UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from ______ to ______

Commission file number: 333-200112

BUSINESS FIRST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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	☐	(Do not check if a smaller reporting company)	
		Smaller reporting company	☐
		Emerging growth company	☒

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

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

As of November 3, 2017, the issuer has outstanding 10,232,495 shares of common stock, par value $1.00 per share.

BUSINESS FIRST BANCSHARES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Cash and Due from Banks	$ 36,210	$ 42,173
Federal Funds Sold	2,971	2,556
Securities Available for Sale, at Fair Values	186,149	198,342
Mortgage Loans Held for Sale	332	180
Loans and Lease Receivable, Net of Allowance for Loan Losses of $9,241 at September 30, 2017 and $8,162 at December 31, 2016	928,535	802,789
Premises and Equipment, Net	8,974	9,281
Accrued Interest Receivable	3,518	3,384
Other Equity Securities	8,595	6,120
Other Real Estate Owned	267	1,187
Cash Value of Life Insurance	23,039	22,567
Goodwill	6,824	6,824
Core Deposit Intangible	2,072	2,279
Other Assets	6,345	8,159
Total Assets	$ 1,213,831	$ 1,105,841
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 268,520	$ 223,705
Interest Bearing	746,574	709,090
Total Deposits	1,015,094	932,795
Securities Sold Under Agreements to Repurchase	2,926	2,720
Short Term Borrowings	862	862
Long Term Borrowings	2,700	3,000
Federal Home Loan Bank Borrowings	65,474	47,064
Accrued Interest Payable	902	920
Other Liabilities	5,814	4,921
Total Liabilities	1,093,772	992,282
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	-	-
Common Stock, $1.00 Par Value; 50,000,000 Shares Authorized; 6,932,570 and 6,916,673 Shares Issued and Outstanding at September 30, 2017 and December 31, 2016, respectively	6,933	6,917
Additional Paid-in Capital	85,136	85,133
Retained Earnings	28,380	23,839
Accumulated Other Comprehensive Loss	(390)	(2,330)
Total Shareholders' Equity	120,059	113,559
Total Liabilities and Shareholders' Equity	$ 1,213,831	$ 1,105,841

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

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest Income:				
Interest and Fees on Loans	$ 11,433	$ 10,281	$ 34,972	$ 29,548
Interest and Dividends on Securities	953	955	2,872	2,858
Interest on Federal Funds Sold and Due From Banks	38	43	85	161
Total Interest Income	12,424	11,279	37,929	32,567
Interest Expense:				
Interest on Deposits	1,665	1,376	4,514	3,800
Interest on Borrowings	226	161	632	493
Total Interest Expense	1,891	1,537	5,146	4,293
Net Interest Income	10,533	9,742	32,783	28,274
Provision for Loan Losses	247	100	1,907	920
Net Interest Income after Provision for Loan Losses	10,286	9,642	30,876	27,354
Other Income:				
Service Charges on Deposit Accounts	542	558	1,579	1,541
Gain on Sales of Securities	31	-	31	231
Other Income	668	810	2,535	2,307
Total Other Income	1,241	1,368	4,145	4,079
Other Expenses:				
Salaries and Employee Benefits	5,559	5,045	15,940	14,768
Occupancy and Equipment Expense	1,139	1,272	3,498	3,396
Other Expenses	2,516	2,839	7,656	8,543
Total Other Expenses	9,214	9,156	27,094	26,707
Income Before Income Taxes	2,313	1,854	7,927	4,726
Provision for Income Taxes	631	474	2,217	1,101
Net Income	$ 1,682	$ 1,380	$ 5,710	$ 3,625
Earnings Per Share:				
Basic	$ 0.24	$ 0.20	$ 0.82	$ 0.52
Diluted	$ 0.23	$ 0.19	$ 0.78	$ 0.49

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

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2017	2016	2017	2016
Consolidated Net Income	$ 1,682	$ 1,380	$ 5,710	$ 3,625
Other Comprehensive Income (Loss):				
Unrealized Gain (Loss) on Investment Securities	(166)	537	2,909	2,738
Reclassification Adjustment for Gains included in Net Income	31	-	31	231
Income Tax Effect	46	(183)	(1,000)	(1,010)
Other Comprehensive Income (Loss)	(89)	354	1,940	1,959
Consolidated Comprehensive Income	$ 1,593	$ 1,734	$ 7,650	$ 5,584

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

BUSINESS FIRST BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(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, 2015	$ 7,036	$ 85,913	$ 20,289	$ (789)	$ 112,449
Comprehensive Income:					
Net Income	-	-	3,625	-	3,625
Other Comprehensive Income	-	-	-	1,959	1,959
Cash Dividends Declared, $0.10 Per Share	-	-	(704)	-	(704)
Stock Based Compensation Cost	-	207	-	-	207
Reclass of Shares Issued	5	(5)			-
Exercise of Stock Warrants	1	14	-	-	15
Balances at September 30, 2016	$ 7,042	$ 86,129	$ 23,210	$ 1,170	$ 117,551
Balances at December 31, 2016	$ 6,917	$ 85,133	$ 23,839	$ (2,330)	$ 113,559
Comprehensive Income:					
Net Income	-	-	5,710	-	5,710
Other Comprehensive Income	-	-	-	1,940	1,940
Cash Dividends Declared, $0.17 Per Share	-	-	(1,178)	-	(1,178)
Stock Based Compensation Cost	18	43	-	-	61
Stock Repurchase	(2)	(40)	9	-	(33)
Balances at September 30, 2017	$ 6,933	$ 85,136	$ 28,380	$ (390)	$ 120,059

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

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

	For The Nine Months Ended September 30, 2017	2016
Cash Flows From Operating Activities:		
Consolidated Net Income	$ 5,710	$ 3,625
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Provision for Loan Losses	1,907	920
Depreciation and Amortization	911	956
Amortization of Purchase Accounting Valuations	(3,933)	(1,374)
Noncash Compensation Expense	61	207
Net Amortization of Securities	1,347	1,414
Gain on Sales of Securities	(31)	(231)
Noncash (Income) Loss on Other Equity Securities	(224)	24
(Gain) Loss on Sale of Premises and Equipment	-	(24)
(Gain) Loss on Sale of Other Real Estate Owned, Net of Writedowns	336	(87)
Increase in Cash Value of Life Insurance	(472)	(636)
Provision for Deferred Income Taxes	997	582
Changes in Assets and Liabilities:		
Increase in Accrued Interest Receivable	(134)	(235)
(Increase) Decrease in Other Assets	(192)	450
Increase (Decrease) in Accrued Interest Payable	(18)	314
Increase in Other Liabilities	893	779
Net Cash Provided by Operating Activities	7,158	6,684
Cash Flows From Investing Activities:		
Purchases of Securities Available for Sale	(8,104)	(44,871)
Proceeds from Maturities / Sales of Securities Available for Sale	6,579	30,140
Proceeds from Paydowns of Securities Available for Sale	15,342	17,702
Purchases of Other Equity Securities	(2,440)	(866)
Redemption of Other Equity Securities	189	29
Life Insurance Proceeds	-	560
Net Increase in Loans	(124,501)	(39,373)
Proceeds from Sale of Premises and Equipment	-	68
Purchases of Premises and Equipment	(429)	(1,304)
Proceeds from Sales of Other Real Estate	705	1,273
Improvements to Other Real Estate	-	(102)
Consideration Settlement to Former AGFC Shareholders	-	(3,448)
Net (Increase) Decrease in Federal Funds Sold	(415)	1,995
Net Cash Used in Investing Activities	(113,074)	(38,197)

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	For The Nine Months Ended September 30, 2017	2016
Cash Flows From Financing Activities:		
Net Increase in Deposits	82,299	25,414
Net Increase in Securities Sold Under Agreements to Repurchase	206	625
Net Advances (Repayments) on Federal Home Loan Bank Borrowings	18,959	(1,008)
Net Decrease in Short Term Borrowings	-	(3,000)
Net Proceeds (Repayments) from Long Term Borrowings	(300)	3,000
Repurchase of Common Stock	(33)	-
Proceeds from Exercise of Stock Warrants	-	15
Payment of Dividends on Common Stock	(1,178)	(704)
Net Cash Provided by Financing Activities	99,953	24,342
Net Decrease in Cash and Cash Equivalents	(5,963)	(7,171)
Cash and Cash Equivalents at Beginning of Period	42,173	40,911
Cash and Cash Equivalents at End of Period	$ 36,210	$ 33,740
Supplemental Disclosures for Cash Flow Information:		
Cash Payments for:		
Interest on Deposits	$ 4,532	$ 3,464
Interest on Borrowings	$ 632	$ 515
Income Tax Payments	$ 1,350	$ -
Supplemental Schedule for Noncash Investing and Financing Activities:		
Change in the Unrealized Gain on Securities Available for Sale	$ 2,940	$ 2,969
Change in Deferred Tax Effect on the Unrealized Gain on Securities Available for Sale	$ (1,000)	$ (1,010)
Transfer of Loans to Other Real Estate	$ 287	$ 632
Transfer of Other Real Estate to Premises and Equipment	$ 175	$ -

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

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

Note 1 – Basis of Presentation –

The unaudited consolidated financial statements include the accounts of Business First Bancshares, Inc. (the “Company”) and its wholly-owned subsidiary, Business First Bank (the “Bank”), and the Bank’s wholly-owned subsidiaries, Business First Insurance, LLC and American Gateway Insurance Agency, LLC. The Bank operates out of nineteen offices, including sixteen full service banking centers, two loan production offices, and one wealth solutions office in markets across Louisiana and Texas. As a state bank, it is subject to regulation by the Louisiana Office of Financial Institutions 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.

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

Note 2 – Reclassifications –

Certain reclassifications may have been made to conform to the classifications adopted for reporting in 2017. These reclassifications have no effect on previously reported net income.

Note 3 – Mergers and Acquisitions –

After the close of business on March 31, 2015, the Company merged with American Gateway Financial Corporation (“AGFC”), parent bank holding company for American Gateway Bank, pursuant to which the operations of AGFC merged with the Company. Prior to the merger, AGFC was a full service bank with ten branches located in the Baton Rouge, Louisiana metro region. Shareholders of AGFC received merger consideration of $10.00 in cash and 11.88 shares of the Company’s common stock in exchange for each share of AGFC common stock, representing an aggregate purchase price of $47.9 million. Including the effect of purchase accounting adjustments, assets acquired from AGFC totaled $371.5 million, which included loans of $143.2 million, securities available for sale of $108.4 million, and cash of $98.5 million. The Company also recorded a core deposit intangible asset of $2.8 million and goodwill of $6.8 million relating to the acquisition. The Company assumed liabilities totaling $330.5 million, which included $283.3 million in deposits, $41.2 million in Federal Home Loan Bank (“FHLB”) advances, and $4.3 million in securities sold under agreements to repurchase.

Note 4 – Earnings per Common Share –

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share data)			
Numerator:				
Net Income Available to Common Shares	$ 1,682	$ 1,380	$ 5,710	$ 3,625
Denominator:				
Weighted Average Common Shares Outstanding	6,932,570	7,039,098	6,926,684	7,037,842
Dilutive Effect of Stock Options and Warrants	382,782	311,235	382,782	311,235
Weighted Average Dilutive Common Shares	7,315,352	7,350,333	7,309,466	7,349,077
Basic Earnings Per Common Share From Net Income Available to Common Shares	$ 0.24	$ 0.20	$ 0.82	$ 0.52
Diluted Earnings Per Common Share From Net Income Available to Common Shares	$ 0.23	$ 0.19	$ 0.78	$ 0.49

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

Note 5 – Securities –

The amortized cost and fair values of securities available for sale as of September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agencies	$ 9,015	$ 50	$ 34	$ 9,031
Corporate Securities	13,080	56	51	13,085
Mortgage-Backed Securities	86,261	9	1,051	85,219
Municipal Securities	77,563	711	151	78,123
Other Securities	821	-	130	691
Total Securities Available for Sale	$ 186,740	$ 826	$ 1,417	$ 186,149

	December 31, 2016 (Dollars in thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agencies	$ 7,580	$ 36	$ 50	$ 7,566
Corporate Securities	11,148	31	52	11,127
Mortgage-Backed Securities	101,766	20	2,414	99,372
Municipal Securities	80,559	210	1,133	79,636
Other Securities	820	-	179	641
Total Securities Available for Sale	$ 201,873	$ 297	$ 3,828	$ 198,342

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

The following tables present a summary of securities with gross unrealized losses and fair values at September 30, 2017 and December 31, 2016, aggregated by investment category and length of time in a continued unrealized loss position. Due to the nature of these investments and current prevailing market prices, these unrealized losses are considered a temporary impairment of the securities.

	September 30, 2017					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government Agencies	$ 2,993	$ 34	$ -	$ -	$ 2,993	$ 34
Corporate Securities	4,483	50	2,499	1	6,982	51
Mortgage-Backed Securities	71,687	847	10,288	204	81,975	1,051
Municipal Securities	14,320	101	7,014	50	21,334	151
Other Securities	-	-	691	130	691	130
Total Securities Available for Sale	$ 93,483	$ 1,032	$ 20,492	$ 385	$ 113,975	$ 1,417

	December 31, 2016					
	Less Than 12 Months		12 Months or Greater		Total	
	(Dollars in thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government Agencies	$ 4,535	$ 50	$ -	$ -	$ 4,535	$ 50
Corporate Securities	2,010	31	4,515	21	6,525	52
Mortgage-Backed Securities	86,091	1,974	9,885	440	95,976	2,414
Municipal Securities	54,533	1,128	207	5	54,740	1,133
Other Securities	-	-	641	179	641	179
Total Securities Available for Sale	$ 147,169	$ 3,183	$ 15,248	$ 645	$ 162,417	$ 3,828

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 September 30, 2017 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	$ 8,369	$ 8,379
One to Five Years	47,633	47,914
Over Five to Ten Years	66,678	66,403
Over Ten Years	64,060	63,453
Total Securities Available for Sale	$ 186,740	$ 186,149

Note 6 – Loans and the Allowance for Loan Losses –

Loans receivable at September 30, 2017 and December 31, 2016 are summarized as follows:

	September 30, 2017	December 31, 2016
	(Dollars in thousands)	
Real estate loans:		
Construction and land	$ 121,377	$ 94,426
Farmland	10,469	9,217
1-4 family residential	145,911	129,052
Multi-family residential	19,750	22,737
Nonfarm nonresidential	331,053	298,057
Commercial	261,478	213,120
Consumer	47,738	44,342
Total loans held for investment	937,776	810,951
Less:		
Allowance for loan losses	(9,241)	(8,162)
Net loans	$ 928,535	$ 802,789

The performing 1-4 family residential, multi-family residential, commercial real estate, and commercial loans are pledged, under a blanket lien, as collateral securing advances from the FHLB at September 30, 2017 and December 31, 2016.

Net deferred loan origination fees were $1.3 million and $761,000 at September 30, 2017 and December 31, 2016, respectively, and are netted in their respective loan categories above. In addition to loans issued in the normal course of business, the Company considers overdrafts on customer deposit accounts to be loans, and reclassifies overdrafts as loans in its consolidated balance sheets. At September 30, 2017 and December 31, 2016, overdrafts of $187,000 and $232,000, respectively, have been reclassified to loans.

The Bank is the lead lender on participations sold, without recourse, to other financial institutions which are not included in the consolidated balance sheets. The unpaid principal balances of mortgages and other loans serviced for others were approximately $67.3 million and $55.5 million at September 30, 2017 and December 31, 2016, respectively.

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

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

Acquired loans are those associated with our acquisition of AGFC. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses.

Total loans held for investment at September 30, 2017 includes $51.3 million of loans acquired in an acquisition that were recorded at fair value as of the acquisition date. Included in the acquired balances at September 30, 2017 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 $728,000 and acquired performing loans not accounted for under ASC 310-30 totaling $52.5 million with a related purchase discount of $1.9 million.

Total loans held for investment at December 31, 2016 includes $65.3 million of loans acquired in an acquisition that were recorded at fair value as of the acquisition date. Included in the acquired balances at December 31, 2016 were acquired impaired loans with a net carrying amount of $1.8 million and acquired performing loans totaling $65.9 million with a related purchase discount of $2.4 million.

The following tables set forth, as of September 30, 2017 and December 31, 2016, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Credit Losses and Recorded Investment in Loans Receivable

	September 30, 2017 (Dollars in thousands)							
	Real Estate: Construction and Land	Real Estate: Farmland	Real Estate: 1-4 Family Residential	Real Estate: Multi-family Residential	Real Estate: Nonfarm Nonresidential	Commercial	Consumer	Total
Allowance for credit losses:								
Beginning Balance	$ 933	$ 75	$ 1,228	$ 172	$ 2,314	$ 3,039	$ 401	$ 8,162
Charge-offs	(2)	-	(87)	-	(617)	(200)	(33)	(939)
Recoveries	1	-	18	-	23	34	35	111
Provision	372	12	381	(13)	927	228	-	1,907
Ending Balance	$ 1,304	$ 87	$ 1,540	$ 159	$ 2,647	$ 3,101	$ 403	$ 9,241
Ending Balance:								
Individually evaluated for impairment	$ 22	$ -	$ 341	$ -	$ 110	$ 408	$ -	$ 881
Collectively evaluated for impairment	$ 1,282	$ 87	$ 1,165	$ 159	$ 2,537	$ 2,693	$ 403	$ 8,326
Purchased Credit Impaired (1)	$ -	$ -	$ 34	$ -	$ -	$ -	$ -	$ 34
Loans receivable:								
Ending Balance	$ 121,377	$ 10,469	$ 145,911	$ 19,750	$ 331,053	$ 261,478	$ 47,738	$ 937,776
Ending Balance:								
Individually evaluated for impairment	$ 99	$ -	$ 2,837	$ -	$ 6,078	$ 7,204	$ 375	$ 16,593
Collectively evaluated for impairment	$ 121,265	$ 10,469	$ 142,864	$ 19,750	$ 324,470	$ 254,274	$ 47,363	$ 920,455
Purchased Credit Impaired (1)	$ 13	$ -	$ 210	$ -	$ 505	$ -	$ -	$ 728

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

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	December 31, 2016 (Dollars in thousands)							
	Real Estate: Construction and Land	Real Estate: Farmland	Real Estate: 1-4 Family Residential	Real Estate: Multi-family Residential	Real Estate: Nonfarm Nonresidential	Commercial	Consumer	Total
Allowance for credit losses:								
Beginning balance	$ 600	$ 30	$ 1,021	$ 101	$ 1,416	$ 3,618	$ 458	$ 7,244
Charge-offs	(484)	-	(162)	-	(473)	(667)	(3)	(1,789)
Recoveries	10	-	140	-	1,258	33	46	1,487
Provision	807	45	229	71	113	55	(100)	1,220
Ending Balance	$ 933	$ 75	$ 1,228	$ 172	$ 2,314	$ 3,039	$ 401	$ 8,162
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ 252	$ -	$ 98	$ 501	$ 36	$ 887
Collectively evaluated for impairment	$ 933	$ 75	$ 943	$ 172	$ 2,216	$ 2,538	$ 365	$ 7,242
Purchased Credit Impaired (1)	$ -	$ -	$ 33	$ -	$ -	$ -	$ -	$ 33
Loans receivable:								
Ending Balance	$ 94,426	$ 9,217	$ 129,052	$ 22,737	$ 298,057	$ 213,120	$ 44,342	$ 810,951
Ending Balance:								
Individually evaluated for impairment	$ 143	$ -	$ 3,263	$ -	$ 1,073	$ 7,332	$ 198	$ 12,009
Collectively evaluated for impairment	$ 94,117	$ 9,217	$ 125,573	$ 22,737	$ 295,590	$ 205,788	$ 44,144	$ 797,166
Purchased Credit Impaired (1)	$ 166	$ -	$ 216	$ -	$ 1,394	$ -	$ -	$ 1,776

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

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

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As of September 30, 2017 and December 31, 2016, the credit quality indicators, disaggregated by class of loan, are as follows:

Credit Quality Indicators

	September 30, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 118,911	$ 1,951	$ 403	$ 112	$ 121,377
Farmland	10,469	-	-	-	10,469
1-4 family residential	136,338	5,387	1,864	2,322	145,911
Multi-family residential	19,709	-	41	-	19,750
Nonfarm nonresidential	318,617	4,831	3,451	4,154	331,053
Commercial	230,769	21,095	3,168	6,446	261,478
Consumer	46,693	646	164	235	47,738
Total	$ 881,506	$ 33,910	$ 9,091	$ 13,269	$ 937,776

	December 31, 2016				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real Estate Loans:					
Construction and land	$ 92,951	$ 932	$ 300	$ 243	$ 94,426
Farmland	9,217	-	-	-	9,217
1-4 family residential	118,891	4,782	2,658	2,721	129,052
Multi-family residential	22,685	-	52	-	22,737
Nonfarm nonresidential	280,398	14,531	1,927	1,201	298,057
Commercial	186,197	16,783	7,377	2,763	213,120
Consumer	43,414	505	225	198	44,342
Total	$ 753,753	$ 37,533	$ 12,539	$ 7,126	$ 810,951

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

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

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The following tables reflect certain information with respect to the loan portfolio delinquencies by loan class and amount as of September 30, 2017 and December 31, 2016. All loans greater than 90 days past due are generally placed on non-accrual status.

Aged Analysis of Past Due Loans Receivable

	September 30, 2017 (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	$ 398	$ -	$ 109	$ 507	$ 120,870	$ 121,377	$ -
Farmland	-	-	-	-	10,469	10,469	-
1-4 family residential	940	146	869	1,955	143,956	145,911	138
Multi-family residential	-	-	-	-	19,750	19,750	-
Nonfarm nonresidential	2,283	2,147	1,433	5,863	325,190	331,053	-
Commercial	300	169	5,842	6,311	255,167	261,478	56
Consumer	35	122	224	381	47,357	47,738	-
Total	$ 3,956	$ 2,584	$ 8,477	$ 15,017	$ 922,759	$ 937,776	$ 194

	December 31, 2016 (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	$ 465	$ -	$ 106	$ 571	$ 93,855	$ 94,426	$ -
Farmland	-	-	-	-	9,217	9,217	-
1-4 family residential	989	579	963	2,531	126,521	129,052	117
Multi-family residential	-	-	-	-	22,737	22,737	-
Nonfarm nonresidential	1,370	173	532	2,075	295,982	298,057	-
Commercial	45	372	262	679	212,441	213,120	51
Consumer	66	-	149	215	44,127	44,342	-
Total	$ 2,935	$ 1,124	$ 2,012	$ 6,071	$ 804,880	$ 810,951	$ 168

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The following is a summary of information pertaining to impaired loans as of September 30, 2017 and December 31, 2016. Acquired non-impaired loans are placed on nonaccrual status and reported as impaired using the same criteria applied to the originated portfolio. Purchased impaired credits are excluded from this table. The interest income recognized for impaired loans was $257,000 and $283,000 for the nine months ending September 30, 2017 and 2016, respectively.

	September 30, 2017 (Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ 89	$ 89	$ 22	$ 70
Farmland	-	-	-	-
1-4 family residential	751	830	340	815
Multi-family residential	-	-	-	-
Nonfarm nonresidential	679	701	111	509
Other Loans:				
Commercial	562	587	408	485
Consumer	-	-	-	7
Total	$ 2,081	$ 2,207	$ 881	$ 1,886
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 9	$ 16	$ -	$ 58
Farmland	-	-	-	-
1-4 family residential	2,087	2,444	-	2,222
Multi-family residential	-	-	-	-
Nonfarm nonresidential	5,400	5,494	-	2,686
Other Loans:				
Commercial	6,642	7,893	-	5,975
Consumer	374	405	-	176
Total	$ 14,512	$ 16,252	$ -	$ 11,117
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 98	$ 105	$ 22	$ 128
Farmland	-	-	-	-
1-4 family residential	2,838	3,274	340	3,037
Multi-family residential	-	-	-	-
Nonfarm nonresidential	6,079	6,195	111	3,195
Other Loans:				
Commercial	7,204	8,480	408	6,460
Consumer	374	405	-	183
Total	$ 16,593	$ 18,459	$ 881	$ 13,003

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	December 31, 2016 (Dollars in thousands)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an allowance recorded:				
Real Estate Loans:				
Construction and land	$ -	$ -	$ -	$ 655
Farmland	-	-	-	-
1-4 family residential	440	470	252	372
Multi-family residential	-	-	-	-
Nonfarm nonresidential	368	368	98	31
Other Loans:				
Commercial	695	709	501	1,252
Consumer	36	36	36	12
Total	$ 1,539	$ 1,583	$ 887	$ 2,322
With no allowance recorded:				
Real Estate Loans:				
Construction and land	$ 143	$ 152	$ -	$ 124
Farmland	-	-	-	-
1-4 family residential	2,823	3,276	-	3,296
Multi-family residential	-	-	-	-
Nonfarm nonresidential	705	729	-	3,730
Other Loans:				
Commercial	6,637	7,826	-	3,680
Consumer	162	162	-	43
Total	$ 10,470	$ 12,145	$ -	$ 10,873
Total Impaired Loans:				
Real Estate Loans:				
Construction and land	$ 143	$ 152	$ -	$ 779
Farmland	-	-	-	-
1-4 family residential	3,263	3,746	252	3,668
Multi-family residential	-	-	-	-
Nonfarm nonresidential	1,073	1,097	98	3,761
Other Loans:				
Commercial	7,332	8,535	501	4,932
Consumer	198	198	36	55
Total	$ 12,009	$ 13,728	$ 887	$ 13,195

The Company elected to account for certain loans acquired in the AGFC merger as acquired impaired loans under ASC 310-30 due to evidence of credit deterioration at acquisition and the probability that the Company will be unable to collect all contractually required payments. The expected cash flows approximated fair value as of the date of merger and, as a result, no accretable yield was recognized at acquisition for the AGFC purchased impaired credits.

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

	Purchased Impaired Credits
	(Dollars in thousands)
Carrying amount - December 31, 2015	$ 3,634
Payments received, net of discounts realized	(1,181)
Charge-offs	(352)
Transfer to other real estate	(325)
Carrying amount - December 31, 2016	1,776
Payments received, net of discounts realized	(892)
Purchased impaired credit participation interest sales proceeds, net of discount realized	511
Charge-offs	(667)
Carrying amount - September 30, 2017	$ 728

The Bank seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. The Bank makes loan modifications, primarily utilizing internal renegotiation programs via direct customer contact, that manage customers' debt exposures held only by the Bank. Additionally, the Bank makes loan modifications with customers who have elected to work with external renegotiation agencies and these modifications provide solutions to customers' entire unsecured debt structures. During the periods ended September 30, 2017 and December 31, 2016, the concessions granted to certain borrowers included extending the payment due dates, lowering the contractual interest rate, reducing accrued interest, and reducing the debt's face or maturity amount.

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

The following tables present informative data regarding troubled debt restructurings as of September 30, 2017 and December 31, 2016. The Bank had $3.3 million in troubled debt restructurings that had subsequently defaulted during the nine months ended September 30, 2017 and none that had subsequently defaulted during the year ended December 31, 2016.

Modifications as of September 30, 2017:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled Debt Restructuring			
Real Estate Loans:			
1-4 family residential	3	$ 870	$ 582
Other Loans:			
Commercial	3	5,144	3,922
Total	6	$ 6,014	$ 4,504

Modifications as of December 31, 2016:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars in thousands)	
Troubled Debt Restructuring			
Real Estate Loans:			
1-4 family residential	3	$ 870	$ 608
Other Loans:			
Commercial	6	6,880	5,323
Total	9	$ 7,750	$ 5,931

Note 7 – 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 following tables present the balance of assets and liabilities measured on a recurring basis as of September 30, 2017 and December 31, 2016. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)			
September 30, 2017				
Available for Sale:				
U.S. Government Agency Securities	$ 9,031	$ -	$ 9,031	$ -
Corporate Securities	13,085	-	13,085	-
Mortgage-Backed Securities	85,219	-	85,219	-
Municipal Securities	78,123	-	78,123	-
Other Securities	691	-	691	-
Total	$ 186,149	$ -	$ 186,149	$ -
December 31, 2016				
Available for Sale:				
U.S. Government Agency Securities	$ 7,566	$ -	$ 7,566	$ -
Corporate Securities	11,127	-	11,127	-
Mortgage-Backed Securities	99,372	-	99,372	-
Municipal Securities	79,636	-	79,636	-
Other Securities	641	-	641	-
Total	$ 198,342	$ -	$ 198,342	$ -

Nonrecurring Basis

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

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

	Fair Value	Level 1	Level 2	Level 3
	(Dollars in thousands)			
September 30, 2017				
Assets:				
Impaired Loans	$ 16,406	$ -	$ 16,406	$ -
Repossessed Assets	267	-	267	-
Total	$ 16,673	$ -	$ 16,673	$ -
December 31, 2016				
Assets:				
Impaired Loans	$ 12,865	$ -	$ 12,865	$ -
Repossessed Assets	1,196	-	1,196	-
Total	$ 14,061	$ -	$ 14,061	$ -

Fair Value Financial Instruments

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

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

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

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

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

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

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

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

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

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

The estimated approximate fair values of the Bank's financial instruments as of September 30, 2017 and December 31, 2016 are as follows:

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
September 30, 2017					
Financial Assets:					
Cash and Short-Term Investments	$ 39,181	$ 39,181	$ 39,181	$ -	$ -
Securities	186,149	186,149	-	186,149	-
Mortgage Loans Held for Sale	332	332	-	332	-
Loans - Net	928,535	914,658	-	-	914,658
Cash Value of BOLI	23,039	23,039	-	23,039	-
Other Equity Securities	8,595	8,595	-	-	8,595
Total	$ 1,185,831	$ 1,171,954	$ 39,181	$ 209,520	$ 923,253
Financial Liabilities:					
Deposits	$ 1,015,094	$ 1,010,560	$ -	$ -	$ 1,010,560
Borrowings	71,962	72,270	-	72,270	-
Total	$ 1,087,056	$ 1,082,830	$ -	$ 72,270	$ 1,010,560

	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
			(Dollars in thousands)		
December 31, 2016					
Financial Assets:					
Cash and Short-Term Investments	$ 44,729	$ 44,729	$ 44,729	$ -	$ -
Securities	198,342	198,342	-	198,342	-
Mortgage Loans Held for Sale	180	180	-	180	-
Loans - Net	802,789	796,400	-	-	796,400
Cash Value of BOLI	22,567	22,567	-	22,567	-
Other Equity Securities	6,120	6,120	-	-	6,120
Total	$ 1,074,727	$ 1,068,338	$ 44,729	$ 221,089	$ 802,520
Financial Liabilities:					
Deposits	$ 932,795	$ 912,702	$ -	$ -	$ 912,702
Borrowings	53,646	53,706	-	53,706	-
Total	$ 986,441	$ 966,408	$ -	$ 53,706	$ 912,702

Note 8 – Recently Issued Accounting Pronouncements –

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-16, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities.* The provisions of this ASU require equity investments to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. This ASU also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. It also eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities, and eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet. ASU No. 2016-16 requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. It also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This ASU requires separate presentation of financial assets and financial liabilities by category and form on the balance sheet or the accompanying notes to the financial statements. In addition, this ASU clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For public business entities, the amendments in the update are effective for fiscal years beginning after December 15, 2017, including interim periods. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842), Conforming Amendments Related to Leases*. This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of condition and disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU is effective for annual and interim periods beginning after December 15, 2018. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. The ASU amends the codification to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the statement of cash flows. The amendments also allow an accounting policy election to account for forfeitures as they occur. This ASU is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company elected an accounting policy to account for forfeitures as they occur upon adoption of this ASU. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments introduce an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments (ex. loans and held to maturity securities), including certain off-balance sheet financial instruments (ex. commitments to extend credit and standby letters of credit that are not unconditionally cancellable). The CECL should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments, over the contractual term. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. Financial instruments with similar risk characteristics may be grouped together when estimating the CECL. The allowance for credit losses for purchased financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at amortized cost basis is determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial estimate of expected credit loss would be recognized through an allowance for credit losses with an offset (i.e. increase) to the purchase price at acquisition. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. The ASU also amends the current available for sale security impairment model for debt securities whereby credit losses relating to available for sale debt securities should be recorded through an allowance for credit losses. This ASU is effective for fiscal years beginning after December 31, 2019. 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. The Company is currently planning for the implementation of this ASU. Management is currently evaluating the potential impact of ASU 2016-13 on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* which introduces amendments intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments will be applied prospectively and are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those periods. The adoption of this ASU is not expected to have a significant impact on the Company's consolidated financial statements.

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU implements a common revenue standard and clarifies the principles used for recognizing revenue. The amendments of the ASU clarify that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The entity should identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate that transaction price to the performance obligation, and recognize revenue when, or as, the entity satisfies the performance obligation. The amendments of the ASU will be effective for the Company beginning January 1, 2018. The Company intends to adopt the amendments beginning January 1, 2018 and does not expect a significant impact to the Company's consolidated financial statements.

Note 9 – Subsequent Events –

Agreement and Plan of Reorganization with Minden Bancorp, Inc.

On October 5, 2017, the Company entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement") with Minden Bancorp, Inc. ("MBI"), the holding company for MBL Bank, Minden, Louisiana, and BFB Acquisition Company, a Louisiana corporation and wholly-owned subsidiary of the Company ("Merger Subsidiary"). The Reorganization Agreement provides for the merger of the Merger Subsidiary with and into MBI, with MBI as the surviving corporation. Immediately following the merger, MBI will be merged with and into the Company, with the Company as the surviving corporation, and then MBL Bank will be immediately merged with and into Business First Bank, with Business First Bank as the surviving bank.

Under the terms of the Reorganization Agreement, each of the issued and outstanding shares of MBI common stock will be converted into and represent the right to receive $31.50 through a combination of cash from the Company and a special dividend of up to $20.0 million from MBI immediately prior to closing. Prior to closing, each stock option issued by MBI will be cancelled in exchange for $31.50 less the exercise price. In the aggregate, MBI's shareholders and equity rights holders will receive approximately $76.1 million. The terms of the Reorganization Agreement are pending, and subject to the satisfaction of all closing conditions, including the receipt of all required regulatory and shareholder approvals. The merger is expected to be completed in the first quarter of 2018.

At September 30, 2017, MBI reported $318.2 million in total assets, $192.1 million in total loans, $249.3 million in total deposits, and $49.2 million in total shareholders' equity. MBL Bank is the leading financial institution in Webster Parish, part of the Shreveport-Bossier City MSA, through its two branch locations.

Private Placement of Common Stock

On October 5, 2017, the Company also entered into Securities Purchase Agreements and Registration Rights Agreements with certain institutional investors and Subscription Agreements with certain other accredited investors, including certain directors and executive officers of the Company, pursuant to which the Company agreed to sell in a private placement offering (the "Private Placement") an aggregate of up to 3,300,000 shares of the Company's common stock (the "Private Placement Shares") at a purchase price of $20.00 per share. Stephens Inc. served as the sole placement agent for the Private Placement. The Private Placement closed on October 12, 2017, with the Company selling 3,299,925 shares for gross proceeds of approximately $66.0 million. The Company estimates the net proceeds of the Private Placement will be approximately $62.5 million, after deducting placement agent fees and other offering related expenses, and will be used to partially fund the Company's acquisition of MBI and for general corporate purposes.

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

FORWARD-LOOKING STATEMENTS

NOTE: 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 subsidiaries, unless the context indicates otherwise.

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, including, without limitation, statements relating to the timing and anticipated benefits of our proposed acquisition of Minden Bancorp, Inc. and its subsidiary, MBL Bank. 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:

- changes in the strength of the United States ("U.S.") economy in general and the local economy in our local market areas adversely affecting our customers and their ability to transact profitable business with us, including the ability of our borrowers to repay their loans according to their terms or a change in the value of the related collateral;
- 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 continuing low crude oil prices that impact certain of our borrowers and investments that operate within, or are backed by collateral associated with, the oil and gas industry;
- changes in interest rates and market prices, which could reduce our net interest margins, asset valuations and expense expectations;
- changes in the levels of loan prepayments and the resulting effects on the value of our loan portfolio;
- increased competition for deposits and loans adversely affecting rates and terms;
- 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;
- 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;
- 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 satisfy the conditions and consummate the acquisition of Minden Bancorp, Inc. ("MBI") and its subsidiary MBL Bank, Minden, Louisiana ("MBL Bank"), including the receipt of regulatory approvals required for the acquisition and approval of the acquisition by MBI's shareholders;

- our ability to meet expectations regarding the timing and completion and accounting and tax treatment of the acquisition of MBI;
- the possibility that any of the anticipated benefits of the proposed acquisition of MBI will not be fully realized or will not be realized within the expected time period;
- the risk that integration of MBI's and MBL Bank's operations with those of the Company and Business First Bank will be materially delayed or will be more costly or difficult than expected;
- the failure of the proposed acquisition of MBI to close for any other reason;
- the effect of the announcement of the proposed acquisition of MBI on employee and customer relationships and operating results (including, without limitation, difficulties in maintaining relationships with employees and customers);
- dilution caused by the Company's issuance of additional shares of its common stock in connection with the proposed private placement offering;
- the possibility that the proposed acquisition of MBI may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
- 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 laws and regulations concerning taxes, banking, securities, insurance and other aspects of the financial securities industry, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and the extensive rule making required to be undertaken by various regulatory agencies under the Dodd-Frank Act;
- 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;
- acts of terrorism, an outbreak of hostilities or other international or domestic calamities, weather, including the historic Louisiana flood of 2016, or other acts of God 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. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

The following discussion and analysis focuses on significant changes in the financial condition of Business First from December 31, 2016 to September 30, 2017, and its results of operations for the three and nine months ended September 30, 2017. 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, 2016, including the audited consolidated financial statements and notes thereto, management's discussion and analysis, and the risk factor disclosures contained therein. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that Business First believes are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under "Forward-Looking Statements," "Risk Factors" and elsewhere in this Report, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. Business First assumes no obligation to update any of these forward-looking statements.

Overview

We are a registered bank holding company headquartered in Baton Rouge, Louisiana. Through our wholly-owned subsidiary, Business First Bank, a Louisiana state chartered bank, we provide a broad range of financial services tailored to meet the needs of small to medium-sized businesses and professionals. Since our inception in 2006, our priority has been and continues to be creating shareholder value through the establishment of an attractive commercial banking franchise in Louisiana and across our region. We consider our primary markets to include the State of Louisiana and Dallas, Texas. We currently operate out of nineteen offices, including sixteen full-service banking centers, two loan production offices, and one wealth solutions office in markets across Louisiana and Texas. As of September 30, 2017, we had total assets of $1.2 billion, total loans of $938.1 million, total deposits of $1.0 billion, and total shareholders' equity of $120.1 million.

While we continue to prioritize organic growth, we also seek to capitalize upon other opportunities as they arise. After the close of business on March 31, 2015, we merged with American Gateway Financial Corporation ("AGFC"), parent bank holding company for American Gateway Bank, pursuant to which the operations of AGFC were merged with us and ten former American Gateway Bank branches were added to our branch network. Total assets acquired were $371.5 million, which included loans of $143.2 million, securities available for sale of $108.4 million, and deposits of $283.3 million. Shareholders of AGFC received merger consideration of $10.00 in cash and 11.88 shares of our common stock in exchange for each share of AGFC common stock.

In addition, on October 5, 2017, we entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement") with Minden Bancorp, Inc. ("MBI"), the holding company for MBL Bank, Minden, Louisiana, and BFB Acquisition Company, a Louisiana corporation and wholly-owned subsidiary of Business First ("Merger Subsidiary"). The Reorganization Agreement provides for the merger of the Merger Subsidiary with and into MBI, with MBI as the surviving corporation. Immediately following the merger, MBI will be merged with and into Business First, with Business First as the surviving corporation, and then MBL Bank will be immediately merged with and into Business First Bank, with Business First Bank as the surviving bank.

Under the terms of the Reorganization Agreement, each of the issued and outstanding shares of MBI common stock will be converted into and represent the right to receive $31.50 through a combination of cash from Business First and a special dividend of up to $20.0 million from MBI immediately prior to closing. Prior to closing, each stock option issued by MBI will be cancelled in exchange for $31.50 less the exercise price. In the aggregate, MBI's shareholders and equity rights holders will receive approximately $76.1 million.

At September 30, 2017, MBI reported $318.2 million in total assets, $192.1 million in total loans, $249.3 million in total deposits, and $49.2 million in total shareholders' equity. MBL Bank is the leading financial institution in Webster Parish, part of the Shreveport-Bossier City MSA, through its two branch locations.

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

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

Financial Highlights

The financial highlights as of September 30, 2017 include:

- **Total assets** of $1.2 billion, a $108.0 million or 9.8% increase from December 31, 2016.
- **Total loans** of $938.1 million, a $127.0 million or 15.7% increase from December 31, 2016.
- **Total deposits** of $1.0 billion, an $82.3 million or 8.8% increase from December 31, 2016.
- **Net income for the three months** ended September 30, 2017 of $1.7 million, a $302,000 or 21.9% increase from the three month period ended September 30, 2016.
- **Net interest income** of $10.5 million for the three months ended September 30, 2017, a $791,000 or 8.1% increase from the three month period ended September 30, 2016.
- **An allowance for loan and lease losses** of 0.99% of total loans held for investment and a ratio of non-performing loans to total loans held for investment of 1.44% as of September 30, 2017.
- **Return on average assets** of 0.65% over the first nine months of 2017.
- **Return on average equity** of 6.51% over the first nine months of 2017.
- **Capital ratios** for Tier 1 Leverage, Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based Capital of 9.47%, 9.83%, 9.83% and 10.64%, respectively as of September 30, 2017.
- **Book value per share** of $17.32 as of September 30, 2017, an increase of 5.5% from $16.42 at December 31, 2016.

Results of Operations for the Three and Nine Months Ended September 30, 2017 and 2016

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 capital using a monthly average.

For the three months ended September 30, 2017, net interest income totaled $10.5 million, and net interest margin and net interest spread were 3.82% and 3.56%, respectively. For the three months ended September 30, 2016, net interest income totaled $9.7 million, and net interest margin and net interest spread were 3.78% and 3.59%, respectively. The change in net interest margin and net interest spread were primarily due to the sale of a 98% participation interest in one of our impaired credits acquired from AGFC and to the change in the rate environment. Excluding the $317,000 purchase discount included in the interest income which was recognized upon the sale of the 98% participation interest during the quarter ended September 30, 2017, net interest margin and net interest spread were 3.70% and 3.45%, respectively, with an average yield on our loan portfolio of 4.94% and an average yield on total interest-earning assets of 4.39%. In addition, we experienced an overall increase of 16 basis points in cost of funds. For the nine months ended September 30, 2017, net interest income totaled $32.8 million, and net interest margin and net interest spread were 4.06% and 3.84%, respectively. For the nine months ended September 30, 2016, net interest income totaled $28.3 million and net interest margin and net interest spread were 3.64% and 3.48%, respectively. The positive change in net interest margin and net interest spread was primarily due to the sale of a 98% participation interest in two of our impaired credits acquired from AGFC, and to a lesser extent, to the change in the rate environment. Excluding the $2.8 million purchase discount included in interest income which was recognized upon the two sales of a 98% participation interest during the nine months ended September 30, 2017, net interest margin and net interest spread were 3.72% and 3.50%, respectively, with an average yield on our loan portfolio of 4.96% and an average yield on total interest-earning assets of 4.36%. In addition, we experienced an overall increase in cost of funds of 14 basis points during the nine months ended September 30, 2017 compared to the prior year period. While we experienced significant growth in average loan balances, we anticipate continued pressure on our net interest margin and net interest spread.

The following tables present, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average amounts outstanding and the interest earned or paid on such amounts. The tables also set forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. Interest earned on loans that are classified as nonaccrual is not recognized in income; however the balances are reflected in average outstanding balances for the period. For the three and nine months ended September 30, 2017 and 2016, interest income not recognized on nonaccrual loans was not material. Any nonaccrual loans have been included in the table as loans carrying a zero yield. The average total loans reflected below is net of deferred loan fees and discounts. Acquired loans were recorded at fair value at acquisition and accrete interest income over the remaining lives of the respective loans.

	For the Three Months Ended September 30,					
	2017			2016		
	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	$ 899,739	$ 11,433	5.08%	$ 799,227	$ 10,281	5.15%
Securities available for sale	193,509	953	1.97%	212,414	955	1.80%
Interest-bearing deposits in other banks	11,125	38	1.37%	19,681	43	0.87%
Total interest-earning assets	1,104,373	12,424	4.50%	1,031,322	11,279	4.37%
Allowance for loan losses	(9,121)			(7,521)		
Noninterest-earning assets	92,301			107,278		
Total assets	$ 1,187,553	$ 12,424		$ 1,131,079	$ 11,279	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 735,371	$ 1,665	0.91%	$ 731,006	$ 1,376	0.75%
Advances from Federal Home Loan Bank ("FHLB")	65,710	182	1.11%	47,889	134	1.12%
Other borrowings	6,609	44	2.66%	5,923	27	1.82%
Total interest-bearing liabilities	807,690	1,891	0.94%	784,818	1,537	0.78%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	253,866			221,950		
Other liabilities	6,068			7,593		
Total noninterest-bearing liabilities	259,934			229,543		
Shareholders' equity	119,929			116,718		
Total liabilities and shareholders' equity	$ 1,187,553			$ 1,131,079		
Net interest rate spread(1)			3.56%			3.59%
Net interest income		$ 10,533			$ 9,742	
Net interest margin(2)			3.82%			3.78%

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

	For the Nine Months Ended September 30,					
	2017			2016		
	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	$ 867,036	$ 34,972	5.38%	$ 790,480	$ 29,548	4.98%
Securities available for sale	197,759	2,872	1.94%	211,891	2,858	1.80%
Interest-bearing deposits in other banks	10,897	85	1.04%	32,404	161	0.66%
Total interest-earning assets	1,075,692	37,929	4.70%	1,034,775	32,567	4.20%
Allowance for loan losses	(8,545)			(7,351)		
Noninterest-earning assets	98,178			104,092		
Total assets	$ 1,165,325	$ 37,929		$ 1,131,516	$ 32,567	
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits	$ 723,796	$ 4,514	0.83%	$ 734,309	$ 3,800	0.69%
Advances from Federal Home Loan Bank ("FHLB")	65,268	508	1.04%	51,665	414	1.07%
Other borrowings	6,705	124	2.47%	6,085	79	1.73%
Total interest-bearing liabilities	795,769	5,146	0.86%	792,059	4,293	0.72%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	246,516			217,014		
Other liabilities	6,101			7,140		
Total noninterest-bearing liabilities	252,617			224,154		
Shareholders' equity	116,939			115,303		
Total liabilities and shareholders' equity	$ 1,165,325			$ 1,131,516		
Net interest rate spread(1)			3.84%			3.48%
Net interest income		$ 32,783			$ 28,274	
Net interest margin(2)			4.06%			3.64%

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

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

	For the Three Months Ended September 30, 2017 compared to the Three Months Ended September 30, 2016		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans	$ 1,277	$ (125)	$ 1,152
Securities available for sale	(93)	91	(2)
Interest-earning deposits in other banks	(29)	24	(5)
Total increase in interest income	$ 1,155	$ (10)	$ 1,145
Interest-bearing liabilities:			
Interest-bearing deposits	$ 10	$ 279	$ 289
Advances from FHLB	49	(1)	48
Other borrowings	5	12	17
Total increase in interest expense	64	290	354
Increase in net interest income	$ 1,091	$ (300)	$ 791

	For the Nine Months Ended September 30, 2017 compared to the Nine Months Ended September 30, 2016		
	Increase (Decrease) due to change in		
	Volume	Rate	Total
	(Dollars in thousands) (Unaudited)		
Interest-earning assets:			
Total loans	$ 3,088	$ 2,336	$ 5,424
Securities available for sale	(205)	219	14
Interest-earning deposits in other banks	(168)	92	(76)
Total increase in interest income	$ 2,715	$ 2,647	$ 5,362
Interest-bearing liabilities:			
Interest-bearing deposits	$ (66)	$ 780	$ 714
Advances from FHLB	106	(12)	94
Other borrowings	11	34	45
Total increase in interest expense	51	802	853
Increase in net interest income	$ 2,664	$ 1,845	$ 4,509

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 $247,000 for the three months ended September 30, 2017 and $100,000 for the same period in 2016. For the nine months ended September 30, 2017 and 2016, the provision for loan losses was $1.9 million and $920,000, respectively. The higher provision during the first nine months of 2017 was to increase our general reserves related to our exposure to the commercial and energy sectors.

Noninterest Income

Our primary sources of noninterest income are service charges on deposit accounts, debit card fee income, income from bank-owned life insurance, and brokerage commissions.

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

	For the Three Months Ended September 30, 2017	For the Three Months Ended September 30, 2016	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 542	$ 558	$ (16)
Debit card fee income	159	141	18
Automated Teller Machine (“ATM”) fees	47	47	—
Bank-owned life insurance income	163	147	16
Gain on sales of investment securities	31	—	31
Brokerage commissions	288	175	113
Mortgage origination income	61	31	30
Correspondent bank income	63	85	(22)
Rental income	139	17	122
Gain (loss) on sales of other real estate owned	(340)	84	(424)
Other	88	83	5
Total noninterest income	$ 1,241	$ 1,368	$ (127)

	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Noninterest income:			
Service charges on deposit accounts	$ 1,579	$ 1,541	$ 38
Debit card fee income	491	453	38
Automated Teller Machine (“ATM”) fees	145	136	9
Bank-owned life insurance income	472	637	(165)
Gain on sales of investment securities	31	231	(200)
Brokerage commissions	731	447	284
Mortgage origination income	161	94	67
Correspondent bank income	228	156	72
Pass-through income (loss) from SBIC partnerships	190	(44)	234
Rental income	184	27	157
Gain (loss) on sales of other real estate owned	(336)	146	(482)
Other	269	255	14
Total noninterest income	$ 4,145	$ 4,079	$ 66

Noninterest income for the three months ended September 30, 2017 decreased $127,000 or 9.3% to $1.2 million compared to noninterest income of $1.4 million for the same period in 2016. Noninterest income for the nine months ended September 30, 2017 increased $66,000 or 1.6% compared to the same period in 2016. The components of noninterest income with significant fluctuations compared to the prior year period were as follows:

Bank-owned life insurance (“BOLI”) income. We invest in BOLI due to its attractive nontaxable return and protection against the loss of our key employees. We record income based on the growth of the cash surrender value of these policies as well as the annual yield. Income from BOLI was $163,000 for the three months ended September 30, 2017 as compared to $147,000 for the same time period in 2016, an increase of $16,000. For the nine months ended September 30, 2017 and 2016, income was $472,000 and $637,000, respectively. The decrease for the nine months ended September 30, 2017, over the same period in 2016, was primarily due to receipt of a death benefit related to a former AGFC employee during the first quarter of 2016.

Brokerage commissions. We earn commissions from brokerage services provided by our Wealth Solutions Group. Brokerage commissions totaled $288,000 and $175,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, commissions totaled $731,000 and $447,000, respectively. The increase of $113,000 or 64.6% for the three months ended September 30, 2017 and $284,000 or 63.5% for the nine months ended September 30, 2017, over the prior year periods, was primarily due to recruiting a 4-person advisory team in 2016 and completing the conversion of their book of business from the prior broker-dealer to Business First.

Correspondent bank income. During the first half of 2016 we renegotiated certain of our correspondent banking relationships. We received earnings credit income of $63,000 and $85,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, we received earnings credit income of $228,000 and $156,000, respectively.

Pass-through income from SBIC partnerships. We are an investor in several SBIC programs, which are joint ventures between various investors with venture capital, the Small Business Administration ("SBA"), and small business borrowers. During 2016, the programs in which we have invested venture capital were still in the start-up phase. Those programs are maturing and becoming profitable in 2017. Pass-through income from SBIC partnerships was $190,000 for the nine months ended September 30, 2017, compared to a loss of $44,000 for the nine months ended September 30, 2016.

Rental income. We receive rental income from our other real estate owned and from the sublease of our former corporate offices. Rental income totaled $139,000 and $17,000 during the three months ended September 30, 2017 and 2016, respectively, an increase of $122,000 over the prior year period. For the nine months ended September 30, 2017 and 2016, rental income totaled $184,000 and $27,000 respectively, and increase of $157,000. The increase during both the three and nine months ended September 30, 2017, compared to the prior year periods, was primarily as a result of net rental income of $116,000 received upon the disposition of one of our other real estate owned properties which we have held since April 2013.

Gain (loss) on sales of other real estate owned. We incurred a net loss of $340,000 and a net gain of $84,000 on the sale of other real estate owned during the three months ended September 30, 2017 and 2016, respectively. The net loss totaled $336,000 for the nine months ended September 30, 2017, compared to a net gain of $146,000 for the prior year period. During both the three and nine months ended September 30, 2017, a loss of $335,000 was incurred on the disposal of a single property we have held since April 2013.

Other. This category includes a variety of other income producing activities, including wire transfer fees, insurance commissions, credit card income and participation fee income. Other income increased $5,000 or 6.0% for the three months ended September 30, 2017, compared to the same period in 2016. For the nine months ended September 30, 2017, compared to the same period in 2016, other income increased $14,000 or 5.5%.

Noninterest Expense

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

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

	For the Three Months Ended September 30, 2017	For the Three Months Ended September 30, 2016	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 5,559	$ 5,045	$ 514
Non-staff expenses:			
Occupancy of bank premises	617	718	(101)
Depreciation and amortization	351	391	(40)
Data processing	385	359	26
FDIC assessment fees	202	206	(4)
Legal and other professional fees	358	427	(69)
Advertising and promotions	271	418	(147)
Utilities and communications	242	255	(13)
Ad valorem shares tax	165	180	(15)
Directors' fees	76	84	(8)
Other real estate owned expenses and write-downs	4	12	(8)
Other	984	1,061	(77)
Total noninterest expense	$ 9,214	$ 9,156	$ 58

	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	$ 15,940	$ 14,768	$ 1,172
Non-staff expenses:			
Occupancy of bank premises	1,864	1,818	46
Depreciation and amortization	1,119	1,164	(45)
Data processing	1,145	1,092	53
FDIC assessment fees	568	563	5
Legal and other professional fees	942	1,485	(543)
Advertising and promotions	934	983	(49)
Utilities and communications	733	766	(33)
Ad valorem shares tax	495	541	(46)
Directors' fees	317	254	63
Other real estate owned expenses and write-downs	43	157	(114)
Other	2,994	3,116	(122)
Total noninterest expense	$ 27,094	$ 26,707	$ 387

Noninterest expense for the three months ended September 30, 2017 totaled $9.2 million and increased $58,000 or 0.6% compared to the prior year period. For the nine months ended September 30, 2017, noninterest expense increased $387,000 or 1.4% to $27.1 million, compared to noninterest expense of $26.7 million for the same period in 2016. The components of noninterest expense with significant fluctuations compared to the prior year period were as follows:

Salaries and employee benefits. Salaries and employee benefits are the largest component of noninterest expense and include payroll expense, the cost of incentive compensation, benefit plans, health insurance and payroll taxes. Salaries and employee benefits were $5.6 million for the three months ended September 30, 2017, an increase of $514,000 or 10.2% compared to the same period in 2016. For the nine months ended September 30, 2017, salaries and benefits were $15.9 million, an increase of $1.2 million or 7.9% compared to the same period in 2016. The increase was primarily due to promotions and additional hires for new positions, our merit increase cycle, and higher commissions paid as a result of the increase in our brokerage services activity. As of September 30, 2017, we had 226 full-time equivalent employees compared to 202 as of September 30, 2016. Salaries and employee benefits included stock-based compensation expense of $70,000 and $51,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, salaries and benefits included stock-based compensation income of $13,000 and expense of $207,000, respectively. We had net stock-based compensation income for the nine months ended September 30, 2017 due to the forfeiture of vested stock options for certain employees during the first quarter 2017.

Occupancy of bank premises. Expenses associated with occupancy of premises was $617,000 and $718,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, occupancy and bank premises expenses totaled $1.9 million and $1.8 million, respectively. The decrease for the three months ended September 30, 2017, compared to the same period 2016, was mainly due to the demolition and cleanup costs incurred for one of our branches impacted by the August 2016 flooding in South Louisiana as well as the costs incurred in July 2016 to relocate our corporate offices to downtown Baton Rouge. The increase for the nine months ended September 30, 2017, compared to the same period in 2016, may be attributed primarily to increased rent expense due to new lease commitments as a result of the third quarter 2016 relocation of our corporate offices to downtown Baton Rouge and entering into the Dallas, Texas market in 2017.

Legal and other professional fees. Other professional fees include audit, loan review, compliance, and other consultants. Legal and other professional fees were $358,000 and $427,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, legal and other professional fees were $942,000 and $1.5 million, respectively. Legal and other professional fees were $69,000 or 16.2% lower during the three months ended September 30, 2017 and $543,000 or 36.6% lower during the nine months ended September 30, 2017, compared to the same periods in 2016, primarily due to the fees incurred in 2016 in our defense of the litigation related to the dissenting former AGFC shareholders who exercised their statutory rights of appraisal.

Directors' fees. Directors' fees were $76,000 and $84,000 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, directors' fees were $317,000 and $254,000, respectively. The increase for the nine months ended September 30, 2017 of $63,000, or 24.8%, was primarily due to the March 31, 2017 issuance of an aggregate 4,410 shares of our common stock valued at $75,000 to our non-employee directors as non-cash compensation for their board service to Business First.

Other. This category includes operating and administrative expenses including business development expenses (i.e. travel and entertainment, donations and club dues), insurance, supplies and printing, equipment rent, and software support and maintenance. Other noninterest expense decreased $77,000 for the three months ended September 30, 2017 compared to the same period in 2016. For the nine months ended September 30, 2017, other noninterest expense decreased $122,000 compared to the same period in 2016. The decrease in other expenses for the nine months ended September 30, 2017, compared to the same period in 2016, was primarily due to the $162,000 statutory interest paid as a result of the litigation settlement with the dissenting former AGFC shareholders who exercised their statutory rights of appraisal.

Income Tax Expense

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

For the three months ended September 30, 2017, income tax expense totaled $631,000, an increase of $157,000 or 33.1% compared to $474,000 for the same period in 2016. For the nine months ended September 30, 2017, income tax expense totaled $2.2 million, an increase of $1.1 million or 101.4% compared to $1.1 million for the same period in 2016. For both periods presented, the increase in income tax expense may be attributed primarily to a higher level of taxable income. Our effective tax rates for the three months ended September 30, 2017 and 2016 were 27.3% and 25.6%, respectively. For the nine months ended September 30, 2017 and 2016, our effective tax rates were 28.0% and 23.3%, respectively. Our effective tax rate for both periods was affected primarily by tax-exempt income generated by municipal securities and BOLI, and by other nondeductible expenses.

Financial Condition

Our assets increased $108.0 million or 9.8% from December 31, 2016 to September 30, 2017, primarily due to loan growth.

Loan Portfolio

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

As of September 30, 2017, total loans were $938.1 million, an increase of $127.0 million compared to $811.1 million as of December 31, 2016. The increase was primarily due to our continued loan penetration in our primary market areas, which was spearheaded by our Baton Rouge market and our loan production offices in New Orleans and Dallas. Total loans include $332,000 and $180,000 in loans classified as loans held for sale as of September 30, 2017 and December 31, 2016, respectively.

Total loans as a percentage of deposits were 92.4% and 87.0% as of September 30, 2017 and December 31, 2016, respectively. Total loans as a percentage of assets were 77.3% and 73.3% as of September 30, 2017 and December 31, 2016, respectively.

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

	As of September 30, 2017		As of December 31, 2016	
	Amount	Percent	Amount	Percent
	(Dollars in thousands) (Unaudited)		(Dollars in thousands)	
Commercial	$ 261,478	27.9%	$ 213,120	26.3%
Real estate:				
Construction and land	121,377	12.9%	94,426	11.6%
Farmland	10,469	1.1%	9,217	1.1%
1-4 family residential	145,911	15.6%	129,052	15.9%
Multi-family residential	19,750	2.1%	22,737	2.8%
Nonfarm nonresidential	331,053	35.3%	298,057	36.8%
Consumer	47,738	5.1%	44,342	5.5%
Total loans held for investment	$ 937,776	100%	$ 810,951	100%

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 $48.4 million or 22.7% to $261.5 million as of September 30, 2017 from $213.1 million as of December 31, 2016, primarily due to the efforts of our bankers who attracted new clients and leveraged existing bank relationships to fund expansion and growth opportunities.

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

Construction and land loans increased $27.0 million or 28.5% to $121.4 million as of September 30, 2017 from $94.4 million as of December 31, 2016, primarily due to the opportunities to fund small residential land development projects with proven developers, who are existing customers of the Bank and have demonstrated a successful track record for many years.

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

1-4 family residential loans increased $16.9 million or 13.1% to $145.9 million as of September 30, 2017 from $129.1 million as of December 31, 2016, primarily due to both the conversion of residential construction to in-house financed owner-occupied term debt and new financing of existing 1-4 family residential.

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 $33.0 million or 11.1% to $331.1 million as of September 30, 2017 from $298.1 million as of December 31, 2016, primarily due to the continued penetration into our market area by our bankers who attracted new clients and leveraged existing relationships to finance growth and expansion opportunities, net of regularly scheduled principal amortization of the portfolio and loans that were refinanced by borrowers with other financial institutions.

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

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

	As of September 30, 2017			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands)(Unaudited)			
Commercial	$ 81,466	$ 139,835	$ 40,177	$ 261,478
Real estate:				
Construction and land	48,368	55,657	17,352	121,377
Farmland	1,225	6,948	2,296	10,469
1-4 family residential	22,574	46,035	77,302	145,911
Multi-family residential	664	7,272	11,814	19,750
Nonfarm nonresidential	35,039	143,325	152,689	331,053
Consumer	11,214	27,275	9,249	47,738
Total loans held for investment	$ 200,550	$ 426,347	$ 310,879	$ 937,776
Amounts with fixed rates	$ 84,025	$ 299,439	$ 217,558	$ 601,022
Amounts with floating rates	$ 116,525	$ 126,908	$ 93,321	$ 336,754

	As of December 31, 2016			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial	$ 76,596	$ 98,037	$ 38,487	$ 213,120
Real estate:				
Construction and land	45,403	39,346	9,677	94,426
Farmland	779	5,973	2,465	9,217
1-4 family residential	14,509	51,557	62,986	129,052
Multi-family residential	12,335	5,268	5,134	22,737
Nonfarm nonresidential	30,371	120,082	147,604	298,057
Consumer	14,560	23,437	6,345	44,342
Total loans held for investment	$ 194,553	$ 343,700	$ 272,698	$ 810,951
Amounts with fixed rates	$ 81,929	$ 252,718	$ 176,540	$ 511,187
Amounts with floating rates	$ 112,624	$ 90,982	$ 96,158	$ 299,764

Nonperforming Assets

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

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

We believe our conservative lending approach and focused management of nonperforming assets has resulted in sound asset quality and timely resolution of problem assets. We had $13.7 million and $8.5 million in nonperforming assets as of September 30, 2017 and December 31, 2016, respectively. We had $13.5 million in nonperforming loans as of September 30, 2017 compared to $7.3 million as of December 31, 2016. The increase in nonperforming assets and nonperforming loans from December 31, 2016 to September 30, 2017 is primarily due to three relationships placed on nonaccrual status. Two were placed on nonaccrual status during the quarter ended March 31, 2017, one of which is in the energy sector and the other is in the gaming industry, and one in the oil and gas / energy sector was placed on nonaccrual during the quarter ended September 30, 2017.

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

	As of September 30, 2017 (Dollars in thousands) (Unaudited)	As of December 31, 2016 (Dollars in thousands)
Nonaccrual loans	$ 13,269	$ 7,126
Accruing loans 90 or more days past due	194	168
Total nonperforming loans	13,463	7,294
Nonaccrual debt securities	—	—
Other real estate owned:		
Commercial real estate, construction, land and land development	226	1,187
Residential real estate	41	—
Total other real estate owned	267	1,187
Total nonperforming assets	$ 13,730	$ 8,481
Restructured loans-nonaccrual	$ 3,320	$ 816
Restructured loans-accruing	$ 1,184	$ 5,115
Ratio of nonperforming loans to total loans held for investment	1.44%	0.90%
Ratio of nonperforming assets to total assets	1.13%	0.77%

	As of September 30, 2017 (Dollars in thousands) (Unaudited)	As of December 31, 2016 (Dollars in thousands)
Nonaccrual loans by category:		
Real estate:		
Construction and land	$ 112	$ 243
1-4 family residential	2,322	2,721
Multi-family residential	—	—
Nonfarm nonresidential	4,154	1,201
Commercial	6,446	2,763
Consumer	235	198
Total	$ 13,269	$ 7,126

Potential Problem Loans

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

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

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

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

	As of September 30, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands) (Unaudited)				
Real estate:					
Construction and land	$ 118,911	$ 1,951	$ 403	$ 112	$ 121,377
Farmland	10,469	—	—	—	10,469
1-4 family residential	136,338	5,387	1,864	2,322	145,911
Multi-family residential	19,709	—	41	—	19,750
Nonfarm nonresidential	318,617	4,831	3,451	4,154	331,053
Commercial	230,769	21,095	3,168	6,446	261,478
Consumer	46,693	646	164	235	47,738
Total	$ 881,506	$ 33,910	$ 9,091	$ 13,269	$ 937,776

	As of December 31, 2016				
	Pass	Special Mention	Substandard	Doubtful	Total
	(Dollars in thousands)				
Real estate:					
Construction and land	$ 92,951	$ 932	$ 300	$ 243	$ 94,426
Farmland	9,217	—	—	—	9,217
1-4 family residential	118,891	4,782	2,658	2,721	129,052
Multi-family residential	22,685	—	52	—	22,737
Nonfarm nonresidential	280,398	14,531	1,927	1,201	298,057
Commercial	186,197	16,783	7,377	2,763	213,120
Consumer	43,414	505	225	198	44,342
Total	$ 753,753	$ 37,533	$ 12,539	$ 7,126	$ 810,951

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.

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

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

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

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

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

As of September 30, 2017, the allowance for loan losses totaled $9.2 million or 0.99% of total loans held for investment. As of December 31, 2016, the allowance for loan losses totaled $8.2 million or 1.01% of total loans held for investment.

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

	As of and For the Nine Months Ended September 30, 2017 (Dollars in thousands) (Unaudited)	As of and For the Year Ended December 31, 2016 (Dollars in thousands)
Average loans outstanding[1]	$ 867,036	$ 795,625
Gross loans held for investment outstanding at end of period[1]	$ 937,776	$ 810,951
Allowance for loan losses at beginning of period	8,162	7,244
Provision for loan losses	1,907	1,220
Charge-offs:		
Real estate:		
Construction, land and farmland	2	484
Residential	87	162
Nonfarm non-residential	617	473
Commercial	200	667
Consumer	33	3
Total charge-offs	939	1,789
Recoveries:		
Real estate:		
Construction, land and farmland	1	10
Residential	18	140
Nonfarm non-residential	23	1,258
Commercial	34	33
Consumer	35	46
Total recoveries	111	1,487
Net charge-offs	828	302
Allowance for loan losses at end of period	$ 9,241	$ 8,162
Ratio of allowance to end of period loans held for investment	0.99%	1.01%
Ratio of net charge-offs to average loans	0.10%	0.04%

(1) Excluding loans held for sale.

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

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

	As of September 30, 2017		As of December 31, 2016	
	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands) (Unaudited)		(Dollars in thousands)	
Real estate:				
Construction and land	$ 1,304	14.1%	$ 933	11.4%
Farmland	87	0.9%	75	0.9%
1-4 family residential	1,540	16.7%	1,228	15.1%
Multi-family residential	159	1.7%	172	2.1%
Nonfarm nonresidential	2,647	28.6%	2,314	28.4%
Total real estate	5,737	62.0%	4,722	57.9%
Commercial	3,101	33.6%	3,039	37.2%
Consumer	403	4.4%	401	4.9%
Total allowance for loan losses	$ 9,241	100%	$ 8,162	100%

Securities

We use our securities portfolio to provide a source of liquidity, an appropriate return on funds invested, manage interest rate risk, meet collateral requirements, and meet regulatory capital requirements. As of September 30, 2017, the carrying amount of investment securities totaled $186.1 million, a decrease of $12.2 million or 6.1% compared to $198.3 million as of December 31, 2016. Securities represented 15.3% and 17.9% of total assets as of September 30, 2017 and December 31, 2016, respectively.

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

	As of September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands) (Unaudited)			
U.S. government agencies	$ 9,015	$ 50	$ 34	$ 9,031
Corporate bonds	13,080	56	51	13,085
Municipal securities	77,563	711	151	78,123
Mortgage-backed securities	86,261	9	1,051	85,219
Other securities	821	—	130	691
Total	$ 186,740	$ 826	$ 1,417	$ 186,149

	As of December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. government agencies	$ 7,580	$ 36	$ 50	$ 7,566
Corporate bonds	11,148	31	52	11,127
Municipal securities	80,559	210	1,133	79,636
Mortgage-backed securities	101,766	20	2,414	99,372
Other securities	820	—	179	641
Total	$ 201,873	$ 297	$ 3,828	$ 198,342

All of our mortgage-backed securities are agency securities. We do not hold any Fannie Mae or Freddie Mac preferred stock, corporate equity, collateralized debt obligations, collateralized loan obligations, structured investment vehicles, private label collateralized mortgage obligations, subprime, Alt-A, or second lien elements in our investment portfolio. As of September 30, 2017, the investment portfolio did not contain any securities that are directly backed by subprime or Alt-A mortgages.

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

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

	As of September 30, 2017									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands) (Unaudited)									
U.S. government agencies	$ 1,008	0.96%	$ 1,004	1.11%	$ 7,019	2.45%	$ —	—%	$ 9,031	2.13%
Corporate bonds	—	—%	6,551	2.61%	6,534	4.27%	—	—%	13,085	3.44%
Municipal securities	7,358	1.49%	34,667	1.90%	18,370	2.18%	17,728	2.74%	78,123	2.12%
Mortgage-backed securities	13	0.67%	5,692	1.64%	34,480	1.46%	45,034	1.81%	85,219	1.66%
Other securities	—	—%	—	—%	—	—%	691	2.65%	691	2.65%
Total	$ 8,379	1.43%	$ 47,914	1.95%	$ 66,403	2.04%	$ 63,453	2.08%	$ 186,149	2.00%

	As of December 31, 2016									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
U.S. government agencies	$ —	—%	$ 2,025	1.03%	$ 5,541	2.42%	$ —	—%	$ 7,566	2.05%
Corporate bonds	—	—%	6,525	2.26%	4,602	1.99%	—	—%	11,127	2.15%
Municipal securities	7,348	1.78%	35,213	1.74%	19,806	2.26%	17,269	2.53%	79,636	2.04%
Mortgage-backed securities	1	2.24%	4,571	1.77%	30,550	1.33%	64,250	1.62%	99,372	1.54%
Other securities	—	—%	—	—%	—	—%	641	2.34%	641	2.34%
Total	$ 7,349	1.78%	$ 48,334	1.78%	$ 60,499	1.78%	$ 82,160	1.82%	$ 198,342	1.80%

The contractual maturity of mortgage-backed securities, collateralized mortgage obligations and asset backed securities is not a reliable indicator of their expected life because borrowers have the right to prepay their obligations at any time. Mortgage-backed securities and asset-backed securities are typically issued with stated principal amounts and are backed by pools of mortgage loans and other loans with varying maturities. The term of the underlying mortgages and loans may vary significantly due to the ability of a borrower to pre-pay. Monthly pay downs on mortgage-backed securities tend to cause the average life of the securities to be much different than the stated contractual maturity. During a period of increasing interest rates, fixed rate mortgage-backed securities do not tend to experience heavy prepayments of principal and, consequently, the average life of this security will be lengthened. If interest rates begin to fall, prepayments may increase, thereby shortening the estimated life of this security. The weighted average life of our investment portfolio was 4.86 years with an estimated effective duration of 42.88 months as of September 30, 2017.

As of September 30, 2017 and December 31, 2016, we did not own securities of any one issuer for which aggregate adjusted cost exceeded 10% of our consolidated shareholders' equity as of such respective dates.

Deposits

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

Total deposits as of September 30, 2017 were $1.0 billion, an increase of $82.3 million compared to $932.8 million as of December 31, 2016, primarily due to an increase in the offering rates on interest-bearing demand accounts and certificates of deposit, in order to attract and retain deposit customers and thereby continue deposit penetration in our primary market area.

Noninterest-bearing deposits as of September 30, 2017 were $268.5 million compared to $223.7 million as of December 31, 2016, an increase of $44.8 million or 20.0%.

Average deposits for the nine months ended September 30, 2017 were $970.3 million, an increase of $25.3 million or 2.7% over the full year average for the year ended December 31, 2016 of $945.0 million. The average rate paid on total interest-bearing deposits increased over this period from 0.71% for the year ended December 31, 2016 to 0.83% for the nine months ended September 30, 2017. The increase in average rates during the nine months ended September 30, 2017 was primarily due to a strategic increase in deposit pricing in order to improve liquidity. In addition, the stability and the continued growth of noninterest-bearing demand accounts served to reduce the cost of deposits to 0.62% for the nine months ended September 30, 2017 and 0.55% for the year ended December 31, 2016.

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

	For the Nine months Ended September 30, 2017		For the Year Ended December 31, 2016	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands) (Unaudited)		(Dollars in thousands)	
Interest-bearing demand accounts	$ 35,308	0.58%	$ 36,200	0.19%
Negotiable order of withdrawal (“NOW”) accounts	117,292	0.24%	109,763	0.24%
Limited access money market accounts and savings	229,056	0.48%	241,577	0.41%
Certificates and other time deposits > $250k	71,899	1.53%	55,678	1.33%
Certificates and other time deposits ≤ $250k	270,241	1.24%	280,778	1.10%
Total interest-bearing deposits	723,796	0.83%	723,996	0.71%
Noninterest-bearing demand accounts	246,516	—%	221,047	—%
Total deposits	$ 970,312	0.62%	$ 945,043	0.55%

The ratio of average noninterest-bearing deposits to average total deposits for the nine months ended September 30, 2017 and the year ended December 31, 2016 was 25.4% and 23.4%, respectively.

The following table sets forth the amount of certificates of deposit that are greater than $250,000 by time remaining until maturity:

	As of September 30, 2017 (Unaudited)	As of December 31, 2016
	(Dollars in thousands)	
1 year or less	$ 54,799	$ 54,866
More than 1 year but less than 3 years	10,310	9,451
3 years or more but less than 5 years	16,508	9,029
5 years or more	—	—
Total	$ 81,617	$ 73,346

Borrowings

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

FHLB advances. The FHLB allows us to borrow on a blanket floating lien status collateralized by certain securities and loans. As of September 30, 2017 and December 31, 2016, total borrowing capacity of $336.8 million and $321.1 million, respectively, was available under this arrangement, and $65.5 million and $47.1 million, respectively, was outstanding with a weighted average stated interest rate of 2.18% as of September 30, 2017 and 2.64% as of December 31, 2016. Our current FHLB advances mature within two years. We utilize these borrowings to meet liquidity needs and to fund certain fixed rate loans in our portfolio.

As a result of the merger with AGFC, we assumed the outstanding FHLB advances of American Gateway Bank. These advances were recorded at fair value as of acquisition and totaled $41.2 million, resulting in a market value adjustment of $2.0 million which will be accreted over the life of the respective advances as a reduction of interest expense on borrowings.

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

	FHLB Advances (Dollars in Thousands)
September 30, 2017 (Unaudited)	
Amount outstanding at quarter-end	$ 65,474
Weighted average stated interest rate at quarter-end	2.18%
Maximum month-end balance during the quarter	$ 65,830
Average balance outstanding during the quarter	$ 65,710
Weighted average interest rate during the quarter	1.11%
December 31, 2016	
Amount outstanding at year-end	$ 47,064
Weighted average stated interest rate at year-end	2.64%
Maximum month-end balance during the year	$ 80,973
Average balance outstanding during the year	$ 53,516
Weighted average interest rate during the year	1.05%

First National Bankers Bank ("FNBB") long term advances. On September 12, 2016, we borrowed $3.0 million from FNBB with a maturity date of September 12, 2026. This advance is due in nine annual principal payments of $300,000 beginning on September 12, 2017 and one final principal and interest payment of $303,000 due on September 12, 2026. This advance is secured by a pledge of and security interest in the common stock of our wholly-owned subsidiary, Business First Bank. The balance outstanding was $2.7 million at September 30, 2017 and $3.0 million at December 31, 2016, respectively. This advance carries a variable interest equal to the Wall Street Journal Prime rate. The rate was 4.25% and 3.75% at September 30, 2017 and December 31, 2016, respectively, and adjusts based on changes in the index rate. This FNBB long term advance was established for the purpose of paying off the revolving line of credit with First Tennessee Bank National Association.

The following table presents the FNBB long term advances at the dates indicated.

	FNBB Long Term Advances (Dollars in Thousands)
September 30, 2017 (Unaudited)	
Amount outstanding at quarter-end	$ 2,700
Weighted average stated interest rate at quarter-end	4.25%
Maximum month-end balance during the quarter	$ 3,000
Average balance outstanding during the quarter	$ 2,938
Weighted average interest rate during the quarter	4.25%
December 31, 2016	
Amount outstanding at year-end	$ 3,000
Weighted average stated interest rate at year-end	3.75%
Maximum month-end balance during the year	$ 3,000
Average balance outstanding during the year	$ 910
Weighted average interest rate during the year	3.54%

FNBB revolving advances. FNBB allows us to borrow on a revolving basis up to $5.0 million. This line of credit, established on September 12, 2016, is secured by a pledge of and security interest in the common stock of our wholly-owned subsidiary, Business First Bank. The balance on this line of credit was $862,000 at both September 30, 2017 and December 31, 2016. The line of credit bears a variable interest equal to the Wall Street Journal Prime rate. The rate was 4.25% and 3.75% at September 30, 2017 and December 31, 2016, respectively, and adjusts based on changes in the index rate. This FNBB line matured on September 12, 2017 and renewed on September 29, 2017 for another one year term on the same terms and will mature on September 29, 2018. This FNBB line was established for the purpose of repurchasing shares of our common stock from certain of our shareholders and for general corporate purposes.

The following table presents the FNBB short term advances at the dates indicated.

	FNBB Short Term Advances (Dollars in Thousands)	
September 30, 2017 (Unaudited)		
Amount outstanding at quarter-end	$	862
Weighted average stated interest rate at quarter-end		4.25%
Maximum month-end balance during the quarter	$	862
Average balance outstanding during the quarter	$	862
Weighted average interest rate during the quarter		4.25%
December 31, 2016		
Amount outstanding at year-end	$	862
Weighted average stated interest rate at year-end		3.75%
Maximum month-end balance during the year	$	862
Average balance outstanding during the year	$	24
Weighted average interest rate during the year		3.75%

First Tennessee Bank National Association ("FTN") advances. FTN allowed us to borrow on a revolving basis up to $3.0 million. This line of credit, established on September 3, 2015, was unsecured, but we agreed that we would not pledge any of the capital stock of our wholly-owned subsidiary, Business First Bank, to secure any other obligation. The line of credit was established for the purpose of repurchasing shares of our common stock from certain of our shareholders and for general corporate purposes. This line of credit was paid off on September 12, 2016.

The following table presents the FTN advances at the dates indicated.

	FTN Advances (Dollars in Thousands)	
December 31, 2016		
Amount outstanding at year-end	$	—
Weighted average stated interest rate at year-end		—%
Maximum month-end balance during the year	$	3,000
Average balance outstanding during the year	$	2,098
Weighted average interest rate during the year		3.10%

Correspondent Bank Federal Funds Purchased Relationships

We maintain Federal Funds Purchased Relationships with the following financial institutions and limits as of September 30, 2017:

		(Dollars in Thousands)
FNBB	$	30,000
The Independent Banker's Bank	$	25,000
Compass Bank	$	22,500
FTN	$	17,000
ServisFirst Bank	$	10,000
Center State Bank	$	9,000

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

		Federal Funds Purchased (Dollars in Thousands)
September 30, 2017 (Unaudited)		
Amount outstanding at quarter-end	$	—
Weighted average interest rate at quarter-end		—%
Maximum month-end balance during the quarter	$	—
Average balance outstanding during the quarter	$	85
Weighted average interest rate during the quarter		1.96%
December 31, 2016		
Amount outstanding at year-end	$	—
Weighted average interest rate at year-end		—%
Maximum month-end balance during the year	$	2,385
Average balance outstanding during the year	$	544
Weighted average interest rate during the year		1.35%

Liquidity and Capital Resources

Liquidity

Liquidity involves our ability to utilize funds to support asset growth and acquisitions or reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements and otherwise to operate on an ongoing basis and manage unexpected events. For the nine months ended September 30, 2017 and the year ended December 31, 2016, 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 and our FNBB revolving line are available and have been utilized on occasion to take advantage of investment opportunities, we do not generally rely on these external funding sources. As of September 30, 2017 and December 31, 2016, we maintained six lines of credit with commercial banks which provide for extensions of credit with an availability to borrow up to an aggregate $113.5 million as of September 30, 2017 and an aggregate $109.5 million as of December 31, 2016. There were no funds under these lines of credit outstanding as of September 30, 2017 and December 31, 2016.

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 assets totaled $1.2 billion for the nine months ended September 30, 2017 and $1.1 billion for the year ended December 31, 2016.

	For the Nine Months Ended September 30, 2017 (Unaudited)	For the Years Ended December 31, 2016
Sources of Funds:		
Deposits:		
Noninterest-bearing	21.2%	19.6%
Interest-bearing	62.1%	64.2%
Advances from FHLB	5.6%	4.7%
Other borrowings	0.6%	0.6%
Other liabilities	0.5%	0.6%
Shareholders' equity	10.0%	10.3%
Total	100%	100%
Uses of Funds:		
Loans	73.7%	69.9%
Securities available for sale	17.0%	18.7%
Interest-bearing deposits in other banks	0.9%	2.3%
Other noninterest-earning assets	8.4%	9.1%
Total	100%	100%
Average noninterest-bearing deposits to average deposits	25.4%	23.4%
Average loans to average deposits	89.4%	84.2%

Our primary source of funds is deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future. Our average loans increased 9.7% for the nine months ended September 30, 2017 compared to the same period in 2016. We predominantly invest excess deposits in overnight deposits with the Federal Reserve, securities, interest-bearing deposits at other banks or other short-term liquid investments until needed to fund loan growth. Our securities portfolio had a weighted average life of 4.86 years and an effective duration of 42.88 months as of September 30, 2017. As of December 31, 2016, our securities portfolio has a weighted average life of 4.76 years and an effective duration of 44.72 months.

As of September 30, 2017, we had outstanding $251.5 million in commitments to extend credit and $9.6 million in commitments associated with outstanding standby and commercial letters of credit. As of December 31, 2016, we had outstanding $196.2 million in commitments to extend credit and $12.5 million in commitments associated with outstanding standby and commercial letters of credit. Because commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements.

As of September 30, 2017 and December 31, 2016, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature. As of September 30, 2017, we had cash and cash equivalents of $36.2 million compared to $42.2 million as of December 31, 2016.

Capital Resources

Total shareholders' equity increased to $120.1 million as of September 30, 2017, compared to $113.6 million as of December 31, 2016, an increase of $6.5 million or 5.7%. This increase was primarily the result of $5.7 million in net income.

On October 12, 2017, our Board of Directors (the "Board") declared a quarterly dividend based upon our financial performance for the three months ended September 30, 2017 in the amount of $0.06 per share to the common shareholders of record as of November 15, 2017. The dividend is to be paid on November 30, 2017, or as soon as practicable thereafter.

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

Capital management consists of providing equity to support current and future operations. Banking regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. We are subject to regulatory capital requirements at the bank holding company and bank levels. As of September 30, 2017 and December 31, 2016, we and Business First Bank were in compliance with all applicable regulatory capital requirements, and Business First Bank was classified as "well-capitalized," for purposes of prompt corrective action regulations. As we employ our capital and continue to grow our operations, our regulatory capital levels may decrease depending on our level of earnings. However, we expect to monitor and control our growth in order to remain in compliance with all applicable regulatory capital standards applicable to us.

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

	As of September 30, 2017		As of December 31, 2016	
	Amount	Ratio	Amount	Ratio
	(Unaudited)			
	(Dollars in thousands)			
Business First Bancshares, Inc.				
Total capital (to risk weighted assets)	$ 120,827	10.64%	$ 115,437	11.63%
Tier 1 capital (to risk weighted assets)	111,586	9.83%	107,275	10.81%
Common Equity Tier 1 capital (to risk weighted assets)	111,586	9.83%	107,275	10.81%
Tier 1 Leverage capital (to average assets)	111,586	9.47%	107,275	9.67%
Business First Bank				
Total capital (to risk weighted assets)	$ 122,690	10.82%	$ 117,909	11.89%
Tier 1 capital (to risk weighted assets)	113,449	10.01%	109,747	11.07%
Common Equity Tier 1 capital (to risk weighted assets)	113,449	10.01%	109,747	11.07%
Tier 1 Leverage capital (to average assets)	113,449	9.63%	109,747	9.91%

Long Term Debt

For information on our borrowings from FNBB, please refer to "Borrowings."

Contractual Obligations

The following tables summarize contractual obligations and other commitments to make future payments as of September 30, 2017 and December 31, 2016 (other than non-maturity deposit obligations), which consist of future cash payments associated with our contractual obligations pursuant to our FHLB advances, revolving line of credit, long-term borrowings, and non-cancelable future operating leases. Payments related to leases are based on actual payments specified in underlying contracts. Advances from the FHLB totaled approximately $65.5 million and $47.1 million as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017 and December 31, 2016, the FHLB advances were collateralized by a blanket floating lien on certain securities and loans, had a weighted average stated rate of 2.18% and 2.64%, respectively, and maturities ranging from 2017 through 2018. The advance under the FNBB long-term borrowing totaled $2.7 million and $3.0 million at September 30, 2017 and December 31, 2016, respectively. This advance was secured by a pledge of and security interest in the common stock of our wholly-owned subsidiary, Business First Bank, bearing interest at a variable rate of 4.25% and 3.75% at September 30, 2017 and December 31, 2016, respectively, and maturing in 2026. We also had a line of credit with FNBB with an outstanding balance of $862,000 at both September 30, 2017 and December 31, 2016. This line of credit was secured by a pledge of and security interest in the common stock of our wholly-owned subsidiary, Business First Bank, bearing interest at a variable rate of 4.25% and 3.75% at September 30, 2017 and December 31, 2016, respectively. This line of credit matured in September 2017 and was renewed on the same terms for a one year term to mature on September 29, 2018.

	As of September 30, 2017				
	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
	(Unaudited) (Dollars in thousands)				
Non-cancelable future operating leases	$ 2,204	$ 3,437	$ 2,198	$ 5,300	$ 13,139
Time deposits	258,473	56,329	33,763	203	348,768
Advances from FHLB	50,474	15,000	—	—	65,474
Advances from FNBB	1,162	600	600	1,200	3,562
Securities sold under agreements to repurchase	2,926	—	—	—	2,926
Standby and commercial letters of credit	6,166	3,459	18	—	9,643
Commitments to extend credit	136,335	81,347	6,482	27,291	251,455
Total	$ 457,740	$ 160,172	$ 43,061	$ 33,994	$ 694,967

	As of December 31, 2016				
	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	$ 1,591	$ 2,781	$ 1,776	$ 5,154	$ 11,302
Time deposits	239,062	77,963	20,937	250	338,212
Advances from FHLB	32,064	15,000	—	—	47,064
Advances from FNBB	1,162	600	600	1,500	3,862
Securities sold under agreements to repurchase	2,720	—	—	—	2,720
Standby and commercial letters of credit	9,439	3,081	18	—	12,538
Commitments to extend credit	100,204	72,283	3,409	20,305	196,201
Total	$ 386,242	$ 171,708	$ 26,740	$ 27,209	$ 611,899

Off-Balance Sheet Items

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

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

	As of September 30, 2017				
	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
	(Unaudited) (Dollars in thousands)				
Standby and commercial letters of credit	$ 6,166	$ 3,459	$ 18	$ —	$ 9,643
Commitments to extend credit	136,335	81,347	6,482	27,291	251,455
Total	$ 142,501	$ 84,806	$ 6,500	$ 27,291	$ 261,098

	As of December 31, 2016				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Standby and commercial letters of credit	$ 9,439	$ 3,081	$ 18	$ —	$ 12,538
Commitments to extend credit	100,204	72,283	3,409	20,305	196,201
Total	$ 109,643	$ 75,364	$ 3,427	$ 20,305	$ 208,739

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

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

Interest Rate Sensitivity and Market Risk

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

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

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

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

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

On at least a quarterly basis, we run two simulation models including a static balance sheet and dynamic growth balance sheet. These models test the impact on net interest income and fair value of equity from changes in market interest rates under various scenarios. Under the static and dynamic growth models, rates are shocked instantaneously based upon parallel and non-parallel yield curve shifts. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Non-parallel simulation involves analysis of interest income and expense under various changes in the shape of the yield curve. Internal policy regarding interest rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net interest income at risk for the subsequent one-year period should not decline by more than 5.0% 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 10.00% for a 100 basis point shift, 15.00% for a 200 basis point shift, and 25.00% for a 300 basis point shift.

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

	As of September 30, 2017		As of December 31, 2016	
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	2.80%	(3.98%)	3.80%	(9.03%)
+200	2.00%	(2.79%)	3.60%	(5.27%)
+100	1.60%	(0.27%)	2.60%	(2.73%)
Base	0.00%	0.00%	0.00%	0.00%
-100	(0.40%)	(2.23%)	0.20%	0.16%

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

The non-GAAP financial measures that we discuss should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which we calculate the non-GAAP financial measures may differ from that of other companies reporting measures with similar names. You should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures we have discussed in this statement when comparing such non-GAAP financial measures.

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

We believe this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing tangible book value.

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

	As of September 30, 2017	As of September 30, 2016	As of December 31, 2016
	(Unaudited) (Dollars in thousands, except per share data)		
Tangible Common Equity			
Total shareholders' equity	$ 120,059	$ 117,551	$ 113,559
Adjustments:			
Goodwill	(6,824)	(6,824)	(6,824)
Core deposit and other intangibles	(2,072)	(2,348)	(2,279)
Total tangible common equity	$ 111,163	$ 108,379	$ 104,456
Common shares outstanding[1]	6,932,570	7,042,413	6,916,673
Book value per common share	$ 17.32	$ 16.69	$ 16.42
Tangible book value per common share	$ 16.03	$ 15.39	$ 15.10

(1) Excludes the dilutive effect, if any, of 1,011,105, 1,086,105, and 1,086,105 shares of common stock issuable upon exercise of outstanding stock options and warrants as of September 30, 2017, September 30, 2016, and December 31, 2016, respectively.

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

We believe this measure is important to many investors in the marketplace who are interested in the relative changes from period to period in common equity and total assets, each exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing both total shareholders' equity and assets while not increasing our tangible common equity or tangible assets.

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

	As of September 30, 2017	As of September 30, 2016	As of December 31, 2016
	(Unaudited) (Dollars in thousands, except per share data)		
Tangible Common Equity			
Total shareholders' equity	$ 120,059	$ 117,551	$ 113,559
Adjustments:			
Goodwill	(6,824)	(6,824)	(6,824)
Core deposit and other intangibles	(2,072)	(2,348)	(2,279)
Total tangible common equity	$ 111,163	$ 108,379	$ 104,456
Tangible Assets			
Total assets	$ 1,213,831	$ 1,106,767	$ 1,105,841
Adjustments:			
Goodwill	(6,824)	(6,824)	(6,824)
Core deposit and other intangibles	(2,072)	(2,348)	(2,279)
Total tangible assets	$ 1,204,935	$ 1,097,595	$ 1,096,738
Common Equity to Total Assets	9.9%	10.6%	10.3%
Tangible Common Equity to Tangible Assets	9.2%	9.9%	9.5%

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 Sensitivity 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

Risk factors that may affect future results were discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our other filings with the Securities and Exchange Commission. The risks described in our Annual Report on Form 10-K and other filings are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Except for the additional risk factors set forth below, we do not believe that there have been any material changes to the risk factors disclosed in Item 1A. of Part I in our Annual Report on Form 10-K for the year ended December 31, 2016.

The consummation of our proposed acquisition of MBI is contingent upon the satisfaction of a number of conditions, including regulatory approvals, that are outside of our control and that we may be unable to obtain or may delay the consummation of the acquisition or result in the imposition of conditions that could reduce the anticipated benefits from the proposed acquisition or cause the parties to abandon the proposed transaction.

Before the transactions contemplated in the Reorganization Agreement with MBI can be completed, various approvals must be obtained from the bank regulatory and other governmental authorities. The relevant governmental entities must consider a variety of factors in deciding to grant regulatory clearances. These include the regulatory standing of each of the parties to the transaction, as well as the effect of the merger on competition within their relevant jurisdiction. Adverse developments in either party's regulatory standing or other factors could result in an inability to obtain one or more of the required regulatory approvals or delay their receipt.

Additionally, regulatory authorities could include, as part of their required approvals, requirements, limitations or costs, or place restrictions on the conduct of the combined company's business. These requirements or limitations could be unacceptable to the parties, or could delay the closing of the merger or diminish the anticipated benefits of the combination. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that these would not have the effect of delaying the completion of the merger, imposing additional material costs on or materially limiting the revenues of the combined company following the merger or otherwise reduce the anticipated benefits of the merger if the merger were consummated successfully within the expected timeframe. In addition, we cannot provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. The completion of the merger is conditioned on the absence of certain orders, injunctions or decrees by any court or regulatory agency of competent jurisdiction that would prohibit or make illegal the completion of the merger.

In addition to the various regulatory approvals, the Reorganization Agreement is subject to a number of other conditions that must be fulfilled in order to complete the merger. Those conditions include, but are not limited to: approval of the Reorganization Agreement by MBI shareholders, absence of orders prohibiting completion of the merger, and other customary items. The conditions to the closing of the merger may not be fulfilled in a timely manner or at all, and, accordingly, the merger may not be completed. In addition, the parties can mutually decide to terminate the Reorganization Agreement at any time, before or after shareholder approval, or we or MBI may elect to terminate the Reorganization Agreement in certain other circumstances, subject to costs set forth in the Reorganization Agreement.

We may fail to realize all of the anticipated benefits of the proposed acquisition of MBI, or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating MBI.

We and MBI have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend on, among other things, our ability to combine our business with the business of MBI in a timely manner that permits growth opportunities, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies, and that does not materially disrupt the existing customer relationships nor result in decreased revenues due to loss of customers. If we are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on our business, financial condition, operating results and prospects. In addition, it is possible that the integration process could result in the disruption of our ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

We expect to incur substantial transaction-related costs in connection with the acquisition.

We have incurred and expect to incur significant, nonrecurring costs in connection with consummating the MBI acquisition. In addition, we will incur integration costs following the completion of the merger as we integrate our business and MBI's business, including facilities and systems consolidation costs and employment-related costs. There can be no assurances that the expected benefits and efficiencies related to the integration of businesses will be realized to offset these transaction and integration costs over time. We may also incur additional costs to maintain employee morale and to retain key employees. We will also incur significant legal, financial advisor, accounting, banking and consulting fees, fees relating to regulatory filings and notices, and other costs associated with the merger. Some of these costs are payable regardless of whether the acquisition is completed.

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

(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 October 5, 2017, by and among Business First Bancshares, Inc., Minden Bancorp, Inc. and BFB Acquisition Company (incorporated by reference to Exhibit 2.1 to Business First's Current Report on Form 8-K filed on October 12, 2017 (File No. 333-200112))
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 Business First's Current Report on Form 8-K filed on October 2, 2017 (File No. 333-200112))
3.2	Amended and Restated Bylaws of Business First Bancshares, Inc., adopted August 23, 2017*
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to Business First's Registration Statement on Form S-4 filed on November 12, 2014 (File No. 333-200112))
4.2	Form of Registration Rights Agreement (incorporated by reference to Exhibit 4.1 to Business First's Current Report on Form 8-K filed on October 12, 2017 (File No. 333-200112))
10.1	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to Business First's Current Report on Form 8-K filed on October 12, 2017 (File No. 333-200112))
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Filed herewith.

SIGNATURES

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

	BUSINESS FIRST BANCSHARES, INC.
November 9, 2017	/s/ David R. Melville, III
	David R. Melville, III President and Chief Executive Officer
November 9, 2017	/s/ Gregory Robertson
	Gregory Robertson Chief Financial Officer

Exhibit 3.2

BUSINESS FIRST BANCSHARES, INC.
AMENDED AND RESTATED BYLAWS
(adopted as of August 23, 2017)

ARTICLE I
OFFICES

Section 1.1. Registered Office. The registered office of Business First Bancshares, Inc. (the "Corporation") shall be located at 500 Laurel Street, Suite 101, Baton Rouge, Louisiana in the Parish of East Baton Rouge. The address of the registered office may be changed from time to time by the Board of Directors and as may be permitted by applicable law.

Section 1.2. Other Offices. The Corporation may also have offices at such other places, both within or without the State of Louisiana, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II
SHAREHOLDERS

Section 2.1. Place of Meetings. All meetings of the shareholders shall be held at the registered office of the Corporation or at such other place as may be fixed from time to time by the Board of Directors, either within or without the State of Louisiana.

Section 2.2. Annual Meeting. An annual meeting of the shareholders shall be held annually and at such date, and at such time and place, as may be designated by the Board of Directors. At the annual meeting, the shareholders shall elect a Board of Directors and transact such other business as may properly come before the meeting.

Section 2.3. Notice of Shareholder Proposals. At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) a proper matter for shareholder action that has been properly brought before the meeting by a shareholder who complies with the notice procedures set forth in this Section and who is a shareholder of record on the date of the giving of notice provided for in this Section and on the record date for the determination of shareholders entitled to vote at such annual meeting. For such business to be considered properly brought before the meeting by a shareholder such shareholder must, in addition to any other applicable requirements, have given timely notice in proper form of such shareholder's intent to bring such business before such meeting. To be timely given, a shareholder's notice must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the anniversary date of the immediately preceding year's annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the shareholder to be timely must be so delivered not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. To be in proper form, a shareholder's notice to the Secretary shall be in writing and shall set forth: (a) the name and record address of the shareholder who intends to propose the business and the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to introduce the business specified in the notice; (c) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; and (d) any material interest of the shareholder in such business. No business shall be conducted at the annual meeting except business brought before the annual meeting in accordance with the procedures set forth in this Section. The chairman of the meeting may refuse to acknowledge the proposal of any business not made in compliance with the foregoing procedure. Except as required by law or exchange listing rules, if applicable, nothing in this Section shall obligate the Corporation or the Board of Directors to include in any proxy statement or other shareholder communication distributed on behalf of the Corporation or the Board of Directors information with respect to any proposal submitted by a shareholder.

Section 2.4. Special Meetings. Special meetings of the shareholders may be called by the Chairman, the Chief Executive Officer/President or a majority of the Board of Directors and shall be called by the Secretary at the written request of the holders of not less than twenty-five percent (25%) of all shares entitled to vote at the meeting. Special meetings of shareholders shall be held at the registered office of the Corporation at such time as the Secretary shall fix, or at such other place and at such time as shall be determined by the Board of Directors. Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

Section 2.5. Notice of Shareholders' Meeting. Written or printed notice of a meeting of shareholders stating the place, date and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than 10 (or 15 in the case of a special meeting called at the request of the holders of not less than 25% of all shares entitled to vote at the meeting) nor more than 60 days before the day of the meeting, by or at the direction of the Chief Executive Officer/President, the Secretary, or a designee of any of the foregoing, to each shareholder of record entitled to vote at such meeting. See also ARTICLE VI.

Section 2.6. Adjournments. Any meeting of shareholders may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time, date and place thereof are announced at the meeting at which the adjournment is taken. At the continuation of the adjourned meeting, any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 120 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 2.7. Nominations for Directors. Subject to the rights granted to a particular class or series of stock, nominations for the election of directors may be made (i) by or at the direction of the Board of Directors or (ii) by any shareholder entitled to vote for the election of directors who complies with the procedures set forth in this Section. In addition to any other applicable requirements, all nominations by shareholders must be given in a timely manner in proper written form to the Secretary of the Corporation. To be timely given, a shareholder's notice must be delivered to, or mailed and received by, to the Secretary at the principal executive offices of the Corporation, in the case of an annual meeting, in accordance with the provisions set forth in Section 2.3, and, in the case of a special meeting of shareholders called from the purpose of electing directors, not later than the close of business on the tenth (10^{th}) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever occurs first. To be in proper written form, the shareholder's notice must set forth in writing as to each person whom the shareholder proposes to nominate for election as a director (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, (d) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons), both pursuant to which the nominations are to be made by the shareholder and otherwise, (e) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated by the Board of Directors of the Corporation, and (f) any other information relating to such person that is relevant to his or qualification as a director. The shareholder's notice must also contain as to such shareholder giving notice, the information required to be provided under Section 2.3 and be accompanied by the written consent of each nominee to serve as director of the Corporation if so elected. No person shall be eligible for election as a director unless nominated in accordance with the procedures set forth in these Bylaws. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures. Except as required by law or exchange listing rules, if applicable, nothing in this Section shall obligate the Corporation or the Board of Directors to include in any proxy statement or other shareholder communication distributed on behalf of the Corporation or the Board of Directors information with respect to any nominee for director submitted by a shareholder.

Section 2.8. Quorum. The holders of a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of shareholders. If a quorum is not present or represented at any meeting of the shareholders, the chairman of the meeting or the holders of a majority of the shares entitled to vote who are present in person or represented by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. Once a quorum is attained, the shareholders present or represented at a duly organized meeting may continue to transact business notwithstanding the withdrawal of enough shareholders to leave less than a quorum. A shareholder that is physically present at a meeting of shareholders shall be deemed to be present for purposes of determining whether a quorum exists, except where such person is physically present at the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 2.9. Proxies and Voting. On each matter submitted to a vote of the shareholders, each shareholder shall have one vote for every share of stock entitled to vote and registered in his or her name on the record date for the meeting, except to the extent that the voting rights of the shares of any class are limited or denied by the Articles of Incorporation of the Corporation (as amended, the "Articles of Incorporation") or the Louisiana Business Corporation Act ("LBCA").

Except as otherwise required by the Articles of Incorporation or by law, a majority of votes actually cast shall decide any matter properly brought before the shareholders at a meeting at which a quorum is present.

At any meeting of the shareholders at which a quorum is present, every shareholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed with the Secretary of the Corporation prior to or at the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, or unless otherwise made irrevocable by law.

Section 2.10. Voting List. After fixing a record date for a meeting, the Corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting, arranged by voting group, and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder. In the manner and to the extent required by law or exchange listing rules, if applicable, the list shall be available for inspection beginning two business days after notice is given for which the list was prepared and continuing through the meeting. This list shall be prima facie evidence of the ownership of shares in the Corporation and of the right of the shareholders listed therein to vote.

Section 2.11. Consent of Shareholders in Lieu of Meeting. Any action required by the LBCA to be taken at any annual or special meeting of shareholders, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, and without prior notice, if consents in writing setting forth the action so taken are signed by the holders of outstanding shares of the Corporation having not less than the minimum number of votes that would be required to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted.

The consent(s), which shall bear the date(s) of signature(s) of the shareholder(s) signing the consent, together with a certificate by the Secretary of the Corporation to the effect that the subscribers to the consent constitute all or the required proportion of the shareholders entitled to vote on the particular question, shall be filed with the records of the proceedings of the shareholders. No written consent shall be effective to take the corporate action referenced therein unless, within 60 days of the earliest date on which a consent is delivered to the Corporation as required by this Section was signed, written consents signed by sufficient shareholders to take action have been delivered to the Corporation. An action taken by written consent shall be effective when written consents signed by sufficient shareholders to take the action are delivered to the Corporation, subject to any reasonable delay to permit tabulation of written consents by the Corporation. If the consent is signed by fewer than all of the shareholders having voting power on the question, written notice of the action taken by consent shall be given to all of the shareholders having voting power on the question, other than those who signed the consent, not more than 10 days after written consents sufficient to take the action have been delivered to the Corporation, or such later date that tabulation of consents is completed as provided by law.

Section 2.12. Inspectors. The Board of Directors or, in the absence of a designation by the Board of Directors, the chairman of the meeting shall appoint one or more inspectors to act at the meeting and make a written certification thereof. Such inspectors shall perform such duties as shall be specified by the Board of Directors or chairman of the meeting, or as otherwise required by law or exchange listing rules, if applicable. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. No director or nominee for the office of director shall be appointed as an inspector. Except as otherwise limited by the Board of Directors or chairman of the meeting, the inspectors shall ascertain the number of shares outstanding and the voting power of each; determine the shares represented at a meeting and the validity of proxies and ballots; count all votes and ballots; determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, ballots, the regular books and records of the Corporation and any other credible evidence provided by the shareholder, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of the Corporation, brokers, their nominees or similar persons that represent more votes than the holder of a proxy is authorized by the record owner to cast, or more votes than the shareholder holds of record.

ARTICLE III
DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or the Articles of Incorporation or these Bylaws directed or required to be exercised and done by the shareholders.

Section 3.2. Number and Qualification of Directors. The number of directors of the Corporation shall be not less than one and not more than 25, with the exact such number as determined from time to time by the Board of Directors. Whenever the authorized number of directors is increased between annual meetings of the shareholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are chosen and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the Board of Directors which are being eliminated by the decrease. Directors need not be residents of the State of Louisiana or a shareholder of the Corporation.

Section 3.3. Term of Office of Directors. Except with respect to a vacancy on the Board of Directors, directors shall be elected at the annual meeting of shareholders and each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier death, resignation or removal.

Section 3.4. First Meeting. The first meeting of each newly elected Board of Directors shall be held at the regularly scheduled Board meeting following the election of directors, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present; or the Board of Directors may meet at such place and time as shall be fixed by the consent in writing of all of the directors.

Section 3.5. Place of Meeting. All meetings of the Board of Directors may be held at such place or places, either within or without the State of Louisiana, as from time to time shall be determined by the Board of Directors or Chairman.

Section 3.6. Regular Meetings. Regular meetings of the Board of Directors may be held at such times and places as the Board of Directors shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday under the laws of the place where the meeting is to be held, the meeting that would otherwise be held on that day shall be held at the same time on the next succeeding day that is not a legal holiday, unless otherwise determined by the Chairman.

Section 3.7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the Chief Executive Officer/President or by the Secretary upon the request of a majority of directors then in office. The person(s) calling the meeting may fix the time and date of the special meeting.

Section 3.8. Quorum. At all meetings of the Board of Directors, a majority of the directors at the time in office shall be necessary and sufficient to constitute a quorum for the transaction of business; and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, the Articles of Incorporation or these Bylaws. In the absence of a quorum, a majority of the directors present at any meeting may adjourn the meeting to another place and/or time, without notice other than announcement at the meeting, until a quorum shall be present. If a quorum is present when the meeting is convened, the directors present may continue to conduct business, taking action by vote of a majority of a quorum as fixed above, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum as fixed above. A director that is physically present at a meeting of directors shall be deemed to be present for purposes of determining whether a quorum exists, except where such person is physically present at the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 3.9. Participation in Meetings by Conference Telephone. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in and hold meetings by means of conference telephone or other similar means of communication by which all directors participating may simultaneously hear each other during the meeting, and such participation shall constitute the presence in person at such meeting, except where a director participates for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 3.10. Notice of Meetings. Notice of regular meetings of the Board of Directors or of any adjourned meeting thereof need not be given. Notice of the place, date, time and purpose of each special meeting of the Board of Directors shall be given to each director not less than 24 hours before the meeting, and such notice may be given in any manner permitted pursuant to Section 1-141 of the LBCA.

Section 3.11. Rules and Regulations. The Board of Directors may adopt such rules and regulations not inconsistent with the Articles of Incorporation or these Bylaws or any other provision of law or applicable exchange listing rule for the conduct of its meetings and management of the affairs of the Corporation as the Board of Directors may deem proper.

Section 3.12. Consent of Directors in Lieu of Meeting. Any action which may be taken at a meeting of the Board of Directors or any committee thereof may be taken by consent in writing signed by all of the directors or by all members of the committee, as the case may be, and filed with the records of proceedings of the Board of Directors or committee.

Section 3.13. Compensation of Directors. The Board of Directors shall have authority to determine, from time to time, the amount of compensation, if any, which shall be paid to its members for their services as directors and as members of committees. The Board shall also have power in its discretion to provide for and to pay to directors rendering services to the Corporation not ordinarily rendered by directors as such, special compensation appropriate to the value of such services as determined by the Board of Directors from time to time. In addition, the directors may be reimbursed their expenses. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

Section 3.14. Committees of the Board of Directors. The Board of Directors may from time to time designate from among its members one or more committees of the Board of Directors, and shall designate such committees as shall be required by applicable law or exchange listing rules, if applicable, each of which shall, except as otherwise prescribed by law, have such lawfully delegable powers of the Board of Directors in the management of the business and affairs of the Corporation as the Board of Directors may specify in the resolutions designating such committee or in the charter of such committee adopted by the Board of Directors. The composition of the committees of the Board of Directors shall be determined by the Board of Directors and shall be consistent with applicable law and exchange listing rules, if applicable. One or more directors may be named as alternate member(s) to replace any absent or disqualified members.

The number of members on each committee may be increased or decreased from time to time by resolution of the Board of Directors. Any member of any committee may be removed from such committee at any time by resolution of the Board of Directors. Any vacancy occurring on a committee shall be filled by the Board of Directors, but the Chairman or Chief Executive Officer/President may designate another director to serve on the committee pending action of the Board of Directors. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or such directors by law.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law and exchange listing rules, if applicable. Adequate provision shall be made for notice to members of all meetings. A majority of the members shall constitute a quorum and, at any committee meeting at which a quorum is present, all matters shall be determined by a majority vote of the members present. Committees of the Board of Directors shall keep written minutes of its proceedings, a copy of which is to be filed with the Secretary, and shall report on such proceedings to the Board of Directors. Except as otherwise provided by the Board of Directors or the relevant committee, provisions of these Bylaws governing place, time and notice of meetings, quorum, voting and other procedural requirements will apply to committees and their members as well.

Section 3.15. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the requisite vote of the Corporation's shareholders as required under the LBCA or the Articles of Incorporation, as applicable.

Section 3.16. Resignation. A director of the Corporation may resign at any time by giving written notice to the Board of Directors, the Chairman, the Chief Executive Officer/President or the Secretary of the Corporation. Such resignation shall take effect on the date of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective

Section 3.17. Vacancies. Any vacancy occurring on the Board of Directors by reason of death, resignation, removal, failure to receive more votes for than against in an uncontested election or otherwise, or newly created directorships resulting from an increase in the number of directors, may be filled by the shareholders, the Board of Directors, or if the directors remaining in office constitute fewer than a quorum, the affirmative vote of a majority of the directors remaining in office.

Section 3.18. Advisory Directors. The Board of Directors may from time to time create one or more positions of Advisory Director, and may fill such position or positions for such terms as the Board of Directors deems proper. Each Advisory Director will, upon the invitation of the Board of Directors, have the privilege of attending meetings of the Board of Directors, but will do so solely as an observer. Notice of meetings of the Board of Directors to an Advisory Director will not be required under any applicable law, the Articles of Incorporation or these Bylaws. Each Advisory Director will be entitled to receive such compensation as may be fixed from time to time by the Board of Directors for such position. No Advisory Director will be entitled to vote on any business coming before the Board of Directors, nor will he or she be counted as a member of the Board of Directors for the purpose of determining the number of directors necessary to constitute a quorum, for the purpose of determining whether a quorum is present, or for any purpose whatsoever. Upon the occurrence of any vacancy in an Advisory Director position, that position will be deemed terminated until such time as the Board of Directors will again deem it proper to create and to fill the position. An Advisory Director may be removed at any time by the Board of Directors.

ARTICLE IV
OFFICERS

Section 4.1. Generally. The officers of the Corporation shall consist of a Chairman, a Chief Executive Officer (who shall also be the President unless a separate office of President has been established by the Board of Directors), a Secretary, and a Chief Financial Officer, each of whom shall be a different person (except that the Chairman and the Chief Executive Officer/President may be the same person). Each of the designated officers of the Corporation shall be elected by the Board of Directors. The Board or the Chief Executive Officer/President may elect or appoint such other officers as it may from time to time determine or may delegate such power of appointment to any other executive officer of the Corporation. Only officers specifically designated by the Board of Directors as executive officers shall serve as such, and each officer shall serve at the pleasure of the Board of Directors. None of the officers except the Chief Executive Officer/President and the Chairman need be a director. Any vacancy occurring in any office may be filled by the Board of Directors, the Chief Executive Officer/President or in any other manner provided by the Board of Directors or the Chief Executive Officer/President.

Section 4.2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

Section 4.3. Execution of Instruments. The Chief Executive Officer/President (and such other officers or agents as are authorized by these Bylaws or by resolution of the Board of Directors) shall have the power and authority to execute and deliver, for and in the name of the Corporation, bonds, notes, debentures and other evidences of indebtedness, checks, stock certificates, deeds, mortgages, deeds of trust, indentures, contracts, leases, agreements and other instruments, except where such documents are required by law to be otherwise executed and delivered or where the execution and delivery thereof shall be exclusively delegated to some other officer or agent of the Corporation.

Section 4.4. Duties of Officers. The duties and powers of the officers of the Corporation shall be as provided in or pursuant to these Bylaws, as set forth in written job descriptions approved by the Board of Directors or Chief Executive Officer/President, or (except to the extent inconsistent with these Bylaws or with any provision made pursuant hereto) those customarily exercised by corporate officers holding such offices.

Section 4.5. Chairman. The Chairman shall, if present, preside at meetings of the Board of Directors and the shareholders. The Chairman shall counsel with and advise the other officers of the Corporation and shall exercise such powers and perform such other duties as the Board of Directors may from time to time determine.

Section 4.6. Vice Chairman. The Board of Directors may elect or appoint one or more Vice Chairmen of the Board of Directors who, in the absence of the Chairman, shall (in the order determined by the Board of Directors, if more than one), if present, preside at meetings of the Board of Directors. When so acting, each Vice Chairman shall have the powers, and be subject to all the restrictions on, the Chairman. Each Vice Chairman shall, when requested, counsel with and advise the Chief Executive Officer/President, the Chairman, and other officers of the Corporation and shall perform such other duties as may be agreed upon with them or as the Board of Directors may from time to time determine.

Section 4.7. Chief Executive Officer/President. The Chief Executive Officer/President shall serve in the dual capacities as Chief Executive Officer and President of the Corporation (unless a separate office of president has been established by the Board of Directors). The Chief Executive Officer/President shall have general powers of oversight, supervision and management of the business and affairs of the Corporation and its subsidiaries, subject to the control of the Board of Directors, and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer/President shall be authorized to execute documents and instruments in the name and on behalf of the Corporation, and shall have such other duties as the Board of Directors shall from time to time determine. In the absence of the Chairman or any Vice Chairman, the Chief Executive Officer/President shall preside at meetings of the Board of Directors. The Chief Executive Officer/President may delegate any of his authority (whether general or specific) to any other officer of the Corporation, including the authority to execute and deliver bonds, notes, debentures and other evidences of indebtedness, checks, stock certificates, deeds, mortgages, deeds of trust, indentures, contracts, leases, agreements and other instruments, except as prohibited by law or where the execution and delivery thereof shall have been exclusively delegated by the Board of Directors. Whenever the consent of the Corporation is required under the corporate governance documents of any affiliate of the Corporation, such consent may be given by the Chief Executive Officer/President or his designee, and such consent shall constitute the consent of the Corporation. The Chief Executive Officer/President may also cause the Corporation or any subsidiary of the Corporation to engage in any business activity permitted by law, regulation or policy and may organize or cause to be organized subsidiary corporations or other entities to engage in such business. All checks or demands for money and notes of the Corporation may be executed by the Chief Executive Officer/President or such other persons as the Chief Executive Officer/President may from time to time designate. Without limitation to any other power and authority exercisable by the Chief Executive Officer/President, the Chief Executive Officer/President and such other officers as he may from time to time designate, shall be authorized and empowered (i) to open and close accounts of the Corporation with any person, partnership or other entity for the purpose of the purchase and sale of securities of any kind or nature for the account of the Corporation; (ii) to open and close accounts of the Corporation of any kind or nature with any depository institution or financial intermediary and to make deposits to, transfers to or from, and withdrawals from, such accounts, and to take any and all other such actions with respect thereto as such person(s), in his sole discretion, shall deem necessary or advisable; (iii) to purchase and sell in the name and on behalf of the Corporation, any security issued by any corporation, partnership or other entity, whether public, private or hybrid, in such amounts and for such consideration as such person(s) shall deem appropriate, provided however that no person shall have the authority to sell any shares of capital stock of any subsidiary of the Corporation other than to the Corporation or another wholly-owned subsidiary of the Corporation without the prior approval of the Board of Directors; and (iv) to borrow funds on behalf of the Corporation in such amounts and on such terms, including the pledge of assets, as such person(s) shall deem appropriate in furtherance of the business of the Corporation and, in connection with the foregoing and the investment of the proceeds of borrowings, shall have the authority to sign, execute, acknowledge, verify, deliver and accept on behalf of the Corporation all agreements, contracts, loan agreements, indentures, mortgages, security instruments, satisfactions, settlements, powers of attorney, undertakings and other instruments or documents.

Section 4.8. Vice President. The Vice President(s), if any, in the order determined by the Board of Directors or Chief Executive Officer/President, shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer/President shall prescribe.

Section 4.9. Secretary. The Secretary shall give or cause to be given all authorized notices required to be given by the Corporation. The Secretary shall also keep minutes of all meetings of the shareholders and the Board of Directors and committees thereof. The Secretary shall have charge of the corporate books and shall perform such other duties and have such powers as the Board of Directors or the Chief Executive Officer/President may from time to time prescribe. The Secretary shall keep in safe custody the seal of the Corporation and, when authorized by the Board of Directors or the Chief Executive Officer/President, affix the same to any instrument requiring it. The Assistant Secretary(ies), if any, in the order determined by the Board of Directors or the Chief Executive Officer/President shall perform such duties and have such powers as the Board of Directors or the Chief Executive Officer/President may from time to time prescribe.

Section 4.10. Chief Financial Officer. The Chief Financial Officer shall have general supervision over the financial operations of the Corporation and its subsidiaries, subject to the direction of the Board of Directors and the Chief Executive Officer/President. The Chief Financial Officer shall render from time to time an accounting of all transactions and of the financial condition of the Corporation.

Section 4.11. Delegation of Authority. The Board of Directors and the Chief Executive Officer/President may from time to time delegate the powers or duties of any officer to any other officers and agents, notwithstanding any other provision hereof, except as prohibited by law or where such power or duties shall have been exclusively delegated by the Board of Directors.

Section 4.12. Compensation of Officers and Agents. The compensation of all officers and agents of the Corporation, if any, shall be fixed by, or in a manner determined by, the Board of Directors unless such determination is delegated to Corporation management.

Section 4.13. Resignation. Subject at all times to the right of removal as provided below, any officer may resign at any time by giving notice to the Board of Directors, the Chief Executive Officer/President or the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later date specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 4.14. Removal. Any officer or agent of the Corporation may be removed at any time, with or without cause, by the Board of Directors, the Chief Executive Officer/President or, except in the case of the Chairman, Vice Chairman or Chief Executive Officer/President, by any committee of the Board of Directors or superior officer upon whom such power may be conferred by the Board of Directors or the Chief Executive Officer/President.

Section 4.15. Vacancies. Any vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors, and the office so elected shall hold office until his or her successor is chosen and qualified.

Section 4.16. Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the Chief Executive Officer/President or any person authorized by the Chief Executive Officer/President shall have the power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of shareholders of or with respect to any action of the shareholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any and all rights and powers that the Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V
CERTIFICATES OF STOCK

Section 5.1. Certificated and Uncertificated Shares. The shares of the capital stock of the Corporation may be either certificated shares or uncertificated shares; provided, however, that every holder of capital stock of the Corporation shall be entitled to have a certificate evidencing the number and class (and series, if any) of shares owned by him or her and containing such information as required by law and exchange listing rules, if applicable. As used herein, the term “certificated shares” means shares represented by instruments in bearer or registered form, and the term “uncertificated shares” means shares not represented by instruments and the transfers of which are registered upon books maintained for that purpose by or on behalf of the Corporation.

Section 5.2. Certificates of Stock. Certificates representing shares of stock of each class or series of stock of the Corporation, whenever authorized by the Board of Directors or required by law, shall be in such form as shall be approved by the Board of Directors. Such certificates shall be executed on behalf of the Corporation by the Chief Executive Officer/President or a Vice President, and the Secretary or an Assistant Secretary, of the Corporation and may be sealed with the corporate seal of the Corporation or a facsimile thereof. The signature of any officer may be a facsimile. Certificates bearing the signatures of individuals who were, at the time when such signatures were affixed, authorized to sign on behalf of the Corporation, shall be validly executed notwithstanding that such individuals or any of them have ceased to be so authorized prior to the delivery of such certificates or did not hold such offices at the date of delivery of such certificates.

No certificate shall be issued until the consideration for such certificate has been fully paid. Each certificate representing shares of the Corporation shall state upon the face thereof the name of the Corporation, that the Corporation is organized under the laws of the State of Louisiana, the name of the person to whom the shares are issued, and the number and class of shares and the designation of the series, if any, that such certificate represents.

Section 5.3. Designation of Classes of Stock. If the Corporation is authorized to issue shares of more than one class, each certificate representing shares issued by the Corporation shall conspicuously set forth on the certificate, or shall state that the Corporation will furnish to any shareholder upon request and without charge, a summary of the designations, preferences, limitations, and relative rights of the shares of each class and of each series of each preferred or special class, so far as the same have been fixed, and the authority of the Board of Directors to establish other series and to fix the relative rights, preferences and limitations of the shares of any class or series by amendment of the articles.

Section 5.4. Lost, Stolen, Destroyed or Mutilated Certificates. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, destroyed or mutilated upon the surrender of the mutilated certificate or, in the case of a lost, stolen or destroyed certificate, upon such terms and conditions as the Board of Directors or Chief Executive Officer/President may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity and posting of such bond as the Board of Directors or Chief Executive Officer/President may require for the protection of the Corporation or any transfer agent or registrar.

Section 5.5. Registrar and Transfer Agent. The Corporation shall keep, or cause to be kept, at its registered office or at such other location designated by the Board of Directors, a register or registers in which, subject to such reasonable regulations as the Board of Directors may prescribe, the registrar and transfer agent shall register the stock of the Corporation and the transfers thereof. The registrar or transfer agent shall be the Secretary unless otherwise provided for by resolution of the Board of Directors.

Section 5.6. Registration of Transfer and Exchange. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these Bylaws. Transfers of stock shall be made only on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate for the purpose of such transfer, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to who transferred.

Section 5.7. Regulations. The Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue and transfer of certificates representing shares of stock of each class of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, stolen, destroyed or mutilated.

Section 5.8. Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or to receive payment of any dividend or other distribution, or to receive or exercise subscription or other rights, or to participate in a reclassification of stock, or in order to make a determination of shareholders for any other proper purposes, the Board of Directors may fix in advance a record date for determination of shareholders for such purpose, which record date shall be not more than 70 days prior to the date on which the action requiring the determination of shareholders is to be taken. A determination of shareholders entitled to notice of or to vote at a meeting of the shareholders shall apply to any adjournment of the meeting, unless the Board of Directors elects to fix a new record date or the meeting is adjourned for more than 120 days.

Except as the Board of Directors may otherwise provide, if no record date is fixed for the purpose of determining shareholders (i) entitled to notice of and to vote at a meeting, the close of business on the day before the notice of the meeting is mailed, or if notice is waived, the close of business on the day before the meeting, shall be the record date for such purpose, or (ii) for any other purpose, the close of business on the day which the Board of Directors adopts the resolution relating thereto shall be the record date for such purposes.

Section 5.9. Stock Transfer Books. The Board of Directors may, from time to time and in its discretion, order that the stock transfer books shall be closed.

Section 5.10. Registered Shareholders. The Corporation shall be entitled to recognize and treat a person registered on its records as the owner of shares, as the exclusive owner in fact thereof for all purposes, and as the person entitled to have and to exercise all rights and privileges incident to the ownership of such shares, including the right to vote and to receive dividends, distributions or payments of interest and principal thereon. The Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Louisiana; and the rights under this section shall not be affected by any actual or constructive notice which the Corporation, or any or its directors, officers or agents, may have to the contrary.

ARTICLE VI
NOTICES

Section 6.1. Notices. Whenever required by law, the Articles of Incorporation or these Bylaws, notice is to be given to any director, committee member or shareholder, and no provision is made as to how such notice is to be given, such notice may be given: (i) in writing, by mail, postage prepaid, addressed to such director, committee member or shareholder at such address as appears on the books of the Corporation or (ii) in any other method permitted by the LBCA. Any notice required or permitted to be given by mail shall be deemed to be given at the time the same is deposited in the United States mail with postage thereon paid. Notice to directors, committee members or shareholders may also be given by nationally recognized overnight delivery or courier service, and shall be deemed given when such notice shall be received by the proper recipient thereof or, if earlier, one (1) day after such notice is sent by such overnight delivery or courier service. Notice from the Corporation may be given to the shareholder, director or committee member by electronic transmission in accordance with the LBCA. Notice by electronic transmission shall be deemed to be received in accordance with the LBCA. If the notice required by this Section is given by multiple means, such notice shall be effective as of the earliest date on which it was received.

Section 6.2. Waivers. Whenever notice is required by statute, the Articles of Incorporation or these Bylaws to be given, a written waiver signed by or on behalf of the person entitled to notice or a waiver by electronic transmission by the person entitled to notice, given before or after the time of the event for which notice is to be given, shall be equivalent to giving the notice. A waiver transmitted by email will be deemed given if transmitted from an email address provided by such person for the purpose of receiving notices or other communications from the Corporation. Neither the business nor the purpose of the meeting need be specified in a waiver. Attendance of a shareholder, director or committee member at a meeting will constitute a waiver of notice of that meeting, except when the shareholder, director or committee member attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened or, in the case of a shareholder, the lack of proper notice to the shareholders.

ARTICLE VII
MISCELLANEOUS

Section 7.1. Facsimile or Electronic Signatures. In addition to the provisions for use of facsimile or electronic signatures elsewhere specifically authorized in these Bylaws, facsimile or electronic signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof. For purposes of this Section, an electronic signature contemplates, among other things, a scanned signature in "pdf" format or a similar format acceptable to the Corporation.

Section 7.2. Distributions. The Board of Directors may declare and the Corporation may pay distributions on its outstanding shares in cash, property or shares of the Corporation in accordance with law and subject to the Articles of Incorporation.

Section 7.3. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Chief Financial Officer, or an Assistant Secretary. Unless otherwise provided by law, it shall not be mandatory that the corporate seal or its facsimile be impressed or affixed on any document executed on behalf of the Corporation.

Section 7.4. Reliance Upon Books, Reports and Records. A director or a member of any committee designated by the Board of Directors shall, in the performance of such person's duties, be protected to the fullest extent permitted by law in relying on the books of account or other records of the Corporation and upon information, opinion, reports or statements presented to the Corporation.

Section 7.5. Checks. In addition to the authority granted in these Bylaws, all checks, drafts and other orders for the payment of money out of the funds of the Corporation shall be signed on behalf of the Corporation by the Chairman, the Chief Executive Officer/President or Chief Operations Officer of the Corporation, or by such other officer of the Corporation as has been specifically authorized by the Board of Directors.

Section 7.6. Time Periods. In computing any period of time under these Bylaws, calendar days shall be used, the day that marks the commencement of the period shall not be counted, and the period shall end upon the expiration of the last day of the period; provided, however, that if the day on which the period is to expire is a legal holiday under the laws of the State of Louisiana, then the period shall end upon the expiration of the next day that is not a legal holiday.

Section 7.7. Application of Bylaws. In the event that any provision of these Bylaws is or may be in conflict with any law of the United States or the State of Louisiana or of any other governmental body or power having jurisdiction over the Corporation, or any applicable exchange listing rules, that provision of these Bylaws shall be inoperative to the extent only that the operation thereof unavoidably conflicts with such law, and shall in all other respects be in full force and effect.

Section 7.8. Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

ARTICLE VIII
AMENDMENT OF BYLAWS

Except as otherwise limited by law, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the Board of Directors or the shareholders.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2017

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

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gregory Robertson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2017

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer

EXHIBIT 32.1

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

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Business First Bancshares, Inc. (“Business First”) for the three month period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, David R. Melville, III, as President and Chief Executive Officer of Business First, and Gregory Robertson, as Chief Financial Officer of Business First, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

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

Date: November 9, 2017

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

/s/ Gregory Robertson
Gregory Robertson
Chief Financial Officer