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, 2022

or

☐ **TRANSITION REPORT PURSUANT 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 October 31, 2022, the issuer has outstanding 25,105,136 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, 2022 (Unaudited)	December 31, 2021
ASSETS		
Cash and Due from Banks	$ 152,671	$ 68,375
Federal Funds Sold	11,137	227,044
Securities Available for Sale, at Fair Values	884,960	1,021,061
Mortgage Loans Held for Sale	545	1,200
Loans and Lease Receivable, Net of Allowance for Loan Losses of $35,201 at September 30, 2022 and $29,112 at December 31, 2021	4,394,699	3,160,496
Premises and Equipment, Net	63,765	58,155
Accrued Interest Receivable	22,454	19,597
Other Equity Securities	39,390	16,619
Other Real Estate Owned	840	1,427
Cash Value of Life Insurance	88,743	60,380
Deferred Taxes	36,691	8,822
Goodwill	88,543	59,894
Core Deposit and Customer Intangible	14,567	12,203
Other Assets	7,686	11,105
Total Assets	$ 5,806,691	$ 4,726,378
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 1,613,310	$ 1,291,036
Interest Bearing	2,972,795	2,786,247
Total Deposits	4,586,105	4,077,283
Securities Sold Under Agreements to Repurchase	22,072	19,121
Short Term Borrowings	5,009	20
Federal Home Loan Bank Borrowings	534,059	82,022
Subordinated Debt	110,902	81,427
Subordinated Debt - Trust Preferred Securities	5,000	5,000
Accrued Interest Payable	1,023	1,354
Other Liabilities	34,519	26,783
Total Liabilities	5,298,689	4,293,010
Commitments and Contingencies (See Note 10)		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized; 72,010 and 0 Shares ($1,000 Liquidation Preference) Issued at September 30, 2022 and December 31, 2021, respectively	72,010	-
Common Stock, $1 Par Value; 50,000,000 Shares Authorized; 22,605,136 and 20,400,349 Shares Issued and Outstanding at September 30, 2022 and December 31, 2021, respectively	22,605	20,400
Additional Paid-in Capital	347,721	292,271
Retained Earnings	150,336	121,874
Accumulated Other Comprehensive Loss	(84,670)	(1,177)
Total Shareholders' Equity	508,002	433,368
Total Liabilities and Shareholders' Equity	$ 5,806,691	$ 4,726,378

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,	
	2022	2021	2022	2021
Interest Income:				
Interest and Fees on Loans	$ 58,846	$ 37,900	$ 148,668	$ 118,454
Interest and Dividends on Non-taxable Securities	1,014	3,215	3,138	8,556
Interest and Dividends on Taxable Securities	3,186	383	9,049	1,060
Interest on Federal Funds Sold and Due From Banks	427	36	754	77
Total Interest Income	63,473	41,534	161,609	128,147
Interest Expense:				
Interest on Deposits	6,286	3,060	11,106	9,538
Interest on Borrowings	3,707	1,180	6,986	3,069
Total Interest Expense	9,993	4,240	18,092	12,607
Net Interest Income	53,480	37,294	143,517	115,540
Provision for Loan Losses	3,273	1,147	7,835	6,747
Net Interest Income after Provision for Loan Losses	50,207	36,147	135,682	108,793
Other Income:				
Service Charges on Deposit Accounts	2,116	1,763	6,007	5,013
Loss on Sales of Securities	(7)	(11)	(46)	(66)
Gain on Sales of Loans	264	93	515	10,114
Other Income	5,742	4,266	14,556	13,063
Total Other Income	8,115	6,111	21,032	28,124
Other Expenses:				
Salaries and Employee Benefits	21,906	16,791	63,017	48,470
Occupancy and Equipment Expense	5,122	3,912	14,449	11,893
Other Expenses	13,918	8,627	33,597	26,600
Total Other Expenses	40,946	29,330	111,063	86,963
Income Before Income Taxes	17,376	12,928	45,651	49,954
Provision for Income Taxes	3,576	2,617	9,363	9,886
Net Income	$ 13,800	$ 10,311	$ 36,288	$ 40,068
Earnings Per Share:				
Basic	$ 0.61	$ 0.51	$ 1.65	$ 1.95
Diluted	$ 0.61	$ 0.50	$ 1.64	$ 1.94

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

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2022	2021	2022	2021
Consolidated Net Income	$ 13,800	$ 10,311	$ 36,288	$ 40,068
Other Comprehensive Income (Loss):				
Unrealized Loss on Investment Securities	(27,588)	(1,246)	(106,774)	(6,202)
Unrealized Gain (Loss) on Share of Other Equity Investments	(38)	(185)	1,041	(43)
Reclassification Adjustment for Losses on Sale of AFS Investment Securities Included in Net Income	7	11	46	66
Income Tax Effect	5,683	298	22,194	1,298
Other Comprehensive Loss	(21,936)	(1,122)	(83,493)	(4,881)
Consolidated Comprehensive Income (Loss)	$ (8,136)	$ 9,189	$ (47,205)	$ 35,187

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, 2022 AND 2021
(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at June 30, 2021	$ -	$ 20,741	$ 299,014	$ 104,382	$ 6,869	$ 431,006
Comprehensive Income:						
Net Income	-	-	-	10,311	-	10,311
Other Comprehensive Loss	-	-	-	-	(1,122)	(1,122)
Cash Dividends Declared, $0.12 Per Share	-	-	-	(2,450)	-	(2,450)
Stock Issuance	-	10	140	-	-	150
Surrendered Shares of Options Exercised	-	(7)	(143)	-	-	(150)
Stock Based Compensation Cost	-	-	814	-	-	814
Stock Repurchase	-	(360)	(7,978)	-	-	(8,338)
Balances at September 30, 2021	$ -	$ 20,384	$ 291,847	$ 112,243	$ 5,747	$ 430,221
Balances at June 30, 2022	$ -	$ 22,579	$ 346,382	$ 139,232	$ (62,734)	$ 445,459
Comprehensive Income:						
Net Income	-	-	-	13,800	-	13,800
Other Comprehensive Loss	-	-	-	-	(21,936)	(21,936)
Cash Dividends Declared, $0.12 Per Share	-	-	-	(2,696)	-	(2,696)
Preferred Stock Issuance	72,010	-	-	-	-	72,010
Stock Issuance	-	15	209	-	-	224
Surrendered Shares of Options Exercised	-	(8)	(179)	-	-	(187)
Stock Based Compensation Cost	-	19	1,309	-	-	1,328
Balances at September 30, 2022	$ 72,010	$ 22,605	$ 347,721	$ 150,336	$ (84,670)	$ 508,002

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at December 31, 2020	$ -	$ 20,621	$ 299,540	$ 79,174	$ 10,628	$ 409,963
Comprehensive Income:						
Net Income	-	-	-	40,068	-	40,068
Other Comprehensive Loss	-	-	-	-	(4,881)	(4,881)
Cash Dividends Declared, $0.34 Per Share	-	-	-	(6,999)	-	(6,999)
Stock Issuance	-	235	2,975	-	-	3,210
Surrendered Shares of Options Exercised	-	(96)	(2,180)	-	-	(2,276)
Stock Based Compensation Cost	-	99	1,960	-	-	2,059
Stock Repurchase	-	(475)	(10,448)	-	-	(10,923)
Balances at September 30, 2021	$ -	$ 20,384	$ 291,847	$ 112,243	$ 5,747	$ 430,221
Balances at December 31, 2021	$ -	$ 20,400	$ 292,271	$ 121,874	$ (1,177)	$ 433,368
Comprehensive Income:						
Net Income	-	-	-	36,288	-	36,288
Other Comprehensive Loss	-	-	-	-	(83,493)	(83,493)
Cash Dividends Declared, $0.36 Per Share	-	-	-	(7,826)	-	(7,826)
Preferred Stock Issuance	72,010	-	-	-	-	72,010
Stock Issuance	-	2,094	53,376	-	-	55,470
Surrendered Shares of Options Exercised	-	(8)	(179)	-	-	(187)
Stock Based Compensation Cost	-	119	2,253	-	-	2,372
Balances at September 30, 2022	$ 72,010	$ 22,605	$ 347,721	$ 150,336	$ (84,670)	$ 508,002

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,	
	2022	2021
Cash Flows From Operating Activities:		
Consolidated Net Income	$ 36,288	$ 40,068
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	7,835	6,747
Depreciation and Amortization	3,642	3,117
Net Accretion of Purchase Accounting Adjustments	(4,109)	(5,991)
Stock Based Compensation Cost	2,372	2,059
Net Amortization of Securities	4,632	5,242
Loss on Sales of Securities	46	66
Gain on Sale of Loans	(347)	(9,179)
Income on Other Equity Securities	(792)	(2,074)
Loss on Sale of Other Real Estate Owned, Net of Writedowns	95	1,369
Increase in Cash Value of Life Insurance	(1,405)	(1,029)
Deferred Income Tax Expense (Benefit)	(2,651)	617
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	(254)	4,870
(Increase) Decrease in Other Assets	6,446	(5,503)
Decrease in Accrued Interest Payable	(550)	(664)
Increase in Other Liabilities	6,949	2,074
Net Cash Provided by Operating Activities	58,197	41,789
Cash Flows From Investing Activities:		
Purchases of Securities Available for Sale	(82,380)	(499,686)
Proceeds from Maturities / Sales of Securities Available for Sale	35,197	22,206
Proceeds from Paydowns of Securities Available for Sale	72,248	72,150
Net Cash Received (Paid) in Acquisition	163,460	(7,256)
Purchases of Other Equity Securities	(18,076)	(3,084)
Redemption of Other Equity Securities	3,215	2,549
Purchase of Life Insurance	(15,000)	(15,000)
Proceeds from Death Benefit of Cash Value of Life Insurance	188	1,974
Proceeds from Sale of SBA PPP Loans	-	243,607
Net Increase in Loans	(897,943)	(305,615)
Net Purchases of Premises and Equipment	(7,193)	(1,050)
Loss on Disposal of Premises and Equipment	717	-
Proceeds from Sales of Other Real Estate	646	6,873
Net Decrease in Federal Funds Sold	215,907	169,506
Net Cash Used in Investing Activities	(529,014)	(312,826)

(CONTINUED)

	For The Nine Months Ended September 30,	
	2022	2021
Cash Flows From Financing Activities:		
Net Increase in Deposits	31,587	152,298
Net Increase in Securities Sold Under Agreements to Repurchase	2,951	5,370
Net Increase in Federal Funds Purchased	-	16,087
Net Advances on Federal Home Loan Bank Borrowings	451,162	5,000
Net Proceeds (Repayments) of Short Term Borrowings	4,989	(5,000)
Net Repayments from Long Term Borrowings	-	(6,000)
Proceeds from Issuance of Subordinated Debt	-	52,500
Proceeds from Issuance of Preferred Stock	72,010	-
Proceeds from Issuance of Common Stock	427	3,210
Surrendered Shares of Options Exercised	(187)	(2,276)
Repurchase of Common Stock	-	(10,923)
Payment of Dividends on Common Stock	(7,826)	(6,999)
Net Cash Provided by Financing Activities	555,113	203,267
Net Increase (Decrease) in Cash and Cash Equivalents	84,296	(67,770)
Cash and Cash Equivalents at Beginning of Period	68,375	149,131
Cash and Cash Equivalents at End of Period	$ 152,671	$ 81,361
Supplemental Disclosures for Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 11,558	$ 10,134
Interest on Borrowings	$ 6,865	$ 3,137
Income Tax Payments	$ 8,065	$ 12,540
Supplemental Schedule for Noncash Investing and Financing Activities:		
Change in the Unrealized Gain (Loss) on Securities Available for Sale	$ (106,728)	$ (6,136)
Change in the Unrealized Gain (Loss) on Equity Securities	$ 1,041	$ (43)
Change in Deferred Tax Effect on the Unrealized (Gain) Loss on Securities Available for Sale	$ 22,194	$ 1,298
Transfer of Loans to Other Real Estate	$ 154	$ 1,343
Acquisitions:		
Fair Value of Tangible Assets Acquired	$ 531,510	$ 1,343
Other Intangible Assets Acquired	3,875	4,300
Liabilities Assumed	508,991	6
Net Identifiable Assets Acquired Over Liabilities Assumed	$ 26,394	$ 5,637
Subordinated Debt Issued as Part of Consideration of Smith Shellnut Wilson	$ -	$ 3,927

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, b1BANK (the "Bank"), and the Bank's wholly-owned subsidiaries, Business First Insurance, LLC and Smith Shellnut Wilson, LLC. The Bank operates out of branch locations in markets across Louisiana, the Dallas/Fort Worth metroplex and Houston, 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, 2021.

Preparation of financial statements in conformity with U.S. 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. Critical accounting estimates that are particularly susceptible to significant change for the Company include the determination of the acquired loans and allowance for loan losses and purchase accounting adjustments (other than loans). Other estimates include goodwill, fair value of financial instruments, investment securities and the assessment of income taxes. 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 the Company's markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates.

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

Note 2 – **Reclassifications** –

Certain reclassifications may have been made to conform to the classifications adopted for reporting in 2022. These reclassifications have no material effect on previously reported shareholders' equity or net income.

Note 3 – **Mergers and Acquisitions** –

Texas Citizens Bancorp, Inc.

On March 1, 2022, the Company consummated the merger of Texas Citizens Bancorp, Inc. ("TCBI"), headquartered in Pasadena, Texas, with and into the Company, pursuant to the terms of that certain Agreement and Plan of Reorganization (the "Reorganization Agreement"), dated as of October 20, 2021, by and between the Company and TCBI (the "Merger"). Also on March 1, 2022, TCBI's wholly-owned banking subsidiary, Texas Citizens Bank, National Association, was merged with and into b1BANK. Pursuant to the terms of the Reorganization Agreement, upon consummation of the Merger, the Company issued 2,069,532 shares of its common stock to the former shareholders of TCBI. At February 28, 2022, TCBI reported $534.2 million in total assets, $349.5 million in loans and $477.2 million in deposits.

The following table reflects the consideration paid for TCBI's net assets and the identifiable assets purchased and liabilities assumed at their fair values as of March 1, 2022. The fair values are provisional estimates and may be adjusted for a period of up to one year from the date of acquisition if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

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

Purchase Price:		
Shares Issued to TCBI's Shareholders on March 1, 2022		2,069,532
Closing Stock Price on February 28, 2022	$	26.19
Total Stock Issued	$	54,201
Other Consideration, Including Equity Awards		842
Total Purchase Price	$	55,043
Net Assets Acquired:		
Cash and Cash Equivalents	$	163,460
Securities Available for Sale		370
Loans and Leases Receivable		338,027
Premises and Equipment, Net		2,776
Cash Value of Life Insurance		12,146
Core Deposit Intangible		3,875
Other Assets		14,731
Total Assets		535,385
Deposits		477,277
Borrowings		30,708
Other Liabilities		1,006
Total Liabilities		508,991
Net Assets Acquired		26,394
Goodwill Resulting from Merger	$	28,649

The Company has recorded approximately $5.0 million and $515,000 of acquisition-related costs within merger and conversion-related expenses and salaries and benefits for the nine months ended September 30, 2022 and year ended December 31, 2021.

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

The following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed presented above.

Cash and Cash Equivalents: The carrying amount of these assets was a reasonable estimate of fair value based on the short-term nature of these assets.

Securities Available for Sale: Fair values for securities were based on quoted market prices, where available. If quoted market prices were not available, fair value estimates were based on observable inputs including quoted market prices for similar instruments, quoted market prices that were not in an active market or other inputs that were observable in the market. In the absence of observable inputs, fair value was estimated based on pricing models/estimations.

Loans and Leases Receivable: Fair values for loans were based on a discounted cash flow methodology that considered factors including, but not limited to, loan type, classification status, remaining term, prepayment speed, and current discount rates. The discount rates used for loans were based on current market rates for new originations of comparable loans and included adjustments for any liquidity concerns. The discount rate did not include an explicit factor for credit losses, as that was included within the estimated cash flows.

Core Deposit Intangible: The fair value for core deposit intangible assets was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, including interest cost, and alternative cost of funds. The CDI is being amortized over 10 years based upon the period over which estimated economic benefits are estimated to be received.

Deposits: The fair values used for the demand and savings deposits, by definition, equal the amount payable on demand at the acquisition date. Fair values for time deposits were estimated using a discounted cash flow analysis, that applied interest rates currently being offered to the contractual interest rates on such time deposits.

Borrowings: Fair values for borrowings were based on estimated market rates over the remaining terms of the subordinated debt issuances.

Pro forma tables for TCBI were impractical to include due to the cost versus benefit of including such disclosures.

Smith Shellnut Wilson, LLC

On April 1, 2021, the Company consummated the acquisition, through b1BANK, of Smith Shellnut Wilson, LLC (“SSW”), headquartered in Ridgeland, Mississippi, pursuant to the terms of the definitive agreement dated as of March 22, 2021. Pursuant to the terms of the agreement, upon consummation of the acquisition, the Company paid $7.3 million in cash and issued $3.9 million in subordinated debt, which is further described in Note 7, to the former owners of SSW. At March 31, 2021, SSW reported $3.6 million in total assets and $2.3 million in total liabilities. As part of the acquisition, the Company recorded $6.5 million in goodwill and $4.3 million in customer intangibles to be amortized over a 10 year period.

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 options and unvested restricted stock awards ("RSAs"), excluding any that were antidilutive. In addition, nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of EPS pursuant to the two-class method.

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands, except per share data)			
Numerator:				
Net Income Available to Common Shares	$ 13,800	$ 10,311	$ 36,288	$ 40,068
Denominator:				
Weighted Average Common Shares Outstanding	22,468,939	20,384,879	21,990,273	20,570,506
Dilutive Effect of Stock Options and RSAs	181,701	128,959	173,679	121,838
Weighted Average Dilutive Common Shares	22,650,640	20,513,838	22,163,952	20,692,344
Basic Earnings Per Common Share From Net Income Available to Common Shares	$ 0.61	$ 0.51	$ 1.65	$ 1.95
Diluted Earnings Per Common Share From Net Income Available to Common Shares	$ 0.61	$ 0.50	$ 1.64	$ 1.94

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
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Note 5 – Securities –

The amortized cost and fair values of securities available for sale as of September 30, 2022 and December 31, 2021 are summarized as follows:

	September 30, 2022 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 32,810	$ -	$ 3,020	$ 29,790
U.S. Government Agencies	50,305	-	3,365	46,940
Corporate Securities	47,428	-	2,268	45,160
Mortgage-Backed Securities	518,575	-	62,366	456,209
Municipal Securities	343,952	3	37,094	306,861
Total Securities Available for Sale	$ 993,070	$ 3	$ 108,113	$ 884,960

	December 31, 2021 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 22,751	$ -	$ 437	$ 22,314
U.S. Government Agencies	27,867	2	376	27,493
Corporate Securities	45,876	812	106	46,582
Mortgage-Backed Securities	555,528	3,246	6,435	552,339
Municipal Securities	370,421	4,100	2,188	372,333
Total Securities Available for Sale	$ 1,022,443	$ 8,160	$ 9,542	$ 1,021,061

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The following tables present a summary of securities with gross unrealized losses and fair values at September 30, 2022 and December 31, 2021, 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, 2022					
	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. Treasury Securities	$ 9,681	$ 411	$ 20,109	$ 2,609	$ 29,790	$ 3,020
U.S. Government Agencies	24,250	750	22,690	2,615	46,940	3,365
Corporate Securities	21,443	1,479	3,716	789	25,159	2,268
Mortgage-Backed Securities	207,213	20,895	248,650	41,471	455,863	62,366
Municipal Securities	185,801	19,234	90,757	17,860	276,558	37,094
Total Securities Available for Sale	$ 448,388	$ 42,769	$ 385,922	$ 65,344	$ 834,310	$ 108,113

	December 31, 2021					
	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. Treasury Securities	$ 22,314	$ 437	$ -	$ -	$ 22,314	$ 437
U.S. Government Agencies	24,980	376	-	-	24,980	376
Corporate Securities	7,350	106	-	-	7,350	106
Mortgage-Backed Securities	407,986	6,108	18,985	327	426,971	6,435
Municipal Securities	145,649	1,872	10,161	316	155,810	2,188
Total Securities Available for Sale	$ 608,279	$ 8,899	$ 29,146	$ 643	$ 637,425	$ 9,542

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, 2022 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	$ 22,460	$ 22,281
One to Five Years	227,810	212,962
Over Five to Ten Years	388,926	347,955
Over Ten Years	353,874	301,762
Total Securities Available for Sale	$ 993,070	$ 884,960

Note 6 – Loans and the Allowance for Loan Losses –

Loans receivable at September 30, 2022 and December 31, 2021 are summarized as follows:

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Real estate loans:		
Construction and land	$ 636,869	$ 548,528
Farmland	190,829	87,463
1-4 family residential	545,880	467,699
Multi-family residential	102,056	97,508
Nonfarm nonresidential	1,823,408	1,144,426
Commercial	1,012,778	721,385
Consumer and other	118,080	122,599
Total loans held for investment	4,429,900	3,189,608
Less:		
Allowance for loan losses	(35,201)	(29,112)
Net loans	$ 4,394,699	$ 3,160,496

As of September 30, 2022 and December 31, 2021, $3.0 million and $5.4 million, respectively, of Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans remain outstanding, all of which are included in the commercial loan portfolio.

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, 2022 and December 31, 2021.

Net deferred loan origination fees were $12.7 million and $7.7 million at September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, overdrafts of $972,000 and $2.4 million, 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 $680.0 million and $461.8 million at September 30, 2022 and December 31, 2021, respectively. The Company had servicing rights of $2.0 million and $1.4 million recorded as of September 30, 2022 and December 31, 2021, respectively, and is recorded within other assets.

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 net unaccreted purchase discount. To the extent the calculated loss is greater than the remaining net unaccreted discount, an allowance is recorded for such difference. For purchased impaired credits, cash flow re-estimations are performed at least quarterly for each acquired impaired loan or loan pool. Increases in estimated cash flows above those expected at the time of acquisition are recognized on a prospective basis as interest income over the remaining life of the loan and/or pool. Decreases in expected cash flows subsequent to acquisition generally result in recognition of a provision for credit loss.

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Total loans held for investment at September 30, 2022 includes $541.9 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, 2022 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 $57.4 million and acquired performing loans not accounted for under ASC 310-30 totaling $488.4 million with a remaining purchase discount of $3.8 million.

Total loans held for investment at December 31, 2021 includes $379.0 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, 2021 were acquired impaired loans accounted for under ASC 310-30 with a net carrying amount of $51.2 million and acquired performing loans not accounted for under ASC 310-30 totaling $331.3 million with a remaining purchase discount of $3.5 million.

The following tables set forth, as of September 30, 2022 and December 31, 2021, 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, 2022							
	(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 and Other	Total
Allowance for credit losses:								
Beginning Balance	$ 4,498	$ 721	$ 3,791	$ 774	$ 9,794	$ 8,358	$ 1,176	$ 29,112
Charge-offs	(6)	-	(3)	-	(51)	(1,974)	(400)	(2,434)
Recoveries	25	-	18	-	45	446	154	688
Provision	528	812	698	(17)	3,502	2,104	208	7,835
Ending Balance	$ 5,045	$ 1,533	$ 4,504	$ 757	$ 13,290	$ 8,934	$ 1,138	$ 35,201
Ending Balance:								
Individually evaluated for impairment	$ 24	$ -	$ 97	$ -	$ 74	$ 125	$ 25	$ 345
Collectively evaluated for impairment	$ 5,021	$ 1,533	$ 4,407	$ 757	$ 13,216	$ 8,809	$ 1,113	$ 34,856
Purchased Credit Impaired	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:								
Ending Balance	$ 636,869	$ 190,829	$ 545,880	$ 102,056	$ 1,823,408	$ 1,012,778	$ 118,080	$ 4,429,900
Ending Balance:								
Individually evaluated for impairment	$ 832	$ 18	$ 3,672	$ -	$ 2,861	$ 6,510	$ 169	$ 14,062
Collectively evaluated for impairment	$ 635,117	$ 190,804	$ 526,120	$ 102,056	$ 1,787,246	$ 1,000,841	$ 117,161	$ 4,359,345
Purchased Credit Impaired	$ 920	$ 7	$ 16,088	$ -	$ 33,301	$ 5,427	$ 750	$ 56,493

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	December 31, 2021							
	(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 and Other	Total
Allowance for credit losses:								
Beginning balance	$ 3,584	$ 600	$ 3,453	$ 818	$ 7,369	$ 5,018	$ 1,182	$ 22,024
Charge-offs	(28)	(1)	(169)	-	(139)	(830)	(469)	(1,636)
Recoveries	1	2	39	-	99	417	119	677
Provision	941	120	468	(44)	2,465	3,753	344	8,047
Ending Balance	$ 4,498	$ 721	$ 3,791	$ 774	$ 9,794	$ 8,358	$ 1,176	$ 29,112
Ending Balance:								
Individually evaluated for impairment	$ 26	$ -	$ 110	$ -	$ 83	$ 438	$ 37	$ 694
Collectively evaluated for impairment	$ 4,472	$ 721	$ 3,681	$ 774	$ 9,711	$ 7,920	$ 1,139	$ 28,418
Purchased Credit Impaired	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:								
Ending Balance	$ 548,528	$ 87,463	$ 467,699	$ 97,508	$ 1,144,426	$ 721,385	$ 122,599	$ 3,189,608
Ending Balance:								
Individually evaluated for impairment	$ 1,358	$ 74	$ 3,627	$ -	$ 2,959	$ 5,514	$ 289	$ 13,821
Collectively evaluated for impairment	$ 546,164	$ 87,387	$ 444,934	$ 97,508	$ 1,118,836	$ 708,346	$ 121,392	$ 3,124,567
Purchased Credit Impaired	$ 1,006	$ 2	$ 19,138	$ -	$ 22,631	$ 7,525	$ 918	$ 51,220

Portfolio Segment Risk Factors

Construction and land include loans to small-to-midsized businesses to construct owner-user properties, loans to developers of commercial real estate investment properties and residential developments and, to a lesser extent, loans to individual clients for construction of single-family homes in the Company's market areas. Risks associated with these loans include fluctuations in the value of real estate, project completion risk and change in market trends. The Company is also exposed to risk based on the ability of the construction loan borrower to finance the loan or sell the property upon completion of the project, which may be affected by changes in secondary market terms and criteria for permanent financing since the time that the Company funded the loan.

Farmland loans are loans that can be, or are, used for agricultural purposes. These loans are usually repaid through permanent financing, cash flow from the borrower's ongoing operations, development of the property, or sale of the property.

One-to-four family residential loans include first and second lien 1-4 family mortgage loans, as well as home equity lines of credit, in each case primarily on owner-occupied primary residences. The Company is exposed to risk based on fluctuations in the value of the real estate collateral securing the loan, as well as changes in the borrower's financial condition, which could be affected by numerous factors, including divorce, job loss, illness or other personal hardship.

Multi-family residential loans are generally originated to provide permanent financing for multi-family residential income producing properties. Repayment of these loans primarily relies on successful rental and management of the property.

Nonfarm nonresidential loans are extensions of credit secured by owner-occupied and non-owner occupied collateral. Repayment is generally relied upon from the successful operations of the property. General economic conditions may impact the performance of these types of loans, including fluctuations in the value of real estate, vacancy rates, and unemployment trends.

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Commercial loans include general commercial and industrial, or C&I, loans, including commercial lines of credit, working capital loans, term loans, equipment financing, asset acquisition, expansion and development loans, borrowing base loans, letters of credit and other loan products, primarily in the Company's target markets that are underwritten on the basis of the borrower's ability to service the debt from income. Commercial loan risk is derived from the expectation that such loans generally are serviced principally from the operations of the business, and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan.

Consumer and other loans include a variety of loans to individuals for personal, family and household purposes, including secured and unsecured installment and term loans. The risk is based on changes in the borrower's financial condition, which could be affected by numerous factors, including divorce, job loss, illness or other personal hardship, and fluctuations in the value of the real estate or personal property securing the consumer loan, if any.

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.

As of September 30, 2022 and December 31, 2021, the credit quality indicators, disaggregated by class of loan, are as follows:

Credit Quality Indicators

	September 30, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 633,599	$ 509	$ 2,281	$ 480	$ 636,869
Farmland	188,721	2,083	-	25	190,829
1-4 family residential	532,752	4,346	3,546	5,236	545,880
Multi-family residential	102,038	-	18	-	102,056
Nonfarm nonresidential	1,780,039	24,927	13,978	4,464	1,823,408
Commercial	997,684	7,424	4,828	2,842	1,012,778
Consumer and other	117,273	241	322	244	118,080
Total	$ 4,352,106	$ 39,530	$ 24,973	$ 13,291	$ 4,429,900

	December 31, 2021				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 545,071	$ 266	$ 1,850	$ 1,341	$ 548,528
Farmland	86,063	1,324	-	76	87,463
1-4 family residential	456,150	3,109	2,801	5,639	467,699
Multi-family residential	97,485	-	23	-	97,508
Nonfarm nonresidential	1,094,782	34,495	9,735	5,414	1,144,426
Commercial	704,755	7,886	3,137	5,607	721,385
Consumer and other	121,566	350	257	426	122,599
Total	$ 3,105,872	$ 47,430	$ 17,803	$ 18,503	$ 3,189,608

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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.

As of September 30, 2022 and December 31, 2021, loan balances outstanding more than 90 days past due and still accruing interest amounted to $1.1 million and $222,000, respectively. As of September 30, 2022 and December 31, 2021, loan balances outstanding on nonaccrual status amounted to $9.8 million and $12.9 million, respectively. The Bank considers all loans more than 90 days past due as nonperforming loans.

The following tables provide an analysis of the aging of loans and leases as of September 30, 2022 and December 31, 2021. Past due and nonaccrual loan amounts exclude acquired impaired loans, even if contractually past due or if the Company does not expect to receive payment in full, as the Company is currently accreting interest income over the expected life of the loans. All loans greater than 90 days past due are generally placed on nonaccrual status.

Aged Analysis of Past Due Loans Receivable

	September 30, 2022 (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	$ 206	$ 106	$ 1,237	$ 1,549	$ 635,320	$ 636,869	$ 493
Farmland	50	-	-	50	190,779	190,829	-
1-4 family residential	1,358	636	1,901	3,895	541,985	545,880	171
Multi-family residential	-	-	-	-	102,056	102,056	-
Nonfarm nonresidential	595	191	2,546	3,332	1,820,076	1,823,408	298
Commercial	434	143	1,738	2,315	1,010,463	1,012,778	75
Consumer and other	375	111	236	722	117,358	118,080	84
Total	$ 3,018	$ 1,187	$ 7,658	$ 11,863	$ 4,418,037	$ 4,429,900	$ 1,121

	December 31, 2021 (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	$ 632	$ 16	$ 488	$ 1,136	$ 547,392	$ 548,528	$ -
Farmland	83	-	-	83	87,380	87,463	-
1-4 family residential	917	534	1,496	2,947	464,752	467,699	107
Multi-family residential	-	-	-	-	97,508	97,508	-
Nonfarm nonresidential	222	627	1,767	2,616	1,141,810	1,144,426	-
Commercial	106	55	4,257	4,418	716,967	721,385	97
Consumer and other	392	144	271	807	121,792	122,599	18
Total	$ 2,352	$ 1,376	$ 8,279	$ 12,007	$ 3,177,601	$ 3,189,608	$ 222

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The following is a summary of information pertaining to impaired loans as of September 30, 2022 and December 31, 2021. Purchased performing 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 $193,000 and $334,000 for the nine months ending September 30, 2022 and the year ending December 31, 2021, respectively.

	September 30, 2022 (Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ 66	$ 70	$ 24	$ 168
Farmland	-	-	-	-
1-4 family residential	521	566	97	321
Multi-family residential	-	-	-	-
Nonfarm nonresidential	746	786	74	697
Other Loans:				
Commercial	3,624	3,768	125	1,535
Consumer and other	30	30	25	72
Total	$ 4,987	$ 5,220	$ 345	$ 2,793
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 766	$ 786	$ -	$ 822
Farmland	18	20	-	89
1-4 family residential	3,151	4,091	-	3,339
Multi-family residential	-	-	-	-
Nonfarm nonresidential	2,115	2,655	-	4,602
Other Loans:				
Commercial	2,886	4,700	-	4,208
Consumer and other	139	340	-	155
Total	$ 9,075	$ 12,592	$ -	$ 13,215
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 832	$ 856	$ 24	$ 990
Farmland	18	20	-	89
1-4 family residential	3,672	4,657	97	3,660
Multi-family residential	-	-	-	-
Nonfarm nonresidential	2,861	3,441	74	5,299
Other Loans:				
Commercial	6,510	8,468	125	5,743
Consumer and other	169	370	25	227
Total	$ 14,062	$ 17,812	$ 345	$ 16,008

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	December 31, 2021			
	(Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ 68	$ 70	$ 26	$ 27
Farmland	-	-	-	12
1-4 family residential	314	371	110	325
Multi-family residential	-	-	-	-
Nonfarm nonresidential	784	801	83	623
Other Loans:				
Commercial	695	836	438	1,217
Consumer and other	91	92	37	80
Total	$ 1,952	$ 2,170	$ 694	$ 2,284
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 1,290	$ 1,356	$ -	$ 1,050
Farmland	74	82	-	150
1-4 family residential	3,313	4,171	-	2,835
Multi-family residential	-	-	-	48
Nonfarm nonresidential	2,175	2,691	-	2,889
Other Loans:				
Commercial	4,819	5,211	-	3,882
Consumer and other	198	467	-	184
Total	$ 11,869	$ 13,978	$ -	$ 11,038
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 1,358	$ 1,426	$ 26	$ 1,077
Farmland	74	82	-	162
1-4 family residential	3,627	4,542	110	3,160
Multi-family residential	-	-	-	48
Nonfarm nonresidential	2,959	3,492	83	3,512
Other Loans:				
Commercial	5,514	6,047	438	5,099
Consumer and other	289	559	37	264
Total	$ 13,821	$ 16,148	$ 694	$ 13,322

As discussed in Note 3, the Company acquired loans with fair values of $338.0 million from TCBI on March 1, 2022. Of the total $338.0 million of loans acquired, $316.5 million were determined to have no evidence of deteriorated credit quality and are accounted for under ASC Topics 310-10 and 310-20. The unamortized discount related to the acquired performing loans totaled $1.7 million at March 1, 2022. The remaining $21.5 million were determined to exhibit deteriorated credit quality since origination under ASC 310-30.

The following table presents the balances acquired on March 1, 2022 which were accounted for under ASC 310-30.

	Purchased Impaired Credits
	(Dollars in thousands)
Contractually required payments	$ 52,899
Non-accretable difference (expected losses)	(26,803)
Cash flows expected to be collected at acquisition	26,096
Accretable yield	(4,622)
Basis in acquired loans at acquisition	$ 21,474

The following is a summary of changes in the accretable difference for loans accounted for under ASC 310-30 during the nine months ended September 30, 2022:

Balance at December 31, 2021	$ 20,659
Additions	4,622
Transfers from non-accretable difference to accretable yield	4,602
Accretion	(4,056)
Changes in expected cash flows not affecting non-accretable differences	(7,438)
Balance at September 30, 2022	$ 18,389

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, 2022 and December 31, 2021, the concessions granted to certain borrowers generally included extending the payment due dates and offering below market contractual interest rates.

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 an 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.

The Company had no troubled debt restructurings that had subsequently defaulted during the nine months ended September 30, 2022 and three troubled debt restructuring that had subsequently defaulted in the amount of $154,000 during the year ended December 31, 2021. During the nine months ended September 30, 2022, one loan with a pre-modification amount of $3.5 million and a post-modification balance in the amount of $3.3 million, was modified which was considered a troubled debt restructuring. During the year ended December 31, 2021, the Company did not modify any loans that were categorized as trouble debt restructurings.

As of September 30, 2022 and December 31, 2021, our loan portfolio included loans with outstanding principal balances of $438.3 million and $522.0 million, respectively, that had previously been granted payment deferrals due to the effects of the COVID-19 pandemic. As of both September 30, 2022 and December 31, 2021, the Company had no loans with outstanding principal balances still in their pandemic-related deferral periods. Under Section 4013 of the CARES Act, as extended by the Consolidated Appropriations Act of 2021, and based on the interpretive guidance released by the FASB and the applicable banking regulators, the Company determined that none of the modifications associated with the COVID-19 pandemic were troubled debt restructurings at both September 30, 2022 and December 31, 2021.

Accrued interest receivable of $5.6 million and $6.0 million was outstanding as of September 30, 2022 and December 31, 2021, respectively, for all loan deferrals.

Note 7 – **Long Term Debt** –

On March 26, 2021, the Company issued $52.5 million in subordinated debt. This subordinated debt bears interest at a fixed rate of 4.25% through March 31, 2026 and a floating rate, based on a benchmark rate plus 354 basis points, thereafter through maturity in 2031. The subordinated notes were issued to provide additional capital support to the Bank, to support growth, to better position the Company to take advantage of strategic opportunities that may arise from time to time, repayment of existing Company borrowings, and for other general corporate purposes. The subordinated notes are redeemable by the Company at its option beginning in 2026.

On April 1, 2021, the Company consummated the acquisition of SSW as discussed in Note 3. Under the terms of the acquisition, the Company issued $3.9 million in subordinated debt to the former owners of SSW. This subordinated debt bears interest at a fixed rate of 4.75% through April 1, 2026 and a floating rate, based on a benchmark rate plus 442 basis points, thereafter through maturity in 2031.

On March 1, 2022, the Company assumed, in connection with the TCBI acquisition, three tranches of subordinated debt with an aggregate principal balance outstanding of $26.4 million. One tranche in the amount of $10.0 million bears interest at a fixed rate of 6.25% until April 11, 2023, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on April 11, 2028. Another tranche in the amount of $7.5 million bears a fixed rate 6.38% until December 13, 2023, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on December 13, 2028. The third tranche in the amount of $8.9 million bears an adjustable interest rate plus 595 basis points, based on a benchmark rate, until maturity on March 24, 2027. These notes carry an aggregate $3.1 million fair value adjustment as of September 30, 2022.

Note 8 – **Federal Home Loan Bank ("FHLB") Borrowings** –

The Company had outstanding advances from the FHLB of $534.1 million and $82.0 million as of September 30, 2022 and December 31, 2021, respectively, consisting of:

One short term, seven-day, fixed rate loan of $483.0 million at September 30, 2022, with interest at 3.12%. Principal and interest was due, paid and renewed, at maturity in October 2022.

One fixed rate loan of $875,000 at September 30, 2022, that was acquired during the TCBI acquisition, with interest at 4.88% paid monthly. Principal is due at maturity in April 2025.

One fixed rate loan with an original principal balance of $60.0 million. The loan was made in 2021 and the balance at September 30, 2022 and December 31, 2021 was $50.2 million and $59.0 million, respectively, with interest at 0.89%. Monthly principal and interest payments are due monthly and the loan matures in November 2026.

One fixed rate loan of $23.0 million at December 31, 2021, with interest at 1.59% paid monthly. Principal was due at maturity in June 2024 but was paid in full in June 2022.

Note 9 – Leases –

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. Certain leases provide for increases in minimum monthly rental payments as defined by the lease agreement. Rental expense under these agreements was $3.6 million and $1.4 million for the nine months ended September 30, 2022 and 2021, respectively. At September 30, 2022, the Company had a weighted average lease term of 6.2 years and a weighted average discount rate of 2.62%.

Future minimum lease payments under these leases are as follows:

	(Dollars in thousands)
October 1, 2022 through September 30, 2023	$ 1,090
October 1, 2023 through September 30, 2024	4,132
October 1, 2024 through September 30, 2025	3,758
October 1, 2025 through September 30, 2026	2,732
October 1, 2026 through September 30, 2027	2,178
October 1, 2027 and Thereafter	6,353
Total Future Minimum Lease Payments	20,243
Less Imputed Interest	(1,632)
Present Value of Lease Liabilities	$ 18,611

Note 10 – 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 $1.3 billion and standby and commercial letters of credit of approximately $44.1 million at September 30, 2022.

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.

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Note 11 – **Preferred Stock** –

On September 1, 2022, the Company entered into a securities purchase agreement with certain investors pursuant to which the Company offered and sold shares of its 7.50% fixed-to-floating rate non-cumulative perpetual preferred stock, with no par value, for an aggregate purchase price of $72.0 million. Holders of the preferred stock will be entitled to receive, if, when, and as declared by the Company's board of directors, non-cumulative cash dividends at a rate of 7.50% per share for the first five years following issuance and thereafter at a variable rate equal to the then current 3-month secured overnight financing rate ("SOFR"), reset quarterly, plus 470 basis points. The preferred stock has a perpetual term and may not be redeemed, except under certain circumstances, under the first five years of issuance. The preferred stock is non-convertible and no dividends have been declared, or paid, as of September 30, 2022.

Note 12 – **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 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, 2022 and December 31, 2021. 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, 2022				
Available for Sale:				
U.S. Treasury Securities	$ 29,790	$ -	$ 29,790	$ -
U.S. Government Agency Securities	46,940	-	46,940	-
Corporate Securities	45,160	-	25,160	20,000
Mortgage-Backed Securities	456,209	-	456,209	-
Municipal Securities	306,861	-	279,971	26,890
Loans Held for Sale	545	-	545	-
Servicing Rights	2,205	-	2,205	-
Total	$ 887,710	$ -	$ 840,820	$ 46,890
December 31, 2021				
Available for Sale:				
U.S. Treasury Securities	$ 22,314	$ -	$ 22,314	$ -
U.S. Government Agency Securities	27,493	-	27,493	-
Corporate Securities	46,582	-	26,582	20,000
Mortgage-Backed Securities	552,339	-	552,339	-
Municipal Securities	372,333	-	348,243	24,090
Loans Held for Sale	1,200	-	1,200	-
Servicing Rights	1,775	-	1,775	-
Total	$ 1,024,036	$ -	$ 979,946	$ 44,090

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 table below. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a nonrecurring basis.

The fair value of the impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are Level 3 assets measured using appraisals from external parties of the collateral less any prior liens and adjusted for estimated selling costs. Adjustments may be made by management based on a customized internally developed discounting matrix. Repossessed assets are initially recorded at fair value less estimated cost to sell, which is generally 10%. 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 3.

	Fair Value	Level 1	Level 2	Level 3
		(Dollars in thousands)		
September 30, 2022				
Assets:				
Impaired Loans	$ 18,614	$ -	$ -	$ 18,614
Other Nonperforming Assets	1,020	-	-	1,020
Total	$ 19,634	$ -	$ -	$ 19,634
December 31, 2021				
Assets:				
Impaired Loans	$ 18,749	$ -	$ -	$ 18,749
Other Nonperforming Assets	1,427	-	-	1,427
Total	$ 20,176	$ -	$ -	$ 20,176

The following table provides quantitative information for impaired loans measured at fair value on a nonrecurring basis using Level 3 inputs as of the dates indicated.

	Valuation Technique	Unobservable Input	Discounted Range (Weighted Average)	
			September 30, 2022	December 31, 2021
Impaired Loans	Discounted Appraisals	Appraisal Adjustments	10% to 100% (18%)	10% to 100% (20%)

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 GAAP, 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.

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.

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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, 2022 and December 31, 2021 are as follows:

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
September 30, 2022					
Financial Assets:					
Cash and Short-Term Investments	$ 163,808	$ 163,808	$ 163,808	$ -	$ -
Securities	884,960	884,960	-	838,070	46,890
Loans Held for Sale	545	545	-	545	-
Loans - Net	4,394,699	4,336,799	-	-	4,336,799
Servicing Rights	2,033	2,205	-	2,205	-
Cash Value of BOLI	88,743	88,743	-	88,743	-
Other Equity Securities	39,390	39,390	-	-	39,390
Total	$ 5,574,178	$ 5,516,450	$ 163,808	$ 929,563	$ 4,423,079
Financial Liabilities:					
Deposits	$ 4,586,105	$ 4,576,621	$ -	$ -	$ 4,576,621
Borrowings	677,042	666,392	-	666,392	-
Total	$ 5,263,147	$ 5,243,013	$ -	$ 666,392	$ 4,576,621

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	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
December 31, 2021					
Financial Assets:					
Cash and Short-Term Investments	$ 295,419	$ 295,419	$ 295,419	$ -	$ -
Securities	1,021,061	1,021,061	-	976,971	44,090
Loans Held for Sale	1,200	1,200	-	1,200	-
Loans - Net	3,160,496	3,121,433	-	-	3,121,433
Servicing Rights	1,403	1,775	-	1,775	-
Cash Value of BOLI	60,380	60,380	-	60,380	-
Other Equity Securities	16,619	16,619	-	-	16,619
Total	$ 4,556,578	$ 4,517,887	$ 295,419	$ 1,040,326	$ 3,182,142
Financial Liabilities:					
Deposits	$ 4,077,283	$ 4,078,558	$ -	$ -	$ 4,078,558
Borrowings	187,590	195,998	-	195,998	-
Total	$ 4,264,873	$ 4,274,556	$ -	$ 195,998	$ 4,078,558

Note 13 – **Subsequent Events** –

On October 17, 2022, the Company completed an underwritten public offering of common stock. The Company issued 2,500,000 shares of its common stock at a public offering price of $20.00 per share. The net proceeds from the offering, after deducting the underwriting and offering expenses, are expected to be approximately $46.8 million.

Note 14 – **Recently Issued Accounting Pronouncements** –

Accounting Standards Adopted in Current Period

None

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 cancelable). 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 until January 2023 applicable to public companies that met the definition of a "smaller reporting company" based on the most recent determination prior to October 18, 2019. The Company met the requirements for this effective date delay and has elected to delay implementation of the standard. The Company established an implementation team and engaged third-party consultants who jointly developed a project plan to provide implementation oversight. The Company has developed the model, including the inclusion of unfunded commitments, and is in the final stages of refining the model to satisfy the requirements of ASU 2016-13. The Company began to run parallel models during the second quarter of 2022 and has continued to run parallels thereafter. The future adoption of this ASU may have a material effect on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings (TDRs) and Vintage Disclosures. The main amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. The effective date for the amendments are the same as the effective date for ASU 2016-13.

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 b1BANK, 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 other acquired businesses, including exposure to potential asset quality and credit quality risks and unknown or contingent liabilities, risks related to entering a new geographic market, the time and costs associated with integrating systems, technology platforms, procedures and personnel, the ability to retain key employees and maintain relationships with significant customers, 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 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, the Dallas/Fort Worth metroplex and Houston;
- 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 and emerging non-bank competitors;
- 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, epidemics and pandemics such as coronavirus, 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, 2021, filed with the SEC.

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 and its subsidiaries from December 31, 2021 to September 30, 2022, and its results of operations for the three and nine months ended September 30, 2022. 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, 2021, 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 financial holding company headquartered in Baton Rouge, Louisiana. Through our wholly-owned subsidiary, b1BANK, a Louisiana state chartered bank, we provide a broad range of financial services tailored to meet the needs of small-to-midsized 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, the Dallas/Fort Worth metroplex, and Houston. We currently operate out of banking centers and loan production offices across Louisiana and Texas. As of September 30, 2022, we had total assets of $5.8 billion, total loans of $4.4 billion, total deposits of $4.6 billion, and total shareholders' equity of $508.2 million.

As a financial holding company operating through one reportable operating 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 our markets and across our region, as well as developments affecting the real estate, technology, financial services, insurance, transportation, manufacturing and energy sectors within our markets.

Other Developments

Acquisition of Smith Shellnut Wilson, LLC ("SSW")

On March 22, 2021, we, through b1BANK, entered into a definitive agreement to acquire SSW, a registered investment advisor with approximately $3.5 billion in assets under management, specializing in managing investment portfolios for corporations, foundations and individuals. The acquisition of SSW was consummated on April 1, 2021. At March 31, 2021, SSW reported $3.6 million in total assets and $2.3 million in total liabilities.

Issuance of Subordinated Debt

On March 26, 2021, we issued $52.5 million in subordinated debt. This subordinated debt bears interest at a fixed rate of 4.25% through March 31, 2026 and a floating rate, based on a benchmark rate plus 354 basis points, thereafter through maturity in 2031. The subordinated notes are redeemable by us at our option beginning in 2026.

Sale of Oak Grove Banking Center

On October 1, 2021, we sold the Oak Grove banking center, located in Oak Grove, Louisiana, to Caldwell Bank & Trust Company headquartered in Columbia, Louisiana, in accordance with the Branch Purchase and Assumption Agreement dated June 29, 2021. The sale included $3.7 million in loans, $18.7 million in deposits and an estimated pre-tax gain on sale of $492,000.

Acquisition of Texas Citizens Bancorp, Inc. ("TCBI")

On October 20, 2021, we entered into a definitive agreement to acquire TCBI, the parent bank holding company for Texas Citizens Bank, National Association, headquartered in Pasadena, Texas. The acquisition was consummated on March 1, 2022. At February 28, 2022, TCBI had fair values of approximately $535.5 million in total assets, $349.5 million in loans and $477.2 million in total deposits.

Preferred Stock Issuance

On September 1, 2022, we entered into a securities purchase agreement with certain investors pursuant to which we offered and sold shares of our 7.50% fixed-to-floating rate non-cumulative perpetual preferred stock, with no par value, for an aggregate purchase price of $72.0 million. The preferred stock was structured to qualify as additional Tier 1 capital under applicable regulatory capital guidelines. Holders of the preferred stock will be entitled to receive, if, when, and as declared by our board of directors (the "Board"), non-cumulative cash dividends at a rate of 7.50% for the first five years following issuance and thereafter at a variable rate equal to the then current 3-month secured overnight financing rate ("SOFR"), reset quarterly, plus 470 basis points. The preferred stock has a perpetual term and may not be redeemed, except under certain circumstances, under the first five years of issuance. We intend to use the net proceeds from the preferred stock issuance to provide additional capital support to the Bank, to support growth, to better position us to take advantage of strategic opportunities that may arise from time to time, repayment of existing debt, and for general corporate purposes.

Common Stock Underwritten Public Offering

Subsequent to the end of the third quarter, we conducted an underwritten public offering of common stock, which closed on October 17, 2022. We issued 2,500,000 shares of our common stock at a public offering price of $20.00 per share. The net proceeds from the offering, after deducting the underwriting and offering expenses, are expected to be approximately $46.8 million. We intend to use the net proceeds from the common stock offering for general corporate purposes, which may include augmenting our capital, supporting future organic growth, funding potential acquisition opportunities, and redeeming certain of subordinated debt.

COVID-19

The COVID-19 pandemic has caused extensive disruptions to the global, national and regional economy. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief.

We have taken a number of actions in response to the COVID-19 pandemic:

- We participated in the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), as described in further detail below, including participation in round 2 of the PPP during the year ended December 31, 2021. During the year ended December 31, 2021, we sold approximately 2,000 PPP loans with an aggregate balance of $243.6 million at a gain of $9.2 million. As of September 30, 2022, we had approximately $3.0 million in SBA PPP loans remaining, of which $1.0 million were acquired from TCBI;

- We continue to monitor those sectors particularly impacted by the pandemic—such as energy, hotels, restaurants, 1-4 family and retail—and have flagged those sectors for additional monitoring;

COVID-19 Deferral Assistance Program

Beginning on March 25, 2020, we have taken proactive measures to help customers by deferring principal and/or interest payments. As of September 30, 2022, we had 1,199 loans that received deferrals with an aggregate outstanding balance of $438.3 million.

In accordance with FASB and interagency regulatory guidance issued in March 2020, loans that are modified under the terms of our COVID-19 Deferral Assistance Program will not be considered as troubled debt restructurings to the extent that they meet the terms of such guidance under Section 4013 of the CARES Act, as extended by the Consolidated Appropriations Act of 2021.

SBA PPP Participation

As of September 30, 2022, we held 16 PPP loans (including both round 1 and round 2 PPP loans and TCBI PPP acquired loans) with an aggregate balance of $3.0 million and an average loan balance of approximately $186,000. In June 2021, we sold approximately 2,000 PPP loans with an aggregate balance of $243.6 million at a gain of $9.2 million.

Financial Highlights

The financial highlights as of and for the three and nine months ended September 30, 2022 include:

- **Total assets** of $5.8 billion, a $1.1 billion, or 22.9%, increase from December 31, 2021.
- **Total loans held for investment** of $4.4 billion, a $1.2 billion, or 38.9%, increase from December 31, 2021.
- **Total deposits** of $4.6 billion, a $508.8 million, or 12.5%, increase from December 31, 2021.
- **Net income** of $36.3 million for the nine months ended September 30, 2022, a $3.8 million, or 9.4%, decrease from the nine months ended September 30, 2021.
- **Net interest income** of $143.5 million for the nine months ended September 30, 2022, an increase of $28.0, or 24.2%, from the nine months ended September 30, 2021.
- **Allowance for loan and lease losses** of 0.79% of total loans held for investment, compared to 0.91% as of December 31, 2021, and a ratio of nonperforming loans to total loans held for investment of 0.25%, compared to 0.41% as of December 31, 2021.
- **Earnings per common share** for the first nine months of 2022 of $1.65 per basic common share and $1.64 per diluted common share, compared to $1.95 per basic common share and $1.94 per diluted common share for the first nine months of 2021.
- **Return on average assets** of 0.91% over the first nine months of 2022, compared to 1.23% for the first nine months of 2021.
- **Return on average common equity** of 10.84% over the first nine months of 2022, compared to 12.60% for the first nine months of 2021.
- **Capital ratios** for Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 8.70%, 7.81%, 9.25% and 11.97%, respectively, compared to Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 8.14%, 9.04%, 9.17% and 11.94% for the year ended December 31, 2021.
- **Book value per common share** of $19.29, a decrease of 9.2% from $21.24 at December 31, 2021.

Results of Operations for the Three and Nine Months Ended September 30, 2022 and 2021

Performance Summary

For the three months ended September 30, 2022, net income was $13.8 million, or $0.61 per basic and diluted common share, compared to net income of $10.3 million, or $0.51 per basic common share and $0.50 per diluted common share, for the three months ended September 30, 2021. Return on average assets, on an annualized basis, increased to 0.97% for the three months ended September 30, 2022, from 0.95% for the three months ended September 30, 2021. Return on average common equity, on an annualized basis, increased to 12.47% for the three months ended September 30, 2022, as compared to 9.47% for the three months ended September 30, 2021. Earnings per common share and average assets were impacted by the TCBI acquisition on March 1, 2022.

For the nine months ended September 30, 2022, net income was $36.3 million, or $1.65 per basic common share and $1.64 per diluted common share, compared to net income of $40.1 million, or $1.95 per basic common share and $1.94 per diluted common share, for the nine months ended September 30, 2021. Return on average assets, on an annualized basis, decreased to 0.91% for the nine months ended September 30, 2022, from 1.23% for the nine months ended September 30, 2021. Return on average common equity, on an annualized basis, decreased to 10.84% for the nine months ended September 30, 2022, as compared to 12.60% for the nine months ended September 30, 2021.

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, 2022, net interest income totaled $53.5 million, and net interest margin and net interest spread were 4.05% and 3.67%, respectively, compared to $37.3 million, 3.71%, and 3.51%, respectively, for the three months ended September 30, 2021. The average yield on the loan portfolio (excluding SBA PPP loans) was 5.50% for the three months ended September 30, 2022, compared to 5.11% for the three months ended September 30, 2021, and the average yield on total interest-earning assets was 4.80% for the three months ended September 30, 2022, compared to 4.14% for the three months ended September 30, 2021. For the three months ended September 30, 2022, overall cost of funds (which includes noninterest-bearing deposits) increased 33 basis points compared to the three months ended September 30, 2021, primarily due to the federal reserve increasing interest rates during 2022.

For the nine months ended September 30, 2022, net interest income totaled $143.5 million, and net interest margin and net interest spread were 3.86% and 3.61%, respectively, compared to $115.5 million, 3.93%, and 3.75%, respectively, for the nine months ended September 30, 2021. The average yield on the loan portfolio (excluding SBA PPP loans) was 5.15% for the nine months ended September 30, 2022, compared to 5.25% for the nine months ended September 30, 2021, and the average yield on total interest-earning assets was 4.34% for the nine months ended September 30, 2022, compared to 4.36% for the nine months ended September 30, 2021. For the nine months ended September 30, 2022, overall cost of funds (which includes noninterest-bearing deposits) increased 7 basis points compared to the nine months ended September 30, 2021, primarily due to the federal reserve increasing interest rates during 2022. Ratios for the nine months ended September 30, 2022 also include $1.0 million less discount accretion compared to the nine months ended September 30, 2021.

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 table also sets 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. 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 either over the remaining lives of the respective loans or expected cash flows. Averages presented in the table below, and throughout this report, are month-end averages.

	For the Three Months Ended September 30,					
	2022			2021		
	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 (excluding SBA PPP loans)	$ 4,278,184	$ 58,839	5.50%	$ 2,948,491	$ 37,666	5.11%
SBA PPP loans	2,953	7	1.00	10,150	234	9.24
Securities	951,479	4,200	1.77	946,950	3,598	1.52
Interest-bearing deposits in other banks	54,730	427	3.12	110,472	36	0.13
Total interest-earning assets	5,287,346	63,473	4.80	4,016,063	41,534	4.14
Allowance for loan losses	(33,215)			(27,409)		
Noninterest-earning assets	448,181			365,231		
Total Assets	$ 5,702,312	$ 63,473		$ 4,353,885	$ 41,534	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 3,009,565	$ 6,286	0.84%	$ 2,566,766	$ 3,060	0.48%
Subordinated debt	110,953	1,332	4.80	81,427	1,026	5.04
Subordinated debt - trust preferred securities	5,000	68	5.44	5,000	42	3.36
Advances from Federal Home Loan Bank ("FHLB")	396,267	2,194	2.21	36,015	106	1.18
First National Bankers Bank ("FNBB") Line of Credit	5,000	70	5.60	-	-	0.00
Other borrowings	22,381	43	0.77	26,350	6	0.09
Total interest-bearing liabilities	3,549,166	9,993	1.13	2,715,558	4,240	0.62
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,626,055			1,172,752		
Other liabilities	60,310			30,175		
Total noninterest-bearing liabilities	1,686,365			1,202,927		
Shareholders' equity:						
Common shareholders' equity	442,778			435,400		
Preferred equity	24,003			-		
Total shareholders' equity	466,781			435,400		
Total liabilities and shareholders' equity	$ 5,702,312			$ 4,353,885		
Net interest rate spread (1)			3.67%			3.51%
Net interest rate income		$ 53,480			$ 37,294	
Net Interest margin (2)			4.05%			3.71%
Overall cost of funds			0.77%			0.44%

(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,					
	2022			2021		
	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 (excluding SBA PPP loans)	$ 3,850,321	$ 148,640	5.15%	$ 2,802,246	$ 110,320	5.25%
SBA PPP loans	3,702	28	1.00	209,041	8,134	5.19
Securities	974,566	12,187	1.67	813,231	9,616	1.58
Interest-bearing deposits in other banks	132,685	754	0.76	91,466	77	0.11
Total interest-earning assets	4,961,274	161,609	4.34	3,915,984	128,147	4.36
Allowance for loan losses	(30,806)			(25,383)		
Noninterest-earning assets	400,884			452,806		
Total Assets	$ 5,331,352	$ 161,609		$ 4,343,407	$ 128,147	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 2,958,005	$ 11,106	0.50%	$ 2,588,756	$ 9,538	0.49%
Subordinated debt	104,471	3,746	4.78	63,768	2,499	5.23
Subordinated debt - trust preferred securities	5,000	163	4.35	5,000	127	3.39
Advances from FHLB	215,955	2,923	1.80	35,309	325	1.23
FNBB Line of Credit	2,778	91	4.37	-	-	0.00
Other borrowings	22,325	63	0.38	27,651	118	0.57
Total interest-bearing liabilities	3,308,534	18,092	0.73	2,720,484	12,607	0.62
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,530,748			1,170,534		
Other liabilities	37,666			28,412		
Total noninterest-bearing liabilities	1,568,414			1,198,946		
Shareholders' equity:						
Common shareholders' equity	446,403			423,977		
Preferred equity	8,001			-		
Total shareholders' equity	454,404			423,977		
Total liabilities and shareholders' equity	$ 5,331,352			$ 4,343,407		
Net interest rate spread (1)			3.61%			3.75%
Net interest rate income		$ 143,517			$ 115,540	
Net Interest margin (2)			3.86%			3.93%
Overall cost of funds			0.50%			0.43%

(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 this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

	For the Three Months Ended September 30, 2022 compared to the Three Months Ended September 30, 2021		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans (excluding SBA PPP loans)	$ 18,288	$ 2,885	$ 21,173
SBA PPP loans	(18)	(209)	(227)
Securities	20	582	602
Interest-bearing deposits in other banks	(435)	826	391
Total increase (decrease) in interest income	$ 17,855	$ 4,084	$ 21,939
Interest-bearing liabilities:			
Interest-bearing deposits	$ 925	$ 2,301	$ 3,226
Subordinated debt	354	(48)	306
Subordinated debt - trust preferred securities	-	26	26
Advances from FHLB	1,995	93	2,088
FNBB Line of Credit	70	-	70
Other borrowings	(8)	45	37
Total increase (decrease) in interest expense	3,336	2,417	5,753
Increase (decrease) in net interest income	$ 14,519	$ 1,667	$ 16,186

	For the Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans (excluding SBA PPP loans)	$ 40,460	$ (2,140)	$ 38,320
SBA PPP loans	(1,540)	(6,566)	(8,106)
Securities	2,018	553	2,571
Interest-bearing deposits in other banks	234	443	677
Total increase (decrease) in interest income	$ 41,172	$ (7,710)	$ 33,462
Interest-bearing liabilities:			
Interest-bearing deposits	$ 1,386	$ 182	$ 1,568
Subordinated debt	1,459	(212)	1,247
Subordinated debt - trust preferred securities	-	36	36
Advances from FHLB	2,445	153	2,598
FNBB Line of Credit	91	-	91
Other borrowings	(15)	(40)	(55)
Total increase (decrease) in interest expense	5,366	119	5,485
Increase (decrease) in net interest income	$ 35,806	$ (7,829)	$ 27,977

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 $3.3 million for the three months ended September 30, 2022 and $1.1 million for the same period in 2021. For the nine months ended September 30, 2022 and 2021, the provision for loan losses was $7.8 million and $6.7 million, respectively. The higher provision for both the three and nine months ended September 30, 2022 compared to the same period in 2021 relates primarily to the overall growth of the loan portfolio.

Noninterest Income ("Other 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, fees and brokerage commission and pass-through income from other investments (small business investment company ("SBIC") partnerships and fintech technology ("Fintech") funds). The following tables present, for the periods indicated, the major categories of noninterest income:

	For the Three Months Ended September 30,		
	2022	2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 2,116	$ 1,763	$ 353
Debit card and ATM fee income	1,667	1,532	135
Bank-owned life insurance income	561	356	205
Gain on sales of loans	264	93	171
Loss on sales of investment securities	(7)	(11)	4
Fees and brokerage commissions	1,620	1,335	285
Mortgage origination income	57	227	(170)
Correspondent bank income	38	10	28
Gain (loss) on sales of other real estate owned	12	(558)	570
Gain on sales of other assets	1	14	(13)
Pass-through income from other investments	572	398	174
Other	1,214	952	262
Total noninterest income	$ 8,115	$ 6,111	$ 2,004

	For the Nine Months Ended September 30,		
	2022	2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 6,007	$ 5,013	$ 994
Debit card and ATM fee income	4,825	4,645	180
Bank-owned life insurance income	1,405	1,029	376
Gain on sales of loans	515	10,114	(9,599)
Loss on sales of investment securities	(46)	(66)	20
Fees and brokerage commissions	5,204	3,294	1,910
Mortgage origination income	427	697	(270)
Correspondent bank income	52	276	(224)
Gain (loss) on sales of other real estate owned	30	(1,087)	1,117
Gain (loss) on sales of other assets	(716)	122	(838)
Pass-through income from other investments	739	2,053	(1,314)
Other	2,590	2,034	556
Total noninterest income	$ 21,032	$ 28,124	$ (7,092)

Total noninterest income increased $2.0 million, or 32.8%, from the three months ended September 30, 2021. The increase was primarily due to the loss of $558,000 on the sale of other real estate in the third quarter 2021 and additional income of $285,000, an increase of 21.3%, from fees and brokerage commissions from SSW, as well as the acquisition of TCBI.

Total noninterest income decreased $7.1 million, or 25.2%, from the nine months ended September 30, 2021. The decrease was primarily due to the gain of $9.2 million on the sale of approximately 2,000 PPP loans in the second quarter 2021 and $1.3 million, or 0.6%, lower pass-through income from other investments, partially offset with additional income of $1.9 million, or 58.0%, from fees and brokerage commissions from SSW, given an additional quarter of income and subsequent growth, and the loss of $1.1 million on the sale of other real estate during the prior year period.

Noninterest Expense ("Other 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,		
	2022	2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 21,906	$ 16,791	$ 5,115
Non-staff expenses:			
Occupancy of bank premises	2,485	1,629	856
Depreciation and amortization	1,850	1,483	367
Data processing	2,155	1,994	161
FDIC assessment fees	839	581	258
Legal and professional fees	619	553	66
Advertising and promotions	1,144	612	532
Utilities and communications	833	678	155
Ad valorem shares tax	813	675	138
Directors' fees	288	201	87
Other real estate owned expenses and write-downs	133	103	30
Merger and conversion related expenses	3,244	145	3,099
Other	4,637	3,885	752
Total noninterest expense	$ 40,946	$ 29,330	$ 11,616

	For the Nine Months Ended September 30,		
	2022	2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 63,017	$ 48,470	$ 14,547
Non-staff expenses:			
Occupancy of bank premises	6,959	5,716	1,243
Depreciation and amortization	5,153	4,316	837
Data processing	6,157	6,105	52
FDIC assessment fees	2,243	1,526	717
Legal and professional fees	1,897	2,199	(302)
Advertising and promotions	2,378	1,713	665
Utilities and communications	2,434	1,889	545
Ad valorem shares tax	2,438	2,050	388
Directors' fees	702	583	119
Other real estate owned expenses and write-downs	182	660	(478)
Merger and conversion related expenses	4,670	249	4,421
Other	12,833	11,487	1,346
Total noninterest expense	$ 111,063	$ 86,963	$ 24,100

Total noninterest expense increased $11.6 million, or 39.6%, from the three months ended September 30, 2021, primarily attributed to $5.1 million increase in salaries and employee benefits largely due to the acquisition of TCBI and additional staffing hired over the past year. The increase in noninterest expense was also partially due to the $3.1 million increase in merger and conversion related expenses relating to the TCBI acquisition.

Total noninterest expense increased $24.1 million, or 27.7%, from the nine months ended September 30, 2021, primarily attributed to $14.5 million increase in salaries and employee benefits largely due to the acquisition of TCBI and additional staffing hired over the past year. The increase in noninterest expense was also partially due to the $4.4 million increase in merger and conversion related expenses relating to the TCBI acquisition.

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, 2022, income tax expense totaled $3.6 million, an increase of $959,000, or 36.7%, compared to $2.6 million for the same period in 2021. For the nine months ended September 30, 2022, income tax expense totaled $9.4 million, a decrease of $523,000, or 5.3%, compared to $9.9 million for the same period in 2021. Our effective tax rates for the three months ended September 30, 2022 and 2021 were 20.6% and 20.2%, respectively. For the nine months ended September 30, 2022 and 2021, our effective tax rates were 20.5% and 19.8%, respectively. Our effective tax rate for both periods was affected by tax-exempt income generated by municipal securities, bank-owned life insurance and by other nondeductible expenses (including acquisition-related expenses).

Financial Condition

Our total assets increased $1.1 billion, or 22.9%, from December 31, 2021 to September 30, 2022, due primarily from the acquisition of TCBI and the increase in our loan portfolio.

Loan Portfolio

Our primary source of income is interest on loans to individuals, professionals and small-to-midsized 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, 2022, total loans held for investment were $4.4 billion, an increase of $1.2 billion, or 38.9%, compared to $3.2 billion as of December 31, 2021. The increase was primarily due to the acquisition of TCBI and growth in our Dallas/Fort Worth metroplex and New Orleans markets. Additionally, $545,000 and $1.2 million in loans were classified as loans held for sale as of September 30, 2022 and December 31, 2021, respectively.

Total loans held for investment as a percentage of total deposits were 96.6% and 78.2% as of September 30, 2022 and December 31, 2021, respectively. Total loans held for investment as a percentage of total assets were 76.3% and 67.5% as of September 30, 2022 and December 31, 2021, respectively.

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

	As of September 30, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial	$ 1,012,778	22.9%	$ 721,385	22.6%
Real estate:				
Construction and land	636,869	14.4	548,528	17.2
Farmland	190,829	4.3	87,463	2.7
1-4 family residential	545,880	12.3	467,699	14.7
Multi-family residential	102,056	2.3	97,508	3.1
Nonfarm nonresidential	1,823,408	41.1	1,144,426	35.9
Consumer and other	118,080	2.7	122,599	3.8
Total loans held for investment	$ 4,429,900	100.0%	$ 3,189,608	100.0%

SBA PPP loans accounted for $3.0 million and $5.4 million of the commercial portfolio as of September 30, 2022 and December 31, 2021, respectively.

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 $291.4 million, or 40.4%, to $1.0 billion as of September 30, 2022 from $721.4 million as of December 31, 2021.

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, the Dallas/Fort Worth metroplex and Houston, and are generally diverse in terms of type.

Construction and land loans increased $88.3 million, or 16.1%, to $636.9 million as of September 30, 2022 from $548.5 million as of December 31, 2021.

1-4 family residential. Our 1-4 family residential loan portfolio is comprised of loans secured 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 and are generally offered as accommodations to existing customers.

1-4 family residential loans increased $78.2 million, or 16.7%, to $545.9 million as of September 30, 2022 from $467.7 million as of December 31, 2021.

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 $679.0 million, or 59.3%, to $1.8 billion as of September 30, 2022 from $1.1 billion as of December 31, 2021.

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 and other 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, 2022				
	One Year or Less	One Through Five Years	Five Through Fifteen Years	After Fifteen Years	Total
	(Dollars in thousands) (Unaudited)				
Commercial	$ 391,307	$ 400,746	$ 220,406	$ 319	$ 1,012,778
Real estate:					
Construction and land	241,393	338,683	51,471	5,322	636,869
Farmland	43,987	102,492	44,350	-	190,829
1-4 family residential	64,467	291,900	135,711	53,802	545,880
Multi-family residential	12,003	66,012	18,106	5,935	102,056
Nonfarm nonresidential	170,392	901,937	622,936	128,143	1,823,408
Consumer and other	50,441	53,125	14,237	277	118,080
Total loans held for investment	$ 973,990	$ 2,154,895	$ 1,107,217	$ 193,798	$ 4,429,900
Fixed rate loans:					
Commercial	$ 107,946	$ 242,505	$ 154,802	$ -	$ 505,253
Real estate:					
Construction and land	85,509	221,460	30,360	2,202	339,531
Farmland	22,614	51,164	33,451	-	107,229
1-4 family residential	37,053	244,525	76,509	12,177	370,264
Multi-family residential	8,688	61,507	15,697	14	85,906
Nonfarm nonresidential	85,138	809,393	483,310	9,543	1,387,384
Consumer and other	21,925	42,913	13,011	162	78,011
Total fixed rate loans	$ 368,873	$ 1,673,467	$ 807,140	$ 24,098	$ 2,873,578
Floating rate loans:					
Commercial	$ 283,361	$ 158,241	$ 65,604	$ 319	$ 507,525
Real estate:					
Construction and land	155,884	117,223	21,111	3,120	297,338
Farmland	21,373	51,328	10,899	-	83,600
1-4 family residential	27,414	47,375	59,202	41,625	175,616
Multi-family residential	3,315	4,505	2,409	5,921	16,150
Nonfarm nonresidential	85,254	92,544	139,626	118,600	436,024
Consumer and other	28,516	10,212	1,226	115	40,069
Total floating rate loans	$ 605,117	$ 481,428	$ 300,077	$ 169,700	$ 1,556,322

	As of December 31, 2021				
	One Year or Less	One Through Five Years	Five Through Fifteen Years	After Fifteen Years	Total
	(Dollars in thousands)				
Commercial	$ 258,279	$ 300,346	$ 162,760	$ -	$ 721,385
Real estate:					
Construction and land	228,988	265,097	53,254	1,189	548,528
Farmland	8,972	43,786	34,705	-	87,463
1-4 family residential	70,851	249,231	106,035	41,582	467,699
Multi-family residential	5,382	28,041	58,757	5,328	97,508
Nonfarm nonresidential	137,207	506,219	446,646	54,354	1,144,426
Consumer and other	49,774	57,543	14,997	285	122,599
Total loans held for investment	$ 759,453	$ 1,450,263	$ 877,154	$ 102,738	$ 3,189,608
Fixed rate loans:					
Commercial	$ 116,784	$ 178,649	$ 119,198	$ -	$ 414,631
Real estate:					
Construction and land	87,082	121,398	27,927	-	236,407
Farmland	5,091	32,370	30,072	-	67,533
1-4 family residential	39,375	201,921	44,721	5,032	291,049
Multi-family residential	3,516	15,478	57,938	-	76,932
Nonfarm nonresidential	88,677	451,885	356,772	6,850	904,184
Consumer and other	25,609	43,038	13,049	167	81,863
Total fixed rate loans	$ 366,134	$ 1,044,739	$ 649,677	$ 12,049	$ 2,072,599
Floating rate loans:					
Commercial	$ 141,495	$ 121,697	$ 43,562	$ -	$ 306,754
Real estate:					
Construction and land	141,906	143,699	25,327	1,189	312,121
Farmland	3,881	11,416	4,633	-	19,930
1-4 family residential	31,476	47,310	61,314	36,550	176,650
Multi-family residential	1,866	12,563	819	5,328	20,576
Nonfarm nonresidential	48,530	54,334	89,874	47,504	240,242
Consumer and other	24,165	14,505	1,948	118	40,736
Total floating rate loans	$ 393,319	$ 405,524	$ 227,477	$ 90,689	$ 1,117,009

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 generally reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due, or interest may be recognized on a cash basis as long as the remaining book balance of the loan is deemed collectible. 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 the timely resolution of problem assets. We had $12.0 million and $14.5 million in nonperforming assets as of September 30, 2022 and December 31, 2021, respectively. We had $11.0 million in nonperforming loans as of September 30, 2022 compared to $13.1 million as of December 31, 2021. The decrease in nonperforming assets from December 31, 2021 to September 30, 2022 is primarily attributable to chargeoffs.

The following tables present information regarding nonperforming assets at the dates indicated (purchased impaired credits are excluded):

	As of September 30, 2022 (Unaudited)	As of December 31, 2021
	(Dollars in thousands)	
Nonaccrual loans	$ 9,843	$ 12,868
Accruing loans 90 or more days past due	1,121	222
Total nonperforming loans	10,964	13,090
Other nonperforming assets	180	-
Other real estate owned:		
Commercial real estate, construction, land and land development	840	1,348
Residential real estate	-	79
Total other real estate owned	840	1,427
Total nonperforming assets	$ 11,984	$ 14,517
Restructured loans-nonaccrual	$ 3,136	$ 3,275
Restructured loans-accruing	3,603	315
Ratio of nonperforming loans to total loans held for investment	0.25%	0.41%
Ratio of nonperforming assets to total assets	0.21	0.31
Ratio of nonaccrual loans to total loans held for investment	0.22	0.40

	As of September 30, 2022 (Unaudited)	As of December 31, 2021
	(Dollars in thousands)	
Nonaccrual loans by category:		
Real estate:		
Construction and land	$ 833	$ 1,341
Farmland	18	76
1-4 family residential	3,658	3,601
Multi-family residential	-	-
Nonfarm nonresidential	2,287	2,614
Commercial	2,879	4,947
Consumer and other	168	289
Total	$ 9,843	$ 12,868

As of September 30, 2022, our loan portfolio included 1,199 loans with an aggregate outstanding balance of $438.3 million that had previously been granted temporary payment deferrals of principal and/or interest due to the effect of the COVID-19 pandemic. As of December 31, 2021, our loan portfolio included 1,574 loans with an aggregate outstanding balance of $522.0 million that had previously been granted temporary payment deferrals. In accordance with FASB and interagency regulatory guidance issued in March 2020, loans that were modified under the terms of our COVID-19 Deferral Assistance Program are not be considered as troubled debt restructurings to the extent that they meet the terms of such guidance under Section 4013 of the CARES Act. Loans under these deferrals remain in their current risk rating and/or past due status through the deferral period. None of these loans are currently in their deferral period at September 30, 2022 and December 31, 2021, respectively.

Potential Problem Loans

From a credit risk standpoint, we classify loans 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. Such 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, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands) (Unaudited)				
Real estate:					
Construction and land	$ 633,599	$ 509	$ 2,281	$ 480	$ 636,869
Farmland	188,721	2,083	-	25	190,829
1-4 family residential	532,752	4,346	3,546	5,236	545,880
Multi-family residential	102,038	-	18	-	102,056
Nonfarm nonresidential	1,780,039	24,927	13,978	4,464	1,823,408
Commercial	997,684	7,424	4,828	2,842	1,012,778
Consumer and other	117,273	241	322	244	118,080
Total	$ 4,352,106	$ 39,530	$ 24,973	$ 13,291	$ 4,429,900

	As of December 31, 2021				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real estate:					
Construction and land	$ 545,071	$ 266	$ 1,850	$ 1,341	$ 548,528
Farmland	86,063	1,324	-	76	87,463
1-4 family residential	456,150	3,109	2,801	5,639	467,699
Multi-family residential	97,485	-	23	-	97,508
Nonfarm nonresidential	1,094,782	34,495	9,735	5,414	1,144,426
Commercial	704,755	7,886	3,137	5,607	721,385
Consumer and other	121,566	350	257	426	122,599
Total	$ 3,105,872	$ 47,430	$ 17,803	$ 18,503	$ 3,189,608

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 multi-family 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, 2022, the allowance for loan losses totaled $35.2 million, or 0.79%, of total loans held for investment. As of December 31, 2021, the allowance for loan losses totaled $29.1 million, or 0.91%, of total loans held for investment.

The following tables present, 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, 2022 (Unaudited)	As of and For the Year Ended December 31, 2021
	(Dollars in thousands)	
Average loans outstanding (1)	$ 3,854,023	$ 3,037,020
Gross loans held for investment outstanding end of period	$ 4,429,900	$ 3,189,608
Allowance for loan losses at beginning of period	$ 29,112	$ 22,024
Provision for loan losses	7,835	8,047
Charge-offs:		
Real Estate:		
Construction, land and farmland	6	29
Residential	3	169
Nonfarm nonresidential	51	139
Commercial	1,974	830
Consumer and other	400	469
Total charge-offs	2,434	1,636
Recoveries:		
Real Estate:		
Construction, land and farmland	25	3
Residential	18	39
Nonfarm nonresidential	45	99
Commercial	446	417
Consumer and other	154	119
Total recoveries	688	677
Net charge-offs	1,746	959
Allowance for loan losses at end of period	$ 35,201	$ 29,112
Ratio of allowance to end of period loans held for investment	0.79%	0.91%
Ratio of net charge-offs to average loans	0.05	0.03
Ratio of allowance to nonaccrual loans	357.62	226.24

(1) Excluding loans held for sale

	As of and For the Nine Months Ended September 30, 2022 (Unaudited)		As of and for the Year Ended December 31, 2021	
	Net Charge-offs (Recoveries)	Percent of Average Loans	Net Charge-offs (Recoveries)	Percent of Average Loans
	(Dollars in thousands)			
Commercial	$ 1,528	0.04%	$ 413	0.01%
Real estate:				
Construction and land	(19)	0.00%	27	0.00%
Farmland	-	0.00%	(1)	0.00%
1-4 family residential	(15)	0.00%	130	0.00%
Multi-family residential	-	0.00%	-	0.00%
Nonfarm nonresidential	6	0.00%	40	0.00%
Consumer and other	246	0.01%	350	0.01%
Total net charge-offs (recoveries)	$ 1,746	0.05%	$ 959	0.03%

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, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands)			
Real estate:				
Construction and land	$ 5,045	14.3%	$ 4,498	15.5%
Farmland	1,533	4.4	721	2.5
1-4 family residential	4,504	12.8	3,791	13.0
Multi-family residential	757	2.1	774	2.7
Nonfarm nonresidential	13,290	37.8	9,794	33.6
Total real estate	25,129	71.4	19,578	67.3
Commercial	8,934	25.4	8,358	28.7
Consumer and other	1,138	3.2	1,176	4.0
Total allowance for loan losses	$ 35,201	100.0%	$ 29,112	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, 2022, the carrying amount of investment securities totaled $885.0 million, a decrease of $136.1 million, or 13.3%, compared to $1.0 billion as of December 31, 2021. The decrease was primarily due to unrealized losses during the nine months ended September 30, 2022. Securities represented 15.2% and 21.6% of total assets as of September 30, 2022 and December 31, 2021, 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, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands) (Unaudited)			
U.S. treasury securities	$ 32,810	$ -	$ 3,020	$ 29,790
U.S. government agencies	50,305	-	3,365	46,940
Corporate bonds	47,428	-	2,268	45,160
Mortgage-backed securities	518,575	-	62,366	456,209
Municipal securities	343,952	3	37,094	306,861
Total	$ 993,070	$ 3	$ 108,113	$ 884,960

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. treasury securities	$ 22,751	$ -	$ 437	$ 22,314
U.S. government agencies	27,867	2	376	27,493
Corporate bonds	45,876	812	106	46,582
Mortgage-backed securities	555,528	3,246	6,435	552,339
Municipal securities	370,421	4,100	2,188	372,333
Total	$ 1,022,443	$ 8,160	$ 9,542	$ 1,021,061

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.

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, 2022									
	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. treasury securities	$ -	-%	$ 29,790	1.01%	$ -	-%	$ -	-%	$ 29,790	1.01%
U.S. government agencies	-	-%	46,940	1.51%	-	-%	-	-%	46,940	1.51%
Corporate bonds	-	-%	2,500	2.74%	42,660	4.46%	-	-%	45,160	4.36%
Mortgage-backed securities	7,019	1.97%	36,584	1.46%	185,638	1.62%	226,968	1.61%	456,209	1.61%
Municipal securities	15,262	1.84%	97,148	1.45%	119,657	1.78%	74,794	1.88%	306,861	1.70%
Total	$ 22,281	1.88%	$ 212,962	1.42%	$ 347,955	2.02%	$ 301,762	1.68%	$ 884,960	1.76%

	As of December 31, 2021									
	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. treasury securities	$ -	-%	$ 22,314	0.77%	$ -	-%	$ -	-%	$ 22,314	0.77%
U.S. government agencies	2,513	0.23%	24,980	0.76%	-	-%	-	-%	27,493	0.21%
Corporate bonds	-	-%	-	-%	46,582	4.37%	-	-%	46,582	4.37%
Mortgage-backed securities	10,701	1.19%	37,870	1.42%	221,494	1.34%	282,274	1.20%	552,339	1.27%
Municipal securities	16,720	2.09%	97,129	1.41%	149,951	1.76%	108,533	1.94%	372,333	1.74%
Total	$ 29,934	1.61%	$ 182,293	1.24%	$ 418,027	1.83%	$ 390,807	1.41%	$ 1,021,061	1.56%

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 prepay. Monthly paydowns 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 5.78 years with an estimated effective duration of 54.27 months as of September 30, 2022.

As of September 30, 2022 and December 31, 2021, 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.

As of September 30, 2022 and December 31, 2021, the Company held other equity securities of $39.4 million and $16.6 million, respectively, comprised mainly of FHLB stock, small business investment companies ("SBICs") and financial technology ("Fintech") fund investments.

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 as of September 30, 2022 were $4.6 billion, an increase of $508.8 million, or 12.5%, compared to $4.1 billion as of December 31, 2021.

Noninterest-bearing deposits as of September 30, 2022 were $1.6 billion compared to $1.3 billion as of December 31, 2021, an increase of $322.3 million, or 25.0%.

Average deposits for the nine months ended September 30, 2022 were $4.5 billion, an increase of $687.0 million, or 18.1%, over the full year average for the year ended December 31, 2021 of $3.8 billion. The average rate paid on total interest-bearing deposits increased over this period from 0.47% for the year ended December 31, 2021 to 0.50% for the nine months ended September 30, 2022. The increase in average rates during the nine months ended September 30, 2022 over the average for the year ended December 31, 2021 was primarily due to the federal reserve raising interest rates during the nine months ended September 30, 2022. Cost of deposits was relatively unchanged at 0.33% for the nine months ended September 30, 2022 compared to 0.32% for the year ended December 31, 2021, with continued growth of noninterest-bearing demand accounts offsetting the impact of the rise in rates.

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

	For the Nine Months Ended September 30, 2022 (Unaudited)		For the Year Ended December 31, 2021	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Interest-bearing demand accounts	$ 250,895	0.66%	$ 177,196	0.49%
Negotiable order of withdrawal ("NOW") accounts	552,330	0.18%	511,231	0.13%
Limited access money market accounts and savings	1,482,144	0.50%	1,176,858	0.29%
Certificates and other time deposits > $250k	196,614	0.66%	204,892	1.12%
Certificates and other time deposits ≤ $250k	476,022	0.72%	534,648	0.93%
Total interest-bearing deposits	2,958,005	0.50%	2,604,825	0.47%
Noninterest-bearing demand accounts	1,530,748	-%	1,196,970	-%
Total deposits	$ 4,488,753	0.33%	$ 3,801,795	0.32%

The ratio of average noninterest-bearing deposits to average total deposits for the nine months ended September 30, 2022 and the year ended December 31, 2021 was 34.1% and 31.5%, respectively.

The following table sets forth the contractual maturities of certain certificates of deposit at September 30, 2022:

	Certificates of Deposit More Than $250,000	Certificates of Deposit of $100,000 Through $250,000
	(Dollars in thousands) (Unaudited)	
3 months or less	$ 39,480	$ 71,671
More than 3 months but less than 6 months	49,785	91,205
More than 6 months but less than 12 months	59,031	89,832
12 months or more	51,331	61,021
Total	$ 199,627	$ 313,729

Federal Funds Purchased Lines of Credit Relationships

We maintain Federal Funds Purchased Lines of Credit Relationships with the following correspondent banks and limits as of September 30, 2022:

	Fed Funds Purchase Limits
	(Dollars in thousands)
The Independent Bankers Bank	$ 45,000
PNC Bank	38,000
First National Bankers Bank ("FNBB")	35,000
First Horizon Bank	17,000
ServisFirst Bank	10,000
South State Bank	9,000
Total	$ 154,000

We had no outstanding balances as of September 30, 2022 and December 31, 2021, respectively.

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, 2022 and the year ended December 31, 2021, 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, 2022 and December 31, 2021, we maintained six federal funds purchased lines of credit with correspondent banks which provided for extensions of credit with an availability to borrow up to an aggregate of $154.0 million. There were no funds drawn under these lines of credit outstanding as of September 30, 2022 and December 31, 2021, respectively.

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 $5.3 billion and $4.4 billion for the nine months ended September 30, 2022 and the year ended December 31, 2021, respectively.

	For the Nine Months Ended September 30, 2022 (Unaudited)	For the Year Ended December 31, 2021
Source of Funds:		
Deposits:		
Noninterest-bearing	28.7%	27.2%
Interest-bearing	55.5	59.2
Subordinated debt (excluding trust preferred securities)	2.0	1.5
Advances from FHLB	4.0	1.1
Other borrowings	0.6	0.7
Other liabilities	0.7	0.6
Shareholders' equity	8.5	9.7
Total	100.0%	100.0%
Uses of Funds:		
Loans, net of allowance for loan losses	71.7%	68.4%
Securities available for sale	18.3	19.7
Interest-bearing deposits in other banks	2.5	2.4
Other noninterest-earning assets	7.5	9.5
Total	100.0%	100.0%
Average noninterest-bearing deposits to average deposits	34.1%	31.5%
Average loans to average deposits	85.9	79.9

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 net loans increased 28.0% for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to growth in our Dallas/Fort Worth metroplex and New Orleans markets, and the acquisition of TCBI. 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 5.78 years and an effective duration of 54.27 months as of September 30, 2022. As of December 31, 2021, our securities portfolio had a weighted average life of 5.87 years and an effective duration of 53.46 months.

As of September 30, 2022, we had outstanding $1.3 billion in commitments to extend credit and $44.1 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2021, we had outstanding $1.0 billion in commitments to extend credit and $35.3 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. See "*Off Balance Sheet Items*" below for additional information.

As of September 30, 2022 and December 31, 2021 we had cash and cash equivalents, including federal funds sold, of $163.8 million and $295.4 million, respectively. We had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature for either period.

Capital Resources

Total shareholders' equity increased to $508.0 million as of September 30, 2022, compared to $433.4 million as of December 31, 2021, an increase of $74.6 million, or 17.2%. This increase was primarily due to the issuance of $72.0 million in preferred stock, $55.0 million of common stock and equity awards in the acquisition of TCBI and net income of $36.3 million, offset with other comprehensive losses of $83.5 million resulting from the after tax effect of unrealized losses in our investment securities portfolio and dividends paid of $7.8 million. The preferred stock was structured to qualify as additional Tier 1 capital.

On October 26, 2022, our Board declared a quarterly dividend based upon our financial performance for the three months ended September 30, 2022 in the amount of $0.12 per share to the common shareholders of record as of November 15, 2022. The dividend is to be paid on November 30, 2022, 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 holding company, our ability to pay dividends is largely dependent upon the receipt of dividends from our subsidiary, b1BANK. 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 holding company and bank levels. As of September 30, 2022 and December 31, 2021, we and b1BANK were in compliance with all applicable regulatory capital requirements, and b1BANK 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 increase in capital was primarily due to the issuance of preferred stock (accounted for as additional Tier 1 capital for us).

The following table presents the actual capital amounts and regulatory capital ratios for us and b1BANK as of the dates indicated.

	As of September 30, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Business First				
Total capital (to risk weighted assets)	$ 639,543	11.97%	$ 478,794	11.94%
Tier 1 capital (to risk weighted assets)	494,548	9.25%	367,431	9.17%
Common Equity Tier 1 capital (to risk weighted assets)	417,538	7.81%	362,431	9.04%
Tier 1 Leverage capital (to average assets)	494,548	8.70%	367,431	8.14%
b1BANK				
Total capital (to risk weighted assets)	$ 610,358	11.43%	$ 468,834	11.71%
Tier 1 capital (to risk weighted assets)	574,485	10.76%	438,898	10.96%
Common Equity Tier 1 capital (to risk weighted assets)	574,485	10.76%	438,898	10.96%
Tier 1 Leverage capital (to average assets)	574,485	10.11%	438,898	9.73%

Long Term Debt

During the nine months ended September 30, 2022, as part of the acquisition of TCBI, we assumed $26.4 million in subordinated debt. As part of this debt, we recorded a fair value adjustment premium in the amount of $3.4 million, to accrete over five-to-seven years, with a remaining adjustment of $3.1 million as of September 30, 2022. During the nine months ended September 30, 2021, we issued $56.4 million in subordinated debt, and paid off $11.0 million in long term borrowings.

FHLB Advances

Advances from the FHLB totaled approximately $534.1 million and $82.0 million at September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022 and December 31, 2021, the FHLB advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 2.91% and 1.08%, respectively, and mature within five years. At September 30, 2022, $483.0 million in advances were short term with a rate of 3.12% and a weighted average stated rate of 2.82%. There were no short term advances at December 31, 2021.

Preferred Stock

On September 1, 2022, we entered into a securities purchase agreement with certain investors pursuant to which we offered and sold shares of our 7.50% fixed-to-floating rate non-cumulative perpetual preferred stock, with no par value, for an aggregate purchase price of $72.0 million. The preferred stock was structured to qualify as additional Tier 1 capital under applicable regulatory capital guidelines. Holders of the preferred stock will be entitled to receive, if, when, and as declared by our board of directors (the "Board"), non-cumulative cash dividends at a rate of 7.50% for the first five years following issuance and thereafter at a variable rate equal to the then current 3-month secured overnight financing rate ("SOFR"), reset quarterly, plus 470 basis points. The preferred stock has a perpetual term and may not be redeemed, except under certain circumstances, under the first five years of issuance. We intend to use the net proceeds from the preferred stock issuance to provide additional capital support to the Bank, to support growth, to better position us to take advantage of strategic opportunities that may arise from time to time, repayment of existing debt, and for general corporate purposes.

Contractual Obligations

The following tables summarize contractual obligations and other commitments to make future payments as of September 30, 2022 and December 31, 2021 (other than non-maturity deposit obligations), which consist of future cash payments associated with our contractual obligations pursuant to our FHLB advances, subordinated debt, revolving line of credit, notes payable, and non-cancelable future operating leases. Payments related to leases are based on actual payments specified in underlying contracts. The subordinated debt totaled $110.9 million and $81.4 million at September 30, 2022 and December 31, 2021, respectively. Of this subordinated debt, $25.0 million 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, $52.5 million of this subordinated debt bears interest at a fixed rate of 4.25% through March 31, 2026 and a floating rate, based on a benchmark rate plus 354 basis points, thereafter through maturity in 2031, $3.9 million of this subordinated debt bears interest at a fixed rate of 4.75% through April 1, 2026 and a floating rate, based on a benchmark rate plus 442 basis points, thereafter through maturity in 2031. We acquired three separate notes as part of the TCBI acquisition totaling $26.4 million. Of those notes, $10.0 million bears interest at a fixed rate of 6.25% until April 11, 2023, then will reset to a floating interest rate based on a benchmark plus 350 basis points, adjusting quarterly until maturity on April 11, 2028, $7.5 million bears a fixed rate of 6.38% until December 13, 2023, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on December 13, 2028, $8.9 million bears an adjustable interest rate plus 595 basis points, based on a benchmark rate, until maturity on March 24, 2027. As part of valuing these three subordinated notes from TCBI, we incurred a fair value adjustment premium of $3.4 million that will accrete over five-to-seven years. We had a revolving line of credit with FNBB in the amount of $5.0 million at both September 30, 2022 and December 31, 2021, respectively. During the nine months ended September 30, 2022, we utilized the $5.0 million and carried that balance at September 30, 2022. There was no balance on this line at December 31, 2021. This revolving line of credit bears a variable interest rate equal to the Wall Street Journal Prime and not to be less than 3.5% with the rate at 6.25% at September 30, 2022. This revolving line of credit is for one year and matures in November, 2022.

	As of September 30, 2022				
	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	$ 972	$ 7,152	$ 4,462	$ 6,025	$ 18,611
Time deposits	507,922	132,050	29,707	20	669,699
Subordinated debt (including premium)	613	1,227	9,935	99,127	110,902
Advances from FHLB	483,000	875	50,184	-	534,059
Subordinated debt - trust preferred securities	-	-	-	5,000	5,000
Securities sold under agreements to repurchase	22,072	-	-	-	22,072
FNBB Line of Credit	5,000	-	-	-	5,000
Standby and commercial letters of credit	19,132	24,461	475	-	44,068
Commitments to extend credit	593,315	403,671	184,028	159,564	1,340,578
Total	$ 1,632,026	$ 569,436	$ 278,791	$ 269,736	$ 2,749,989

	As of December 31, 2021				
	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	$ 2,243	$ 3,994	$ 3,502	$ 4,565	$ 14,304
Time deposits	548,593	121,037	23,026	-	692,656
Subordinated debt	-	-	-	81,427	81,427
Advances from FHLB	-	23,000	59,022	-	82,022
Subordinated debt - trust preferred securities	-	-	-	5,000	5,000
Securities sold under agreements to repurchase	19,121	-	-	-	19,121
Standby and commercial letters of credit	10,460	24,733	98	-	35,291
Commitments to extend credit	428,839	351,623	138,674	87,702	1,006,838
Total	$ 1,009,256	$ 524,387	$ 224,322	$ 178,694	$ 1,936,659

Off-Balance Sheet Items

In the normal course of business, we enter into various transactions which, in accordance with 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 date indicated are summarized in the tables above. 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.

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 reviewed by the asset-liability committee of b1BANK, in accordance with policies approved by our board of directors. 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 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, 2022		As of December 31, 2021	
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	(9.00%)	(5.88%)	(1.00%)	(4.45%)
+200	(6.70%)	(4.21%)	0.10%	(3.99%)
+100	(4.70%)	(2.10%)	0.50%	(1.57%)
Base	-%	-%	-%	-%
-100	(2.90%)	2.02%	(3.30%)	2.83%
-200	(4.30%)	3.81%	(7.00%)	18.80%

The results are primarily due to the balance sheet mix and 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. The assumptions incorporated into the model 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 strategies.

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, gains/losses on sales of securities, 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 certain 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 certain income and expenses, for the three months ended September 30, 2022, was $16.4 million, or $0.72 per diluted common share, compared to core net income of $10.9 million, or $0.53 per diluted common share, for the three months ended September 30, 2021. Notable noncore events impacting earnings for the three months ended September 30, 2022, included $3.5 million in acquisition-related expenses and $265,000 in income attributable to insurance reimbursements from storm expenses, compared to the incurrence of losses of $392,000 on disposals of former bank premises and equipment included in other income and losses of $211,000 and $145,000 in expenses attributed to hurricane repairs and acquisition-related expenses, respectively, in the three months ended September 30, 2021.

For the nine months ended September 30, 2022, core net income was $41.2 million, or $1.86 per diluted common share, compared to core net income of $42.2 million, or $2.05 per diluted common share, for the nine months ended September 30, 2021. Notable noncore events impacting earnings for the nine months ended September 30, 2022, included the incurrence of losses of $717,000 on disposals of former bank premises and equipment included and $265,000 in insurance reimbursements from storm expenses, $5.0 million in acquisition-related expenses and $501,000 in expenses attributable to storm repairs, compared to the incurrence of losses of $932,000 on disposals of former bank premises and equipment included in other income and losses of $1.5 million in expenses attributed to hurricane repairs in the nine months ended September 30, 2021.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands, except per share data)			
Interest Income:				
Interest income	$ 63,473	$ 41,534	$ 161,609	$ 128,147
Core interest income	63,473	41,534	161,609	128,147
Interest Expense:				
Interest expense	9,993	4,240	18,092	12,607
Core interest expense	9,993	4,240	18,092	12,607
Provision for Loan Losses:				
Provision for loan losses	3,273	1,147	7,835	6,747
Core provision expense	3,273	1,147	7,835	6,747
Other Income:				
Other income	8,115	6,111	21,032	28,124
Losses on former bank premises and equipment	-	392	717	932
Losses on sale of securities	7	11	46	66
Insurance reimbursement of storm expenditures	(265)	-	(265)	-
Core other income	7,857	6,514	21,530	29,122
Other Expense:				
Other expense	40,946	29,330	111,063	86,963
Acquisition-related expenses (2)	(3,521)	(145)	(5,040)	(249)
Occupancy and bank premises - hurricane repair	-	(211)	(501)	(1,499)
Core other expense	37,425	28,974	105,522	85,215
Pre-Tax Income:				
Pre-tax income	17,376	12,928	45,651	49,954
Losses on former bank premises and equipment	-	392	717	932
Losses on sale of securities	7	11	46	66
Insurance reimbursement of storm expenditures	(265)	-	(265)	-
Acquisition-related expenses (2)	3,521	145	5,040	249
Occupancy and bank premises - hurricane repair	-	211	501	1,499
Core pre-tax income	20,639	13,687	51,690	52,700
Provision for Income Taxes: (1)				
Provision for income taxes	3,576	2,617	9,363	9,886
Tax on losses on former bank premises and equipment	-	82	151	195
Tax on losses on sale of securities	1	2	10	14
Tax on insurance reimbursement of storm expenditures	(55)	-	(55)	-
Tax on acquisition-related expenses (2)	739	24	913	46
Tax on occupancy and bank premises - hurricane repair	-	44	106	314
Core provision for income taxes	$ 4,261	$ 2,769	$ 10,488	$ 10,455
Net Income:				
Net income	$ 13,800	$ 10,311	$ 36,288	$ 40,068
Losses on former bank premises and equipment , net of tax	-	310	566	737
Losses on sale of securities, net of tax	6	9	36	52
Insurance reimbursement of storm expenditures, net of tax	(210)	-	(210)	-
Acquisition-related expenses (2), net of tax	2,782	121	4,127	203
Occupancy and bank premises - hurricane repair, net of tax	-	167	395	1,185
Core net income	$ 16,378	$ 10,918	$ 41,202	$ 42,245
Diluted Earnings Per Common Share:				
Diluted earnings per common share	$ 0.61	$ 0.50	$ 1.64	$ 1.94
Losses on former bank premises and equipment , net of tax	-	0.01	0.02	0.04
Losses on sale of securities, net of tax	-	-	-	-
Insurance reimbursement of storm expenditures, net of tax	(0.01)	-	(0.01)	-
Acquisition-related expenses (2), net of tax	0.12	0.01	0.19	0.01
Occupancy and bank premises - hurricane repair, net of tax	-	0.01	0.02	0.06
Core diluted earnings per common share	$ 0.72	$ 0.53	$ 1.86	$ 2.05

(1) Tax rates, exclusive of certain nondeductible acquisition-related expenses and goodwill, utilized were 21% for both 2022 and 2021. These rates approximate the marginal tax rates for the applicable periods.

(2) Includes merger and conversion-related expenses and salary and employee benefits.

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 and customer 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, 2022	As of December 31, 2021
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 508,002	$ 433,368
Preferred stock	(72,010)	-
Total common shareholders' equity	435,992	433,368
Adjustments:		
Goodwill	(88,543)	(59,894)
Core deposit and customer intangibles	(14,567)	(12,203)
Total tangible common equity	$ 332,882	$ 361,271
Common shares outstanding (1)	22,605,136	20,400,349
Book value per common shares (1)	$ 19.29	$ 21.24
Tangible book value per common shares (1)	14.73	17.71

(1) Excludes the dilutive effect, if any, of 173,643 and 132,032 shares of common stock issuable upon exercise of outstanding stock options and restricted stock awards as of September 30, 2022 and December 31, 2021, 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 and customer 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, 2022	As of December 31, 2021
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 508,002	$ 433,368
Preferred stock	(72,010)	-
Total common shareholders' equity	435,992	433,368
Adjustments:		
Goodwill	(88,543)	(59,894)
Core deposit and customer intangibles	(14,567)	(12,203)
Total tangible common equity	$ 332,882	$ 361,271
Tangible Assets		
Total Assets	$ 5,806,691	$ 4,726,378
Adjustments:		
Goodwill	(88,543)	(59,894)
Core deposit and customer intangibles	(14,567)	(12,203)
Total tangible assets	$ 5,703,581	$ 4,654,281
Common Equity to Total Assets	7.5%	9.2%
Tangible Common Equity to Tangible Assets	5.8	7.8

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, 2021 filed with the SEC. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for December 31, 2021.

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

(a) As previously reported, on September 1, 2022 we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain investors qualified as "accredited investors," as such term is defined in Rule 501(a) of Regulation D ("Regulation D") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to which Business First offered and sold shares of its 7.50% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, no par value (the "Series A Preferred Stock"), for an aggregate purchase price of $72,010,000. The offer and sale of the Series A Preferred Stock was made in reliance upon the exemptions from registration available under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D. We intend to use the net proceeds from the sale of the Series A Preferred Stock to provide additional capital support to the Bank, to support growth, to better position us to take advantage of strategic opportunities that may arise from time to time, repayment of existing debt, and for general corporate purposes.

(b) Not applicable.

(c) Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Number	Description
2.1	Agreement and Plan of Reorganization, dated January 22, 2020, by and between Business First Bancshares, Inc., and Pedestal Bancshares, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on January 24, 2020).
2.2	Agreement and Plan of Reorganization, dated October 20, 2021, by and between Business First Bancshares, Inc., and Texas Citizens Bancorp, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on October 21, 2021).
3.1	Restated Articles of Incorporation of Business First Bancshares, Inc., adopted October 27, 2022*
3.2	Amended and Restated Bylaws of Business First Bancshares, Inc., adopted April 23, 2020 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on April 28, 2020).
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).
	Instruments defining the rights of the long-term debt securities of Business First Bancshares, Inc. and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Business First Bancshares, Inc. hereby agrees to furnish copies of these instruments to the SEC upon request.
10.1	Form of Securities Purchase Agreement by and among Business First Bancshares, Inc. and the Purchasers named therein (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on September 1, 2022).
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	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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 3, 2022

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

November 3, 2022

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer

UNITED STATES OF AMERICA	§	**ARTICLES OF RESTATEMENT**
	§	**OF THE**
STATE OF LOUISIANA	§	**ARTICLES OF INCORPORATION**
	§	**OF**
PARISH OF EAST BATON ROUGE	§	**BUSINESS FIRST BANCSHARES, INC.**

BE IT KNOWN, that on this 27th day of October 2022,

BEFORE ME, the undersigned Notary Public, duly appointed and commissioned in the State and Parish aforesaid,

PERSONALLY CAME AND APPEARED David R. Melville, III, President and Chief Executive Officer of Business First Bancshares, Inc. (the "Company"),

WHO DECLARED UNTO ME, Notary, in the presence of the undersigned competent witnesses, as follows:

1. At a duly called meeting of the board of directors of the Company (the "Board") held on October 27, 2022, the Board adopted by resolution the below restatement of the Corporation's Articles of Incorporation (the "Articles of Incorporation") of the Company. Approval by the shareholders of the Company was not required.

2. The Articles of Incorporation are hereby restated in their entirety such that the Articles of Incorporation set forth below shall be the Articles of Incorporation of the Company hereafter.

3. The restated Articles of Incorporation consolidate the Articles of Incorporation and all amendments into a single document.

***

ARTICLE I
Name

The name of this Corporation is Business First Bancshares, Inc.

ARTICLE II
Objects and Purposes

The objects and purposes for which the Corporation is organized are to engage in any lawful business or activity for which corporations may be organized and in which they may engage under the laws of the State of Louisiana.

ARTICLE III
Capital Stock

The total number of shares of capital stock which the Corporation shall have the authority to issue is 55,000,000 shares, which shall consist of 50,000,000 shares of $1.00 par value common stock and 5,000,000 shares of no par value preferred stock. No holder or owner of shares of any class of capital stock of this Corporation shall have any preemptive or preferential right to purchase any share of any class of stock of this Corporation, whether now or hereafter authorized, or any obligations convertible into stock of this Corporation, nor any right of subscription to any of the foregoing, other than such right, if any, as the board of directors, in its sole discretion, may from time to time establish.

The board of directors of the Corporation shall have the authority to amend these Articles of Incorporation, without shareholder approval, to establish one or more classes of preferred stock and to fix the preferences, limitations and relative rights of the shares of any class of preferred stock and to establish, and fix variations in relative rights as between, series of any preferred class.

Designation of the 7.50% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

There shall be a series of the Preferred Stock (as defined herein) with the following terms, preferences, limitations, and relative rights, in addition to those otherwise expressed in these Articles of Incorporation or any amendment thereto:

1. *Designation and Number of Shares*. There is hereby created out of the authorized and unissued shares of Preferred Stock a series of Preferred Stock designated as the "7.50% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A" (hereinafter called "**Series A Preferred Stock**"); the authorized number of shares that shall constitute such series shall be 72,010 shares, no par value per share; and such shares shall have a liquidation preference of $1,000 per share. The number of shares constituting the Series A Preferred Stock may be increased from time to time by resolution of the Board or a duly authorized committee of the Board in accordance with the Articles of Incorporation (as then in effect), the Bylaws (as then in effect), and applicable law up to the maximum number of shares of Preferred Stock authorized to be issued under the Articles of Incorporation (as then in effect) less all shares at the time authorized of any other series of preferred stock or decreased from time to time by a resolution of the Board or a duly authorized committee of the Board in accordance with the Articles of Incorporation (as then in effect), the Bylaws (as then in effect), and applicable law but not below the number of shares of Series A Preferred Stock then outstanding. Shares of Series A Preferred Stock shall be dated the date of issue, which date shall be referred to herein as the "original issue date." Shares of outstanding Series A Preferred Stock that are redeemed, purchased, or otherwise acquired by the Company shall be cancelled and shall revert to authorized but unissued shares of the Preferred Stock, undesignated as to series. The Company shall have the authority to issue fractional shares of Series A Preferred Stock.

2. *Definitions*. As used herein with respect to the Series A Preferred Stock:

"Appropriate Federal Banking Agency" means the "appropriate Federal banking agency" with respect to the Company as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

"Articles of Incorporation" means the Amended and Restated Articles of Incorporation of the Company, as amended, and as it may be amended or restated from time to time.

"Benchmark" means, initially, Three-Month Term SOFR; provided that if the Company or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the Interpolated Benchmark with respect to the then-current Benchmark, plus the Benchmark Replacement Adjustment for such Benchmark; provided that if (a) the Company or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date or (b) the then-current Benchmark is Three-Month Term SOFR and a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Three-Month Term SOFR (in which event no Interpolated Benchmark with respect to Three-Month Term SOFR shall be determined), then "Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Company or its designee as of the Benchmark Replacement Date:

(i) Compounded SOFR;

(ii) the sum of: (a) the alternate rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(iii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(iv) the sum of: (a) the alternate rate that has been selected by the Company as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate as a replacement for the then- current Benchmark for U.S. dollar-denominated floating rate securities at such time and (b) the Benchmark Replacement Adjustment.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Company or its designee as of the Benchmark Replacement Date:

(a) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Company or its designee giving due consideration to any industry- accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate securities at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement any technical, administrative or operational changes (including changes to the definition of "Dividend Period", timing and frequency of determining rates with respect to each Dividend Period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) that the Company or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Company or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Company or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Company or its designee determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause 1 of the definition of "Benchmark Transition Event," the relevant Reference Time in respect of any determination;

(b) in the case of clause 2 or 3 of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(c) in the case of clause 4 of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to the Benchmark also include any reference rate underlying the Benchmark (for example, if the Benchmark becomes Compounded SOFR, references to the Benchmark would include SOFR).

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) if the Benchmark is Three-Month Term SOFR, (i) the Relevant Governmental Body has not selected or recommended a forward-looking term rate for a tenor of three months based on SOFR, (ii) the development of a forward-looking term rate for a tenor of three months based on SOFR that has been recommended or selected by the Relevant Governmental Body is not complete or (iii) the Company determines that the use of a forward-looking rate for a tenor of three months based on SOFR is not administratively feasible;

(b) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(d) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

"Bylaws" means the Amended and Restated Bylaws of the Company, as they may be amended or restated from time to time.

"Common Stock" means any and all shares of common stock of the Company, par value $1.00 per share.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by the Company or its designee in accordance with:

(a) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining Compounded SOFR; provided that:

(b) if, and to the extent that, the Company or its designee determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Company or its designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate securities at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment (if applicable) and the spread of 470.0 basis points per annum.

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

"Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"Interpolated Benchmark" with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (a) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (b) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

"ISDA" means the International Swaps and Derivatives Association, Inc. or any successor.

"ISDA Definitions" means the 2006 ISDA Definitions published by the ISDA, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Preferred Stock" means any and all series of preferred stock of the Company, including the Series A Preferred Stock.

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Three-Month Term SOFR, the time determined by the Company or its designee after giving effect to the Three-Month Term SOFR Conventions, and (2) if the Benchmark is not Three-Month Term SOFR, the time determined by the Company or its designee after giving effect to the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body" means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto.

"SOFR" means the secured overnight financing rate published by the Federal Reserve Bank of New York, as the administrator of the Benchmark (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Term SOFR Administrator" means any entity designated by the Relevant Governmental Body as the administrator of Term SOFR (or a successor administrator).

"Three-Month Term SOFR" means the rate for Term SOFR for a tenor of three months that is published by the Term SOFR Administrator at the Reference Time for any dividend period, as determined by the Company or its designee after giving effect to the Three- Month Term SOFR Conventions.

"Three-Month Term SOFR Conventions" means any determination, decision or election with respect to any technical, administrative or operational matter (including with respect to the manner and timing of the publication of Three-Month Term SOFR, or changes to the definition of "dividend period," timing and frequency of determining Three-Month Term SOFR with respect to each dividend period and making dividend payments, rounding of amounts or tenors, and other administrative matters) that the Company or its designee decides may be appropriate to reflect the use of Three-Month Term SOFR as the Benchmark in a manner substantially consistent with market practice (or, if the Company or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Company or its designee determines that no market practice for the use of Three-Month Term SOFR exists, in such other manner as the Company or its designee determines is reasonably necessary).

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

3. *Ranking*. The shares of Series A Preferred Stock shall rank:

(a) senior, as to dividends and upon liquidation, dissolution, and winding-up of the Company, to the Common Stock and to any other class or series of capital stock of the Company now or hereafter authorized, issued, or outstanding that, by its terms, does not expressly provide that such class or series ranks *pari passu* with the Series A Preferred Stock or senior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution, and winding-up of the Company, as the case may be (collectively, "**Series A Junior Securities**");

(b) on a parity, as to dividends and upon liquidation, dissolution, and winding-up of the Company, with any class or series of capital stock of the Company now or hereafter authorized, issued, or outstanding that, by its terms, expressly provides that such class or series ranks *pari passu* with the Series A Preferred Stock as to dividends and upon liquidation, dissolution, and winding-up of the Company, as the case may be (collectively, "**Series A Parity Securities**"); and

(c) junior, as to dividends and upon liquidation, dissolution, and winding-up of the Company, to any other class or series of capital stock of the Company now or hereafter authorized, issued, or outstanding that, by its terms, expressly provides that such class or series ranks senior to the Series A Preferred Stock as to dividends and upon liquidation, dissolution, and winding-up of the Company, as the case may be.

The Company may authorize and issue additional shares of Series A Junior Securities and Series A Parity Securities from time to time without the consent of the holders of the Series A Preferred Stock.

4. *Dividends*.

(a) Holders of Series A Preferred Stock will be entitled to receive, only when, as, and if declared by the Board or a duly authorized committee of the Board, on each Dividend Payment Date (as defined below), out of assets legally available for the payment of dividends thereof, non-cumulative cash dividends based on the liquidation preference of the Series A Preferred Stock of $1,000 per share. Dividends on each share of Series A Preferred Stock shall accrue at a rate equal to (i) 7.50% per annum on the liquidation preference of $1,000 per share for each Dividend Period (as defined below) from the original issue date of the Series A Preferred Stock to, but excluding, August 31, 2027 or the date of earlier redemption (the "**Fixed Rate Period**") and (ii) the Benchmark plus a spread of 470.0 basis points per annum on the liquidation preference of $1,000 per share for each Dividend Period from and including August 31, 2027 to, but excluding, the date of earlier redemption (the "**Floating Rate Period**"); provided, however, that if the Benchmark is less than zero, the Benchmark shall be deemed to be zero, in each case, only when, as and if declared. In the event the Company issues additional shares of the Series A Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue or any other date specified by the Board or a duly authorized committee of the Board at the time such additional shares are issued.

(b) If declared by the Board or a duly authorized committee of the Board, dividends will be payable on the Series A Preferred Stock quarterly in arrears on February 28, May 31, August 31, and November 30 of each year, beginning on November 30, 2022 (each such day a "**Dividend Payment Date**") based on a liquidation preference of $1,000 per share. In the event that any Dividend Payment Date during the Fixed Rate Period falls on a day that is not a Business Day, the dividend payment due on that date shall be postponed to the next day that is a Business Day, and no additional dividends shall accrue as a result of that postponement. In the event that any Dividend Payment Date during the Floating Rate Period falls on a day that is not a Business Day, the dividend payment due on that date shall be postponed to the next day that is a Business Day and dividends shall accrue to, but excluding, the date dividends are paid. However, if the postponement would cause the day to fall in the next calendar month during the Floating Rate Period, the Dividend Payment Date shall instead be brought forward to the immediately preceding Business Day.

(c) Dividends will be payable to holders of record of Series A Preferred Stock as they appear on the Company's stock register on the applicable record date, which shall be the 15th calendar day before the applicable Dividend Payment Date, or such other record date, not less than 15 calendar days nor more than 30 calendar days before the applicable Dividend Payment Date, as such record date shall be fixed by the Board or a duly authorized committee of the Board.

(d) A "**Dividend Period**" is the period from and including a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date or any earlier redemption date, except that the initial Dividend Period will commence on and include the original issue date of Series A Preferred Stock and continue to, but excluding, the next Dividend Payment Date. Dividends payable on Series A Preferred Stock during the Fixed Rate Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on Series A Preferred Stock during the Floating Rate Period will be computed on the basis of a 360-day year and the number of days elapsed during the Floating Rate Period. Dollar amounts resulting from the calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series A Preferred Stock will cease to accrue on the redemption date, if any, with respect to the Series A Preferred Stock redeemed, unless the Company defaults in the payment of the redemption price of the Series A Preferred Stock called for redemption.

Notwithstanding the foregoing paragraph, if the Company or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, then the provisions set forth in Section 8 will thereafter apply to all determinations of the dividend rate on the Series A Preferred Stock for each Dividend Period during the Floating Rate Period.

Absent manifest error, the Company's (or its designee's) determination of the dividend rate for each Dividend Period during the Floating Rate Period for the Series A Preferred Stock will be binding and conclusive. The Company's (or its designee's) determination of any dividend rate, and its calculation of the amount of dividends for each Dividend Period during the Floating Rate Period, will be maintained on file at the Company's principal offices, will be made available to any holder of the Series A Preferred Stock upon request and will be provided to the transfer agent.

If the then-current Benchmark is Three-Month Term SOFR, the Company or its designee will have the right to establish the Three-Month Term SOFR Conventions, and any of the foregoing provisions concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period are inconsistent with any of the Three-Month Term SOFR Conventions determined by the Company or its designee, then the relevant Three-Month Term SOFR Conventions will apply. Furthermore, if the Company or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark at any time when the Series A Preferred Stock is outstanding, then the foregoing provisions concerning the calculation of the dividend rate and the payment of dividends during the Floating Rate Period will be modified in accordance with Section 8.

(e) Dividends on the Series A Preferred Stock will not be cumulative. If the Board or a duly authorized committee of the Board does not declare a dividend, in full or otherwise, on the Series A Preferred Stock in respect of a Dividend Period, then such unpaid dividends shall cease to accrue and shall not be payable on the applicable Dividend Payment Date or be cumulative, and the Company will have no obligation to pay (and the holders of the Series A Preferred Stock will have no right to receive) dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period, whether or not the Board or a duly authorized committee of the Board declares a dividend for any future Dividend Period with respect to the Series A Preferred Stock, the Common Stock, or any other class or series of the Company's Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not declared.

(f) Notwithstanding any other provision hereof, dividends on the Series A Preferred Stock shall not be declared, paid, or set aside for payment to the extent such act would cause the Company to fail to comply with the laws and regulations applicable to it, including applicable capital adequacy rules of the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") or, as and if applicable, the capital adequacy rules or regulations of any Appropriate Federal Banking Agency.

(g) So long as any share of Series A Preferred Stock remains outstanding, unless the full dividends for the most recently completed Dividend Period on all outstanding shares of Series A Preferred Stock have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside:

(i) No dividend or distribution shall be declared, paid or set aside for payment, and no distribution shall be declared or made or set aside for payment, on any Series A Junior Securities, other than (i) a dividend payable solely in Series A Junior Securities or (ii) any dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock, or other property under any such plan, or the redemption or repurchase of any rights under any such plan;

(ii) No shares of Series A Junior Securities shall be repurchased, redeemed, or otherwise acquired for consideration by the Company, directly or indirectly, other than (i) as a result of a reclassification of Series A Junior Securities for or into other Series A Junior Securities, (ii) the exchange or conversion of one share of Series A Junior Securities for or into another share of Series A Junior Securities, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of Series A Junior Securities, (iv) purchases, redemptions, or other acquisitions of shares of Series A Junior Securities in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of employees, officers, directors, or consultants, (v) purchases of shares of Series A Junior Securities pursuant to a contractually binding requirement to buy Series A Junior Securities existing prior to the preceding Dividend Period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of Series A Junior Securities pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Company; and

(iii) No shares of Series A Parity Securities shall be repurchased, redeemed, or otherwise acquired for consideration by the Company, directly or indirectly, other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series A Preferred Stock and such Series A Parity Securities, if any, (ii) as a result of a reclassification of Series A Parity Securities for or into other Series A Parity Securities, (iii) the exchange or conversion of one share of Series A Parity Securities for or into another share of Series A Parity Securities or Series A Junior Securities, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of Series A Parity Securities, (v)purchases of shares of Series A Parity Securities pursuant to a contractually binding requirement to buy Series A Parity Securities existing prior to the preceding Dividend Period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of Series A Parity Securities pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Company.

(h) Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any Dividend Payment Date, upon the shares of Series A Preferred Stock and any Series A Parity Securities, all dividends declared upon shares of Series A Preferred Stock and any Series A Parity Securities for such Dividend Payment Date shall be declared on a pro rata basis in proportion to the respective amounts of undeclared and unpaid dividends for the Series A Preferred Stock and all Series A Parity Securities on such Dividend Payment Date. To the extent a dividend period with respect to any Series A Parity Securities coincides with more than one Dividend Period, for purposes of the immediately preceding sentence the Board shall treat such dividend period as two or more consecutive dividend periods, none of which coincides with more than one Dividend Period, or shall treat such dividend period(s) with respect to any Series A Parity Securities and Dividend Period(s) for purposes of the immediately preceding sentence in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Series A Parity Securities and the Series A Preferred Stock. To the extent a Dividend Period coincides with more than one dividend period with respect to any Series A Parity Securities, for purposes of the first sentence of this paragraph the Board shall treat such Dividend Period as two or more consecutive Dividend Periods, none of which coincides with more than one dividend period with respect to such Series A Parity Securities, or shall treat such Dividend Period(s) and dividend period(s) with respect to any Series A Parity Securities for purposes of the first sentence of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on the Series A Preferred Stock and such Series A Parity Securities. For the purposes of this paragraph, the term “dividend period” as used with respect to any Series A Parity Securities means such dividend periods as are provided for in the terms of such Series A Parity Securities.

(i) Subject to the foregoing, dividends (payable in cash, stock, or otherwise), as may be determined by the Board or a duly authorized committee of the Board, may be declared and paid on the Common Stock and any other class or series of capital stock ranking equally with or junior to Series A Preferred Stock from time to time out of any assets legally available for such payment, and the holders of Series A Preferred Stock shall not be entitled to participate in any such dividend.

5. *Liquidation*.

(a) Upon any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, holders of Series A Preferred Stock are entitled to receive out of the assets of the Company available for distribution to shareholders, after satisfaction of liabilities and obligations to creditors, if any, and subject to the rights of holders of any securities then outstanding ranking senior to or on parity with Series A Preferred Stock with respect to distributions of assets, before any distribution or payment out of the assets of the Company is made to holders of Common Stock or any Series A Junior Securities, a liquidating distribution in the amount of the liquidation preference of $1,000 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution, without accumulation of any dividends that have not been declared prior to the payment of the liquidating distribution. After payment of the full amount of such liquidating distribution, the holders of Series A Preferred Stock shall not be entitled to any further participation in any distribution of assets of the Company.

(b) In any such liquidating distribution, if the assets of the Company are not sufficient to pay the liquidation preferences (as defined below) in full to all holders of Series A Preferred Stock and all holders of any Series A Parity Securities, the amounts paid to the holders of Series A Preferred Stock and to the holders of all Series A Parity Securities will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of Series A Preferred Stock or any Series A Parity Securities means the amount otherwise payable to such holder in such distribution (assuming no limitation on the Company's assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series A Preferred Stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference has been paid in full to all holders of Series A Preferred Stock and any Series A Parity Securities, the holders of the Company's Series A Junior Securities shall be entitled to receive all remaining assets of the Company according to their respective rights and preferences.

(c) For purposes of this Section 5, neither the sale, conveyance, exchange, or transfer of all or substantially all of the assets or business of the Company for cash, securities, or other property, nor the merger or consolidation of the Company with any other entity, including a merger or consolidation in which the holders of Series A Preferred Stock receive cash, securities, or property for their shares, shall constitute a liquidation, dissolution, or winding- up of the Company.

6. *Redemption*.

(a) Series A Preferred Stock is not subject to any mandatory redemption, sinking fund, or other similar provision. Series A Preferred Stock is not redeemable prior to the fifth anniversary of the original issue date. Shares of Series A Preferred Stock then outstanding will be redeemable at the option of the Company, in whole or in part, from time to time, on any Dividend Payment Date on or after the fifth anniversary of the original issue date at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends, to, but excluding, the date of redemption. Holders of Series A Preferred Stock will have no right to require the redemption or repurchase of Series A Preferred Stock. Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event (as defined below), the Company, at its option, may redeem, at any time, all (but not less than all) of the shares of the Series A Preferred Stock at the time outstanding, at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends, upon notice given as provided in sub-section (b) below. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4(c) above. In all cases, the Company may not redeem shares of the Series A Preferred Stock without having received the prior approval of the Federal Reserve or any successor Appropriate Federal Banking Agency if then required under capital rules applicable to the Company.

A "**Regulatory Capital Treatment Event**" means the good faith determination by the Board or a duly authorized committee of the Board that, as a result of (i) any amendment to, or change in, the laws, rules, or regulations of the United States or any political subdivision of or in the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other federal banking agencies) that is enacted or becomes effective after the initial issuance of any share of the Series A Preferred Stock; (ii) any proposed change in those laws, rules, or regulations that is announced after the initial issuance of any share of the Series A Preferred Stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules, or regulations or policies with respect thereto that is announced after the initial issuance of any share of the Series A Preferred Stock, there is more than an insubstantial risk that the Company will not be entitled to treat the full liquidation value of $1,000 per share of the Series A Preferred Stock then outstanding as "**Tier 1 Capital**" (or its equivalent) for purposes of the capital adequacy rules of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of the Series A Preferred Stock is outstanding.

(b) If shares of Series A Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of Series A Preferred Stock to be redeemed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the Company's stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series A Preferred Stock are held in book-entry form through The Depository Trust Company ("**DTC**"), the Company may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth (i) the redemption date; (ii) the number of shares of Series A Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; and (iv) that dividends on the shares to be redeemed will cease to accrue on the redemption date. If notice of redemption of any shares of Series A Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by the Company for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series A Preferred Stock; such shares of Series A Preferred Stock shall no longer be deemed outstanding; and all rights of the holders of such shares will terminate, except the right to receive the redemption price described in sub-section (a) above, without interest.

(c) In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares to be redeemed shall be selected (1) pro rata, (2) by lot, or (3) in such other manner as the Company may determine to be equitable and permitted by DTC and the rules of any national securities exchange on which the Series A Preferred Stock is listed.

7. *Voting Rights*.

(a) Except as provided below and as determined by the Board or a duly authorized committee of the Board or as expressly required by law, the holders of shares of Series A Preferred Stock shall have no voting power, and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of shares of capital stock, and shall not be entitled to call a meeting of such holders for any purpose, nor shall they be entitled to participate in any meeting of the holders of the Common Stock.

(b) So long as any shares of Series A Preferred Stock remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of all of the shares of Series A Preferred Stock at the time outstanding, voting separately as a class, shall be required to:

(i) authorize, create, or issue, or increase the authorized amount of, shares of any class or series of capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up of the Company, or issue any obligation or security convertible into or exchangeable for, or evidencing the right to purchase, any such class or series of the Company's capital stock;

(ii) amend, alter, or repeal the provisions of the Articles of Incorporation (including this Articles of Amendment), whether by merger, consolidation, or otherwise, so as to materially and adversely affect the powers, preferences, privileges, or rights of Series A Preferred Stock, taken as a whole; *provided, however*, that any amendment to authorize, create, or issue, or increase the authorized amount of, any Series A Junior Securities or any Series A Parity Securities, or any securities convertible into or exchangeable for Series A Junior Securities or Series A Parity Securities will not be deemed to materially and adversely affect the powers, preferences, privileges, or rights of Series A Preferred Stock; or

(iii) complete a binding share exchange or reclassification involving the Series A Preferred Stock, or complete the sale, conveyance, exchange, or transfer of all or substantially all of the assets or business of the Company or consolidate with or merge into any other corporation, unless, in any case, the shares of Series A Preferred Stock outstanding at the time of such consolidation or merger or sale either (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling the surviving entity having such rights, preferences, privileges, and powers (including voting powers), taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges, and powers (including voting powers) of the Series A Preferred Stock, taken as a whole.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by the Company for the benefit of the holders of Series A Preferred Stock to effect such redemption.

(d) The rules and procedures for calling and conducting any meeting of the holders of Series A Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents, and any other aspect or matter with regard to such meeting or such consents shall be governed by any rules that the Board or any duly authorized committee of the Board, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation (as then in effect), the Bylaws (as then in effect), and applicable law and the rules of any national securities exchange on which the Series A Preferred Stock is listed or traded at the time.

8. *Effect of Benchmark Transition Event*. If the Company or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred on or prior to the Reference Time in respect of any determination of the Benchmark on any date, then the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Series A Preferred Stock during the Floating Rate Period in respect of such determination on such date and all determinations on all subsequent dates, and the dividend rate on the Series A Preferred Stock for each Dividend Period during the Floating Rate Period will thereafter be an annual rate equal to the sum of the Benchmark Replacement and the spread of 470.0 per annum. In connection with the implementation of a Benchmark Replacement, the Company or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

9. *Determinations and Decisions*. The Company or its designee is expressly authorized to make certain determinations, decisions and elections hereunder, including with respect to the use of Three-Month Term SOFR as the Benchmark for the Floating Rate Period and under Section 8. Any determination, decision or election that may be made by the Company or its designee hereunder, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection: (x) will be conclusive and binding on the holders of the Series A Preferred stock and the transfer agent for the Series A Preferred Stock absent manifest error; (y) will be made in its sole discretion of the Company or its designee; and (z) notwithstanding anything to the contrary herein, shall become effective without consent from the holders of the Series A Preferred Stock, the transfer agent or any other party. If the Company or its designee fails to make any determination, decision or election that it is required to make hereunder, then the Company will make that determination, decision or election on the same basis as described above.

10. *Conversion Rights*. The holders of shares of Series A Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of securities of the Company.

11. *Preemptive Rights*. The holders of shares of Series A Preferred Stock will have no preemptive rights with respect to any shares of the Company's capital stock or any of its other securities convertible into or carrying rights or options to purchase or otherwise acquire any such capital stock or any interest therein, regardless of how any such securities may be designated, issued, or granted.

12. *Certificates*. The Company may at its option issue shares of Series A Preferred Stock with or without certificates.

13. *Transfer Agent*. The Company shall appoint a transfer agent for the Series A Preferred Stock. The Company may, in its sole discretion, remove the transfer agent in accordance with the agreement between the Company and the transfer agent; provided that the Company shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal.

14. *Registrar*. The Company shall appoint a registrar for the Series A Preferred Stock. The Company may, in its sole discretion, remove the registrar in accordance with the agreement between the Company and the registrar; provided that the Company shall appoint a successor registrar who shall accept such appointment prior to the effectiveness of such removal.

15. *Transfer; Restricted Legend.* The shares of Series A Preferred Stock are "restricted securities" under the Securities Act of 1933, as amended (the "**Securities Act**") and accordingly, may be resold, pledged or otherwise transferred only in compliance with the registration requirements of federal and state securities laws or if exemptions from the Securities Act and applicable state securities laws are available to it. The certificates or other instruments representing the shares of Series A Preferred Stock will bear a restrictive legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE OFFERED, TRANSFERRED, PLEDGED, HYPOTHECATED, SOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER OR SALE.

No Other Rights. The shares of Series A Preferred Stock shall not have any rights, preferences, privileges, or voting powers or relative, participating, optional, or other special rights, or qualifications, limitations, or restrictions thereof, other than as set forth herein or in the Articles of Incorporation, or as provided by applicable law.

ARTICLE IV
Board of Directors

The corporate powers and governance of the Corporation shall be vested in and exercised through a board of directors, comprising not more than 25 nor fewer than one person. The Bylaws of the Corporation shall fix the number, qualifications and compensation of the board of directors, their terms of office and mode and manner of their nomination and election, and provide for the filling of vacancies, removal, the number of directors constituting a quorum, and the duties and responsibilities of the directors. Any director absent from a meeting of the board of directors or any committee thereof may be represented by any other director, who may cast the vote of the absent director according to the written instructions, general or special, of the absent director.

Each director shall be elected by the vote of a majority of the votes cast by the holders of shares entitled to vote at any meeting for the election of directors at which a quorum is present, provided that if the number of director nominees exceeds the number of directors to be elected at such a meeting, the directors shall be elected by a plurality of the votes cast by the holders of shares entitled to vote at such meeting at which a quorum is present. For purposes of this paragraph, (i) a majority of the votes cast shall mean that the number of shares that voted "for" the election of a director exceeds the number of shares voted "against" that director, and (ii) abstentions and broker non-votes shall not be counted as votes cast either "for" or "against" the election of any director. Shareholders shall not have cumulative voting in the election of directors.

ARTICLE V
Consent in Lieu of a Meeting

Whenever the affirmative vote of shareholders at a meeting is required to authorize or constitute corporate action under any provision of the LBCA or of the Articles of Incorporation or Bylaws of the Corporation, such action may be taken without a meeting, and without prior notice, if consents in writing setting forth the action so taken are signed by the holders of outstanding shares of the Corporation having not less than the minimum number of votes that would be required to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted.

ARTICLE VI
Indemnification

The Corporation may, to the fullest extent permitted by the provisions of the LBCA, as the same may be amended and supplemented, indemnify each director or officer of the Corporation from and against any and all of the expenses, liabilities, or other matters referred to in or covered by said provisions, both as to action in his official capacity and as to action in another capacity while holding such office.

The expenses of directors and officers incurred as a party to any threatened, pending or completed proceeding, shall be paid by the Corporation as they are incurred and in advance of the final disposition of the proceeding; provided, however, that the advance payment of expenses shall be made only upon receipt by the Corporation of both a written affirmation from the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification under the LBCA and an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it is ultimately determined by a final decision, order, or decree of a court of competent jurisdiction that the director or officer has not met the required standards of conduct.

The right to indemnification and the payment or advancement of expenses as they are incurred and in advance of the final disposition of an action, suit, or proceeding shall not be exclusive of any other right to which a person may be entitled under these Articles of Incorporation, the Bylaws, a resolution of shareholders or directors, an agreement, or otherwise; provided, however, that all rights to indemnification and to the payment or advancement of expenses are valid only to the extent that they are consistent with the LBCA. The right to indemnification shall continue for a person who has ceased to be a director or officer and shall inure to the benefit of his heirs, next of kin, executors, administrators and legal representatives.

The Corporation shall not be obligated to reimburse the amount of any settlement unless it has agreed to such settlement. If any person shall unreasonably fail to enter into a settlement of any proceeding within the scope of this Article, offered or assented to by the opposing party or parties and which is acceptable to the Corporation, then notwithstanding any other provision of this Article, the indemnification obligation of the Corporation in connection with such action, suit, or proceeding shall be limited to the total of the amount at which settlement could have been made and the expenses incurred by such person prior to the time the settlement could reasonably have been effected.

The Corporation, may, but need not, to the extent authorized from time to time by the board of directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation or to any director, officer, employee or agent of any of its subsidiaries to the fullest extent of the provisions of the LBCA and of this Article subject to the imposition of such conditions or limitations as the board of directors of the corporation may deem necessary or appropriate.

The board of directors of the Corporation may establish rules and procedures, not inconsistent with the provisions of this Article, to implement the provisions of this Article.

The provisions of this Article are valid only to the extent that they are consistent with, and are limited by, applicable laws and regulations, including, but not limited to 12 U.S.C. 1828(k) and regulations promulgated thereunder from time to time by applicable federal banking agencies. The invalidity of any provision of this Article will not affect the validity of the remaining provisions of this Article.

ARTICLE VII
Limitation of Liability

The personal liability of directors and officers of the Corporation to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director or officer or otherwise, shall be limited or eliminated to the fullest extent permitted by the LBCA, as amended from time to time. Neither the amendment nor repeal of this Article, nor the adoption of any provision of the corporation's Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article, in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article, would accrue or arise prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII
Unclaimed Property

The shareholders of the Corporation hereby relinquish in favor of the Corporation any and all right to, or title or interest in, and hereby transfer to the Corporation, all cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock, and the redemption price of redeemed shares, which are not claimed by the shareholders entitled thereto within a reasonable time as determined by the board of directors (not less than one year) after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Corporation to pay the dividend or redemption price or to deliver the certificates for the shares to such shareholders within such time, and the same shall, at the expiration of such time, be deemed transferred to and vested in full ownership in the Corporation, and the Corporation's obligation to pay such dividend or redemption price or issue such shares, as the case may be, to any shareholder shall thereupon cease; provided that the board of directors may, in its sole discretion, authorize (i) payment of the amount of any cash or property dividend or redemption price or (ii) issuance of any shares, ownership of which has become vested in the Corporation pursuant hereto, to the person or entity who or which would be entitled thereto had such transfer not occurred.

ARTICLE IX
Special Meetings of Shareholders

Special meetings of the shareholders of the Corporation may he called by the board of directors, the Chairman of the Board, the President or the Chief Executive Officer of the Corporation in the manner set forth in the Bylaws, and shall be called by the Secretary of the Corporation upon the written demand of the holders of at least 25% of all shares entitled to vote at the proposed meeting pw-suant to a request made in accordance with procedures set forth in the Bylaws. Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

ARTICLEX
Repeal of Articles VI, VII and X

Notwithstanding any other provision of these Articles, the affirmative vote of at least 80% of the total voting power of the Corporation shall be required to amend or repeal Article VI, Article VII or this Article X, and any repeal or amendment of Article VI, Article VII or this Article X by the shareholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Corporation arising from an act or omission occurring prior to the time of such repeal or amendment or the rights of any director or officer to indemnification pursuant to Article VII that may have arisen prior to such appeal or amendment.

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[Signature Page Follows]

THIS DONE AND PASSED in the Parish of East Baton Rouge, State of Louisiana on the date first set forth above in the presence of the undersigned competent witnesses who sign with me, Notary, and the said appearers, after due reading of the whole.

WITNESSES:

Name: _____
(Please Print)

Name: _____
(Please Print)

APPEARERS:

David R. Melville III,
President and Chief Executive Officer

Saundra Strong,
Corporate Secretary

Notary Public
Printed Name: _____
My Commission Expires: _____

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 3, 2022

/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 3, 2022

/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, 2022 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 3, 2022

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

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer