rendered to BFST, the Bank or their respective affiliates thereof, and prior to reduction for any salary contributions to a plan established pursuant to Code section 125, Code section 409A, or Code section 401(k).

(b) "***Cause***" means, with respect to an Executive's termination of employment by BFST or the Bank means: (i) performance of any act or failure to perform any act in bad faith and to the detriment of BFST or the Bank; (ii) dishonesty, intentional misconduct or material breach of any agreement with BFST or the Bank; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. Whether Cause exists, whether Cause is susceptible to correction and whether Cause has been corrected shall be determined in the sole discretion of the Boards.

(c) "***Change in Control***" means the occurrence of any of the following events:

(i) the consummation of a transaction as a result of which any person becomes the "beneficial owner" (as defined in Rule 13d-3 of the Securities Exchange Act of 1933, as amended (the "Exchange Act")), directly or indirectly, of securities of BFST or the Bank representing fifty percent (50%) or more of the total voting power represented by BFST's or the Bank's then outstanding voting securities. For the purposes of this paragraph (i), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(A) a trustee or other fiduciary holding securities under an Executive benefit plan of BFST or an affiliate of BFST (including, without limitation, the Bank);

(B) a corporation or other entity owned directly or indirectly by the shareholders of BFST in substantially the same proportions as their ownership of common stock of BFST;

(C) BFST; and

(D) a corporation or other entity of which at least a majority of its combined voting power is owned directly by BFST;

(ii) the consummation of the sale, lease, transfer or other disposition by BFST or the Bank of all or substantially all of the assets of either BFST or the Bank to any third party other than (A) the sale or disposition of all or substantially all of the assets of BFST to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of BFST at the time of the sale or (B) to a corporation or other entity owned directly or indirectly by the shareholders of BFST in substantially the same proportions as their ownership of the common stock of the consolidation or corporate reorganization which does not result in a Change in Control as defined herein;

(iii) a change in the effective control of BFST which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For the purpose of this paragraph, if any person is considered to be in effective control of BFST, the acquisition of additional control of BFST by the same person will not be considered a Change in Control;

(iv) a complete winding up, liquidation or dissolution of BFST or the Bank; or

(v) the consummation of a merger or consolidation of BFST or the Bank with or into any other entity or any other corporate reorganization, other than a merger, consolidation or other corporate reorganization that would result in the voting securities of BFST or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of BFST or the Bank, or such surviving entity or its parent outstanding immediately after such merger, consolidation or other corporate reorganization, but excluding any series of transactions that the Administrator determines shall not be a Change in Control.

Notwithstanding any provision of this Section 1(b) to the contrary, the following transactions shall not constitute a Change in Control for purposes of this Agreement: (A) if the transaction's sole purpose is to change the legal jurisdiction of BFST's or the Bank's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the securities of BFST or the Bank immediately before such transaction, such transaction shall not constitute a Change in Control; or (B) a sale by BFST of its securities in a transaction, the primary purpose of which is to raise capital for BFST's or the Bank's operations and business activities, including, without limitation, an initial public offering of shares under the Securities Act or other applicable law shall not constitute a Change in Control.

(d) "***Code***" means the Internal Revenue Code of 1986, as amended.

(e) *"**Disability**"* means a total and permanent disability as defined in Section 22(e)(3) of the Code.

(f) *"**Good Reason**"* means the occurrence of any of the following, in each case without the Executive's written consent:

(i) a material reduction in the Executive's base salary;

(ii) a material change in the geographic location of the Executive's principal place of employment; for this purpose, a material change shall be limited to a relocation of such principal place of employment by more than seventy-five (75) miles;

(iii) any material breach by BFST or the Bank of any material provision of any material agreement between the Executive and BFST and/or the Bank, as applicable;

(iv) a material, adverse change in the Executive's authority, duties, or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law); or

(v) a material, adverse change in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.

In each case, the Executive cannot terminate the Executive's employment for Good Reason without first giving written notice to the Boards of the existence of the circumstances providing grounds for termination for Good Reason and giving BFST and the Bank at least sixty (60) days from the date on which such notice is provided to cure such circumstances. If the Executive does not provide such notice within sixty (60) days after the first occurrence of the applicable grounds, or if the Executive does not actually terminate employment within one hundred eighty (180) days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived his or her right to terminate for Good Reason with respect to such grounds. The foregoing definition of Good Reason is intended to satisfy the safe harbor conditions for a separation from service for Good Reason as described in Treasury Regulation § 1.409A-1(n)(2)(ii), and in all events is intended to satisfy the requirements for a separation from service to be treated as an involuntary separation from service pursuant to Treasury Regulation § 1.409A-1(n)(2)(ii), and should be interpreted and administered in a manner that is consistent with such intent.

(g) "*Qualifying Termination*" means the Executive incurs an involuntary termination of employment by BFST and/or the Bank, as applicable, other than for Cause, or the Executive terminates employment with BFST and/or the Bank (i.e., resignation) for Good Reason.

ARTICLE 2
CHANGE IN CONTROL BENEFITS

2.1 If there occurs a Change in Control and either (x) within three (3) months prior to the Change in Control, or (y) within twenty-four (24) months following the Change in Control, the Executive incurs a Qualifying Termination, then, in addition to all base salary and bonuses earned but not yet paid through the applicable date, the Executive shall be entitled to the payments described below from the Bank:

(a) a cash lump-sum amount equal to two (2) times the amount of the Executive's then current Base Salary plus the average annual bonus received by the Executive for the three calendar years preceding the date of the Change in Control (the "Change in Control Payment"), with such Change in Control Payment to be paid not later than thirty (30) days following the date the applicable event set forth in Section 2.1 above occurs; and

(b) from the date the events set forth in Section 2.1 above occur, pay the monthly premium for eighteen (18) months for the Executive to maintain and continue, without interruption, the Executive's (and, if applicable, the Executive's family) health and medical benefits coverage (the "COBRA Benefits") under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

2.2 Notwithstanding any provision of this Agreement to the contrary, neither BFST nor the Bank shall be required to pay any benefit under this Agreement if, upon the advice of counsel, BFST or the Bank determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding Executive compensation promulgated by any regulatory agency having jurisdiction over BFST, the Bank or any of their respective affiliates. If any payments or benefits received or to be received by the Executive in connection with a Change in Control (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 2.2, be subject to the excise tax imposed under Section 4999 of the Code according to an independent accounting firm or independent tax counsel, then such payments shall be reduced by the minimum possible amount in a manner that is consistent with the requirements of Section 409A of the Code until no amount payable to the Executive will be subject to excise taxes imposed under Section 4999 of the Code.

2.3 Receipt of the Change in Control Payment and the COBRA Benefits is subject to the Executive's compliance with the restrictive covenants set forth in Exhibit A to this Agreement, which Exhibit A is a part of and incorporated by reference into this Agreement.

ARTICLE 3
CONFIDENTIALITY

The Executive, BFST and the Bank agree that the terms of this Agreement as well as the discussions preliminary to, or relating to, this Agreement will be kept strictly confidential, except to accountants, legal counsel and other professional consultants and advisors engaged by Executive, and except as disclosure is required by law or deemed appropriate by counsel to BFST and the Bank.

ARTICLE 4
AMENDMENT AND TERMINATION OF AGREEMENT

This Agreement may be amended or terminated only by a written agreement executed by BFST, the Bank (or their respective successors) and the Executive. This Agreement will terminate automatically upon the earliest to occur of the following: (a) the Executive's termination of employment for any reason more than three (3) months prior to a Change in Control; (b) the Executive's voluntary termination of employment other than for Good Reason, or the Executive's involuntary termination of Employment for Cause, in each case within three (3) months before, in connection with, or within twenty-four (24) months following a Change in Control, (c) the completion of payment of the Change in Control Payment and the COBRA Benefits provided for in Section 2.1 of this Agreement, or (d) the fifth (5^{th}) anniversary of the date of this Agreement.

ARTICLE 5
GENERAL

5.1 Severability. If any term or other provision of this Agreement is held to be illegal, invalid or unenforceable by any rule of law or public policy, (a) such term or provision will be fully severable and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision were not a part hereof; (b) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement; and (c) there will be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable without decreasing the Executive's right hereunder. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only as broad as is enforceable.

5.2 Successors; Binding Agreement. This Agreement shall be binding upon and shall inure to the benefit of BFST, the Bank, their respective successors and assigns, and each of BFST and the Bank shall require any successors and assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that BFST and the Bank would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution, in which case, the Agreement may be enforceable only to the extent provided herein.

5.3 Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by BFST or the Bank and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other agreements with BFST or the Bank.

5.4 Full Satisfaction; Waiver and Release. As a condition to receiving the payments and benefits hereunder, the Executive shall execute a document in customary form, releasing and waiving any and all claims, causes of actions and the like against BFST, the Bank and their respective successors, stockholders, officers, trustees, agents and Executives, regarding all matters relating to the Executive's service as an Executive of BFST and/or the Bank or any affiliates thereof and the termination of such relationship. Such claims include, without limitation, any claims arising under Age Discrimination in Employment Act of 1967, as amended (the "ADEA"); Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991, as amended; the Equal Pay Act of 1962; the American Disabilities Act of 1990; the Family Medical Leave Act, as amended; the Employee Retirement Income Security Act of 1974, as amended; or any other federal, state or local statute or ordinance, but exclude any claims that arise out of an asserted breach of the terms of this Agreement or current or future claims related to the matters described in this Section 5.4.

5.5 Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Any payments under this Agreement that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code.

5.6 No Guaranty of Employment. Nothing in this Agreement shall be construed as constituting a commitment, guarantee, agreement or understanding of any kind or nature that BFST and/or the Bank shall continue to employ, retain or engage the Executive. This Agreement shall not affect in any way the right of BFST and/or the Bank to terminate the employment or engagement of the Executive at any time and for any reason whatsoever and to remove the Executive from any position with BFST and/or the Bank.

5.7 APPLICABLE LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE PARTIES SUBJECT TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF LOUISIANA WITHOUT REGARD TO THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS.

5.8 Entire Agreement. This Agreement constitutes the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersedes any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto.

5.9 Multiple Counterparts. For the convenience of the parties hereto, this Agreement may be executed in one or more counterparts, each of which will be deemed an original, and all counterparts hereof so executed by the parties hereto, whether or not such counterpart will bear the execution of each of the parties hereto, will be deemed to be, and will be construed as, one and the same Agreement. A telecopy or facsimile transmission of a signed counterpart of this Agreement will be sufficient to bind the party or parties whose signature(s) appear thereon.

5.10 Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument signed by the party charged with such waiver or estoppel.

[*signature page follows*]

IN WITNESS WHEREOF, Business First Bancshares, Inc., Business First Bank, and the Executive have executed this Change in Control Agreement this 6th day of November 2019.

EXECUTIVE:

Gregory Robertson

Print Name: /s/ Gregory Robertson

BUSINESS FIRST BANCSHARES, INC.:

By: /s/ David R. Melville, III

Print name: David R. Melville, III

Title: President/CEO

BUSINESS FIRST BANK:

By: /s/ David R. Melville, III

Print name: David R. Melville, III

Title: President/CEO

Exhibit A

RESTRICTIVE COVENANTS

ARTICLE 1
Non-Disclosure and Confidentiality

1.1 Proprietary Information. Executive acknowledges that, by the nature of Executive's duties, Executive has had and will continue to have access to and become informed of confidential, proprietary, and highly sensitive information relating to BFST and the Bank and which is a competitive asset of BFST and the Bank, including, without limitation, information pertaining to: (i) the identities of the Bank's existing and prospective customers or clients, including names, addresses, credit status, and pricing levels; (ii) the habits and customs of the Bank's existing and prospective customers or clients; (iii) financial information about BFST and the Bank; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, the Bank's employees; (vi) the identities of and pricing information about the Bank's suppliers and vendors; (vii) training programs developed by the Bank; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) BFST's and the Bank's financial results and business conditions; (xii) business plans and strategies; (xiii) special processes, procedures, and services of the Bank and its suppliers and vendors; and (xiv) computer programs and software developed by the Bank or its consultants (collectively, "Proprietary Information").

1.2 Use of Proprietary Information. Executive agrees not to: (i) use, at any time, any Proprietary Information for Executive's own benefit and for the benefit of another; or (ii) disclose, directly or indirectly, any Proprietary Information to any person who is not a current employee of the Bank, except in the performance of the duties assigned to Executive by the Bank, at any time prior or subsequent to the termination of Executive's employment with the Bank, except as such disclosure may be required by law. Executive further agrees not to make copies of any Proprietary Information, except in the performance of the duties assigned to Executive by the Bank.

1.3 Recipient Materials. Executive acknowledges that all memoranda, notes, records, reports, manuals, books, papers, letters, client and customer lists, contracts, software programs, information and records, drafts of instructions, guides and manuals, and other documentation (whether in draft or final form), and other sales or financial information and aids relating to the Bank's business, and any and all other documents containing Proprietary Information furnished to Executive by any representative of the Bank or otherwise acquired or developed by Executive in connection with Executive's association with the Bank (collectively, "Recipient Materials") shall at all times be the property of the Bank. Within twenty-four (24) hours of the termination of Executive's employment with the Bank, Executive shall return to the Bank any Recipient Materials which are in Executive's possession, custody or control.

ARTICLE 2
Non-Solicitation and Non-Competition

2.1 Acknowledgements. Executive acknowledges that the special relationship of trust and confidence between Executive, the Bank, and its clients and customers creates a high risk and opportunity for Executive to misappropriate the relationship and goodwill existing between the Bank and its clients and customers. Executive further acknowledges and agrees that it is fair and reasonable for the Bank to take steps to protect itself from the risk of such misappropriation. Executive further acknowledges that throughout Executive's employment with the Bank, Executive has been and shall continue to be provided with access to and informed of Proprietary Information, which shall enable Executive to benefit from BFST's and the Bank's goodwill and know-how. Executive acknowledges that it would be inevitable in the performance of Executive's duties as a director, officer, employee, investor, agent or consultant of any person, association, entity, or company which competes with BFST or the Bank, or which intends to or may compete with BFST or the Bank, to disclose and/or use the Proprietary Information, as well as to misappropriate BFST's and the Bank's goodwill and know-how, to or for the benefit of such other person, association, entity, or company. Executive also acknowledges that, in exchange for the execution of the non-solicitation restrictions and non-competition restrictions set forth in this Exhibit A, Executive has received substantial, valuable consideration. Executive further acknowledges and agrees that this consideration constitutes fair and adequate consideration for the execution of the non-competition and the non-solicitation restrictions set forth in this Exhibit A.

2.2 Non-Solicitation of Employees. During the twenty four (24) month period following the Change in Control (the "Restricted Period"), Executive shall not take any actions, whether on behalf of Executive or Executive's then current employer or any other person or entity, to hire, solicit, induce or attempt to induce any individual who worked for or was affiliated with the Bank (either as an employee or a contractor) in the twelve (12) month period immediately preceding the Change in Control, to terminate their employment with the Bank, to work for a competitor of the Bank or any affiliate of the Bank, or to violate any covenants that any such other employee may have with the Bank.

2.3 Non-Solicitation of Business. During the Restricted Period, the Executive shall not take any actions, directly or indirectly, whether to assist or aid the Executive, the Executive's then-current employer, or any other person in soliciting business with or attempting to solicit business with, accepting business from, or servicing the persons or entities with whom the Bank had a customer relationship during the two (2) year period prior to the Change in Control.

2.4 Non-Competition. During the period of employment and the Restricted Period, the Executive shall not, whether on behalf of himself or any other entity, engage, directly or indirectly, either as proprietor, stockholder, partner, officer, director, consultant, employee or otherwise, for any entity engaged in a business similar to that of BFST and the Bank that maintains a location in the Louisiana Parishes and Texas Counties set forth on Schedule 2.4 of this Exhibit A, which Schedule 2.4 may be amended from time to time by the Bank to include any additional parishes and counties in which the Bank has a branch banking facility, which amendments will be presented to Executive in writing and will become effective and binding on Executive unless Executive provides a notice of termination of this Agreement on or prior to the fifth (5^{th}) business day following the date on which notice of the amendment is duly provided to Executive. Notwithstanding the foregoing, Executive may invest in the securities of any enterprise if (i) such securities are listed on any national or regional securities exchange, (ii) Executive does not beneficially own more than one percent (1%) of the outstanding capital stock of such enterprise, and (iii) Executive does not otherwise participate in the activity of such enterprise. For purposes of this Exhibit A, Executive acknowledges and agrees that the "business" of BFST and the Bank and their affiliates involves and relates to extending credit, accepting deposits, and engaging in those other activities permissible for bank holding companies and FDIC-insured financial institutions, either directly or indirectly, through financial or operating subsidiaries and affiliates; that Executive understands and knows the business in which BFST and the Bank and their affiliates is engaged and the scope, activities and business pursuits involved in the business of BFST and the Bank and their affiliates; and that the noncompetition and non-solicitation covenants contained in this Exhibit A prohibit the Executive from engaging, in any capacity or any position, and from conducting any activities or business similar to that of BFST and the Bank and their affiliates. As used in this Exhibit A, "customers" includes, but is not limited to, businesses, persons and entities for whom BFST and the Bank and their affiliates has extended credit, accepted deposits or provided other financial services, or with whom BFST and the Bank and their affiliates has had contracts, agreements, arrangements or any type of business, or working relationship. Executive acknowledges and represents that he understands the nature of the customer relationships of BFST and the Bank and their affiliates and who and what comprises its customers. As used in this Exhibit A, "BFST and the Bank and their affiliates" includes any and all predecessor, successor, parent subsidiary and affiliate entities.

2.5 Reasonable Restrictions. Executive agrees that the non-competition and non-solicitation restrictions set forth in this Exhibit A are ancillary to an otherwise enforceable agreement, are supported by independent valuable consideration, and that the limitations as to time, geographical area, and scope of activity to be restrained by this Exhibit A are reasonable and acceptable, and do not impose any greater restraint than is reasonably necessary to protect the goodwill and other business interests of the Bank. Executive agrees that if, at some later date, a court of competent jurisdiction determines that the non-competition and non-solicitation agreements set forth in this Exhibit A do not meet the criteria set forth by applicable law, this Exhibit A may be reformed by the court and enforced to the maximum extent permitted under applicable law.

2.6 Tolling. In the event BFST or the Bank shall file a lawsuit in any court of competent jurisdiction alleging a breach of any of the obligations under this Exhibit A, any time period that Executive is in breach of this Exhibit A shall be deemed tolled as of the time such lawsuit is filed and shall remain tolled until such dispute finally is resolved.

2.7 Remedies. It is specifically understood and agreed that any breach of the provisions of this Exhibit A is likely to result in irreparable injury to BFST and the Bank and that the remedy at law alone will be an inadequate remedy for such breach, and that in addition to any other remedy it may have, BFST and the Bank shall be entitled to enforce the specific performance of this Exhibit A by Executive in any court of competent jurisdiction and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without bond and without liability should such relief be denied, modified or violated. Neither the right to obtain such relief nor the obtaining of such relief shall be exclusive or preclude BFST and the Bank from any other remedy.

Schedule 2.4

Louisiana Parishes

Acadia	Claiborne	Jefferson Davis	Point Coupee	Saint Tammany
Ascension	De Soto	Lafayette	Red River	Tangipahoa
Assumption	East Carroll	Lafourche	Richland	Terrebonne
Beauregard	East Feliciana	Lincoln	Saint Charles	Union
Bienville	Easton Baton Rouge	Livingston	Saint Helena	Vermilion
Bossier	Franklin	Madison	Saint James	Washington
Caddo	Iberia	Morehouse	Saint John the Baptist	Webster
Caicasieu	Iberville	Orleans	Saint Landry	West Baton Rouge
Caldwell	Jackson	Ouachita	Saint Martin	West Carroll
Cameron	Jefferson	Plaquemine	Saint Mary	West Feliciana

Texas Counties

Collin	Dallas	Denton	Ellis	Kaufman
Rockwall	Tarrant			

Exhibit 10.4

CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement ("Agreement") is made and entered into effective as of the 6th day of November, 2019 by and among Business First Bancshares, Inc., a Louisiana corporation and registered bank holding company ("BFST"), Business First Bank, a Louisiana chartered bank and wholly-owned subsidiary of BFST with its principal office in Baton Rouge, Louisiana (the "Bank"), and Philip Jordan (the "Executive").

WITNESSETH:

WHEREAS, the Executive is an officer of BFST and/or the Bank;

WHEREAS, the boards of directors of BFST and the Bank (the "Boards"), without the Executive's participation in its deliberations, recognizes that the possibility of a Change in Control (as hereinafter defined) of BFST or the Bank exists or may exist in the future, and that the prospect or the occurrence of a Change in Control can result in significant distractions of its key management personnel because of the uncertainties inherent in such a situation;

WHEREAS, the Boards believe that it is beneficial to diminish the distraction of the Executive by virtue of the personal uncertainties and risks created by a potential Change in Control, and has determined that it is in the best interest of BFST, its stockholders and the Bank for the services of the Executive to be retained in the event of an occurrence of a Change in Control and to provide for the Executive's continued dedication and efforts in such event without undue concern for the Executive's personal financial and employment security; and

WHEREAS, to induce the Executive to remain employed with BFST and/or the Bank, particularly in the event of a threat or the occurrence of a Change in Control, BFST and the Bank desire to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event of a Change in Control.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, BFST, the Bank and the Executive hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions. The following terms shall have the definitions set forth below for purposes of this Agreement.

(a) "***Base Salary***" means the Executive's annual base salary from BFST and/or the Bank, as applicable, excluding bonuses, commissions, incentive, and all other remuneration for services rendered to BFST, the Bank or their respective affiliates thereof, and prior to reduction for any salary contributions to a plan established pursuant to Code section 125, Code section 409A, or Code section 401(k).

(b) "***Cause***" means, with respect to an Executive's termination of employment by BFST or the Bank means: (i) performance of any act or failure to perform any act in bad faith and to the detriment of BFST or the Bank; (ii) dishonesty, intentional misconduct or material breach of any agreement with BFST or the Bank; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. Whether Cause exists, whether Cause is susceptible to correction and whether Cause has been corrected shall be determined in the sole discretion of the Boards.

(c) "***Change in Control***" means the occurrence of any of the following events:

(i) the consummation of a transaction as a result of which any person becomes the "beneficial owner" (as defined in Rule 13d-3 of the Securities Exchange Act of 1933, as amended (the "Exchange Act")), directly or indirectly, of securities of BFST or the Bank representing fifty percent (50%) or more of the total voting power represented by BFST's or the Bank's then outstanding voting securities. For the purposes of this paragraph (i), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(A) a trustee or other fiduciary holding securities under an Executive benefit plan of BFST or an affiliate of BFST (including, without limitation, the Bank);

(B) a corporation or other entity owned directly or indirectly by the shareholders of BFST in substantially the same proportions as their ownership of common stock of BFST;

(C) BFST; and

(D) a corporation or other entity of which at least a majority of its combined voting power is owned directly by BFST;

(ii) the consummation of the sale, lease, transfer or other disposition by BFST or the Bank of all or substantially all of the assets of either BFST or the Bank to any third party other than (A) the sale or disposition of all or substantially all of the assets of BFST to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of BFST at the time of the sale or (B) to a corporation or other entity owned directly or indirectly by the shareholders of BFST in substantially the same proportions as their ownership of the common stock of the consolidation or corporate reorganization which does not result in a Change in Control as defined herein;

(iii) a change in the effective control of BFST which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For the purpose of this paragraph, if any person is considered to be in effective control of BFST, the acquisition of additional control of BFST by the same person will not be considered a Change in Control;

(iv) a complete winding up, liquidation or dissolution of BFST or the Bank; or

(v) the consummation of a merger or consolidation of BFST or the Bank with or into any other entity or any other corporate reorganization, other than a merger, consolidation or other corporate reorganization that would result in the voting securities of BFST or the Bank outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of BFST or the Bank, or such surviving entity or its parent outstanding immediately after such merger, consolidation or other corporate reorganization, but excluding any series of transactions that the Administrator determines shall not be a Change in Control.

Notwithstanding any provision of this Section 1(b) to the contrary, the following transactions shall not constitute a Change in Control for purposes of this Agreement: (A) if the transaction's sole purpose is to change the legal jurisdiction of BFST's or the Bank's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the securities of BFST or the Bank immediately before such transaction, such transaction shall not constitute a Change in Control; or (B) a sale by BFST of its securities in a transaction, the primary purpose of which is to raise capital for BFST's or the Bank's operations and business activities, including, without limitation, an initial public offering of shares under the Securities Act or other applicable law shall not constitute a Change in Control.

(d) "***Code***" means the Internal Revenue Code of 1986, as amended.

(e) *"**Disability**"* means a total and permanent disability as defined in Section 22(e)(3) of the Code.

(f) *"**Good Reason**"* means the occurrence of any of the following, in each case without the Executive's written consent:

(i) a material reduction in the Executive's base salary;

(ii) a material change in the geographic location of the Executive's principal place of employment; for this purpose, a material change shall be limited to a relocation of such principal place of employment by more than seventy-five (75) miles;

(iii) any material breach by BFST or the Bank of any material provision of any material agreement between the Executive and BFST and/or the Bank, as applicable;

(iv) a material, adverse change in the Executive's authority, duties, or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law); or

(v) a material, adverse change in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.

In each case, the Executive cannot terminate the Executive's employment for Good Reason without first giving written notice to the Boards of the existence of the circumstances providing grounds for termination for Good Reason and giving BFST and the Bank at least sixty (60) days from the date on which such notice is provided to cure such circumstances. If the Executive does not provide such notice within sixty (60) days after the first occurrence of the applicable grounds, or if the Executive does not actually terminate employment within one hundred eighty (180) days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived his or her right to terminate for Good Reason with respect to such grounds. The foregoing definition of Good Reason is intended to satisfy the safe harbor conditions for a separation from service for Good Reason as described in Treasury Regulation § 1.409A-1(n)(2)(ii), and in all events is intended to satisfy the requirements for a separation from service to be treated as an involuntary separation from service pursuant to Treasury Regulation § 1.409A-1(n)(2)(ii), and should be interpreted and administered in a manner that is consistent with such intent.

(g) "*Qualifying Termination*" means the Executive incurs an involuntary termination of employment by BFST and/or the Bank, as applicable, other than for Cause, or the Executive terminates employment with BFST and/or the Bank (i.e., resignation) for Good Reason.

ARTICLE 2
CHANGE IN CONTROL BENEFITS

2.1 If there occurs a Change in Control and either (x) within three (3) months prior to the Change in Control, or (y) within twenty-four (24) months following the Change in Control, the Executive incurs a Qualifying Termination, then, in addition to all base salary and bonuses earned but not yet paid through the applicable date, the Executive shall be entitled to the payments described below from the Bank:

(a) a cash lump-sum amount equal to two (2) times the amount of the Executive's then current Base Salary plus the average annual bonus received by the Executive for the three calendar years preceding the date of the Change in Control (the "Change in Control Payment"), with such Change in Control Payment to be paid not later than thirty (30) days following the date the applicable event set forth in Section 2.1 above occurs; and

(b) from the date the events set forth in Section 2.1 above occur, pay the monthly premium for eighteen (18) months for the Executive to maintain and continue, without interruption, the Executive's (and, if applicable, the Executive's family) health and medical benefits coverage (the "COBRA Benefits") under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

2.2 Notwithstanding any provision of this Agreement to the contrary, neither BFST nor the Bank shall be required to pay any benefit under this Agreement if, upon the advice of counsel, BFST or the Bank determines that the payment of such benefit would be prohibited by 12 C.F.R. Part 359 or any successor regulations regarding Executive compensation promulgated by any regulatory agency having jurisdiction over BFST, the Bank or any of their respective affiliates. If any payments or benefits received or to be received by the Executive in connection with a Change in Control (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 2.2, be subject to the excise tax imposed under Section 4999 of the Code according to an independent accounting firm or independent tax counsel, then such payments shall be reduced by the minimum possible amount in a manner that is consistent with the requirements of Section 409A of the Code until no amount payable to the Executive will be subject to excise taxes imposed under Section 4999 of the Code.

2.3 Receipt of the Change in Control Payment and the COBRA Benefits is subject to the Executive's compliance with the restrictive covenants set forth in Exhibit A to this Agreement, which Exhibit A is a part of and incorporated by reference into this Agreement.

ARTICLE 3
CONFIDENTIALITY

The Executive, BFST and the Bank agree that the terms of this Agreement as well as the discussions preliminary to, or relating to, this Agreement will be kept strictly confidential, except to accountants, legal counsel and other professional consultants and advisors engaged by Executive, and except as disclosure is required by law or deemed appropriate by counsel to BFST and the Bank.

ARTICLE 4
AMENDMENT AND TERMINATION OF AGREEMENT

This Agreement may be amended or terminated only by a written agreement executed by BFST, the Bank (or their respective successors) and the Executive. This Agreement will terminate automatically upon the earliest to occur of the following: (a) the Executive's termination of employment for any reason more than three (3) months prior to a Change in Control; (b) the Executive's voluntary termination of employment other than for Good Reason, or the Executive's involuntary termination of Employment for Cause, in each case within three (3) months before, in connection with, or within twenty-four (24) months following a Change in Control, (c) the completion of payment of the Change in Control Payment and the COBRA Benefits provided for in Section 2.1 of this Agreement, or (d) the fifth (5^{th}) anniversary of the date of this Agreement.

ARTICLE 5
GENERAL

5.1 Severability. If any term or other provision of this Agreement is held to be illegal, invalid or unenforceable by any rule of law or public policy, (a) such term or provision will be fully severable and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision were not a part hereof; (b) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement; and (c) there will be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable without decreasing the Executive's right hereunder. If any provision of this Agreement is so broad as to be unenforceable, the provision will be interpreted to be only as broad as is enforceable.

5.2 Successors; Binding Agreement. This Agreement shall be binding upon and shall inure to the benefit of BFST, the Bank, their respective successors and assigns, and each of BFST and the Bank shall require any successors and assigns to expressly assume and agree to perform this Agreement in the same manner and to the same extent that BFST and the Bank would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution, in which case, the Agreement may be enforceable only to the extent provided herein.

5.3 Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by BFST or the Bank and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other agreements with BFST or the Bank.

5.4 Full Satisfaction; Waiver and Release. As a condition to receiving the payments and benefits hereunder, the Executive shall execute a document in customary form, releasing and waiving any and all claims, causes of actions and the like against BFST, the Bank and their respective successors, stockholders, officers, trustees, agents and Executives, regarding all matters relating to the Executive's service as an Executive of BFST and/or the Bank or any affiliates thereof and the termination of such relationship. Such claims include, without limitation, any claims arising under Age Discrimination in Employment Act of 1967, as amended (the "ADEA"); Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991, as amended; the Equal Pay Act of 1962; the American Disabilities Act of 1990; the Family Medical Leave Act, as amended; the Employee Retirement Income Security Act of 1974, as amended; or any other federal, state or local statute or ordinance, but exclude any claims that arise out of an asserted breach of the terms of this Agreement or current or future claims related to the matters described in this Section 5.4.

5.5 Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Any payments under this Agreement that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code.

5.6 No Guaranty of Employment. Nothing in this Agreement shall be construed as constituting a commitment, guarantee, agreement or understanding of any kind or nature that BFST and/or the Bank shall continue to employ, retain or engage the Executive. This Agreement shall not affect in any way the right of BFST and/or the Bank to terminate the employment or engagement of the Executive at any time and for any reason whatsoever and to remove the Executive from any position with BFST and/or the Bank.

5.7 APPLICABLE LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE PARTIES SUBJECT TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF LOUISIANA WITHOUT REGARD TO THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS.

5.8 Entire Agreement. This Agreement constitutes the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersedes any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto.

5.9 Multiple Counterparts. For the convenience of the parties hereto, this Agreement may be executed in one or more counterparts, each of which will be deemed an original, and all counterparts hereof so executed by the parties hereto, whether or not such counterpart will bear the execution of each of the parties hereto, will be deemed to be, and will be construed as, one and the same Agreement. A telecopy or facsimile transmission of a signed counterpart of this Agreement will be sufficient to bind the party or parties whose signature(s) appear thereon.

5.10 Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument signed by the party charged with such waiver or estoppel.

[*signature page follows*]

IN WITNESS WHEREOF, Business First Bancshares, Inc., Business First Bank, and the Executive have executed this Change in Control Agreement this 6th day of November 2019.

EXECUTIVE:

Philip Jordan

Print Name: /s/ Philip Jordan

BUSINESS FIRST BANCSHARES, INC.:

By: /s/ David R. Melville, III

Print name: David R. Melville, III

Title: President/CEO

BUSINESS FIRST BANK:

By: /s/ David R. Melville, III

Print name: David R. Melville, III

Title: President/CEO

Exhibit A

RESTRICTIVE COVENANTS

ARTICLE 1
Non-Disclosure and Confidentiality

1.1 Proprietary Information. Executive acknowledges that, by the nature of Executive's duties, Executive has had and will continue to have access to and become informed of confidential, proprietary, and highly sensitive information relating to BFST and the Bank and which is a competitive asset of BFST and the Bank, including, without limitation, information pertaining to: (i) the identities of the Bank's existing and prospective customers or clients, including names, addresses, credit status, and pricing levels; (ii) the habits and customs of the Bank's existing and prospective customers or clients; (iii) financial information about BFST and the Bank; (iv) product and systems specifications, concepts for new or improved products and other product or systems data; (v) the identities of, and special skills possessed by, the Bank's employees; (vi) the identities of and pricing information about the Bank's suppliers and vendors; (vii) training programs developed by the Bank; (viii) pricing studies, information and analyses; (ix) current and prospective products and inventories; (x) financial models, business projections and market studies; (xi) BFST's and the Bank's financial results and business conditions; (xii) business plans and strategies; (xiii) special processes, procedures, and services of the Bank and its suppliers and vendors; and (xiv) computer programs and software developed by the Bank or its consultants (collectively, "Proprietary Information").

1.2 Use of Proprietary Information. Executive agrees not to: (i) use, at any time, any Proprietary Information for Executive's own benefit and for the benefit of another; or (ii) disclose, directly or indirectly, any Proprietary Information to any person who is not a current employee of the Bank, except in the performance of the duties assigned to Executive by the Bank, at any time prior or subsequent to the termination of Executive's employment with the Bank, except as such disclosure may be required by law. Executive further agrees not to make copies of any Proprietary Information, except in the performance of the duties assigned to Executive by the Bank.

1.3 Recipient Materials. Executive acknowledges that all memoranda, notes, records, reports, manuals, books, papers, letters, client and customer lists, contracts, software programs, information and records, drafts of instructions, guides and manuals, and other documentation (whether in draft or final form), and other sales or financial information and aids relating to the Bank's business, and any and all other documents containing Proprietary Information furnished to Executive by any representative of the Bank or otherwise acquired or developed by Executive in connection with Executive's association with the Bank (collectively, "Recipient Materials") shall at all times be the property of the Bank. Within twenty-four (24) hours of the termination of Executive's employment with the Bank, Executive shall return to the Bank any Recipient Materials which are in Executive's possession, custody or control.

ARTICLE 2
Non-Solicitation and Non-Competition

2.1 Acknowledgements. Executive acknowledges that the special relationship of trust and confidence between Executive, the Bank, and its clients and customers creates a high risk and opportunity for Executive to misappropriate the relationship and goodwill existing between the Bank and its clients and customers. Executive further acknowledges and agrees that it is fair and reasonable for the Bank to take steps to protect itself from the risk of such misappropriation. Executive further acknowledges that throughout Executive's employment with the Bank, Executive has been and shall continue to be provided with access to and informed of Proprietary Information, which shall enable Executive to benefit from BFST's and the Bank's goodwill and know-how. Executive acknowledges that it would be inevitable in the performance of Executive's duties as a director, officer, employee, investor, agent or consultant of any person, association, entity, or company which competes with BFST or the Bank, or which intends to or may compete with BFST or the Bank, to disclose and/or use the Proprietary Information, as well as to misappropriate BFST's and the Bank's goodwill and know-how, to or for the benefit of such other person, association, entity, or company. Executive also acknowledges that, in exchange for the execution of the non-solicitation restrictions and non-competition restrictions set forth in this Exhibit A, Executive has received substantial, valuable consideration. Executive further acknowledges and agrees that this consideration constitutes fair and adequate consideration for the execution of the non-competition and the non-solicitation restrictions set forth in this Exhibit A.

2.2 Non-Solicitation of Employees. During the twenty four (24) month period following the Change in Control (the "Restricted Period"), Executive shall not take any actions, whether on behalf of Executive or Executive's then current employer or any other person or entity, to hire, solicit, induce or attempt to induce any individual who worked for or was affiliated with the Bank (either as an employee or a contractor) in the twelve (12) month period immediately preceding the Change in Control, to terminate their employment with the Bank, to work for a competitor of the Bank or any affiliate of the Bank, or to violate any covenants that any such other employee may have with the Bank.

2.3 Non-Solicitation of Business. During the Restricted Period, the Executive shall not take any actions, directly or indirectly, whether to assist or aid the Executive, the Executive's then-current employer, or any other person in soliciting business with or attempting to solicit business with, accepting business from, or servicing the persons or entities with whom the Bank had a customer relationship during the two (2) year period prior to the Change in Control.

2.4 Non-Competition. During the period of employment and the Restricted Period, the Executive shall not, whether on behalf of himself or any other entity, engage, directly or indirectly, either as proprietor, stockholder, partner, officer, director, consultant, employee or otherwise, for any entity engaged in a business similar to that of BFST and the Bank that maintains a location in the Louisiana Parishes and Texas Counties set forth on Schedule 2.4 of this Exhibit A, which Schedule 2.4 may be amended from time to time by the Bank to include any additional parishes and counties in which the Bank has a branch banking facility, which amendments will be presented to Executive in writing and will become effective and binding on Executive unless Executive provides a notice of termination of this Agreement on or prior to the fifth (5^{th}) business day following the date on which notice of the amendment is duly provided to Executive. Notwithstanding the foregoing, Executive may invest in the securities of any enterprise if (i) such securities are listed on any national or regional securities exchange, (ii) Executive does not beneficially own more than one percent (1%) of the outstanding capital stock of such enterprise, and (iii) Executive does not otherwise participate in the activity of such enterprise. For purposes of this Exhibit A, Executive acknowledges and agrees that the "business" of BFST and the Bank and their affiliates involves and relates to extending credit, accepting deposits, and engaging in those other activities permissible for bank holding companies and FDIC-insured financial institutions, either directly or indirectly, through financial or operating subsidiaries and affiliates; that Executive understands and knows the business in which BFST and the Bank and their affiliates is engaged and the scope, activities and business pursuits involved in the business of BFST and the Bank and their affiliates; and that the noncompetition and non-solicitation covenants contained in this Exhibit A prohibit the Executive from engaging, in any capacity or any position, and from conducting any activities or business similar to that of BFST and the Bank and their affiliates. As used in this Exhibit A, "customers" includes, but is not limited to, businesses, persons and entities for whom BFST and the Bank and their affiliates has extended credit, accepted deposits or provided other financial services, or with whom BFST and the Bank and their affiliates has had contracts, agreements, arrangements or any type of business, or working relationship. Executive acknowledges and represents that he understands the nature of the customer relationships of BFST and the Bank and their affiliates and who and what comprises its customers. As used in this Exhibit A, "BFST and the Bank and their affiliates" includes any and all predecessor, successor, parent subsidiary and affiliate entities.

2.5 Reasonable Restrictions. Executive agrees that the non-competition and non-solicitation restrictions set forth in this Exhibit A are ancillary to an otherwise enforceable agreement, are supported by independent valuable consideration, and that the limitations as to time, geographical area, and scope of activity to be restrained by this Exhibit A are reasonable and acceptable, and do not impose any greater restraint than is reasonably necessary to protect the goodwill and other business interests of the Bank. Executive agrees that if, at some later date, a court of competent jurisdiction determines that the non-competition and non-solicitation agreements set forth in this Exhibit A do not meet the criteria set forth by applicable law, this Exhibit A may be reformed by the court and enforced to the maximum extent permitted under applicable law.

2.6 Tolling. In the event BFST or the Bank shall file a lawsuit in any court of competent jurisdiction alleging a breach of any of the obligations under this Exhibit A, any time period that Executive is in breach of this Exhibit A shall be deemed tolled as of the time such lawsuit is filed and shall remain tolled until such dispute finally is resolved.

2.7 Remedies. It is specifically understood and agreed that any breach of the provisions of this Exhibit A is likely to result in irreparable injury to BFST and the Bank and that the remedy at law alone will be an inadequate remedy for such breach, and that in addition to any other remedy it may have, BFST and the Bank shall be entitled to enforce the specific performance of this Exhibit A by Executive in any court of competent jurisdiction and to seek both temporary and permanent injunctive relief (to the extent permitted by law) without bond and without liability should such relief be denied, modified or violated. Neither the right to obtain such relief nor the obtaining of such relief shall be exclusive or preclude BFST and the Bank from any other remedy.

Schedule 2.4

Louisiana Parishes

Acadia	Claiborne	Jefferson Davis	Point Coupee	Saint Tammany
Ascension	De Soto	Lafayette	Red River	Tangipahoa
Assumption	East Carroll	Lafourche	Richland	Terrebonne
Beauregard	East Feliciana	Lincoln	Saint Charles	Union
Bienville	Easton Baton Rouge	Livingston	Saint Helena	Vermilion
Bossier	Franklin	Madison	Saint James	Washington
Caddo	Iberia	Morehouse	Saint John the Baptist	Webster
Caicasieu	Iberville	Orleans	Saint Landry	West Baton Rouge
Caldwell	Jackson	Ouachita	Saint Martin	West Carroll
Cameron	Jefferson	Plaquemine	Saint Mary	West Feliciana

Texas Counties

Collin	Dallas	Denton	Ellis	Kaufman
Rockwall	Tarrant			

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, David R. Melville, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of Business First Bancshares, Inc.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or person performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ David R. Melville, III
David R. Melville, III
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gregory Robertson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of Business First Bancshares, Inc.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

    b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

    d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or person performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO RULE 13A-14(B) 18 U.S.C. SECTION 1350,

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Business First Bancshares, Inc. ("Business First") for the three month period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David R. Melville, III, as President and Chief Executive Officer of Business First, and Gregory Robertson, as Chief Financial Officer of Business First, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Business First, as of, and for the period covered by the Report.

Date: November 7, 2019

/s/ David R. Melville, III
David R. Melville, III
President and Chief Executive Officer

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer