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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from ______ to ______

Commission file number: 001-38447

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

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

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

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

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

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

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

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

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

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

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

As of July 29, 2022, the issuer has outstanding 22,579,451 shares of common stock, par value $1.00 per share.

BUSINESS FIRST BANCSHARES, INC.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Cash and Due from Banks	$ 154,694	$ 68,375
Federal Funds Sold	10,817	227,044
Securities Available for Sale, at Fair Values	934,676	1,021,061
Mortgage Loans Held for Sale	170	1,200
Loans and Lease Receivable, Net of Allowance for Loan Losses of $32,317 at June 30, 2022 and $29,112 at December 31, 2021	4,081,409	3,160,496
Premises and Equipment, Net	64,307	58,155
Accrued Interest Receivable	22,142	19,597
Other Equity Securities	30,302	16,619
Other Real Estate Owned	990	1,427
Cash Value of Life Insurance	88,370	60,380
Deferred Taxes	29,576	8,822
Goodwill	88,842	59,894
Core Deposit and Customer Intangible	15,093	12,203
Other Assets	8,995	11,105
Total Assets	$ 5,530,383	$ 4,726,378
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 1,698,114	$ 1,291,036
Interest Bearing	2,960,049	2,786,247
Total Deposits	4,658,163	4,077,283
Securities Sold Under Agreements to Repurchase	18,477	19,121
Short Term Borrowings	5,020	20
Federal Home Loan Bank Borrowings	254,011	82,022
Subordinated Debt	111,055	81,427
Subordinated Debt - Trust Preferred Securities	5,000	5,000
Accrued Interest Payable	708	1,354
Other Liabilities	32,490	26,783
Total Liabilities	5,084,924	4,293,010
Commitments and Contingencies (See Note 10)		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	-	-
Common Stock, $1 Par Value; 50,000,000 Shares Authorized; 22,579,451 and 20,400,349 Shares Issued and Outstanding at June 30, 2022 and December 31, 2021, respectively	22,579	20,400
Additional Paid-in Capital	346,382	292,271
Retained Earnings	139,232	121,874
Accumulated Other Comprehensive Loss	(62,734)	(1,177)
Total Shareholders' Equity	445,459	433,368
Total Liabilities and Shareholders' Equity	$ 5,530,383	$ 4,726,378

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

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

	For The Three Months Ended June 30, 2022	For The Three Months Ended June 30, 2021	For The Six Months Ended June 30, 2022	For The Six Months Ended June 30, 2021
Interest Income:				
Interest and Fees on Loans	$ 49,639	$ 39,135	$ 89,822	$ 80,554
Interest and Dividends on Non-taxable Securities	1,080	2,831	2,124	5,314
Interest and Dividends on Taxable Securities	3,063	358	5,863	677
Interest on Federal Funds Sold and Due From Banks	232	27	327	68
Total Interest Income	54,014	42,351	98,136	86,613
Interest Expense:				
Interest on Deposits	2,557	3,235	4,820	6,478
Interest on Borrowings	1,895	1,171	3,279	1,889
Total Interest Expense	4,452	4,406	8,099	8,367
Net Interest Income	49,562	37,945	90,037	78,246
Provision for Loan Losses	2,945	2,241	4,562	5,600
Net Interest Income after Provision for Loan Losses	46,617	35,704	85,475	72,646
Other Income:				
Service Charges on Deposit Accounts	2,086	1,683	3,891	3,250
Loss on Sales of Securities	(8)	(50)	(39)	(55)
Gain on Sales of Loans	186	10,042	251	10,021
Other Income	4,757	5,490	8,814	8,797
Total Other Income	7,021	17,165	12,917	22,013
Other Expenses:				
Salaries and Employee Benefits	21,408	16,753	41,111	31,679
Occupancy and Equipment Expense	4,914	4,264	9,327	7,981
Other Expenses	10,075	9,888	19,679	17,973
Total Other Expenses	36,397	30,905	70,117	57,633
Income Before Income Taxes	17,241	21,964	28,275	37,026
Provision for Income Taxes	3,484	4,536	5,787	7,269
Net Income	$ 13,757	$ 17,428	$ 22,488	$ 29,757
Earnings Per Share:				
Basic	$ 0.61	$ 0.84	$ 1.03	$ 1.44
Diluted	$ 0.61	$ 0.84	$ 1.03	$ 1.43

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

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2022	2021	2022	2021
Consolidated Net Income	$ 13,757	$ 17,428	$ 22,488	$ 29,757
Other Comprehensive Income (Loss):				
Unrealized Gain (Loss) on Investment Securities	(30,201)	2,182	(79,186)	(4,956)
Unrealized Gain (Loss) on Share of Other Equity Investments	1,104	(1,351)	1,079	142
Reclassification Adjustment for Losses on Sale of AFS Investment Securities Included in Net Income	8	50	39	55
Income Tax Effect	6,109	(185)	16,511	1,000
Other Comprehensive Income (Loss)	(22,980)	696	(61,557)	(3,759)
Consolidated Comprehensive Income (Loss)	$ (9,223)	$ 18,124	$ (39,069)	$ 25,998

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

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2022 AND 2021
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at March 31, 2021	$ 20,805	$ 300,282	$ 89,441	$ 6,173	$ 416,701
Comprehensive Income:					
Net Income	-	-	17,428	-	17,428
Other Comprehensive Income	-	-	-	696	696
Cash Dividends Declared, $0.12 Per Share	-	-	(2,487)	-	(2,487)
Stock Issuance	110	1,518	-	-	1,628
Surrendered Shares of Options Exercised	(74)	(1,714)	-	-	(1,788)
Stock Based Compensation Cost	(17)	767	-	-	750
Stock Repurchase	(83)	(1,839)	-	-	(1,922)
Balances at June 30, 2021	$ 20,741	$ 299,014	$ 104,382	$ 6,869	$ 431,006
Balances at March 31, 2022	$ 22,565	$ 345,858	$ 128,168	$ (39,754)	$ 456,837
Comprehensive Income:					
Net Income	-	-	13,757	-	13,757
Other Comprehensive Loss	-	-	-	(22,980)	(22,980)
Cash Dividends Declared, $0.12 Per Share	-	-	(2,693)	-	(2,693)
Stock Issuance	9	242	-	-	251
Stock Based Compensation Cost	5	282	-	-	287
Balances at June 30, 2022	$ 22,579	$ 346,382	$ 139,232	$ (62,734)	$ 445,459

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

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BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Dollars in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at December 31, 2020	$ 20,621	$ 299,540	$ 79,174	$ 10,628	$ 409,963
Comprehensive Income:					
Net Income	-	-	29,757	-	29,757
Other Comprehensive Loss	-	-	-	(3,759)	(3,759)
Cash Dividends Declared, $0.22 Per Share	-	-	(4,549)	-	(4,549)
Stock Issuance	225	2,835	-	-	3,060
Surrendered Shares of Options Exercised	(89)	(2,037)	-	-	(2,126)
Stock Based Compensation Cost	99	1,146	-	-	1,245
Stock Repurchase	(115)	(2,470)	-	-	(2,585)
Balances at June 30, 2021	$ 20,741	$ 299,014	$ 104,382	$ 6,869	$ 431,006
Balances at December 31, 2021	$ 20,400	$ 292,271	$ 121,874	$ (1,177)	$ 433,368
Comprehensive Income:					
Net Income	-	-	22,488	-	22,488
Other Comprehensive Loss	-	-	-	(61,557)	(61,557)
Cash Dividends Declared, $0.24 Per Share	-	-	(5,130)	-	(5,130)
Stock Issuance	2,079	53,167	-	-	55,246
Stock Based Compensation Cost	100	944	-	-	1,044
Balances at June 30, 2022	$ 22,579	$ 346,382	$ 139,232	$ (62,734)	$ 445,459

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

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

	For The Six Months Ended June 30, 2022	For The Six Months Ended June 30, 2021
Cash Flows From Operating Activities:		
Consolidated Net Income	$ 22,488	$ 29,757
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	4,562	5,600
Depreciation and Amortization	2,319	2,071
Net Accretion of Purchase Accounting Adjustments	(2,770)	(4,894)
Stock Based Compensation Cost	1,044	1,245
Net Amortization of Securities	3,191	3,475
Loss on Sales of Securities	39	55
Gain on Sale of Loans	(251)	(9,179)
Income on Other Equity Securities	(72)	(1,671)
(Gain) Loss on Sale of Other Real Estate Owned, Net of Writedowns	(18)	811
Increase in Cash Value of Life Insurance	(844)	(673)
Deferred Income Tax Expense (Benefit)	(772)	1,284
Changes in Assets and Liabilities:		
Decrease in Accrued Interest Receivable	58	3,054
(Increase) Decrease in Other Assets	4,470	(1,960)
Decrease in Accrued Interest Payable	(865)	(561)
Increase in Other Liabilities	4,920	1,251
Net Cash Provided by Operating Activities	37,499	29,665
Cash Flows From Investing Activities:		
Purchases of Securities Available for Sale	(77,278)	(308,662)
Proceeds from Maturities / Sales of Securities Available for Sale	29,597	14,545
Proceeds from Paydowns of Securities Available for Sale	52,059	43,489
Net Cash Received (Paid) in Acquisition	163,460	(7,256)
Purchases of Other Equity Securities	(8,982)	(1,610)
Redemption of Other Equity Securities	2,527	2,073
Proceeds from Purchase of Life Insurance	(15,000)	(15,000)
Proceeds from Sale of SBA PPP Loans	-	243,607
Net Increase in Loans	(582,892)	(96,302)
Net Purchases of Premises and Equipment	(6,412)	(969)
Loss on Disposal of Premises and Equipment	717	-
Proceeds from Sales of Other Real Estate	609	3,585
Net (Increase) Decrease in Federal Funds Sold	216,227	(58,239)
Net Cash Used in Investing Activities	(225,368)	(180,739)

(CONTINUED)

	For The Six Months Ended June 30, 2022	2021
Cash Flows From Financing Activities:		
Net Increase in Deposits	103,645	108,400
Net Increase (Decrease) in Securities Sold Under Agreements to Repurchase	(644)	4,012
Net Advances (Repayments) on Federal Home Loan Bank Borrowings	171,114	(15,000)
Issuance of Short Term Borrowings	5,000	(5,000)
Net Repayments from Long Term Borrowings	-	(6,000)
Proceeds from Issuance of Subordinated Debt	-	52,500
Proceeds from Issuance of Common Stock	203	3,060
Surrendered Shares of Options Exercised	-	(2,126)
Repurchase of Common Stock	-	(2,585)
Payment of Dividends on Common Stock	(5,130)	(4,549)
Net Cash Provided by Financing Activities	274,188	132,712
Net Increase (Decrease) in Cash and Cash Equivalents	86,319	(18,362)
Cash and Cash Equivalents at Beginning of Period	68,375	149,131
Cash and Cash Equivalents at End of Period	$ 154,694	$ 130,769
Supplemental Disclosures for Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 5,508	$ 6,924
Interest on Borrowings	$ 3,237	$ 2,004
Income Tax Payments	$ 2,127	$ 6,100
Supplemental Schedule for Noncash Investing and Financing Activities:		
Change in the Unrealized Loss on Securities Available for Sale	$ (79,147)	$ (4,901)
Change in the Unrealized Gain on Equity Securities	$ 1,079	$ 142
Change in Deferred Tax Effect on the Unrealized Loss on Securities Available for Sale	$ 16,511	$ 1,000
Transfer of Loans to Other Real Estate	$ 154	$ 1,235
Acquisitions:		
Fair Value of Tangible Assets Acquired	$ 531,658	$ 1,343
Other Intangible Assets Acquired	3,875	4,300
Liabilities Assumed	509,438	6
Net Identifiable Assets Acquired Over Liabilities Assumed	$ 26,095	$ 5,637

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

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

Note 1 – **Basis of Presentation** –

The unaudited consolidated financial statements include the accounts of Business First Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, b1BANK (the "Bank"), and the Bank's wholly-owned subsidiaries, Business First Insurance, LLC and Smith Shellnut Wilson, LLC. The Bank operates out of branch locations in markets across Louisiana, the Dallas/Fort Worth metroplex and Houston, Texas. As a state bank, it is subject to regulation by the Office of Financial Institutions, State of Louisiana, and the Federal Deposit Insurance Corporation, and undergoes periodic examinations by these agencies. The Company is also regulated by the Federal Reserve and is subject to periodic examinations.

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

These interim consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission and, therefore, certain information and footnote disclosures normally presented in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") have been omitted or abbreviated. These interim financial statements should be read in conjunction with the audited consolidated financial statements and footnote disclosures for the Company's previously filed Form 10-K for the year ended December 31, 2021.

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Critical accounting estimates that are particularly susceptible to significant change for the Company include the determination of the acquired loans and allowance for loan losses and purchase accounting adjustments (other than loans). Other estimates include goodwill, fair value of financial instruments, investment securities and the assessment of income taxes. Management does not anticipate any material changes to estimates in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: external market factors such as market interest rates and employment rates, changes to operating policies and procedures, economic conditions in the Company's markets, and changes in applicable banking regulations. Actual results may ultimately differ from estimates.

Note 2 – **Reclassifications** –

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

Note 3 – **Mergers and Acquisitions** –

Texas Citizens Bancorp, Inc.

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

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

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

Purchase Price:		
Shares Issued to TCBI's Shareholders on March 1, 2022		2,069,532
Closing Stock Price on February 28, 2022	$	26.19
Total Stock Issued	$	54,201
Other Consideration, Including Equity Awards		842
Total Purchase Price	$	55,043
Net Assets Acquired:		
Cash and Cash Equivalents	$	163,460
Securities Available for Sale		370
Loans and Leases Receivable		337,948
Premises and Equipment, Net		2,776
Cash Value of Life Insurance		12,146
Core Deposit Intangible		3,875
Other Assets		14,958
Total Assets		535,533
Deposits		477,277
Borrowings		30,708
Other Liabilities		1,453
Total Liabilities		509,438
Net Assets Acquired		26,095
Goodwill Resulting from Merger	$	28,948

The Company has recorded approximately $1.5 million and $515,000 of acquisition-related costs within merger and conversion-related expenses and salaries and benefits for the six months ended June 30, 2022 and year ended December 31, 2021.

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

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

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

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

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

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

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

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

Smith Shellnut Wilson, LLC

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

Note 4 – **Earnings per Common Share** –

Basic earnings per share (“EPS”) represents income available to common shareholders divided by the weighted average number of common shares outstanding; no dilution for any potentially convertible shares is included in the calculation. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential common shares that may be issued by the Company relate to outstanding stock options and unvested restricted stock awards (“RSAs”), excluding any that were antidilutive. In addition, nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of EPS pursuant to the two-class method.

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Numerator:				
Net Income Available to Common Shares	$ 13,757	$ 17,428	$ 22,488	$ 29,757
Denominator:				
Weighted Average Common Shares Outstanding	22,459,603	20,707,313	21,746,973	20,664,857
Dilutive Effect of Stock Options and RSAs	196,571	120,473	169,668	118,278
Weighted Average Dilutive Common Shares	22,656,174	20,827,786	21,916,641	20,783,135
Basic Earnings Per Common Share From Net Income Available to Common Shares	$ 0.61	$ 0.84	$ 1.03	$ 1.44
Diluted Earnings Per Common Share From Net Income Available to Common Shares	$ 0.61	$ 0.84	$ 1.03	$ 1.43

Note 5 – **Securities** –

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

	June 30, 2022 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	$ 32,836	$ -	$ 2,268	$ 30,568
U.S. Government Agencies	50,322	-	2,180	48,142
Corporate Securities	47,411	70	1,311	46,170
Mortgage-Backed Securities	534,335	11	45,942	488,404
Municipal Securities	350,300	54	28,962	321,392
Total Securities Available for Sale	$ 1,015,204	$ 135	$ 80,663	$ 934,676

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

The following tables present a summary of securities with gross unrealized losses and fair values at June 30, 2022 and December 31, 2021, aggregated by investment category and length of time in a continued unrealized loss position. Due to the nature of these investments and current prevailing market prices, these unrealized losses are considered a temporary impairment of the securities.

	June 30, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury Securities	$ 30,568	$ 2,268	$ -	$ -	$ 30,568	$ 2,268
U.S. Government Agencies	48,142	2,180	-	-	48,142	2,180
Corporate Securities	17,628	1,311	-	-	17,628	1,311
Mortgage-Backed Securities	384,399	33,810	94,300	12,132	478,699	45,942
Municipal Securities	233,389	23,654	43,209	5,308	276,598	28,962
Total Securities Available for Sale	$ 714,126	$ 63,223	$ 137,509	$ 17,440	$ 851,635	$ 80,663

	December 31, 2021					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury Securities	$ 22,314	$ 437	$ -	$ -	$ 22,314	$ 437
U.S. Government Agencies	24,980	376	-	-	24,980	376
Corporate Securities	7,350	106	-	-	7,350	106
Mortgage-Backed Securities	407,986	6,108	18,985	327	426,971	6,435
Municipal Securities	145,649	1,872	10,161	316	155,810	2,188
Total Securities Available for Sale	$ 608,279	$ 8,899	$ 29,146	$ 643	$ 637,425	$ 9,542

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

The amortized cost and fair values of securities available for sale as of June 30, 2022 by contractual maturity are shown below. Actual maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties.

	Amortized Cost	Fair Value
	(Dollars in thousands)	
Less Than One Year	$ 18,987	$ 18,950
One to Five Years	224,379	214,166
Over Five to Ten Years	405,104	375,501
Over Ten Years	366,734	326,059
Total Securities Available for Sale	$ 1,015,204	$ 934,676

Note 6 – **Loans and the Allowance for Loan Losses** –

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

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Real estate loans:		
Construction and land	$ 642,260	$ 548,528
Farmland	174,723	87,463
1-4 family residential	521,747	467,699
Multi-family residential	97,901	97,508
Nonfarm nonresidential	1,605,691	1,144,426
Commercial	949,631	721,385
Consumer and other	121,773	122,599
Total loans held for investment	4,113,726	3,189,608
Less:		
Allowance for loan losses	(32,317)	(29,112)
Net loans	$ 4,081,409	$ 3,160,496

As of June 30, 2022 and December 31, 2021, $3.2 million and $5.4 million, respectively, of Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans remain outstanding, all of which are included in the commercial loan portfolio.

The performing 1-4 family residential, multi-family residential, commercial real estate, and commercial loans, are pledged, under a blanket lien, as collateral securing advances from the FHLB at June 30, 2022 and December 31, 2021.

Net deferred loan origination fees were $10.8 million and $7.7 million at June 30, 2022 and December 31, 2021, respectively, and are netted in their respective loan categories above. In addition to loans issued in the normal course of business, the Company considers overdrafts on customer deposit accounts to be loans, and reclassifies overdrafts as loans in its consolidated balance sheets. At June 30, 2022 and December 31, 2021, overdrafts of $852,000 and $2.4 million, respectively, have been reclassified to loans.

The Bank is the lead lender on participations sold, without recourse, to other financial institutions which amounts are not included in the consolidated balance sheets. The unpaid principal balances of mortgages and other loans serviced for others were approximately $659.9 million and $461.8 million at June 30, 2022 and December 31, 2021, respectively. The Company had servicing rights of $2.2 million and $1.4 million recorded as of June 30, 2022 and December 31, 2021, respectively, and is recorded within other assets.

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

Loans acquired in business combinations are initially recorded at fair value, which includes an estimate of credit losses expected to be realized over the remaining lives of the loans and, therefore, no corresponding allowance for loan losses is recorded for these loans at acquisition. Methods utilized to estimate any subsequently required allowance for loan losses for acquired loans not deemed credit-impaired at acquisition are similar to originated loans; however, the estimate of loss is based on the unpaid principal balance and then compared to any remaining net unaccreted purchase discount. To the extent the calculated loss is greater than the remaining net unaccreted discount, an allowance is recorded for such difference. For purchased impaired credits, cash flow re-estimations are performed at least quarterly for each acquired impaired loan or loan pool. Increases in estimated cash flows above those expected at the time of acquisition are recognized on a prospective basis as interest income over the remaining life of the loan and/or pool. Decreases in expected cash flows subsequent to acquisition generally result in recognition of a provision for credit loss.

Total loans held for investment at June 30, 2022 includes $587.5 million of loans acquired in acquisitions that were recorded at fair value as of the acquisition date. Included in the acquired balances at June 30, 2022 were acquired impaired loans accounted for under the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30") with a net carrying amount of $58.2 million and acquired performing loans not accounted for under ASC 310-30 totaling $533.9 million with a remaining purchase discount of $4.6 million.

Total loans held for investment at December 31, 2021 includes $379.0 million of loans acquired in acquisitions that were recorded at fair value as of the acquisition date. Included in the acquired balances at December 31, 2021 were acquired impaired loans accounted for under ASC 310-30 with a net carrying amount of $51.2 million and acquired performing loans not accounted for under ASC 310-30 totaling $331.3 million with a remaining purchase discount of $3.5 million.

The following tables set forth, as of June 30, 2022 and December 31, 2021, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Credit Losses and Recorded Investment in Loans Receivable

	June 30, 2022 (Dollars in thousands)							
	Real Estate: Construction and Land	Real Estate: Farmland	Real Estate: 1-4 Family Residential	Real Estate: Multi-family Residential	Real Estate: Nonfarm Nonresidential	Commercial	Consumer and Other	Total
Allowance for credit losses:								
Beginning Balance	$ 4,498	$ 721	$ 3,791	$ 774	$ 9,794	$ 8,358	$ 1,176	$ 29,112
Charge-offs	(6)	-	(3)	-	(30)	(1,517)	(211)	(1,767)
Recoveries	18	-	3	-	8	270	111	410
Provision	510	683	618	(51)	1,644	1,116	42	4,562
Ending Balance	$ 5,020	$ 1,404	$ 4,409	$ 723	$ 11,416	$ 8,227	$ 1,118	$ 32,317
Ending Balance:								
Individually evaluated for impairment	$ 25	$ -	$ 89	$ -	$ 89	$ 143	$ 7	$ 353
Collectively evaluated for impairment	$ 4,995	$ 1,404	$ 4,320	$ 723	$ 11,327	$ 8,084	$ 1,111	$ 31,964
Purchased Credit Impaired	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans receivable:								
Ending Balance	$ 642,260	$ 174,723	$ 521,747	$ 97,901	$ 1,605,691	$ 949,631	$ 121,773	$ 4,113,726
Ending Balance:								
Individually evaluated for impairment	$ 663	$ 88	$ 3,670	$ -	$ 9,182	$ 6,926	$ 233	$ 20,762
Collectively evaluated for impairment	$ 640,675	$ 174,631	$ 500,649	$ 97,901	$ 1,562,754	$ 937,492	$ 120,700	$ 4,034,802
Purchased Credit Impaired	$ 922	$ 4	$ 17,428	$ -	$ 33,755	$ 5,213	$ 840	$ 58,162

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

Portfolio Segment Risk Factors

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

Farmland loans are often for investments related to agricultural businesses and may include construction of facilities. These loans are usually repaid through permanent financing or the cash flow from the borrower's ongoing operations.

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

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

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

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

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

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

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

Credit Quality Indicators

	June 30, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
			(Dollars in thousands)		
Real Estate Loans:					
Construction and land	$ 638,578	$ 693	$ 2,325	$ 664	$ 642,260
Farmland	172,160	2,471	-	92	174,723
1-4 family residential	508,798	3,522	3,946	5,481	521,747
Multi-family residential	97,882	-	19	-	97,901
Nonfarm nonresidential	1,547,001	25,801	21,868	11,021	1,605,691
Commercial	931,664	8,567	5,786	3,614	949,631
Consumer and other	120,649	365	430	329	121,773
Total	$ 4,016,732	$ 41,419	$ 34,374	$ 21,201	$ 4,113,726

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

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 June 30, 2022 and December 31, 2021, loan balances outstanding more than 90 days past due and still accruing interest amounted to $324,000 and $222,000, respectively. As of June 30, 2022 and December 31, 2021, loan balances outstanding on nonaccrual status amounted to $16.8 million and $12.9 million, respectively. The Bank considers all loans more than 90 days past due as nonperforming loans.

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

Aged Analysis of Past Due Loans Receivable

	June 30, 2022 (Dollars in thousands)						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment Over 90 Days Past Due and Still Accruing
Real Estate Loans:							
Construction and land	$ 156	$ 112	$ 520	$ 788	$ 641,472	$ 642,260	$ 126
Farmland	94	-	-	94	174,629	174,723	-
1-4 family residential	1,071	744	1,774	3,589	518,158	521,747	30
Multi-family residential	-	-	-	-	97,901	97,901	-
Nonfarm nonresidential	282	99	8,306	8,687	1,597,004	1,605,691	83
Commercial	549	500	1,872	2,921	946,710	949,631	-
Consumer and other	235	80	291	606	121,167	121,773	85
Total	$ 2,387	$ 1,535	$ 12,763	$ 16,685	$ 4,097,041	$ 4,113,726	$ 324

	December 31, 2021 (Dollars in thousands)						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Recorded Investment Over 90 Days Past Due and Still Accruing
Real Estate Loans:							
Construction and land	$ 632	$ 16	$ 488	$ 1,136	$ 547,392	$ 548,528	$ -
Farmland	83	-	-	83	87,380	87,463	-
1-4 family residential	917	534	1,496	2,947	464,752	467,699	107
Multi-family residential	-	-	-	-	97,508	97,508	-
Nonfarm nonresidential	222	627	1,767	2,616	1,141,810	1,144,426	-
Commercial	106	55	4,257	4,418	716,967	721,385	97
Consumer and other	392	144	271	807	121,792	122,599	18
Total	$ 2,352	$ 1,376	$ 8,279	$ 12,007	$ 3,177,601	$ 3,189,608	$ 222

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The following is a summary of information pertaining to impaired loans as of June 30, 2022 and December 31, 2021. Purchased performing loans are placed on nonaccrual status and reported as impaired using the same criteria applied to the originated portfolio. Purchased impaired credits are excluded from this table. The interest income recognized for impaired loans was $127,000 and $334,000 for the six months ending June 30, 2022 and the year ending December 31, 2021, respectively.

	June 30, 2022 (Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ 66	$ 70	$ 25	$ 218
Farmland	-	-	-	-
1-4 family residential	293	360	89	301
Multi-family residential	-	-	-	-
Nonfarm nonresidential	757	789	89	670
Other Loans:				
Commercial	342	480	143	416
Consumer and other	125	125	7	94
Total	$ 1,583	$ 1,824	$ 353	$ 1,699
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 597	$ 632	$ -	$ 893
Farmland	88	101	-	112
1-4 family residential	3,377	4,301	-	3,300
Multi-family residential	-	-	-	-
Nonfarm nonresidential	8,425	8,977	-	5,473
Other Loans:				
Commercial	6,584	8,309	-	4,939
Consumer and other	108	233	-	162
Total	$ 19,179	$ 22,553	$ -	$ 14,879
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 663	$ 702	$ 25	$ 1,111
Farmland	88	101	-	112
1-4 family residential	3,670	4,661	89	3,601
Multi-family residential	-	-	-	-
Nonfarm nonresidential	9,182	9,766	89	6,143
Other Loans:				
Commercial	6,926	8,789	143	5,355
Consumer and other	233	358	7	256
Total	$ 20,762	$ 24,377	$ 353	$ 16,578

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

As discussed in Note 3, the Company acquired loans with fair values of $337.9 million from TCBI on March 1, 2022. Of the total $337.9 million of loans acquired, $316.4 million were determined to have no evidence of deteriorated credit quality and are accounted for under ASC Topics 310-10 and 310-20. The unamortized discount related to the acquired performing loans totaled $1.7 million at March 1, 2022. The remaining $21.5 million were determined to exhibit deteriorated credit quality since origination under ASC 310-30.

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

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

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

Balance at December 31, 2021	$ 20,659
Additions	4,622
Transfers from non-accretable difference to accretable yield	2,745
Accretion	(2,958)
Changes in expected cash flows not affecting non-accretable differences	(7,775)
Balance at June 30, 2022	$ 17,293

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 June 30, 2022 and December 31, 2021, the concessions granted to certain borrowers generally included extending the payment due dates and offering below market contractual interest rates.

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

The Company had no troubled debt restructurings that had subsequently defaulted during the six months ended June 30, 2022 and three troubled debt restructuring that had subsequently defaulted in the amount of $154,000 during the year ended December 31, 2021. During the six months ended June 30, 2022, one loan with a pre-modification amount of $3.5 million and a post-modification balance in the amount of $3.4 million, was modified which was considered a troubled debt restructuring. During the year ended December 31, 2021, the Company did not modify any loans that were categorized as trouble debt restructurings.

As of June 30, 2022 and December 31, 2021, our loan portfolio included loans with outstanding principal balances of $489.8 million and $522.0 million, respectively, that had previously been granted payment deferrals due to the effects of the COVID-19 pandemic. As of both June 30, 2022 and December 31, 2021, the Company had no loans with outstanding principal balances still in their pandemic-related deferral periods. Under Section 4013 of the CARES Act, as extended by the Consolidated Appropriations Act of 2021, and based on the interpretive guidance released by the FASB and the applicable banking regulators, the Company determined that none of the modifications associated with the COVID-19 pandemic were troubled debt restructurings at both June 30, 2022 and December 31, 2021.

Accrued interest receivable of $6.4 million and $6.0 million was outstanding as of June 30, 2022 and December 31, 2021, respectively, for all loan deferrals.

Note 7 – **Long Term Debt** –

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

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

On March 1, 2022, the Company assumed, in connection with the TCBI acquisition, three tranches of subordinated debt with an aggregate principal balance outstanding of $26.4 million. One tranche in the amount of $10.0 million bears interest at a fixed rate of 6.25% until April 11, 2023, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on April 11, 2028. Another tranche in the amount of $7.5 million bears a fixed rate 6.38% until December 13, 2023, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on December 13, 2028. The third tranche in the amount of $8.9 million bears an adjustable interest rate plus 595 basis points, based on a benchmark rate, until maturity on March 24, 2027. These notes carry an aggregate $3.2 million fair value adjustment as of June 30, 2022.

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

The Company had outstanding advances from the FHLB of $254.0 million and $82.0 million as of June 30, 2022 and December 31, 2021, respectively, consisting of:

One short term, seven-day, fixed rate loan of $200.0 million at June 30, 2022, with interest at 1.66%. Principal and interest are due at maturity in July 2022.

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

One fixed rate loan with an original principal balance of $60.0 million. The loan was made in 2021 and the balance at June 30, 2022 and December 31, 2021 was $53.1 million and $59.0 million, respectively, with interest at 0.89%. Monthly principal and interest payments are due monthly and the loan matures in November 2026.

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

Note 9 – **Leases** –

The Bank leases certain branch offices through non-cancelable operating leases with terms that range from one to ten years and contain various renewal options for certain of the leases. Certain leases provide for increases in minimum monthly rental payments as defined by the lease agreement. Rental expense under these agreements was $2.2 million and $1.4 million for the six months ended June 30, 2022 and 2021, respectively. At June 30, 2022, the Company had a weighted average lease term of 6.4 years and a weighted average discount rate of 2.59%.

Future minimum lease payments under these leases are as follows:

	(Dollars in thousands)
July 1, 2022 through June 30, 2023	$ 2,087
July 1, 2023 through June 30, 2024	4,022
July 1, 2024 through June 30, 2025	3,647
July 1, 2025 through June 30, 2026	2,649
July 1, 2026 through June 30, 2027	2,152
July 1, 2027 and Thereafter	6,336
Total Future Minimum Lease Payments	20,893
Less Imputed Interest	(1,729)
Present Value of Lease Liabilities	$ 19,164

Note 10 – **Commitments and Contingencies** –

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

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and commercial letters of credit is represented by the contractual amount of those instruments. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. The Bank uses the same credit policies in making such commitments and conditional obligations as it does for instruments that are included in the balance sheet. In the normal course of business, the Bank has made commitments to extend credit of approximately $1.1 billion and standby and commercial letters of credit of approximately $36.5 million at June 30, 2022.

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

Note 11 – **Fair Value of Financial Instruments** –

Fair Value Disclosures

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

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

Recurring Basis

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

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

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The following tables present the balance of assets and liabilities measured on a recurring basis as of June 30, 2022 and December 31, 2021. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)			
June 30, 2022				
Available for Sale:				
U.S. Treasury Securities	$ 30,568	$ -	$ 30,568	$ -
U.S. Government Agency Securities	48,142	-	48,142	-
Corporate Securities	46,170	-	24,170	22,000
Mortgage-Backed Securities	488,404	-	488,404	-
Municipal Securities	321,392	-	293,337	28,055
Loans Held for Sale	170	-	170	-
Servicing Rights	2,569	-	2,569	-
Total	$ 937,415	$ -	$ 887,360	$ 50,055
December 31, 2021				
Available for Sale:				
U.S. Treasury Securities	$ 22,314	$ -	$ 22,314	$ -
U.S. Government Agency Securities	27,493	-	27,493	-
Corporate Securities	46,582	-	26,582	20,000
Mortgage-Backed Securities	552,339	-	552,339	-
Municipal Securities	372,333	-	348,243	24,090
Loans Held for Sale	1,200	-	1,200	-
Servicing Rights	1,775	-	1,775	-
Total	$ 1,024,036	$ -	$ 979,946	$ 44,090

Nonrecurring Basis

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

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

	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)			
June 30, 2022				
Assets:				
Impaired Loans	$ 24,827	$ -	$ -	$ 24,827
Other Nonperforming Assets	1,074	-	-	1,074
Total	$ 25,901	$ -	$ -	$ 25,901
December 31, 2021				
Assets:				
Impaired Loans	$ 18,749	$ -	$ -	$ 18,749
Other Nonperforming Assets	1,427	-	-	1,427
Total	$ 20,176	$ -	$ -	$ 20,176

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

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

Fair Value Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. In accordance with GAAP, certain financial instruments and all non-financial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

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

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

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

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

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

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

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

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

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

The estimated approximate fair values of the Bank’s financial instruments as of June 30, 2022 and December 31, 2021 are as follows:

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
June 30, 2022					
Financial Assets:					
Cash and Short-Term Investments	$ 165,511	$ 165,511	$ 165,511	$ -	$ -
Securities	934,676	934,676	-	884,621	50,055
Loans Held for Sale	170	170	-	170	-
Loans - Net	4,081,409	4,028,533	-	-	4,028,533
Servicing Rights	2,231	2,569	-	2,569	-
Cash Value of BOLI	88,370	88,370	-	88,370	-
Other Equity Securities	30,302	30,302	-	-	30,302
Total	$ 5,302,669	$ 5,250,131	$ 165,511	$ 975,730	$ 4,108,890
Financial Liabilities:					
Deposits	$ 4,658,163	$ 4,636,428	$ -	$ -	$ 4,636,428
Borrowings	393,563	389,533	-	389,533	-
Total	$ 5,051,726	$ 5,025,961	$ -	$ 389,533	$ 4,636,428

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

Note 12 – **Recently Issued Accounting Pronouncements** –

Accounting Standards Adopted in Current Period

None

Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments introduce an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments (ex. loans and held to maturity securities), including certain off-balance sheet financial instruments (ex. commitments to extend credit and standby letters of credit that are not unconditionally cancelable). The CECL should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments, over the contractual term. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. Financial instruments with similar risk characteristics may be grouped together when estimating the CECL. The allowance for credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis is determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial estimate of expected credit loss would be recognized through an allowance for credit losses with an offset (i.e., increase) to the purchase price at acquisition. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. The ASU also amends the current available for sale security impairment model for debt securities whereby credit losses relating to available for sale debt securities should be recorded through an allowance for credit losses. The amendments will be applied through a modified retrospective approach, resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. On October 18, 2019, FASB approved an effective date delay until January 2023 applicable to public companies that met the definition of a "smaller reporting company" based on the most recent determination prior to October 18, 2019. The Company met the requirements for this effective date delay and has elected to delay implementation of the standard. The Company has established an implementation team and engaged third-party consultants who have jointly developed a project plan to provide implementation oversight. The Company is in the final stages of developing and implementing current expected credit loss models that satisfy the requirements of ASU 2016-13. The Company began to run parallel models during the second quarter of 2022. The future adoption of this ASU may have a material effect on the Company's consolidated financial statements.

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

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

FORWARD-LOOKING STATEMENTS

When we refer in this Form 10-Q to "we," "our," "us," the "Company" and "Business First," we are referring to Business First Bancshares, Inc. and its consolidated subsidiaries, including b1BANK, which we sometimes refer to as "the Bank," unless the context indicates otherwise.

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

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

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

- risks related to the integration of any other acquired businesses, including exposure to potential asset quality and credit quality risks and unknown or contingent liabilities, risks related to entering a new geographic market, the time and costs associated with integrating systems, technology platforms, procedures and personnel, the ability to retain key employees and maintain relationships with significant customers, the need for additional capital to finance such transactions, and possible failures in realizing the anticipated benefits from acquisitions;

- changes in the strength of the U.S. economy in general and the local economy in our local market areas adversely affecting our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;

- economic risks posed by our geographic concentration in Louisiana, the Dallas/Fort Worth metroplex and Houston;

- the ability to sustain and continue our organic loan and deposit growth, and manage that growth effectively;

- market declines in industries to which we have exposure, such as the volatility in oil prices and downturn in the energy industry that impact certain of our borrowers and investments that operate within, or are backed by collateral associated with, the energy industry;

- volatility and direction of interest rates and market prices, which could reduce our net interest margins, asset valuations and expense expectations;

- interest rate risk associated with our business;

- changes in the levels of loan prepayments and the resulting effects on the value of our loan portfolio;

- increased competition in the financial services industry, particularly from regional and national institutions and emerging non-bank competitors;

- increased credit risk in our assets and increased operating risk caused by a material change in commercial, consumer and/or real estate loans as a percentage of our total loan portfolio;

- changes in the value of collateral securing our loans;

- deteriorating asset quality and higher loan charge-offs, and the time and effort required to resolve problem assets;

- the failure of assumptions underlying the establishment of and provisions made to our allowance for credit losses;

- changes in the availability of funds resulting in increased costs or reduced liquidity;

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

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Report. Additional information on these and other risk factors can be found in Item 1A. "Risk Factors" of this Report and in Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC.

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

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

The following discussion and analysis focuses on significant changes in the financial condition of Business First and its subsidiaries from December 31, 2021 to June 30, 2022, and its results of operations for the three and six months ended June 30, 2022. This discussion and analysis is intended to highlight and supplement information presented elsewhere in this report and should be read in conjunction with (i) the accompanying unaudited consolidated financial statements and the notes thereto (the "*Notes*"*) and (ii) our Annual Report on Form 10-K for the year ended December 31, 2021, including the audited consolidated financial statements and notes thereto, management's discussion and analysis, and the risk factor disclosures contained therein. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that Business First believes are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under* "*Forward-Looking Statements,*" "*Risk Factors*" *and elsewhere in this report, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. Business First assumes no obligation to update any of these forward-looking statements.*

Overview

We are a registered financial holding company headquartered in Baton Rouge, Louisiana. Through our wholly-owned subsidiary, b1BANK, a Louisiana state chartered bank, we provide a broad range of financial services tailored to meet the needs of small-to-midsized businesses and professionals. Since our inception in 2006, our priority has been and continues to be creating shareholder value through the establishment of an attractive commercial banking franchise in Louisiana and across our region. We consider our primary market to include the State of Louisiana, the Dallas/Fort Worth metroplex, and Houston. We currently operate out of banking centers and loan production offices across Louisiana and Texas. As of June 30, 2022, we had total assets of $5.5 billion, total loans of $4.1 billion, total deposits of $4.7 billion, and total shareholders' equity of $445.5 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.

Other Developments

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

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

Sale of Oak Grove Banking Center

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

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

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

COVID-19

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

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

- In anticipation of credit losses expected as a result of the COVID-19 pandemic, we recorded an additional provision for loan losses during the year ended December 31, 2020, of which a large portion of that provision still remained within the allowance for loan losses at June 30, 2022;

- We continue to monitor borrowers who have deferred payments on loans under our COVID-19 Deferral Assistance Program, described in further detail below;

- We participated in the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), as described in further detail below, including participation in round 2 of the PPP during the year ended December 31, 2021. During the year ended December 31, 2021, we sold approximately 2,000 PPP loans with an aggregate balance of $243.6 million at a gain of $9.2 million. As of June 30, 2022, we had approximately $3.2 million in SBA PPP loans remaining, of which $1.0 million were acquired from TCBI;

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

COVID-19 Deferral Assistance Program

Beginning on March 25, 2020, we have taken proactive measures to help customers by deferring principal and/or interest payments. As of June 30, 2022, we had 1,351 loans that received deferrals with an aggregate outstanding balance of $489.8 million.

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

SBA PPP Participation

As of June 30, 2022, we held 17 PPP loans (including both round 1 and round 2 PPP loans and TCBI PPP acquired loans) with an aggregate balance of $3.2 million and an average loan balance of approximately $186,000. In June 2021, we sold approximately 2,000 PPP loans with an aggregate balance of $243.6 million at a gain of $9.2 million.

Financial Highlights

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

- **Total assets** of $5.5 billion, a $804.0 million, or 17.0%, increase from December 31, 2021.

- **Total loans held for investment** of $4.1 billion, a $924.1 million, or 29.0%, increase from December 31, 2021.

- **Total deposits** of $4.7 billion, a $580.9 million, or 14.3%, increase from December 31, 2021.

- **Net income** of $22.5 million for the six months ended June 30, 2022, a $7.3 million, or 24.4%, decrease from the six months ended June 30, 2021.
- **Net interest income** of $90.0 million for the six months ended June 30, 2022, an increase of $11.8, or 15.1%, from the six months ended June 30, 2021.
- **Allowance for loan and lease losses** of 0.79% of total loans held for investment, compared to 0.91% as of December 31, 2021, and a ratio of nonperforming loans to total loans held for investment of 0.42%, compared to 0.41% as of December 31, 2021.
- **Earnings per share** for the first six months of 2022 of $1.03 per basic and diluted share, compared to $1.44 per basic share and $1.43 per diluted share for the first six months of 2021.
- **Return on average assets** of 0.87% over the first six months of 2022, compared to 1.37% for the first six months of 2021.
- **Return on average equity** of 10.03% over the first six months of 2022, compared to 14.23% for the first six months of 2021.
- **Capital ratios** for Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 7.68%, 8.13%, 8.23% and 11.09%, respectively, compared to Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 8.14%, 9.04%, 9.17% and 11.94% for the quarter ended December 31, 2021.
- **Book value per share** of $19.73, a decrease of 7.1% from $21.24 at December 31, 2021.

Results of Operations for the Three and Six Months Ended June 30, 2022 and 2021

Performance Summary

For the three months ended June 30, 2022, net income was $13.8 million, or $0.61 per basic and diluted share, compared to net income of $17.4 million, or $0.84 per basic and diluted share, for the three months ended June 30, 2021. Return on average assets, on an annualized basis, decreased to 1.02% for the three months ended June 30, 2022, from 1.58% for the three months ended June 30, 2021. Return on average equity, on an annualized basis, decreased to 12.22% for the three months ended June 30, 2022, as compared to 16.57% for the three months ended June 30, 2021.

For the six months ended June 30, 2022, net income was $22.5 million, or $1.03 per basic and diluted share, compared to net income of $29.8 million, or $1.44 per basic share and $1.43 per diluted share, for the six months ended June 30, 2021. Return on average assets, on an annualized basis, decreased to 0.87% for the six months ended June 30, 2022, from 1.37% for the six months ended June 30, 2021. Return on average equity, on an annualized basis, decreased to 10.03% for the six months ended June 30, 2022, as compared to 14.23% for the six months ended June 30, 2021.

Net Interest Income

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

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

For the three months ended June 30, 2022, net interest income totaled $49.6 million, and net interest margin and net interest spread were 3.98% and 3.79%, respectively, compared to $37.9 million, 3.87%, and 3.68%, respectively, for the three months ended June 30, 2021. The average yield on the loan portfolio (excluding SBA PPP loans) was 5.10% for the three months ended June 30, 2022, compared to 5.13% for the three months ended June 30, 2021, and the average yield on total interest-earning assets was 4.33% for the three months ended June 30, 2022, compared to 4.32% for the three months ended June 30, 2021. For the three months ended June 30, 2022, overall cost of funds (which includes noninterest-bearing deposits) decreased 9 basis points compared to the three months ended June 30, 2021, primarily due to the maturing of higher yielding deposits, reduction of rates on interest-bearing deposits and increase in noninterest bearing deposits.

For the six months ended June 30, 2022, net interest income totaled $90.0 million, and net interest margin and net interest spread were 3.75% and 3.58%, respectively, compared to $78.2 million, 4.05%, and 3.87%, respectively, for the six months ended June 30, 2021. The average yield on the loan portfolio (excluding SBA PPP loans) was 4.94% for the six months ended June 30, 2022, compared to 5.32% for the six months ended June 30, 2021, and the average yield on total interest-earning assets was 4.09% for the six months ended June 30, 2022, compared to 4.48% for the six months ended June 30, 2021. For the six months ended June 30, 2022, overall cost of funds (which includes noninterest-bearing deposits) decreased 8 basis points compared to the six months ended June 30, 2021, primarily due to the maturing of higher yielding deposits, reduction of rates on interest-bearing deposits and increase in noninterest bearing deposits.

The following tables present, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average amounts outstanding and the interest earned or paid on such amounts. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. Interest earned on loans that are classified as nonaccrual is not recognized in income; however the balances are reflected in average outstanding balances for the period. For the three and six months ended June 30, 2022 and 2021, interest income not recognized on nonaccrual loans was not material. Any nonaccrual loans have been included in the table as loans carrying a zero yield. The average total loans reflected below is net of deferred loan fees and discounts. Acquired loans were recorded at fair value at acquisition and accrete interest income either over the remaining lives of the respective loans or expected cash flows. Averages presented in the table below, and throughout this report, are month-end averages.

	For the Three Months Ended June 30,					
	2022			2021		
	Average Outstanding Balance	Interest Earned/Interest Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Interest Paid	Average Yield/Rate
	(Dollars in thousands) (Unaudited)					
Assets						
Interest-earning assets:						
Total loans (excluding SBA PPP loans)	$ 3,890,470	$ 49,628	5.10%	$ 2,814,593	$ 36,116	5.13%
SBA PPP loans	4,429	11	1.00	242,015	3,019	4.99
Securities	966,960	4,143	1.71	801,268	3,189	1.59
Interest-bearing deposits in other banks	122,175	232	0.76	62,693	27	0.17
Total interest-earning assets	4,984,034	54,014	4.33	3,920,569	42,351	4.32
Allowance for loan losses	(29,945)			(26,032)		
Noninterest-earning assets	417,550			505,374		
Total Assets	$ 5,371,639	$ 54,014		$ 4,399,911	$ 42,351	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 2,981,613	$ 2,557	0.34%	$ 2,615,241	$ 3,235	0.49%
Subordinated debt	111,107	1,300	4.68	81,427	1,015	4.99
Subordinated debt - trust preferred securities	5,000	52	4.16	5,000	43	3.44
Advances from Federal Home Loan Bank ("FHLB")	171,224	506	1.18	32,887	108	1.31
First National Bankers Bank ("FNBB") Line of Credit	3,333	21	2.52	-	-	0.00
Other borrowings	24,927	16	0.26	24,909	5	0.08
Total interest-bearing liabilities	3,297,204	4,452	0.54	2,759,464	4,406	0.64
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,596,174			1,191,900		
Other liabilities	27,830			27,907		
Total noninterest-bearing liabilities	1,624,004			1,219,807		
Shareholders' equity	450,431			420,640		
Total liabilities and shareholders' equity	$ 5,371,639			$ 4,399,911		
Net interest rate spread (1)			3.79%			3.68%
Net interest rate income		$ 49,562			$ 37,945	
Net Interest margin (2)			3.98%			3.87%
Overall cost of funds			0.36%			0.45%

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

	For the Six Months Ended June 30,					
	2022			2021		
	Average Outstanding Balance	Interest Earned/Interest Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Interest Paid	Average Yield/Rate
	(Dollars in thousands) (Unaudited)					
Assets						
Interest-earning assets:						
Total loans (excluding SBA PPP loans)	$ 3,636,393	$ 89,802	4.94%	$ 2,729,130	$ 72,654	5.32%
SBA PPP loans	4,077	20	1.00	308,487	7,900	5.12
Securities	986,107	7,987	1.62	746,372	5,991	1.61
Interest-bearing deposits in other banks	171,662	327	0.38	81,963	68	0.17
Total interest-earning assets	4,798,239	98,136	4.09	3,865,952	86,613	4.48
Allowance for loan losses	(29,602)			(24,371)		
Noninterest-earning assets	377,235			496,589		
Total Assets	$ 5,145,872	$ 98,136		$ 4,338,170	$ 86,613	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 2,932,228	$ 4,820	0.33%	$ 2,599,751	$ 6,478	0.50%
Subordinated debt	101,231	2,415	4.77	54,939	1,474	5.37
Subordinated debt - trust preferred securities	5,000	94	3.76	5,000	85	3.40
Advances from FHLB	125,800	729	1.16	34,954	219	1.25
FNBB Line of Credit	1,667	21	2.52	-	-	0.00
Other borrowings	22,297	20	0.18	28,302	111	0.78
Total interest-bearing liabilities	3,188,223	8,099	0.51	2,722,946	8,367	0.61
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,483,095			1,169,425		
Other liabilities	26,338			27,532		
Total noninterest-bearing liabilities	1,509,433			1,196,957		
Shareholders' equity	448,216			418,267		
Total liabilities and shareholders' equity	$ 5,145,872			$ 4,338,170		
Net interest rate spread (1)			3.58%			3.87%
Net interest rate income		$ 90,037			$ 78,246	
Net Interest margin (2)			3.75%			4.05%
Overall cost of funds			0.35%			0.43%

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

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

	For the Three Months Ended June 30, 2022 compared to the Three Months Ended June 30, 2021		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans (excluding SBA PPP loans)	$ 13,724	$ (212)	$ 13,512
SBA PPP loans	(594)	(2,414)	(3,008)
Securities	710	244	954
Interest-bearing deposits in other banks	113	92	205
Total increase (decrease) in interest income	$ 13,953	$ (2,290)	$ 11,663
Interest-bearing liabilities:			
Interest-bearing deposits	$ 314	$ (992)	$ (678)
Subordinated debt	347	(62)	285
Subordinated debt - trust preferred securities	-	9	9
Advances from FHLB	409	(11)	398
FNBB Line of Credit	21	-	21
Other borrowings	-	11	11
Total increase (decrease) in interest expense	1,091	(1,045)	46
Increase (decrease) in net interest income	$ 12,862	$ (1,245)	$ 11,617

	For the Six Months Ended June 30, 2022 compared to the Six Months Ended June 30, 2021		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans (excluding SBA PPP loans)	$ 22,405	$ (5,257)	$ 17,148
SBA PPP loans	(1,522)	(6,358)	(7,880)
Securities	1,942	54	1,996
Interest-bearing deposits in other banks	171	88	259
Total increase (decrease) in interest income	$ 22,996	$ (11,473)	$ 11,523
Interest-bearing liabilities:			
Interest-bearing deposits	$ 547	$ (2,205)	$ (1,658)
Subordinated debt	1,104	(163)	941
Subordinated debt - trust preferred securities	-	9	9
Advances from FHLB	526	(16)	510
FNBB Line of Credit	21	-	21
Other borrowings	(5)	(86)	(91)
Total increase (decrease) in interest expense	2,193	(2,461)	(268)
Increase (decrease) in net interest income	$ 20,803	$ (9,012)	$ 11,791

Provision for Loan Losses

Our provision for loan losses is a charge to income in order to bring our allowance for loan losses to a level deemed appropriate by management. For a description of the factors taken into account by management in determining the allowance for loan losses see "—*Financial Condition—Allowance for Loan Losses.*" The provision for loan losses was $2.9 million for the three months ended June 30, 2022 and $2.2 million for the same period in 2021. For the six months ended June 30, 2022 and 2021, the provision for loan losses was $4.6 million and $5.6 million, respectively. The higher provision for the three months ended June 30, 2022 compared to the same period in 2021 relates primarily to the overall growth of the loan portfolio. The decrease for the six months ended June 30, 2022 compared to the same period in 2021 related primarily to the improvement of the qualitative factors attributed to the general economy and energy sector, offset by reserves for new loan growth.

Noninterest Income ("Other Income")

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

	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 2,086	$ 1,683	$ 403
Debit card and ATM fee income	1,657	1,777	(120)
Bank-owned life insurance income	475	355	120
Gain on sales of loans	186	10,042	(9,856)
Loss on sales of investment securities	(8)	(50)	42
Fees and brokerage commissions	1,749	1,416	333
Mortgage origination income	161	241	(80)
Correspondent bank income	10	123	(113)
Gain (loss) on sales of other real estate owned	10	(575)	585
Loss on sales of other assets	-	(9)	9
Pass-through income from SBIC partnerships	52	1,602	(1,550)
Other	643	560	83
Total noninterest income	$ 7,021	$ 17,165	$ (10,144)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 3,891	$ 3,250	$ 641
Debit card and ATM fee income	3,158	3,113	45
Bank-owned life insurance income	844	673	171
Gain on sales of loans	251	10,021	(9,770)
Loss on sales of investment securities	(39)	(55)	16
Fees and brokerage commissions	3,584	1,959	1,625
Mortgage origination income	370	470	(100)
Correspondent bank income	14	266	(252)
Gain (loss) on sales of other real estate owned	18	(529)	547
Gain (loss) on sales of other assets	(717)	108	(825)
Pass-through income from SBIC partnerships	167	1,655	(1,488)
Other	1,376	1,082	294
Total noninterest income	$ 12,917	$ 22,013	$ (9,096)

Total noninterest income decreased $10.1 million, or 59.1%, from the three months ended June 30, 2021. The decrease was primarily due to the gain of $9.2 million on the sale of approximately 2,000 PPP loans in the second quarter 2021 and $1.6 million, or 96.8%, lower pass-through income from our SBIC partnerships.

Total noninterest income decreased $9.1 million, or 41.3%, from the six months ended June 30, 2021. The decrease was primarily due to the gain of $9.2 million on the sale of approximately 2,000 PPP loans in the second quarter 2021 and $1.5 million, or 89.9%, lower pass-through income from our SBIC partnerships, partially offset with additional income $1.6 million, or 83.0%, from fees and brokerage commissions from SSW.

Noninterest Expense (“Other Expense”)

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

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

	For the Three Months Ended June 30,		
	2022	**2021**	**Increase (Decrease)**
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 21,408	$ 16,753	$ 4,655
Non-staff expenses:			
Occupancy of bank premises	2,422	2,276	146
Depreciation and amortization	1,734	1,475	259
Data processing	1,886	2,288	(402)
FDIC assessment fees	661	436	225
Legal and professional fees	735	905	(170)
Advertising and promotions	703	624	79
Utilities and communications	822	636	186
Ad valorem shares tax	812	675	137
Directors' fees	212	194	18
Other real estate owned expenses and write-downs	35	178	(143)
Merger and conversion related expenses	615	94	521
Other	4,352	4,371	(19)
Total noninterest expense	$ 36,397	$ 30,905	$ 5,492

	For the Six Months Ended June 30, 2022	2021	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 41,111	$ 31,679	$ 9,432
Non-staff expenses:			
Occupancy of bank premises	4,474	4,087	387
Depreciation and amortization	3,303	2,833	470
Data processing	4,002	4,111	(109)
FDIC assessment fees	1,404	945	459
Legal and professional fees	1,278	1,646	(368)
Advertising and promotions	1,234	1,101	133
Utilities and communications	1,601	1,211	390
Ad valorem shares tax	1,625	1,375	250
Directors' fees	414	382	32
Other real estate owned expenses and write-downs	49	557	(508)
Merger and conversion related expenses	1,426	104	1,322
Other	8,196	7,602	594
Total noninterest expense	$ 70,117	$ 57,633	$ 12,484

Total noninterest expense increased $5.5 million, or 17.8%, from the three months ended June 30, 2021, primarily attributed to $4.7 million increase in salaries and employee benefits due to the acquisition of TCBI and additional staffing hired over the past year. The increase in noninterest expense was also partially due to $521,000 increase in merger and conversion related expenses due to the TCBI acquisition.

Total noninterest expense increased $12.5 million, or 21.7%, from the six months ended June 30, 2021, primarily attributed to $9.4 million increase in salaries and employee benefits due to the acquisition of TCBI and additional staffing hired over the past year. The increase in noninterest expense was also partially due to $1.3 million increase in merger and conversion related expenses due to the TCBI acquisition.

Income Tax Expense

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

For the three months ended June 30, 2022, income tax expense totaled $3.5 million, a decrease of $1.1 million, or 23.2%, compared to $4.5 million for the same period in 2021. For the six months ended June 30, 2022, income tax expense totaled $5.8 million, a decrease of $1.5 million, or 20.4%, compared to $7.3 million for the same period in 2021. Our effective tax rates for the three months ended June 30, 2022 and 2021 were 20.2% and 20.7%, respectively. For the six months ended June 30, 2022 and 2021, our effective tax rates were 20.5% and 19.6%, respectively. Our effective tax rate for both periods was affected by tax-exempt income generated by municipal securities, bank-owned life insurance and by other nondeductible expenses (including acquisition-related expenses).

Financial Condition

Our total assets increased $804.0 million, or 17.0%, from December 31, 2021 to June 30, 2022, due primarily from the acquisition of TCBI and the increase in our loan portfolio.

Loan Portfolio

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

As of June 30, 2022, total loans held for investment were $4.1 billion, an increase of $924.1 million, or 29.0%, compared to $3.2 billion as of December 31, 2021. The increase was primarily due to the acquisition of TCBI and growth in our Dallas/Fort Worth metroplex and New Orleans markets. Additionally, $170,000 and $1.2 million in loans were classified as loans held for sale as of June 30, 2022 and December 31, 2021, respectively.

Total loans held for investment as a percentage of total deposits were 88.3% and 78.2% as of June 30, 2022 and December 31, 2021, respectively. Total loans held for investment as a percentage of total assets were 74.4% and 67.5% as of June 30, 2022 and December 31, 2021, respectively.

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

	As of June 30, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial	$ 949,631	23.1%	$ 721,385	22.6%
Real estate:				
Construction and land	642,260	15.6	548,528	17.2
Farmland	174,723	4.2	87,463	2.7
1-4 family residential	521,747	12.7	467,699	14.7
Multi-family residential	97,901	2.4	97,508	3.1
Nonfarm nonresidential	1,605,691	39.0	1,144,426	35.9
Consumer and other	121,773	3.0	122,599	3.8
Total loans held for investment	$ 4,113,726	100.0%	$ 3,189,608	100.0%

SBA PPP loans accounted for $3.2 million and $5.4 million of the commercial portfolio as of June 30, 2022 and December 31, 2021, respectively.

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

Commercial loans increased $228.2 million, or 31.6%, to $949.6 million as of June 30, 2022 from $721.4 million as of December 31, 2021.

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

Construction and land loans increased $93.7 million, or 17.1%, to $642.3 million as of June 30, 2022 from $548.5 million as of December 31, 2021.

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

1-4 family residential loans increased $54.0 million, or 11.6%, to $521.7 million as of June 30, 2022 from $467.7 million as of December 31, 2021.

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

Nonfarm nonresidential loans increased $461.3 million, or 40.3%, to $1.6 billion as of June 30, 2022 from $1.1 billion as of December 31, 2021.

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

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

	As of June 30, 2022				
	One Year or Less	One Through Five Years	Five Through Fifteen Years	After Fifteen Years	Total
	(Dollars in thousands) (Unaudited)				
Commercial	$ 412,209	$ 327,836	$ 209,264	$ 322	$ 949,631
Real estate:					
Construction and land	249,056	328,129	58,797	6,278	642,260
Farmland	21,788	108,445	44,490	-	174,723
1-4 family residential	70,605	272,481	125,256	53,405	521,747
Multi-family residential	10,799	32,558	48,556	5,988	97,901
Nonfarm nonresidential	132,832	745,640	596,999	130,220	1,605,691
Consumer and other	53,656	52,714	15,123	280	121,773
Total loans held for investment	$ 950,945	$ 1,867,803	$ 1,098,485	$ 196,493	$ 4,113,726
Fixed rate loans:					
Commercial	$ 148,988	$ 208,210	$ 142,600	$ -	$ 499,798
Real estate:					
Construction and land	96,363	201,436	32,806	76	330,681
Farmland	11,127	55,852	33,453	-	100,432
1-4 family residential	40,912	225,177	67,153	12,142	345,384
Multi-family residential	9,013	30,707	46,120	15	85,855
Nonfarm nonresidential	64,433	687,509	469,118	9,198	1,230,258
Consumer and other	24,837	42,252	13,204	164	80,457
Total fixed rate loans	$ 395,673	$ 1,451,143	$ 804,454	$ 21,595	$ 2,672,865
Floating rate loans:					
Commercial	$ 263,221	$ 119,626	$ 66,664	$ 322	$ 449,833
Real estate:					
Construction and land	152,693	126,693	25,991	6,202	311,579
Farmland	10,661	52,593	11,037	-	74,291
1-4 family residential	29,693	47,304	58,103	41,263	176,363
Multi-family residential	1,786	1,851	2,436	5,973	12,046
Nonfarm nonresidential	68,399	58,131	127,881	121,022	375,433
Consumer and other	28,819	10,462	1,919	116	41,316
Total floating rate loans	$ 555,272	$ 416,660	$ 294,031	$ 174,898	$ 1,440,861

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

Nonperforming Assets

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

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

We believe our conservative lending approach and focused management of nonperforming assets has resulted in sound asset quality and the timely resolution of problem assets. We had $18.2 million and $14.5 million in nonperforming assets as of June 30, 2022 and December 31, 2021, respectively. We had $17.1 million in nonperforming loans as of June 30, 2022 compared to $13.1 million as of December 31, 2021. The increase in nonperforming assets from December 31, 2021 to June 30, 2022 is primarily due to one $6.3 million borrower that was placed on nonaccrual during the three months ended June 30, 2022. This loan was paid in full during July 2022 from insurance proceeds related to the hurricane damage of the collateral.

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

	As of June 30, 2022 (Unaudited)	As of December 31, 2021
	(Dollars in thousands)	
Nonaccrual loans	$ 16,777	$ 12,868
Accruing loans 90 or more days past due	324	222
Total nonperforming loans	17,101	13,090
Other nonperforming assets	84	-
Other real estate owned:		
Commercial real estate, construction, land and land development	990	1,348
Residential real estate	-	79
Total other real estate owned	990	1,427
Total nonperforming assets	$ 18,175	$ 14,517
Restructured loans-nonaccrual	$ 3,189	$ 3,275
Restructured loans-accruing	3,715	315
Ratio of nonperforming loans to total loans held for investment	0.42%	0.41%
Ratio of nonperforming assets to total assets	0.33	0.31
Ratio of nonaccrual loans to total loans held for investment	0.41	0.40

	As of June 30, 2022 (Unaudited)	As of December 31, 2021
	(Dollars in thousands)	
Nonaccrual loans by category:		
Real estate:		
Construction and land	$ 664	$ 1,341
Farmland	92	76
1-4 family residential	3,667	3,601
Multi-family residential	-	-
Nonfarm nonresidential	8,608	2,614
Commercial	3,514	4,947
Consumer and other	232	289
Total	$ 16,777	$ 12,868

As of June 30, 2022, our loan portfolio included 1,351 loans with an aggregate outstanding balance of $489.8 million that had previously been granted temporary payment deferrals of principal and/or interest due to the effect of the COVID-19 pandemic. As of December 31, 2021, our loan portfolio included 1,574 loans with an aggregate outstanding balance of $522.0 million that had previously been granted temporary payment deferrals. In accordance with FASB and interagency regulatory guidance issued in March 2020, loans that were modified under the terms of our COVID-19 Deferral Assistance Program are not be considered as troubled debt restructurings to the extent that they meet the terms of such guidance under Section 4013 of the CARES Act. Loans under these deferrals remain in their current risk rating and/or past due status through the deferral period. None of these loans are currently in their deferral period at June 30, 2022 and December 31, 2021, respectively.

Potential Problem Loans

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

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

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

Credits rated doubtful have all the weaknesses inherent in those rated substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

	As of June 30, 2022				
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
	(Dollars in thousands) (Unaudited)				
Real estate:					
Construction and land	$ 638,578	$ 693	$ 2,325	$ 664	$ 642,260
Farmland	172,160	2,471	-	92	174,723
1-4 family residential	508,798	3,522	3,946	5,481	521,747
Multi-family residential	97,882	-	19	-	97,901
Nonfarm nonresidential	1,547,001	25,801	21,868	11,021	1,605,691
Commercial	931,664	8,567	5,786	3,614	949,631
Consumer and other	120,649	365	430	329	121,773
Total	$ 4,016,732	$ 41,419	$ 34,374	$ 21,201	$ 4,113,726

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

Allowance for Loan Losses

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

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

- for commercial and industrial loans, the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category, and the value, nature and marketability of collateral;

- for commercial mortgage loans and multi-family residential loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan payment requirements), operating results of the owner in the case of owner-occupied properties, the loan to value ratio, the age and condition of the collateral, and the volatility of income, property value and future operating results typical for properties of that type;

- for 1-4 family residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan to value ratio, and the age, condition and marketability of the collateral; and

- for construction, land development and other land loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, the experience and ability of the developer, and the loan to value ratio.

As of June 30, 2022, the allowance for loan losses totaled $32.3 million, or 0.79%, of total loans held for investment. As of December 31, 2021, the allowance for loan losses totaled $29.1 million, or 0.91%, of total loans held for investment.

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

	As of and For the Six Months Ended June 30, 2022 (Unaudited)	As of and For the Year Ended December 31, 2021
	(Dollars in thousands)	
Average loans outstanding (1)	$ 3,640,470	$ 3,037,020
Gross loans held for investment outstanding end of period	$ 4,113,726	$ 3,189,608
Allowance for loan losses at beginning of period	$ 29,112	$ 22,024
Provision for loan losses	4,562	8,047
Charge-offs:		
Real Estate:		
Construction, land and farmland	6	29
Residential	3	169
Nonfarm nonresidential	30	139
Commercial	1,517	830
Consumer and other	211	469
Total charge-offs	1,767	1,636
Recoveries:		
Real Estate:		
Construction, land and farmland	18	3
Residential	3	39
Nonfarm nonresidential	8	99
Commercial	270	417
Consumer and other	111	119
Total recoveries	410	677
Net charge-offs	1,357	959
Allowance for loan losses at end of period	$ 32,317	$ 29,112
Ratio of allowance to end of period loans held for investment	0.79%	0.91%
Ratio of net charge-offs to average loans	0.04	0.03
Ratio of allowance to nonaccrual loan	192.63	227.24

(1) Excluding loans held for sale

	As of and For the Six Months Ended June 30, 2022 (Unaudited)		As of and for the Year Ended December 31, 2021	
	Net Charge-offs (Recoveries)	Percent of Average Loans	Net Charge-offs (Recoveries)	Percent of Average Loans
	(Dollars in thousands)			
Commercial	$ 1,247	0.04%	$ 413	0.01%
Real estate:				
Construction and land	(12)	0.00%	27	0.00%
Farmland	-	0.00%	(1)	0.00%
1-4 family residential	-	0.00%	130	0.00%
Multi-family residential	-	0.00%	-	0.00%
Nonfarm nonresidential	22	0.00%	40	0.00%
Consumer and other	100	0.00%	350	0.01%
Total loans held for investment	$ 1,357	0.04%	$ 959	0.03%

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

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

	As of June 30, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands)			
Real estate:				
Construction and land	$ 5,020	15.5%	$ 4,498	15.5%
Farmland	1,404	4.3	721	2.5
1-4 family residential	4,409	13.7	3,791	13.0
Multi-family residential	723	2.2	774	2.7
Nonfarm nonresidential	11,416	35.3	9,794	33.6
Total real estate	22,972	71.0	19,578	67.3
Commercial	8,227	25.5	8,358	28.7
Consumer and other	1,118	3.5	1,176	4.0
Total allowance for loan losses	$ 32,317	100.0%	$ 29,112	100.0%

Securities

We use our securities portfolio to provide a source of liquidity, an appropriate return on funds invested, manage interest rate risk, meet collateral requirements, and meet regulatory capital requirements. As of June 30, 2022, the carrying amount of investment securities totaled $934.7 million, a decrease of $86.4 million, or 8.5%, compared to $1.0 billion as of December 31, 2021. The decrease was primarily due to unrealized losses during the six months ended June 30, 2022. Securities represented 16.9% and 21.6% of total assets as of June 30, 2022 and December 31, 2021, respectively.

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

	As of June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands) (Unaudited)			
U.S. treasury securities	$ 32,836	$ -	$ 2,268	$ 30,568
U.S. government agencies	50,322	-	2,180	48,142
Corporate bonds	47,411	70	1,311	46,170
Mortgage-backed securities	534,335	11	45,942	488,404
Municipal securities	350,300	54	28,962	321,392
Total	$ 1,015,204	$ 135	$ 80,663	$ 934,676

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

All of our mortgage-backed securities are agency securities. We do not hold any Fannie Mae or Freddie Mac preferred stock, corporate equity, collateralized debt obligations, collateralized loan obligations, structured investment vehicles, private label collateralized mortgage obligations, subprime, Alt-A, or second lien elements in our investment portfolio.

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

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

	As of June 30, 2021									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands) (Unaudited)									
U.S. treasury securities	$ -	-%	$ 30,568	1.01%	$ -	-%	$ -	-%	$ 30,568	1.01%
U.S. government agencies	-	-%	48,142	1.51%	-	-%	-	-%	48,142	1.51%
Corporate bonds	-	-%	-	-%	46,170	4.38%	-	-%	46,170	4.38%
Mortgage-backed securities	5,214	2.46%	34,996	1.34%	202,499	1.51%	245,695	1.40%	488,404	1.45%
Municipal securities	13,736	1.95%	100,460	1.43%	126,832	1.75%	80,364	1.89%	321,392	1.69%
Total	$ 18,950	2.09%	$ 214,166	1.37%	$ 375,501	1.94%	$ 326,059	1.52%	$ 934,676	1.67%

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

The contractual maturity of mortgage-backed securities, collateralized mortgage obligations and asset-backed securities is not a reliable indicator of their expected life because borrowers have the right to prepay their obligations at any time. Mortgage-backed securities and asset-backed securities are typically issued with stated principal amounts and are backed by pools of mortgage loans and other loans with varying maturities. The term of the underlying mortgages and loans may vary significantly due to the ability of a borrower to prepay. Monthly paydowns on mortgage-backed securities tend to cause the average life of the securities to be much different than the stated contractual maturity. During a period of increasing interest rates, fixed rate mortgage-backed securities do not tend to experience heavy prepayments of principal and, consequently, the average life of this security will be lengthened. If interest rates begin to fall, prepayments may increase, thereby shortening the estimated life of this security. The weighted average life of our investment portfolio was 5.87 years with an estimated effective duration of 56.06 months as of June 30, 2022.

As of June 30, 2022 and December 31, 2021, we did not own securities of any one issuer for which aggregate adjusted cost exceeded 10% of our consolidated shareholders' equity as of such respective dates.

As of June 30, 2022 and December 31, 2021, the Company held other equity securities of $30.3 million and $16.6 million, respectively, comprised mainly of FHLB stock, small business investment companies ("SBICs") and financial technology ("Fintech") fund investments.

Deposits

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

Total deposits as of June 30, 2022 were $4.7 billion, an increase of $580.9 million, or 14.3%, compared to $4.1 billion as of December 31, 2021.

Noninterest-bearing deposits as of June 30, 2022 were $1.7 billion compared to $1.3 billion as of December 31, 2021, an increase of $407.1 million, or 31.5%.

Average deposits for the six months ended June 30, 2022 were $4.4 billion, an increase of $613.5 million, or 16.1%, over the full year average for the year ended December 31, 2021 of $3.8 billion. The average rate paid on total interest-bearing deposits decreased over this period from 0.47% for the year ended December 31, 2021 to 0.33% for the six months ended June 30, 2022. The decrease in average rates during the six months ended June 30, 2022 over the average for the year ended December 31, 2021 was primarily due to the maturing of higher yielding deposits. In addition, the stability and continued growth of noninterest-bearing demand accounts served to reduce the cost of deposits to 0.22% for the six months ended June 30, 2022 compared to 0.32% for the year ended December 31, 2021.

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

	For the Six Months Ended June 30, 2022 (Unaudited)		For the Year Ended December 31, 2021	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Interest-bearing demand accounts	$ 200,591	0.33%	$ 177,196	0.49%
Negotiable order of withdrawal ("NOW") accounts	579,354	0.11%	511,231	0.13%
Limited access money market accounts and savings	1,474,716	0.29%	1,176,858	0.29%
Certificates and other time deposits > $250k	197,949	0.61%	204,892	1.12%
Certificates and other time deposits ≤ $250k	479,618	0.61%	534,648	0.93%
Total interest-bearing deposits	2,932,228	0.33%	2,604,825	0.47%
Noninterest-bearing demand accounts	1,483,095	-%	1,196,970	-%
Total deposits	$ 4,415,323	0.22%	$ 3,801,795	0.32%

The ratio of average noninterest-bearing deposits to average total deposits for the six months ended June 30, 2022 and the year ended December 31, 2021 was 33.6% and 31.5%, respectively.

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

	Certificates of Deposit More Than $250,000	Certificates of Deposit of $ 100,000 Through $250,000
	(Dollars in thousands) (Unaudited)	
3 months or less	$ 51,770	$ 92,774
More than 3 months but less than 6 months	34,585	72,979
More than 6 months but less than 12 months	67,093	80,081
12 months or more	40,960	52,943
Total	$ 194,408	$ 298,777

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 June 30, 2022:

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

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

Liquidity and Capital Resources

Liquidity

Liquidity involves our ability to utilize funds to support asset growth and acquisitions or reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements and otherwise to operate on an ongoing basis and manage unexpected events. For the six months ended June 30, 2022 and the year ended December 31, 2021, liquidity needs were primarily met by core deposits, security and loan maturities, and amortizing investment and loan portfolios. Although access to brokered deposits, purchased funds from correspondent banks and overnight advances from the FHLB have been utilized on occasion to take advantage of investment opportunities, we do not generally rely on these external funding sources. As of June 30, 2022 and December 31, 2021, we maintained six federal funds purchased lines of credit with correspondent banks which provided for extensions of credit with an availability to borrow up to an aggregate of $154.0 million. There were no funds drawn under these lines of credit outstanding as of June 30, 2022 and December 31, 2021, respectively.

The following table illustrates, during the periods presented, the mix of our funding sources and the average assets in which those funds are invested as a percentage of average total assets for the periods indicated. Average total assets equaled $5.1 billion and $4.4 billion for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively.

	For the Six Months Ended June 30, 2022 (Unaudited)	For the Year Ended December 31, 2021
Source of Funds:		
Deposits:		
Noninterest-bearing	28.8%	27.2%
Interest-bearing	57.0	59.2
Subordinated debt (excluding trust preferred securities)	2.0	1.5
Advances from FHLB	2.5	1.1
Other borrowings	0.5	0.7
Other liabilities	0.5	0.6
Shareholders' equity	8.7	9.7
Total	100.0%	100.0%
Uses of Funds:		
Loans, net of allowance for loan losses	70.2%	68.4%
Securities available for sale	19.2	19.7
Interest-bearing deposits in other banks	3.3	2.4
Other noninterest-earning assets	7.3	9.5
Total	100.0%	100.0%
Average noninterest-bearing deposits to average deposits	33.6%	31.5%
Average loans to average deposits	82.5	79.9

Our primary source of funds is deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future. Our average net loans increased 19.8% for the six months ended June 30, 2022 compared to the same period in 2021, primarily due to growth in our Dallas/Fort Worth metroplex and New Orleans markets, and the acquisition of TCBI. We predominantly invest excess deposits in overnight deposits with the Federal Reserve, securities, interest-bearing deposits at other banks or other short-term liquid investments until needed to fund loan growth. Our securities portfolio had a weighted average life of 5.87 years and an effective duration of 56.06 months as of June 30, 2022. As of December 31, 2021, our securities portfolio had a weighted average life of 5.87 years and an effective duration of 53.46 months.

As of June 30, 2022, we had outstanding $1.1 billion in commitments to extend credit and $36.5 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2021, we had outstanding $1.0 billion in commitments to extend credit and $35.3 million in commitments associated with outstanding standby and commercial letters of credit. Because commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements. See "*Off Balance Sheet Items*" below for additional information.

As of June 30, 2022 and December 31, 2021 we had cash and cash equivalents, including federal funds sold, of $165.5 million and $295.4 million, respectively. We had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature for either period.

Capital Resources

Total shareholders' equity increased to $445.5 million as of June 30, 2022, compared to $433.4 million as of December 31, 2021, an increase of $12.1 million, or 2.8%. This increase was primarily due to the issuance of $55.0 million of common stock and equity awards in the acquisition of TCBI and net income of $22.5 million, offset with other comprehensive losses of $61.6 million resulting from the after tax effect of unrealized losses in our investment securities portfolio and dividends paid of $5.1 million.

On July 26, 2022, our board of directors (the "Board") declared a quarterly dividend based upon our financial performance for the three months ended June 30, 2022 in the amount of $0.12 per share to the common shareholders of record as of August 15, 2022. The dividend is to be paid on August 31, 2022, or as soon as practicable thereafter.

The declaration and payment of dividends to our shareholders, as well as the amounts thereof, are subject to the discretion of the Board and depend upon our results of operations, financial condition, capital levels, cash requirements, future prospects and other factors deemed relevant by the Board. As a holding company, our ability to pay dividends is largely dependent upon the receipt of dividends from our subsidiary, b1BANK. There can be no assurance that we will declare and pay any dividends to our shareholders.

Capital management consists of providing equity to support current and future operations. Banking regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. We are subject to regulatory capital requirements at the holding company and bank levels. As of June 30, 2022 and December 31, 2021, we and b1BANK were in compliance with all applicable regulatory capital requirements, and b1BANK was classified as "well-capitalized," for purposes of prompt corrective action regulations. However, as of June 30, 2022, the Company's Tier 1 capital ratio of 8.23%, while enough for the Company to be well capitalized, did not satisfy the 2.5% capital conservation buffer under the Basel III regulatory capital framework. As a result, until the Company's Tier 1 capital ratio exceeds 8.50%, and thereby satisfies the capital conservation buffer, the Company's distributions to shareholders in a quarter, together with any stock repurchases and discretionary bonus payments, will be limited to 60% of its eligible retained income, which is generally defined as net income for the prior four quarters, less any distributions during such four-quarter period. This is not expected to have any material effect on the Company or its ability to pay dividends as the Company's total distributions in a quarter have historically not approached such limit. 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 June 30, 2022 (Unaudited)		As of December 31, 2021	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Business First				
Total capital (to risk weighted assets)	$ 551,476	11.09%	$ 478,794	11.94%
Tier 1 capital (to risk weighted assets)	409,244	8.23%	367,431	9.17%
Common Equity Tier 1 capital (to risk weighted assets)	404,244	8.13%	362,431	9.04%
Tier 1 Leverage capital (to average assets)	409,244	7.68%	367,431	8.14%
b1BANK				
Total capital (to risk weighted assets)	$ 545,018	10.97%	$ 468,834	11.71%
Tier 1 capital (to risk weighted assets)	512,061	10.30%	438,898	10.96%
Common Equity Tier 1 capital (to risk weighted assets)	512,061	10.30%	438,898	10.96%
Tier 1 Leverage capital (to average assets)	512,061	9.61%	438,898	9.73%

Long Term Debt

During the six months ended June 30, 2022, as part of the acquisition of TCBI, we assumed $26.4 million in subordinated debt. As part of this debt, we recorded a fair value adjustment premium in the amount of $3.4 million, to accrete over five-to-seven years, with a remaining adjustment of $3.2 million as of June 30, 2022. During the six months ended June 30, 2021, we issued $56.4 million in subordinated debt, and paid off $11.0 million in long term borrowings.

FHLB Advances

Advances from the FHLB totaled approximately $254.0 million and $82.0 million at June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, the FHLB advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 1.51% and 1.08%, respectively, and mature within five years. At June 30, 2022, $200.0 million in advances were short term with a rate of 1.66% and a weighted average stated rate of 1.31%. There were no short term advances at December 31, 2021.

Contractual Obligations

The following tables summarize contractual obligations and other commitments to make future payments as of June 30, 2022 and December 31, 2021 (other than non-maturity deposit obligations), which consist of future cash payments associated with our contractual obligations pursuant to our FHLB advances, subordinated debt, revolving line of credit, notes payable, and non-cancelable future operating leases. Payments related to leases are based on actual payments specified in underlying contracts. The subordinated debt totaled $111.1 million and $81.4 million at June 30, 2022 and December 31, 2021, respectively. Of this subordinated debt, $25.0 million bears interest at a fixed rate of 6.75% through December 31, 2028 and a floating rate, based on a benchmark rate plus 369 basis points, thereafter through maturity in 2033, $52.5 million of this subordinated debt bears interest at a fixed rate of 4.25% through March 31, 2026 and a floating rate, based on a benchmark rate plus 354 basis points, thereafter through maturity in 2031, $3.9 million of this subordinated debt bears interest at a fixed rate of 4.75% through April 1, 2026 and a floating rate, based on a benchmark rate plus 442 basis points, thereafter through maturity in 2031. We acquired three separate notes as part of the TCBI acquisition totaling $26.4 million. Of those notes, $10.0 million bears interest at a fixed rate of 6.25% until April 11, 2023, then will reset to a floating interest rate based on a benchmark plus 350 basis points, adjusting quarterly until maturity on April 11, 2028, $7.5 million bears a fixed rate of 6.38% until December 13, 2013, then will reset to a floating interest rate based on a benchmark rate plus 350 basis points, adjusting quarterly, until maturity on December 13, 2028, $8.9 million bears an adjustable interest rate plus 595 basis points, based on a benchmark rate, until maturity on March 24, 2027. As part of valuing these three subordinated notes from TCBI, we incurred a fair value adjustment premium of $3.4 million that will accrete over five-to-seven years. We had a revolving line of credit with FNBB in the amount of $5.0 million at both June 30, 2022 and December 31, 2021, respectively. During the three months ended June 30, 2022, we utilized the $5.0 million and carried that balance at June 30, 2022. There was no balance on this line at December 31, 2021. This revolving line of credit bears a variable interest rate equal to the Wall Street Journal Prime and not to be less than 3.5% with the rate at 4.75% at June 30, 2022. This revolving line of credit is for one year and matures in November, 2022.

	As of June 30, 2022				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands) (Unaudited)				
Non-cancelable future operating leases	$ 1,853	$ 6,947	$ 4,356	$ 6,008	$ 19,164
Time deposits	508,069	119,534	24,203	-	651,806
Subordinated debt (including premium)	613	1,227	10,031	99,184	111,055
Advances from FHLB	200,000	875	53,136	-	254,011
Subordinated debt - trust preferred securities	-	-	-	5,000	5,000
Securities sold under agreements to repurchase	18,477	-	-	-	18,477
FNBB Line of Credit	5,000	-	-	-	5,000
Standby and commercial letters of credit	11,075	24,945	435	-	36,455
Commitments to extend credit	522,581	332,274	146,910	131,212	1,132,977
Total	$ 1,267,668	$ 485,802	$ 239,071	$ 241,404	$ 2,233,945

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

Off-Balance Sheet Items

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

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by us, upon extension of credit, is based on management's credit evaluation of the customer.

Interest Rate Sensitivity and Market Risk

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

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

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

Our exposure to interest rate risk is reviewed by the asset-liability committee of b1BANK, in accordance with policies approved by our board of directors. In determining the appropriate level of interest rate risk, the committee considers the impact on earnings and capital of the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors. The committee meets regularly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sale activities, commitments to originate loans and the maturities of investments and borrowings. Additionally, the committee reviews liquidity, cash flow flexibility, maturities of deposits and consumer and commercial deposit activity. Management employs methodologies to manage interest rate risk which include an analysis of relationships between interest-earning assets and interest-bearing liabilities, and an interest rate shock simulation model.

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

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

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

	As of June 30, 2022		As of December 31, 2021	
Change in Interest Rates (Basis Points)	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity
+300	(3.70%)	0.50%	(1.00%)	(4.45%)
+200	(2.20%)	0.41%	0.10%	(3.99%)
+100	(1.20%)	0.28%	0.50%	(1.57%)
Base	-%	-%	-%	-%
-100	(2.40%)	(0.51%)	(3.30%)	2.83%
-200	(7.10%)	(1.69%)	(7.00%)	18.80%

The results are primarily due to the balance sheet mix and behavior of demand, money market and savings deposits during such rate fluctuations. We have found that, historically, interest rates on these deposits change more slowly than changes in the discount and federal funds rates. This assumption is incorporated into the simulation model and is generally not fully reflected in a gap analysis. The assumptions incorporated into the model are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and the application and timing of various strategies.

Impact of Inflation

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

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

Non-GAAP Financial Measures

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

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

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

Core Net Income. Core net income, which excludes certain income and expenses, for the three months ended June 30, 2022, was $14.6 million, or $0.64 per diluted share, compared to core net income of $18.7 million, or $0.90 per diluted share, for the three months ended June 30, 2021. Notable noncore events impacting earnings for the three months ended June 30, 2022, included $708,000 in acquisition-related expenses and $270,000 in expenses attributable to storm repairs, compared to the incurrence of losses of $540,000 on disposals of former bank premises and equipment included in other income and losses of $938,000 in expenses attributed to hurricane repairs in the three months ended June 30, 2021.

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For the six months ended June 30, 2022, core net income was $24.8 million, or $1.14 per diluted share, compared to core net income of $31.3 million, or $1.51 per diluted share, for the six months ended June 30, 2021. Notable noncore events impacting earnings for the six months ended June 30, 2022, included the incurrence of losses of $717,000 on disposals of former bank premises and equipment included in other income, $1.5 million in acquisition-related expenses and $501,000 in expenses attributable to storm repairs, compared to the incurrence of losses of $540,000 on disposals of former bank premises and equipment included in other income and losses of $1.3 million in expenses attributed to hurricane repairs in the three months ended June 30, 2021.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands, except per share data)			
Interest Income:				
Interest income	$ 54,014	$ 42,351	$ 98,136	$ 86,613
Core interest income	54,014	42,351	98,136	86,613
Interest Expense:				
Interest expense	4,452	4,406	8,099	8,367
Core interest expense	4,452	4,406	8,099	8,367
Provision for Loan Losses:				
Provision for loan losses	2,945	2,241	4,562	5,600
Core provision expense	2,945	2,241	4,562	5,600
Other Income:				
Other income	7,021	17,165	12,917	22,013
Losses on former bank premises and equipment	-	540	717	540
Losses on sale of securities	8	50	39	55
Core other income	7,029	17,755	13,673	22,608
Other Expense:				
Other expense	36,397	30,905	70,117	57,633
Acquisition-related expenses (2)	(708)	(94)	(1,519)	(104)
Occupancy and bank premises - hurricane repair	(270)	(938)	(501)	(1,288)
Core other expense	35,419	29,873	68,097	56,241
Pre-Tax Income:				
Pre-tax income	17,241	21,964	28,275	37,026
Losses on former bank premises and equipment	-	540	717	540
Losses on sale of securities	8	50	39	55
Acquisition-related expenses (2)	708	94	1,519	104
Occupancy and bank premises - hurricane repair	270	938	501	1,288
Core pre-tax income	18,227	23,586	31,051	39,013
Provision for Income Taxes: (1)				
Provision for income taxes	3,484	4,536	5,787	7,269
Tax on losses on former bank premises and equipment	-	113	151	113
Tax on losses on sale of securities	2	11	9	12
Tax on acquisition-related expenses (2)	126	20	174	22
Tax on occupancy and bank premises - hurricane repair	57	197	106	271
Core provision for income taxes	$ 3,669	$ 4,877	$ 6,227	$ 7,687
Net Income:				
Net income	$ 13,757	$ 17,428	$ 22,488	$ 29,757
Losses on former bank premises and equipment , net of tax	-	427	566	427
Losses on sale of securities, net of tax	6	39	30	43
Acquisition-related expenses (2), net of tax	582	74	1,345	82
Occupancy and bank premises - hurricane repair, net of tax	213	741	395	1,018
Core net income	$ 14,558	$ 18,709	$ 24,824	$ 31,327
Diluted Earnings Per Share:				
Diluted earnings per share	$ 0.61	$ 0.84	$ 1.03	$ 1.43
Losses on former bank premises and equipment , net of tax	-	0.02	0.03	0.02
Losses on sale of securities, net of tax	-	-	-	-
Acquisition-related expenses (2), net of tax	0.02	-	0.06	-
Occupancy and bank premises - hurricane repair, net of tax	0.01	0.04	0.02	0.06
Core diluted earnings per share	$ 0.64	$ 0.90	$ 1.14	$ 1.51

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

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

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

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

	As of June 30, 2022	As of December 31, 2021
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 445,459	$ 433,368
Adjustments:		
Goodwill	(88,842)	(59,894)
Core deposit and customer intangibles	(15,093)	(12,203)
Total tangible common equity	$ 341,524	$ 361,271
Common shares outstanding (1)	22,579,451	20,400,349
Book value per common shares (1)	$ 19.73	$ 21.24
Tangible book value per common shares (1)	15.13	17.71

(1) Excludes the dilutive effect, if any, of 169,668 and 132,032 shares of common stock issuable upon exercise of outstanding stock options and restricted stock awards as of June 30, 2022 and December 31, 2021, respectively.

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

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

	As of June 30, 2022	As of December 31, 2021
	(Dollars in thousands, except per share data) (Unaudited)	
Tangible Common Equity		
Total shareholders' equity	$ 445,459	$ 433,368
Adjustments:		
Goodwill	(88,842)	(59,894)
Core deposit and customer intangibles	(15,093)	(12,203)
Total tangible common equity	$ 341,524	$ 361,271
Tangible Assets		
Total Assets	$ 5,530,383	$ 4,726,378
Adjustments:		
Goodwill	(88,842)	(59,894)
Core deposit and customer intangibles	(15,093)	(12,203)
Total tangible assets	$ 5,426,448	$ 4,654,281
Common Equity to Total Assets	8.1%	9.2%
Tangible Common Equity to Tangible Assets	6.3	7.8

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Report, we refer you to Item 1A. "Risk Factors" of our Annual Report on Form 10-K for December 31, 2021 filed with the SEC. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for December 31, 2021.

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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Number	Description
2.1	Agreement and Plan of Reorganization, dated January 22, 2020, by and between Business First Bancshares, Inc., and Pedestal Bancshares, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on January 24, 2020).
2.2	Agreement and Plan of Reorganization, dated October 20, 2021, by and between Business First Bancshares, Inc., and Texas Citizens Bancorp, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on October 21, 2021).
3.1	Amended and Restated Articles of Incorporation of Business First Bancshares, Inc., adopted September 28, 2017 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Business First Bancshares, Inc. on October 2, 2017).
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).
10.1 +	Change in Control Agreement, dated October 29, 2019, between Business First Bank and Keith Mansfield.*
10.2 +	Supplemental Executive Retirement Plan Participation Agreement, dated as of January 7, 2021, between b1BANK and Keith Mansfield.*
	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.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
+ Represents a management contract or a compensatory plan or arrangement.

SIGNATURES

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

BUSINESS FIRST BANCSHARES, INC.

August 4, 2022	/s/ David R. Melville, III President and Chief Executive Officer
August 4, 2022	/s/ Gregory Robertson Gregory Robertson Chief Financial Officer

CHANGE IN CONTROL AGREEMENT

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

WITNESSETH:

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

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

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

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

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

ARTICLE 1
DEFINITIONS

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

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

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

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

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

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

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

(C) BFST; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 2
CHANGE IN CONTROL BENEFITS

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

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

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

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

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

ARTICLE 3
CONFIDENTIALITY

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

ARTICLE 4
AMENDMENT AND TERMINATION OF AGREEMENT

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

ARTICLE 5
GENERAL

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

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

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

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

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

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

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

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

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

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

[*signature page follows*]

IN WITNESS WHEREOF, Business First Bancshares, Inc., Business First Bank, and the Executive have executed this Change in Control Agreement this 29th day of October 2019.

EXECUTIVE:

/s/ Keith Mansfield

Print Name: Keith Mansfield

BUSINESS FIRST BANCSHARES, INC.:

By: /s/ David R. Melville, III

Print Name: David R. Melville, III

Title: President / CEO

BUSINESS FIRST BANK:

By: /s/ David R. Melville, III

Print Name: David R. Melville, III

Title: President / CEO

Exhibit A

RESTRICTIVE COVENANTS

ARTICLE 1
Non-Disclosure and Confidentiality

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

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

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

ARTICLE 2
Non-Solicitation and Non-Competition

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

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

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

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

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

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

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

Schedule 2.4

Louisiana Parishes

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

Texas Counties

Collin	Dallas	Denton	Ellis	Kaufman
Rockwall	Tarrant			

b1BANK
"Supplemental Executive Retirement Plan"
Participation Agreement

(Please read carefully, sign where indicated and complete Personal Data Section)

THIS AGREEMENT is entered into by and between the undersigned Eligible Employee and b1BANK (formerly known as Business First Bank), the ("Plan Sponsor"). The Plan Sponsor and the Eligible Employee hereby agree, for good and valuable consideration, the value of which is hereby acknowledged, that the Eligible Employee shall become a Participant in the Supplemental Executive Retirement Plan (the "Plan") as su ch Plan is currently in effect and as the same may hereafter be modified or amended beginning August 1, 2009. The Participant does hereby acknowledge that he has been provided with a copy of the Plan as currently in effect and agrees to the terms and conditions thereof.

PLAN BENEFITS

I understand that the following benefits are being provided to me and/or my Beneficiaries under the terms of the Plan:

1. **Normal Retirement Benefit.** If I Separate from Service on or after the date I reach my Normal Retirement Age, I will receive a Normal Retirement Benefit equal to **$1,875,000**. My Normal Retirement Benefit shall be payable in substantially equal monthly installments of $10,416.67 for one-hundred eighty (180) months, commencing within thirty (30) days of my Normal Retirement Date.

2. **Early Retirement Benefit.** If I Separate from Service after reaching my Early Retirement Age, but before attaining my Normal Retirement Age, I will receive an Early Retirement Benefit equal to my Vested Accrued Benefit, determined as of my Early Retirement Date. My Early Retirement Benefit shall be payable in substantially equal monthly installments for one-hundred eighty (180) months, commencing on my Normal Retirement Date.

3. **Death Prior to the Commencement of Benefit Payments.** If I die prior to commencement of benefit payments hereunder, my Beneficiary will be entitled to a Survivor's Benefit equal to my Vested Accrued Benefit, determined as of the date of my death. The Survivor's Benefit shall be payable in a single lump sum within ninety (90) days following the date of my death.

4. **Death After Commencement of Benefit Payments.** If my death occurs after the commencement of benefit payments but prior to my receiving all such payments due and owing hereunder, the unpaid balance of the payments shall continue to be paid to my Beneficiary for the remainder of the payout period.

5. **Disability Benefit.** If I become Disabled prior to commencement of benefits hereunder, I shall be entitled to receive a Disability Benefit equal to my Vested Accrued Benefit, determined as of the date I am determined to be Disabled. The Disability Benefit shall be payable in substantially equal monthly installments for one-hundred eighty (180) months, commencing within thirty (30) days of such determination date.

6. Change of Control Benefit. If a Change of Control occurs before my Separation from Service, I shall be entitled to receive my Vested Accrued Benefit, determined as of the effective date of the Change of Control. Payment shall be made in a single lump sum within thirty (30) days following that date.

7. Other Separation from Service. If Separation from Service occurs for any reason or under any circumstances other than described above, no benefit is payable under the Plan.

TERMS and CONDITIONS

In consideration of my designation as a Participant, **I hereby agree** to the following terms and conditions:

1. Upon signing this Participation Agreement, I will be bound by all of the terms and conditions of the Plan and this Participation Agreement and to perform any and all acts required by me thereunder.

2. I have the right to designate the Beneficiary or Beneficiaries, and thereafter to change the Beneficiary or Beneficiaries, of any survivor benefit payable under the Plan, by completing and delivering to the Plan Administrator a Beneficiary Designation Form.

3. My participation in the Plan shall not give me, my Beneficiary, or any other person any legal, equitable or other rights against the Plan Sponsor or any Affiliate, or their officers, directors, agents or shareholders, or give me any equity or other interest in the assets or business (including shares) of the Plan Sponsor or any Affiliate, or provide me the right to be retained in the employment of the Plan Sponsor or any Affiliate. My Plan benefits are subject to the claims of the Plan Sponsor's creditors and my rights under the Plan shall be solely those of an unsecured general creditor of the Plan Sponsor.

4. My participation in the Plan may have tax and financial consequences for me and my beneficiaries. I acknowledge that I have been provided a copy of the Plan and have had the opportunity to review it and to consult with my own tax, financial and legal advisors before deciding to participate in the Plan.

5. My Normal Retirement Age is the date I attain the age of sixty-five (65).

6. My "Normal Retirement Date" is the later of: (a) the date I attain my Normal Retirement Age, or (b) the date I Separate from Service.

7. My Early Retirement Age is the date on which I attain the age of fifty-five (55) and complete ten (10) Years of Service.

8. My Early Retirement Date is the later of: (a) the date I attain my Early Retirement Age, or (b) the 1st day of the month following the month in which I Separate from Service.

9. Vesting Schedule. For purposes of calculating my "Vested Accrued Benefit" under the Plan, I shall become one hundred percent (100.00%) vested upon the completion of ten (10) Years of Service and the attainment of age fifty-five (55). Prior to my completion of ten (10) Years of Service and the attainment of age fifty-five (55) I shall be zero percent (00.00%) vested. Notwithstanding the foregoing, I shall become one hundred percent (100.00%) vested in my Accrued Benefit in the event of my death, my Disability, or a Change in Control before my Separation from Service.

10. **Separation from Service.** If I continue to perform services after reaching my Normal Retirement Date, for purposes of determining my eligibility to commence receipt of Normal Retirement Benefits, I may be considered Separated from Service if my level of services being performed is 49% or less than the average level of services I had performed over the immediately preceding thirty-six (36) months, provided that other facts and circumstances indicate that a Separation from Service has occurred.

11. **Forfeiture of Benefits.** Notwithstanding any provision of this Plan to the contrary, if I am involuntarily terminated for Cause, then I shall forfeit all benefits under this Plan.

12. The Plan, this Participation Agreement, and any accompanying forms shall be interpreted in accordance with, and incorporate the terms and conditions required by Section 409A of the Internal Revenue Code of 1986, as amended (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). The Plan Administrator (as defined in the Plan Agreement) may, in its discretion, interpret the Plan and accompanying forms or adopt other policies and procedures (including policies and procedures with retroactive effect), or take any other actions, as the Plan Administrator determines are necessary or appropriate to comply with the requirements of Section 409A. The Plan Sponsor may amend or terminate the Plan at any time but may not reduce my Vested Accrued Benefit.

13. My benefits under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void.

AGREED AND ACCEPTED BY THE PARTICIPANT

/s/ Keith Mansfield	1/7/2021
(Signature of Participant)	(Date)

AGREED AND ACCEPTED BY THE PLAN SPONSOR

/s/ David R. Melville, III	1/7/2021
(For the Plan Sponsor)	(Date)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2022

/s/ David R. Melville, III

David R. Melville, III
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gregory Robertson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2022

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer

EXHIBIT 32.1

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

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Business First Bancshares, Inc. (“Business First”) for the three month period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, David R. Melville, III, as President and Chief Executive Officer of Business First, and Gregory Robertson, as Chief Financial Officer of Business First, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

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

Date: August 4, 2022

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

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer