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

FORM 10-K

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

For the fiscal year ended December 31, 2024

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 under Section 12(b) of the Exchange 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

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 Date 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates was computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter, was approximately $522.6 million.

As of February 28, 2025, there were 29,552,358 outstanding shares of the registrant's common stock, $1.00 par value per share.

Document Incorporated By Reference:

Portions of the registrant's Definitive Proxy Statement relating to the 2025 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Definitive Proxy Statement, or an Amended Annual Report on Form 10-K/A containing such Part III information, will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2024.

TABLE OF CONTENTS

Important Notice about Information in this Annual Report on Form 10-K

When we refer in this Annual Report to "we," "our," "us," "Business First" and the "Company," we are referring to Business First Bancshares, Inc. and its consolidated subsidiaries, including b1BANK, formerly known as Business First Bank, which we sometimes refer to as "the Bank", unless the context indicates otherwise.

The information contained in this Annual Report on Form 10-K is accurate only as of the date of this annual report and as of the dates specified herein.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or the "Report," contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). 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, including, without limitation, statements relating to the anticipated benefits of our recent acquisitions. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "will continue," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," and similar expressions of a future or forward-looking nature. These statements involve estimates, assumptions and risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements.

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

- risks related to the integration of any acquired businesses, including exposure to potential asset quality and credit quality risks and unknown or contingent liabilities, 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 United States ("U.S.") economy in general and the local economy in our local market areas adversely affecting our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;

- risks relating to the material weakness we identified in our internal control over financial reporting;

- 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 energy prices and downturns 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 Annual Report. If 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.

Summary of Risks Factors

Risks Relating to our Business

- Our business and operations may be adversely affected by weak economic conditions.
- Our geographic concentration imposes risk.
- We face significant competition to attract and retain customers.
- Our success is largely dependent upon our ability to successfully execute our business strategy.
- We rely heavily on our executive management team and other key employees, and our ability to attract and retain profitable bankers is critical to the success of our business strategy.
- We have identified a material weakness in our internal control over financial reporting. Failure to remediate, improve and maintain the quality of internal control over financial reporting could result in material misstatements in our financial statements and could materially and adversely affect our ability to provide timely and accurate financial information about the Company.
- We may not be able to adequately measure and limit our credit risk.
- Our loan portfolio is largely comprised of commercial loans, which may subject us to increased credit risk.
- Negative changes in the economy affecting real estate values and liquidity could impair loan collateral.
- Large loans to certain borrowers could have a significant adverse impact on our asset quality.
- Our allowance for credit losses may prove to be insufficient to absorb losses on our loan portfolio.
- Our small-to-midsized business customers have fewer resources to weather adverse developments.
- Our ability to maintain our reputation is critical to the success of our business.
- We may not be able to maintain our historical rate of growth, or we may not be able to manage the risks associated with our anticipated growth and expansion.
- Future acquisitions could expose us to financial, execution and operational risks.
- Interest rate shifts could have an adverse effect on our business.
- The markets in which we operate are susceptible to hurricanes and other natural disasters.
- Disruptions in the secondary mortgage market could reduce our ability to resell residential mortgage loans.
- New lines of business, products, product enhancements or services may subject us to additional risks.
- A lack of liquidity could impair our ability to fund operations, and our ability to raise capital or utilize alternative sources of funding may be limited.
- We have a concentration of deposit accounts with state and local municipalities.
- The fair value of our investment securities can fluctuate due to factors outside of our control.
- We need to maintain an effective system of disclosure controls and procedures and internal control over financial reporting.
- Our financial results depend on management's selection of accounting methods, assumptions, and estimates.

- We have a continuing need for technological change.
- We rely on third parties to provide key components of our business infrastructure.
- We could be subject to losses, regulatory action or reputational harm due to fraudulent and negligent acts on the part of loan applicants, our employees and vendors.
- Unauthorized access, cyber-crime and other threats to data security.
- We are subject to environmental liability risk associated with our lending activities.

Risks Related to the Regulation of Our Industry

- We operate in a highly regulated environment, which imposes compliance costs, subjects us to stringent capital requirements and risks relating to noncompliance.
- Federal and state banking agencies periodically conduct examinations of our business.
- New activities and expansion require regulatory approvals.
- Potential limitations on incentive compensation may adversely affect our ability to attract and retain our highest performing employees.
- The Board of Governors of the Federal Reserve System (the "Federal Reserve") may require us to commit capital resources to support the Bank.
- We are subject to laws regarding the privacy, security and protection of personal information.

Risks Associated with our Common Stock

- The market price of our common stock may be subject to substantial fluctuations, and the prevailing market price of our common stock could impair our ability to raise capital.
- The rights of our common shareholders are subordinate to the rights of other interest holders.
- Our dividend policy may change without notice.
- A takeover could be difficult due to our corporate governance documents and certain laws.
- An investment in Business First's common stock is not an insured deposit and is subject to risk of loss.

The above summary is subject in its entirety to the more complete discussion of risk factors set for forth in "*ITEM 1A. Risk Factors*".

PART I

ITEM 1. Business.

General

Business First Bancshares, Inc. is a financial holding company headquartered in Baton Rouge, Louisiana, and the parent company of b1BANK, formerly known as Business First Bank, a Louisiana state banking association and community-based financial institution that offers a full array of banking products and services. We currently operate throughout the state of Louisiana, in the Dallas/Fort Worth metroplex and Houston, from a network of banking centers and loan production offices.

Since our founding in 2006, our mission has not changed – we seek to be the financial institution of choice for our markets' small-to-midsized businesses and their owners and employees. To achieve this goal, we focus on recruiting, retaining and empowering talented bankers who are intimately familiar with and well respected in the communities that they serve, and on providing market-leading products and services that add value to our customers' businesses. We are currently one of the largest Louisiana-based financial institutions. As of December 31, 2024, on a consolidated basis, we had total assets of $7.9 billion, total loans of $6.0 billion, total deposits of $6.5 billion and shareholders' equity of $799.5 million.

Our common stock is listed on the Nasdaq Global Select Market under the symbol "BFST".

Our Business Strategy

We believe a bank should be measured by the value it adds to its customers' businesses. We hold that our customers' needs are best met through local bankers with deep market experience who are empowered with decision-making authority and supported by centralized risk management practices and advanced technology. We understand our competitive strengths and pursue disciplined growth through the careful selection of markets and our position within those markets. Our expansion strategy primarily consists of identifying and recruiting talented teams of bankers in desirable markets and providing them with a platform to better serve their clients.

We believe there is an area stretching from the Dallas/Fort Worth metroplex to Jackson, Mississippi, along the I-20 corridor and from Houston, Texas to Mobile, Alabama, along the I-10/12 corridors whose small-to-midsized businesses and high net worth individuals are underserved relative to other parts of the country and are well-suited for our commercial and private banking products and services. We intend to leverage our competitive strengths to take advantage of what we believe are significant growth opportunities both within our existing footprint and in this larger region. Our growth strategy includes:

- *Expanding Presence in Existing Markets*. While we maintain a strong position in almost all of our markets, we are continually working to strengthen our presence in our existing markets. As community bankers, we know that relationships are at the heart of our business, and we are always looking to identify and recruit talented bankers within, as well as outside of, our existing markets. Additionally, we constantly stress deposit growth to our bankers as our ability to grow our loan portfolio within our markets is limited by our ability to fund those loans. In keeping with our branch-lite model, we may consider adding more banking centers or complementary offices in strategic locations in our markets.

- *Opportunistic Market Expansion.* We are well-positioned to expand along the I-10/12 and I-20 corridors, East Texas markets to the west, and into the Jackson and Gulfport/Biloxi, Mississippi markets to the east, as well as growing our markets in the Dallas/Fort Worth metroplex and Houston. We believe these markets have attractive demographics and a significant concentration of small-to-midsized businesses and high net worth individuals that are historically underserved by the banking industry. We intend to focus on growing into these markets as we identify specific opportunities to recruit talented and entrepreneurial teams of local bankers who fit our culture and banking strategy. Prior to the expansion into the Houston market from the TCBI merger, each of our expansions into new markets to date has been accomplished organically.

- *Disciplined Acquisition Strategy.* While we will remain focused on organic expansion, we will continue to identify and evaluate opportunities for strategic business acquisitions as they arise from time to time.

We have historically maintained a disciplined and conservative approach to strategic acquisitions, with our acquisitions to date being (i) the acquisition of American Gateway Financial Corporation within our home market of Baton Rouge in 2015; (ii) the acquisition of Minden Bancorp, Inc. within our second oldest market, Northwest Louisiana, on January 1, 2018; (iii) the acquisition of Richland State Bancorp, Inc., which is in the Northeast Louisiana region, on December 1, 2018; (iv) the acquisition of Pedestal Bancshares, Inc., which operated in southern Louisiana, on May 1, 2020; (v) the acquisition of Smith Shellnut Wilson, LLC, which operates out of the Jackson, Mississippi area, on April 1, 2021; (vi) the acquisition of Texas Citizens Bancorp, Inc., which operates in Houston, Texas, on March 1, 2022; (vii) the acquisition of Waterstone LSP, LLC, which operates in Katy, Texas, on January 31, 2024; and (viii) the acquisition of Oakwood Bancshares, Inc., which operates in the Dallas, Texas area, on October 1, 2024, the last two of which are described in further detail below. We will carefully consider acquisition opportunities that we believe are consistent with our strategic vision and provide attractive risk-adjusted returns to our shareholders.

Recent Acquisition Activity

Waterstone LSP, LLC ("Waterstone"). On January 31, 2024, we completed the acquisition, through b1BANK, of Waterstone, headquartered in Katy, Texas. Waterstone offers community banks and small businesses a range of small business administration ("SBA") lending services including planning, pre-qualification, packaging, closing and disbursements, servicing and liquidations. Upon consummation of the acquisition, we paid $3.3 million in cash to the former owners of Waterstone.

Oakwood Bancshares, Inc. ("Oakwood"). On October 1, 2024, we consummated the merger of Oakwood, the parent bank holding company for Oakwood Bank, with and into us, with us continuing as the surviving corporation pursuant to the terms of that certain Agreement and Plan of Reorganization (the "Reorganization Agreement"), dated April 25, 2024, by and between us and Oakwood. Immediately following consummation of the Oakwood acquisition, Oakwood Bank merged with and into us, with us surviving the merger. Pursuant to the terms of the Reorganization Agreement, upon consummation of the Oakwood acquisition, we issued 3,973,134 shares of our common stock to the former shareholders of Oakwood. As of September 30, 2024, Oakwood had $863.6 million in total assets, $700.2 million in loans and $741.3 in total deposits.

Our Competitive Strengths

We believe the following competitive strengths differentiate us from our peers and position us for future growth:

- *Sophisticated Business Lending Capabilities.* Unlike traditional community banks, we specifically target business customers with complex needs that require a degree of business lending expertise that is typically found only at larger institutions. We primarily target small-to-midsized businesses with credit needs between $1 million and $10 million, whose banking needs are typically too complex for traditional community banks but are not large enough to attract personalized attention and service from larger institutions. In addition to offering the real estate lending typically available from a community bank, we began focusing heavily on our commercial and industrial ("C&I") products after the economic downturn in 2008 and have developed extensive C&I expertise across our markets. C&I lending requires experienced bankers with a deep understanding of our customers' businesses and their banking needs, which we believe is well-suited for our "high touch" approach to banking. We believe that we have developed an expertise in this small-to-midsized business banking niche that is historically underserved, positioning us for meaningful growth going forward. We have also built treasury and cash management programs that cater to our target customers.

- *True Community Banking Model*. Despite being located in Louisiana's largest metropolitan areas and in the two largest metropolitan areas in the state of Texas, we have a true community banking mindset. That means relationship-based banking by bankers who live and work in our markets. Our market presidents and their teams are trained in credit underwriting and asset/liability management, as we view them as comprehensive bankers rather than just credit producers. The experience and talent of our market presidents and their respective banking teams allow us to decentralize significant decision-making authority while maintaining disciplined credit practices. In our experience, developing credit underwriting expertise "on the front lines" promotes quality loan generation and maximizes efficiency. Further, our emphasis on asset/liability management training allows our local banking teams to understand the importance of quality core deposit funding, which we believe is vital to our continued loan growth. In this sense, we view b1BANK as a network of true community banks, not as a typical regional financial institution that makes important credit and strategic decisions at the corporate level without input from its local bankers. In addition, our executive team is located throughout the state of Louisiana, rather than all being in Baton Rouge, providing the bank with a more informed view of our footprint and the best uses of our capital across our footprint.

- *Entrepreneurial Culture.* We have worked hard to build a team of self-starters who are passionate about the business of banking. We have found success recruiting bankers at much larger institutions who are frustrated by excess bureaucracy, overly centralized decision-making, and an escalated focus on the pursuit of larger business banking clients that larger banks perceive as more profitable than the small-to-midsized businesses we target. Likewise, we have successfully recruited bankers at peer or smaller institutions that do not have the available resources or operating platform to appropriately serve the more sophisticated banking needs of the small-to-midsized businesses in our markets. Our executive team is young and energetic. We believe their collaborative and cohesive approach to working relationships permeates every level of our organization, creating synergies that leave us well-positioned for future growth and helps us attract and retain other talented and entrepreneurial bankers as members of our team.

- *History of Disciplined Expansion.* Since our founding in 2006, we have grown rapidly across the state of Louisiana, into the Dallas/Fort Worth metroplex and, into Houston. Each of our expansions were initiated with careful identification and recruitment of local banking teams and thoughtful consideration of each market's different industries and credit exposures. Our banking centers are carefully situated in locations, typically downtowns and suburban centers, optimized for small-to-midsized business customers and high net worth individuals. This disciplined approach to expansion and growth entails not only recruiting the right bankers in the right markets, but in continuing to focus on the customer base that we are optimized to serve rather than chasing larger relationships as we grow. Over the years, the magnitude of our large banking relationships has changed very little, but the number of our large relationships has grown significantly. In order to continue to serve our customers as they grow without taking undue risk, we have developed a strong participation network that we believe underscores the strength of our underwriting process and the quality of our portfolio. We believe that it is important to keep sight of where our strengths lie and not pursue growth blindly.

- *Strong Platform for Growth*. As a necessary complement to our style of sophisticated community banking, we have made significant investments to build a strong operational platform to empower our individual markets to thrive, to create operational efficiencies across our diverse markets, and to position us for future growth without commensurate growth in operational expenses. We have invested heavily in risk management personnel and modeling capabilities in recent years – we believe our underwriting capabilities are second to none in our markets, and our strong participation network and asset quality metrics are evidence of those capabilities. We invest in technology, which we believe will allow us to maintain staffing that is skewed towards the production side of our business and to accommodate future growth without commensurate increases in operating expenses. We believe our investments in technology will also allow us to maintain our "high tech/high touch" approach without the need for an extensive network of brick and mortar locations.

Our Markets

Our banking operations are currently organized into three regions in Louisiana, which include the largest metropolitan areas in the state, the Dallas/Fort Worth metroplex, and Houston, which we service through our banking centers and loan production offices. We will continue to look for talented teams of bankers in markets and potential acquisitions that fit our model going forward.

Our Products and Services

b1BANK is an independent financial institution that is engaged in substantially all of the business operations customarily conducted by financial institutions in Louisiana and Texas. We offer, among other products, checking, savings and money market accounts, certificates of deposit, commercial and consumer loans, mortgage loans, real estate loans, and other installment and term loans. In addition, b1BANK offers our customers wealth management products, drive-through banking facilities, automated teller machines, night depository, personalized checks, credit cards, debit cards, internet banking, electronic funds transfers through ACH services, domestic and foreign wire transfers, traveler's checks, cash management, vault services, loan and deposit sweep accounts, SBA products, interest-rate swaps and lock box services.

Lending Activities

As a business-focused community-based financial institution, we offer a variety of business-related loans, including commercial lines of credit, working capital loans, commercial real estate-backed loans (including loans secured by owner occupied commercial properties), term loans, equipment financing, acquisition, expansion and development loans, borrowing base loans, real estate construction loans, homebuilder loans, letters of credit and other loan products to small-to-midsized businesses, real estate developers, mortgage lenders, manufacturing and industrial companies and other businesses. We also offer various consumer loans to individuals and professionals including residential real estate loans, home equity loans, installment loans, unsecured and secured personal lines of credit, and standby letters of credit. Lending activities originate from the efforts of our bankers, with an emphasis on lending to small-to-midsized businesses, their owners and employees, and individuals located in our market areas. Although all lending involves a degree of risk, we work to mitigate these risks through conservative underwriting policies and consistent monitoring of credit quality indicators.

Commercial and Industrial Loans. We make C&I loans, including commercial lines of credit, working capital loans, term loans, equipment financing, asset acquisition, expansion and development loans, borrowing base loans, accounts receivable factoring, agricultural financing, letters of credit and other loan products, primarily in our target markets that are underwritten on the basis of the borrower's ability to service the debt from income. We typically take as collateral a lien on general business assets including, among other things, available real estate, accounts receivable, promissory notes, inventory and equipment and generally obtain a personal guaranty of the borrower or principal. Our C&I loans generally have variable interest rates and terms that typically range from one-to-five years depending on factors such as the type and size of the loan, the financial strength of the borrower/guarantor and the age, type and value of the collateral. Fixed rate C&I loan maturities are generally short-term, with one-to-five year maturities, or include periodic interest rate resets. Our underwriting policy does allow for exceptions in which the term and amortization of a C&I loan may be longer than five years; however, the term and amortization must be consistent with the useful life and depreciation rates of the underlying collateral and an underwriting exception will be noted. In general, C&I loans may involve increased credit risk and, therefore, typically yield a higher return than commercial real estate loans. The increased risk in C&I loans derives 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. In addition, the collateral securing C&I loans generally includes moveable property such as equipment and inventory, which may decline in value more rapidly than we anticipated, exposing us to increased credit risk. As a result of these additional complexities, variables and risks, C&I loans require extensive underwriting and servicing.

Construction and Development Loans. Our construction portfolio includes 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 our market areas. Construction and development loans are generally made with a term of one-to-two years with interest paid monthly. Our underwriting policy does allow for exceptions in which the term of a construction and development loan may be longer than two years; however, the term must be realistic and consistent with the borrower's documented ability to repay. The ratio of the loan principal to the value of the collateral, as established by independent appraisal, typically will not exceed regulatory supervisory guidelines. Loan proceeds are disbursed based on the percentage of completion and only after the project has been inspected by an experienced construction lender or third-party inspector. Risks associated with construction and development loans include fluctuations in the value of real estate, project completion risk and change in market trends. We are 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 we funded the loan.

Commercial Real Estate Loans. We offer real estate loans for commercial property that is owner-occupied as well as commercial property owned by real estate investors. Commercial loans that are secured by owner-occupied commercial real estate and primarily collateralized by operating cash flows are also included in this category of loan. Commercial real estate loan terms are generally five years or less and amortization is generally limited to 25 years or less, although payments may be structured on a longer amortization basis in unusual cases. The interest rates on our commercial real estate loans may be fixed or adjustable, although rates typically are not fixed for a period exceeding five years. We generally charge an origination fee for our services. We typically require personal guarantees from the principal owners of the business supported by a review of the principal owners' personal financial statements and global debt service obligations. Risks associated with commercial real estate loans include fluctuations in the value of real estate, the overall strength of the economy, new job creation trends, tenant vacancy rates, environmental contamination and the quality of the borrower's management. We make efforts to limit our risk by analyzing borrowers' cash flow and collateral value. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as owner-occupied and non—owner occupied offices/warehouses/production facilities, office buildings, hotels, mixed-use residential/ commercial properties, retail centers and multi-family properties. Our commercial real estate loan portfolio presents a higher risk profile than our consumer real estate and consumer loan portfolios.

Residential Real Estate Loans. We offer 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. Our retail consumer real estate lending products are offered primarily to consumer customers within our geographic markets. Although our consumer real estate loan portfolio presents lower levels of risk than our commercial, commercial real estate and construction loan portfolios, we are 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.

Consumer Loans. While our focus is on service to small-to-midsized businesses, we also make a variety of loans to individuals for personal, family and household purposes, including secured and unsecured installment and term loans. Our consumer loans, which are underwritten primarily based on the borrower's financial condition and, in some cases, are unsecured credits, subject us to risk 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.

Credit Policies and Procedures

General. We adhere to what we believe are disciplined underwriting standards, but also remain cognizant of the need to serve the credit needs of customers in our primary market areas by offering flexible loan solutions in a responsive and timely manner. We maintain asset quality through an emphasis on local market knowledge, long-term customer relationships, consistent and thorough underwriting for all loans and a conservative credit culture. We also seek to maintain a broadly diversified loan portfolio across customer, product and industry types. Our lending policies do not provide for any loans that are highly speculative, subprime, or that have high loan-to-value ratios. These components, together with active credit management, are the foundation of our credit culture, which we believe is critical to enhancing the long-term value of our organization to our customers, employees, shareholders and communities.

Credit Concentrations. In connection with the management of our credit portfolio, we actively manage the composition of our loan portfolio, including credit concentrations. Our loan approval policies establish concentration limits with respect to industry and loan product type to enhance portfolio diversification. In general, loan product concentration levels, our commercial real estate concentrations, and industry concentration levels are monitored monthly and reviewed by the Bank's board of directors.

Loan Approval Process. We seek to achieve an appropriate balance between prudent, disciplined underwriting and flexibility in our decision-making and responsiveness to our customers. As of December 31, 2024, the Board set the "in-house" household lending limit at $60.0 million with an additional borrower "in-house" lending limit of $20.0 million as of such date. Our credit underwriters are based throughout our footprint and service all of our markets from those locations.

Our credit approval policies provide for various levels of officer and senior management lending authority for new credits and renewals, which are based on position, capability and experience. We approve loans under four types of authority, Matrix (which includes Executive and Directors' Loan Committees), Incremental, Small Business, and Consumer authority. All commercial loans require a minimum of two approvers (the banker and at least one other individual with higher authority). When using the Matrix authority, senior lenders have authority up to $500,000, market leaders have authority up to $750,000, regional market presidents have authority up to $1.5 million, the chief banking officer and regional credit officers have authority up to $2.5 million, regional chairmen have authority up to $2.0 million and the Chief Executive Officer, President, Chief Financial Officer, and Chief Credit Officer each have authority up to $2.5 million. A combination of the Chief Banking Officer and Chief Credit Officer (or their assigns) may approve up to $10.0 million. All relationships exceeding $10.0 million are approved by the Executive Loan Committee. All relationships exceeding $60.0 million or borrowers exceeding $20.0 million are required to be approved by the Director's Loan

Committee, which is comprised of board members. Loans may be approved using the Incremental authority when the relationship has already been approved using the Matrix authority, with senior lenders being able to approve up to \$250,000, market leaders being able to approve up to \$350,000, regional presidents and higher authorities up to \$1.5 million, cumulatively. Consumer loans which present an aggregate lending exposure under \$10.0 million are approved on a transactional basis by appropriate consumer lending personnel using credit underwriting software which recommends approval or decline based on Bank policy guidelines. Loans exceeding the noted amounts or loans with policy exceptions must be approved by an appropriate override authority (including Senior or Executive level management or Loan Committee authority), which we believe provides platform scalability and furthers our fair lending compliance efforts. These parameters are reviewed periodically by the Bank’s board of directors. We believe that our credit approval process provides for thorough underwriting and efficient decision making.

Credit Risk Management. Credit risk management involves a partnership between our executive team and our market presidents. Loan officers, credit administration personnel and senior management proactively support collection activities. Our evaluation and compensation program includes significant goals, such as the percentages of past due loans and charge-offs to total loans in the officer’s portfolio and at the banking center level. We believe this motivates loan officers and management to focus on the origination and maintenance of high-quality credits consistent with our strategic focus on asset quality. Our policies require rapid notification of delinquency and prompt initiation of collection actions.

We maintain a list of loans, the “Watch List”, that receive additional attention if we believe there may be a potential credit risk. The Risk Committee of the Board reviews a list of loans under foreclosure proceedings while the Impairment Committee reviews a list of impaired loans exceeding \$500,000 as well as the list of Classified borrowers with exposures of \$250,000 or greater. Impairment Committee minutes are reviewed by the Risk Committee. Loan officers are encouraged to bring potential credit issues to the attention of credit administration personnel, and loan grades are updated as deemed appropriate. Quarterly, our internal loan review department analyzes specific segments of the loan portfolio. Additionally, we periodically have an independent, third-party review performed on our loan portfolio. This review includes analysis of the borrower’s and guarantor’s financial condition, the Bank’s collateral position, and other credit risk factors. Results of the review as well as management responses are presented to the Bank’s Risk Committee. Finally, we perform stress testing on key segments of our portfolio in which we evaluate the impact of declining economic conditions on the portfolio based on previous recessionary periods. The reporting and reviews provide management with additional information for assessing our asset quality.

Deposits

Our deposits serve as the primary funding source for lending, investing and other general banking purposes. We offer business accounts and cash management services, including business checking and savings accounts, and treasury management services. We also provide a full range of deposit products and services, including a variety of checking and savings accounts, certificates of deposit, money market accounts, debit cards, remote deposit capture, online banking, mobile banking, e-Statements, bank-by-mail and direct deposit services. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community-focused marketing and have recently implemented an incentive bonus program with our bankers to encourage deposit growth. We also seek to cross-sell deposit products at loan origination.

Given the diverse nature of our banking location network and our relationship-driven approach to our customers, we believe our deposit base is comparatively less sensitive to interest rate variations than our competitors. Nevertheless, we attempt to competitively price our deposit products to promote core deposit growth. As a business-focused bank offering comprehensive business banking services, we encourage our customers to bank their deposits with us and believe that the quality of our lending relationships and personalized service helps us in these efforts.

Wealth Solutions Services

We offer wealth management and other fiduciary and private banking services targeted to high net worth individuals, including professionals, business owners, families and professional service companies and other financial service companies. In addition to fiduciary and investment management fee income, we believe these services enable us to build new relationships and expand existing relationships to grow our deposits and loans. Through our wealth management line of business, we offer financial planning, retirement services and investment management by a team of seasoned advisors providing access to a wide range of certificates of deposits, mutual funds, annuities, individual retirement accounts, money market accounts and other financial products. Our private banking products and services are offered at all of our banking centers.

Other Products and Services

In addition to traditional banking activities and the other products and services specified above, we provide a broad array of financial services to our customers, including debit and credit card products, treasury and cash management services, merchant services, employee and payroll benefits solutions (including payroll cards and bank-at-work benefits) automated clearing house services, lock-box services, remote deposit capture services, receivables factoring, correspondent banking services (offered by our Financial Institutions Group), SBA products, interest-rate swaps and other treasury services.

Subsidiaries

Business First Bancshares, Inc. has two direct, wholly-owned subsidiaries: b1BANK, formerly known as Business First Bank, and Coastal Commerce Statutory Trust I. In addition, b1BANK has four direct, wholly-owned subsidiaries, Business First Insurance, LLC, Smith Shellnut Wilson ("SSW"), Waterstone, and b1Securities, which are indirect subsidiaries of Business First Bancshares, Inc. Business First Insurance, LLC is currently inactive and does not engage in any material business activities.

Competition

The banking and financial services industry is highly competitive, and we compete with a wide range of financial institutions within our markets, including local, regional and national commercial banks and credit unions. We also compete with mortgage companies, brokerage firms, consumer finance companies, mutual funds, securities firms, insurance companies, third-party payment processors, fintech companies and other financial intermediaries for certain of our products and services. Some of our competitors are not subject to the regulatory restrictions and level of regulatory supervision applicable to us.

Interest rates on loans and deposits, as well as prices on fee-based services, are typically significant competitive factors within banking and financial services industry. Many of our competitors are much larger financial institutions that have greater financial resources than we do and compete aggressively for market share. These competitors attempt to gain market share through their financial product mix, pricing strategies and banking center locations. Other important competitive factors in our industry and markets include office locations and hours, quality of customer service, community reputation, continuity of personnel and services, capacity and willingness to extend credit, and ability to offer sophisticated banking products and services. While we seek to remain competitive with respect to fees charged, interest rates and pricing, we believe that our broad and sophisticated commercial banking product suite, our high-quality customer service culture, and our positive reputation and community relationships will enable us to compete successfully within our markets and enhance our ability to attract and retain customers.

Human Capital Resources

Our mission is to be the financial institution of choice for enterprises, their owners, and employees. Accordingly, we aim to attract, develop, and retain employees who can drive financial and strategic growth objectives and build long-term shareholder value while upholding our Guiding Principles of a relationship-driven team, thoughtful, disciplined decision-making, meaningful communication, doing the right thing the right way; and striving to be the best through continual improvement. Key items that drive our human capital resources are described below.

Structure. As of December 31, 2024, we proudly employ 849 full-time and 23 part-time employees (for a total of 872 employees). Our employees reside coast to coast, with personnel located in Louisiana, Mississippi, Texas, and 10 other states with remote employees. Full-time equivalents (FTEs) as of December 31, 2024, were 859, which includes employees from the Oakwood acquisition that closed on October 1, 2024.

All banking centers and loan production offices are in Louisiana and Texas, and our subsidiary registered investment advisor (RIA), SSW, is in Mississippi. Our Chief Human Resources Officer reports directly to the Chief of Staff and manages all aspects of the employee experience, including talent acquisition, diversity and inclusion, learning and development, talent management, compensation, and benefits.

The board of directors is regularly updated on our talent development and human capital management strategies.

Productivity. We carefully manage the size of our workforce and reallocate resources as needed. For 2024, we managed an average of $7.0 million in loans held for investment and $7.6 million in deposits per FTE.

Diversity. We have an organization-wide focus to improve recruitment and retention of women and ethnic minorities. In 2024, we completed a third year of our Intern Insights Program, which focuses on creating a pipeline between young diverse talent and the banking industry. Specifically, recruiting efforts focused on junior year finance and accounting majors at Southern University and A&M College in Baton Rouge, a historically black university, for our Intern Insights Program. Furthermore, in 2024, we continued the use of online exit surveys to provide feedback and help increase retention of women and ethnic minorities. As of December 31, 2024, our colleagues had the following attributes:

	Female	Minority(3)
Employees	580 total (67.4%)	152 total (26.0%)
Officials and Managers(1)	116 total (59.0%)	27 total (23.0%)
Executive Officers(2)	3 total (50.0%)	0 total (0.0%)

(1) Based on EEO-1 job classifications.
(2) Based on b1BANK’s Executive Team.
(3) Includes Hispanic/Latino, Black/African American, Asian, American Indian/Alaska Native, Native Hawaiian/Other Pacific Islander

In addition to our continued Diversity Equity and Inclusion (“DEI”) efforts, we have emphasized merit-based promotions to promote from within, and foster talent development of our best human capital resources.

Compensation and Benefits. We provide competitive pay, benefits, and services that meet the varying needs of our employees. Compensation and benefits include market-competitive pay, health insurance options, a health reimbursement account (HRA), a flexible spending account (FSA), dependent care, employer-paid life insurance, voluntary life insurance, dental and vision insurance, employer-paid short-term disability, employer-paid long-term disability, employee assistance programs, employee discounts on our products, critical illness insurance, accident insurance, hospital indemnity insurance, pet insurance, identity and fraud protection, MetLife legal plan, paid time off, (including paid volunteer leave), training and professional development opportunities, and an employer-paid financial wellness program.

Periodic and objective reviews of compensation and benefits by grade level and position are conducted to ensure similar positions are paid comparatively and to solidify that we continuously provide a competitive and valuable offering to satisfy the well-being and needs of our employees.

Attraction, Development and Retention. We measure the success of our talent acquisition strategy on quality of acquisition, diversity in the workplace, and the retention of our employees. Each of these metrics is tracked for all key business lines. Sourcing tools are reviewed and modified as needed to ensure that we experience continued improvement.

In 2024, our Talent Development team made significant strides in enhancing and expanding our training initiatives. Our goals were to directly benefit our clients by elevating service standards through strategic development programs. Key among these was the integration of *Submittable,* which is an online platform used to streamline the submission and review processes into our internal application for external learning and development programs. This innovative platform revolutionized how employees applied for external development programs, streamlining our application process, and improving how managers and executives review and provide feedback on applications.

Further advancements were made in our “Learning b1: Manager Orientation” program, which underwent significant improvements with the introduction of personalized coaching sessions. These sessions provided targeted guidance to enhance leadership skills among managers, leading to more efficient teams and, consequently, better internal and external client interactions and service quality. Additionally, our specialized training programs, namely the “Transaction Dispute Reporting for the Frontline” and the “Mastering Currency Transaction Reports: Compliance and Best Practices,” significantly enhanced client service and compliance standards. These programs equipped our staff with essential skills for efficient dispute handling and deepened their understanding of critical compliance areas such as CTR’s, thereby ensuring secure, compliant client transactions and maintaining client trust in us.

In 2024, we continued the enhancement in our Emergenetics training program. This enhancement is aimed at maximizing the impact of cognitive and behavioral diversity in leadership and team collaboration. By refining the Emergenetics training, we enabled our leaders to more effectively understand and utilize each team member’s unique strengths. This approach fostered a more dynamic, inclusive, and effective leadership style, significantly impacting our ability to exceed client expectations through superior team performance and decision-making. The enhancement of this innovative training program underscored our ongoing commitment to organizational excellence and superior client service.

Our average tenure is 6.6 years of service. During 2024, we had 64 internal employee promotions, 114 external hires, and 11 rehired employees. Employee turnover for 2024 was 13.3%.

Available Information

The Company files reports and other information with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended. The SEC maintains an Internet site that contains reports, proxy and information statements and other information about issuers, like the Company, who file electronically with the SEC. The address of that site is http://www.sec.gov.

Documents filed by the Company with the SEC are available from the Company without charge (except for exhibits to the documents). You may obtain documents filed by the Company with the SEC by requesting them in writing or by telephone from the Company at the following address:

Business First Bancshares, Inc.
500 Laurel Street, Suite 101
Baton Rouge, Louisiana 70801
Attention: Saundra Strong, Corporate Secretary
Telephone: (225) 248-7600
www.b1bank.com

Documents filed by the Company with the SEC are also available on the Company's website, www.b1bank.com. Information furnished by the Company and information on, or accessible through, the SEC's or the Company's website is not part of this Annual Report on Form 10-K.

Supervision and Regulation

General

The U.S. banking industry is highly regulated under federal and state law. Consequently, our growth and earnings performance will be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. These authorities include the Federal Reserve, Federal Deposit Insurance Corporation ("FDIC"), Consumer Financial Protection Bureau ("CFPB"), Louisiana Office of Financial Institutions ("OFI"), Internal Revenue Service ("IRS") and state taxing authorities. The effect of these statutes, regulations and policies, and any changes to such statutes, regulations and policies, can be significant and cannot be predicted.

The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system, facilitate the conduct of sound monetary policy and promote fairness and transparency for financial products and services. The system of supervision and regulation applicable to us and our subsidiaries establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's Deposit Insurance Fund, the Bank's depositors and the public, rather than our shareholders or creditors. The description below summarizes certain elements of the applicable bank regulatory framework. This description is not intended to describe all laws and regulations applicable to us and our subsidiaries, and the description is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described herein.

Business First Bancshares, Inc.

As a financial holding company, the Company is permitted to engage in, and be affiliated with companies engaging in, a broader range of activities than those permitted for a bank holding company that has not elected to become a financial holding company. Bank holding companies are generally restricted to engaging in the business of banking, managing or controlling banks and certain other activities determined by the Federal Reserve to be related closely to banking. Financial holding companies may also engage in activities that are considered to be financial in nature, as well as those incidental or complementary to financial activities, including certain insurance underwriting activities. The Company and the Bank must each remain well capitalized and well managed and the Bank must receive a Community Reinvestment

Act ("CRA") rating of at least "satisfactory" at its most recent examination in order for us to maintain our status as a financial holding company. In addition, the Federal Reserve has the power to order a financial holding company or its subsidiaries to terminate any activity or terminate its ownership or control of any subsidiary, when it has a reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that financial holding company.

As a bank holding company with respect to the Bank, the Company is also subject to regulation under the Bank Holding Company Act of 1956 (the "BHC Act") and to supervision, examination and enforcement by the Federal Reserve. The BHC Act and other federal laws subject bank holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. The Federal Reserve's jurisdiction also extends to any company that we directly or indirectly control, such as any nonbank subsidiaries and other companies in which we own a controlling investment.

Financial Services Industry Reform. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was enacted. The Dodd-Frank Act broadly affected the financial services industry by implementing changes to the financial regulatory landscape aimed at strengthening the sound operation of the financial services sector.

In addition, the Dodd-Frank Act addressed many investor protection, corporate governance and executive compensation matters affecting publicly-traded companies. However, the Jumpstart our Business Startups Act of 2012 (the "JOBS Act") provided certain exceptions to these requirements for so long as a publicly-traded qualifies as an emerging growth company. In 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA") revised certain aspects of the Dodd-Frank Act. Among other things, EGRRCPA exempts banks with less than $10 billion in assets (and total trading assets and trading liabilities of 5% or less of total assets) from Volcker Rule requirements relating to proprietary trading and clarifies definitions pertaining to Highly Volatile Commercial Real Estate ("HVCRE"), which require higher capital allocations, so that only loans with increased risk are subject to higher risk weightings. Further changes effected by the passage of EGRRCPA are discussed below.

Revised Rules on Regulatory Capital. Regulatory capital rules pursuant to the Basel III requirements, released in July 2013 and effective January 1, 2015, implemented higher minimum capital requirements for bank holding companies and banks. These rules include a new common equity Tier 1 ("CET1") capital requirement and establish criteria that instruments must meet to be considered common equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital. The revised capital rules require banks and bank holding companies to maintain a minimum CET1 capital ratio of 4.5% of risk-based assets, a total Tier 1 capital ratio of 6.0% of risk-based assets, a total capital ratio of 8.0% of risk-based assets and a leverage ratio of 4.0% of average assets.

The capital rules also require banks to maintain a CET1 capital ratio of 6.5%, a total Tier 1 capital ratio of 8.0%, a total capital ratio of 10.0% and a leverage ratio of 5.0% to be deemed "well capitalized" for purposes of certain rules and prompt corrective action requirements. The risk-based ratios include a "capital conservation buffer" of 2.5% above its minimum risk-based capital requirements that must be composed of common equity Tier 1 capital. This buffer helps to ensure that banking organizations conserve capital when it is most needed, allowing them to better weather periods of economic stress. The buffer is measured relative to risk-weighted assets. An institution would be subject to limitations on certain activities including payment of dividends, share repurchases and discretionary bonuses to executive officers if its capital level is below the buffered ratio. As of December 31, 2024, the Company's capital meets or exceeds these capital requirements, including the buffer.

On September 17, 2019, the FDIC and other federal bank regulatory agencies approved the community bank leverage ratio ("CBLR") framework as part of the directive under Section 201 of the EGRRCPA. This framework became effective January 1, 2020, and is available to the Bank and Company as an alternative to the Basel III risk-based capital framework. The community bank leverage ratio requirement is currently 9.0% after being temporarily reduced under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CBLR framework is an optional framework that is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. We have not elected to use the CBLR framework since the year ended December 31, 2020.

Imposition of Liability for Undercapitalized Subsidiaries. Bank regulators are required to take prompt corrective action to resolve problems associated with insured depository institutions whose capital declines below certain levels. In the event an institution becomes undercapitalized, it must submit a capital restoration plan. The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

The aggregate liability of the holding company of an undercapitalized bank is limited to the lesser of 5.0% of the institution's assets at the time it became undercapitalized or the amount necessary to cause the institution to be adequately capitalized. The bank regulators have greater power in situations where an institution becomes significantly or critically undercapitalized or fails to submit a capital restoration plan. For example, a bank holding company controlling such an institution can be required to obtain prior Federal Reserve approval of proposed dividends, or might be required to consent to a consolidation or to divest the troubled institution or other affiliates.

Acquisitions by Bank Holding Companies. The BHC Act, requires every bank holding company to obtain the prior approval of the Federal Reserve before it acquires all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank or bank holding company if after such acquisition it would own or control, directly or indirectly, more than 5.0% of the voting shares of such bank or bank holding company. In approving bank or bank holding company acquisitions by bank holding companies, the Federal Reserve is required to consider, among other things, the effect of the acquisition on competition, the financial condition, managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served (including the record of performance under the CRA), the effectiveness of the applicant in combating money laundering activities and the extent to which the proposed acquisition would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. Our ability to make future acquisitions will depend on our ability to obtain approval for such acquisitions from the Federal Reserve. The Federal Reserve could deny our application based on the above criteria or other considerations. For example, we could be required to sell banking centers as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of a proposed acquisition.

Control Acquisitions. Federal and state laws, including the BHC Act and the Change in Bank Control Act (the "CBCA"), impose additional prior notice or approval requirements and ongoing regulatory requirements on any investor that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution or bank holding company. Whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, an investor is deemed to control a depository institution or other company if the investor owns or controls 25.0% or more of any class of voting securities. Subject to rebuttal, an investor is presumed to control a depository institution or other company if the investor owns or controls 10.0% or more of any class of voting securities and either the depository institution or company is a public company or no other person will hold a greater percentage of that class of voting securities after the acquisition. If an investor's ownership of our voting securities were to exceed certain thresholds, the investor could be deemed to "control" us for regulatory purposes, which could subject such investor to regulatory filings or other regulatory consequences. The requirements of the BHC Act and the CBCA could limit our access to capital and could limit parties who could acquire shares of our common stock.

Regulatory Restrictions on Dividends; Source of Strength. As a bank holding company, the Company is subject to certain restrictions on dividends under applicable banking laws and regulations. The Federal Reserve has issued a supervisory letter that provides that a bank holding company should not pay dividends unless: (1) its net income over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends; (2) the prospective rate of earnings retention appears to be consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries; and (3) the bank holding company will continue to meet minimum required capital adequacy ratios. Failure to comply with the supervisory letter could result in a supervisory finding that the bank holding company is operating in an unsafe and unsound manner. In addition, the Company's ability to pay dividends may also be limited as a result of the capital conservation buffer under the Basel III regulatory capital framework. In the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. The Federal Reserve may further restrict the payment of dividends by engaging in supervisory action to restrict dividends or by requiring us to maintain a higher level of capital than would otherwise be required under the Basel III minimum capital requirements.

Under longstanding Federal Reserve policy which has been codified by the Dodd-Frank Act, the Company is expected to act as a source of financial strength to, and to commit resources to support, the Bank. This support may be required at times when we may not be inclined to provide it. In addition, any capital loans that the Company makes to the Bank are subordinate in right of payment to deposits and to certain other indebtedness of the Bank. As discussed above, in certain circumstances, the Company could also be required to guarantee the capital restoration plan of the Bank, if it became undercapitalized for purposes of the Federal Reserve's prompt corrective action regulations. In the event of our bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank under a capital restoration plan would be assumed by the bankruptcy trustee and entitled to a priority of payment.

In the event of a bank holding company's bankruptcy under Chapter 11 of the U.S. Bankruptcy Code, the trustee will be deemed to have assumed and will be required to cure immediately any deficit under any commitment by the debtor holding company to any of the federal banking agencies to maintain the capital of an insured depository institution, and any claim for breach of such obligation will generally have priority over most other unsecured claims.

Scope of Permissible Activities. Under the BHC Act, the Company is prohibited from acquiring a direct or indirect interest in or control of more than 5.0% of the voting shares of any company that is not a bank or financial holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for its subsidiary banks, except that the Company may engage in, directly or indirectly, and may own shares of companies engaged in certain activities found by the Federal Reserve to be so closely related to banking or managing and controlling banks as to be a proper incident thereto. These activities include, among others, operating a mortgage, finance, credit card or factoring company; performing certain data processing operations; providing investment and financial advice; acting as an insurance agent for certain types of credit-related insurance; leasing personal property on a full-payout, nonoperating basis; and providing certain stock brokerage and investment advisory services. In approving acquisitions or the addition of activities, the Federal Reserve considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Notwithstanding the foregoing, the Gramm-Leach-Bliley Act, also known as the Financial Services Modernization Act of 1999, effective March 11, 2000 (the "GLB Act"), amended the BHC Act and eliminated the barriers to affiliations among banks, securities firms, insurance companies and other financial service providers. The GLB Act permitted bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. The GLB Act defines "financial in nature" to include, among other things, securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve has determined to be closely related to banking. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve. We elected to become a financial holding company in 2020.

Safe and Sound Banking Practices. Bank holding companies are not permitted to engage in unsafe and unsound banking practices. The Federal Reserve's Regulation Y, for example, generally requires a bank holding company to provide the Federal Reserve with prior notice of any redemption or repurchase of its own equity securities, if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding year, is equal to 10.0% or more of the bank holding company's consolidated net worth. The Federal Reserve may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. In certain circumstances, the Federal Reserve could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

The Federal Reserve has broad authority to prohibit activities of bank holding companies and their nonbanking subsidiaries which represent unsafe and unsound banking practices, result in breaches of fiduciary duty or which constitute violations of laws or regulations, and can assess civil money penalties or impose enforcement action for such activities. The penalties can exceed $1,000,000 for each day the activity continues.

Anti-tying Restrictions. Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other nonbanking services offered by a bank holding company or its affiliates.

b1BANK

The Bank is a commercial bank chartered under the laws of the State of Louisiana. In addition, its deposits are insured by the FDIC to the maximum extent permitted by law. As a result, the Bank is subject to extensive regulation, supervision and examination by the Louisiana Office of Financial Institutions and the FDIC. Finally, we are also subject to secondary oversight by state banking authorities in other states in which we may maintain banking offices. The bank regulatory agencies have the power to enforce compliance with applicable banking laws and regulations. These requirements and restrictions include requirements to maintain reserves against deposits, restrictions on the nature and amount of loans that may be made and the interest that may be charged thereon and restrictions relating to investments and other activities of the Bank.

Capital Adequacy Requirements. The FDIC and Louisiana Office of Financial Institutions monitor the capital adequacy of the Bank by using a combination of risk-based guidelines and leverage ratios similar to those applied at the holding company level. These agencies consider the bank's capital levels when taking action on various types of applications and when conducting supervisory activities related to the safety and soundness of the bank and the banking system. Under the revised capital rules which became effective on January 1, 2015, the Bank is required to maintain four minimum capital standards: (1) a leverage capital ratio of at least 4.0%, (2) a common equity Tier 1 risk-based capital ratio of 4.5%, (3) a Tier 1 risk-based capital ratio of at least 6.0%, and (4) a total risk-based capital ratio of at least 8.0%.

The Basel III framework also implements a requirement for all FDIC-insured banks to maintain a capital conservation buffer above the minimum capital requirements to avoid certain restrictions on capital distributions and discretionary bonus payments to executive officers. The capital conservation buffer must be composed solely of common equity Tier 1 capital and effectively requires banking organizations to maintain regulatory risk-based capital ratios at least 2.5% above the minimum risk-based capital requirements set forth above.

These capital requirements are minimum requirements. The FDIC or Louisiana Office of Financial Institutions may also set higher capital requirements if warranted by the risk profile of the Bank, economic conditions impacting its markets or other circumstances particular to the bank. For example, FDIC guidance provides that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities. In addition, the FDIC's prompt corrective action regulations discussed below, in effect, increase the minimum regulatory capital ratios for banking organizations. Failure to meet capital guidelines could subject the Bank to a variety of enforcement remedies, including issuance of a capital directive, restrictions on business activities and other measures under the FDIC's prompt corrective action regulations.

Pursuant to section 201(b) of EGRRCPA, the federal bank regulatory agencies adopted a final rule in 2019 imposing a minimum community bank leverage ratio requirement of 9.0%, which was reduced on a temporary basis under the CARES Act in 2020-2021.

As previously mentioned, the Company and Bank elected to adopt the CBLR framework for the year ended December 31, 2020 and elected to revert to the risk weighted ratios for the years ended December 31, 2024, 2023, 2022 and 2021.

Corrective Measures for Capital Deficiencies. The federal banking regulators are required by the Federal Deposit Insurance Act (the "FDI Act") to take "prompt corrective action" with respect to capital-deficient institutions that are FDIC-insured. For this purpose, a financial institution is placed in one of the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." The institution's capital tier depends upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation.

To be well capitalized, a financial institution must have a total risk-based capital ratio of at least 10.0%, a Tier 1 risk-based capital ratio of at least 8.0%, a common equity Tier 1 risk-based capital ratio of at least 6.5%, and a leverage ratio of at least 5.0%, and must not be subject to any written agreement, order or directive requiring it to maintain a specific capital level for any capital measure. As of December 31, 2024, the Bank met the requirements to be categorized as well capitalized under the prompt corrective action framework currently in effect.

Banks that are adequately, but not well, capitalized may not accept, renew or rollover brokered deposits except with a waiver from the Federal Reserve and are subject to restrictions on the interest rates that can be paid on its deposits. The FDIC's prompt corrective action regulations also generally prohibit a bank from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the bank would thereafter be undercapitalized. Undercapitalized institutions are also subject to growth limitations, may not accept, renew or rollover brokered deposits, and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the bank's capital. Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Generally, subject to a narrow exception, the FDIC must appoint a receiver or conservator for an institution that is critically undercapitalized. The capital classification of a bank also affects the frequency of regulatory examinations, the bank's ability to engage in certain activities and the deposit insurance premiums paid by the bank.

Branching. Under Louisiana law, the Bank is permitted to establish additional branch offices within Louisiana, subject to the approval of the Louisiana Office of Financial Institutions. As a result of the Dodd-Frank Act, the Bank may also establish additional branch offices outside of Louisiana, subject to prior regulatory approval, so long as the laws of the state where the branch is to be located would permit a state bank chartered in that state to establish a branch. Any new branch, whether located inside or outside of Louisiana, must also be approved by the FDIC, as the Bank's primary federal regulator. The Bank may also establish offices in other states by merging with banks or by purchasing branches of other banks in other states, subject to certain restrictions.

Restrictions on Transactions with Affiliates and Insiders. Transactions between the Bank and its nonbanking subsidiaries and/or affiliates, including the Company, are subject to Section 23A and 23B of the Federal Reserve Act and Regulation W. In general, Section 23A of the Federal Reserve Act imposes limits on the amount of such transactions, and also requires certain levels of collateral for loans to affiliated parties. It also limits the amount of advances to third parties which are collateralized by the securities or obligations of the Company or its subsidiaries. Covered transactions with any single affiliate may not exceed 10.0% of the capital stock and surplus of the Bank, and covered transactions with all affiliates may not exceed, in the aggregate, 20.0% of the Bank's capital and surplus. For a bank, capital stock and surplus refers to the bank's Tier 1 and Tier 2 capital, as calculated under the risk-based capital guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital. The Bank's transactions with all of its affiliates in the aggregate are limited to 20.0% of the foregoing capital. "Covered transactions" are defined by statute to include a loan or extension of credit to an affiliate, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, in connection with covered transactions that are extensions of credit, the Bank may be required to hold collateral to provide added security to the Bank, and the types of permissible collateral may be limited. The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates, including an expansion of what types of transactions are covered transactions to include credit exposures related to derivatives, repurchase agreement and securities lending arrangements and an increase in the amount of time for which collateral requirements regarding covered transactions must be satisfied.

Affiliate transactions are also subject to Section 23B of the Federal Reserve Act which generally requires that certain transactions between the Bank and its affiliates be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated persons. The Federal Reserve has also issued Regulation W which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretive guidance with respect to affiliate transactions.

The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to herein as "insiders") contained in Section 22(h) of the Federal Reserve Act and in Regulation O promulgated by the Federal Reserve apply to all insured institutions and their subsidiaries and bank holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. Generally, the aggregate of these loans cannot exceed the institution's total unimpaired capital and surplus, although a bank's regulators may determine that a lesser amount is appropriate. Loans to senior executive officers of a bank are even further restricted. Insiders are subject to enforcement actions for accepting loans in violation of applicable restrictions.

Restrictions on Distribution of Bank Dividends and Assets. The Bank is subject to certain restrictions on dividends under federal and state laws, regulations and policies. In general, the Bank may pay dividends to the Company without the approval of the Louisiana Office of Financial Institutions so long as the amount of the dividend does not exceed the Bank's net profits earned during the current year combined with its retained net profits of the immediately preceding year. The Bank is required to obtain the approval of the Louisiana Office of Financial Institutions for any amount in excess of this threshold. In addition, under federal law, the Bank may not pay any dividend to the Company if it is undercapitalized or the payment of the dividend would cause it to become undercapitalized. The FDIC may further restrict the payment of dividends by engaging in supervisory action to restrict dividends or by requiring the Bank to maintain a higher level of capital than would otherwise be required to be adequately capitalized for regulatory purposes. Under the Basel III regulatory capital framework, the failure to maintain an adequate capital conservation buffer, as discussed above, may also result in dividend restrictions. Moreover, if, in the opinion of the FDIC, the Bank is engaged in an unsound practice (which could include the payment of dividends), the FDIC may require, generally after notice and hearing, the Bank to cease such practice. The FDIC has indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe banking practice. The FDIC has also issued policy statements providing that insured depository institutions generally should pay dividends only out of current operating earnings.

Further, in the event of a liquidation or other resolution of an insured depository institution, the claims of depositors and other general or subordinated creditors are entitled to a priority of payment over the claims of holders of any obligation of the institution to its shareholders, including any depository institution holding company (such as us) or any shareholder or creditor thereof.

Incentive Compensation Guidance. The federal banking agencies have issued comprehensive guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of those organizations by encouraging excessive risk-taking. The incentive compensation guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk-management, control and governance processes. The incentive compensation guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon three primary principles: (1) balanced risk-taking incentives, (2) compatibility with effective controls and risk management and (3) strong corporate governance. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or take other actions. In addition, under the incentive compensation guidance, a banking organization's federal supervisor may initiate enforcement action if the organization's incentive compensation arrangements pose a risk to the safety and soundness of the organization. Further, a provision of the Basel III capital standards described above would limit discretionary bonus payments to bank executives if the institution's regulatory capital ratios fail to exceed certain thresholds. A number of federal regulatory agencies proposed rules that would require enhanced disclosure of incentive-based compensation arrangements initially in April 2011, and again in April and May 2016, but the rules have not been finalized and would mostly apply to banking organizations with over $50 billion in total assets. The scope and content of the U.S. banking regulators' policies on executive compensation are continuing to develop and are likely to continue evolving in the future.

Audit Reports. For insured institutions with total assets of $1.0 billion or more, financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), management's certifications signed by our and the Bank's chief executive officer and chief accounting or financial officer concerning management's responsibility for the financial statements, and an attestation by the auditors regarding the Bank's internal controls must be submitted. For institutions with total assets of more than $3.0 billion, independent auditors may be required to review quarterly financial statements. FDICIA requires that the Bank have an independent audit committee, consisting of outside directors only, or that we have an audit committee that is entirely independent. The committees of such institutions must include members with experience in banking or financial management, must have access to outside counsel and must not include representatives of large customers. The Bank's audit committee consists entirely of independent directors.

Deposit Insurance Assessments. The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor through the Deposit Insurance Fund and safeguards the safety and soundness of the banking and thrift industries. The maximum amount of deposit insurance for banks and savings institutions is $250,000 per depositor. The amount of FDIC assessments paid by each insured depository institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors and is calculated based on an institution's average consolidated total assets minus average tangible equity.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. At least semiannually, the FDIC will update its loss and income projections for the Deposit Insurance Fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. If there are additional bank or financial institution failures or if the FDIC otherwise determines to increase assessment rates, the Bank may be required to pay higher FDIC insurance premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings.

Financial Modernization. Under the GLB Act, banks may establish financial subsidiaries and engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting as principal, insurance company portfolio investment, real estate development, real estate investment, annuity issuance and merchant banking activities. To do so, a bank must be well capitalized, well managed and have a CRA rating from its primary federal regulator of satisfactory or better. Subsidiary banks of financial holding companies or banks with financial subsidiaries must remain well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions. Such actions or restrictions could include divestiture of the “financial in nature” subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has a CRA rating of satisfactory or better. Neither we nor the Bank maintains a financial subsidiary.

Brokered Deposit Restrictions. Insured depository institutions that are categorized as adequately capitalized institutions under the FDI Act and corresponding federal regulations cannot accept, renew or roll over brokered deposits, without receiving a waiver from the FDIC, and are subject to restrictions on the interest rates that can be paid on any deposits. The EGRRCPA exempted reciprocal deposits from the definition of brokered deposits. Insured depository institutions that are categorized as undercapitalized capitalized institutions under the FDI Act and corresponding federal regulations may not accept, renew, or roll over brokered deposits. The Bank is not currently subject to such restrictions.

Concentrated Commercial Real Estate Lending Regulations. The federal banking regulatory agencies have promulgated guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that a bank has a concentration in commercial real estate lending if (1) total reported loans for acquisition, construction, land development, and other land represent 100.0% or more of total risk-based capital or (2) total reported loans secured by multi-family and nonfarm nonresidential properties and loans for acquisition, construction, land development, and other land represent 300.0% or more of total risk-based capital and the bank’s commercial real estate loan portfolio has increased 50% or more during the prior 36 months. Owner occupied loans are excluded from this second category. If a concentration is present, management must employ heightened risk management practices that address, among other things, Board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. Our acquisition, construction, land development, and other land portfolio is currently over the regulatory guidance percentage threshold due to the timing of draws on several larger construction and development projects and our portfolio secured by multi-family and nonfarm nonresidential properties and loans for acquisition, construction, land development, and other land is within the percentage threshold.

Community Reinvestment Act. The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their entire assessment area, including low and moderate income neighborhoods, consistent with the safe and sound operations of such banks. These regulations also provide for regulatory assessment of a bank’s record in meeting the needs of its assessment area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. The Financial Institution Reform Recovery and Enforcement Act (the "FIRREA") requires federal banking agencies to make public a rating of a bank’s performance under the CRA. In the case of a bank holding company, the CRA performance record of the banks involved in the transaction are reviewed in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or to merge with any other bank holding company. An unsatisfactory CRA record could substantially delay approval or result in denial of an application. The Bank received a “satisfactory” rating in its most recent CRA examination in April, 2023.

Consumer Laws and Regulations. The Bank is subject to numerous laws and regulations intended to protect consumers in transactions with the Bank. These laws include, among others, laws regarding unfair, deceptive and abusive acts and practices, usury laws, and other federal consumer protection statutes. These federal laws include the Electronic Fund Transfer Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Real Estate Procedures Act of 1974, the S.A.F.E. Mortgage Licensing Act of 2008, the Truth in Lending Act and the Truth in Savings Act, among others. Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those enacted under federal law. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans and conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission and registration rights, action by state and local attorneys general and civil or criminal liability.

In addition, the Dodd-Frank Act created the CFPB. The CFPB has broad authority to regulate the offering and provision of consumer financial products. The Dodd-Frank Act gives the CFPB authority to supervise and examine depository institutions with more than $10.0 billion in assets for compliance with these federal consumer laws. The authority to supervise and examine depository institutions with $10.0 billion or less in assets for compliance with federal consumer laws remains largely with those institutions' primary regulators. However, the CFPB may participate in examinations of these smaller institutions on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. Accordingly, the CFPB may participate in examinations of the Bank, which currently has assets of less than $10.0 billion, and could supervise and examine our other direct or indirect subsidiaries that offer consumer financial products or services. The CFPB also has supervisory and examination authority over certain nonbank institutions that offer consumer financial products. The Dodd-Frank Act identifies a number of covered nonbank institutions, and also authorizes the CFPB to identify additional institutions that will be subject to its jurisdiction. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.

Mortgage Lending Rules. The Dodd-Frank Act authorized the CFPB to establish certain minimum standards for the origination of residential mortgages, including a determination of the borrower's ability to repay. Under the Dodd-Frank Act and related rules, financial institutions may not make a residential mortgage loan unless they make a "reasonable and good faith determination" that the consumer has a "reasonable ability" to repay the loan. The Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure but provides a full or partial safe harbor from such defenses for loans that are "qualified mortgages." The rules define "qualified mortgages," imposing both underwriting standards – for example, a borrower's debt-to-income ratio may not exceed 43.0% – and limits on the terms of their loans. Certain loans, including interest-only loans and negative amortization loans, cannot be qualified mortgages. EGRRCPA, among other matters, expanded the definition of qualified mortgages for banks with less than $10 billion in assets.

Anti-Money Laundering and OFAC. Under federal law, including the Bank Secrecy Act (the "BSA"), and the USA PATRIOT Act of 2001, certain financial institutions, such as the Bank, must maintain anti-money laundering programs that include established internal policies, procedures and controls; a designated BSA officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification especially in their dealings with foreign financial institutions and foreign customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by financial institutions. The Financial Crimes Enforcement Network ("FinCEN"), issued final rules under the BSA in July 2016 that clarify and strengthen the due diligence requirements for banks with regard to their customers.

The Office of Foreign Assets Control("OFAC") administers laws and Executive Orders that prohibit U.S. entities from engaging in transactions with certain prohibited parties. OFAC publishes lists of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Generally, if a bank identifies a transaction, account or wire transfer relating to a person or entity on an OFAC list, it must freeze the account or block the transaction, file a suspicious activity report and notify the appropriate authorities.

Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for bank mergers and acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing and comply with OFAC sanctions, or to comply with relevant laws and regulations, could have serious legal, reputational and financial consequences for the institution.

Privacy. The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through financial services companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. In addition to applicable federal privacy regulations, the Bank is subject to certain state privacy laws.

Federal Home Loan Bank (“FHLB”) System. The FHLB system, of which the Bank is a member, consists of 11 regional FHLBs governed and regulated by the Federal Housing Finance Board ("FHFB"). The FHLBs serve as reserve or credit facilities for member institutions within their assigned regions. The reserves are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system. The FHLBs make loans (i.e., advances) to members in accordance with policies and procedures established by the FHLB and the Boards of directors of each regional FHLB.

As a system member, according to currently existing policies and procedures, the Bank is entitled to borrow from the Dallas FHLB provided it posts acceptable collateral. The Bank is also required to own a certain amount of capital stock in the FHLB. The Bank is in compliance with the stock ownership rules with respect to such advances, commitments and letters of credit and collateral requirements with respect to home mortgage loans and similar obligations. All loans, advances and other extensions of credit made by the FHLB to the Bank are secured by a portion of the respective mortgage loan portfolio, certain other investments and the capital stock of the FHLB held by the Bank.

Enforcement Powers. The bank regulatory agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver. Failure to comply with applicable laws, regulations and supervisory agreements, breaches of fiduciary duty or the maintenance of unsafe and unsound conditions or practices could subject us or our subsidiaries, including the Bank, as well as their respective officers, directors, and other institution-affiliated parties, to administrative sanctions and potentially substantial civil money penalties. For example, the regulatory authorities may appoint the FDIC as conservator or receiver for a banking institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist, including, without limitation, the fact that the banking institution is undercapitalized and has no reasonable prospect of becoming adequately capitalized, fails to become adequately capitalized when required to do so, fails to submit a timely and acceptable capital restoration plan or materially fails to implement an accepted capital restoration plan.

Effect of Governmental Monetary Policies

The commercial banking business is affected not only by general economic conditions but also by U.S. fiscal policy and the monetary policies of the Federal Reserve. Some of the instruments of monetary policy available to the Federal Reserve include changes in the discount rate on member bank borrowings, the fluctuating availability of borrowings at the “discount window,” open market operations, the imposition of and changes in reserve requirements against member banks’ deposits and certain borrowings by banks and their affiliates and assets of foreign branches. These policies influence to a significant extent the overall growth of bank loans, investments, and deposits and the interest rates charged on loans or paid on deposits. We cannot predict the nature of future fiscal and monetary policies or the effect of these policies on our operations and activities, financial condition, results of operations, growth plans or future prospects.

Impact of Current Laws and Regulations

The cumulative effect of these laws and regulations, while providing certain benefits, adds significantly to the cost of our operations and thus has a negative impact on our profitability. There has also been a notable expansion in recent years of financial service providers that are not subject to the examination, oversight, and other rules and regulations to which we are subject. Those providers, because they are not so highly regulated, may have a competitive advantage over us and may continue to draw large amounts of funds away from traditional banking institutions, with a continuing adverse effect on the banking industry in general.

Cybersecurity

We are subject to guidance and standards, as directed by federal law and prescribed by federal regulators, which necessitate the responsibility to secure nonpublic, confidential customer and consumer information and provide notice to such entities in the event their data is disclosed due to a security breach. Under certain circumstances, federal and state regulators must also be notified in the event of a data breach as mandated by applicable state laws and federal regulations. Financial institutions are expected to comply with such guidance and standards and to accordingly establish and employ appropriate information security and cybersecurity programs and associated risk management processes.

Cybersecurity risks are expected to increase due to the rapid evolution and sophistication of cybersecurity attacks and the accessibility of resources required for their execution. In turn, Congress, multiple states, and federal regulators frequently issue new guidance and standards and are currently considering the enactment of additional or enhanced laws or regulations which could impose increased obligations for companies responsible for the safeguarding of nonpublic, customer and consumer information, specifically financial institutions.

On November 23, 2021, federal banking agencies issued a joint final rule requiring financial institutions to provide notification to their primary federal regulator as soon as possible and no later than 36 hours after a "computer-security incident" has been determined to be a "notification event," as those terms are defined under the final rule. Additionally, the rule requires bank service providers to contact each affected banking organization customer as soon as possible once the bank service provider determines it has experienced a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, covered services provided to such banking organizations for four or more hours.

On May 16, 2024, the SEC adopted an amendment to Regulation S-P requiring a covered institution to provide notice as soon as practicable, but not later than 30 days after becoming aware that an incident involving unauthorized access to or use of customer information has occurred or is reasonably likely to have occurred. The notice must include details about the incident, the breached data, and how affected individuals can respond to the breach to protect themselves.

Future Legislation and Regulatory Reform

From time to time, various legislative and regulatory initiatives related to financial institutions are introduced in Congress and state legislatures. New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating in the United States. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute. Future legislation, regulation and policies, and the effects of that legislation and regulation and those policies, may have a significant influence on our operations and activities, financial condition, results of operations, growth plans or future prospects and the overall growth and distribution of loans, investments and deposits. Such legislation, regulation and policies have had a significant effect on the operations and activities, financial condition, results of operations, growth plans and future prospects of commercial banks in the past and are expected to continue to do so.

ITEM 1A. Risk Factors.

In evaluating our business, you should consider carefully the factors described below. The occurrence of one or more of these events could significantly and adversely affect our business, prospects, financial condition, results of operations and cash flows. You should also consider the cautionary statement regarding the use of forward-looking statements elsewhere in this Report.

Risks Relating to our Business

As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.

Our businesses and operations, which primarily consist of lending money to customers in the form of loans, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic conditions in the United States. Uncertainty about federal fiscal monetary and related policies, the medium and long-term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers, and investors in the United States. Changes in any of the policies are influenced by macroeconomic conditions and other factors that are beyond our control. In addition, economic conditions in foreign countries, including global political hostilities or public health outbreaks and uncertainty over the stability of foreign currencies, could affect the stability of global financial markets, which could hinder domestic economic growth.

Adverse economic conditions in the United States and in foreign countries, including adverse conditions resulting from 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 the government policy responses to such conditions, could have an adverse effect on our business, financial conditions, results of operations and prospects.

All of these factors could be detrimental to our business, and the interplay between these factors can be complex and unpredictable.

The geographic concentration of our business in the state of Louisiana, in the Dallas/Fort Worth metroplex and Houston, imposes risks and may magnify the consequences of any regional or local economic downturn affecting our markets, including any downturn in the real estate sector.

We conduct our operations exclusively in the state of Louisiana, in the Dallas/Fort Worth metroplex and Houston. As of December 31, 2024, the substantial majority of the loans in our loan portfolio were made to borrowers who live and/or conduct business in our markets and the substantial majority of our secured loans were secured by collateral located in our markets. Accordingly, we are exposed to risks associated with a lack of geographic diversification as any regional or local economic downturn that affects our markets, our existing or prospective borrowers, or property values in our markets may affect us and our profitability more significantly and more adversely than our competitors whose operations are less geographically focused.

The economic conditions in our markets are highly dependent on the real estate sector as well as the technology, financial services, insurance, transportation, manufacturing and energy sectors. Any downturn or adverse development in these sectors, particularly the real estate and energy sectors in our markets, could have a material adverse impact on our business, financial condition and results of operations, and future prospects. Any adverse economic developments, among other things, could negatively affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans, and reduce the value of our loans.

We face significant competition to attract and retain customers, which could impair our growth, decrease our profitability or result in loss of market share.

We operate in the highly competitive banking industry and face significant competition for customers from bank and non-bank competitors, particularly regional and nationwide institutions, in originating loans, attracting deposits and providing other financial services. Our competitors are generally larger and may have significantly more resources, greater name recognition, and more extensive and established branch networks or geographic footprints than we do. Because of their scale, many of these competitors can be more aggressive than we can on loan and deposit pricing. Also, many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. We expect competition to continue to intensify due to financial institution consolidation; legislative, regulatory and technological changes; and the emergence of alternative banking sources.

Our ability to compete successfully will depend on a number of factors, including, among other things:

- our ability to develop, maintain and build long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- our scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service;
- our ability to expand our market position;
- industry and general economic trends; and
- our ability to keep pace with technological advances and to invest in new technology.

Increased competition could require us to increase the rates we pay on deposits or lower the rates we offer on loans, which could reduce our profitability. Our failure to compete effectively in our primary markets could cause us to lose market share and could have an adverse effect on our business, financial condition and results of operations.

Our success is largely dependent upon our ability to successfully execute our business strategy, and failure to successfully execute our business strategy could have an adverse effect on our business, financial condition and results of operations.

Our success, including our ability to achieve our growth and profitability goals, is dependent on the ability of our management team to execute on our long-term business strategy, which requires them to, among other things:

- attract and retain experienced and talented bankers in each of our markets;
- maintain adequate funding sources, including by continuing to attract stable, low-cost deposits;
- increase our operating efficiency and profitability;
- implement new technologies to enhance the client experience, keep pace with our competitors and improve efficiency;
- attract and maintain commercial banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas;
- attract sufficient loans that meet prudent credit standards, including in our commercial and industrial and owner-occupied commercial real estate loan categories;
- maintain adequate liquidity and regulatory capital and comply with applicable federal and state banking regulations;
- obtain federal and state regulatory approvals;
- manage our credit, interest rate and liquidity risk;
- develop new, and grow our existing, streams of noninterest income;
- oversee the performance of third party service providers that provide material services to our business; and
- maintain expenses in line with their current projections.

Failure to achieve these strategic goals could adversely affect our ability to successfully implement our business strategies and could negatively impact our business, growth prospects, financial condition and results of operations. Furthermore, if we do not manage our growth effectively, our business, financial condition, results of operations and future prospects could be negatively affected, and we may not be able to continue to implement our business strategy and successfully conduct our operations.

We rely heavily on our executive management team and other key employees, and an unexpected loss of their service could have an adverse effect on our business, financial condition and results of operations.

Our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees, and the unexpected loss of services of one or more of our key personnel could have an adverse effect on our business because of their skills, knowledge of our primary markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, or at all, which could have an adverse effect on our business, financial condition and results of operations.

Our ability to attract and retain profitable bankers is critical to the success of our business strategy, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Our ability to retain and grow our loans, deposits and fee income depends upon the business generation capabilities, reputation and relationship management skills of our bankers. If we were to lose the services of any of our bankers, including profitable bankers employed by banks that we may acquire, to a new or existing competitor or otherwise, we may not be able to retain valuable relationships and some of our customers could choose to use the services of a competitor instead of our services.

Our growth strategy also relies on our ability to attract and retain additional profitable bankers. We may face difficulties in recruiting and retaining bankers of our desired caliber, including as a result of competition from other financial institutions. In particular, many of our competitors are significantly larger with greater financial resources, and may be able to offer more attractive compensation packages and broader career opportunities. Additionally, we may incur significant expenses and expend significant time and resources on training, integration and business development before we are able to determine whether a new banker will be profitable or effective. If we are unable to attract and retain profitable bankers, or if our bankers fail to meet our expectations in terms of customer relationships and profitability, we may be unable to execute our business strategy, which could have an adverse effect on our business, financial condition and results of operations.

We may not be able to adequately measure and limit our credit risk, which could lead to unexpected losses.

Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be repaid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual loans and borrowers. The creditworthiness of a borrower is affected by many factors including local market conditions and general economic conditions. If the overall economic climate in the United States, generally, or our market areas, specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require significant additional provisions for credit losses. Additional factors related to the credit quality of commercial loans include the quality of the management of the business and the borrower's ability both to properly evaluate changes in the supply and demand characteristics affecting our market for products and services and to effectively respond to those changes. Additional factors related to the credit quality of commercial real estate loans include tenant vacancy rates and the quality of management of the property.

Our risk management practices, such as monitoring the concentration of our loans within specific industries and our credit approval, review and administrative practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. In addition, many of our loans are made to small and midsized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have an adverse effect on our business, financial condition and results of operations.

Our commercial real estate loan portfolio exposes us to risks that may be greater than the risks related to our other mortgage loans.

Our loan portfolio includes owner-occupied and non-owner-occupied commercial real estate loans for individuals and businesses for various purposes, which are secured by commercial properties, as well as real estate acquisition, construction and development loans. As of December 31, 2024, approximately $3.2 billion, or 52.7% of our loan portfolio is secured by commercial and construction real estate. These loans typically involve repayment dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. These loans expose us to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be liquidated as easily as residential real estate because there are fewer potential purchasers of the collateral. Additionally, non-owner-occupied commercial real estate loans generally involve relatively large balances to single borrowers or related groups of borrowers. Accordingly, charge-offs on non-owner-occupied commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. Unexpected deterioration in the credit quality of our commercial real estate loan portfolio would require us to increase our provision for credit losses, which would reduce our profitability, and could adversely affect our business, financial condition, results of operations and prospects.

Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

The market value of real estate can fluctuate significantly in a short period of time. As of December 31, 2024, approximately $4.0 billion, or 67.5%, of our total loans were comprised of loans with real estate as a primary or secondary component of collateral. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect our business, financial condition, and results of operations. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses could have adverse effect on our business, financial condition and results of operations. If real estate values decline, it is also more likely that we would be required to increase our allowance for credit losses, which could have an adverse effect on our business, financial condition and results of operations.

We engage in lending secured by real estate and may be forced to foreclose on the collateral and own the underlying real estate, subjecting us to the costs and potential risks associated with the ownership of the real property.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter, own and operate such property, in which case, we would be exposed to the risks inherent in the ownership of real estate. As of December 31, 2024, we held approximately $5.5 million in other real estate owned ("OREO"). The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including, but not limited to general or local economic conditions, environmental cleanup liability, assessments, interest rates, real estate tax rates, operating expenses of the mortgaged properties, ability to obtain and maintain adequate occupancy of the properties, zoning laws, governmental and regulatory rules, and natural disasters. Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate, or write-downs in the value of OREO, could have an adverse effect on our business, financial condition and results of operations.

A large portion of our loan portfolio is comprised of commercial loans secured by receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could expose us to credit losses and could adversely affect our business, financial condition and results of operations.

As of December 31, 2024, approximately $1.9 billion, or 31.2%, of our total loans were commercial loans to businesses. In general, these loans are collateralized by general business assets, including, among other things, accounts receivable, inventory and equipment and most are backed by a personal guaranty of the borrower or principal. These commercial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Additionally, the repayment of commercial loans is subject to the ongoing business operations of the borrower. The collateral securing such loans generally includes movable property, such as equipment and inventory, which may decline in value more rapidly than we anticipate exposing us to increased credit risk. In addition, a portion of our customer base, including customers in the energy and real estate business, may be exposed to volatile businesses or industries which are sensitive to commodity prices or market fluctuations, such as energy prices. Accordingly, negative changes in commodity prices and real estate values and liquidity could impair the value of the collateral securing these loans. Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate could cause rapid declines in loan collectability and the values associated with general business assets resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

Our portfolio contains a number of large loans to certain borrowers, and deterioration in the financial condition of these large loans could have a significant adverse impact on our asset quality.

Our growth over the past several years has been partially attributable to our ability to originate and retain relatively large loans given our asset size. As of December 31, 2024, our average loan size (including unfunded commitments) was approximately $447,000. Further, as of December 31, 2024, our 10 largest borrowing relationships ranged from approximately $23.0 million to $95.2 million (including unfunded commitments) and averaged approximately $44.6 million in total commitments. Along with other risks inherent in our loans, such as the deterioration of the underlying businesses or property securing these loans, the higher average size of our loans presents a risk to our lending operations. Because we have a large average loan size, if only a few of our largest borrowers become unable to repay their loan obligations as a result of economic or market conditions or personal circumstances, our nonperforming loans and our provision for credit losses could increase significantly, which could have an adverse effect on our business, financial condition and results of operations.

Our allowance for credit losses may prove to be insufficient to absorb losses inherent in our loan portfolio, which could have a material adverse effect on our business, financial condition and results of operations.

We maintain an allowance for credit losses that represents management's judgment of probable losses and risks inherent in our loan portfolio, including unfunded commitments. As of December 31, 2024, our allowance for credit losses totaled $58.5 million, which represents approximately 0.98% of our total loans held for investment. The level of the allowance reflects management's continuing evaluation of general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. The allowance also incorporates our current views on our current risk management practices, which may change in the future. Additionally, the allowance incorporates historical industry loss data as part of the estimate. The determination of the appropriate level of the allowance for credit losses is inherently highly subjective and requires us to make significant estimates of and assumptions regarding current credit risks and future trends, all of which may undergo material changes. Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification or deterioration of additional problem loans, acquisition of problem loans and other factors, both within and outside of our control, may require us to increase our allowance for credit losses. In addition, our regulators, as an integral part of their periodic examination, review our methodology for calculating, and the adequacy of, our allowance for credit losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to the allowance for credit losses, we may need additional provisions for credit losses to restore the adequacy of our allowance for credit losses. Finally, the measure of our allowance for credit losses is dependent on the adoption and interpretation of accounting standards. The Financial Accounting Standards Board ("FASB") issued a new credit impairment model, the Current Expected Credit Loss ("CECL") model, which became applicable to us on January 1, 2023. CECL requires financial institutions to estimate and develop a provision for credit losses at origination for the lifetime of the loan, as opposed to reserving for incurred or probable losses up to the balance sheet date. Upon adoption of the guidance on January 1, 2023, we recognized an $827,000 reduction to retained earnings, after recording the relating deferred tax asset adjustment at our adjusted tax rate. Under the CECL model, credit deterioration would be reflected in the income statement in the period of origination or acquisition of the loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. Moreover, the CECL model is heavily dependent on macroeconomic forecasts, with changes in those forecasts potentially requiring material increases to our level of allowance for credit losses which could adversely affect our business, financial condition, results of operations, and capital.

The small-to-midsized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair a borrower's ability to repay a loan, and such impairment could have a material adverse effect on our business, financial condition and results of operations.

We focus our business development and marketing strategy primarily on small-to-midsized businesses, who frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small-to-midsized business often depends on the management skills, talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have an adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact the markets in which we operate and small-to-midsized businesses are adversely affected or our borrowers are otherwise harmed by adverse business developments, this, in turn, could have a material adverse effect on our business, financial condition and results of operations.

The borrowing needs of our customers may increase, especially during a challenging economic environment, which could result in increased borrowing against our contractual obligations to extend credit.

A commitment to extend credit is a formal agreement to lend funds to a customer as long as there is no violation of any condition established under the agreement. The actual borrowing needs of our customers under these credit commitments have historically been lower than the contractual amount of the commitments. A significant portion of these commitments expire without being drawn upon. Because of the credit profile of our customers, we typically have a substantial amount of total unfunded credit commitments, which is not reflected on our balance sheet. As of December 31, 2024, we had $1.4 billion in unfunded credit commitments to our customers. Actual borrowing needs of our customers may exceed our expectations, especially during a challenging economic environment when our customers' companies may be more dependent on our credit commitments due to the lack of available credit elsewhere, the increasing costs of credit, or the limited availability of financings from venture firms. This could adversely affect our liquidity, which could impair our ability to fund operations and meet obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

Our ability to maintain our reputation is critical to the success of our business.

Our business plan emphasizes relationship banking. We have benefited from strong relationships with and among our customers. As a result, our reputation is one of the most valuable components of our business. Our growth over the past several years has depended on attracting new customers from competing financial institutions and increasing our market share, primarily by the involvement in our primary markets and word-of-mouth advertising, rather than on growth in the market for banking services in our primary markets. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, our existing relationships may be damaged. We could lose some of our existing customers, including groups of large customers who have relationships with each other, and we may not be successful in attracting new customers. Any of these developments could have an adverse effect on our business, financial condition and results of operations.

Our business has grown rapidly, and we may not be able to maintain our historical rate of growth, which could have an adverse effect on our ability to successfully implement our business strategy.

Our business has grown rapidly. Financial institutions that grow rapidly can experience significant difficulties as a result of rapid growth. Furthermore, our primary strategy focuses on organic growth, supplemented by acquisitions of banking teams or other financial institutions. We may be unable to execute on aspects of our growth strategy to sustain our historical rate of growth or we may be unable to grow at all. More specifically, we may be unable to generate sufficient new loans and deposits within acceptable risk and expense tolerances, obtain the personnel or funding necessary for additional growth or find suitable banking teams or acquisition candidates. Various factors, such as economic conditions and competition, may impede or prohibit the growth of our operations, the opening of new branches, and the consummation of acquisitions. Further, we may be unable to attract and retain experienced bankers, which could adversely affect our growth. The success of our strategy also depends on our ability to effectively manage growth, which is dependent upon a number of factors, including our ability to adapt existing credit, operational, technology and governance infrastructure to accommodate expanded operations. If we fail to build infrastructure sufficient to support rapid growth or fail to implement one or more aspects of our strategy, we may be unable to maintain historical earnings trends, which could have an adverse effect on our business, financial condition and results of operations.

We may not be able to manage the risks associated with our anticipated growth and expansion through de novo branching.

Our business strategy includes evaluating strategic opportunities to grow through de novo branching, and we believe that banking location expansion has been meaningful to our growth since inception. De novo branching carries with it certain potential risks, including significant startup costs and anticipated initial operating losses; an inability to gain regulatory approval; an inability to secure the services of qualified senior management to operate the de novo banking location and successfully integrate and promote our corporate culture; poor market reception for de novo banking locations established in markets where we do not have a preexisting reputation; challenges posed by local economic conditions; challenges associated with securing attractive locations at a reasonable cost; and the additional strain on management resources and internal systems and controls. Failure to adequately manage the risks associated with our anticipated growth through de novo branching could have an adverse effect on our business, financial condition and results of operations.

We may pursue acquisitions in the future, which could expose us to financial, execution and operational risks that could have an adverse effect on our business, financial condition, results of operations and growth prospects.

Although we generally plan to continue to grow our business organically, we may from time to time consider acquisition opportunities that we believe complement our activities and have the ability to enhance our profitability. Our acquisition activities could be material to our business and involve a number of risks, including those associated with:

- the identification of suitable candidates for acquisition;

- the diversion of management attention from the operation of our existing business to identify, evaluate and negotiate potential transactions;
- the ability to attract funding to support additional growth within acceptable risk tolerances;
- the use of inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- the ability to maintain asset quality;
- the adequacy of due diligence and the potential exposure to unknown or contingent liabilities related to the acquisition
- the retention of customers and key personnel, including bankers;
- the timing and uncertainty associated with obtaining necessary regulatory approvals;
- the incurrence of an impairment of goodwill associated with an acquisition and adverse effects on our results of operations
- the ability to successfully integrate acquired businesses; and
- the maintenance of adequate regulatory capital.

The market for acquisition targets is highly competitive, which may adversely affect our ability to find acquisition candidates that fit our strategy and standards at acceptable prices. We face significant competition in pursuing acquisition targets from other banks and financial institutions, many of which possess greater financial, human, technical and other resources than we do. Our ability to compete in acquiring target institutions will depend on our available financial resources to fund the acquisitions, including the amount of cash and cash equivalents we have and the liquidity and value of our common stock. In addition, increased competition may also drive up the acquisition consideration that we will be required to pay in order to successfully capitalize on attractive acquisition opportunities. To the extent that we are unable to find suitable acquisition targets, an important component of our growth strategy may not be realized.

Acquisitions of financial institutions also involve operational risks and uncertainties, such as unknown or contingent liabilities with no available manner of recourse, exposure to unexpected problems such as asset quality, the retention of key employees and customers, and other issues that could negatively affect our business. We may not be able to complete future acquisitions or, if completed, we may not be able to successfully integrate the operations, technology platforms, management, products and services of the entities that we acquire or to realize our attempts to eliminate redundancies. The integration process may also require significant time and attention from our management that would otherwise be directed toward servicing existing business and developing new business. Failure to successfully integrate the entities we acquire into our existing operations in a timely manner may increase our operating costs significantly and could have an adverse effect on our business, financial condition and results of operations. Further, acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future acquisition, and the carrying amount of any goodwill that we currently maintain or may acquire may be subject to impairment in future periods.

Interest rate shifts could have an adverse effect on our business, financial condition, results of operations and growth prospects.

The majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or reprice more quickly, or to a greater degree than interest-earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, or to a greater degree than interest-bearing liabilities, falling interest rates could reduce net interest income. As of December 31, 2024, 45.0% of our earning assets and 67.5% of our interest-bearing liabilities were variable rate. As of December 31, 2024, our modeled interest sensitivity is modestly asset sensitive. Should the assumptions in the model occur, we estimate our net interest income to experience a minor increase if rates rise, and a minor decrease if rates decline. However, it is likely that customer and market responses would differ from those in the model, and there is no guarantee that actual results will match modeled results.

Interest rates increased rapidly during 2022 and 2023 to levels that we have not experienced in recent history. Interest rates subsequently declined in 2024, but have not returned to pre-2022 levels. An increase or stabilization in interest rates could have a number of effects on our business, which may include reduced loan demand, increased delinquencies and increased loan paydowns and payoffs. Conversely, a decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume, loan portfolio and our overall results. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

The markets in which we operate are susceptible to hurricanes and other natural disasters and adverse weather, which could result in a disruption of our operations and increases in credit losses.

A significant portion of our business is generated from markets that have been, and may continue to be, damaged by major hurricanes, floods, tropical storms, tornadoes and other natural disasters and adverse weather. Natural disasters can disrupt our operations, cause widespread property damage, and severely depress the local economies in which we operate. If the economies in our primary markets experience an overall decline as a result of a natural disaster, adverse weather, or other disaster, demand for loans and our other products and services could be reduced. In addition, the rates of delinquencies, foreclosures, bankruptcies and losses on loan portfolios may increase substantially, as uninsured property losses or sustained job interruption or loss may materially impair the ability of borrowers to repay their loans. Moreover, the value of real estate or other collateral that secures the loans could be materially and adversely affected by a disaster. A disaster could, therefore, result in decreased revenue and credit losses that could have an adverse effect on our business, financial condition and results of operations.

We earn income by originating residential mortgage loans for resale in the secondary mortgage market, and disruptions in that market could reduce our operating income.

Historically, we have earned income by originating mortgage loans for sale in the secondary market. A historical focus of our loan origination and sales activities has been to enter into formal commitments and informal agreements with larger banking companies and mortgage investors. Under these arrangements, we originate single family mortgages that are priced and underwritten to conform to previously agreed criteria before loan funding and are delivered to the investor shortly after funding. However, in the recent past, disruptions in the secondary market for residential mortgage loans have limited the market for, and liquidity of, most mortgage loans other than conforming Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") loans. The effects of these disruptions in the secondary market for residential mortgage loans may reappear.

In addition, because government-sponsored entities like Fannie Mae and Freddie Mac, who account for a substantial portion of the secondary market, are governed by federal law, any future changes in laws that significantly affect the activity of these entities could, in turn, adversely affect our operations. In September 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the federal government. The federal government has for many years considered proposals to reform Fannie Mae and Freddie Mac, but the results of any such reform and their impact on us are difficult to predict. To date, no reform proposal has been enacted.

These disruptions may not only affect us but also the ability and desire of mortgage investors and other banks to purchase residential mortgage loans that we originate. As a result, we may not be able to maintain or grow the income we receive from originating and reselling residential mortgage loans, which would reduce our operating income. Additionally, we may be required to hold mortgage loans that we originated for sale, increasing our exposure to interest rate risk and the value of the residential real estate that serves as collateral for the mortgage loan.

New lines of business, products, product enhancements or services may subject us to additional risks.

From time to time, we implement new lines of business, or offer new products and product enhancements as well as new services within our existing lines of business and we will continue to do so in the future. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In implementing, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although we may not assign the appropriate level of resources or expertise necessary to make these new lines of business, products, product enhancements or services successful or to realize their expected benefits. Further, initial timetables for the introduction and development of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have an adverse impact on our business, financial condition or results of operations.

A lack of liquidity could impair our ability to fund operations, which could have an adverse effect on our business, financial condition and results of operations.

Liquidity is essential to our business, and we monitor our liquidity and manage our liquidity risk at the holding company and bank levels. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of our investment securities, the sale of loans, and other sources could have a substantial negative effect on our liquidity. Our most important source of funds is deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments such as money market funds, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities, and proceeds from the issuance and sale of our equity and debt securities to investors. Additional liquidity is provided by the ability to borrow from the Federal Reserve Bank ("FRB") of Atlanta and the FHLB of Dallas. We also borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by a decrease in the level of our business activity as a result of a downturn in our primary market area or by one or more adverse regulatory actions against us.

Recent increases in interest rates have resulted in large unrealized losses in our investment securities portfolio. Selling securities with an unrealized loss would result in the realization of such losses, which would negatively impact regulatory capital, among other effects. Accordingly, investment securities with unrealized losses may have diminished utility as a source of liquidity prior to maturity.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity and could, in turn, have an adverse effect on our business, financial condition and results of operations. In addition, because our primary asset at the holding company level is the Bank, our liquidity at the holding company level depends primarily on our receipt of dividends from the Bank. If the Bank is unable to pay dividends to us for any reason, we may be unable to satisfy our holding company level obligations, which include funding operating expenses and debt service.

We have a concentration of deposit accounts with state and local municipalities that is a material source of our funding, and the loss of these deposits or significant fluctuations in balances held by these public bodies could force us to fund our business through more expensive and less stable sources.

As of December 31, 2024, $758.2 million, or approximately 11.6%, of our total deposits consisted of deposit accounts of public bodies, such as state or local municipalities, or public funds. These types of deposits are often secured and typically fluctuate on a seasonal basis due to timing differences between tax collection and expenditures. Municipal deposits are also generally more sensitive to interest rates and may require competitive rates at placement and subsequent rollover dates, which may make it more difficult for the Bank to attract and retain public and municipal deposits. Withdrawals of deposits or significant fluctuation in a material portion of our largest public fund depositors could force us to rely more heavily on borrowings and other sources of funding for our business and withdrawal demands, adversely affecting our net interest margin and results of operations. We may also be forced, as a result of any withdrawal of deposits, to rely more heavily on other, potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have an adverse effect on our business, financial condition and results of operations.

We may need to raise additional capital in the future, and if we fail to maintain sufficient capital, we may not be able to maintain regulatory compliance, which could have an adverse effect on our business, financial condition and results of operations.

We face significant capital and other regulatory requirements as a financial institution. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, which could include the possibility of financing acquisitions. In addition, we, on a consolidated basis, and b1BANK, on a stand-alone basis, must meet certain regulatory capital requirements and maintain sufficient liquidity in such amounts as the regulators may require from time to time. Importantly, regulatory capital requirements could increase from current levels, which could require us to raise additional capital or reduce our operations. Even if we satisfy all applicable regulatory capital minimums, our regulators could ask us to maintain capital levels which are significantly in excess of those minimums. Our ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on our financial condition and performance. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to maintain capital to meet regulatory requirements, we could be subject to enforcement actions, which could have an adverse effect on our business, financial condition and results of operations.

We utilize alternative sources of funding, which may become more expensive or may not be available in the future, which could have an adverse effect on our business, financial condition and results of operations.

Along with its core deposits, the Bank utilizes alternative funding methods, including brokered and wholesale time deposits, short- and long-term borrowings through a correspondent bank, FHLB advances, Bank Term Funding Program (“BTFP”), securities sold under agreements to repurchase and Federal Funds Purchased borrowings. As of December 31, 2024, brokered and wholesale deposits, including reciprocal deposits, comprised 18.1% of our total deposits, and our borrowings comprised 60.4% of our total shareholders’ equity. As a result of the rise in interest rates during 2022 and 2023, these funding sources have become significantly more expensive than in past years. If we continue to use these alternative funding methods, our interest expense will decline. If these funding sources become more expensive or difficult to access, our net interest income may decline, our liquidity and ability to make new loans may be impaired, or we may fail to meet regulatory capital requirements, any of which could have an adverse effect on our business, financial condition and results of operations.

The fair value of our investment securities can fluctuate due to factors outside of our control.

As of December 31, 2024, the fair value of our investment securities portfolio was approximately $893.5 million, which included a net unrealized loss of approximately $79.9 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities are generally subject to decreases in market value when interest rates rise. The Federal Open Market Committee raised the target federal funds rate several times in 2022 and 2023 and reduced them three times in 2024. In addition to market interest rates, other factors that could cause adverse changes to the fair value of our securities include, but are not limited to, rating agency actions with respect to the securities, defaults by the issuer with respect to the underlying securities, and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized or unrealized losses in future periods and declines in other comprehensive income, which could have an adverse effect on our business, results of operations, financial condition and future prospects. The process for determining whether impairment of a security is other-than-temporary often requires complex, subjective judgments about whether there has been a significant deterioration in the financial condition of the issuer, whether management has the intent or ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value, the future financial performance and liquidity of the issuer and any collateral underlying the security, and other relevant factors.

If we fail to maintain an effective system of disclosure controls and procedures and internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

Ensuring that we have adequate disclosure controls and procedures, including internal controls over financial reporting, in place so we can produce accurate financial statements on a timely basis is costly and time-consuming and needs to be reevaluated frequently. As a public company, we are subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). Our internal controls, disclosure controls and procedures are based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met, due to certain inherent limitations. Any failure or circumvention of our controls and procedures; failure to comply with regulations related to controls and procedures could have a material adverse effect on our reputation, business, financial condition and results of operations.

We have identified a material weakness in our internal control over financial reporting. Failure to remediate, improve and maintain the quality of internal control over financial reporting could result in material misstatements in our financial statements and could materially and adversely affect our ability to provide timely and accurate financial information about the Company, which could harm our reputation and share price.

In January 2025, we identified control deficiencies involving the design and operation of information technology general controls (“ITGCs”) around change management segregation of duties with respect to certain information technology (“IT”) systems that support our financial reporting process, which we have outsourced to a third party service provider. Specifically, user access controls at our third party service provider lacked sufficient segregation of duties as multiple end users had the ability to both install changes into the production environment and develop application source code via permissions inherited through group membership. Management concluded that these control deficiencies constituted a material weakness in our internal control over financial reporting, as the identified deficiencies could have had a direct or indirect impact on some of our financial reporting controls that relied on certain IT system reports. For further discussion of this material weakness, see “Item 9A, Controls and Procedures.”

A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. Management cannot be certain that other deficiencies or material weaknesses will not arise or be identified or that the Company will be able to correct and maintain adequate controls over financial processes and reporting in the future.

Management, with oversight from the Audit Committee, is committed to maintaining a strong internal control environment, and has taken, and will continue to take, actions necessary to remediate the material weakness. The identified material weakness in our internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and can be tested and concluded by management to be designed and operating effectively. Our remediation efforts include working with our third party service provider to ensure that it has taken steps to address its user access controls that led to the change management segregation of duties deficiencies. Accordingly, we cannot provide any assurance that our remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. As we continue to evaluate operating effectiveness and monitor improvements to our internal control over financial reporting, we may take additional measures to address control deficiencies or modify our remediation efforts.

Unsuccessful remediation efforts could result in material misstatements in, or restatements of, the Company’s financial statements, could cause the Company to fail to meet its reporting obligations and/or could cause investors to lose confidence in the Company’s reported financial information, which would adversely affect the trading price of the Company’s common stock and harm the Company’s reputation. In addition, such failures could result in violations of applicable securities laws, an inability to meet Nasdaq listing requirements, a default in covenants under the Company’s credit facilities, and/or exposure to lawsuits, investigations or other legal proceedings.

Our financial results depend on management’s selection of accounting methods and certain assumptions and estimates.

Our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and with general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of related revenues and expenses. Certain accounting policies inherently are based to a greater extent on estimates, assumptions and judgments of management and, as such, have a greater possibility of producing results that could be materially different than originally reported. They require management to make subjective or complex judgments, estimates or assumptions, and changes in those estimates or assumptions could have a significant impact on our consolidated financial statements. These critical accounting policies and estimates include acquired loans and allowance for credit losses and purchase accounting adjustments (other than loans). Because of the uncertainty of estimates involved in these matters, we may be required to significantly increase our allowance for credit losses or sustain credit losses that are significantly higher than the reserve provided, or otherwise incur charges that could have a material adverse effect on our business, financial condition and results of operations.

From time to time, the FASB and the SEC change the financial accounting and reporting standards or the interpretation of such standards that govern the preparation of our consolidated financial statements which could affect our critical accounting policies and critical accounting estimates and assumptions made by management. These changes are beyond our control, can be difficult to predict, and could materially impact how we report our financial condition and results of operations.

We have a continuing need for technological change, and we may not have the resources to effectively implement new technology, or we may experience operational challenges when implementing new technology.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, at least in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our products and service offerings. We may experience operational challenges as we implement these new technology enhancements or products, which could result in us not fully realizing the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner.

Many of our larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. Accordingly, we may lose customers seeking new technology-driven products and services to the extent we are unable to provide such products and services.

We rely on third parties to provide key components of our business infrastructure, and a failure of these parties to perform for any reason could disrupt our operations.

Third parties provide key components of our business infrastructure such as data processing, internet connections, network access, core application processing, statement production and account analysis. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with our third-party service providers could entail significant delay and expense. If we are unable to efficiently replace ineffective service providers, or if we experience a significant, sustained or repeated, system failure or service denial, it could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and subject us to additional regulatory scrutiny and possible financial liability, any of which could have an adverse effect on our business, financial condition and results of operations.

We could be subject to losses, regulatory action or reputational harm due to fraudulent and negligent acts on the part of loan applicants, our employees and vendors.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, and the terms of any such transaction, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements, property appraisals, title information, employment and income documentation, account information and other financial information. We may also rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Any such misrepresentation or incorrect or incomplete information, whether fraudulent or inadvertent, may not be detected prior to funding. In addition, one or more of our employees or vendors could cause a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our loan documentation, operations or systems. Whether a misrepresentation is made by the applicant or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations may also be difficult to locate, and we may be unable to recover any of the monetary losses we may suffer as a result of the misrepresentations. Any of these developments could have an adverse effect on our business, financial condition and results of operations.

Unauthorized access, cyber-crime and other threats to data security may require significant resources, harm our reputation, and otherwise have an adverse effect on our business, financial condition and results of operations.

We necessarily collect, use and hold personal and financial information concerning individuals and businesses with which we have a banking relationship. Threats to data security, including unauthorized access, and cyber-attacks, rapidly emerge and change, exposing us to additional costs for protection or remediation and competing time constraints to secure our data in accordance with customer expectations and statutory and regulatory privacy and other requirements. It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminals intent on committing cyber-crime. Increasing sophistication of cyber-criminals and terrorists make keeping up with new threats difficult and could result in a breach. Controls employed by our information technology department and our other employees and vendors could prove inadequate. We could also experience a breach due to intentional or negligent conduct on the part of employees or other internal sources, software bugs or other technical malfunctions, or other causes. As a result of any of these threats, our customer accounts may become vulnerable to account takeover schemes or cyber-fraud. Our systems and those of our third party vendors may also become vulnerable to damage or disruption due to circumstances beyond our or their control, such as from catastrophic events, power anomalies or outages, natural disasters, network failures, and viruses and malware.

A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs, and reputational damage, any of which could have an adverse effect on our business, results of operations, financial condition, and future prospects.

We are subject to environmental liability risk associated with our lending activities.

In the course of our business, we may purchase real estate, or we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Any significant environmental liabilities could cause an adverse effect on our business, financial condition and results of operations.

We are subject to claims and litigation pertaining to intellectual property.

Banking and other financial services companies, such as ours, rely on technology companies to provide information technology products and services necessary to support their day-to-day operations. Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of our vendors, or other individuals or companies, may from time to time claim to hold intellectual property sold to us by our vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, we may have to engage in protracted litigation. Such litigation is often expensive, time-consuming, disruptive to our operations and distracting to management. If we are found to infringe one or more patents or other intellectual property rights, we may be required to pay substantial damages or royalties to a third party. In certain cases, we may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase our operating expenses. If legal matters related to intellectual property claims were resolved against us or settled, we could be required to make payments in amounts that could have an adverse effect on our business, financial condition and results of operations.

If the goodwill that we have recorded or may record in connection with a business acquisition becomes impaired, it could require charges to earnings.

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets we acquired in connection with the purchase of another financial institution. We review goodwill for impairment at least annually, or more frequently if a triggering event occurs which indicates that the carrying value of the asset might be impaired.

Our goodwill impairment test is performed annually and was completed as of October 1, 2024. The annual test did not indicate any impairment as of the testing date. We estimate the fair value of the reporting unit compared to its carrying value including goodwill. If the carrying amount of the reporting unit goodwill exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. Following the testing date, management determined no triggering event had occurred through December 31, 2024. As of December 31, 2024, our goodwill totaled $121.6 million. While we have not recorded any impairment charges since we initially recorded the goodwill, there can be no assurance that our future evaluations of our existing goodwill or goodwill we may acquire in the future will not result in findings of impairment and related write-downs, which could adversely affect our business, financial condition and results of operations.

Risks Related to the Regulation of Our Industry

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could have an adverse effect on our business, financial condition and results of operations.

We are subject to extensive regulation, supervision and legal requirements that govern almost all aspects of our operations. These laws and regulations are not intended to protect our shareholders. Rather, these laws and regulations are intended to protect customers, depositors, the Deposit Insurance Fund and the overall financial stability of the United States, and not shareholders or counterparties. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that the Bank can pay to us, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP would require. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive. All of these laws and regulations, and the supervisory framework applicable to our industry, could have a material adverse effect on our business, financial condition, and results of operations.

If we do not meet minimum capital requirements, we will be subject to prompt corrective action by federal bank regulatory agencies. Prompt corrective action can include progressively more restrictive constraints on operations, management and capital distributions. Failure to meet the capital conservation buffer will result in certain limitations on dividends, capital repurchases, and discretionary bonus payments to executive officers. We have submitted a comprehensive capital plan to our regulators for review. Even if we satisfy the objectives of our capital plan and meet minimum capital requirements, it is possible that our regulators may ask us to raise additional capital. For additional discussion regarding our capital requirements, please see "*PART I – ITEM 1. Business – Supervision and Regulation – b1BANK – Capital Adequacy Requirements.*"

Federal and state banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of

such examinations could have an adverse effect on our business, financial condition, results of operations and prospects.

The Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Deposit Insurance Corporation (the "FDIC"), and the Louisiana Office of Financial Institutions (the "Louisiana OFI") periodically conduct examinations of various aspects of our business, including our compliance with laws and regulations. If, as a result of an examination, a federal or state banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we or the Bank were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against us or the Bank or our respective officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Bank’s deposit insurance and place it into receivership or conservatorship. Any such regulatory action could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are subject to stringent capital requirements, which may result in lower returns on equity, require us to raise additional capital, limit growth opportunities or result in regulatory restrictions.

The Dodd-Frank Act required the federal banking agencies to establish stricter risk-based capital requirements and leverage limits to apply to banks and bank holding companies. See “*PART I – ITEM 1. Business – Supervision and Regulation – Business First Bancshares, Inc. – Revised Rules on Regulatory Capital.*” If we do not meet minimum capital requirements, we will be subject to prompt corrective action by federal bank regulatory agencies. Prompt corrective action can include progressively more restrictive constraints on operations, management and capital distributions.

Failure to meet the capital conservation buffer will result in certain limitations on dividends, capital repurchases, and discretionary bonus payments to executive officers. We have submitted a comprehensive capital plan to our regulators for review. Even if we satisfy the objectives of our capital plan and meet minimum capital requirements, it is possible that our regulators may ask us to raise additional capital. For additional discussion regarding our capital requirements, please see “*PART I – ITEM 1. Business – Supervision and Regulation – b1BANK – Capital Adequacy Requirements.*”

New activities and expansion require regulatory approvals, and failure to obtain them may restrict our growth.

From time to time, we may complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. Generally, we must receive state and federal regulatory approval before we can acquire an FDIC-insured depository institution or related business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects, and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution’s record of compliance under the CRA and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise, we plan to continue de novo branching as a part of our organic growth strategy. De novo branching and any acquisitions carry with them numerous risks, including the inability to obtain all required regulatory approvals. The failure to obtain these regulatory approvals for potential future strategic acquisitions and de novo branches could impact our business plans and restrict our growth.

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

The BSA, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. To comply with regulations, guidelines and examination procedures in this area, we have dedicated significant resources to our anti-money laundering program. If our policies, procedures and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including acquisitions and *de novo* branching. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and prospects.

The performance of a financial institution under the CRA in meeting the credit needs of its community is a factor that must be taken into consideration when the federal banking agencies evaluate applications related to mergers and acquisitions, as well as branch opening and relocations. If we are unable to maintain at least a "satisfactory" CRA rating, our ability to complete the acquisition of another financial institution or open a new branch will be adversely impacted. If we receive an overall CRA rating of less than "satisfactory", our regulators would not re-evaluate our rating until our next CRA examination, which may not occur for one or more years, and it is possible that a low CRA rating would not improve in the future.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans, increase our risk of liability with respect to such loans, or increase the time and expense associated with the foreclosure process or prevent us from foreclosing at all.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

Additionally, consumer protection initiatives or changes in state or federal law may substantially increase the time and expense associated with the foreclosure process or prevent us from foreclosing at all. While historically the states in which we operate have had foreclosure laws that are favorable to lenders, a number of states in recent years have either considered or adopted foreclosure reform laws that make it substantially more difficult and expensive for lenders to foreclose on properties in default, and we cannot be certain that the states in which we operate will not adopt similar legislation in the future. If new state or federal laws or regulations are ultimately enacted that significantly raise the cost of foreclosure or raise outright barriers, such could have an adverse effect on our business, financial condition and results of operations.

The expanding body of federal, state and local regulations and/or the licensing of loan collections or other aspects of our business and our sales of loans to third parties may increase the cost of compliance and the risks of noncompliance and subject us to litigation.

Loan collection is subject to extensive regulation by federal, state and local governmental authorities as well as to various laws and judicial and administrative decisions imposing requirements and restrictions on those activities. The volume of new or modified laws and regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan collection activities including delaying or temporarily preventing foreclosures or forcing the modification of certain mortgages. If regulators impose new or more restrictive requirements, we may incur additional significant costs to comply with such requirements which may further adversely affect us. In addition, were we to be subject to regulatory investigation or regulatory action regarding our loan modification and foreclosure practices, it could have an adverse effect on our business, financial condition and results of operations.

In addition, we have sold loans to third parties. In connection with these sales, we or certain of our subsidiaries or legacy companies make or have made various representations and warranties, breaches of which may result in a requirement that we repurchase the loans, or otherwise make whole or provide other remedies to counterparties. These aspects of our business or our failure to comply with applicable laws and regulations could possibly lead to: civil and criminal liability; loss of licensure; damage to our reputation in the industry; fines and penalties and litigation, including class action lawsuits; and administrative enforcement actions. Any of these outcomes could materially and adversely affect us.

Potential limitations on incentive compensation contained in proposed federal agency rulemaking may adversely affect our ability to attract and retain our highest performing employees.

In April 2011 and May 2016, the FDIC, other federal banking agencies and the SEC jointly published proposed rules designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with $1 billion or more in assets, such as the Bank and the Company. It cannot be determined at this time whether or when a final rule will be adopted and whether compliance with such a final rule will substantially affect the manner in which we structure compensation for our executives and other employees. Depending on the nature and application of the final rules, we may not be able to successfully compete with certain financial institutions and other companies that are not subject to some or all of the rules to retain and attract executives and other high performing employees. If this were to occur, relationships that we have established with our customers may be impaired, which could in turn adversely impact our business, financial condition and results of operations.

Increases in FDIC insurance premiums could adversely affect our earnings and results of operations.

The deposits of the Bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments. The Bank's regular assessments are determined by the level of its assessment base and its risk classification, which is based on its regulatory capital levels and the level of supervisory concern that it poses. Moreover, the FDIC has the unilateral power to change deposit insurance assessment rates and the manner in which deposit insurance is calculated and also to charge special assessments to FDIC-insured institutions. The FDIC utilized all of these powers during the financial crisis for the purpose of restoring the reserve ratios of the Deposit Insurance Fund. Any future special assessments, increases in assessment rates or premiums, or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could materially and adversely affect our business, financial condition, and results of operations. We experienced an increase in FDIC insurance premiums in 2023 due to increased regulatory rates.

The Federal Reserve may require us to commit capital resources to support the Bank.

Under longstanding Federal Reserve policy which has been codified by the Dodd-Frank Act, we are expected to act as a source of financial and managerial strength to the Bank and to commit resources to support the Bank. Under the "source of strength" doctrine, the Federal Reserve may require us to make capital injections into the Bank at times when we may not be inclined to do so and may charge us with engaging in unsafe and unsound practices for failure to commit such resources. Accordingly, we could be required to provide financial assistance to the Bank if it experiences financial distress.

Such a capital injection may be required at a time when our resources are limited and we may be required to borrow the funds or to raise additional equity capital to make the required capital injection. In the event of our bankruptcy, the bankruptcy trustee will assume any commitment by us to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of our general unsecured creditors, including the holders of any note obligations.

We are subject to commercial real estate lending guidance issued by the federal banking regulators that impacts our operations and capital requirements.

The federal banking regulators have issued guidance regarding concentrations in commercial real estate lending directed at institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios. This guidance suggests that institutions whose commercial real estate loans exceed certain percentages of capital should implement heightened risk management practices appropriate to their concentration risk and may be required to maintain higher capital ratios than institutions with lower concentrations in commercial real estate lending. As of December 31, 2024, we were within the 300.0% regulatory guideline for commercial real estate, as well as the 100.0% regulatory guideline for construction, land development, and other land loans due to the timing of draws on several larger construction and development projects. We have documented procedures and systems in place to manage and monitor our commercial real estate exposures in excess of regulatory guidelines. It should be noted, however, that increases in our commercial real estate lending, particularly as we expand into metropolitan markets and make more of these loans, could subject us to additional supervisory analysis. We cannot guarantee that any risk management practices we implement will be effective to prevent losses relating to our commercial real estate portfolio. Management has implemented controls to monitor our commercial real estate lending concentrations, but we cannot predict the extent to which this guidance will impact our operations or capital requirements. Management has implemented controls to monitor our commercial real estate lending concentrations as well as the progress of commercial real estate construction projects with loans exceeding $1.0 million, but we cannot predict the extent to which this guidance will impact our operations or capital requirements.

We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase our costs. Furthermore, we may not be able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to parties who are not permitted to have the information, or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition.

Risks Associated with our Common Stock

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your common shares at the volume, prices and times desired.

Assuming the presence of a public market for our common stock, the market price of our common stock may be highly volatile, which may make it difficult for you to resell your common shares at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve, or in laws or regulations affecting us;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the number of securities analysts covering us;
- publication of research reports about us, our competitors, or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- changes in market valuations or earnings of companies that investors deem comparable to us;
- the trading volume of our common stock;
- future issuances of our common stock or other securities;
- future sales of our common stock by us or our directors, executive officers or significant shareholders;
- additions or departures of key personnel;
- perceptions in the marketplace regarding our competitors and us;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core market or the financial services industry.

In particular, the realization of any of the risks described in this "Risk Factors" section could have a material adverse effect on the market price of our common stock and cause the value of your investment to decline. The stock market and, in particular, the market for financial institution stocks have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility could have an adverse effect on the market price of our common stock, which could make it difficult to sell your common shares at the volume, prices and times desired.

Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and impair our ability to raise capital through future sales of equity securities.

Our articles of incorporation authorize us to issue up to 50,000,000 shares of common stock. As of February 28, 2025, there are 29,552,358 shares of our common stock issued and outstanding. We may issue shares of our common stock or other securities from time to time for any number of reasons, including as consideration for future acquisitions and investments and under compensation and incentive plans. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition or under a compensation or incentive plan), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock and could impair our ability to raise capital through future sales of our securities.

The rights of our common shareholders are subordinate to the rights of our outstanding subordinated notes and our outstanding preferred stock and may be subordinate to the rights of the holders of any senior indebtedness or preferred stock that we may issue in the future.

Shares of our common stock are equity interests and do not constitute indebtedness. As such, shares of our common stock rank junior to all of our outstanding indebtedness, including our outstanding subordinated notes in the amount of $100.0 million, our trust preferred securities of $5.0 million, and to other non-equity claims against us and our assets available to satisfy claims against us, including in our liquidation. Our common stock also ranks junior to the $72.0 million of Series A preferred stock that we issued during 2022.

Our board of directors also has the authority to issue in the aggregate up to 4,928,000 shares of additional preferred stock, and to determine the terms of each issue of preferred stock and any indebtedness, without shareholder approval. Accordingly, you should assume that any shares of preferred stock and any indebtedness that we may issue in the future will also be senior to our common stock. As a result, holders of our common stock bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings may negatively affect the market price of our common stock.

Our dividend policy may change without notice, and our future ability to pay dividends is subject to restrictions.

Holders of our common stock are entitled to receive only such cash dividends as our board of directors may declare out of funds legally available for the payment of dividends. Although we have declared a quarterly cash dividend on our common stock since the second quarter of 2016, we have no obligation to continue paying dividends, and we may change our dividend policy at any time without notice to our shareholders. We may not pay any dividends on our common stock if we have not paid the full dividends on our outstanding Series A preferred stock for the most recent quarterly dividend period. Our ability to pay dividends may also be limited on account of any outstanding indebtedness or preferred stock we may issue in the future, as we generally are required to make payments on any outstanding indebtedness and outstanding preferred stock before any dividends can be paid on our common stock. Finally, because our primary asset is our investment in the stock of the Bank, we are dependent upon dividends from the Bank to pay our operating expenses, satisfy our obligations and to pay dividends on our common stock, and the Bank's ability to pay dividends on its common stock will substantially depend upon its earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate and other factors deemed relevant by its board of directors. There are numerous laws and banking regulations that limit our and the Bank's ability to pay dividends. See "Dividend Policy" and "*PART I – ITEM 1. Business – Supervision and Regulation – Business First Bancshares, Inc. – Regulatory Restrictions on Dividends.*"

Our corporate governance documents, and certain corporate and banking laws applicable to us, could make a takeover more difficult.

Certain provisions of our articles of incorporation and bylaws, each as amended and restated, and corporate and federal banking laws, could make it more difficult for a third party to acquire control of our organization or conduct a proxy contest, even if those events were perceived by many of our shareholders as beneficial to their interests. These provisions, and the corporate and banking laws and regulations applicable to us:

- enable our board of directors to issue additional shares of authorized, but unissued capital stock;
- enable our board of directors, without shareholder approval, to issue "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the board;
- enable our board of directors to increase the size of the board and fill the vacancies created by the increase;
- do not provide for cumulative voting in the election of directors;
- enable our board of directors to amend our bylaws without shareholder approval;
- require the vote of holders of at least 80% of the outstanding shares of our capital stock to modify the sections of our articles of incorporation addressing limitation of liability and indemnification of our officers and directors;
- require the request of holders of at least 25% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting;
- establish an advance notice procedure for director nominations and other shareholder proposals; and
- require prior regulatory application and approval of any transaction involving control of our organization.

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including under circumstances in which our shareholders might otherwise receive a premium over the market price of our shares. See "Description of our Capital Stock" and "Supervision and Regulation."

An investment in Business First's common stock is not an insured deposit and is subject to risk of loss.

Your investment in our common stock is not a bank deposit and is not insured or guaranteed by the FDIC or any other government agency. Your investment is subject to investment risk, and you must be capable of affording the loss of your entire investment.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 1C. Cybersecurity.

Financial institutions have an obligation to customers, consumers and stakeholders to safeguard the confidentiality, integrity and availability of nonpublic, sensitive information and the information systems used to store, transmit or process such information.

Consistent with industry guidelines, such as the National Institute of Standards and Technology Cybersecurity framework, and regulatory requirements, guidelines and standards, b1BANK's information security and cybersecurity programs (collectively, "Program(s)") have been adapted to fulfill this obligation by establishing and employing administrative, technical and physical safeguards to maintain a secure and dependable infrastructure and environment. These Programs focus on identifying and addressing threats to the company and its customers and contribute corporate decision-making guidance for information security, cybersecurity and risk management objectives.

Defending against information security and cybersecurity (collectively, "Security") threats demands a concentrated, collaborative approach and, as such, supplementary programs and processes have been instituted into governing Security and risk management strategies.

Global threat intelligence is monitored for potential Security risks or vulnerabilities. These threats are analyzed for potential impact to the bank and are addressed in accordance with Program requirements. b1BANK's Chief Information Security Officer ("CISO") presents Security reports to the Operating Committee and Risk Committee of b1BANK's board of directors on a quarterly basis or as needed. These reports consist of significant Security events and issues, vulnerability metrics, and material risks. Additional reporting representing the overall state of the Program is presented on at least an annual basis to the full board of directors, which is responsible for overseeing Security functions and associated initiatives.

Security is embedded into our culture, being promoted through security awareness materials, mandatory testing campaigns and the mandatory annual review and acknowledgement of corporate Security policies and standards.

Business Continuity and Incident Response plans have been cohesively established and employed to provide frameworks for responding to and recovering from events such as natural disasters or security events. Our Director of Business Continuity and CISO, respectively, are responsible for the facilitation of these plans, as needed, and testing each on at least an annual basis. The owners of these plans are responsible for identifying an appropriate group of cross-enterprise subject matter experts and convening them to ensure a comprehensive response. These groups, under the leadership of our Chief Operations Officer ("COO"), provide appropriate internal notifications of material security events and response activities to our General Counsel, Chief Risk Officer, Chief Executive Officer, and board of directors or other appropriate corporate executives.

A vendor management program has been developed and employed to manage potential risks for third-party service providers, suppliers and external partners who have access to our confidential information. The effectiveness of these processes is verified by independent internal and external audit functions or organizations.

Independent internal and external auditors are engaged to perform Security assessments to determine the appropriateness and effectiveness of the overall Program. Supplementary self-assessments are performed as needed or as required by regulatory guidelines. Assessment results are evaluated to determine the scope of risk on the security of the bank and are addressed in accordance with Program requirements.

Our current CISO maintains appropriate security certifications and has over 20 years of experience in an information security role. The CISO manages a group dedicated to the security of the bank. This group is responsible for information technology monitoring and incident response activities, the latter covering the response coordination to cyber-attacks under the leadership and pursuant to the direction of the CISO. Our CISO reports directly to our COO and oversees, is assigned the responsibly of and is held accountable for the implementation and monitoring of the Program. Our COO serves on the Risk Committee of the Board, chaired by a board director.

The Company engages in a continuous, focused risk monitoring process to identify the likelihood and impact of internal and external threats to our information security systems and data and assesses the sufficiency of the controls in place to mitigate these threats to acceptable levels on a risk-based basis. The CISO and COO together lead efforts to design, implement and operate necessary controls commensurate with the materiality and criticality of identified risks and the sensitivity of the information assets and systems used throughout the bank. To date, no risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to affect b1BANK.

ITEM 2. Properties.

Our current principal offices are located at 500 Laurel Street, Baton Rouge, Louisiana. We currently operate out of our network of banking centers and loan production offices located throughout the State of Louisiana, in the Dallas/Fort Worth metroplex and Houston. Our office locations are either owned or leased. We believe that our facilities are adequately covered by insurance and that these facilities are adequate to meet our needs.

ITEM 3. Legal Proceedings.

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.

At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our combined results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management’s attention and may materially adversely affect our reputation, even if resolved in our favor.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol "BFST". Our common shares have been traded on the Nasdaq Global Select Market since April 11, 2018. Prior to that date, there was no public trading market for our common stock. As of February 28, 2025, there were 29,552,358 issued and outstanding shares of our common stock held of record by approximately 1,040 shareholders. We also had outstanding 179,969 options to purchase shares of our common stock issued under our equity compensation plans, as described below.

Dividends

In 2016, our board of directors made the determination to begin paying regular quarterly dividends on our common stock; however, we are not obligated to pay dividends on either our common or preferred stock. Dividends on our common stock are not payable if we have not paid the full dividends on our Series A preferred stock for the most recently completed quarterly dividend period. The payment of future dividends and our dividend policy will depend on our earnings, capital requirements and financial condition, as well as other factors that our board of directors deems relevant. For additional discussion of legal and regulatory restrictions on the payment of dividends, see "*PART I - ITEM 1. Business – Supervision and Regulation – Business First Bancshares, Inc. – Regulatory Restrictions on Dividends.*"

Securities Authorized for Issuance under Equity Compensation Plans

In 2006, our board of directors adopted the 2006 Stock Option Plan pursuant to which we were permitted to issue stock options to purchase up to 450,000 shares of our common stock, all of which could be issued as either incentive stock options under Section 422A of the Internal Revenue Code of 1986, as amended, or non-qualified stock options.

In January 2007, our board of directors adopted an amendment to the 2006 Stock Option Plan which increased the number of available shares under the plan from 450,000 to 1,500,000. Although our 2006 Stock Option Plan expired on December 22, 2016 and we are no longer permitted to issue additional stock options under this plan, as of December 31, 2024, we had outstanding and unexercised stock options to purchase up to 12,400 shares of our common stock outstanding that have been issued to our executive officers and key personnel and remain subject to the terms and conditions of the 2006 Stock Option Plan until they are exercised or forfeited.

On June 29, 2017, our shareholders approved the 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan provided for the issuance of up to 500,000 shares of our common stock pursuant to various types of equity grants and awards, including incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other stock-based awards to eligible participants, which includes our employees, directors and consultants. In June 2022, our shareholders approved an amendment to the 2017 Plan, which increased the number of shares of common stock issuable pursuant to equity grants and awards under the plan from 500,000 to 900,000. Additionally, the number of shares issuable under the 2017 Plan was increased by 143,908 shares as a result of the assumption of options to purchase shares of TCBI common stock that were converted into options to purchase shares of our common stock in connection with the TCBI acquisition on March 1, 2022. As of December 31, 2024, we had outstanding and unexercised stock options to purchase up to 15,485 shares of our common stock that have been issued under the 2017 Plan.

On May 23, 2024, our shareholders approved the 2024 Equity Incentive Plan (the "2024 Plan") which reserved 645,000 shares of common stock, plus any shares available for issuance under the 2017 Plan and any underlying awards outstanding under the 2017 Plan as of the effective date of the 2024 Plan that are terminated or canceled without having been exercised or are forfeited, canceled or repurchased by the Company, for grant, award or issuance to eligible participants, all of which may be subject to incentive stock option treatment. In addition, the number of shares issuable under the 2024 Plan was increased by 207,293 shares as a result of the conversion of Oakwood stock options to Company stock options in connection with the Oakwood acquisition on October 1, 2024. In total, the 2024 Plan has reserved 852,293 shares of common stock for grant, award, or issuance to eligible participants, all of which may be subject to incentive stock option treatment. As of December 31, 2024, there were 160,336 shares of common stock issued under the 2024 Plan to our employees, directors or consultants, of which 152,084 shares are subject to outstanding and unexercised stock options to purchase shares of our common stock, and 484,664 shares of common stock remain available for grant. As of May 23, 2024, there will be no future awards made under the 2017 Plan.

The following table summarizes information as of December 31, 2024 relating to the number of securities to be issued upon the exercise of the outstanding options and warrants and their weighted-average exercise price.

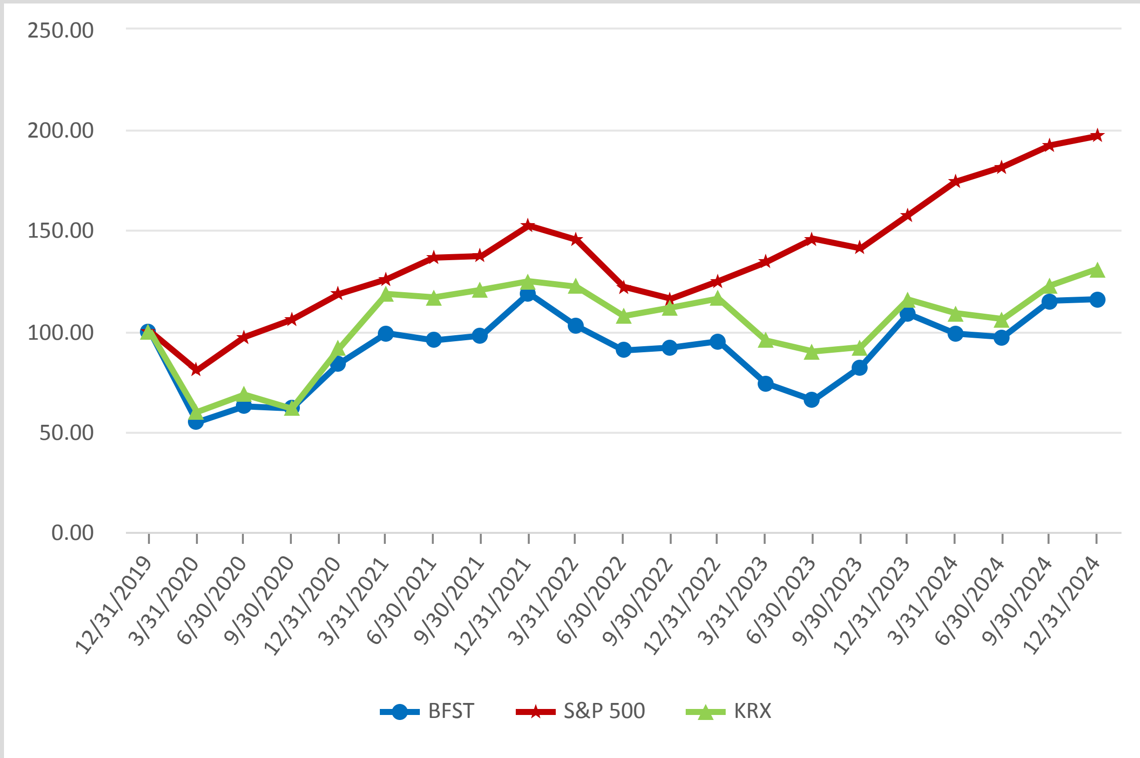
	Number of Securities to Be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity compensations plans approved by security holders	179,969	$ 21.77	484,664
Equity compensation plans not approved by security holders	-	-	-
Total equity compensation plans	179,969	$ 21.77	484,664

Recent Sales of Unregistered Securities

None.

Stock Performance Graph

The following table and graph compares the cumulative total shareholder return on our common stock to the cumulative total return of the S&P 500 Index and the KBW Nasdaq Regional Bank Index (“KRX”) for the period beginning on January 1, 2020 through December 31, 2024. The following assumes $100 invested on January 1, 2020 in our common stock at the closing price of $24.93 per common share, otherwise reflects our stock and the S&P 500 and KRX values as of close of trading, and assumes the reinvestment of dividends, if any. The historical stock price performance for our common stock shown on the graph below is not necessarily indicative of future stock performance.



Date	BFST	S&P 500	KRX
12/31/2019	$ 100.00	$ 100.00	$ 100.00
3/31/2020	54.55	80.40	59.62
6/30/2020	62.43	96.92	68.30
9/30/2020	61.42	105.57	61.30
12/31/2020	83.77	118.40	91.29
3/31/2021	98.87	125.71	118.41
6/30/2021	95.32	136.46	116.73
9/30/2021	97.64	137.25	120.48
12/31/2021	118.68	152.39	124.74
3/31/2022	102.50	145.38	122.03
6/30/2022	90.28	121.97	107.40
9/30/2022	91.72	116.02	111.62
12/31/2022	94.83	124.79	116.10
3/31/2023	73.89	134.14	95.25
6/30/2023	65.52	145.87	89.78
9/30/2023	82.09	141.09	91.92
12/31/2023	108.47	157.59	115.63
3/31/2024	98.66	174.23	108.87
6/30/2024	96.97	181.69	105.92
9/30/2024	115.02	192.38	122.61
12/31/2024	115.79	197.02	130.90

ITEM 6. [RESERVED]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion presents management's analysis of our results of operations and financial condition over each of the last two most recent fiscal years. The discussion should be read in conjunction with our financial statements and the notes related thereto which appear elsewhere in this Report.

The following discussion and analysis is to focus on significant changes in the financial condition of Business First and its subsidiaries from December 31, 2023 to December 31, 2024 and its results of operations for the year ended December 31, 2024. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this Report, particularly the consolidated financial statements and related notes appearing in Item 8. 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 statement, 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. A discussion regarding significant changes in the financial condition of Business First and its subsidiaries from December 31, 2022 to December 31, 2023 and its results of operations for the year ended December 31, 2023 can be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 1, 2024, as amended, which is available on the SEC's website at www.sec.gov and on the Company's website, www.b1bank.com.

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 in markets across Louisiana and Texas. As of December 31, 2024, we had total assets of $7.9 billion, total loans of $6.0 billion, total deposits of $6.5 billion, and total shareholders' equity of $799.5 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.

While we continue to prioritize organic growth, we also seek to capitalize upon other opportunities as they arise. Below is a summary of recent transactions that have contributed to our growth. For additional information about these transactions, See "*Note 3 – Mergers and Acquisitions*" in our audited consolidated financial statements included in Item 8 of this Report.

Bank Term Funding Program ("BTFP")

On March 12, 2023, the Federal Reserve developed the BTFP, which offered loans to banks with a term of up to one year. These loans were secured by pledging participating banks' U.S. treasuries, agency securities, agency mortgage-backed securities, and other qualifying assets. These pledged securities were valued at par for collateral purposes. The Bank participated in the BTFP and had outstanding debt of $300.0 million at December 31, 2023. These loans bore a fixed rate of 4.38% and matured on March 22, 2024, at which time we repaid them in full.

Federal Reserve Bank's Discount Window

On April 11, 2023, the Bank opened two new lines of credit for additional contingent liquidity, totaling $907.7 million and $1.0 billion as of December 31, 2024 and 2023, respectively, through the Federal Reserve discount window. The Bank has not yet drawn on either of the lines of credit as of the date of this report.

Sale of Leesville Banking Center

On August 31, 2023, we sold the Leesville banking center, located in Leesville, Louisiana, to Merchants & Farmers Bank & Trust Company headquartered in Leesville, Louisiana, in accordance with the Branch Purchase and Assumption Agreement dated May 11, 2023. We maintained the loan portfolio and transferred those loans to other nearby banking centers. The sale included total deposits of $16.3 million and a pre-tax gain of $945,000.

Acquisition of Waterstone

On January 31, 2024, we consummated the acquisition, through b1BANK, of Waterstone, headquartered in Katy, Texas. Waterstone offers community banks and small businesses a range of SBA lending services including planning, pre-qualification, packaging, closing and disbursements, servicing, and liquidations. Upon consummation of the acquisition, we paid $3.3 million in cash to the former owners of Waterstone.

Acquisition of Oakwood

On October 1, 2024, we consummated the merger of Oakwood, the parent bank holding company for Oakwood Bank, with and into us, with us continuing as the surviving corporation pursuant to the terms of the Reorganization Agreement. Immediately following the consummation of the Oakwood acquisition, Oakwood Bank merged with and into us, with us surviving the merger. Pursuant to the terms of the Reorganization Agreement, upon consummation of the Oakwood acquisition, we issued 3,973,134 shares of our common stock to the former shareholders of Oakwood. As of September 30, 2024, Oakwood had $863.6 million in total assets, $700.2 million in loans and $741.3 million in total deposits.

Financial Highlights

The financial highlights as of and for the year ended December 31, 2024 include:

- **Total assets** of $7.9 billion, a $1.3 billion, or 19.3%, increase from December 31, 2023.

- **Total loans held for investment** of $6.0 billion, a $988.6 million, or 19.8%, increase from December 31, 2023.

- **Total deposits** of $6.5 billion, a $1.3 billion, or 24.1%, increase from December 31, 2023.

- **Net income available to common shareholders** of $59.7 million, a $5.9 million, or 9.0%, decrease from the year ended December 31, 2023.

- **Net interest income** of $227.4 million, a $12.3 million, or 5.7%, increase from the year ended December 31, 2023.

- **An allowance for credit losses** of 0.98% of total loans held for investment, compared to 0.88% as of December 31, 2023, and a ratio of nonperforming loans to total loans held for investment of 0.42%, compared to 0.34% as of December 31, 2023.

- **Earnings per common share** for the year ended December 31, 2024 of $2.27 per basic common share and $2.26 per diluted common share, compared to $2.62 per basic common share and $2.59 per diluted common share for the year ended December 31, 2023.

- **Return to common shareholders on average assets** of 0.86% compared to 1.04% for the year ended December 31, 2023.

- **Return to common shareholders on average common equity** of 9.54% compared to 12.36% for the year ended December 31, 2023.

- **Capital Ratios included** Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 9.53%, 9.44%, 10.56% and 12.75%, respectively, compared to Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 9.52%, 9.15%, 10.46% and 12.85% for the year ended December 31, 2023.

- **Book value per common share** of $24.62, an increase of 9.0% from $22.58 at December 31, 2023.

Results of Operations for the Years Ended December 31, 2024 and 2023

Performance Summary

For the year ended December 31, 2024, net income available to common shareholders was $59.7 million, or $2.27 per basic common share and $2.26 per diluted common share, compared to net income available to common shareholders of $65.6 million, or $2.62 per basic common share and $2.59 per diluted common share, for the year ended December 31, 2023. Return to common shareholders on average assets decreased to 0.86% for the year ended December 31, 2024 from 1.04% for the year ended December 31, 2023. Return to common shareholders on average common equity decreased to 9.54% for the year ended December 31, 2024, as compared to 12.36% for the year ended December 31, 2023.

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 daily average, and average yield/rate utilizing an actual day count convention.

For the year ended December 31, 2024, net interest income totaled $227.4 million, and net interest margin and net interest spread were 3.48% and 2.55%, respectively. For the year ended December 31, 2023, net interest income totaled $215.1 million and net interest margin and net interest spread were 3.62% and 2.72%, respectively. The average yield on the loan portfolio was 7.03%, for the year ended December 31, 2024, compared to 6.65% for the year ended December 31, 2023, and the average yield on total interest-earning assets was 6.35% for the year ended December 31, 2024, compared to 5.95% for the year ended December 31, 2023. For the year ended December 31, 2024, overall cost of funds (which includes noninterest-bearing deposits) increased 58 basis points compared to the year ended December 31, 2023.

The following table presents, 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. For the years ended December 31, 2024, 2023 and 2022, interest income not recognized on nonaccrual loans was not material. Any nonaccrual loans have been included in the table as loans carrying a zero yield. The average total loans reflected below is net of deferred loan fees and discounts. Acquired loans were recorded at fair value at acquisition and accrete/amortize discounts and premiums as an adjustment to yield.

	For the Years Ended December 31,								
	2024			2023			2022		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands)								
Assets									
Interest-earning assets:									
Total loans	$ 5,327,466	$ 374,555	7.03%	$ 4,859,637	$ 323,327	6.65%	$ 4,020,436	$ 218,032	5.42%
Securities	921,393	25,259	2.74	898,771	20,125	2.24	956,232	16,503	1.73
Interest-bearing deposits in other banks	287,474	14,950	5.20	180,997	9,875	5.46	115,016	1,579	1.37
Total interest-earning assets	6,536,333	414,764	6.35	5,939,405	353,327	5.95	5,091,684	236,114	4.64
Allowance for loan losses	(43,931)			(41,665)			(32,093)		
Noninterest-earning assets	481,333			444,140			413,917		
Total assets	$ 6,973,735	$ 414,764		$ 6,341,880	$ 353,327		$ 5,473,508	$ 236,114	
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing deposits	$ 4,427,233	$ 165,094	3.73%	$ 3,566,216	$ 106,908	3.00%	$ 3,007,882	$ 24,413	0.81%
Subordinated debt	99,884	5,394	5.40	105,369	5,323	5.05	106,054	5,108	4.82
Subordinated debt - trust preferred securities	5,000	447	8.94	5,000	430	8.60	5,000	247	4.94
Bank Term Funding Program	64,754	2,788	4.31	253,706	11,313	4.46	-	-	-
Advances from FHLB	317,462	13,164	4.15	329,726	13,702	4.16	271,025	6,479	2.39
First National Bankers Bank ("FNBB") Line of Credit	-	-	-	-	-	-	2,500	121	4.84
Other borrowings	19,464	494	2.54	21,825	522	2.39	23,197	169	0.73
Total interest-bearing liabilities	4,933,797	187,381	3.80	4,281,842	138,198	3.23	3,415,658	36,537	1.07
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	1,285,445			1,412,979			1,539,938		
Other liabilities	56,649			44,173			37,533		
Total noninterest-bearing liabilities	1,342,094			1,457,152			1,577,471		
Shareholders' equity:									
Common shareholders' equity	625,914			530,956			456,388		
Preferred equity	71,930			71,930			23,991		
Total shareholders' equity	697,844			602,886			480,379		
Total liabilities and shareholders' equity	$ 6,973,735			$ 6,341,880			$ 5,473,508		
Net interest rate spread (1)			2.55%			2.72%			3.57%
Net interest income		$ 227,383			$ 215,129			$ 199,577	
Net interest margin (2)			3.48%			3.62%			3.92%
Overall cost of funds			3.01%			2.43%			0.74%

(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 table presents 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 Year Ended December 31, 2024 compared to the Year Ended December 31, 2023		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Total loans	$ 32,891	$ 18,337	$ 51,228
Securities	620	4,514	5,134
Interest-bearing deposits in other banks	5,537	(462)	5,075
Total increase in interest income	$ 39,048	$ 22,389	$ 61,437
Interest-bearing liabilities:			
Interest-bearing deposits	$ 32,108	$ 26,078	$ 58,186
Subordinated debt	(296)	367	71
Subordinated debt - trust preferred securities	-	17	17
Bank Term Funding Program	(8,135)	(390)	(8,525)
Advances from FHLB	(509)	(29)	(538)
Other borrowings	(60)	32	(28)
Total increase in interest expense	23,108	26,075	49,183
Increase (decrease) in net interest income	$ 15,940	$ (3,686)	$ 12,254

	For the Year Ended December 31, 2023 compared to the Year Ended December 31, 2022		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest-earning assets:			
Total loans	$ 55,835	$ 49,460	$ 105,295
Securities	(1,287)	4,909	3,622
Interest-bearing deposits in other banks	3,600	4,696	8,296
Total increase in interest income	$ 58,148	$ 59,065	$ 117,213
Interest-bearing liabilities:			
Interest-bearing deposits	$ 16,738	$ 65,757	$ 82,495
Subordinated debt	(35)	250	215
Subordinated debt - trust preferred securities	-	183	183
Bank Term Funding Program	11,313	-	11,313
Advances from FHLB	2,439	4,784	7,223
FNBB Line of Credit	-	(121)	(121)
Other borrowings	(33)	386	353
Total increase in interest expense	30,422	71,239	101,661
Increase (decrease) in net interest income	$ 27,726	$ (12,174)	$ 15,552

Provision for Credit Losses

Our provision for credit losses is a charge to income in order to bring our allowance for credit losses to a level deemed appropriate by management. For a description of the factors taken into account by management in determining the allowance for credit losses see "—*Financial Condition—Allowance for Credit Losses*." The provision for credit losses was $10.9 million and $4.5 million for the years ended December 31, 2024 and 2023, respectively. The higher provision during the year ended December 31, 2024 compared to 2023 relates primarily to the acquisition of Oakwood, and, to a lesser extent, increases from organic loan growth and non-performing loans.

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 commissions, loan sales, swap fee income, and pass-through income from other investments (small business investment company ("SBIC") partnerships and financial technology ("Fintech") funds). The following table presents, for the periods indicated, the major categories of noninterest income:

	For the Years Ended December 31,		
	2024	2023	Increase (Decrease)
	(Dollars in thousands)		
Noninterest income:			
Service charges on deposit accounts	$ 10,577	$ 9,704	$ 873
Debit card and ATM fee income	7,659	6,590	1,069
Bank-owned life insurance income	2,875	2,247	628
Gain on sales of loans	2,973	1,972	1,001
Gain (loss) on sales of investment securities	7	(2,565)	2,572
Fees and brokerage commissions	7,844	7,247	597
Mortgage origination income	238	285	(47)
Correspondent bank income	715	456	259
Gain on sales of other real estate owned	89	646	(557)
Loss on sales of other assets	(15)	(15)	-
Gain on sale of banking center	-	945	(945)
Gain on extinguishment of debt	-	1,458	(1,458)
Swap Fee Income	2,739	964	1,775
Pass-through income from other investments	1,208	1,946	(738)
Other	7,284	4,762	2,522
Total noninterest income	$ 44,193	$ 36,642	$ 7,551

Noninterest income for the year ended December 31, 2024 increased $7.6 million, or 20.6%, to $44.2 million compared to noninterest income of $36.6 million for the same period in 2023. The components of noninterest income with significant fluctuations compared to the prior year period were as follows:

Service charges on deposit accounts. We earn fees from our customers for deposit-related services, and these fees constitute a significant and predictable component of our noninterest income. Service charges on deposit accounts were $10.6 million for the year ended December 31, 2024, compared to $9.7 million for the 2023, an increase of $873,000, or 9.0%.

Gain on sales of loans. We had gains on sales of loans of $3.0 million in 2024, compared to $2.0 million in 2023, an increase of $1.0 million, or 50.8%, primarily due to increased SBA loan sale activity.

Gain (loss) on sales of investment securities. We had net gains on the sales of investment securities of $7,000 in 2024, compared to net losses on the sales of $2.6 million in 2023. During the fourth quarter of 2023, we sold $71.5 million in securities at a loss, with a weighted average book yield of 1.98% and reinvested the funds into high yielding investments with an average book yield of 5.17%, locking in higher yields and keeping consistent, the duration and overall portfolio weighted average life.

Gain on sales of other real estate owned. We had net gains on the sales or other real estate owned of $89,000 in 2024, compared to $646,000 in 2023, a decrease of $557,000. The majority of the gains on sale of other real estate in 2023 resulted from the sale of two properties at a total gain of $511,000.

Gain on sale of banking center. We sold a banking center located in Leesville, Louisiana that resulted in a gain of $945,000 during 2023.

Gain on extinguishment of debt. We extinguished $8.9 million in subordinated debt resulting in a gain on the extinguishment of debt of $1.5 million during 2023.

Swap fee income. We had swap fee income from back-to-back interest rate swaps in the amount of $2.7 million in 2024, compared to $964,000 during 2023, an increase of $1.8 million, or 184.1%.

Other. This category includes a variety of other income producing activities, including wire transfer fees, insurance commissions and credit card income. Other income increased $2.5 million, or 53.0%, for the year ended December 31, 2024, compared to the same period in 2023.

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 FDIC assessments, data processing expenses, and advertising and promotion expenses, among others.

The following table presents, for the periods indicated, the major categories of noninterest expense:

	For the Years Ended December 31,		
	2024	**2023**	**Increase (Decrease)**
	(Dollars in thousands)		
Salaries and employee benefits	$ 103,917	$ 90,611	$ 13,306
Non-staff expenses:			
Occupancy of bank premises	10,944	9,518	1,426
Depreciation and amortization	7,540	6,767	773
Data processing	11,957	9,034	2,923
FDIC assessment fees	3,598	3,645	(47)
Legal and professional fees	3,756	3,173	583
Advertising and promotions	4,878	4,628	250
Utilities and communications	2,883	2,899	(16)
Ad valorem shares tax	4,057	3,160	897
Directors' fees	1,085	1,079	6
Other real estate owned expenses and write-downs	301	687	(386)
Merger and conversion related expenses	1,236	236	1,000
Other	21,500	21,265	235
Total noninterest expense	$ 177,652	$ 156,702	$ 20,950

Noninterest expense for the year ended December 31, 2024 increased $21.0 million, or 13.4%, to $177.7 million compared to noninterest expense of $156.7 million for the same period in 2023. The components of noninterest expense with significant fluctuations compared to the prior year period were as follows:

Salaries and employee benefits. Salaries and employee benefits are the largest component of noninterest expense and include payroll expense, the cost of incentive compensation, benefit plans, health insurance and payroll taxes. Salaries and employee benefits were $103.9 million for the year ended December 31, 2024, an increase of $13.3 million, or 14.7%, compared to the same period in 2023. The increase was primarily due to the acquisitions of Waterstone and Oakwood, additional hires for new positions and our merit increase cycle. As of December 31, 2024, we had 859 full-time equivalent employees, compared to 761 full-time equivalents as of December 31, 2023. Salaries and employee benefits included stock-based compensation expense of $2.5 million and $4.4 million for the years ended December 31, 2024 and 2023, respectively.

Occupancy of bank premises. Occupancy of bank premises expenses were $10.9 million and $9.5 million for the years ended December 31, 2024 and 2023, respectively, an increase of $1.4 million, or 15.0%, which is primarily due to the acquisition of Oakwood.

Data processing. Data processing fees were $12.0 million and $9.0 million for the years ended December 31, 2024 and 2023, respectively, an increase of $2.9 million, or 32.4%.

Merger and conversion related expenses. Merger and conversion related expenses for the year ended December 31, 2024 was primarily to the acquisitions of Waterstone and Oakwood in 2024.

Other. This category includes various operating and administrative expenses including business development expenses (i.e. travel and entertainment, donations and club dues), insurance, supplies and printing, equipment rent, and software support and maintenance. Other noninterest expense increased $235,000, or 1.1%, for the year ended December 31, 2024 compared to the same period in 2023.

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 year ended December 31, 2024, income tax expense totaled $17.9 million, an decrease of $1.6 million, or 8.2%, compared to $19.5 million for the same period in 2023. For the years ended December 31, 2024 and 2023, our effective tax rates were 21.6% and 21.6%, respectively.

Financial Condition

Our total assets increased $1.3 billion, or 19.3%, from $6.6 billion as of December 31, 2023 to $7.9 billion as of December 31, 2024, due primarily from the acquisition of Oakwood, increases in our loan portfolio, as well as our cash and cash equivalents due to our increase in deposits.

Loan Portfolio

Our primary source of income is interest on loans to individuals, professionals and small-to-midsized businesses 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 December 31, 2024, total loans, excluding mortgage loans held for sale, were $6.0 billion, an increase of $988.6 million or 19.8%, compared to $5.0 billion as of December 31, 2023. The increase was primarily due to the acquisition of Oakwood. Additionally, $717,000 and $835,000 in mortgage loans were classified as loans held for sale as of December 31, 2024 and 2023, respectively.

Total loans held for investment as a percentage of deposits were 91.9% and 95.1% as of December 31, 2024 and 2023, respectively. Total loans held for investment as a percentage of assets were 76.1% and 75.8% as of December 31, 2024 and 2023, respectively.

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

	As of December 31, 2024		As of December 31, 2023	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Real Estate Loans:				
Commercial				
Retail and Wholesale	$ 580,974	9.7%	$ 573,725	11.5%
Hospitality	310,576	5.2	249,027	5.0
Healthcare	218,152	3.6	201,098	4.0
Services	170,747	2.9	155,283	3.1
Energy	98,779	1.7	100,523	2.0
Other	1,103,995	18.5	938,272	18.8
Total Commercial	2,483,223	41.6	2,217,928	44.4
Construction	670,502	11.2	669,798	13.4
Residential	884,533	14.8	682,394	13.7
Total Real Estate Loans	4,038,258	67.6	3,570,120	71.5
Commercial	1,868,675	31.2	1,358,838	27.2
Consumer and Other	74,466	1.2	63,827	1.3
Total loans held for investment	$ 5,981,399	100.0%	$ 4,992,785	100.0%

	As of December 31, 2024		As of December 31, 2023	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial real estate:				
Dallas Region	$ 778,174	31.3%	$ 618,608	27.9%
New Orleans Region	466,661	18.8	439,087	19.8
North Louisiana Region	440,238	17.7	418,510	18.9
Capitol Region	246,321	9.9	213,492	9.6
Houston Region	234,959	9.5	243,097	11.0
Southwest Louisiana Region	234,875	9.5	201,538	9.1
Bayou Region	81,995	3.3	83,596	3.8
Total commerical real estate loans	$ 2,483,223	100.0%	$ 2,217,928	100.0%

Real Estate: Commercial loans are extensions of credit secured by owner-occupied and non-owner-occupied collateral. Repayment is generally dependent on 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. Real estate commercial loans also include farmland loans that can be, or are, used for agricultural purposes. These loans are usually repaid through refinancing, cash flow from the borrower's ongoing operations, development of the property, or sale of the property.

Real Estate: Commercial loans increased $265.3 million, or 12.0%, to $2.5 billion as of December 31, 2024, from $2.2 billion as of December 31, 2023.

Real Estate: Construction loans include loans to small-to-midsized businesses to construct owner-occupied 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 our market areas. Risks associated with these loans include fluctuations in the value of real estate, project completion risk and changes in market trends. We are 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 we funded the loan.

Real Estate: Construction loans increased $704,000, or 0.1%, to $670.5 million as of December 31, 2024, from $669.8 million as of December 31, 2023.

Real Estate: 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. Real estate residential loans also include multi-family residential loans 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.

Real Estate: Residential loans increased $202.1 million, or 29.6%, to $884.5 million as of December 31, 2024, from $682.4 million as of December 31, 2023.

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 based on 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.

Commercial loans increased $509.8 million, or 37.5%, to $1.9 billion as of December 31, 2024, from $1.4 billion as of December 31, 2023.

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.

Consumer and other loans increased $10.6 million, or 16.7%, to $74.5 million as of December 31, 2024, from $63.8 million as of December 31, 2023.

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 date indicated are summarized in the following tables:

	As of December 31, 2024				
	One Year or Less	One Through Five Years	Five Through Fifteen Years	After Fifteen Years	Total
	(Dollars in thousands)				
Real Estate Loans:					
Commercial	$ 374,129	$ 1,513,009	$ 513,999	$ 82,086	$ 2,483,223
Construction	320,732	286,326	47,195	16,249	670,502
Residential	143,804	514,596	151,262	74,871	884,533
Total Real Estate Loans	838,665	2,313,931	712,456	173,206	4,038,258
Commercial	919,905	672,153	271,632	4,985	1,868,675
Consumer and Other	44,359	26,830	3,123	154	74,466
Total loans held for investment	$ 1,802,929	$ 3,012,914	$ 987,211	$ 178,345	$ 5,981,399
Fixed rate loans:					
Real Estate Loans:					
Commercial	$ 134,809	$ 1,141,096	$ 349,949	$ 12,854	$ 1,638,708
Construction	66,241	132,702	13,892	7,454	220,289
Residential	72,174	422,430	96,826	21,189	612,619
Total Real Estate Loans	273,224	1,696,228	460,667	41,497	2,471,616
Commercial	179,506	351,913	152,841	-	684,260
Consumer and Other	35,067	21,062	2,585	154	58,868
Total fixed rate loans	$ 487,797	$ 2,069,203	$ 616,093	$ 41,651	$ 3,214,744
Floating rate loans:					
Real Estate Loans:					
Commercial	$ 239,320	$ 371,913	$ 164,050	$ 69,232	$ 844,515
Construction	254,491	153,624	33,303	8,795	450,213
Residential	71,630	92,166	54,436	53,682	271,914
Total Real Estate Loans	565,441	617,703	251,789	131,709	1,566,642
Commercial	740,399	320,240	118,791	4,985	1,184,415
Consumer and Other	9,292	5,768	538	-	15,598
Total floating rate loans	$ 1,315,132	$ 943,711	$ 371,118	$ 136,694	$ 2,766,655

866

	As of December 31, 2023				
	One Year or Less	One Through Five Years	Five Through Fifteen Years	After Fifteen Years	Total
	(Dollars in thousands)				
Real Estate Loans:					
Commercial	$ 251,365	$ 1,256,655	$ 620,029	$ 89,879	$ 2,217,928
Construction	325,883	278,039	45,910	19,966	669,798
Residential	79,357	401,852	137,283	63,902	682,394
Total Real Estate Loans	656,605	1,936,546	803,222	173,747	3,570,120
Commercial	520,058	594,274	243,744	762	1,358,838
Consumer and Other	35,971	23,520	4,134	202	63,827
Total loans held for investment	$ 1,212,634	$ 2,554,340	$ 1,051,100	$ 174,711	$ 4,992,785
Fixed rate loans:					
Real Estate Loans:					
Commercial	$ 156,227	$ 1,067,124	$ 450,884	$ 17,470	$ 1,691,705
Construction	96,020	187,970	16,388	13,866	314,244
Residential	49,434	344,549	85,731	14,952	494,666
Total Real Estate Loans	301,681	1,599,643	553,003	46,288	2,500,615
Commercial	134,242	331,029	147,388	-	612,659
Consumer and Other	26,867	17,373	3,260	159	47,659
Total fixed rate loans	$ 462,790	$ 1,948,045	$ 703,651	$ 46,447	$ 3,160,933
Floating rate loans:					
Real Estate Loans:					
Commercial	$ 95,138	$ 189,531	$ 169,145	$ 72,409	$ 526,223
Construction	229,863	90,069	29,522	6,100	355,554
Residential	29,923	57,303	51,552	48,950	187,728
Total Real Estate Loans	354,924	336,903	250,219	127,459	1,069,505
Commercial	385,816	263,245	96,356	762	746,179
Consumer and Other	9,104	6,147	874	43	16,168
Total floating rate loans	$ 749,844	$ 606,295	$ 347,449	$ 128,264	$ 1,831,852

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 $30.5 million and $18.8 million in nonperforming assets as of December 31, 2024 and 2023, respectively. We had $25.0 million in nonperforming loans as of December 31, 2024 compared to $17.1 million as of December 31, 2023. The increase in nonperforming assets from December 31, 2023 to December 31, 2024 is primarily due to two lending relationships secured by residential real estate, one secured by commercial real estate, and one commercial loan that is unsecured.

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

	As of December 31,		
	2024	2023	2022
	(Dollars in thousands)		
Nonaccrual loans	$ 24,147	$ 16,943	$ 11,054
Accruing loans 90 or more days past due	860	127	335
Total nonperforming loans	25,007	17,070	11,389
Other nonperforming assets	-	-	62
Other real estate owned:			
Commercial real estate, construction, land and land development	5,197	1,326	1,199
Residential real estate	332	359	173
Total other real estate owned	5,529	1,685	1,372
Total nonperforming assets	$ 30,536	$ 18,755	$ 12,823
Ratio of nonperforming loans to total loans held for investment	0.42%	0.34%	0.25%
Ratio of nonperforming assets to total assets	0.39	0.28	0.21
Ratio of nonaccrual loans to total loans held for investment	0.40	0.34	0.24

	As of December 31,		
	2024	2023	2022
	(Dollars in thousands)		
Nonaccrual loans by category:			
Real Estate Loans:			
Commercial	$ 3,621	$ 3,280	$ 2,644
Construction	5,251	3,543	992
Residential	7,078	7,352	4,080
Total Real Estate Loans	15,950	14,175	7,716
Commercial	8,039	2,395	3,150
Consumer and Other	158	373	188
Total	$ 24,147	$ 16,943	$ 11,054

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. See Note 7 of the consolidated financial statements for the presentation of loans in their credit quality categories that is in compliance with the CECL standard.

	As of December 31, 2024				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Commercial	$ 2,383,439	$ 75,385	$ 23,548	$ 851	$ 2,483,223
Construction	658,364	3,436	8,702	-	670,502
Residential	871,634	3,163	9,485	251	884,533
Total Real Estate Loans	3,913,437	81,984	41,735	1,102	4,038,258
Commercial	1,828,485	25,979	13,911	300	1,868,675
Consumer and Other	74,097	-	369	-	74,466
Total	$ 5,816,019	$ 107,963	$ 56,015	$ 1,402	$ 5,981,399

	As of December 31, 2023				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Commercial	$ 2,188,840	$ 18,658	$ 9,163	$ 1,267	$ 2,217,928
Construction	661,796	4,087	3,570	345	669,798
Residential	669,391	3,161	9,353	489	682,394
Total Real Estate Loans	3,520,027	25,906	22,086	2,101	3,570,120
Commercial	1,338,339	14,623	5,308	568	1,358,838
Consumer and Other	63,265	100	462	-	63,827
Total	$ 4,921,631	$ 40,629	$ 27,856	$ 2,669	$ 4,992,785

Allowance for Credit Losses

We maintain an allowance for credit losses, which includes both our allowance for loan losses and reserves for unfunded commitments, that represents management's best estimate of the credit losses and risks inherent in the loan portfolio. In determining the allowance for credit 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 credit losses is based on internally assigned risk classifications of loans, 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 credit loss rates. For additional discussion of our methodology, please refer to "—*Critical Accounting Estimates—Allowance for Credit Losses.*"

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 Real Estate: Commercial 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 Real Estate: Construction 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;

- for Real Estate: Residential real estate 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 Commercial 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;

As of December 31, 2024, the allowance for credit losses totaled $58.5 million, or 0.98%, of total loans held for investment. As of December 31, 2023, the allowance for credit losses totaled $43.7 million, or 0.88%, of total loans held for investment. As of December 31, 2022, the allowance for credit losses totaled $38.8 million, or 0.84%, of total loans held for investment.

The following tables present, as of and for the periods indicated, an analysis of the allowance for credit losses and other related data:

	For the Years Ended December 31,		
	2024	2023	2022
	(Dollars in thousands)		
Average loans outstanding	$ 5,327,466	$ 4,859,637	$ 4,020,436
Gross loans held for investment outstanding end of period	$ 5,981,399	$ 4,992,785	$ 4,606,176
Allowance for credit losses at beginning of period	$ 43,738	$ 38,783	$ 29,936
Adoption of ASU 2016-13	-	5,857	-
Adjustment for Oakwood purchased credit deterioration loans	8,410	-	-
Provision for credit losses	10,873	4,483	10,667
Charge-offs:			
Real Estate:			
Commercial	(263)	2,049	51
Construction	2,261	36	16
Residential	297	42	191
Total Real Estate	2,295	2,127	258
Commercial	986	2,813	2,139
Consumer and other	2,392	1,489	424
Total charge-offs	5,673	6,429	2,821
Recoveries:			
Real Estate:			
Commercial	86	26	50
Construction	515	1	25
Residential	14	18	20
Total Real Estate	615	45	95
Commercial	236	672	739
Consumer and other	329	327	167
Total recoveries	1,180	1,044	1,001
Net charge-offs	4,493	5,385	1,820
Allowance for credit losses at end of period	$ 58,528	$ 43,738	$ 38,783
Ratio of allowance for credit losses to end of period loans held for investment	0.98%	0.88%	0.84%
Ratio of net charge-offs to average loans	0.08	0.11	0.05
Ratio of allowance for credit losses to nonaccrual loans	242.38	258.15	350.85

	For the Years Ended December 31,					
	2024		2023		2022	
	Net Charge-offs (Recoveries)	Percent of Average Loans	Net Charge-offs (Recoveries)	Percent of Average Loans	Net Charge-offs (Recoveries)	Percent of Average Loans
	(Dollars in thousands)					
Real estate:						
Commercial	$ (349)	0.00%	$ 2,023	0.04%	$ 1	0.00%
Construction	1,746	0.03%	35	0.00%	(9)	0.00%
Residential	283	0.00%	24	0.00%	171	0.00%
Total Real Estate Loans	1,680	0.03%	2,082	0.04%	163	0.00%
Commercial	750	0.01%	2,141	0.05%	1,400	0.04%
Consumer and Other	2,063	0.04%	1,162	0.02%	257	0.01%
Total net charge-offs (recoveries)	$ 4,493	0.08%	$ 5,385	0.11%	$ 1,820	0.05%

Although we believe that we have established our allowance for loan losses in accordance with GAAP and that the allowance for loan losses was adequate to provide for known and estimated 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 credit losses among loan categories and certain other information as of the dates indicated. The allocation of the allowance for credit 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.

	For the Years Ended December 31,					
	2024		2023		2022	
	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands)					
Real estate:						
Commercial	$ 23,688	40.5%	$ 17,882	40.9%	$ 14,922	38.5%
Construction	8,473	14.5	8,142	18.6	5,905	15.2
Residential	8,394	14.3	5,662	12.9	5,367	13.8
Total real estate	40,555	69.3	31,686	72.4	26,194	67.5
Commercial	17,432	29.8	11,796	27.0	11,950	30.8
Consumer and Other	541	0.9	256	0.6	639	1.7
Total allowance for credit losses	$ 58,528	100.0%	$ 43,738	100.0%	$ 38,783	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 December 31, 2024, the carrying amount of investment securities totaled $893.5 million, an increase of $14.0 million, or 1.6%, compared to $879.6 million as of December 31, 2023. Securities represented 11.4% and 13.4% of total assets as of December 31, 2024 and 2023, 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 December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. treasury securities	$ 17,631	$ -	$ 956	$ 16,675
U.S. government agencies	10,164	-	576	9,588
Corporate bonds	47,855	348	3,038	45,165
Mortgage-backed securities	584,321	542	47,125	537,738
Municipal securities	313,452	23	29,092	284,383
Total	$ 973,423	$ 913	$ 80,787	$ 893,549

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. treasury securities	$ 17,690	$ -	$ 1,451	$ 16,239
U.S. government agencies	10,258	-	848	9,410
Corporate bonds	49,609	-	5,770	43,839
Mortgage-backed securities	555,148	976	49,814	506,310
Municipal securities	331,273	298	27,798	303,773
Total	$ 963,978	$ 1,274	$ 85,681	$ 879,571

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, private label collateralized mortgage obligations, subprime, Alt-A, or second lien elements in our investment portfolio as of December 31, 2024.

The allowance for credit losses encompasses potential expected credit losses related to the securities portfolio. In order to develop an estimate of credit losses expected for the current securities portfolio, we perform an assessment that includes reviewing historical loss data for both our portfolio and similar types of investment securities. Additionally, our review of the securities portfolio for expected credit losses includes an evaluation of factors including the security issuer bond ratings, delinquency status, insurance or other available credit support, as well as our expectations of the forecasted economic outlook relevant to these securities. The results of the analysis are evaluated quarterly to confirm that credit loss estimates are appropriate for the securities portfolio. Based on our assessments, expected credit losses on the investment securities portfolio as of December 31, 2024 and 2023, was negligible and therefore, no allowance for credit loss was recorded related to our investment securities.

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 December 31, 2024									
	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	$ -	-%	$ 16,675	0.80%	$ -	-%	$ -	-%	$ 16,675	0.80%
U.S. government agencies	-	-%	9,588	0.92%	-	-%	-	-%	9,588	0.92%
Corporate bonds	-	-%	6,253	5.00%	38,912	4.90%	-	-%	45,165	4.91%
Mortgage-backed securities	4,081	2.68%	47,501	2.07%	184,576	2.99%	301,580	3.16%	537,738	3.00%
Municipal securities	24,577	1.44%	93,150	1.76%	105,409	1.96%	61,247	2.97%	284,383	2.07%
Total	$ 28,658	1.61%	$ 173,167	1.82%	$ 328,897	2.89%	$ 362,827	3.13%	$ 893,549	2.74%

	As of December 31, 2023									
	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	$ -	-%	$ 16,239	0.80%	$ -	-%	$ -	-%	$ 16,239	0.80%
U.S. government agencies	-	-%	9,410	0.92%	-	-%	-	-%	9,410	0.92%
Corporate bonds	213	-%	2,390	4.78%	41,236	4.61%	-	-%	43,839	4.60%
Mortgage-backed securities	147	1.28%	46,339	2.06%	191,332	2.68%	268,492	2.73%	506,310	2.65%
Municipal securities	16,766	1.56%	96,739	1.55%	117,092	1.91%	73,176	2.38%	303,773	1.89%
Total	$ 17,126	1.54%	$ 171,117	1.63%	$ 349,660	2.65%	$ 341,668	2.66%	$ 879,571	2.43%

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 4.63 years with an estimated effective duration of 3.79 years as of December 31, 2024.

As of December 31, 2024 and 2023, we did not own securities of any one issuer for which aggregate adjusted cost exceeded 10% of the consolidated shareholders' equity as of such respective dates.

As of December 31, 2024 and 2023, the Company held other equity securities of $41.1 million and $33.9 million, respectively, comprised mainly of FHLB stock, SBIC's 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 December 31, 2024 were $6.5 billion, an increase of $1.3 billion, or 24.1%, compared to $5.2 billion as of December 31, 2023. Total uninsured deposits were $2.8 billion, or 43.4% of deposits as of December 31, 2024 compared to $2.0 billion, or 38.9%, or total deposits as of December 31, 2023. Since it is not reasonably practicable to provide a precise measure of uninsured deposits, the amounts are estimated and are based on the same methodologies and assumptions that are used for regulatory reporting requirements for the call report.

Noninterest-bearing deposits as of December 31, 2024 were $1.4 billion compared to $1.3 billion as of December 31, 2023, an increase of $58.0 million, or 4.5%.

Average deposits for the year ended December 31, 2024 were $5.7 billion, an increase of $733.5 million, or 14.7%, compared to the year ended December 31, 2023 of $5.0 billion. The average rate paid on total interest-bearing deposits increased over this period from 3.00% for the year ended December 31, 2023 to 3.73% for the year ended December 31, 2024. The increase in average rates was driven by the federal reserve raising interest rates during the years ended December 31, 2023 and 2022. In addition, the stability and the continued growth of noninterest-bearing demand accounts served to reduce the cost of deposits to 2.89% for the year ended December 31, 2024 and 2.15% for the year ended December 31, 2023.

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

	For the Years Ended December 31			
	2024		2023	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Interest-bearing demand accounts	$ 611,561	3.36%	$ 507,782	3.40%
Negotiable order of withdrawal ("NOW") accounts	402,046	2.09%	468,094	1.33%
Limited access money market accounts and savings	2,146,610	3.79%	1,441,836	2.77%
Certificates and other time deposits > $250k	628,929	4.52%	498,054	4.01%
Certificates and other time deposits < $250k	638,087	4.13%	650,450	3.61%
Total interest-bearing deposits	4,427,233	3.73%	3,566,216	3.00%
Noninterest-bearing demand accounts	1,285,445	-%	1,412,979	-%
Total deposits	$ 5,712,678	2.89%	$ 4,979,195	2.15%

The ratio of average noninterest-bearing deposits to average total deposits for the years ended December 31, 2024 and 2023 was 22.5% and 28.4%, respectively.

The following table sets forth the contractual maturities of certain certificates of deposit at December 31, 2024:

	Certificates of Deposit More Than $250,000	Certificates of Deposit of $100,000 Through $250,000
	(Dollars in thousands)	
3 months or less	$ 81,665	$ 168,219
More than 3 months but less than 6 months	180,467	119,280
More than 6 months but less than 12 months	150,957	128,370
12 months or more	274,512	81,042
Total	$ 687,601	$ 496,911

Borrowings

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

FHLB advances. The FHLB allows us to borrow on a blanket floating lien status collateralized by certain securities and loans. As of December 31, 2024 and 2023, total borrowing capacity of $2.0 billion and $1.8 billion, respectively, was available under this arrangement and $355.9 million and $211.2 million, respectively, was outstanding with a weighted average stated interest rate of 4.15% as of December 31, 2024 and 3.65% as of December 31, 2023. Our current longest dated FHLB advance matures within ten years. We utilize these borrowings to meet liquidity needs and to fund certain fixed rate loans in our portfolio.

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

	FHLB Advances (Dollars in Thousands)
December 31, 2024	
Amount outstanding at year-end	$ 355,875
Weighted average stated interest rate at year-end	4.15%
Maximum month-end balance during the year	$ 377,048
Average balance outstanding during the year	$ 317,462
Weighted average interest rate during the year	4.15%
December 31, 2023	
Amount outstanding at year-end	$ 211,198
Weighted average stated interest rate at year-end	3.65%
Maximum month-end balance during the year	$ 517,112
Average balance outstanding during the year	$ 329,726
Weighted average interest rate during the year	4.16%

Bank Term Funding Program ("BTFP"). On March 12, 2023, the Federal Reserve launched the BTFP, which offered loans to banks with a term of up to one year. The loans were secured by pledging participating banks' U.S. treasuries, agency securities, agency mortgage-backed securities, and any other qualifying assets. These pledged securities were valued at par for collateral purposes. The Bank participated in the BTFP and had outstanding debt of $300.0 million at December 31, 2023. These loans bore a fixed interest rate of 4.38% and matured on March 22, 2024, at which time we repaid them in full.

The following table presents our Bank Term Funding Program borrowings at the date indicated.

		BTFP
		(Dollars in Thousands)
December 31, 2024		
Amount outstanding at year-end	$	-
Weighted average stated interest rate at year-end		-%
Maximum month-end balance during the year	$	300,000
Average balance outstanding during the year	$	64,754
Weighted average interest rate during the year		4.31%
December 31, 2023		
Amount outstanding at year-end	$	300,000
Weighted average stated interest rate at year-end		4.38%
Maximum month-end balance during the year	$	428,000
Average balance outstanding during the year	$	253,706
Weighted average interest rate during the year		4.46%

Subordinated Note Purchase Agreement ("Subordinated Debt"). In December 2018 we issued subordinated notes in the amount of $25.0 million. The subordinated notes bear a fixed rate of interest at 6.75% until December 31, 2028 and a floating rate thereafter through maturity in 2033. The balance outstanding at both December 31, 2024 and 2023 was $25.0 million. These subordinated notes were issued for the purpose of paying off our long term advance and line of credit with First National Bankers' Bank ("FNBB"), for general corporate purposes and to provide Tier 2 capital. The subordinated notes are redeemable by the Company at its option beginning in 2028.

On March 26, 2021, we issued $52.5 million in subordinated notes. These subordinated notes bear 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 balance outstanding at both December 31, 2024 and 2023 was $52.5 million. The subordinated notes are redeemable by the Company at its option beginning in 2026.

On April 1, 2021, we consummated the acquisition of SSW. Under the terms of the acquisition, we 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. The balance outstanding at both December 31, 2024 and 2023 was $3.9 million. The subordinated notes are redeemable by the Company at its option beginning in 2026.

On March 1, 2022, we consummated the acquisition of TCBI. As part of the acquisition, we assumed $26.4 million in subordinated debt. Of those notes, $10.0 million bears an adjustable interest rate plus 350 basis points, based on a benchmark rate, adjusting quarterly until maturity on April 11, 2028, and was callable beginning April 11, 2023, $7.5 million bears an adjustable interest rate plus 350 basis points, based on a benchmark rate, adjusting quarterly, until maturity on December 13, 2028, and was callable beginning December 13, 2023, $8.9 million was called on May 1, 2023 and ceased bearing interest as of such date. This $8.9 million note was fully extinguished during the year ended December 31, 2023. 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, with $833,000 and $1.1 million remaining at December 31, 2024 and December 31, 2023, respectively. We recognized $1.5 million in gains on the extinguishment of this debt during the year ended December 31, 2023.

The following table presents the Subordinated Debt at the dates indicated.

	Subordinated Debt
	(Dollars in Thousands)
December 31, 2024	
Amount outstanding at year-end	$ 99,760
Weighted average stated interest rate at year-end	5.69%
Maximum month-end balance during the year	$ 99,971
Average balance outstanding during the year	$ 99,884
Weighted average interest rate during the year	5.40%
December 31, 2023	
Amount outstanding at year-end	$ 99,990
Weighted average stated interest rate at year-end	5.72%
Maximum month-end balance during the year	$ 110,698
Average balance outstanding during the year	$ 105,369
Weighted average interest rate during the year	5.05%

Trust preferred securities. In the Pedestal acquisition, we assumed their obligations of $5.2 million in junior subordinated debentures, which are associated with $5.0 million in trust preferred securities issued by a trust. Interest on the junior subordinated debentures is accrued at an annual rate equal to the 3-month LIBOR, as determined in the agreement, plus 3.05%. Interest is payable quarterly. The agreement indenture governing the debentures allows us to defer interest payments for up to 20 consecutive quarterly periods. The trust preferred securities do not have a stated maturity date, however, they are subject to mandatory redemption on September 17, 2033, or upon earlier redemption. We have guaranteed, on a subordinated basis, distributions and other payments due on the trust preferred securities subject to the guarantee agreement and the indenture. Principal and interest payments on the junior subordinated debentures are in a superior position to the liquidation rights of holders of common stock.

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 December 31, 2024:

	Fed Funds Purchase Limits
	(Dollars in thousands)
TIB National Association	$ 55,000
PNC Bank	38,000
FNBB	35,000
First Horizon Bank	17,000
ServisFirst Bank	10,000
Texas Capital	5,000
Total	$ 160,000

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

	Fed Funds Purchased (Dollars in Thousands)
December 31, 2024	
Amount outstanding at year-end	$ -
Weighted average stated interest rate at year-end	0.00%
Maximum month-end balance during the year	$ -
Average balance outstanding during the year	$ 5
Weighted average interest rate during the year	6.46%
December 31, 2023	
Amount outstanding at year-end	$ -
Weighted average stated interest rate at year-end	0.00%
Maximum month-end balance during the year	$ 14,622
Average balance outstanding during the year	$ 474
Weighted average interest rate during the year	1.96%

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 years ended December 31, 2024 and 2023, liquidity needs were primarily met by core deposits, security and loan maturities, and amortizing investment and loan portfolios. In addition, we utilize, or have available, brokered deposits, purchased funds from correspondent banks, the Federal Reserve discount window, and overnight advances from the FHLB. As of December 31, 2024 and 2023, we maintained six and five lines of credit, respectively, with correspondent banks which provided for extensions of credit with an availability to borrow up to an aggregate of $160.0 million and $145.0 million as of December 31, 2024 and 2023, respectively. There were no funds under these lines of credit outstanding as of December 31, 2024 and 2023, 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 period indicated. Average assets totaled $7.0 billion and $6.3 billion for the years ended December 31, 2024 and 2023, respectively.

	For the Years Ended December 31,	
	2024	2023
Source of Funds:		
Deposits:		
Noninterest-bearing	18.4%	22.3%
Interest-bearing	63.5	56.2
Subordinated debt (excluding trust preferred securities)	1.4	1.7
Advances from FHLB	4.6	5.2
Other borrowings	0.4	0.4
Bank Term Funding Program	0.9	4.0
Other liabilities	0.8	0.7
Shareholders' equity	10.0	9.5
Total	100.0%	100.0%
Uses of Funds:		
Loans, net of allowance for loan losses	75.8%	76.0%
Securities available for sale	13.2	14.2
Interest-bearing deposits in other banks	4.1	2.8
Other noninterest-earning assets	6.9	7.0
Total	100.0%	100.0%
Average noninterest-bearing deposits to average deposits	22.5%	28.4%
Average loans to average deposits	93.3	97.6

Our primary source of funds is deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future. Our average loans increased 9.6% for the year ended December 31, 2024 compared to the same period in 2023. We predominantly invest excess funds in overnight deposits with the Federal Reserve, securities, interest-bearing deposits at other banks or other short-term liquid investments until needed to fund loan growth. Our securities portfolio had a weighted average life of 4.63 years and an effective duration of 3.79 years as of December 31, 2024 and a weighted average life of 4.57 years and an effective duration of 3.81 years as of December 31, 2023.

As of December 31, 2024, we had outstanding $1.4 billion in commitments to extend credit and $50.0 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2023, we had outstanding $1.2 billion in commitments to extend credit and $45.2 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 December 31, 2024, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature. We had cash and cash equivalents, federal funds sold and securities purchased under agreements to resell, of $567.6 million and $377.2 million as of December 31, 2024 and 2023, respectively.

Capital Resources

Total shareholders' equity increased to $799.5 million as of December 31, 2024, compared to $644.3 million as of December 31, 2023, an increase of $155.2 million, or 24.1%. This increase was primarily due to the acquisition of Oakwood, which resulted in stock issuance of $103.8 million, net income available to common shareholders of $59.7 million, other comprehensive income of $3.6 million resulting from the after tax effect of unrealized gains in our investment securities portfolio, and offset by dividends paid on common shares of $14.9 million.

On January 23, 2025, our board of directors declared a quarterly dividend in the amount of $18.75 per preferred share to the preferred shareholders of record as of February 15, 2025. The dividend was paid on February 28, 2025.

On January 23, 2025, our board of directors declared a quarterly dividend based upon our financial performance for the three months ended December 31, 2024 in the amount of $0.14 per common share to the common shareholders of record as of February 15, 2025. The dividend was paid on February 28, 2025.

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 December 31, 2024 and December 31, 2023, 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 following table presents the actual capital amounts and regulatory capital ratios for us and b1BANK as of the dates indicated.

	As of December 31,			
	2024		2023	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Business First				
Total capital (to risk weighted assets)	$ 878,914	12.75%	$ 754,990	12.85%
Tier 1 capital (to risk weighted assets)	727,959	10.56%	614,975	10.46%
Common Equity Tier 1 capital (to risk weighted assets)	651,029	9.44%	538,045	9.15%
Tier 1 Leverage capital (to average assets)	727,959	9.53%	614,975	9.52%
b1BANK				
Total capital (to risk weighted assets)	$ 857,627	12.45%	$ 730,117	12.43%
Tier 1 capital (to risk weighted assets)	799,099	11.60%	686,379	11.69%
Common Equity Tier 1 capital (to risk weighted assets)	799,099	11.60%	686,379	11.69%
Tier 1 Leverage capital (to average assets)	799,099	10.47%	686,379	10.63%

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, 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.

Long Term Debt

For information on our subordinated debt, please refer to "Borrowings".

FHLB Advances

Advances from the FHLB totaled approximately $355.9 million and $211.2 million at December 31, 2024 and 2023, respectively. As of December 31, 2024, and 2023, the FHLB advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 4.15% and 3.65%, respectively, and mature within ten years. At December 31, 2024, $55.0 million in advances were short term with a rate of 4.38% and none at December 31, 2023.

Bank Term Funding Program ("BTFP")

On March 12, 2023, the Federal Reserve launched the BTFP, which offered loans to banks with a term of up to one year. The loans were secured by pledging participating banks' U.S. treasuries, agency securities, agency mortgage-backed securities, and any other qualifying assets. These pledged securities were valued at par for collateral purposes. The Bank participated in the BTFP and had outstanding debt of $300.0 million at December 31, 2023. These loans bore a fixed interest rate of 4.38% and mature on March 22, 2024, at which time we repaid them in full.

Contractual Obligations

The following tables summarize contractual obligations and other commitments to make future payments as of December 31, 2024 and 2023 (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, and non-cancelable future operating leases. Payments related to leases are based on actual payments specified in underlying contracts. Advances from the FHLB totaled approximately $355.9 million and $211.2 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, the FHLB advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 4.15% and 3.65%, respectively, and maturing within ten years. We participated in the BTFP in March 2023 and as of December 31, 2023, had outstanding debt of $300.0 million, at a fixed rate of 4.38% and set to mature on March 22, 2024. We repaid this debt in full at the time of maturity. The subordinated debt totaled $99.8 million and $100.0 million as of December 31, 2024 and 2023. 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 an adjustable interest rate plus 350 basis points, based on a benchmark rate, adjusting quarterly until maturity on April 11, 2028, and callable beginning April 11, 2023, $7.5 million bears an adjustable interest rate plus 350 basis points, based on a benchmark rate, adjusting quarterly, until maturity on December 13, 2028, and callable beginning December 13, 2023, $8.9 million was called on May 1, 2023 and ceased bearing interest as of such date. This $8.9 million note was fully extinguished during the year ended December 31, 2023. 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, with $833,000 and $1.1 million remaining at December 31, 2024 and December 31, 2023, respectively. We recognized $1.5 million in gains on the extinguishment of this debt during the year ended December 31, 2023.

	As of December 31, 2024				
	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	$ 5,888	$ 10,864	$ 8,202	$ 6,844	$ 31,798
Time deposits	983,140	385,363	28,410	-	1,396,913
Subordinated debt	-	-	17,500	81,427	98,927
Advances from FHLB	82,560	123,315	75,000	75,000	355,875
Subordinated debt - trust preferred securities	-	-	-	5,000	5,000
Securities sold under agreements to repurchase	22,621	-	-	-	22,621
Standby and commercial letters of credit	43,881	5,885	170	16	49,952
Commitments to extend credit	762,661	373,705	144,823	96,685	1,377,874
Total	$ 1,900,751	$ 899,132	$ 274,105	$ 264,972	$ 3,338,960

	As of December 31, 2023				
	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	$ 4,429	$ 7,166	$ 6,426	$ 5,617	$ 23,638
Time deposits	1,027,366	238,222	35,490	21	1,301,099
Subordinated debt	-	-	17,500	81,427	98,927
Advances from FHLB	-	111,198	25,000	75,000	211,198
BTFP	300,000	-	-	-	300,000
Subordinated debt - trust preferred securities	-	-	-	5,000	5,000
Securities sold under agreements to repurchase	18,885	-	-	-	18,885
Standby and commercial letters of credit	43,704	927	546	-	45,177
Commitments to extend credit	625,521	330,138	106,171	112,477	1,174,307
Total	$ 2,019,905	$ 687,651	$ 191,133	$ 279,542	$ 3,178,231

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 sensitivity to movement in interest rates. Our asset and liability management policy provides management with the guidelines for effective interest rate risk management, and we have established a measurement system for monitoring our interest rate sensitivity position. We manage our sensitivity position within our established guidelines.

Fluctuations in interest rates will ultimately impact the level of income and expense recorded on many of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities. Interest rate risk is the potential of economic losses due to interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of the current fair market value of our equity. The objective of interest rate risk management is to measure the effect on net interest income and economic value of equity and to position the balance sheet to minimize the risk of losses and maximize the amount of income without taking on unnecessary earning volatility.

We seek to manage our exposure to interest rates by structuring our balance sheet in the ordinary course of business however we may enter into derivatives contracts to hedge interest rate risk if it is appropriate given our risk profile and policy guidelines. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Our exposure to interest rate risk is managed by the asset-liability committee ("ALCO") 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 into the model as are prepayment assumptions, maturity data and optionality. Deposit assumptions such as repricing betas and non-maturity balance decay rates are also incorporated into the model. Model assumptions are revised and updated on a regular basis as directed by policy, and more frequently if conditions merit. 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, customer behavior, and the application and timing of various management strategies.

On at least a quarterly basis, we run simulation models to calculate potential impacts to net interest income and the economic value of equity. Specific details of the simulations are reflected in policy as directed by ALCO.

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 December 31,			
	2024		2023	
Change in Interest Rates (Basis Points)	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity
+300	8.10%	(0.70%)	(5.50%)	(5.59%)
+200	5.60%	(0.30%)	(3.20%)	(3.47%)
+100	2.90%	-%	(1.10%)	(1.39%)
Base	-%	-%	-%	-%
-100	(2.30%)	0.30%	0.30%	1.40%
-200	(5.20%)	(1.30%)	0.50%	2.67%

The results of the simulations are primarily driven by the contractual characteristics of all balance sheet instruments and customer behavior.

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, gain/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 available to common shareholders for the year ended December 31, 2024 was $65.8 million, or $2.49 per diluted common share, compared to core net income available to common shareholders of $66.3 million, or $2.62 per diluted common share, for the year ended December 31, 2023. Core net income available to common shareholders for the year ended December 31, 2024 included a CECL impact on the Oakwood acquisition of $4.8 million, acquisition related expenses of $1.6 million and core conversion expenses of $974,000, compared to an adjustment for $2.6 million in losses on sales of securities, $945,000 in a gain on the sale of our Leesville, Louisiana banking center, $1.5 million in a gain on the extinguishment of debt associated with the TCBI acquisition in 2022, which was attributed to the $8.9 million subordinated debt redemption, $236,000 in acquisition-related expenses, and a $432,000 write-down on former bank premises for the year ended December 31, 2023.

	For the Years Ended December 31,		
	2023	2022	2022
	(Dollars in thousands, except per share data) (Unaudited)		
Interest Income:			
Interest income	$ 414,764	$ 353,327	$ 236,114
Core interest income	414,764	353,327	236,114
Interest Expense:			
Interest expense	187,381	138,198	36,537
Core interest expense	187,381	138,198	36,537
Provision for Credit Losses:			
Provision for credit losses	10,873	4,483	10,886
CECL Oakwood impact (3)	(4,824)	-	-
Core provision expense	6,049	4,483	10,886
Other Income:			
Other income	44,193	36,642	29,310
(Gains) losses on former bank premises and equipment	(50)	-	717
(Gains) losses on sale of securities	(7)	2,565	48
Insurance reimbursement of storm expenditures	-	-	(687)
Gain on sale of branch	-	(945)	-
Gain on extinguishment of debt	-	(1,458)	-
Core other income	44,136	36,804	29,388
Other Expense:			
Other expense	177,652	156,702	149,409
Acquisition-related expenses (2)	(1,621)	(236)	(5,178)
Write-down of former bank premises	-	(432)	-
Occupancy and bank premises - storm repair	-	-	(501)
Core conversion expense	(974)	-	-
Core other expense	175,057	156,034	143,730
Pre-Tax Income:			
Pre-tax income	83,051	90,586	68,592
CECL Oakwood impact (3)	4,824	-	-
(Gains) losses on former bank premises and equipment	(50)	-	717
(Gains) losses on sale of securities	(7)	2,565	48
Insurance reimbursement of storm expenditures	-	-	(687)
Gain on sale of branch	-	(945)	-
Gain on extinguishment of debt	-	(1,458)	-
Acquisition-related expenses (2)	1,621	236	5,178
Write-down of former bank premises	-	432	-
Occupancy and bank premises - storm repair	-	-	501
Core conversion expense	974	-	-
Core pre-tax income	90,413	91,416	74,349
Provision for Income Taxes: (1)			
Provision for income taxes	17,944	19,543	14,337
Tax on CECL Oakwood impact (3)	1,019	-	-
Tax on (gains) losses on former bank premises and equipment	(11)	-	151
Tax on (gains) losses on sale of securities	(1)	542	10
Tax on insurance reimbursement of storm expenditures	-	-	(144)
Tax on gain on sale of branch	-	(200)	-
Tax on gain on extinguishment of debt	-	(308)	-
Tax on acquisition-related expenses (2)	97	21	942
Tax on write-down of former bank premises	-	91	-
Tax on occupancy and bank premises - storm repair	-	-	106
Tax on core conversion expense	205	-	-
Core provision for income taxes	19,253	19,689	15,402
Preferred Dividends			
Preferred dividends	5,401	5,401	1,350
Core preferred dividends	5,401	5,401	1,350

Net Income Available to Common Shareholders:			
Net income available to common shareholders	59,706	65,642	52,905
CECL Oakwood impact (3), net of tax	3,805	-	-
(Gains) losses on former bank premises and equipment , net of tax	(39)	-	566
(Gains) losses on sale of securities, net of tax	(6)	2,023	38
Insurance reimbursement of storm expenditures, net of tax	-	-	(543)
Gain on sale of branch, net of tax	-	(745)	-
Gain on extinguishment of debt, net of tax	-	(1,150)	-
Acquisition-related expenses (2), net of tax	1,524	215	4,236
Write-down of former bank premises, net of tax	-	341	-
Occupancy and bank premises - storm repair, net of tax	-	-	395
Core conversion expense, net of tax	769	-	-
Core net income available to common shareholders	$ 65,759	$ 66,326	$ 57,597
Diluted Earnings Per Common Share:			
Diluted earnings per common share	$ 2.26	$ 2.59	$ 2.32
CECL Oakwood impact (3), net of tax	0.14	-	-
(Gains) losses on former bank premises and equipment , net of tax	-	-	0.02
(Gains) losses on sale of securities, net of tax	-	0.08	-
Insurance reimbursement of storm expenditures, net of tax	-	-	(0.02)
Gain on sale of branch, net of tax	-	(0.03)	-
Gain on extinguishment of debt, net of tax	-	(0.04)	-
Acquisition-related expenses (2), net of tax	0.06	0.01	0.18
Write-down of former bank premises, net of tax	-	0.01	-
Occupancy and bank premises - storm repair, net of tax	-	-	0.02
Core conversion expense, net of tax	0.03	-	-
Core diluted earnings per common share	$ 2.49	$ 2.62	$ 2.52

(1) Tax rates, exclusive of certain nondeductible acquisition-related expenses and goodwill, utilized were 21.129% for both 2024 and 2023. These rates approximate the marginal tax rates for the applicable periods.
(2) Includes merger and conversion-related expenses and salary and employee benefits.
(3) CECL non-PCD provision/unfunded commitment expense attributable to Oakwood.

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 preferred stock, 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 December 31,	
	2024	**2023**
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 799,466	$ 644,259
Preferred stock	(71,930)	(71,930)
Total common shareholders' equity	727,536	572,329
Adjustments:		
Goodwill	(121,572)	(88,391)
Core deposit and customer intangibles	(17,252)	(11,895)
Total tangible common equity	$ 588,712	$ 472,043
Common shares outstanding (1)	29,552,358	25,351,809
Book value per common shares (1)	$ 24.62	$ 22.58
Tangible book value per common shares (1)	19.92	18.62

(1) Excludes the dilutive effect, if any, of 198,238 and 217,094 shares of common stock issuable upon exercise of outstanding stock options and restricted stock awards as of December 31, 2024 and 2023, 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 December 31,	
	2023	2022
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 799,466	$ 644,259
Preferred stock	(71,930)	(71,930)
Total common shareholders' equity	727,536	572,329
Adjustments:		
Goodwill	(121,572)	(88,391)
Core deposit and customer intangibles	(17,252)	(11,895)
Total tangible common equity	$ 588,712	$ 472,043
Tangible Assets		
Total Assets	$ 7,857,090	$ 6,584,550
Adjustments:		
Goodwill	(121,572)	(88,391)
Core deposit and customer intangibles	(17,252)	(11,895)
Total tangible assets	$ 7,718,266	$ 6,484,264
Common Equity to Total Assets	9.3%	8.7%
Tangible Common Equity to Tangible Assets	7.6	7.3

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and with general practices within the financial services industry. Application of these principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

We have identified the following critical accounting policies and estimates that, due to the difficult, subjective or complex judgments and assumptions inherent in those policies and estimates and the potential sensitivity of our financial statements to those judgments and assumptions, are critical to an understanding of our financial condition and results of operations. We believe that the judgments, estimates and assumptions used in the preparation of our financial statements are appropriate.

Acquired Loans

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. Acquired loans are accounted for based upon a determination of whether they were purchased with more-than insignificant amount of credit deterioration ("PCD" loans) or an insignificant amount of credit deterioration ("non-PCD" loans), in either case as compared to origination. The difference between the estimated fair value of the acquired loan related to non-credit deterioration is treated as an adjustment to the contractual yield and accreted into interest income over the remaining life of the loan. Acquired loans are generally valued using a discount cash flow model. The assumptions in the model included prepayment rates, default/loss given default rates, collateral values, recovery rates, and discount rates.

Allowance for Credit Losses on Loans and Unfunded Commitments

The allowance for credit losses is established for current expected credit losses on the Company's loan portfolio, including unfunded credit commitments. The allowance for credit losses is recorded against outstanding loan balances and unfunded credit commitments and represents an estimate of the expected losses within the portfolio at the end of the relevant reporting period.

As further discussed in the consolidated financial statements in Note 1 – Summary of Significant Accounting Policies, our policies for the allowance for credit losses were modified on January 1, 2023, to reflect the adoption of Accounting Standards Codification ("ASC") Topic 326 ("ASC 326") Financial Instruments – Credit Losses.

Management estimates the allowance for credit losses by considering forecast macroeconomic conditions, trends in the portfolio, credit management and underwriting practices and economic conditions affecting our operating footprint. After the forecast period, the Company reverts to long-term historical loss experience on a straight-line basis over a one-year period, adjusted for the composition of the current loan portfolio, to estimate losses over the remaining lives of the portfolio. Development of the estimate is dependent on reported peer losses.

Individual loan loss estimates are generally dependent on the fair value of collateral, as well as estimates of the cost to market and sell collateral associated with an individual loan. These estimates are sensitive specific individual collateral markets and can change significantly based on the specific collateral. To a lesser extent, individual reserve estimates reflect specific loan cash flow amounts, which are dependent on borrower specific repayment expectations.

The results of our estimated allowance for credit losses also incorporate the reserve for unfunded lending commitments. This reserve methodology is similar to the methodology for loans, however, an added estimate of the expected use of unfunded credit commitments is included in the estimate.

Overall, the allowance for credit losses is based upon management's best estimate using available information at the time. The estimate can be significantly impacted by unexpected changes in the macroeconomic environment, borrower behavior, credit management practices or other relevant credit information.

Purchase Accounting Adjustments (other than loans)

The Company accounts for acquisitions using the acquisition method of accounting. Under this method, the Company records the assets acquired, including identified intangible assets, and liabilities assumed, at their respective fair values, which generally involves estimates based on third party valuations, such as appraisals, discounted cash flow analyses or other valuation techniques, as well as internal valuations for certain instruments. Core deposit intangibles, deposit premiums, securities, properties, and borrowings are some of the more subjective instruments which are generally fair valued during acquisitions. Further, the determination of the useful lives as well as the appropriate amortization method of other intangible assets is also subjective.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

Reference is made to the subheading entitled "Interest Rate Sensitivity and Market Risk" of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report.

ITEM 8. Financial Statements and Supplementary Data.

CONTENTS

Annual Audited Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Business First Bancshares, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Business First Bancshares, Inc. (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2025, expressed an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2024.

Change in Accounting Principle

As discussed in Notes 1 and 7 to the financial statements, effective January 1, 2023, the Company changed its method of accounting for credit losses due to the adoption of Accounting Standards Codification Topic 326, Financial Instruments – Credit Losses.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As described in Note 1 and Note 7 to the consolidated financial statements, the Company’s allowance for loan losses is a component of the allowance for credit losses and was $54.8 million as of December 31, 2024. The allowance for loan losses is estimated utilizing forward-looking expected loss models which consider a variety of factors affecting lifetime credit losses. Loans sharing risk characteristics are grouped into pools to estimate expected credit losses. The Company incorporates forecasted economic scenarios over a reasonable and supportable forecast period which incorporates Company and peer historical losses. Loss estimates also consider qualitative factors affecting credit losses not reflected in the model.

We identified the allowance for loan losses as a critical audit matter. The principal considerations for that determination included the high degree of judgment and subjectivity relating to assumptions used in the model, such as management’s use of qualitative factor adjustments related to economic conditions. Auditing these assumptions required a high degree of auditor effort, specialized skills and knowledge, and significant auditor judgment.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding of the Company’s model and process for determining the allowance for loan losses and evaluated the design and tested the operating effectiveness of controls relating to the allowance for loan losses, including controls over management’s review and approval of qualitative factor adjustments related to economic conditions applied within the qualitative framework to address risks not already incorporated within the model.

- We evaluated the reasonableness and adequacy of management’s qualitative factor adjustments related to economic conditions and the completeness and accuracy of data utilized in development of such qualitative factor adjustments.

/s/ Forvis Mazars, LLP

We have served as the Company’s auditor since 2019.

Fort Worth, Texas

March 7, 2025

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Business First Bancshares, Inc.

Opinion on the Internal Control over Financial Reporting

We have audited Business First Bancshares Inc's (the "Company") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company did not have effective information technology general controls (ITGCs) supporting the Company's internal control over financial reporting related to change management segregation of duties as described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. This material weakness was considered in determining the nature, timing, and extent of auditing procedures applied in our audit of the Company's consolidated financial statements, and this report does not affect our report dated March 7, 2025, on those consolidated financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Business First Bancshares, Inc. has not maintained effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and our report dated March 7, 2025, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As described in Management's Report on Internal Control over Financial Reporting, the scope of management's assessment of internal control over financial reporting as of December 31, 2024, has excluded Oakwood Bancshares, Inc. ("Oakwood') acquired on October 1, 2024. We have also excluded Oakwood from the scope of our audit of internal control over financial reporting. Oakwood represented 11.0% percent of consolidated total assets as of December 31, 2024.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Forvis Mazars, LLP

Fort Worth, Texas

March 7, 2025

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

	December 31, 2024	December 31, 2023
ASSETS		
Cash and Due from Banks	$ 319,098	$ 226,110
Federal Funds Sold	197,669	151,134
Securities Purchased Under Agreements to Resell	50,835	-
Securities Available for Sale, at Fair Values (Amortized Cost of $973,423 at December 31, 2024 and $963,978 at December 31, 2023)	893,549	879,571
Mortgage Loans Held for Sale	717	835
Loans and Lease Receivable, Net of Allowance for Loan Losses of $54,840 and $40,414 at December 31, 2024 and 2023, respectively	5,926,559	4,952,371
Premises and Equipment, Net	81,953	69,480
Accrued Interest Receivable	35,872	29,916
Other Equity Securities	41,100	33,942
Other Real Estate Owned	5,529	1,685
Cash Value of Life Insurance	117,645	96,478
Deferred Taxes	29,591	27,323
Goodwill	121,572	88,391
Core Deposit and Customer Intangible	17,252	11,895
Other Assets	18,149	15,419
Total Assets	$ 7,857,090	$ 6,584,550
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 1,357,045	$ 1,299,090
Interest Bearing	5,154,286	3,949,700
Total Deposits	6,511,331	5,248,790
Securities Sold Under Agreements to Repurchase	22,621	18,885
Bank Term Funding Program	-	300,000
Federal Home Loan Bank Borrowings	355,875	211,198
Subordinated Debt	99,760	99,990
Subordinated Debt - Trust Preferred Securities	5,000	5,000
Accrued Interest Payable	5,969	14,841
Other Liabilities	57,068	41,587
Total Liabilities	7,057,624	5,940,291
Commitments and Contingencies (See Notes 19 and 22)		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized; 72,010 Shares ($1,000 Liquidation Preference) Issued and Outstanding at both December 31, 2024 and 2023	71,930	71,930
Common Stock, $1 Par Value; 50,000,000 Shares Authorized; 29,552,358 and 25,351,809 Shares Issued and Outstanding at December 31, 2024 and 2023, respectively	29,552	25,352

Additional Paid-in Capital	500,024	397,447
Retained Earnings	260,958	216,115
Accumulated Other Comprehensive Loss	(62,998)	(66,585)
Total Shareholders' Equity	799,466	644,259
Total Liabilities and Shareholders' Equity	$ 7,857,090	$ 6,584,550

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

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

	Years Ended December 31, 2024	2023	2022
Interest Income:			
Interest and Fees on Loans	$ 374,555	$ 323,327	$ 218,032
Interest and Dividends on Non-taxable Securities	4,265	4,340	4,131
Interest and Dividends on Taxable Securities	20,994	15,785	12,372
Interest on Federal Funds Sold and Due From Banks	14,950	9,875	1,579
Total Interest Income	414,764	353,327	236,114
Interest Expense:			
Interest on Deposits	165,094	106,908	24,413
Interest on Borrowings	22,287	31,290	12,124
Total Interest Expense	187,381	138,198	36,537
Net Interest Income	227,383	215,129	199,577
Provision for Credit Losses	10,873	4,483	10,886
Net Interest Income after Provision for Credit Losses	216,510	210,646	188,691
Other Income:			
Service Charges on Deposit Accounts	10,577	9,704	8,272
Gain (Loss) on Sales of Securities	7	(2,565)	(48)
Gain on Sales of Loans	2,973	1,972	574
Other Income	30,636	27,531	20,512
Total Other Income	44,193	36,642	29,310
Other Expenses:			
Salaries and Employee Benefits	103,917	90,611	85,222
Occupancy and Equipment Expense	23,989	20,859	19,367
Other Expenses	49,746	45,232	44,820
Total Other Expenses	177,652	156,702	149,409
Income Before Income Taxes	83,051	90,586	68,592
Provision for Income Taxes	17,944	19,543	14,337
Net Income	65,107	71,043	54,255
Preferred Stock Dividends	5,401	5,401	1,350
Net Income Available to Common Shareholders	$ 59,706	$ 65,642	$ 52,905
Earnings Per Common Share:			
Basic	$ 2.27	$ 2.62	$ 2.34
Diluted	$ 2.26	$ 2.59	$ 2.32

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

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

	Years Ended December 31,		
	2024	2023	2022
Consolidated Net Income	$ 65,107	$ 71,043	$ 54,255
Other Comprehensive Income (Loss):			
Unrealized Gain (Loss) on AFS Investment Securities	4,527	13,006	(93,418)
Unrealized Gain (Loss) on Share of Other Equity Investments	14	(782)	874
Reclassification Adjustment for Gains (Losses) on Sales of AFS Investment Securities Included in Net Income	7	(2,565)	(48)
Income Tax Effect	(961)	(2,040)	19,565
Other Comprehensive Income (Loss)	3,587	7,619	(73,027)
Consolidated Comprehensive Income (Loss)	$ 68,694	$ 78,662	$ (18,772)

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

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(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, 2021	$ -	$ 20,400	$ 292,271	$ 121,874	$ (1,177)	$ 433,368
Comprehensive Income:						
Net Income	-	-	-	54,255	-	54,255
Other Comprehensive Loss	-	-	-	-	(73,027)	(73,027)
Cash Dividends Declared on Preferred Stock, $18.75 Per Share	-	-	-	(1,350)	-	(1,350)
Cash Dividends Declared on Common Stock, $0.48 Per Share	-	-	-	(10,824)	-	(10,824)
Preferred Stock Issuance, Net of Issuance Costs	71,930	-	-	-	-	71,930
Stock Issuance, Net of Issuance Costs	-	4,636	98,899	-	-	103,535
Stock Based Compensation Cost	-	119	3,577	-	-	3,696
Surrendered Shares of Options Exercised	-	(45)	(1,057)	-	-	(1,102)
Balances at December 31, 2022	71,930	25,110	393,690	163,955	(74,204)	580,481
Cumulative Effect of Change in Accounting Principle for Credit Losses	-	-	-	(827)	-	(827)
Comprehensive Income:						
Net Income	-	-	-	71,043	-	71,043
Other Comprehensive Income	-	-	-	-	7,619	7,619
Cash Dividends Declared on Preferred Stock, $75.00 Per Share	-	-	-	(5,401)	-	(5,401)
Cash Dividends Declared on Common Stock, $0.50 Per Share	-	-	-	(12,655)	-	(12,655)
Stock Based Compensation Cost	-	242	3,757	-	-	3,999
Balances at December 31, 2023	71,930	25,352	397,447	216,115	(66,585)	644,259
Comprehensive Income:						
Net Income	-	-	-	65,107	-	65,107
Other Comprehensive Income	-	-	-	-	3,587	3,587
Cash Dividends Declared on Preferred Stock, $75.00 Per Share	-	-	-	(5,401)	-	(5,401)
Cash Dividends Declared on Common Stock, $0.56 Per Share	-	-	-	(14,863)	-	(14,863)
Stock Issuance, Net of Issuance Costs	-	3,973	99,805	-	-	103,778
Stock Based Compensation Cost	-	227	2,772	-	-	2,999
Balances at December 31, 2024	$ 71,930	$ 29,552	$ 500,024	$ 260,958	$ (62,998)	$ 799,466

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

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

	Years Ended December 31,		
	2024	2023	2022
Cash Flows From Operating Activities:			
Consolidated Net Income	$ 65,107	$ 71,043	$ 54,255
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Credit Losses	10,873	4,483	10,886
Depreciation and Amortization	5,257	4,670	4,818
Net Accretion of Purchase Accounting Adjustments	(2,505)	(7,615)	(7,949)
Stock Based Compensation Cost	2,999	3,999	3,696
Net Amortization of Securities	2,140	4,197	6,005
(Gain) Loss on Sales of Securities	(7)	2,565	48
Gain on Sale Loans	(2,376)	(671)	(398)
Income on Other Equity Securities	(2,201)	(3,045)	(1,554)
(Gain) Loss on Sale of Other Real Estate Owned, Net of Writedowns	(89)	(214)	92
Increase in Cash Value of Life Insurance	(2,875)	(2,247)	(1,931)
Deferred Income Tax Benefit	(962)	(2,052)	(1,368)
Gain on Sale of Branch	-	(945)	-
Changes in Assets and Liabilities:			
Increase in Accrued Interest Receivable	(3,079)	(4,250)	(3,466)
(Increase) Decrease in Other Assets	9	(1,683)	6,075
Increase (Decrease) in Accrued Interest Payable	(10,498)	12,749	519
Increase (Decrease) in Other Liabilities	(391)	11,443	(151)
Net Cash Provided by Operating Activities	61,402	92,427	69,577
Cash Flows From Investing Activities:			
Purchases of Securities Available for Sale	(104,165)	(131,038)	(102,809)
Proceeds from Maturities / Sales of Securities Available for Sale	40,720	91,981	38,951
Proceeds from Paydowns of Securities Available for Sale	67,864	53,916	95,019
Net Cash Received in Acquisition	96,824	-	163,460
Net Cash Paid in Sale of Branch	-	(14,506)	-
Purchases of Other Equity Securities	(5,015)	(15,573)	(22,670)
Redemption of Other Equity Securities	1,713	21,361	10,327
Purchase of Life Insurance	(3,000)	(2,273)	(18,000)
Proceeds from Death Benefit of Cash Value of Life Insurance	813	-	499
Net Increase in Loans	(294,941)	(379,073)	(1,070,354)
Net Purchases of Premises and Equipment	(1,562)	(11,648)	(7,781)
Loss on Disposal of Premises and Equipment	7	-	717
Proceeds from Sales of Other Real Estate	621	1,240	682
Net Increase in Securities Purchased Under Agreements to Resell	(50,835)	-	-
Net (Increase) Decrease in Federal Funds Sold	(43,957)	(135,528)	211,438
Net Cash Used in Investing Activities	(294,913)	(521,141)	(700,521)

(CONTINUED)

	Years Ended December 31,		
	2024	2023	2022
Cash Flows From Financing Activities:			
Net Increase in Deposits	520,570	444,780	265,827
Net Increase (Decrease) in Securities Sold Under Agreements to Repurchase	3,736	(1,323)	1,087
Net Increase (Decrease) in Federal Funds Purchased	-	(14,057)	14,057
Net Advances (Repayments) on Federal Home Loan Bank Borrowings	122,488	(198,902)	327,203
Net Proceeds (Repayments) on Bank Term Funding Program	(300,000)	300,000	-
Net Proceeds (Repayments) from Short Term Borrowings	-	-	(11)
Repayment of Subordinated Debt	-	(8,900)	-
Gain on Extinguishment of Debt	-	(1,458)	-
Proceeds from Issuance of Preferred Stock, Net of Issuance Costs	-	-	71,930
Net Proceeds (Costs) from Issuance of Common Stock	(31)	-	48,492
Surrendered Shares of Options Exercised	-	-	(1,102)
Payment of Dividends on Preferred Stock	(5,401)	(5,401)	(1,350)
Payment of Dividends on Common Stock	(14,863)	(12,655)	(10,824)
Net Cash Provided by Financing Activities	326,499	502,084	715,309
Net Increase in Cash and Cash Equivalents	92,988	73,370	84,365
Cash and Cash Equivalents at Beginning of Period	226,110	152,740	68,375
Cash and Cash Equivalents at End of Period	$ 319,098	$ 226,110	$ 152,740
Supplemental Disclosures for Cash Flow Information:			
Cash Payments for:			
Interest on Deposits	$ 164,197	$ 104,811	$ 23,846
Interest on Borrowings	$ 32,056	$ 20,638	$ 11,953
Income Tax Payments	$ 17,352	$ 16,095	$ 13,550
Supplemental Schedule for Noncash Investing and Financing Activities:			
Change in the Unrealized Gain (Loss) on Securities Available for Sale	$ 4,534	$ 10,441	$ (93,466)
Change in the Unrealized Gain (Loss) on Equity Securities	$ 14	$ (782)	$ 874
Change in Deferred Tax Effect on the Unrealized (Gain) Loss on Securities Available for Sale and Equity Securities	$ (961)	$ (2,040)	$ 19,565
Transfer of Loans to Other Real Estate	$ 4,376	$ 1,339	$ 719
Acquisitions:			
Fair Value of Tangible Assets Acquired	$ 847,743	$ -	$ 531,510
Other Intangible Assets Acquired	7,640	-	3,875
Liabilities Assumed	781,609	-	508,991
Net Identifiable Assets Acquired Over Liabilities Assumed	$ 73,774	$ -	$ 26,394

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

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

Note 1– Nature of Operations – Summary of Significant Accounting Policies –

The accounting principles followed by Business First Bancshares, Inc. and its two wholly-owned subsidiaries, b1BANK (the "Bank"), and Coastal Commerce Statutory Trust, I; and the Bank's wholly-owned subsidiaries, Business First Insurance, LLC, Smith Shellnut Wilson, LLC ("SSW"), Waterstone LSP, LLC ("Waterstone"), and b1 Securities, LLC ("b1Securities") are those which are generally practiced within the banking industry. The methods of applying those principles conform with generally accepted accounting principles ("GAAP") and have been applied on a consistent basis. The principles which significantly affect the determination of financial position, results of operations, changes in shareholders' equity and cash flows are summarized below.

Principles of Consolidation
The consolidated financial statements include the accounts of Business First Bancshares, Inc. and its wholly-owned subsidiary, b1BANK, and the Bank's wholly-owned subsidiaries, Business First Insurance, LLC, SSW, Waterstone and b1Securities (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

The Company has a single reportable operating segment called Community Banking. Our chief executive officer is our chief operating decision maker. Our chief executive officer reviews net income on a routine basis to make decisions about allocating capital and personnel throughout the Company, as well as the composition of the balance sheet. See the Consolidated Statements of Income, Consolidated Statements of Financial Condition, and Note 18 for information utilized to assess performance of the reportable operating segment.

Nature of Operations
The Bank operates out of full-service banking centers and loan production offices in markets across Louisiana, the Dallas/Fort Worth, Texas metroplex, and Houston, Texas. As a state bank, it is subject to regulation by the Office of Financial Institutions ("OFI"), State of Louisiana, and the Federal Deposit Insurance Corporation ("FDIC"), and undergoes periodic examinations by these agencies. The Company is also regulated by the Federal Reserve and is subject to periodic examinations.

On March 1, 2022, the Company completed the acquisition of Texas Citizens Bancorp, Inc. ("TCBI"), and its wholly-owned subsidiary, Texas Citizens Bank, National Association, located in Pasadena, Texas. 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.

On January 31, 2024, the Company completed the acquisition, through b1BANK, of Waterstone, headquartered in Katy, Texas. Waterstone offers community banks and small businesses a range of SBA lending services including planning, pre-qualification, packaging, closing and disbursements, servicing and liquidations. Upon consummation of the acquisition, we paid $3.3 million in cash to the former owners of Waterstone.

On October 1, 2024, the Company completed the acquisition of Oakwood Bancshares, Inc. ("Oakwood"), the parent bank holding company for Oakwood Bank, located in the Dallas, Texas region. The company issued 3,973,134 shares of its common stock to the former shareholders of Oakwood. At September 30, 2024, Oakwood reported $863.6 million in total assets, $700.2 million in loans and $741.3 million in deposits.

Estimates
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 credit 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.

The Bank's loans are generally secured by specific items of collateral including real property, business assets, and consumer assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions in the Bank's market area.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination.

Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets and assumed liabilities are recorded at their respective acquisition date fair values, and identifiable intangible assets are recorded at fair value. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. The Company generally records provisional amounts of fair value at the time of acquisition based on the information available. The provisional fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

Securities

Management determines the appropriate classification of debt securities (held to maturity, available for sale or trading) at the time of purchase and re-evaluates this classification quarterly. Securities classified as available for sale are those debt securities the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are recorded at fair value. Unrealized gains or losses are reported as a component of comprehensive income. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings.

Securities classified as held to maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are recorded at cost adjusted for amortization of premium and accretion of discount, computed by various methods approximating the interest method over their contractual lives. The Bank has no securities classified as held to maturity at December 31, 2024 and 2023.

Securities classified as trading are those securities held for resale in anticipation of short-term market movements. These securities are recorded at market value with any market adjustments included in earnings. The Bank has no securities classified as trading at December 31, 2024 and 2023.

Other Equity Securities

The Bank has invested in Federal Home Loan Bank ("FHLB") stock, and other similar correspondent banks, which is reflected at cost in these financial statements. As a member of the FHLB System, the Bank is required to purchase and maintain stock in an amount determined by the FHLB. The FHLB stock is redeemable at par value at the discretion of the FHLB. The Bank has invested in certain equity investments which are accounted for under the equity method of accounting, which are considered to be variable interest entities ("VIE").

Loans, including acquired loans

Loans

Loans are stated at principal amounts outstanding, adjusted for deferred fees, costs and fair value adjustments, in the case of acquired loans, less the allowance for loan losses. Interest on loans is accrued daily based on the principal outstanding. Deferred fees, costs and fair value adjustments for acquired loans are recognized as an adjustment to yield over the life of the loan.

Generally, the Bank discontinues the accrual of interest income when a loan becomes 90 days past due as to principal or interest. When a loan is placed on nonaccrual status, previously recognized but uncollected interest is reversed from interest income. Subsequent cash receipts on nonaccrual loans are generally accounted for on the cost recovery method until the loans qualify for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Prior to January 1, 2023, the Bank classified loans as impaired when it was probable the Bank would be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement.

Acquired Loans

Purchased loans acquired in a business combination are initially recorded at their estimated fair value as of the acquisition date.

Subsequent to acquisition, acquired loans are accounted for based upon a determination of whether they were purchased with more-than insignificant amount of credit deterioration ("PCD") or an insignificant ("non-PCD") amount of credit deterioration compared to origination. In either case, the difference between the estimated fair value of the acquired loan related to non-credit deterioration is treated as an adjustment to the contractual yield and accreted into interest income over the remaining life of the loan.

Effective January 1, 2023, the Company adopted ASU 2016-13*, Financial Instrument – Credit Losses (Topic 326*). *Measurement of Credit Losses on Financial Instruments related to the impairment of financial instruments* (ASU 2016-13). Prior to the adoption of *Financial Instrument – Credit Losses (Topic 324*), *Measurement of Credit Losses on Financial Instruments*, commonly referred to as the Current Expected Credit Loss ("CECL"), ASU 2016-13, acquired performing loans were accounted for under ASC 310-20*, Nonrefundable Fees and Other Costs*, with the related discount or premium being recognized as an adjustment to yield over the life of the loan and acquired impaired loans were accounted for according to ASC Topic 310-30*, "Loans and Debt Securities Acquired with Deteriorated Credit Quality (*"ASC 310-30"*).* Under this method, adjustments to cash flows from the original acquisition date estimates were accounted for as adjustments to accretion for these loans.

Allowance for Credit Losses

Allowance for Loan Losses

Effective January 1, 2023, the allowance for credit losses is established for current expected credit losses on the Company's loan portfolio, including unfunded credit commitments. Upon adoption of the guidance on January 1, 2023*,* we recognized an $827,000 reduction to retained earnings, after recording the relating deferred tax asset adjustment at our adjusted tax rate.

The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs, inclusive of recoveries. Management evaluates the appropriateness of the allowance for credit losses on a quarterly basis. The allowance considers expected losses for the remaining lives of the applicable assets. The Company subscribes to a third-party service to provide economic forecasts at both the national and state levels, including GDP and unemployment, and other relevant forecasts. National forecasted economic scenarios are considered over a reasonable and supportable forecast period, currently one year, which incorporates Company and peer historical losses. After the forecast period, the Company reverts to long-term historical loss experience on a straight-line basis over a one-year period, adjusted for the composition of the current loan portfolio, to estimate losses over the remaining lives of the portfolio. The economic scenarios are updated at least quarterly and are designed to provide estimates that take into consideration the customer base of our loan portfolio. Loss estimates also consider qualitative factors affecting credit losses not reflected in the model, including trends in the portfolio, credit management and underwriting practices and forecasted economic conditions affecting our operating footprint.

The allowance recorded for credit losses utilizes forward-looking expected loss models to consider a variety of factors affecting lifetime credit losses. These factors include loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type and available valuation information, and the remaining term of the loan, adjusted for expected prepayments, with loans sharing risk characteristics grouped into pools to estimate expected losses. Where loans do not exhibit similar risk characteristics, an individual analysis is performed to consider expected credit losses. For each loan portfolio, model estimates are adjusted as necessary to consider any relevant qualitative factors that would affect the accuracy of the model. The results of the analysis are evaluated quarterly to confirm the estimates are appropriate for each loan portfolio. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off, or, expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

The allowance recorded for individually evaluated loans is based on an analysis utilizing expected cash flows discounted using the original effective interest rate, the observable market price of the loan, or, when repayment is expected through the sale of collateral, the fair value of the collateral, less selling costs, for collateral-dependent loans.

Prior to the adoption of ASU 2016-13*,* the allowance for credit losses on loans was a contra-asset valuation account established through a provision for loan losses charged to expense, which represented management's best estimate of inherent losses that had been incurred within the existing portfolio of loans. The allowance for credit losses on loans included allowance allocations calculated in accordance with ASC Topic 310*,* "Receivables" and allowance allocations calculated in accordance with ASC Topic 450, "Contingencies."

Allowance for loans acquired with credit deterioration

Beginning January 1, 2023*,* when a loan portfolio is purchased, an allowance is established for those loans considered purchased with more-than-insignificant credit deterioration (PCD) loans, and those not considered purchased with more-than-insignificant credit deterioration (non-PCD). The allowance established utilizes the same risk factors discussed above for our non-acquired allowance. The allowance established for non-PCD loans is recognized through provision expense upon acquisition, whereas the allowance established for loans considered PCD at acquisition is offset by an increase in the basis of the acquired loans. Any subsequent increases and decreases in the allowance related to acquired loans are recognized through provision expense, with future charge-offs recorded to the allowance.

Allowance for unfunded credit commitments

The Company also assesses the credit risk associated with off-balance sheet loan commitments and letters of credit. The liability for off-balance sheet credit exposure related to loan commitments and other credit guarantees is included in other liabilities. Therefore business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments, adjusted for an expectation of the actual utilization of the committed credit facility.

Allowance on investment securities

The allowance for credit losses encompasses potential expected credit losses related to the securities portfolio for credit losses. The assessment includes reviewing historical loss data for both our portfolio and similar types of investment securities to develop an estimate for the current securities portfolio. Additionally, our review of the securities portfolio for expected credit losses includes an evaluation of factors including the security issuer bond ratings, delinquency status, insurance or other available credit support, as well as our expectations of the forecasted economic outlook relevant to these securities, and our ability and intent to hold the security over a period of time sufficient to recover its value up to the amortized cost basis. The results of the analysis are evaluated quarterly to confirm that credit loss estimates are appropriate for the securities portfolio.

Based on our assessments, expected credit losses on the investment securities portfolio as of December 31, 2024 and 2023*,* was negligible and therefore, no allowance for credit loss was recorded related to our investment securities.

Prior to the adoption of ASU 2016-13*,* declines in the fair value of available-for-sale securities below their cost that were deemed to be other than temporary were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses prior to January 1, 2023*,* management considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Accrued Interest

The Company has elected to exclude accrued interest receivable from the amortized cost basis on its loan and debt securities portfolio. The Company has also elected to not measure an allowance for credit losses on accrued interest for loans held-for-investment or debt securities based on its policy to write off uncollectible interest in a timely manner. For loans, this occurs when a loan is placed on nonaccrual status. Generally, for loans, such elections are made no later than 90 days after a loan has become past due, although certain loans accrue interest after 90 days based on management's evaluation of the borrower's ability to continue making contractual payments. For debt securities, the elections are made based solely on management's evaluation of the ability of the security issuer, and any relevant entities, to continue making contractual payments. Such write-offs are recognized as a reduction of interest income. Accrued interest receivable for the loan and securities portfolio is included within Accrued Interest Receivable in the Consolidated Balance Sheets.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates based upon estimated useful service lives using the straight-line method for financial reporting purposes.

The costs of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in current operations. Expenditures for maintenance and repairs are charged to operations as incurred. Costs of major additions and improvements are capitalized and expensed over their estimated depreciable lives.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure or negotiated settlement are initially recorded at the fair value less estimated selling cost at the date of acquisition. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to review for impairment annually, or more frequently if deemed necessary.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives and reviewed for impairment. If impaired, the asset is written down to its estimated fair value. Our other intangibles include core deposit intangibles ("CDI") representing the value of the acquired core deposit base are generally recorded in connection with business combinations involving banks and branch locations; and customer-related intangibles representing the value of a customer list consisting of customer contact information acquired through business combination. The Company's policy is to amortize these intangibles on a straight-line basis over their estimated useful life. Core deposit and customer intangibles are tested for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows.

The Company recognizes the rights to service mortgage and other loans as separate assets, which are recorded in other assets in the consolidated balance sheets, when purchased or when servicing is contractually separated from the underlying loans by sale with servicing rights retained. For loan sales with servicing retained, a servicing right, generally an asset, is recorded at fair value at the time of sale for the right to service the loans sold. All servicing rights are identified by class and amortized over the remaining service life of the loan.

Income Taxes

The provision for income taxes is based on amounts reported in the statement of income after exclusion of nontaxable income such as interest on state and municipal securities. Also, certain items of income and expense are recognized in different time periods for financial statement purposes than for income tax purposes. Thus, provisions for deferred taxes are recorded in recognition of such temporary differences.

Deferred taxes are provided utilizing a liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the reported amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company files a consolidated federal income tax return. Consolidated income tax expense is allocated on the basis of each entity's income adjusted for permanent differences.

The Company evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2024 and 2023*,* the Company does not believe it has taken any positions that would require the recording of any additional tax liability, nor does it believe there are any unrealized tax benefits that would either increase or decrease within the next year.

The Company files income tax returns in the U.S. federal jurisdiction and applicable states. With few exceptions, the Company is no longer subject to federal and state income tax examinations by tax authorities for years before 2021. Any interest and penalties assessed by income taxing authorities are not significant, and are included in other expenses in these financial statements, as applicable.

Stock Based Compensation

As described in Note 16*,* the Company has issued stock options, stock grants, phantom stock awards (settled only in cash), and restricted stock awards which incorporate stock-based compensation. The Company has adopted a fair value-based method of accounting for these awards. The compensation cost is measured at the grant date based on the value of the award and is recognized over the requisite service period, which is usually the vesting period. Forfeitures are recognized as they occur.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities or other equity investments, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. The components of comprehensive income are disclosed on the Consolidated Statements of Comprehensive Income for all periods presented.

Advertising

The Company expenses all costs of advertising and promotion the first time the advertising or promotion takes place. For the years ended December 31, 2024, 2023 and 2022*,* the Company expensed costs of $4.9 million, $4.6 million and $3.9 million, respectively.

Recognition of Revenue from Contracts with Customers

Service charges on deposit accounts, fee and broker commissions, ATM/debit card fee income (including interchange), and transactional income from traditional banking services, are the significant noninterest income sources of revenue from contracts with customers. The Company generally acts in a principal capacity in the performance of these services. The Company's performance obligations are generally satisfied as the services are rendered and typically do not extend beyond a reporting period. Fees, which are typically billed and collected after services are rendered, are readily determinable and allocated individually to each service. In the normal course of business, the Company does not generally grant refunds for services provided. As such, the Company does not establish provisions for estimated returns.

Accounting Standards Adopted in 2024

ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU 2023-07 requires public business entities, including those with one reportable segment, to disclose additional disaggregated information about a reportable segment's income and expenses in both interim and annual periods. The standard requires disclosure of the title and position of the chief operating decision maker and an explanation of how the reported measure(s) of segment profit or loss are utilized in assessing segment performance allocating resources.

The update permits disclosure of additional measures of a segment's profit and losses, if multiple measures are utilized by the chief operating decision maker to allocate resources and evaluate profitability. Such measures, to the extent they are relevant but not in accordance with GAAP, shall be accompanied by appropriate disclosures and reconciliations to the appropriate reported GAAP amounts. The adoption of this standard did not have a material impact on the consolidated financial statements and disclosures.

Accounting Standards Not Yet Adopted

ASU No. 2023-09, "*Income Taxes (Topic 740*)*:* Improvements to Income Tax Disclosures." ASU 2023-09 requires public business entities to disclose additional information in specified categories with respect to the rate reconciliation for federal, state and foreign income taxes. In addition, the updates also require more details about reconciling items in the rate reconciliation in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold. ASU 2023-09 is effective for the Company starting January 1, 2025, though early adoption is permitted. ASU 2023-09 is not expected to have a significant impact on our financial statements.

Note 2– Reclassifications –

Certain reclassifications may have been made to the prior years' financial statements in order to conform to the classifications adopted for reporting in 2024.

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.

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

Oakwood Bancshares, Inc.

On October 1, 2024, the Company consummated the merger of Oakwood Bancshares, Inc. ("Oakwood"), headquartered in the Dallas, Texas region, with and into the Company, pursuant to the terms of that certain Agreement and Plan of Reorganization (the "Oakwood Reorganization Agreement"), dated as of April 25, 2024, by and between the Company and Oakwood. Also on October 1, 2024, Oakwood's wholly owned banking subsidiary, Oakwood Bank, was merged with and into b1BANK. Pursuant to the terms of the Oakwood Reorganization Agreement, upon consummation of the Oakwood acquisition, the Company issued 3,973,134 shares of its common stock to the former shareholders of Oakwood. At September 30, 2024, Oakwood reported $863.6 million in total assets, $700.2 million in loans and $741.3 million in deposits.

The following table reflects the consideration paid for Oakwood's net assets and the identifiable assets purchased and liabilities assumed at their fair values as of October 1, 2024.

Cost and Allocation of Purchase Price for Oakwood Bancshares, Inc. (Oakwood):

(Dollars in thousands, except per share data)

Purchase Price:		
Shares Issued to Oakwood's Shareholders on October 1, 2024		3,973,134
Closing Stock Price on September 30, 2024	$	25.67
Total Stock Issued	$	101,990
Partial Shares Paid in Cash		10
Other Consideration, Including Equity Awards		1,819
Total Purchase Price	$	103,819
Net Assets Acquired:		
Cash and Cash Equivalents	$	102,691
Securities Available for Sale		15,996
Loans and Leases Receivable, Net of Allowance		687,456
Premises and Equipment, Net		16,175
Cash Value of Life Insurance		16,105
Core Deposit Intangible		7,640
Other Assets		9,320
Total Assets		855,383
Deposits		742,347
Borrowings		22,189
Other Liabilities		17,073
Total Liabilities		781,609
Net Assets Acquired		73,774
Goodwill Resulting from Merger	$	30,045

The Company has recorded approximately $1.6 million and $236,000 of acquisition-related costs within merger and conversion-related expenses and salaries and benefits for the years ended December 31, 2024 and 2023, respectively.

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.

As discussed in Note 1, acquired loans are evaluated as either PCD or non-PCD at acquisition, based upon management's assessment of whether or not a loan has experienced more than insignificant credit deterioration since origination. This evaluation is completed by management using a variety of factors, including individual loan characteristics as well as industry type and collateral evaluation, among other factors. At acquisition, management designated loans with a fair value of $146.9 million as PCD. The fair value was inclusive of an $8.4 million PCD allowance and $2.3 million non-credit fair value discount from the acquired contractual value.

The remainder of the Oakwood loan portfolio, with a fair value of $540.6 million at acquisition included a non-credit fair value discount of $2.0 million from the acquired contractual value.

Core Deposit Intangible (“CDI”): 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 and Oakwood were impractical to include due to the cost versus benefit of including such disclosures.

Waterstone LSP, LLC

On January 31, 2024, the Company consummated the acquisition, through b1BANK, of Waterstone, headquartered in Katy, Texas. Waterstone offers community banks and small businesses a range of SBA lending services including planning, pre-qualification, packaging, closing and disbursements, servicing and liquidation. Upon consummation of the acquisition, the Company paid $3.3 million in cash to the former owners of Waterstone.

Note 4– Earnings per Common Share –

Basic earnings per common 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, unvested restricted stock awards (“RSAs”), unvested restricted stock units ("RSUs") and performance shares, 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.

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in thousands, except per share data)		
Numerator:			
Net Income	$ 65,107	$ 71,043	$ 54,255
Less: Preferred Stock Dividends	5,401	5,401	1,350
Net Income Available to Common Shares	$ 59,706	$ 65,642	$ 52,905
Denominator:			
Weighted Average Common Shares Outstanding	26,253,846	25,079,106	22,633,478
Dilutive Effect of Stock Options and Restricted Stock Awards	198,238	217,094	184,015
Weighted Average Dilutive Common Shares	26,452,084	25,296,200	22,817,493
Basic Earnings Per Common Share From Net Income Available to Common Shares	$ 2.27	$ 2.62	$ 2.34
Diluted Earnings Per Common Share From Net Income Available to Common Shares	$ 2.26	$ 2.59	$ 2.32

Note 5– Cash and Due From Banks –

The Bank is required to maintain funds in cash or on deposit with the Federal Reserve Bank. The Bank had no required reserves as of December 31, 2024 and 2023.

Note 6– Securities –

The amortized cost and fair values of securities available for sale as of December 31, 2024 and 2023 are summarized as follows:

	December 31, 2024			
	(Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 17,631	$ -	$ 956	$ 16,675
U.S. Government Agencies	10,164	-	576	9,588
Corporate Securities	47,855	348	3,038	45,165
Mortgage-Backed Securities	584,321	542	47,125	537,738
Municipal Securities	313,452	23	29,092	284,383
Total Securities Available for Sale	$ 973,423	$ 913	$ 80,787	$ 893,549

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

	December 31, 2023			
	(Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 17,690	$ -	$ 1,451	$ 16,239
U.S. Government Agencies	10,258	-	848	9,410
Corporate Securities	49,609	-	5,770	43,839
Mortgage-Backed Securities	555,148	976	49,814	506,310
Municipal Securities	331,273	298	27,798	303,773
Total Securities Available for Sale	$ 963,978	$ 1,274	$ 85,681	$ 879,571

The following tables present a summary of securities with gross unrealized losses and fair values at December 31, 2024 and 2023, 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 non-credit related.

	December 31, 2024					
	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	$ -	$ -	$ 16,675	$ 956	$ 16,675	$ 956
U.S. Government Agencies	-	-	9,588	576	9,588	576
Corporate Securities	4,262	132	28,894	2,906	33,156	3,038
Mortgage-Backed Securities	151,443	3,618	341,347	43,507	492,790	47,125
Municipal Securities	33,240	686	240,768	28,406	274,008	29,092
Total Securities Available for Sale	$ 188,945	$ 4,436	$ 637,272	$ 76,351	$ 826,217	$ 80,787

	December 31, 2023					
	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	$ -	$ -	$ 16,239	$ 1,451	$ 16,239	$ 1,451
U.S. Government Agencies	-	-	9,410	848	9,410	848
Corporate Securities	7,529	362	36,106	5,408	43,635	5,770
Mortgage-Backed Securities	21,436	895	375,891	48,919	397,327	49,814
Municipal Securities	8,013	63	270,467	27,735	278,480	27,798
Total Securities Available for Sale	$ 36,978	$ 1,320	$ 708,113	$ 84,361	$ 745,091	$ 85,681

As of December 31, 2024 and 2023, no allowance for credit losses was recognized on available for sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to credit quality. This determination is based on the Company's analysis of the underlying risk characteristics including credit ratings, historical loss experience, and other qualitative factors. Further, the securities continue to make principal and interest payments under their contractual terms and management does not have the intent to sell any of the securities and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of amortized cost basis. Therefore, the Company has determined the unrealized losses are due to changes in market interest rates compared to rates when the securities were acquired.

The amortized cost and fair values of securities available for sale as of December 31, 2024 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	$ 28,943	$ 28,658
One to Five Years	184,587	173,167
Over Five to Ten Years	358,681	328,897
Over Ten Years	401,212	362,827
Total Securities Available for Sale	$ 973,423	$ 893,549

Securities available for sale with a fair value of $385.4 million and $629.7 million, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law as of December 31, 2024 and 2023.

At December 31, 2024 and 2023, accrued interest receivable on securities was $4.9 million and $4.7 million, respectively, and is included within accrued interest receivable on the consolidated balance sheets.

There were $21,000 and $9,000 realized gross gains from sales or redemptions of securities for the years ended December 31, 2024 and 2022, respectively, and none for the year ended December 31, 2023. There were $14,000, $2.6 million and $57,000 realized gross losses from sales or redemptions of securities for the years ended December 31, 2024, 2023 and 2022, respectively.

Other Equity Securities and VIEs

The Company has invested in the Federal Home Loan Bank of Dallas which is included in other equity securities and reflected at cost in these financial statements. The cost of these securities was $20.6 million and $14.8 million, respectively, at December 31, 2024 and 2023. The Federal Home Loan Bank stock is pledged to secure advances from the Federal Home Loan Bank of Dallas at both December 31, 2024 and 2023. The Company also has investments of $302,000 in TIB National Association, $562,000 in Bankers Insurance, LLC, and $2.2 million in First National Banker's Bank at both December 31, 2024 and 2023. These investments are carried at cost, less any impairment, due to the lack of a quoted market price and a ready market for these types of investments.

VIEs are legal entities that either do not have sufficient equity to finance their activities without the support from other parties or whose equity investors lack a controlling financial interest. The Company has investments in certain partnerships and limited liability entities that have been evaluated and determined to be VIEs. Consolidation of a VIE is appropriate if a reporting entity holds a controlling financial interest in the VIE and is the primary beneficiary. The Company is not the primary beneficiary and does not hold a controlling interest in the VIEs as it does not have the power to direct the activities that most significantly impact the VIEs' economic performance.

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

Small Business Investment Companies (“SBIC”) and financial technology (“Fintech”) funds at December 31, 2024 and 2023 are summarized below.

	December 31, 2024	December 31, 2023
	(Dollars in thousands)	
McLarty Capital Partners SBIC, L.P.	$ 408	$ 457
McLarty Capital Partners SBIC II, L.P.	2,562	2,520
Firmament Capital Partners SBIC III, L.P.	1,736	1,870
Firmament Capital Partners SBIC IV, L.P.	843	493
Bluehenge Capital Secured Debt SBIC, L.P.	2,485	3,220
Bluehenge Capital Secured Debt SBIC II, L.P.	1,784	1,146
New Louisiana Angel Fund 2, LLC	49	49
Pharos Capital Partners IV-A, L.P.	657	457
Valesco Fund II, LP	976	1,227
Valesco Fund III, LP	318	37
GP Capital Partners, LP	741	624
BankTech Ventures, LP	311	284
JAM FINTOP Banktech, LP	699	531
Ledyard Capital Managers, LLC	1,150	769
Mendon Ventures Banktech Fund I, LP	1,514	1,308
Castle Creek Launchpad Fund I, LP	781	607
Work America Capital Fund I, LP	395	425
	$ 17,409	$ 16,024

Note 7– Loans and the Allowance for Loan Losses –

Loans receivable at December 31, 2024 and 2023 are summarized as follows:

	December 31, 2024	December 31, 2023
	(Dollars in thousands)	
Real estate loans:		
Commercial	$ 2,483,223	$ 2,217,928
Construction	670,502	669,798
Residential	884,533	682,394
Total real estate loans	4,038,258	3,570,120
Commercial	1,868,675	1,358,838
Consumer and other	74,466	63,827
Total loans held for investment	5,981,399	4,992,785
Less:		
Allowance for loan losses	(54,840)	(40,414)
Net loans	$ 5,926,559	$ 4,952,371

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 December 31, 2024 and 2023. Commercial and agricultural loans are pledged against the Federal Reserve Banks' discount window as of December 31, 2024 and 2023.

Net deferred loan origination fees were $12.6 million at both December 31, 2024 and 2023, 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 December 31, 2024 and 2023, overdrafts of $3.0 million and $2.2 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 $747.0 million and $723.5 million at December 31, 2024 and 2023, respectively. The Company has servicing rights of $832,000 and $1.1 million recorded at December 31, 2024 and 2023, respectively, which are 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 credit 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.

Portfolio Segments and Risk Factors

The loan portfolio is disaggregated into portfolio segments and then further disaggregated into classes for certain disclosures. GAAP defines a portfolio segment as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. A class is generally a disaggregation of a portfolio segment. The Company's loan portfolio segments are Real Estate, Commercial, and Consumer and Other. The classes and risk characteristics of each segment are discussed in more detail below. The segmentation and disaggregation of the portfolio is part of the ongoing credit monitoring process.

Real Estate Portfolio Segment

Real Estate: Commercial loans are extensions of credit secured by owner-occupied and non-owner-occupied collateral. Repayment is generally dependent on 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. Real estate commercial loans also include farmland loans that can be, or are, used for agricultural purposes. These loans are usually repaid through refinancing, cash flow from the borrower's ongoing operations, development of the property, or sale of the property.

Real Estate: Construction loans include loans to small-to-midsized businesses to construct owner-occupied 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 changes 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.

Real Estate: 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. Real estate residential loans also include multi-family residential loans 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.

Commercial Portfolio Segment

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 based on 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 Portfolio Segment

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.

The following tables set forth, as of December 31, 2024 and 2023, the balance of the allowance for credit losses by loan portfolio segment. The allowance for credit 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.

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

Allowance for Credit Losses and Recorded Investment in Loans Receivable

	December 31, 2024					
	(Dollars in thousands)					
	Real Estate: Commercial	Real Estate: Construction	Real Estate: Residential	Commercial	Consumer and Other	Total
Allowance for Loan Losses:						
Beginning Balance	$ 17,676	$ 6,596	$ 5,485	$ 10,424	$ 233	$ 40,414
Adjustment for Oakwood on PCD Loans	4,013	1,420	374	2,603	-	8,410
Charge-offs	263	(2,261)	(297)	(986)	(2,392)	(5,673)
Recoveries	86	515	14	236	329	1,180
Provision	1,422	892	2,460	3,390	2,345	10,509
Ending Balance	$ 23,460	$ 7,162	$ 8,036	$ 15,667	$ 515	$ 54,840
Reserve for Unfunded Credit Commitments:						
Beginning Balance	$ 206	$ 1,546	$ 177	$ 1,372	$ 23	$ 3,324
Provision (Recovery)	22	(235)	181	393	3	364
Ending Balance	$ 228	$ 1,311	$ 358	$ 1,765	$ 26	$ 3,688
Total Allowance for Credit Losses	$ 23,688	$ 8,473	$ 8,394	$ 17,432	$ 541	$ 58,528

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

	December 31, 2023					
	(Dollars in thousands)					
	Real Estate: Commercial	Real Estate: Construction	Real Estate: Residential	Commercial	Consumer and Other	Total
Allowance for Loan Losses:						
Beginning Balance	$ 14,702	$ 5,768	$ 5,354	$ 11,721	$ 633	$ 38,178
Adoption of ASU 2016-13	4,823	933	(365)	(2,483)	(248)	2,660
Beginning Balance After Adoption	19,525	6,701	4,989	9,238	385	40,838
Charge-offs	(2,049)	(36)	(42)	(2,813)	(1,489)	(6,429)
Recoveries	26	1	18	672	327	1,044
Provision (Recovery)	174	(70)	520	3,327	1,010	4,961
Ending Balance	$ 17,676	$ 6,596	$ 5,485	$ 10,424	$ 233	$ 40,414
Reserve for Unfunded Credit Commitments:						
Beginning Balance	$ 220	$ 137	$ 13	$ 229	$ 6	$ 605
Adoption of ASU 2016-13	116	2,113	190	657	121	3,197
Beginning Balance After Adoption	336	2,250	203	886	127	3,802
Provision (Recovery)	(130)	(704)	(26)	486	(104)	(478)
Ending Balance	$ 206	$ 1,546	$ 177	$ 1,372	$ 23	$ 3,324
Total Allowance for Credit Losses	$ 17,882	$ 8,142	$ 5,662	$ 11,796	$ 256	$ 43,738

Included within the above allowance are loans which management has individually evaluated to determine an allowance for credit losses. The following table summarizes, by segment, the loan balance and specific allowance allocation for those loans which have been individually evaluated.

	December 31, 2024		January 1, 2023	
	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations
	(Dollars in thousands)			
Real estate loans:				
Commercial	$ 42,407	$ 3,529	$ 883	$ -
Construction	11,777	975	2,334	513
Residential	11,012	519	1,533	-
Total real estate loans	65,196	5,023	4,750	513
Commercial	99,234	2,505	-	-
Consumer and other	-	-	-	-
Total	$ 164,430	$ 7,528	$ 4,750	$ 513

Credit Quality Indicators

We utilize a risk grading matrix to assign a risk grade to each of our commercial loans. Loans are graded on a scale of 10 to 80. Individual loan officers review updated financial information for all pass grade loans to reassess the risk grade, generally on at least an annual basis. When a loan has a risk grade of 60, it is still considered a pass grade loan; however, it is considered to be on management's "watch list," and subject to additional and more frequent monitoring by both the loan officer and senior credit and risk personnel. When a loan has a risk grade of 70 or higher, a special assets officer monitors the loan on an on-going basis.

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

The following tables set forth the credit quality indicators, disaggregated by loan segment, as of December 31, 2024 and 2023:

	December 31, 2024						
		Criticized					
	Pass (Risk Grade 10-45)	Special Mention (Risk Grade 50)	Substandard (Risk Grade 60)	Doubtful (Risk Grade 70)	Loss (Risk Grade 80)	Total	Current Period Charge- offs
	(Dollars in thousands)						
Real Estate: Commercial							
Originated in 2024	$ 300,564	$ -	$ 15,271	$ -	$ -	$ 315,835	$ -
Originated in 2023	223,301	22,051	135	-	-	245,487	-
Originated in 2022	752,449	40,646	-	-	-	793,095	2
Originated in 2021	400,133	5,861	470	-	-	406,464	-
Originated in 2020	147,800	1,853	635	-	-	150,288	5
Originated Prior to 2020	508,370	4,779	6,557	851	-	520,557	(270)
Revolving	50,813	195	480	-	-	51,488	-
Revolving Loans Converted to Term	9	-	-	-	-	9	-
Total Real Estate: Commercial	$ 2,383,439	$ 75,385	$ 23,548	$ 851	$ -	$ 2,483,223	$ (263)
Real Estate: Construction							
Originated in 2024	$ 203,537	$ -	$ 402	$ -	$ -	$ 203,939	$ -
Originated in 2023	86,505	-	586	-	-	87,091	46
Originated in 2022	176,301	2,886	2,188	-	-	181,375	278
Originated in 2021	86,514	-	3,522	-	-	90,036	1,937
Originated in 2020	26,646	-	14	-	-	26,660	-
Originated Prior to 2020	23,696	154	1,990	-	-	25,840	-
Revolving	54,990	396	-	-	-	55,386	-
Revolving Loans Converted to Term	175	-	-	-	-	175	-
Total Real Estate: Construction	$ 658,364	$ 3,436	$ 8,702	$ -	$ -	$ 670,502	$ 2,261
Real Estate: Residential							
Originated in 2024	$ 80,126	$ -	$ 225	$ -	$ -	$ 80,351	$ 2
Originated in 2023	102,618	175	244	-	-	103,037	3
Originated in 2022	228,784	1,179	1,200	8	-	231,171	12
Originated in 2021	145,072	205	-	-	-	145,277	1
Originated in 2020	69,222	315	555	9	-	70,101	2
Originated Prior to 2020	133,993	1,122	6,170	234	-	141,519	73
Revolving	111,452	167	1,091	-	-	112,710	204
Revolving Loans Converted to Term	367	-	-	-	-	367	-
Total Real Estate: Residential	$ 871,634	$ 3,163	$ 9,485	$ 251	$ -	$ 884,533	$ 297
Commercial							
Originated in 2024	$ 399,093	$ 223	$ 4,308	$ -	$ -	$ 403,624	$ 1
Originated in 2023	286,436	1,385	2,301	-	-	290,122	76
Originated in 2022	235,534	8,471	1,611	-	-	245,616	459
Originated in 2021	178,248	2,562	1,684	-	-	182,494	276
Originated in 2020	81,809	41	707	-	-	82,557	97
Originated Prior to 2020	100,096	2,526	629	300	-	103,551	77
Revolving	546,947	10,771	2,671	-	-	560,389	-
Revolving Loans Converted to Term	322	-	-	-	-	322	-
Total Commercial	$ 1,828,485	$ 25,979	$ 13,911	$ 300	$ -	$ 1,868,675	$ 986
Consumer and Other							
Originated in 2024	$ 12,084	$ -	$ 8	$ -	$ -	$ 12,092	$ 32
Originated in 2023	7,118	-	33	-	-	7,151	84
Originated in 2022	4,646	-	18	-	-	4,664	427
Originated in 2021	2,195	-	49	-	-	2,244	4
Originated in 2020	1,183	-	60	-	-	1,243	31
Originated Prior to 2020	22,352	-	64	-	-	22,416	40
Revolving	24,474	-	137	-	-	24,611	1,774
Revolving Loans Converted to Term	45	-	-	-	-	45	-
Total Consumer and Other	$ 74,097	$ -	$ 369	$ -	$ -	$ 74,466	$ 2,392
Total Loans	$ 5,816,019	$ 107,963	$ 56,015	$ 1,402	$ -	$ 5,981,399	$ 5,673

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

	December 31, 2023						
		Criticized					
	Pass (Risk Grade 10-45)	Special Mention (Risk Grade 50)	Substandard (Risk Grade 60)	Doubtful (Risk Grade 70)	Loss (Risk Grade 80)	Total	Current Period Charge- offs
	(Dollars in thousands)						
Real Estate: Commercial							
Originated in 2023	$ 228,902	$ -	$ 84	$ -	$ -	$ 228,986	$ -
Originated in 2022	751,649	1,909	-	-	-	753,558	-
Originated in 2021	427,269	6,103	492	-	-	433,864	357
Originated in 2020	151,848	3,551	8	-	-	155,407	-
Originated in 2019	149,946	5,556	372	932	-	156,806	1,447
Originated Prior to 2019	379,503	1,313	7,970	335	-	389,121	245
Revolving	99,723	226	237	-	-	100,186	-
Revolving Loans Converted to Term	-	-	-	-	-	-	-
Total Real Estate: Commercial	$ 2,188,840	$ 18,658	$ 9,163	$ 1,267	$ -	$ 2,217,928	$ 2,049
Real Estate: Construction							
Originated in 2023	$ 131,617	$ -	$ -	$ -	$ -	$ 131,617	$ -
Originated in 2022	322,032	647	62	-	-	322,741	-
Originated in 2021	85,438	2,601	1,229	-	-	89,268	-
Originated in 2020	22,515	31	16	-	-	22,562	-
Originated in 2019	19,402	-	1,675	-	-	21,077	1
Originated Prior to 2019	20,180	413	588	345	-	21,526	35
Revolving	60,612	395	-	-	-	61,007	-
Revolving Loans Converted to Term	-	-	-	-	-	-	-
Total Real Estate: Construction	$ 661,796	$ 4,087	$ 3,570	$ 345	$ -	$ 669,798	$ 36
Real Estate: Residential							
Originated in 2023	$ 76,662	$ -	$ -	$ -	$ -	$ 76,662	$ -
Originated in 2022	170,229	433	410	14	-	171,086	-
Originated in 2021	98,329	-	708	-	-	99,037	11
Originated in 2020	68,281	386	520	57	-	69,244	1
Originated in 2019	54,902	1,112	1,061	119	-	57,194	22
Originated Prior to 2019	97,716	1,230	6,000	299	-	105,245	7
Revolving	103,252	-	654	-	-	103,906	1
Revolving Loans Converted to Term	20	-	-	-	-	20	-
Total Real Estate: Residential	$ 669,391	$ 3,161	$ 9,353	$ 489	$ -	$ 682,394	$ 42
Commercial							
Originated in 2023	$ 303,160	$ 1,439	$ 709	$ -	$ -	$ 305,308	$ -
Originated in 2022	267,678	698	1,196	-	-	269,572	247
Originated in 2021	136,291	5,483	928	16	-	142,718	25
Originated in 2020	48,990	448	921	42	-	50,401	49
Originated in 2019	21,137	584	640	231	-	22,592	1,632
Originated Prior to 2019	61,166	3,843	341	251	-	65,601	658
Revolving	499,642	2,128	573	28	-	502,371	202
Revolving Loans Converted to Term	275	-	-	-	-	275	-
Total Commercial	$ 1,338,339	$ 14,623	$ 5,308	$ 568	$ -	$ 1,358,838	$ 2,813
Consumer and Other							
Originated in 2023	$ 11,245	$ -	$ -	$ -	$ -	$ 11,245	$ 8
Originated in 2022	7,219	-	27	-	-	7,246	78
Originated in 2021	3,372	-	55	-	-	3,427	29
Originated in 2020	1,850	-	88	-	-	1,938	11
Originated in 2019	2,359	-	40	-	-	2,399	18
Originated Prior to 2019	18,280	-	92	-	-	18,372	61
Revolving	18,814	100	160	-	-	19,074	1,284
Revolving Loans Converted to Term	126	-	-	-	-	126	-
Total Consumer and Other	$ 63,265	$ 100	$ 462	$ -	$ -	$ 63,827	$ 1,489
Total Loans	$ 4,921,631	$ 40,629	$ 27,856	$ 2,669	$ -	$ 4,992,785	$ 6,429

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 December 31, 2024 and 2023, loan balances outstanding more than 90 days past due and still accruing interest amounted to $860,000 and $127,000, respectively. As of December 31, 2024 and 2023, loan balances outstanding on nonaccrual status amounted to $24.1 million and $16.9 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 December 31, 2024 and 2023. All loans greater than 90 days past due are generally placed on nonaccrual status.

Aged Analysis of Past Due Loans Receivable

	December 31, 2024 (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:							
Commercial	$ 6,688	$ 303	$ 3,035	$ 10,026	$ 2,473,197	$ 2,483,223	$ -
Construction	1,700	594	4,600	6,894	663,608	670,502	-
Residential	2,631	786	5,174	8,591	875,942	884,533	482
Total Real Estate Loans	11,019	1,683	12,809	25,511	4,012,747	4,038,258	482
Commercial	8,741	1,075	7,674	17,490	1,851,185	1,868,675	240
Consumer and Other	177	48	262	487	73,979	74,466	138
Total	$ 19,937	$ 2,806	$ 20,745	$ 43,488	$ 5,937,911	$ 5,981,399	$ 860

	December 31, 2023						
	(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:							
Commercial	$ 240	$ 536	$ 2,954	$ 3,730	$ 2,214,198	$ 2,217,928	$ 44
Construction	279	1,320	3,198	4,797	665,001	669,798	-
Residential	1,792	1,207	4,058	7,057	675,337	682,394	20
Total Real Estate Loans	2,311	3,063	10,210	15,584	3,554,536	3,570,120	64
Commercial	1,101	71	1,622	2,794	1,356,044	1,358,838	52
Consumer and Other	280	252	188	720	63,107	63,827	11
Total	$ 3,692	$ 3,386	$ 12,020	$ 19,098	$ 4,973,687	$ 4,992,785	$ 127

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 December 31, 2024 and 2023, the concessions granted to certain borrowers included extending the payment due dates and offering below market contractual interest rates, and were not significant to the consolidated financial statements.

The following table presents non-accrual loans by segment as of December 31, 2024 and 2023, respectively.

	December 31, 2024	December 31, 2023
	(Dollars in thousands)	
Real Estate Loans:		
Commercial	$ 3,621	$ 3,280
Construction	5,251	3,543
Residential	7,078	7,352
Total Real Estate Loans	15,950	14,175
Commercial	8,039	2,395
Consumer and Other	158	373
Total	$ 24,147	$ 16,943

Accrued interest receivable of \$3.4 million and \$4.2 million was outstanding as of December 31, 2024 and 2023, respectively, for all loan deferrals, primarily attributable to the COVID-19 pandemic and, to a much lesser extent, hurricanes which occurred in 2020 and 2021. These loans are no longer within their deferral periods. The accrued interest on the loans is due at their maturity.

At December 31, 2024 and 2023, accrued interest receivable on loans was \$30.9 million and \$25.2 million, respectively, and included within accrued interest receivable on the consolidated balance sheets.

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

Note 8– Premises and Equipment –

Bank premises and equipment at December 31, 2024 and 2023 consist of the following:

	2024	2023
	(Dollars in thousands)	
Land	$ 7,619	$ 7,545
Buildings and Leasehold Improvements	65,388	56,513
Furniture and Equipment	40,537	35,252
Right of Use Asset	27,955	20,836
Total Bank Premises and Equipment	141,499	120,146
Less: Accumulated Depreciation	(59,546)	(50,666)
Total Bank Premises and Equipment, net	$ 81,953	$ 69,480

The provision for depreciation and amortization attributable to bank premises and equipment charged to operating expenses was $5.3 million, $4.7 million and $4.8 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Note 9 - Goodwill and Other Intangible Assets –

Goodwill was recorded as a result of acquisitions. The carrying amount of goodwill as of December 31, 2024 and 2023 was $121.6 million and $88.4 million, respectively. In 2024, the increase of $33.2 million in goodwill was due to the acquisitions of Waterstone and Oakwood. In 2023, goodwill was reduced by $153,000 due to the sale of the Leesville branch. The Company performed the required annual goodwill impairment test as of October 1, 2024. The Company's annual test did not indicate any impairment as of the testing date. Following the testing date, management determined no triggering event had occurred though December 31, 2024.

Core deposit and customer intangible assets were acquired in conjunction with the business combinations. A summary of the core deposit and customer intangible assets as of December 31, 2024 and 2023 is as follows:

	2024	2023
	(Dollars in thousands)	
Gross Carrying Amount	$ 21,050	$ 21,100
Adjustment for Sale of Branch	-	(50)
Acquired in Oakwood Acquisition	7,640	-
Less: Accumulated Amortization	(11,438)	(9,155)
Net Carrying Amount	$ 17,252	$ 11,895

Amortization expense on the core deposit and customer intangible assets totaled approximately $2.3 million, $2.1 million and $2.0 million during the years ended December 31, 2024, 2023 and 2022, respectively. The following table presents the estimated aggregate amortization expense for the periods indicated:

December 31,	(Dollars in thousands)
2025	$ 2,649
2026	2,580
2027	2,580
2028	2,303
2029	1,995
Thereafter	5,145
Total Core Deposit and Customer Intangible	$ 17,252

Note 10– Deposits –

Deposit accounts at December 31, 2024 and 2023 are summarized as follows:

	2024	2023
	(Dollars in thousands)	
Noninterest Bearing - DDA	$ 1,357,045	$ 1,299,090
Noninterest Bearing Deposits	1,357,045	1,299,090
Interest Bearing - DDA	766,086	502,077
NOW and Super NOW Accounts	411,077	496,845
Money Market Accounts	2,354,563	1,425,808
Savings Accounts	225,647	223,871
Certificates of Deposit Over $250,000	687,601	623,336
Other Certificates of Deposit	709,312	677,763
Interest Bearing Deposits	5,154,286	3,949,700
Total Deposits	$ 6,511,331	$ 5,248,790

Approximately 70.7% of certificates of deposit as of December 31, 2024 have stated maturity dates during 2025 and the remaining 29.3% have stated maturity dates during 2026 and beyond.

At December 31, 2024 and 2023, total deposits for the top three customer relationships was approximately $211.3 million and $168.3 million, respectively, which represented 3.2% and 3.2% of total deposits, respectively. Brokered and reciprocal deposits were approximately $1.2 billion and $1.0 billion at December 31, 2024 and 2023, respectively. Included in these brokered and reciprocal deposits are public fund deposits of approximately $155.0 million and $145.9 million at December 31, 2024 and 2023, respectively. Other public fund deposits were approximately $603.2 million and $511.6 million at December 31, 2024 and 2023, respectively.

Note 11– Borrowings –

The Bank had outstanding advances from the FHLB of $355.9 million and $211.2 million at December 31, 2024 and 2023, respectively, consisting of:

One fixed rate loan with an original principal balance of $60.0 million. The loan was made in 2021 and the balance at December 31, 2024 and December 31, 2023 was $23.3 million and $35.3 million, respectively, with interest at 0.89%. Principal and interest payments are due monthly and the loan matures in November 2026.

One fixed rate loan of $875,000 at both December 31, 2024 and 2023, 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 of $25.0 million at both December 31, 2024 and 2023, with interest at 4.89% paid monthly. Principal is due at maturity in July 2025.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 4.65% paid monthly. Principal is due at maturity in January 2026.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 4.56% paid monthly. Principal is due at maturity in July 2026.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 4.13% paid monthly. Principal is due at maturity in October 2028. This advance has put options beginning in October 2024.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 3.92% paid monthly. Principal is due at maturity in October 2030. This advance has put options beginning in October 2024.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 3.72% paid monthly. Principal is due at maturity in October 2033. This advance has put options beginning in October 2024.

One fixed rate loan of $25.0 million at both December 31, 2024 and 2023, with interest at 3.57% paid monthly. Principal is due at maturity in October 2033. This advance has put options beginning in October 2024.

One fixed rate loan with an original principal balance of $10.0 million. The loan was made in 2020 and was acquired during the Oakwood acquisition. The balance at December 31, 2024 was $1.7 million, with interest at 0.52%. Principal and interest payments are due monthly and the loan matures in October 2025.

One fixed rate loan of $25.0 million at December 31, 2024, with interest at 4.84% paid monthly. Principal is due at maturity in December 2026.

One fixed rate loan of $25.0 million at December 31, 2024, with interest at 4.78% paid monthly. Principal is due at maturity in September 2027.

One fixed rate loan of $25.0 million at December 31, 2024, with interest at 4.73% paid monthly. Principal is due at maturity in March 2028.

One fixed rate loan of $25.0 million at December 31, 2024, with interest at 4.69% paid monthly. Principal is due at maturity in September 2028.

One short term, fifteen-day, fixed rate loan of $55.0 million at December 31, 2024, with interest at 4.38%. Principal and interest was due, paid and rolled into a $30.0 million renewal, at maturity in January 2025.

These advances are collateralized by the Company’s investment in FHLB stock and a blanket lien on qualifying loans in the Bank’s loan portfolio. The blanket lien totaled approximately $2.0 billion at December 31, 2024 with unused availability for advances and letters of credit of approximately $1.3 billion.

The Company has outstanding lines of credit with several of its correspondent banks available to assist in the management of short-term liquidity. These agreements provide for interest based upon the federal funds rate on the outstanding balance. Total available lines of credit as of December 31, 2024 and 2023 were $160.0 million and $145.0 million, respectively. The Company was not in a purchased position on these lines at December 31, 2024 and 2023.

On March 12, 2023, the Federal Reserve launched the Bank Term Funding Program ("BTFP"), which offered loans to banks with a term of up to one year. The loans were secured by pledging the banks' U.S. treasuries, agency securities, agency mortgage-backed securities, and any other qualifying assets. These pledged securities were valued at par for collateral purposes. The Bank participated in the BTFP and had outstanding debt of $300.0 million at December 31, 2023. These loans bore a fixed interest rate of 4.38% and matured on March 22, 2024, at which time the Bank repaid them in full.

In December 2018, the Company issued subordinated notes in the amount of $25.0 million. The subordinated notes bear a fixed rate of interest at 6.75% until December 31, 2028 and a floating rate thereafter through maturity in 2033. The balance outstanding at both December 31, 2024 and 2023 was $25.0 million. The subordinated notes were issued for the purpose of paying off a long term advance and line of credit with First National Bankers Bank, for general corporate purposes and to provide Tier 2 capital. The subordinated notes are redeemable by the Company at its option beginning in 2028.

In the Pedestal acquisition, the Company assumed Pedestal's junior subordinated debentures, which are associated with $5.0 million in trust preferred securities acquired from Pedestal. Interest on the junior subordinated debentures is accrued at an annual rate equal to the 3-month LIBOR, as determined in the indenture governing the debentures, plus 3.05%. Interest is payable quarterly. The indenture allows the Company to defer interest payments for up to 20 consecutive quarterly periods without resulting in a default. The trust preferred securities do not have a stated maturity date, however, they are subject to mandatory redemption on September 17, 2033, or upon earlier redemption. The Company has guaranteed, on a subordinated basis, distributions and other payments due on the trust preferred securities subject to the guarantee agreement and the indenture. Principal and interest payments on the junior subordinated debentures are in a superior position to the liquidation rights of holders of common stock.

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, through b1BANK, consummated the acquisition of SSW. 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. The subordinated notes are redeemable by the Company at its option beginning in 2026.

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 an adjustable interest rate, based on a benchmark rate plus 350 basis points, until maturity on April 11, 2028, and was callable beginning April 11, 2023. Another tranche in the amount of $7.5 million bears an adjustable interest rate, based on a benchmark rate plus 350 basis points, until maturity on December 13, 2028, and was callable beginning December 13, 2023. The third tranche in the amount of $8.9 million had an adjustable interest rate plus 595 basis points, based on a benchmark rate, until maturity on March 24, 2027. The $8.9 million tranche was called on May 1, 2023 by the Company and has been fully extinguished. The Company recognized a $1.5 million gain on the extinguishment of this debt during 2023. These notes carried an aggregate $833,000 and $1.1 million fair value adjustment, respectively, as of December 31, 2024 and 2023.

Note 12– Securities Purchased and Sold Under Agreements to Resell and Repurchase –

During the year ended December 31, 2024, the Bank entered into an agreement to purchase investment securities with the intention to resell those securities at various times throughout the year. At December 31, 2024, the Bank purchased $50.8 million at a rate of 5.1% and maturing in 2025. At December 31, 2024 and 2023, the Bank had also sold various investment securities with an agreement to repurchase these securities at various times within one year. These securities generally remain under the Bank's control and are included in securities available for sale. These pledged securities have coupon rates ranging from 0.9% to 8.0% and maturity dates ranging from 2025 to 2041. The related liability to repurchase these securities was $22.6 million and $18.9 million at December 31, 2024 and 2023, respectively.

Note 13– Income Taxes –

The consolidated provision (credit) for income taxes consists of the following at December 31, 2024, 2023 and 2022:

	2024	2023	2022
	(Dollars in thousands)		
Provision for Current Taxes - Federal	$ 18,906	$ 17,491	$ 12,969
Provision (Credit) for Deferred Taxes	(962)	2,052	1,368
Total Provision for Income Taxes	$ 17,944	$ 19,543	$ 14,337

The provision (credit) for federal income taxes differs from the amount computed by applying federal statutory rates to income from operations as indicated in the following analysis at December 31, 2024, 2023 and 2022:

	2024	2023	2022
	(Dollars in thousands)		
Federal Statutory Income Tax	$ 17,441	$ 19,023	$ 14,404
Tax Exempt Income	(513)	(188)	(690)
Stock Based Compensation	(9)	197	16
Goodwill Write-off for Branch Sale	-	32	-
State Taxes	928	695	226
Other - Net	97	(216)	381
Total Provision for Income Taxes	$ 17,944	$ 19,543	$ 14,337

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the deferred tax assets and liabilities are as follows:

	2024	2023
	(Dollars in thousands)	
State NOL	$ 2,634	$ 2,885
State NOL Valuation Allowance	(2,634)	(2,885)
Net Operating Loss Carryforward	681	583
Unrealized Loss on Securities	16,876	17,835
Acquired Loans Fair Market Value Adjustment	2,561	2,596
Allowance for Loan Losses	11,587	8,539
Lease Liability	8,139	4,472
Deferred Compensation	3,227	2,231
Stock Awards	1,012	1,277
Reserve for Unfunded Commitments	779	702
Credit Card Rewards	509	93
Other	1,146	361
Deferred Tax Assets	46,517	38,689
Right of Use Asset	7,976	4,402
Core Deposit Intangible	3,645	2,513
Depreciation	3,727	2,409
Acquired Securities Difference in Basis	868	1,209
Other	710	833
Deferred Tax Liabilities	16,926	11,366
Net Deferred Tax Asset	$ 29,591	$ 27,323

The Company acquired certain deferred tax attributes and liabilities as a result of the TCBI acquisition in 2022 and Oakwood acquisition in 2024, including a federal net operating loss (“NOL”) carryforward of $8.8 million and $4.2 million, respectively, and a federal charitable contribution carryforward of $229,000 and $99,000. The amount of the NOL carryforward the Company is allowed to deduct against current taxable income each year is limited, and the Company may not offset more than 80% of taxable income in any year. As of December 31, 2024, the NOL and charitable contribution carryforward was $3.2 million to be carried forward indefinitely until utilized.

Note 14– Accumulated Other Comprehensive Income (Loss) –

The following is a summary of the changes in the balances of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023:

	2024	2023
	(Dollars in thousands)	
Unrealized Gains (Losses) on AFS Investment Securities and Equity Method Investments:		
Balance at Beginning of Year	$ (66,585)	$ (74,204)
Other Comprehensive Income on AFS Investment Securities Before Reclassifications - Net of Tax	3,570	10,258
Other Comprehensive Income (Loss) on Equity Method Investments - Net of Tax	11	(616)
Reclassification Adjustment for Gains (Losses) on Sale of AFS Investment Securities Realized - Net of Tax	6	(2,023)
Other Comprehensive Income	3,587	7,619
Balance at End of Year	$ (62,998)	$ (66,585)

Note 15– Shareholders' Equity and Regulatory Matters –

Shareholders' Equity of the Company includes the undistributed earnings of the Bank. The Company pays dividends from its assets, which are provided primarily by dividends from the Bank. Certain restrictions exist regarding the ability of the Bank to pay cash distributions. Louisiana statutes require approval to pay distributions in excess of a bank's earnings in the current year plus retained net profits for the preceding year. The Company paid quarterly common stock dividends totaling $0.56 per share and $0.50 per share for the years ended December 31, 2024 and 2023, respectively, based upon quarterly financial performance. The Company paid full quarterly preferred stock dividends totaling $75.00 per share for both years ended December 31, 2024 and 2023.

Common Stock Repurchase Plan

On May 23, 2023, the Company's board of directors approved a resolution authorizing management to repurchase shares of its common stock with an aggregate purchase price of up to $30.0 million from time to time, subject to certain limitations and conditions. The stock repurchase program expired on December 31, 2023. The stock repurchase program did not obligate the Company to repurchase any shares of its common stock. The Company did not repurchase any shares under this plan.

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 are 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 dividends equivalent to $75.00 per share were paid during both years ended December 31, 2024 and 2023.

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

Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements.

Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines involving quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios. As detailed below, as of December 31, 2024 and 2023, the Bank met all of the capital adequacy requirements to which it is subject.

As of December 31, 2024 and 2023, each of the Company and the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. For the years ended December 31, 2024 and 2023, each of the Company and the Bank was required to maintain minimum total capital, Tier 1 capital, risk-based common equity Tier 1, and Tier 1 leverage ratios at the levels disclosed in the table below to be categorized as well capitalized. There are no conditions or events since the most recent notification that management believes have changed the prompt corrective action category.

The following is a summary of the Company's (consolidated) and the Bank's actual capital amounts and ratios at December 31, 2024 and 2023.

Business First Bancshares, Inc. (Consolidated)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
December 31, 2024:						
Total Capital (to Risk-Weighted Assets)	$ 878,914	12.75%	$ 551,523	8.00%	$ 689,404	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	727,959	10.56%	413,643	6.00%	551,523	8.00%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	651,029	9.44%	310,232	4.50%	448,113	6.50%
Tier 1 Leveraged Capital (to Average Assets)	727,959	9.53%	305,647	4.00%	382,058	5.00%
December 31, 2023:						
Total Capital (to Risk-Weighted Assets)	$ 754,990	12.85%	$ 470,215	8.00%	$ 587,769	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	614,975	10.46%	352,661	6.00%	470,215	8.00%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	538,045	9.15%	264,496	4.50%	382,050	6.50%
Tier 1 Leveraged Capital (to Average Assets)	614,975	9.52%	258,407	4.00%	323,008	5.00%

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

b1BANK	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
December 31, 2024:						
Total Capital (to Risk-Weighted Assets)	$ 857,627	12.45%	$ 551,140	8.00%	$ 688,925	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	799,099	11.60%	413,355	6.00%	551,140	8.00%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	799,099	11.60%	310,016	4.50%	447,801	6.50%
Tier 1 Leveraged Capital (to Average Assets)	799,099	10.47%	305,247	4.00%	381,559	5.00%
December 31, 2023:						
Total Capital (to Risk-Weighted Assets)	$ 730,117	12.43%	$ 469,751	8.00%	$ 587,188	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	686,379	11.69%	352,313	6.00%	469,751	8.00%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	686,379	11.69%	264,235	4.50%	381,672	6.50%
Tier 1 Leveraged Capital (to Average Assets)	686,379	10.63%	258,203	4.00%	322,754	5.00%

Note 16– Stock Based Compensation –

Equity Incentive Plan
In 2006, the Company’s board of directors adopted the 2006 Stock Option Plan, pursuant to which the Company was permitted to issue stock options to purchase up to 450,000 shares of the Company’s common stock, all of which could be issued as either incentive stock options under Section 422A of the Internal Revenue Code of 1986, as amended, or non-qualified stock options. In January 2007, the Company’s board of directors adopted an amendment to the 2006 Stock Option Plan, which increased the number of available shares under the plan from 450,000 to 1,500,000. The 2006 Stock Option Plan expired on December 22, 2016, however, there are still 12,400 fully vested and outstanding options that remain unexercised as of December 31, 2024.

On June 29, 2017, the Company’s shareholders approved its 2017 Equity Incentive Plan (the “2017 Plan”). The 2017 Plan provided for the grant of various types of equity grants and awards, including incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other stock-based awards to eligible participants, which includes the Company’s employees, directors and consultants. On June 23, 2022, the Company's shareholders approved an additional 400,000 shares to be reserved for future awards under the 2017 Plan. In addition, the number of shares issuable under the 2017 Plan was increased by 143,908 shares as a result of the assumption of options to purchase shares of TCBI common stock that were converted into options to purchase shares of Company common stock upon the TCBI acquisition on March 1, 2022. As of May 23, 2024, there will be no future awards made under the 2017 Plan.

On May 22, 2024, the Company’s shareholders approved the Business First Bancshares, Inc. 2024 Equity Incentive Plan (the “2024 Plan”). The authorized share pool under the 2024 Plan is comprised of 645,000 shares, plus any shares that were available for issuance under the 2017 Plan and any underlying awards outstanding under the 2017 Plan as of the effective date of the 2024 Plan that were terminated or cancelled without having been unexercised or forfeited, cancelled, or repurchased by the Company. In addition, the number of shares issuable under the 2024 Plan was increased by 207,293 shares as a result of the conversion of Oakwood stock options to Company stock options due to the Oakwood acquisition on October 1, 2024. In total, the 2024 Plan has reserved 852,293 shares of common stock for grant, award or issuance to eligible participants, all of which may be subject to incentive stock option treatment. The Plan is administered by the Compensation Committee of the Company's board of directors, which determines, within the provisions of the 2024 Plan, those eligible participants to whom, and the times at which, grants and awards will be made. As of December 31, 2024, there were 160,336 shares of common stock issued pursuant to awards and grants under the 2024 Plan to the Company's employees, directors or consultants, of which 152,084 shares are subject to outstanding and unexercised awards and grants, and 484,664 shares of common stock remain available for grant.

Restricted Stock Awards

The Company issues restricted stock under various plans for certain officers and other key employees. The restricted stock awards may not be sold or otherwise transferred until certain restrictions have lapsed. The holders of the restricted stock receive dividends and have full voting rights with respect to those shares as of the date of grant. The compensation expense for these awards is determined based upon the market value of the Company's common stock at the grant date applied to the total number of shares awarded and is recognized over the requisite service period.

During the years ended December 31, 2024, 2023 and 2022, the Company issued shares of restricted stock which vest in three equal installments over the requisite service period. For the years ended December 31, 2024, 2023 and 2022, respectively, the Company recognized $2.8 million, $4.7 million and $4.3 million in compensation costs related to restricted stock awards. At December 31, 2024, 2023 and 2022, respectively, unrecognized share-based compensation associated with these awards totaled $1.1 million, $3.4 million and $3.7 million. The $1.1 million of unrecognized share-based compensation at December 31, 2024 is expected to be recognized over a weighted average period of 0.6 years.

The table below summarizes the restricted stock award activity for the period presented.

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Balance, at Beginning of Period	231,036	$ 21.43	131,624	$ 24.45	94,245	$ 21.60
Granted	207,501	22.43	280,101	20.29	141,646	26.34
Forfeited	(6,903)	21.66	(2,738)	19.51	(6,709)	27.13
Earned and Issued	(205,703)	21.99	(177,951)	16.97	(97,558)	24.20
Balance, at End of Period	225,931	$ 21.83	231,036	$ 21.43	131,624	$ 24.45

Restricted Stock Units

The Company issues restricted share units to certain key officers and executive officers. The Company issues a.) restricted share units that vest after the end of a three-year performance period, based on satisfaction of performance conditions set for in the restricted share unit agreements, or b.) shares which vest ratably over a three-year service period. Recipients do not possess voting or investment power over the common stock underlying such units until vesting. The grant date fair value of these restricted share units is the same as the value of the corresponding number of shares of common stock.

For the year ended December 31, 2024, the Company recognized $115,000 in compensation costs related to restricted stock units. At December 31, 2024, unrecognized share-based compensation associated with these units totaled $4.4 million. The $4.4 million of unrecognized share-based compensation at December 31, 2024 is expected to be recognized over a weighted average period of 2.4 years.

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

	Year Ended December 31, 2024				
	(Dollars in thousands, except per share data)				
	Shares	Weighted Average Purchase Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Balance, at Beginning of Period	-	$ -	-	$ -	$ -
Granted	158,547	-	2.36	4,075	28.53
Forfeited	-	-	-	-	-
Earned and Issued	-	-	-	-	-
Balance, at End of Period	158,547	$ -	2.36	4,075	$ 28.53
End of Period Vested and Expected to Vest	158,547	$ -	2.36	$ 4,075	$ 28.53
Ending Exercisable	-	-		-	-

Phantom Stock

The Company issues phantom stock awards to certain key officers and employees. The awards are subject to a vesting period of three years and are paid out in cash upon vesting. The amount paid per vesting period is calculated as the number of vested "share equivalents" multiplied by the closing market price of a share of the Company's common stock on the vesting date. Share equivalents are calculated on the date of grant as the total award's dollar value is divided by the closing market price of a share of the Company's common stock on the grant date. The liability for these awards is recorded within other liabilities.

During the year ended December 31, 2024, the Company issued share equivalents of phantom stock which vest in three equal installments over the requisite service period. For the year ended December 31, 2024, the Company recognized $9,000 in compensation costs related to phantom stock. At December 31, 2024, unrecognized share-based compensation associated with these units totaled $275,000. The $275,000 of unrecognized share-based compensation at December 31, 2024 is expected to be recognized over a weighted average period of 2.4 years.

	Year Ended December 31, 2024				
	(Dollars in thousands, except per share data)				
	Shares	Weighted Average Purchase Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Balance, at Beginning of Period	-	$ -	-	$ -	$ -
Granted	11,030	-	2.36	283	28.60
Forfeited	-	-	-	-	-
Earned and Issued	-	-	-	-	-
Balance, at End of Period	11,030	$ -	2.36	283	$ 28.60
End of Period Vested and Expected to Vest	11,030	$ -	2.36	$ 283	$ 28.60
Ending Exercisable	-	-		-	-

Stock Options

As of December 31, 2024, the Company had 179,969 outstanding and 174,055 vested and exercisable stock options, all of which have been issued to our executive officers and key personnel and remain subject to the terms and conditions of the 2006 Stock Option Plan, 2017 Plan and 2024 Plan until they are exercised or forfeited. As of December 31, 2024, the weighted average exercise price of the stock options was $21.74.

The following is an analysis of the activity related to the stock options:

	Years Ended December 31,					
	2024		2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding Options, at Beginning of Period	120,608	$ 18.59	130,924	$ 18.59	113,547	$ 17.06
Granted	207,293	22.91	0	-	143,908	22
Exercised	(137,375)	19.25	(7,500)	17.11	(67,060)	19.93
Forfeited or Expired	(10,557)	22.02	(2,816)	22.38	(59,471)	22.45
Outstanding Options, at End of Period	179,969	$ 21.77	120,608	$ 18.59	130,924	$ 18.59
Exercisable, at End of Period	174,055	$ 21.74	111,032	$ 18.24	118,958	$ 18.18

The aggregate intrinsic value of outstanding awards at December 31, 2024 and 2023 is $707,000 and $731,000 with a weighted average remaining contractual life of 3.7 years and 1.9 years, respectively.

Note 17– Employee Benefit Plans –

Defined Contribution Plan

The Bank has a defined contribution plan qualified under Internal Revenue Code 401(K) for those employees who meet the eligibility requirements. Contributions may be made by eligible employees subject to Internal Revenue Service limits. The Bank contributes a matching contribution up to 4% of wages which totaled $2.8 million, $2.4 million and $2.3 million and is included in salaries and employee benefits for the years ended December 31, 2024, 2023 and 2022, respectively.

Deferred Compensation

The Company has established certain unfunded nonqualified deferred compensation agreements for the purpose of providing deferred compensation as retirement benefits for a select group of management. At December 31, 2024 and 2023, the Company had recorded accrued liabilities of $4.1 million and $3.5 million, respectively. The expense related to the deferred compensation agreements was $766,000, $586,000 and $507,000 for the years ended December 31, 2024, 2023 and 2022, respectively.

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

Note 18– Other Income and Expenses –

An analysis of Other Income for the Company's single reportable operating segment is as follows for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
	(Dollars in thousands)		
Debit Card and ATM Fee Income	$ 7,659	$ 6,590	$ 6,407
Cash Value of Life Insurance Income	2,875	2,247	1,931
Fees and Brokerage Commissions	7,844	7,247	6,964
Pass-Through Income from SBIC Partnerships	1,208	1,946	1,347
Gain on Extinguishment of Debt	-	1,458	-
Gain on Sale of Branch	-	945	-
Swap Fee Income	2,739	964	-
Other	8,311	6,134	3,863
Total Other Income	$ 30,636	$ 27,531	$ 20,512

An analysis of Other Expenses for the Company's single reportable operating segment is as follows for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
	(Dollars in thousands)		
Advertising and Promotions	$ 4,878	$ 4,628	$ 3,949
Communications	2,247	2,290	2,561
Ad Valorem Shares Tax	4,057	3,160	3,400
Data Processing Fees	11,957	9,034	8,358
Directors' Fees	1,085	1,079	972
Insurance	2,025	2,028	1,655
Legal and Professional Fees	3,756	3,173	2,359
Office Supplies and Printing	1,091	1,215	1,159
Regulatory Assessments	4,118	4,119	3,124
Taxes and Licenses	103	299	61
Merger and Conversion Costs	1,236	236	4,808
Other	13,193	13,971	12,414
Total Other Expenses	$ 49,746	$ 45,232	$ 44,820

Note 19– Financial Instruments with Off-Balance-Sheet Risk –

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 $1.4 billion and standby and commercial letters of credit of approximately $50.0 million at December 31, 2024. As discussed in Note 7, we had a reserve for unfunded loan commitments of $3.7 million and $3.3 million at December 31, 2024 and 2023, respectively.

Note 20– Concentrations of Credit –

The majority of the Bank's business activities are with customers in the Bank's market area, which consists primarily of Louisiana, the Dallas / Fort Worth, Texas metroplex, and Houston, Texas. The majority of such customers are depositors of the Bank. The concentrations of credit by type of loan are shown in Note 7. The Bank, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of the Bank's legal lending limits. Most of the Bank's credits are to individuals and businesses secured by real estate. A substantial portion of their ability to pay on their debt is dependent on the local economy and industries in the areas.

Within the loan portfolio, the Bank has a concentration of credits secured by real estate. The Bank had extended credit secured by non-farm non-residential real estate totaling approximately $2.3 billion and $2.0 billion, which accounted for 39.2% and 39.8% of total loans held for investment at December 31, 2024 and 2023, respectively. Additionally, the Bank had extended credit secured by construction and land development totaling approximately $670.5 million and $669.8 million, respectively; these loans represented 11.2% and 13.4% of total loans held for investment at December 31, 2024 and 2023, respectively.

The Bank maintains amounts on deposit and federal funds sold with correspondent banks which may periodically exceed the federally insured amount.

Note 21– 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 $6.6 million, $5.6 million and $4.9 million for the years ended December 31, 2024, 2023 and 2022, respectively. The Company had a weighted average lease term of 6.3 years and 6.5 years and a weighted average discount rate of 3.69% and 3.24% as of December 31, 2024 and 2023, respectively.

Future minimum lease payments under these leases are as follows:

December 31,		(Dollars in thousands)
2025	$	5,888
2026	$	5,632
2027	$	5,232
2028	$	4,510
2029	$	3,692
2030 and Thereafter	$	6,844
Total Future Minimum Lease Payments	$	31,798
Less Imputed Interest	$	(3,476)
Present Value of Lease Liabilities	$	28,322

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

Note 22– Commitments –

SBIC Capital Commitment

The SBIC is a program initiated by the U.S. Small Business Administration ("SBA") in 1958 to assist in the funding of small business loans. The program is a joint venture between investors with venture capital, the SBA, and small business borrowers. Investors are responsible for funding the first portion of the capital requirements, with the remaining requirement being funded by the SBA. The funds are then lent to small business borrowers.

The Bank has agreed to participate as an investor with McLarty Capital Partners SBIC, L.P. (“McLarty”), McLarty Capital Partners SBIC II, L.P. (“McLarty II”), Firmament Capital Partners SBIC III, L.P. (“Firmament III”), Firmament Capital Partners SBIC IV, L.P. (“Firmament IV”), Bluehenge Capital Secured Debt SBIC, L.P. (“Bluehenge”), Bluehenge Capital Secured Debt SBIC II, L.P. (“Bluehenge II”), New Louisiana Angel Fund 2, LLC (“New Louisiana”), Pharos Capital Partners IV-A, L.P. (“Pharos”) and Valesco Fund III, LP ("Valesco III"). As part of the TCBI acquisition, the Bank acquired investments in and committed to invest further in Bluehenge Capital Secured Debt SBIC, L.P. (included with prior Bluehenge investments), Valesco Fund II, LP (“Valesco II”) and GP Capital Partners, LP (“GP Capital”). Details of these commitments at December 31, 2024 are below.

	Total Capital Commitment	Capital Called	Remaining Unfunded Capital Commitment
McLarty	$ 2,000	$ 1,802	$ 198
McLarty II	2,500	2,222	278
Firmament III	2,500	1,873	627
Firmament IV	2,500	891	1,609
Bluehenge	2,500	2,312	188
Bluehenge II	2,500	1,574	926
New Louisiana	50	50	-
Pharos	1,000	685	315
Valesco II	1,000	795	205
Valesco III	2,000	452	1,548
GP Capital	1,000	736	264
	$ 19,550	$ 13,392	$ 6,158

Fintech Fund Commitment

The Company has agreed to invest in certain Fintech funds. As part of the TCBI acquisition, the Company acquired an investment in Work America Capital Fund I, LP and SBRE I, LLC. During the year ended December 31, 2023, SBRE I, LLC was fully redeemed. Details of these commitments at December 31, 2024 are below.

	Total Capital Commitment	Capital Called	Remaining Unfunded Capital Commitment
BankTech Ventures, LP	$ 500	$ 310	$ 190
JAM FINTOP Banktech, LP	1,000	598	402
Ledyard Capital Managers, LLC	1,000	1,000	-
Mendon Ventures Banktech Fund I, LP	2,500	1,500	1,000
Castle Creek Launchpad Fund I, LP	1,500	880	620
Work America Capital Fund I, LP	700	700	-
	$ 7,200	$ 4,988	$ 2,212

Federal Home Loan Bank Letters of Credit
The Bank had outstanding letters of credit on behalf of others from the FHLB of $327.2 million and $301.7 million at December 31, 2024 and 2023, respectively. The outstanding letters of credit as of December 31, 2024 are as follows:

Fifteen letters of credit totaling $119.9 million expire in January 2025.

Seven letters of credit totaling $175.8 million expire in February 2025.

Two letters of credit totaling $508,000 expire in March 2025.

One letter of credit of $216,000 expires in May 2025.

Three letters of credit totaling $26.3 million expire in August 2025.

Two letters of credit totaling $2.5 million expire in September 2025.

Two letters of credit totaling $464,000 expire in October 2025.

Three letters of credit totaling $1.2 million expire in November 2025.

One letter of credit of $329,000 expires in December 2025.

Note 23– Related Party Transactions –

In the ordinary course of business, the Bank has granted loans to directors, officers and their affiliates. Such loans were made on substantially the same terms as those prevailing at the time for comparable transactions with other customers. Such loans amounted to $15.2 million and $19.5 million at December 31, 2024 and 2023, respectively.

Related party deposits totaled $57.1 million and $51.2 million as of December 31, 2024 and 2023, respectively.

Note 24– Fair Value of Financial Instruments –

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

- Level 1 – Includes the most reliable sources and includes quoted prices in active markets for identical assets or liabilities.

- Level 2 – Includes observable inputs. Observable inputs include inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates) as well as inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

- Level 3 – Includes unobservable inputs and should be used only when observable inputs are unavailable.

Recurring Basis
Fair values of investment securities available for sale were primarily measured using information from a third-party pricing service. This pricing service provides information by utilizing evaluated pricing models supported with market

data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data from market research publications.

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

The following tables present the balance of assets and liabilities measured on a recurring basis as of December 31, 2024 and 2023. 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)			
December 31, 2024				
Available for Sale:				
U.S. Treasury Securities	$ 16,675	$ -	$ 16,675	$ -
U.S. Government Agency Securities	9,588	-	9,588	-
Corporate Securities	45,165	-	32,665	12,500
Mortgage-Backed Securities	537,738	-	537,738	-
Municipal Securities	284,383	-	259,666	24,717
Loans Held for Sale	717	-	717	-
Total	$ 894,266	$ -	$ 857,049	$ 37,217
December 31, 2023				
Available for Sale:				
U.S. Treasury Securities	$ 16,239	$ -	$ 16,239	$ -
U.S. Government Agency Securities	9,410	-	9,410	-
Corporate Securities	43,839	-	35,871	7,968
Mortgage-Backed Securities	506,310	-	506,310	-
Municipal Securities	303,773	-	282,926	20,847
Loans Held for Sale	835	-	835	-
Total	$ 880,406	$ -	$ 851,591	$ 28,815

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the Company's ability to observe inputs to the valuation may cause reclassification of certain assets or liabilities within the fair value hierarchy.

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

The tables below provide a reconciliation for assets measured at fair value on a recurring basis using significant unobservable inputs, or Level 3 inputs, for the years ended December 31, 2024 and 2023.

	Municipal Securities	Corporate Bonds
	(Dollars in thousands)	
Balance at December 31, 2022	$ 34,768	$ 19,000
Realized Gains (Losses) Included in Net Income	-	-
Unrealized Losses Included in Other Comprehensive Loss	(2,228)	(1,532)
Purchases	-	-
Sales	-	-
Maturities, Prepayments, and Calls	(1,798)	-
Transfers Into Level 3	-	-
Transfers Out of Level 3	(9,895)	(9,500)
Balance at December 31, 2023	$ 20,847	$ 7,968
Realized Gains (Losses) Included in Net Income	-	-
Unrealized Gains (Losses) Included in Other Comprehensive Loss	(2,339)	782
Purchases	9,938	5,000
Sales	-	-
Maturities, Prepayments, and Calls	(3,729)	(1,250)
Transfers Into Level 3	-	-
Transfers Out of Level 3	-	-
Balance at December 31, 2024	$ 24,717	$ 12,500

The following table provides quantitative information about significant unobservable inputs used in fair value measurements of Level 3 assets measured at fair value on a recurring basis at December 31, 2024.

	Estimated Fair Value	Valuation Technique	Unobservable Inputs	Range of Discounts
	(Dollars in thousands)			
December 31, 2024				
Municipal Securities	$ 24,717	Present Value of Expected Future Cash Flow Model	Liquidity Premium	1%
Corporate Securities	12,500	Present Value of Expected Future Cash Flow Model	Liquidity Premium	2%

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/individually evaluated 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)			
December 31, 2024				
Assets:				
Individually Evaluated Loans	$ 62,138	$ -	$ -	$ 62,138
Other Nonperforming Assets	5,529	-	-	5,529
Total	$ 67,667	$ -	$ -	$ 67,667
December 31, 2023				
Assets:				
Individually Evaluated Loans	$ 4,750	$ -	$ -	$ 4,750
Other Nonperforming Assets	1,685	-	-	1,685
Total	$ 6,435	$ -	$ -	$ 6,435

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 Purchased Under Agreements to Resell - The carrying amount approximates its 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.

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.

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

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 December 31, 2024 and 2023 are as follows:

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)				
December 31, 2024					
Financial Assets:					
Cash and Short-Term Investments	$ 516,767	$ 516,767	$ 516,767	$ -	$ -
Securities Purchased Under Agreements to Resell	50,835	50,835	-	50,835	-
Securities	893,549	893,549	-	856,332	37,217
Loans Held for Sale	717	717	-	717	-
Loans - Net	5,926,559	5,832,326	-	-	5,832,326
Cash Value of BOLI	117,645	117,645	-	117,645	-
Other Equity Securities	41,100	41,100	-	-	41,100
Total	$ 7,547,172	$ 7,452,939	$ 516,767	$ 1,025,529	$ 5,910,643
Financial Liabilities:					
Deposits	$ 6,511,331	$ 6,513,709	$ -	$ -	$ 6,513,709
Borrowings	483,256	465,834	-	465,834	-
Total	$ 6,994,587	$ 6,979,543	$ -	$ 465,834	$ 6,513,709
December 31, 2023					
Financial Assets:					
Cash and Short-Term Investments	$ 377,244	$ 377,244	$ 377,244	$ -	$ -
Securities	879,571	879,571	-	850,756	28,815
Loans Held for Sale	835	835	-	835	-
Loans - Net	4,952,371	4,849,503	-	-	4,849,503
Cash Value of BOLI	96,478	96,478	-	96,478	-
Other Equity Securities	33,942	33,942	-	-	33,942
Total	$ 6,340,441	$ 6,237,573	$ 377,244	$ 948,069	$ 4,912,260
Financial Liabilities:					
Deposits	$ 5,248,790	$ 5,243,326	$ -	$ -	$ 5,243,326
Borrowings	635,073	613,464	-	613,464	-
Total	$ 5,883,863	$ 5,856,790	$ -	$ 613,464	$ 5,243,326

Note 25– Litigation and Contingencies –

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

Note 26 – Financial Statements – Parent Company Only –

The balance sheets and statements of income for Business First Bancshares, Inc. (Parent Company) are as follows:

BALANCE SHEETS
AS OF DECEMBER 31, 2024 AND 2023
(Dollars in thousands)

	2024	2023
Assets:		
Cash	$ 9,165	$ 12,382
Investment in Subsidiaries	870,003	714,971
Fintech Funds	4,850	3,924
Goodwill	5,603	5,704
Income Taxes Receivable	13,482	10,840
Other Assets	1,313	1,610
Total Assets	$ 904,416	$ 749,431
Liabilities:		
Subordinated Debt	$ 99,760	$ 99,990
Subordinated Debt - Trust Preferred Securities	5,155	5,155
Other Liabilities	35	27
Total Liabilities	104,950	105,172
Shareholders' Equity:		
Preferred Stock	71,930	71,930
Common Stock	29,552	25,352
Additional Paid-in Capital	500,024	397,447
Retained Earnings	260,958	216,115
Accumulated Other Comprehensive Loss	(62,998)	(66,585)
Total Shareholders' Equity	799,466	644,259
Total Liabilities and Shareholders' Equity	$ 904,416	$ 749,431

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

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Dollars in thousands)

	2024	2023	2022
Income:			
Dividend Income From Subsidiaries	$ 26,000	$ 13,000	$ 10,000
Interest Income	13	19	13
Other Income	448	1,147	43
Expenses:			
Interest Expense	5,841	5,753	5,477
Other Operating Expenses	5,186	6,102	6,097
Income (Loss) Before Income Taxes and Equity in Undistributed Net Income of Subsidiaries	15,434	2,311	(1,518)
Income Tax Benefit	(2,035)	(2,059)	(2,400)
Income Before Equity in Undistributed Net Income of Subsidiaries	17,469	4,370	882
Equity in Undistributed Net Income of Subsidiaries	47,638	66,673	53,373
Net Income	65,107	71,043	54,255
Preferred Stock Dividends	5,401	5,401	1,350
Net Income Available to Common Shareholders	$ 59,706	$ 65,642	$ 52,905

ITEM 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, including our principal executive officer and our principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on their evaluation, our principal executive officer and our principal financial officer concluded that, as of the evaluation date, due to the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2024.

However, after giving full consideration to the material weakness described below, management has concluded that the consolidated financial statements included in this Report present fairly, in all material respects, the Company's financial position, the results of its operations and its cash flows for each of the periods presented in conformity with GAAP.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and our principal financial officer to provide reasonable assurance regarding the reliability of the financial reporting and preparation of our financial statements for external purposes in accordance with GAAP. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2024, based on the criteria for effective internal control established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. As permitted by SEC guidance, management excluded from its assessment the operations of Oakwood Bancshares, Inc. ("Oakwood"), which was acquired by us on October 1, 2024, and is described in "Note 3 - Mergers and Acquisitions" of the Notes to Consolidated Financial Statements included in Item 8 in this report. Oakwood represented 11.0% of our total assets as of December 31, 2024.

Based on the assessment, management determined that the Company's internal control over financial reporting was not effective as of December 31, 2024 because of the material weakness described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In January 2025, we identified control deficiencies involving the design and operation of information technology general controls ("ITGCs") around change management segregation of duties with respect to certain information technology ("IT") systems that support our financial reporting process, which we have outsourced to a third party service provider. Specifically, user access controls at our third party service provider lacked sufficient segregation of duties as multiple end users had the ability to both install changes into the production environment and develop application source code via permissions inherited through group membership. As a result, unauthorized changes could have gone undetected and could have had a direct or indirect impact on some of our financial reporting controls (both automated and manual) that relied on certain system reports. Through our own testing procedures, we determined no unauthorized changes occurred in the production database during the applicable periods. Nonetheless, we concluded that the deficiencies constituted a material weakness.

Forvis Mazars, LLP, an independent registered public accounting firm, has issued an unqualified opinion on our financial statements, which states that our consolidated financial statements present fairly, in all material respects, the financial position of the Company, the results of its operations and its cash flows for each of the periods presented in conformity with GAAP. The effectiveness of our internal control over financial reporting as of December 31, 2024 has also been audited by Forvis Mazars, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Management's Remediation Plan

As noted above, during management's assessment of internal control over financial reporting, a material weakness was identified related to the design and operation of ITGCs at our third party service provider. As management is responsible for maintaining effective internal control over financial reporting, and for the assessment of the effectiveness of internal control over financial reporting, we understand the importance of developing a remediation plan with our third party service provider that is aligned with management and overseen by the Audit Committee of our Board of Directors.

Management, with the oversight of the Audit Committee of our Board of Directors, is committed to maintaining a strong internal control environment, and has taken, and will continue to take, actions necessary to remediate the material weakness. The identified material weakness in our internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and can be tested and concluded by management to be designed and operating effectively. Our remediation efforts include working with our third party service provider to ensure that it has taken steps to address its user access controls that led to the change management segregation of duties deficiencies. Accordingly, we cannot provide any assurance that our remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. As we continue to evaluate operating effectiveness and monitor improvements to our internal control over financial reporting, we may take additional measures to address control deficiencies or modify our remediation efforts. In addition, management will report the progress and status of our remediation efforts to the Audit Committee of our Board of Directors on a periodic basis.

Although unrelated to our remediation efforts, it is important to note that prior to the identification of the control deficiencies described above, we had notified our third party service provider of our intent to terminate our existing relationship with them effective as of May 2025, at which time we will transition the applicable services to a new third party service provider.

Changes in Internal Control over Financial Reporting

There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2024, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. Other Information.

(a) Not applicable

(b) During the three months ended December 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading agreement,” as each term is defined in Item 408(a) of Regulation S-K.

During the three months ended December 31, 2024, the Company did not adopt or terminate any “Rule 10b5-1 trading arrangement” as such term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information called for by this item is incorporated herein by reference from our Definitive Proxy Statement for our Annual Meeting of Shareholders tentatively being held on May 22, 2025, or an Amended Annual Report on Form 10-K/A containing such information, a copy of which will be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2024.

ITEM 11. Executive Compensation.

The information called for by this item relating to security ownership of certain beneficial owners and management is incorporated herein by reference from our Definitive Proxy Statement for our Annual Meeting of Shareholders tentatively being held on May 22, 2025, or an Amended Annual Report on Form 10-K/A containing such information, a copy of which will be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2024.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

The information called for by this item is incorporated herein by reference from our Definitive Proxy Statement for our Annual Meeting of Shareholders tentatively being held on May 22, 2025, or an Amended Annual Report on Form 10-K/A containing such information, a copy of which will be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2024.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information called for by this item is incorporated herein by reference from our Definitive Proxy Statement for our Annual Meeting of Shareholders tentatively being held on May 22, 2025, or an Amended Annual Report on Form 10-K/A containing such information, a copy of which will be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2024.

ITEM 14. Principal Accountant Fees and Services.

The information called for by this item is incorporated herein by reference from our Definitive Proxy Statement for our Annual Meeting of Shareholders tentatively being held on May 22, 2025, or an Amended Annual Report on Form 10-K/A containing such information, a copy of which will be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2024. The Independent Registered Accounting Firm is Forvis Mazars, LLP (PCAOB Firm ID No. 686) located in Fort Worth, TX.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) List of documents filed as part of this Report

(1) Financial Statements

The following financial statements are included in Item 8 of this Report:
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Financial statement schedules are omitted either because they are not required or are not applicable, or because the required information is shown in the financial statements or notes thereto.

(3) Exhibits

Number	Description
2.1	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).
2.2	Agreement and Plan of Reorganization, by and between Business First Bancshares, Inc., and Oakwood Bancshares, Inc., dated April 25, 2024 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on April 25, 2024).
3.1	Restated Articles of Incorporation of Business First Bancshares, Inc., adopted October 27, 2022 (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed by Business First Bancshares, Inc. on November 3, 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).
4.2	Form of Series A Preferred Stock (incorporated by reference to Exhibit A to Exhibit 10.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on September 1, 2022).
4.3	Description of Securities Registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.3 included in the Annual Report on Form 10-K for the year ended December 31, 2023, filed by Business First Bancshares, Inc. on March 2, 2023).
	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+	Amended and Restated Executive Employment Agreement by and between Business First Bank and David R. Melville, III, dated November 6, 2019 (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed by Business First Bancshares, Inc. on November 7, 2019).
10.2+	Change in Control Agreement, dated November 6, 2019, between Business First Bank and Gregory Robertson (incorporated by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed by Business First Bancshares, Inc. on November 7, 2019).
10.3+	Change in Control Agreement, dated November 6, 2019, between Business First Bank and Philip Jordan (incorporated by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed by Business First Bancshares, Inc. on November 7, 2019).
10.4+	Business First Bancshares 2006 Stock Option Plan (“2006 Stock Option Plan”) (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-4 filed by Business First Bancshares, Inc. on November 12, 2014).
10.5+	Form of Incentive Stock Option Award Agreement under 2006 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 filed by Business First Bancshares, Inc. on November 12, 2014).
10.6+	Form of Incentive Stock Option Award Agreement (As Amended), under 2006 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-4 filed by Business First Bancshares, Inc. on November 12, 2014).
10.7+	Amendment No. 1 to the 2006 Stock Option Plan, dated December 17, 2007 (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to Form S-4 Registration Statement filed by Business First Bancshares, Inc. on February 5, 2015).
10.8+	Business First Bancshares, Inc., 2017 Equity Incentive Plan (as amended) (incorporated by reference to Appendix A included in the Definitive Additional Materials to the Definitive Proxy Statement on Form DEF 14A filed by Business First Bancshares, Inc., dated as of April 28, 2022, and filed May 3, 2022).
10.9+	Business First Bancshares, Inc., 2024 Equity Incentive Plan (incorporated by reference to Appendix A included in the Definitive Proxy Statement filed by Business First Bancshares, Inc. on April 10, 2024).
10.10+	Supplemental Executive Retirement Plan, adopted as of August 1, 2009, by Business First Bank (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on January 13, 2021).
10.11+	Supplemental Executive Retirement Plan Participation Agreement, dated as of January 7, 2021, between b1BANK and Gregory Robertson (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on January 13, 2021).
10.12+	Supplemental Executive Retirement Plan Participation Agreement, dated as of October 20, 2009, between b1BANK and David R. Melville, III (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed by Business First Bancshares, Inc. on March 5, 2021).
10.13+	Supplemental Executive Retirement Plan Participation Agreement, dated as of October 20, 2009, between b1BANK and Philip Jordan (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed by Business First Bancshares, Inc. on March 5, 2021).
10.14+	Change in Control Agreement, dated October 29, 2019, between Business First Bancshares, Inc. and Keith Mansfield (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed by Business First Bancshares, Inc. on August 4, 2022).

10.15+	Supplemental Executive Retirement Plan Participation Agreement, dated as of January 7, 2021, between b1BANK and Keith Mansfield (incorporated by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed by Business First Bancshares, Inc. on August 4, 2022).
10.16+	Change in Control Agreement, dated June 23, 2022, between Business First Bancshares, Inc. and Saundra Strong (incorporated by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed by Business First Bancshares, Inc. on May 4, 2023).
10.17+	Supplemental Executive Retirement Plan Participation Agreement, dated as of April 27, 2023, between b1BANK and Saundra Strong (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed by Business First Bancshares, Inc. on May 4, 2023).
10.18+	Change in Control Agreement, dated November 16, 2022, by and among Business First Bancshares, Inc., b1BANK and N. Jerome Vascocu, Jr. (incorporated by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, filed by Business First Bancshares, Inc. on July 31, 2024).
10.19+	Retention Bonus Agreement, dated November 21, 2022, by and among Business First Bancshares, Inc., b1BANK and N. Jerome Vascocu, Jr. (incorporated by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, filed by Business First Bancshares, Inc. on July 31, 2024).
10.20+	Supplemental Executive Retirement Plan Participation Agreement, dated February 28, 2023, between b1BANK and N. Jerome Vascocu, Jr. (incorporated by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, filed by Business First Bancshares, Inc. on July 31, 2024).
10.21+	b1BANK Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed by Business First Bancshares, Inc. on December 12, 2024).
10.22+	Form of Securities Purchase Agreement by and among Business First Bancshares, Inc. and the several purchasers of Series A Preferred Stock named therein (incorporated by reference to Exhibit A to Exhibit 10.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc., on September 1, 2022).
19.1	Insider Trading Policy*
21.1	List of subsidiaries of Business First Bancshares, Inc.*
23.1	Consent of Forvis Mazars, LLP*
24.1	Power of Attorney (contained on the signature page hereto).*
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**
97.1	Clawback Policy (incorporated by reference to Exhibit 97.1 to the Annual Report on Form 10-K filed by Business First Bancshares, Inc. on March 1, 2024).
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.

** Furnished herewith, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

\+ Represents a management contract or a compensatory plan or arrangement.

ITEM 16. Form 10-K Summary.

None.

SIGNATURES

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

BUSINESS FIRST BANCSHARES, INC.

March 7, 2025	By:	/s/ David R. Melville, III
		David R. Melville, III
		Chairman, President and Chief Executive Officer

The undersigned directors and officers do hereby constitute and appoint David R. Melville, III and Gregory Robertson and either of them, our true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers, and to execute any and all instruments for us and in our names in the capacities indicated below, that such person may deem necessary or advisable to enable Business First Bancshares, Inc. to comply with the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K for the fiscal year ended December 31, 2024, including specifically, but not limited to, power and authority to sign for us, or any of us, in the capacities indicated below, any and all amendments hereto; and we do hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 7th day of March, 2025.

	Signature	Title	Date
By:	/s/ David R. Melville, III David R. Melville, III	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 7, 2025
By:	/s/ Gregory Robertson Gregory Robertson	Chief Financial Officer (Principal Financial Officer)	March 7, 2025
By	/s/ James J. Buquet, III James J. Buquet, III	Director	March 7, 2025
By:	/s/ Carol M. Calkins Carol M. Calkins	Director	March 7, 2025
By:	/s/ Ricky D. Day Ricky D. Day	Director	March 7, 2025
By:	/s/ John Ducrest John Ducrest	Director	March 7, 2025
By:	/s/ Mark P. Folse Mark P. Folse	Director	March 7, 2025
By:	/s/ William Hall William Hall	Director	March 7, 2025
By:	/s/ J. Vernon Johnson	Director	March 7, 2025

	J. Vernon Johnson		
By:	/s/ Rolfe H. McCollister, Jr. Rolfe H. McCollister, Jr.	Director	March 7, 2025
By:	/s/ Andrew D. McLindon Andrew D. McLindon	Director	March 7, 2025
By:	/s/ Patrick E. Mockler Patrick E. Mockler	Director	March 7, 2025
By:	/s/ David A. Montgomery, Jr. David A. Montgomery, Jr.	Director	March 7, 2025
By:	/s/ Arthur J. Price Arthur J. Price	Director	March 7, 2025
By:	/s/ Aimee Quirk Aimee Quirk	Director	March 7, 2025
By:	/s/ Zeenat Sidi Zeenat Sidi	Director	March 7, 2025
By:	/s/ Kenneth Smith Kenneth Smith	Director	March 7, 2025
By:	/s/ Keith A. Tillage Keith A. Tillage	Director	March 7, 2025
By:	/s/ Steven G. White Steven G. White	Director	March 7, 2025

BUSINESS FIRST BANCSHARES,
INC. INSIDER TRADING POLICY

As adopted by the Board of Directors

The Need for a Policy Statement

The purchase or sale of securities of Business First Bancshares, Inc. ("Business First") while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the securities of Business First, is prohibited by federal and state securities laws. Insider trading violations are pursued vigorously by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 ("Exchange Act") and other state authorities, and are punished severely. While the SEC concentrates its efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

Accordingly, Business First has adopted this Insider Trading Policy ("Policy") both to satisfy its obligation to prevent insider trading and to help those persons subject to the Policy avoid the severe consequences associated with violations of the insider trading laws. This Policy is also intended to prevent even the appearance of improper conduct on the part of traditional insiders, such as directors and officers, and employees, as well as certain other persons who may be associated with Business First. Generally, for purposes of this Policy, the term "insider" means all directors, executive officers, employees and such other persons. Business First is proud of its reputation for integrity and ethical conduct and cannot afford to have that reputation damaged.

Persons Subject to the Policy

You are subject to this Policy if you are a director[1], officer or employee of Business First or any of its subsidiaries, including b1BANK. Business First may also determine that other persons are subject to this Policy, such as contractors or consultants who have access to material nonpublic information. In addition, if you are subject to this Policy, this Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Business First securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Business First securities (collectively referred to as "Family Members"). This Policy also applies to any entities that you or your Family Members influence or control, including any corporations, partnerships or trusts (collectively referred to as "Controlled Entities"). You are responsible for the transactions of your Family Members and Controlled Entities and should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

1 For purposes of this Policy, the term "director" includes any advisory director, board observer or any other person who regularly attends board meetings or has access to materials provided to directors.

Although all persons described above are generally subject to this Policy, not all sections of this Policy will apply to all such persons. Specifically, the sections titled "Pre-Clearance Procedures", and "Blackout Periods" apply only to directors and executive officers of Business First and its subsidiaries, and any other persons specifically designated by the Legal Compliance Officer, together with their respective Family Members and Controlled Entities.

Transactions Subject to the Policy

This Policy applies to transactions in Business First securities, including Business First's common stock, options to purchase common stock, or any other type of securities that Business First may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by Business First, such as exchange - traded put or call options or swaps relating to Business First securities, except as expressly set forth below.

Transactions Not Subject to this Policy

The following transactions are not subject to this Policy to the extent expressly set forth below:

Stock Option Exercises. This Policy does not apply to the exercise of stock options issued by Business First; provided that the exercise price is paid in cash or by means of a "net exercise," whereby an option holder has elected to have Business First withhold shares subject to an option to cover the exercise price of the options. In addition, this Policy does not apply to the exercise of a tax withholding right under which an option holder has elected to have Business First withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to the sale of Business First securities acquired upon the exercise of a stock option, as well as to any sale of stock as part of a broker-assisted cashless exercise of an option or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option or any tax withholding obligation.

Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right under which you elect to have Business First withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any sale of restricted stock in any public or private market transaction.

401(k) Plan. To the extent that the Business First 401(k) plan may from time to time permit the acquisition of Business First securities, this Policy does not apply to purchases of Business First securities in Business First's 401(k) plan resulting from your periodic contribution of money to the plan under your payroll deduction election. This Policy does apply, however, to certain elections you may make under the 401(k) plan, including: (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to Business First stock fund; (b) an election to make an intra-plan transfer of an existing account balance into or out of Business First stock fund; (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Business First stock fund balance; and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to Business First stock fund.

Employee Stock Purchase Plan. This Policy does not apply to purchases of Business First securities in an employee stock purchase plan, if any, resulting from your periodic contribution of money to the plan under the election you made at the time of your enrollment in the plan. This Policy also does not apply to purchases of Business First securities resulting from lump sum contributions to the plan, provided that you elected to participate by lump sum payment at the beginning of the applicable enrollment period. This Policy <u>does</u> apply, however, to your election to participate in the plan for any enrollment period, and to your sales of Business First securities purchased under the plan.

Business First Offerings or Repurchases. The purchase of Business First securities from Business First, and the sale of Business First securities to Business First, are not subject to this Policy.

Bona Fide Gifts. Bona fide gifts of Business First securities are not subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell such Business First securities while the officer, employee or director is aware of material nonpublic information, or the person making the gift is subject to the trading restrictions specified below under the heading "Pre-Clearance Procedures" and has reason to believe that the recipient intends to sell the Business First securities during a blackout period.

Mutual Fund Transactions. Transactions in mutual funds that are invested in Business First securities are not subject to this Policy.

While these transactions are exceptions to this Policy's prohibitions on trading in Business First's securities, a Section 16 Reporting Person, Designated Individual or member of such person's immediate family or household or any such person's controlled entity contemplating such a transaction should still pre-clear the proposed transaction with the Compliance Officer.

Administration of the Policy

Heather Roemer and Saundra Strong shall each serve as Compliance Officer for the purposes of this Policy. The Company will at all times have a designated Compliance Officer for the purposes of this Policy, and in their absence, another employee designated by the Compliance Officer will be responsible for administration of this Policy. All determinations and interpretations by the Compliance Officer will be final and not subject to further review. Any questions regarding this Policy should be directed to the Compliance Officer. The Compliance Officer may consult with counsel to Business First in connection with the administration of this Policy.

Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about Business First and its subsidiaries and not to engage in transactions in Business First securities while in possession of material nonpublic information. Each individual is responsible for ensuring that he or she complies with this Policy, and that any Family Member or Controlled Entity also complies with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of Business First, the Compliance Officer or any other employee or director under this Policy or otherwise does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws.

Statement of Policy

It is the policy of Business First that no director, officer or other employee of Business First (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy, including Family Members and Controlled Entities) who is aware of material nonpublic information relating to Business First may, directly, or indirectly through any other person or entity:

1. Engage in transactions in Business First securities, except as otherwise specified in this Policy under the headings "Transactions Not Subject to this Policy" and "Rule 10b5-1 Plans;"

2. Recommend the purchase or sale of any Business First securities;

3. Disclose material nonpublic information to persons within Business First whose jobs do not require them to have that information, or outside of Business First to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with Business First's policies regarding the protection or authorized external disclosure of information regarding Business First; or

4. Assist anyone engaged in the above activities.

In addition, it is the policy of Business First that insiders of Business First who, in the course of their relationship with Business First, learn of material nonpublic information about a company with which Business First does business, including a customer or supplier of Business First, may not trade in that company's securities until the information becomes public or is no longer material.

The prohibition on unauthorized disclosure of material nonpublic information apples to all forms of communication, including communications made through social media or other electronic means. The prohibitions described above also apply to trades by any investment clubs, the membership of which includes any director, officer or employee of Business First (or any other person designated by this Policy or the Compliance Officer as subject to this Policy, including their Family Members and Controlled Entities).

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve Business First's reputation for adhering to the highest standards of conduct.

Definition of Material Nonpublic Information

Material Information. Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect Business First's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances. You should remember that anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. If you are uncertain whether information is material, you should assume that it is until you obtain guidance from the Compliance Officer. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
- Changes to previously announced earnings guidance, or a decision to suspend earnings guidance;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed change as to the national securities exchange on which Business First is listed, or any pending or proposed decision to delist from such exchange or deregister as a public company;
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- Company borrowings or other financing transactions out of the ordinary course;
- The establishment of a repurchase program for Business First securities;
- Development of a significant new product or process;
- New major contracts or customers, or the loss of a major customer
- A change in management or the board of directors;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Any proposed or pending restatement of Business First's financial statements or b1BANK s Reports of Condition and Income;
- Pending or threatened significant litigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;

- Information regarding a breach of customer privacy;
- A pending or proposed regulatory investigation or administrative action against Business First, its subsidiaries or its affiliates, or any person related to Business First, its subsidiaries or its affiliates; and
- The imposition of an administrative action against Business First, its subsidiaries or its affiliates.

When Information is Considered Public. Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the newswire services, a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine or news website, or public disclosure documents filed with the SEC that are available on the SEC's website. By contrast, information would likely not be considered widely disseminated if it is available only to Business First's employees, or if it is only available to a select group of analysts, brokers and institutional investors.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information before the information is considered public. As a general rule, information should not be considered fully absorbed by the marketplace until after the second business day after the day on which the information is released. If, for example, Business First were to make an announcement on a Monday, you should not trade in Business First securities until Thursday. If an announcement were made on a Friday, Wednesday generally would be the first eligible trading day. Depending on the particular circumstances, Business First may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

Pre-Clearance Procedures

To help prevent inadvertent violations of the securities laws and to avoid even the appearance of trading on inside information, directors and executive officers of Business First and its subsidiaries, and any other persons designated by the Compliance Officer under this Policy as being subject to the pre-clearance procedures, together with their respective Family Members and Controlled Entities, may not engage in any transaction in Business First securities without first obtaining pre-clearance of the transaction from the Compliance Officer.

A request for pre-clearance should be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction. If a person seeks pre-clearance to engage in the transaction and is denied, then he or she should refrain from initiating any transaction in Business First securities and should not inform any other person of the restriction. Pre-cleared trades must be executed within five business days of receipt of pre-clearance, unless the Compliance Officer grants an exception.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any material nonpublic information about Business First and should describe fully those circumstances to the Compliance Officer. The requestor should also indicate whether he or she has effected any transactions in Business First securities within the past six months. Pre-clearance of a trade does not constitute legal advice and does not relieve the requestor of his or her legal obligation to refrain from trading while in possession of material nonpublic information.

The requirement for pre-clearance does not apply to those transactions to which this Policy does not apply, as described above under the heading "Transactions Not Subject to this Policy," or to transactions conducted under approved Rule 10b5-1 plans, as described under the heading "Rule 10b5-1 Plans."

Blackout Periods

Quarterly Blackout Periods. Business First's announcement of its quarterly financial results almost always has the potential to have a material effect on the market for Business First securities. Therefore, to avoid even the appearance of trading while aware of material nonpublic information, directors and executive officers of Business First and its subsidiaries, and any other persons designated by the Compliance Officer, as well as their respective Family Members and Controlled Entities, generally will not be pre-cleared to conduct any transactions involving Business First securities during a "blackout period" beginning on the 15^{th} day of the last month of each fiscal quarter and ending after the second full business day following the date of the public release of Business First's financial results for that quarter. In other words, these persons may only conduct transactions in Business First securities during the "window period" beginning on the third business day following the public release of Business First's quarterly financial results and ending on the 14^{th} day of the last month of the next fiscal quarter.

In addition, Business First's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Business First securities even sooner than the typical quarterly blackout period described above, in which case the Compliance Officer may impose an event-specific blackout period.

Event-Specific Blackout Periods. From time to time, an event may occur that is material to Business First and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons designated by the Compliance Officer may not trade in Business First securities. The existence of an event-specific blackout period will not be announced, other than to those who are aware of the event giving rise to the blackout. Any person made aware of the existence of an event-specific blackout period should not disclose the existence of the blackout to any other person. The failure of the Compliance Officer to designate you as a person subject to an event-specific blackout will not relieve you of the obligation not to trade while aware of material nonpublic information.

Pension Fund Blackout Periods. No director or officer may trade in Business First securities during any "pension fund blackout period" if that person acquired such securities in connection with his or her employment as a director or officer of Business First or its subsidiaries. A "pension fund blackout period" means any period of more than three consecutive business days during which the ability of not fewer than 50% of the participants or beneficiaries under all individual account plans (as defined under the Employee Retirement Security Act of 1974, but excluding a one-participant retirement plan) maintained by Business First to purchase, sell or otherwise acquire or transfer an interest in any equity security of Business First held in such an individual account plan is temporarily suspended by Business First or a fiduciary of the plan, but does not include any period which the SEC exempts from the definition of "blackout period" under Section 306(a) of the Sarbanes-Oxley Act of 2002.

Exceptions. A person who is subject to a quarterly earnings blackout period and who has an unexpected and urgent need to sell Business First securities in order to generate cash may, in appropriate circumstances, be permitted to do so even during the blackout period. Hardship exceptions may be granted only by the Compliance Officer and must be requested at least two business days in advance of the proposed trade. A hardship exception may be granted only if the Compliance Officer concludes that the person does not in fact possess material nonpublic information. Under no circumstance will a hardship exception be granted during an event-specific blackout period.

The quarterly trading restrictions and event-driven trading restrictions do not apply to those transactions to which this Policy does not apply, as described above under the heading "Transactions Not Subject to this Policy," or to transactions conducted under approved Rule 10b5-1 plans, as described under the heading "Rule 10b5-1 Plans."

Special and Prohibited Transactions

Business First has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if persons subject to this Policy engage in certain types of transactions. Therefore, it is Business First's policy that no person subject to this Policy (including Family Members and Controlled Entities (each, a "Covered Person")), should engage in any of the following transactions except to the extent permitted below:

Short-Term Trading. Short-term trading of Business First securities may be distracting to the person and may unduly focus the person on Business First's short-term stock market performance instead of Business First's long-term business objectives. For these reasons, a Covered Person who purchases Business First securities in the open market may not sell any Business First securities of the same class during the six months following the purchase (or vice versa), except with the consent of the Compliance Officer.

Short Sales. Short sales of Business First securities (i.e., the sale of a security that the seller does not own) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in Business First's prospects. In addition, short sales may reduce a seller's incentive to seek to improve Business First's performance. For these reasons, short sales of Business First securities by Covered Persons are prohibited. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Hedging Transactions.")

Publicly-Traded Options. A transaction in publicly-traded options is, generally speaking, a bet on the short-term movement of Business First securities and therefore may create the appearance that the insider is trading based on material nonpublic information. Transactions in publicly-traded options may also focus an insider's attention on short-term performance at the expense of Business First's long-term objectives. Accordingly, transactions by Covered Persons in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy. Option positions arising from certain types of hedging transactions are governed by the next paragraph below.

Hedging Transactions. Certain forms of hedging or monetization transactions, such as prepaid variable forwards, equity swaps, collars and exchange funds, allow an insider to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the insider to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the insider may no longer have the same objectives as Business First's other shareholders. Therefore, Business First strongly discourages Covered Persons from engaging in such transactions. Any Covered Person wishing to enter into such an arrangement must first pre-clear the proposed transaction with the Compliance Officer. Any request for pre-clearance of a hedging or similar arrangement must be submitted to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

Margin Accounts and Pledged Securities. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because a margin sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Business First securities, Covered Persons are not permitted to hold Business First securities in a margin account. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on a loan while the borrower is aware of material nonpublic information. As such, Covered Persons are generally discouraged from pledging Business First securities as collateral for loan. A Covered Person who wishes to pledge Business First securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities may engage in such a transaction with the prior approval of the Compliance Officer. Any Covered Person who wishes to pledge Business First securities as collateral for a loan must submit a request for approval to the Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge. Pledges of Business First securities arising from certain types of hedging transactions may also be governed by the paragraph above captioned "Hedging Transactions."

Standing and Limit Orders. Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when an insider is in possession of material nonpublic information.

Business First therefore discourages placing standing or limit orders on Business First securities. If a Covered Person subject to this Policy determines he or she must use a standing order or limit order, the terms of the standing or limited order must be disclosed to the Compliance Officer during the pre-clearance process.

Rule 10b5-1 Plans

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. To rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Business First securities that meet certain conditions specified in the Rule (a "Rule 10b5-1 Plan"). To comply with the Policy, a Rule 10b5-1 Plan must meet the requirements of Rule 10b5-1 and be approved by the Compliance Officer. Under a Rule 10b5-1 Plan, Business First securities may be purchased or sold without regard to certain insider trading restrictions.

In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not in possession of material nonpublic information. Anyone entering into a Rule 10b5-1 Plan is required to certify in writing to Business First that the person is not aware of material nonpublic information and that the person is adopting the 10b5-1 Plan in good faith and not as part of a plan to evade the prohibition against illegal insider trading. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Any Rule 10b5-1 Plan must be submitted to the Compliance Officer for approval not less than five business days prior to the entry into the Rule 10b5-1 Plan. Transactions effected under a pre-cleared Rule 10b5-1 Plan will not require further pre-clearance at the time of the transaction if the plan specifies the dates, prices and amounts of the contemplated trades, or establishes a formula for determining the dates, prices and amounts. Rule 10b5-1 Plans are subject to a "cooling off" period following the adoption or modification of the Rule 10b5-1 Plan before the plan can go into effect. For officers and directors, the cooling off period begins on the date of the Rule 10b5-1 Plan adoption or modification and ends the *later* of (1) 90 days thereafter and (2) two business days following filing of a Form 10-Q or 10-K (or 6-K or 20-F) covering the financial reporting period in which the Rule 10b5-1 Plan was adopted or modified, but in no event later than 120 days. For insider employees who are not officers or directors, the cooling off period is 30 days and begins on the date of the Rule 10b5-1 Plan adoption or modification.

Post-Termination Transactions

This Policy continues to apply to transactions in Business First securities even after termination of service to Business First. If an individual is in possession of material nonpublic information when his or her service terminates, neither that individual, nor his or her Family Members or Controlled Entities, may trade in Business First securities until that information has become public or is no longer material. The pre-clearance procedures described in this Policy, however, will cease to apply to transactions in Business First securities at the time of the termination of service.

Consequences of Violations

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in Business First's securities, is prohibited by the federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities, among others. Punishment for insider trading violations is severe, and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel. In addition, an individual's failure to comply with this Policy may subject the individual to Company imposed sanctions, including dismissal for cause, whether or not the employee's failure to comply results in a violation of law.

A violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and irreparably damage a career. Accordingly, Business First strongly urges all persons covered by this Policy to strictly comply with its terms.

Reporting of Completed Trades

Each director or executive officer (or other person, including, without limitation, key employees, as determined by the Compliance Officer) who is responsible for complying with the reporting requirements under Section 16 of the Exchange Act must timely complete and deliver to the Compliance Officer the appropriate forms for filing with the SEC following the execution of a reportable transaction. If such person has completed an acceptable power of attorney, the Compliance Officer will complete the Section 16 filing, provided such person has supplied the necessary transaction detail to the Compliance Officer in a timely manner. All Section 16 filings must be available on the corporate website no later than the end of the business day following the filing with the SEC. Any late or delinquent Section 16 filing must also be publicly reported, by individual, under separate caption, in Business First's proxy statement for its next annual meeting.

Reporting of Violations

Any employee, officer or director who violates this Policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other employee, officer or director of Business First, must report the violation immediately to the Compliance Officer. Upon learning of any such violation, the Compliance Officer, in consultation with Business First's outside legal counsel, will determine whether Business First should release any material nonpublic information, or whether Business First should report the violation to the SEC or other appropriate governmental authority.

Inquiries

Please direct all inquiries regarding any of the provisions or procedures of this Policy to the Compliance Officer.

Acknowledgement of Insider Trading Policy

I, the undersigned director/officer/employee of Business First Bancshares, Inc. ("Business First") do acknowledge and represent that (i) I have received and reviewed the **Insider Trading Policy** of Business First, (ii) I am, and have been for the prior twelve-month period, in compliance with such policy, and (iii) I agree to comply with such policy and to promptly notify Business First of any event, circumstance, action or failure to act that does, or could be expected to, violate such policy:

ACKNOWLEDGED AND AGREED, as of the date written below.

____

____

Print Name

____

Date

EXHIBIT 21.1
SUBSIDIARIES OF BUSINESS FIRST BANCSHARES, INC.

Name	Jurisdiction of Incorporation	Parent Entity
b1BANK	Louisiana	Business First Bancshares, Inc.
Coastal Commerce Statutory Trust I	Connecticut	Business First Bancshares, Inc.
Business First Insurance, LLC	Louisiana	b1BANK
Smith Shellnut Wilson, LLC	Mississippi	b1BANK
Waterstone LSP, LLC	Texas	b1BANK
b1Securities, LLC	Louisiana	b1BANK

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 333-256605 and 333-279754) and Forms S-8 (No. 333-234256, No. 333-225393, and No. 333-266983) of Business First Bancshares, Inc. of our reports dated March 7, 2025, with respect to the consolidated financial statements (on which our report is unqualified) of Business First Bancshares, Inc. and the effectiveness of internal control over financial reporting (on which our report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of a material weakness), included in this Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Forvis Mazars, LLP

Fort Worth, Texas
March 7, 2025

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

1. I have reviewed this Annual Report on Form 10-K (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 the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 me by others within those entities, particularly during the period in which this Report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control 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; and

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 persons 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: March 7, 2025	/s/ David R. Melville, III
	David R. Melville, III
	Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gregory Robertson, certify that:

1. I have reviewed this Annual Report on Form 10-K (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 the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 me by others within those entities, particularly during the period in which this Report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control 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; and

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 persons 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: March 7, 2025	/s/ Gregory Robertson
	Gregory Robertson
	Executive Vice President and 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 accompanying Annual Financial Report on Form 10-K of Business First Bancshares, Inc. (the “Company”) for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the “Report”), we, David R. Melville, III, as Chairman, President and Chief Executive Officer of the Company, and Gregory Robertson, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as added by Section 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 the Company as of and for the period covered by the Report.

Date: March 7, 2025

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

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer