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

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended: June 30, 2022

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________

Commission File Number: 001-38888

Red River Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Louisiana	**72-1412058**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
1412 Centre Court Drive, Suite 501, Alexandria, Louisiana	**71301**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (318) 561-5028

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	**RRBI**	**The Nasdaq Stock Market, LLC**

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

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

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

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

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

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

As of July 31, 2022, the registrant had 7,183,915 shares of common stock, no par value, issued and outstanding.

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GLOSSARY OF TERMS

Unless the context indicates otherwise, references in this filing to "we," "our," "us," "the Company," and "our company" refer to Red River Bancshares, Inc., a Louisiana corporation and bank holding company, and its consolidated subsidiaries. All references in this filing to "Red River Bank," "the bank," and "the Bank" refer to Red River Bank, our wholly owned bank subsidiary.

Other abbreviations or acronyms used in this filing are defined below.

ABBREVIATION OR ACRONYM	DEFINITION
AFS	Available-for-sale
AOCI	Accumulated other comprehensive income or loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel III	Basel Committee's 2010 Regulatory Capital Framework (Third Accord)
BOLI	Bank-owned life insurance
bp(s)	Basis point(s)
CARES Act	Coronavirus Aid, Relief, and Economic Security Act, as amended
CBLR	Community bank leverage ratio
CCB	Capital conservation buffer
CECL	Current Expected Credit Losses, related to *ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*
COVID-19	Coronavirus Disease 2019
CRA	Community Reinvestment Act
Director Compensation Program	Amended and Restated Director Compensation program, which allows directors of the Company and the Bank an opportunity to select how to receive their annual director fees.
Economic Aid Act	Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act
Economic Growth Act	Economic Growth, Regulatory Relief, and Consumer Protection Act
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FOMC	Federal Open Market Committee
FHLB	Federal Home Loan Bank of Dallas
FTE	Fully taxable equivalent basis
GAAP	Generally Accepted Accounting Principles in the United States of America
HFI	Held for investment
HFS	Held for sale
HTM	Held-to-maturity
LDPO	Loan and deposit production office
LIBOR	London Interbank Offered Rate
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
NPA(s)	Nonperforming asset(s)
OTTI	Other-than-temporary impairment
Policy Statement	Federal Reserve's Small Bank Holding Company Policy Statement
PPP	Paycheck Protection Program
Report	Quarterly Report on Form 10-Q
SBA	Small Business Administration
SBIC	Small Business Investment Company

ABBREVIATION OR ACRONYM	DEFINITION
Securities Act	Securities Act of 1933, as amended
SEC	Securities and Exchange Commission
TDR(s)	Troubled debt restructuring(s)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which reflect our current views with respect to, among other things, future events and our financial performance. 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,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would,” and “outlook,” or the negative version of those words, or such other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management’s beliefs, and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- business and economic conditions generally and in the financial services industry, nationally and within our local market areas;
- the impact of COVID-19 (including the emergence of multiple COVID-19 variants) on our business, the communities where we have our banking centers, the state of Louisiana, and the United States, related to the economy and overall financial stability;
- government and regulatory responses to the COVID-19 pandemic;
- government intervention in the U.S. financial system, including the effects of recent and future legislative, tax, accounting, and regulatory actions and reforms, including the CARES Act, the American Rescue Plan Act of 2021, and the Economic Aid Act, which established the SBA PPP, and other stimulus legislation or changes in banking, securities, accounting, and tax laws and regulations, and their application by our regulators;
- changes in management personnel;
- increased competition in the financial services industry, particularly from regional and national institutions;
- volatility and direction of market interest rates;
- our ability to maintain important deposit customer relationships and our reputation, and to otherwise avoid liquidity risks;
- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers, and the success of construction projects that we finance, including any loans acquired in acquisition transactions;
- changes in the value of collateral securing our loans;
- risks associated with system failures or failures to protect against cybersecurity threats, such as breaches of our network security;
- deterioration of our asset quality;
- the adequacy of our reserves, including our allowance for loan losses;
- operational risks associated with our business;
- natural disasters and adverse weather, acts of terrorism, pandemics, an outbreak of hostilities, including the ongoing military conflict between Russia and Ukraine, or other international or domestic calamities, and other matters beyond our control;
- our ability to prudently manage our growth and execute our strategy;
- compliance with the extensive regulatory framework that applies to us;
- the cessation of LIBOR effective June 30, 2023, and the impact of any replacement alternatives on our business;
- changes in the laws, rules, regulations, interpretations, or policies relating to financial institution, accounting, tax, trade, monetary, and fiscal matters; and
- the risk factors found in “Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, as well as in “Part II - Item 1A. Risk Factors” of this Report and other reports and documents we file from time to time with the SEC.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Report. Additional information on these and other risk factors can be found in “Part II - Item 1A. Risk Factors” of this Report and in “Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. 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 publicly update or review any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as required by applicable law. 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RED RIVER BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share amounts)	June 30, 2022	December 31, 2021
ASSETS		
Cash and due from banks	$ 39,339	$ 23,143
Interest-bearing deposits in other banks	317,061	761,721
Total Cash and Cash Equivalents	356,400	784,864
Securities available-for-sale, at fair value	651,125	659,178
Securities held-to-maturity, at amortized cost	159,562	—
Equity securities, at fair value	—	7,846
Nonmarketable equity securities	3,452	3,450
Loans held for sale	4,524	4,290
Loans held for investment	1,841,585	1,683,832
Allowance for loan losses	(19,395)	(19,176)
Premises and equipment, net	52,172	48,056
Accrued interest receivable	7,356	6,245
Bank-owned life insurance	28,413	28,061
Intangible assets	1,546	1,546
Right-of-use assets	4,385	3,743
Other assets	29,988	12,775
Total Assets	$ 3,121,113	$ 3,224,710
LIABILITIES		
Noninterest-bearing deposits	$ 1,181,781	$ 1,149,672
Interest-bearing deposits	1,668,414	1,760,676
Total Deposits	2,850,195	2,910,348
Accrued interest payable	1,176	1,310
Lease liabilities	4,494	3,842
Accrued expenses and other liabilities	11,652	11,060
Total Liabilities	2,867,517	2,926,560
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS’ EQUITY		
Preferred stock, no par value: Authorized - 1,000,000 shares; None Issued and Outstanding	—	—
Common stock, no par value: Authorized - 30,000,000 shares; Issued and Outstanding - 7,176,365 and 7,180,155 shares, respectively	60,050	60,233
Additional paid-in capital	1,940	1,814
Retained earnings	255,410	239,876
Accumulated other comprehensive income (loss)	(63,804)	(3,773)
Total Stockholders’ Equity	253,596	298,150
Total Liabilities and Stockholders’ Equity	$ 3,121,113	$ 3,224,710

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

RED RIVER BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	$ 18,032	$ 16,351	$ 34,802	$ 33,517
Interest on securities	3,677	2,138	6,639	4,027
Interest on federal funds sold	116	25	141	47
Interest on deposits in other banks	671	129	922	229
Dividends on stock	2	1	3	2
Total Interest and Dividend Income	22,498	18,644	42,507	37,822
INTEREST EXPENSE				
Interest on deposits	1,349	1,397	2,630	2,984
Total Interest Expense	1,349	1,397	2,630	2,984
Net Interest Income	21,149	17,247	39,877	34,838
Provision for loan losses	250	150	400	1,600
Net Interest Income After Provision for Loan Losses	20,899	17,097	39,477	33,238
NONINTEREST INCOME				
Service charges on deposit accounts	1,410	1,140	2,718	2,199
Debit card income, net	1,056	1,204	1,992	2,250
Mortgage loan income	892	2,357	2,018	5,239
Brokerage income	890	806	1,666	1,640
Loan and deposit income	410	395	781	868
Bank-owned life insurance income	180	164	352	297
Gain (Loss) on equity securities	(82)	11	(447)	(59)
Gain (Loss) on sale and call of securities	(114)	34	(75)	193
SBIC income	151	239	171	480
Other income (loss)	67	53	86	71
Total Noninterest Income	4,860	6,403	9,262	13,178
OPERATING EXPENSES				
Personnel expenses	8,574	8,110	17,026	16,131
Occupancy and equipment expenses	1,473	1,329	2,965	2,608
Technology expenses	695	744	1,466	1,408
Advertising	306	226	526	409
Other business development expenses	340	307	642	607
Data processing expense	564	532	880	917
Other taxes	647	532	1,283	1,057
Loan and deposit expenses	185	193	315	448
Legal and professional expenses	475	368	893	737
Regulatory assessment expenses	251	213	501	414
Other operating expenses	961	838	2,036	1,819
Total Operating Expenses	14,471	13,392	28,533	26,555
Income Before Income Tax Expense	11,288	10,108	20,206	19,861
Income tax expense	2,141	1,869	3,667	3,557
Net Income	$ 9,147	$ 8,239	$ 16,539	$ 16,304
EARNINGS PER SHARE				
Basic	$ 1.27	$ 1.13	$ 2.30	$ 2.23
Diluted	$ 1.27	$ 1.13	$ 2.30	$ 2.22

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

RED RIVER BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net income	$ 9,147	$ 8,239	$ 16,539	$ 16,304
Other comprehensive income (loss):				
Unrealized net gain (loss) on securities arising during period	(26,302)	1,792	(76,954)	(7,229)
Tax effect	5,523	(377)	16,160	1,518
(Gain) Loss on sale and call of securities included in net income	114	(34)	75	(193)
Tax effect	(24)	8	(16)	41
Amortization of unrealized net gain (loss) on securities transferred to held-to-maturity	891	—	891	—
Tax effect	(187)	—	(187)	—
Total other comprehensive income (loss)	(19,985)	1,389	(60,031)	(5,863)
Comprehensive Income (Loss)	$ (10,838)	$ 9,628	$ (43,492)	$ 10,441

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

RED RIVER BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(dollars in thousands, except per share amounts)	Common Shares Issued	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 2020	7,325,333	$ 68,055	$ 1,545	$ 208,957	$ 6,921	$ 285,478
Net income	—	—	—	8,065	—	8,065
Stock incentive plan	—	—	93	—	—	93
Issuance of shares of common stock as board compensation	1,075	56	—	—	—	56
Repurchase of common stock under stock repurchase program	(19,661)	(1,018)	—	—	—	(1,018)
Cash dividend - $0.07 per share	—	—	—	(511)	—	(511)
Other comprehensive income (loss)	—	—	—	—	(7,252)	(7,252)
Balance as of March 31, 2021	7,306,747	$ 67,093	$ 1,638	$ 216,511	$ (331)	$ 284,911
Net income	—	—	—	8,239	—	8,239
Stock incentive plan	—	—	54	—	—	54
Forfeiture of restricted shares of common stock	(100)	—	—	—	—	—
Repurchase of common stock under stock repurchase program	(21,653)	(1,159)	—	—	—	(1,159)
Cash dividend - $0.07 per share	—	—	—	(510)	—	(510)
Other comprehensive income (loss)	—	—	—	—	1,389	1,389
Balance as of June 30, 2021	7,284,994	$ 65,934	$ 1,692	$ 224,240	$ 1,058	$ 292,924
Balance as of December 31, 2021	7,180,155	$ 60,233	$ 1,814	$ 239,876	$ (3,773)	$ 298,150
Net income	—	—	—	7,392	—	7,392
Stock incentive plan	—	—	63	—	—	63
Issuance of shares of common stock as board compensation	675	35	—	—	—	35
Repurchase of common stock under stock repurchase program	(4,465)	(218)	—	—	—	(218)
Cash dividend - $0.07 per share	—	—	—	(502)	—	(502)
Other comprehensive income (loss)	—	—	—	—	(40,046)	(40,046)
Balance as of March 31, 2022	7,176,365	$ 60,050	$ 1,877	$ 246,766	$ (43,819)	$ 264,874
Net income	—	—	—	9,147	—	9,147
Stock incentive plan	—	—	63	—	—	63
Cash dividend - $0.07 per share	—	—	—	(503)	—	(503)
Other comprehensive income (loss)	—	—	—	—	(19,985)	(19,985)
Balance as of June 30, 2022	7,176,365	$ 60,050	$ 1,940	$ 255,410	$ (63,804)	$ 253,596

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

RED RIVER BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	For the Six Months Ended June 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 16,539	$ 16,304
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,003	932
Amortization	281	317
Share-based compensation earned	126	147
Share-based board compensation earned	39	26
(Gain) Loss on other assets owned	25	(22)
Net (accretion) amortization on securities AFS	322	1,407
(Gain) Loss on sale and call of securities	75	(193)
(Gain) Loss on equity securities	447	59
Provision for loan losses	400	1,600
Deferred income tax (benefit) expense	(293)	(1,119)
Net (increase) decrease in loans HFS	(234)	16,825
Net (increase) decrease in accrued interest receivable	(1,111)	841
Net (increase) decrease in BOLI	(352)	(297)
Net increase (decrease) in accrued interest payable	(134)	(342)
Net increase (decrease) in accrued income taxes payable	226	(621)
Other operating activities, net	836	(526)
Net cash provided by (used in) operating activities	18,195	35,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in securities AFS:		
Sales	31,762	111,535
Maturities, principal repayments, and calls	45,335	54,607
Purchases	(313,514)	(188,583)
Activity in securities HTM:		
Maturities, principal repayments, and calls	7,632	—
Sale of equity securities	7,399	—
Purchase of nonmarketable equity securities	(2)	(2)
Capital contribution in partnerships	(817)	(40)
Net (increase) decrease in loans HFI	(157,934)	(12,299)
Purchase of bank owned life insurance	—	(5,000)
Proceeds from sales of foreclosed assets	—	96
Purchases of premises and equipment	(5,144)	(1,422)
Net cash provided by (used in) investing activities	(385,283)	(41,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(60,153)	229,239
Repurchase of common stock	(218)	(2,177)
Cash dividends	(1,005)	(1,021)
Net cash provided by (used in) financing activities	(61,376)	226,041
Net change in cash and cash equivalents	(428,464)	220,271
Cash and cash equivalents - beginning of period	784,864	447,201
Cash and cash equivalents - end of period	$ 356,400	$ 667,472

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

RED RIVER BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) (UNAUDITED)

SUPPLEMENTAL DISCLOSURES				
Cash paid during the year for:				
Interest	$	2,764	$	3,325
Income taxes	$	3,703	$	5,311
SUPPLEMENTAL INFORMATION FOR NON-CASH INVESTING AND FINANCING ACTIVITIES				
Assets acquired in settlement of loans	$	—	$	266
Transfers of investment securities from AFS to HTM, prior to market value adjustment	$	184,238	$	—

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

RED RIVER BANCSHARES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company were prepared in accordance with GAAP for interim financial information, general practices within the financial services industry, and instructions for Form 10-Q and Regulation S-X. Accordingly, these interim financial statements do not include all of the information or footnotes required by GAAP for annual financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the entire fiscal year. These statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Certain prior period amounts have been reclassified to conform to the current period presentation. These changes in presentation did not have a material impact on the Company's financial condition or results of operations.

Critical Accounting Policies and Estimates

There were no material changes or developments during the reporting period with respect to methodologies the Company uses when applying critical accounting policies and developing critical accounting estimates as disclosed in Note 1 of the notes to the audited consolidated financial statements for the year ended December 31, 2021, that were included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's financial condition, results of operations, comprehensive income, changes in stockholders' equity, and cash flows for the interim period presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

Accounting Standards Adopted in 2022

ASU No. 2021-05, Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments. The guidance issued in this update addressed lessors' concerns by amending the lease classification requirements. The amendments in this update address an issue related to a lessor's accounting for certain leases with variable lease payments. Lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if two criteria are met. Those criteria are that the lease would have been classified as a sales-type lease or a direct financing lease in accordance with GAAP, and that the lessor would have otherwise recognized a day-one loss. *ASU 2021-05* was adopted as of January 1, 2022, and did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 sets forth the CECL model requiring the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. *ASU 2016-13* requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses. In addition, the update amends the accounting for credit losses on AFS securities. We do not expect a material impact due to this update. As an SEC registrant with smaller reporting company filing status as determined on June 30, 2019, CECL is effective for the Company on January 1, 2023. The Company continues to evaluate the impact of this ASU on the consolidated financial statements and disclosures. In that regard, the Company has formed a cross-functional working group and is currently working through an implementation plan. The implementation plan includes an assessment of data, model development and documentation, documentation of processes, and implementation of a third-party vendor solution to assist in the adoption of *ASU 2016-13*. Based upon our preliminary CECL analysis as of June 30, 2022, we expect the adoption of *ASU 2016-13* will result in a combined 1.0% to 5.0% increase in our allowance for credit losses and allowance for unfunded commitments. This increase is a result of changing from an "incurred loss" model, which encompasses allowances for current known and inherent losses within the portfolio, to an "expected loss" model, which encompasses allowances for losses expected to be incurred over the life of the portfolio. Also, *ASU 2016-13* requires an allowance for expected credit losses for certain securities HTM. We currently do not hold any municipal securities HTM; therefore, we do not expect CECL to have a material impact related to securities HTM. Additionally, the adoption of *ASU 2016-13* is not expected to have a significant impact on our regulatory capital ratios. The ultimate impact of adoption on January 1, 2023, could be significantly different than our current expectation as our modeling processes will be significantly influenced by the composition, characteristics, and quality of our loan and securities portfolios as well as the prevailing economic conditions and forecasts as of that date, notwithstanding any further refinements to our expected credit loss models.

ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this update address how to determine whether a contract liability is recognized by the acquirer in a business combination. The amendment also resolves the inconsistency of post-acquisition revenue recognition by providing specific guidance on how to recognize and measure acquired contract assets and contract liabilities from revenue contracts in a business combination. This update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This standard will be adopted by the Company on January 1, 2023. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

ASU No. 2022-02 Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The guidance issued in this update eliminates the accounting guidance for TDRs by creditors in *Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors*, but also enhances the disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The guidance requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of *Subtopic 326-20, Financial Instruments – Credit Losses – Measured at Amortized Cost*. This standard is effective for the Company on January 1, 2023. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

2. Securities

Securities are classified as AFS, HTM, and equity securities. Total securities were $810.7 million as of June 30, 2022.

Securities AFS and Securities HTM

Securities AFS and securities HTM are debt securities. Securities AFS are held for indefinite periods of time and are carried at estimated fair value. As of June 30, 2022, the estimated fair value of securities AFS was $651.1 million. The net unrealized loss on securities AFS increased $59.0 million for the six months ended June 30, 2022, resulting in a net unrealized loss of $63.7 million as of June 30, 2022.

During the second quarter of 2022, the Company reclassified $166.3 million, net of $17.9 million of unrealized loss, or 20.5% of the securities portfolio from AFS to HTM. The securities were transferred at fair value, which became the cost basis for the securities HTM. The net unrealized loss will be amortized over the remaining life of the securities as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security. There were no gains or losses recognized as a result of the transfer. Securities HTM, which the Company has the intent and ability to hold until maturity, are carried at amortized cost. As of June 30, 2022, the amortized cost of securities HTM was $159.6 million.

Investment activity for the six months ended June 30, 2022, included $313.5 million of securities purchased, partially offset by $31.8 million in sales and $53.0 million in maturities, principal repayments, and calls. There were no purchases or sales of securities HTM for the same period.

The amortized cost and estimated fair values of securities AFS and securities HTM are summarized in the following tables:

	June 30, 2022			
(in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities AFS:				
Mortgage-backed securities	$ 307,528	$ 5	$ (25,390)	$ 282,143
Municipal bonds	222,440	32	(33,784)	188,688
U.S. Treasury securities	176,621	—	(4,219)	172,402
U.S. agency securities	8,264	—	(372)	7,892
Total Securities AFS	$ 714,853	$ 37	$ (63,765)	$ 651,125
Securities HTM:				
Mortgage-backed securities	$ 158,655	$ —	$ (11,455)	$ 147,200
U.S. agency securities	907	—	(45)	862
Total Securities HTM	$ 159,562	$ —	$ (11,500)	$ 148,062

(in thousands)	December 31, 2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities AFS:				
Mortgage-backed securities	$ 386,874	$ 1,112	$ (8,460)	$ 379,526
Municipal bonds	227,248	3,665	(942)	229,971
U.S. Treasury securities	41,770	—	(154)	41,616
U.S. agency securities	8,062	61	(58)	8,065
Total Securities AFS	$ 663,954	$ 4,838	$ (9,614)	$ 659,178
Securities HTM:				
Mortgage-backed securities	$ —	$ —	$ —	$ —
U.S. agency securities	—	—	—	—
Total Securities HTM	$ —	$ —	$ —	$ —

The amortized cost and estimated fair value of securities AFS and securities HTM as of June 30, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers have the right to call or repay obligations with or without call or prepayment penalties.

(in thousands)	June 30, 2022 Amortized Cost	Fair Value
Securities AFS:		
Within one year	$ 27,527	$ 27,246
After one year but within five years	182,402	177,738
After five years but within ten years	85,384	80,599
After ten years	419,540	365,542
Total Securities AFS	$ 714,853	$ 651,125
Securities HTM:		
Within one year	$ —	$ —
After one year but within five years	—	—
After five years but within ten years	907	862
After ten years	158,655	147,200
Total Securities HTM	$ 159,562	$ 148,062

Information pertaining to securities AFS and securities HTM with gross unrealized losses as of June 30, 2022 and December 31, 2021, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is described as follows:

	June 30, 2022			
	Less than twelve months		Twelve months or more	
(in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities AFS:				
Mortgage-backed securities	$ (18,944)	$ 243,407	$ (6,446)	$ 37,743
Municipal bonds	(29,655)	169,424	(4,129)	15,120
U.S. Treasury securities	(4,219)	172,402	—	—
U.S. agency securities	(372)	7,892	—	—
Total Securities AFS	$ (53,190)	$ 593,125	$ (10,575)	$ 52,863
Securities HTM:				
Mortgage-backed securities	$ (4,152)	$ 60,058	$ (7,303)	$ 87,142
U.S. agency securities	—	—	(45)	862
Total Securities HTM	$ (4,152)	$ 60,058	$ (7,348)	$ 88,004

	December 31, 2021			
	Less than twelve months		Twelve months or more	
(in thousands)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities AFS:				
Mortgage-backed securities	$ (6,627)	$ 282,705	$ (1,833)	$ 47,171
Municipal bonds	(918)	51,333	(24)	2,577
U.S. Treasury securities	(154)	41,616	—	—
U.S. agency securities	(58)	4,913	—	—
Total Securities AFS	$ (7,757)	$ 380,567	$ (1,857)	$ 49,748
Securities HTM:				
Mortgage-backed securities	$ —	$ —	$ —	$ —
U.S. agency securities	—	—	—	—
Total Securities HTM	$ —	$ —	$ —	$ —

As of June 30, 2022, the Company held 575 securities AFS and securities HTM that were in unrealized loss positions. The aggregate unrealized loss of these securities as of June 30, 2022, was 8.61% of the amortized cost basis of total debt securities.

Management and the Asset-Liability Management Committee continually monitor the securities portfolio and are able to effectively measure and monitor the unrealized loss positions on these securities. Management does not intend to sell these securities prior to recovery, and it is more likely than not that the Company will have the ability to hold them, primarily due to adequate liquidity, until each security has recovered its cost basis. The unrealized losses on these securities have been determined by management to be a function of the movement of interest rates since the time of purchase. Based on a review of available information, including recent changes in interest rates and credit rating information, management believes the decline in fair value of these securities is temporary. The Company does not consider these securities to have OTTI.

Management evaluates securities for OTTI on at least a quarterly basis and more frequently if economic or market concerns merit such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) whether the Company intends to, and it is more likely than not that it will be able to, retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Additionally, the Company annually performs a detailed credit review of the municipal securities owned to identify any potential credit concerns. There were no OTTI losses on debt securities related to credit losses recognized during the six months ended June 30, 2022, or the year ended December 31, 2021.

The proceeds from sales and calls of debt securities and their gross gain (loss) for the three and six months ended June 30, 2022 and 2021, are shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2022	2021	2022	2021
Proceeds [(1)]	$ 32,429	$ 50,399	$ 40,503	$ 115,168
Gross gain	$ 9	$ 408	$ 48	$ 850
Gross loss	$ (123)	$ (374)	$ (123)	$ (657)

[(1)] The proceeds include the gross gain and loss.

Equity Securities

Equity securities were an investment in a CRA mutual fund, consisting primarily of bonds. Equity securities were carried at fair value on the consolidated balance sheets with periodic changes in value recorded through the consolidated statements of income. In April 2022, the Company liquidated all shares invested in this fund. As of December 31, 2021, equity securities had a fair value of $7.8 million. Equity securities had a recognized loss of $82,000 and $447,000 for the three and six months ended June 30, 2022, respectively. For the year ended December 31, 2021, equity securities had a recognized loss of $175,000. The loss on equity securities in the first half of 2022 was due to a significant increase in interest rates.

Pledged Securities

Securities with carrying values of approximately $188.8 million and $118.6 million were pledged to secure public entity deposits as of June 30, 2022 and December 31, 2021, respectively.

3. Loans and Asset Quality

Loans

Loans HFI by category and loans HFS are summarized below:

(in thousands)	June 30, 2022	December 31, 2021
Real estate:		
Commercial real estate	$ 765,131	$ 670,293
One-to-four family residential	510,741	474,420
Construction and development	138,965	106,339
Commercial and industrial	320,169	311,373
SBA PPP, net of deferred income	1,349	17,550
Tax-exempt	79,026	80,726
Consumer	26,204	23,131
Total loans HFI	$ 1,841,585	$ 1,683,832
Total loans HFS	$ 4,524	$ 4,290

Allowance for Loan Losses

The following table summarizes the activity in the allowance for loan losses by category for the six months ended June 30, 2022:

(in thousands)	Beginning Balance December 31, 2021	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance June 30, 2022
Real estate:					
Commercial real estate	$ 6,749	$ 472	$ —	$ —	$ 7,221
One-to-four family residential	5,375	(177)	—	5	5,203
Construction and development	1,326	110	(18)	18	1,436
Commercial and industrial	4,440	(132)	(9)	7	4,306
SBA PPP, net of deferred income	25	(23)	—	—	2
Tax-exempt	749	(52)	—	—	697
Consumer	512	202	(250)	66	530
Total allowance for loan losses	$ 19,176	$ 400	$ (277)	$ 96	$ 19,395

The following table summarizes the activity in the allowance for loan losses by category for the twelve months ended December 31, 2021:

(in thousands)	Beginning Balance December 31, 2020	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance December 31, 2021
Real estate:					
Commercial real estate	$ 5,798	$ 1,401	$ (450)	$ —	$ 6,749
One-to-four family residential	5,390	(23)	(10)	18	5,375
Construction and development	1,699	(375)	—	2	1,326
Commercial and industrial	3,631	856	(74)	27	4,440
SBA PPP, net of deferred income	318	(293)	—	—	25
Tax-exempt	680	69	—	—	749
Consumer	435	265	(351)	163	512
Total allowance for loan losses	$ 17,951	$ 1,900	$ (885)	$ 210	$ 19,176

The balance in the allowance for loan losses and the related recorded investment in loans by category as of June 30, 2022, are as follows:

(in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Acquired with Deteriorated Credit Quality	Total
Allowance for loan losses:				
Real estate:				
Commercial real estate	$ 28	$ 7,193	$ —	$ 7,221
One-to-four family residential	—	5,203	—	5,203
Construction and development	—	1,436	—	1,436
Commercial and industrial	34	4,272	—	4,306
SBA PPP, net of deferred income	—	2	—	2
Tax-exempt	—	697	—	697
Consumer	126	404	—	530
Total allowance for loan losses	$ 188	$ 19,207	$ —	$ 19,395
Loans:				
Real estate:				
Commercial real estate	$ 3,933	$ 761,198	$ —	$ 765,131
One-to-four family residential	450	510,291	—	510,741
Construction and development	—	138,965	—	138,965
Commercial and industrial	143	320,026	—	320,169
SBA PPP, net of deferred income	—	1,349	—	1,349
Tax-exempt	—	79,026	—	79,026
Consumer	129	26,075	—	26,204
Total loans HFI	$ 4,655	$ 1,836,930	$ —	$ 1,841,585

The balance in the allowance for loan losses and the related recorded investment in loans by category as of December 31, 2021, are as follows:

(in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Acquired with Deteriorated Credit Quality	Total
Allowance for loan losses:				
Real estate:				
Commercial real estate	$ 68	$ 6,681	$ —	$ 6,749
One-to-four family residential	—	5,375	—	5,375
Construction and development	—	1,326	—	1,326
Commercial and industrial	40	4,400	—	4,440
SBA PPP, net of deferred income	—	25	—	25
Tax-exempt	—	749	—	749
Consumer	118	394	—	512
Total allowance for loan losses	$ 226	$ 18,950	$ —	$ 19,176
Loans:				
Real estate:				
Commercial real estate	$ 5,011	$ 665,282	$ —	$ 670,293
One-to-four family residential	434	473,986	—	474,420
Construction and development	501	105,838	—	106,339
Commercial and industrial	77	311,296	—	311,373
SBA PPP, net of deferred income	—	17,550	—	17,550
Tax-exempt	—	80,726	—	80,726
Consumer	126	23,005	—	23,131
Total loans HFI	$ 6,149	$ 1,677,683	$ —	$ 1,683,832

Past Due and Nonaccrual Loans

A summary of current, past due, and nonaccrual loans as of June 30, 2022, is as follows:

	Accruing				
(in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total Loans
Real estate:					
Commercial real estate	$ 765,005	$ 81	$ —	$ 45	$ 765,131
One-to-four family residential	509,830	677	41	193	510,741
Construction and development	138,647	318	—	—	138,965
Commercial and industrial	320,138	3	18	10	320,169
SBA PPP, net of deferred income	1,349	—	—	—	1,349
Tax-exempt	79,026	—	—	—	79,026
Consumer	26,190	10	4	—	26,204
Total loans HFI	$ 1,840,185	$ 1,089	$ 63	$ 248	$ 1,841,585

A summary of current, past due, and nonaccrual loans as of December 31, 2021, is as follows:

	Accruing				
(in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total Loans
Real estate:					
Commercial real estate	$ 669,781	$ 461	$ —	$ 51	$ 670,293
One-to-four family residential	473,658	546	—	216	474,420
Construction and development	106,300	—	39	—	106,339
Commercial and industrial	311,321	39	—	13	311,373
SBA PPP, net of deferred income	17,550	—	—	—	17,550
Tax-exempt	80,726	—	—	—	80,726
Consumer	23,121	10	—	—	23,131
Total loans HFI	$ 1,682,457	$ 1,056	$ 39	$ 280	$ 1,683,832

Impaired Loans

Balances

Impaired loans include TDRs and performing and nonperforming loans. Information pertaining to impaired loans as of June 30, 2022, is as follows:

(in thousands)	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Real estate:				
Commercial real estate	$ 3,210	$ 3,204	$ —	$ 2,776
One-to-four family residential	504	450	—	437
Construction and development	—	—	—	167
Commercial and industrial	79	79	—	57
SBA PPP, net of deferred income	—	—	—	—
Tax-exempt	—	—	—	—
Consumer	3	3	—	6
Total with no related allowance	3,796	3,736	—	3,443
With allowance recorded:				
Real estate:				
Commercial real estate	729	729	28	1,627
One-to-four family residential	—	—	—	—
Construction and development	—	—	—	—
Commercial and industrial	72	64	34	71
SBA PPP, net of deferred income	—	—	—	—
Tax-exempt	—	—	—	—
Consumer	126	126	126	125
Total with related allowance	927	919	188	1,823
Total impaired loans	$ 4,723	$ 4,655	$ 188	$ 5,266

Information pertaining to impaired loans as of December 31, 2021, is as follows:

(in thousands)	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment
With no related allowance recorded:				
Real estate:				
Commercial real estate	$ 1,599	$ 1,595	$ —	$ 1,969
One-to-four family residential	483	434	—	539
Construction and development	501	501	—	400
Commercial and industrial	—	—	—	355
SBA PPP, net of deferred income	—	—	—	—
Tax-exempt	—	—	—	—
Consumer	8	8	—	4
Total with no related allowance	2,591	2,538	—	3,267
With allowance recorded:				
Real estate:				
Commercial real estate	3,416	3,416	68	2,111
One-to-four family residential	—	—	—	145
Construction and development	—	—	—	—
Commercial and industrial	85	77	40	1,570
SBA PPP, net of deferred income	—	—	—	—
Tax-exempt	—	—	—	—
Consumer	118	118	118	112
Total with related allowance	3,619	3,611	226	3,938
Total impaired loans	$ 6,210	$ 6,149	$ 226	$ 7,205

Interest Income

The interest income recognized on impaired loans for the three months ended June 30, 2022 and June 30, 2021, was $48,000 and $21,000, respectively. The interest income recognized on impaired loans for the six months ended June 30, 2022 and June 30, 2021, was $102,000 and $86,000, respectively.

Troubled Debt Restructurings

The restructuring of a loan is considered a TDR if the borrower is experiencing financial difficulties and the bank has granted a concession. Concessions grant terms to the borrower that would not be offered for new debt with similar risk characteristics. Concessions typically include interest rate reductions or below market interest rates, revising amortization schedules to defer principal and interest payments, and other changes necessary to provide payment relief to the borrower and minimize the risk of loss. There were no unfunded commitments to extend credit related to these loans as of June 30, 2022 or December 31, 2021.

A summary of current, past due, and nonaccrual TDR loans as of June 30, 2022, is as follows:

(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual[1]	Total TDRs
Real estate:					
Commercial real estate	$ 3,276	$ —	$ —	$ —	$ 3,276
One-to-four family residential	281	—	—	—	281
Construction and development	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
SBA PPP, net of deferred income	—	—	—	—	—
Tax-exempt	—	—	—	—	—
Consumer	14	—	—	—	14
Total	$ 3,571	$ —	$ —	$ —	$ 3,571
Number of TDR loans	10	—	—	1	11

[1] This loan has a contractual obligation to the Company despite carrying a zero balance.

A summary of current, past due, and nonaccrual TDR loans as of December 31, 2021, is as follows:

(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual[1]	Total TDRs
Real estate:					
Commercial real estate	$ 3,634	$ —	$ —	$ —	$ 3,634
One-to-four family residential	289	—	—	—	289
Construction and development	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
SBA PPP, net of deferred income	—	—	—	—	—
Tax-exempt	—	—	—	—	—
Consumer	21	—	—	—	21
Total	$ 3,944	$ —	$ —	$ —	$ 3,944
Number of TDR loans	11	—	—	1	12

[1] This loan has a contractual obligation to the Company despite carrying a zero balance.

There were no loans modified as TDRs during the six months ended June 30, 2022 and June 30, 2021. Additionally, there were no defaults on loans during the six months ended June 30, 2022 or June 30, 2021, that had been modified as a TDR during the prior twelve months.

Credit Quality Indicators

Loans are categorized based on the degree of risk inherent in the credit and the ability of the borrower to service the debt. A description of the general characteristics of the Bank's risk rating grades follows:

Pass - These loans are of satisfactory quality and do not require a more severe classification.

Special Mention - This category includes loans with potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan.

Substandard - Loans in this category have well-defined weaknesses that jeopardize normal repayment of principal and interest.

Doubtful - Loans in this category have well-defined weaknesses that make full collection improbable.

Loss - Loans classified in this category are considered uncollectible and charged-off to the allowance for loan losses.

The following table summarizes loans by risk rating as of June 30, 2022:

(in thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:						
Commercial real estate	$ 756,604	$ 5,910	$ 2,617	$ —	$ —	$ 765,131
One-to-four family residential	509,892	310	539	—	—	510,741
Construction and development	138,965	—	—	—	—	138,965
Commercial and industrial	302,534	14,873	2,762	—	—	320,169
SBA PPP, net of deferred income	1,349	—	—	—	—	1,349
Tax-exempt	79,026	—	—	—	—	79,026
Consumer	26,073	14	117	—	—	26,204
Total loans HFI	$ 1,814,443	$ 21,107	$ 6,035	$ —	$ —	$ 1,841,585

The following table summarizes loans by risk rating as of December 31, 2021:

(in thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real estate:						
Commercial real estate	$ 666,838	$ 499	$ 2,956	$ —	$ —	$ 670,293
One-to-four family residential	473,638	321	461	—	—	474,420
Construction and development	105,838	—	501	—	—	106,339
Commercial and industrial	306,925	1,551	2,897	—	—	311,373
SBA PPP, net of deferred income	17,550	—	—	—	—	17,550
Tax-exempt	80,726	—	—	—	—	80,726
Consumer	23,003	21	107	—	—	23,131
Total loans HFI	$ 1,674,518	$ 2,392	$ 6,922	$ —	$ —	$ 1,683,832

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to a customer if all conditions of the commitment have been met. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management’s evaluation of the customer’s ability to repay. As of June 30, 2022, unfunded loan commitments totaled approximately $372.3 million. As of December 31, 2021, unfunded loan commitments totaled approximately $357.9 million.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. As of June 30, 2022, commitments under standby letters of credit totaled approximately $14.3 million. As of December 31, 2021, commitments under standby letters of credit totaled approximately $12.5 million. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

4. Deposits

Deposits were $2.85 billion and $2.91 billion as of June 30, 2022 and December 31, 2021, respectively. This decrease was primarily a result of expected customer deposit account activity. Deposits are summarized below:

(in thousands)	June 30, 2022	December 31, 2021
Noninterest-bearing deposits	$ 1,181,781	$ 1,149,672
Interest-bearing deposits:		
NOW accounts	467,261	503,383
Money market accounts	679,259	733,044
Savings accounts	199,777	191,076
Time deposits less than or equal to $250,000	235,540	243,596
Time deposits greater than $250,000	86,577	89,577
Total interest-bearing deposits	1,668,414	1,760,676
Total deposits	$ 2,850,195	$ 2,910,348

5. Contingencies

The Company and the Bank are involved, from time to time, in various legal matters arising in the ordinary course of business. While the outcome of these claims or litigation cannot be determined at this time, in the opinion of management, neither the Company nor the Bank are involved in such legal proceedings that the resolution is expected to have a material adverse effect on the consolidated results of operations, financial condition, or cash flows.

6. Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Disclosure

Securities AFS, loans HFS, and equity securities are recorded at fair value on a recurring basis. Additionally, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans, foreclosed assets, and other certain assets. The nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

ASC 820, Fair Value Measurements and Disclosures indicates that assets and liabilities are recorded at fair value according to a fair value hierarchy comprised of three levels:

- Level 1 pricing represents quotes on the exact financial instrument that is traded in active markets. Quoted prices on actively traded equities, for example, are in this category.
- Level 2 pricing is derived from observable data including market spreads, current and projected rates, prepayment data, and credit quality. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 pricing is derived without the use of observable data. In such cases, mark-to-model strategies are typically employed. Often, these types of instruments have no active market, possess unique characteristics, and are thinly traded.

The Company used the following methods and significant assumptions to estimate fair value:

Securities AFS and Equity Securities: The fair values for securities AFS are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Loans HFS: Residential mortgage loans originated and held for sale are carried at the lower of cost or estimated fair value on an individual basis. The fair values of mortgage loans HFS are based on commitments on hand from investors within the secondary market for loans with similar characteristics. As such, the fair value adjustments for mortgage loans HFS are recurring Level 2.

Loans HFI: The Company does not record loans HFI at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an allowance for loan losses may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using estimated fair value methodologies. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value, and discounted cash flows. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company considers the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company considers the impaired loan as nonrecurring Level 3.

Foreclosed Assets: Foreclosed assets, consisting of properties obtained through foreclosure or in satisfaction of loans, are reported at fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs (Level 2). However, foreclosed assets are considered Level 3 in the fair value hierarchy because management has qualitatively applied a discount due to the size, supply of inventory, and the incremental discounts applied to the appraisals. Management also considers other factors, including changes in absorption rates, length of time the property has been on the market, and anticipated sales values, which have resulted in adjustments to the collateral value estimates indicated in certain appraisals.

Fair Value of Assets Measured on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis:

(in thousands)	Fair Value	Level 1	Level 2	Level 3
June 30, 2022				
Loans HFS	$ 4,524	$ —	$ 4,524	$ —
Securities AFS:				
Mortgage-backed securities	$ 282,143	$ —	$ 282,143	$ —
Municipal bonds	$ 188,688	$ —	$ 188,688	$ —
U.S. Treasury securities	$ 172,402	$ —	$ 172,402	$ —
U.S. agency securities	$ 7,892	$ —	$ 7,892	$ —
December 31, 2021				
Loans HFS	$ 4,290	$ —	$ 4,290	$ —
Securities AFS:				
Mortgage-backed securities	$ 379,526	$ —	$ 379,526	$ —
Municipal bonds	$ 229,971	$ —	$ 229,971	$ —
U.S. Treasury securities	$ 41,616	$ —	$ 41,616	$ —
U.S. agency securities	$ 8,065	$ —	$ 8,065	$ —
Equity securities	$ 7,846	$ 7,846	$ —	$ —

There were no transfers between Level 1, 2, or 3 during the six months ended June 30, 2022 or the year ended December 31, 2021.

Fair Value of Assets and Liabilities Measured on a Nonrecurring Basis

Financial Assets and Financial Liabilities: Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances. Financial assets measured at fair value on a nonrecurring basis include certain impaired collateral dependent loans reported at fair value of the underlying collateral if repayment is expected solely from the collateral. Prior to foreclosure of these loans, fair value of the collateral is estimated using Level 3 inputs based on customized discounting criteria.

The table below presents certain impaired loans that were remeasured and reported at fair value through the allowance for loan losses based upon the fair value of the underlying collateral during the reported periods:

	For the Six Months Ended	
(in thousands)	June 30, 2022	June 30, 2021
Carrying value of impaired loans before allowance for loan losses	$ 129	$ 1,537
Specific allowance for loan losses	(15)	(10)
Fair value of impaired loans	$ 114	$ 1,527

The Company had no financial liabilities measured at fair value on a nonrecurring basis for the six months ended June 30, 2022 and June 30, 2021.

Nonfinancial Assets and Liabilities: Certain nonfinancial assets and nonfinancial liabilities are measured at fair value on a nonrecurring basis. These include certain foreclosed assets, which are remeasured and reported at fair value through a charge-off to the allowance for loan losses upon initial recognition as a foreclosed asset. Subsequent to their initial recognition, certain foreclosed assets are remeasured at fair value through an adjustment included in other noninterest income. The fair value of foreclosed assets is estimated using Level 3 inputs based on customized discounting criteria less estimated selling costs.

The following table presents foreclosed assets that were remeasured and reported at fair value during the reported periods:

	For the Six Months Ended	
(in thousands)	**June 30, 2022**	**June 30, 2021**
Foreclosed assets remeasured at initial recognition:		
Carrying value of foreclosed assets prior to remeasurement	$ —	$ 266
Charge-offs	—	—
Fair value of foreclosed assets	$ —	$ 266

There were no foreclosed assets that were remeasured subsequent to initial recognition for the six months ended June 30, 2022 and June 30, 2021.

The Company had no nonfinancial liabilities measured at fair value on a nonrecurring basis for the six months ended June 30, 2022 and June 30, 2021.

The unobservable inputs used for the Level 3 fair value measurements on a nonrecurring basis were as follows:

(dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Discount Ranges**	**Weighted Average Discount**
June 30, 2022					
Impaired loans	$ 4,467	Discounted appraisals	Collateral discounts and costs to sell	0% - 100%	4.04%
Foreclosed assets	$ 660	Discounted appraisals	Collateral discounts and costs to sell	N/A	N/A
December 31, 2021					
Impaired loans	$ 5,923	Discounted appraisals	Collateral discounts and costs to sell	0% - 100%	3.67%
Foreclosed assets	$ 660	Discounted appraisals	Collateral discounts and costs to sell	N/A	N/A

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments as of June 30, 2022 and December 31, 2021, were as follows:

(in thousands)	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
June 30, 2022					
Financial assets:					
Cash and due from banks	$ 39,339	$ 39,339	$ 39,339	$ —	$ —
Interest-bearing deposits in other banks	317,061	317,061	317,061	—	—
Securities AFS	651,125	651,125	—	651,125	—
Securities HTM	159,562	148,062	—	148,062	—
Nonmarketable equity securities	3,452	3,452	—	3,452	—
Loans HFS	4,524	4,524	—	4,524	—
Loans HFI, net of allowance	1,822,190	1,787,167	—	—	1,787,167
Accrued interest receivable	7,356	7,356	—	—	7,356
Financial liabilities:					
Deposits	2,850,195	2,842,643	—	2,842,643	—
Accrued interest payable	1,176	1,176	—	1,176	—
December 31, 2021					
Financial assets:					
Cash and due from banks	$ 23,143	$ 23,143	$ 23,143	$ —	$ —
Interest-bearing deposits in other banks	761,721	761,721	761,721	—	—
Securities AFS	659,178	659,178	—	659,178	—
Equity securities	7,846	7,846	7,846	—	—
Nonmarketable equity securities	3,450	3,450	—	3,450	—
Loans HFS	4,290	4,290	—	4,290	—
Loans HFI, net of allowance	1,664,656	1,674,900	—	—	1,674,900
Accrued interest receivable	6,245	6,245	—	—	6,245
Financial liabilities:					
Deposits	2,910,348	2,911,118	—	2,911,118	—
Accrued interest payable	1,310	1,310	—	1,310	—

7. Regulatory Capital Requirements

Red River Bank

The Bank is subject to various regulatory capital requirements administered by the FDIC. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's and the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Bank is subject to Basel III capital guidelines. Basel III requires the Bank to maintain certain minimum ratios to meet capital adequacy requirements. In addition, a CCB was established above the minimum regulatory capital requirements. Effective January 1, 2019, the final CCB was fully phased in at 2.50%. It is management's belief that, as of June 30, 2022, the Bank met all capital adequacy requirements under Basel III. Management expects that the capital ratios for the Bank under Basel III will continue to exceed capital adequacy requirements. The most recent notification from the FDIC (as of June 30, 2021) categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action.

Capital amounts and ratios for Red River Bank as of June 30, 2022 and December 31, 2021, are presented in the following table, including the minimum Basel III requirements:

	Actual		Regulatory Requirements			
			Minimum		Minimum Plus CCB	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2022						
Total Risk-Based Capital	$ 322,847	16.27 %	$ 158,731	8.00 %	$ 208,335	10.50 %
Tier I Risk-Based Capital	$ 303,452	15.29 %	$ 119,048	6.00 %	$ 168,652	8.50 %
Common Equity Tier I Capital	$ 303,452	15.29 %	$ 89,286	4.50 %	$ 138,890	7.00 %
Tier I Leverage Capital	$ 303,452	9.35 %	$ 129,791	4.00 %	$ 129,791	4.00 %
December 31, 2021						
Total Risk-Based Capital	$ 305,771	17.06 %	$ 143,372	8.00 %	$ 188,176	10.50 %
Tier I Risk-Based Capital	$ 286,595	15.99 %	$ 107,529	6.00 %	$ 152,333	8.50 %
Common Equity Tier I Capital	$ 286,595	15.99 %	$ 80,647	4.50 %	$ 125,451	7.00 %
Tier I Leverage Capital	$ 286,595	9.23 %	$ 124,241	4.00 %	$ 124,241	4.00 %

Red River Bancshares, Inc.

As a general matter, bank holding companies are subject to Basel III capital adequacy requirements under applicable Federal Reserve regulations on a consolidated basis. However, bank holding companies that qualify as “small bank holding companies” under the Policy Statement are exempt from the Federal Reserve’s consolidated capital adequacy ratios at the holding company level and instead are evaluated at the bank level. In May 2018, the Economic Growth Act was enacted, and it increased the asset threshold for “small bank holding companies” from $1.0 billion to $3.0 billion. Because the Company had less than $3.0 billion in assets as of each of the June 30th measurement dates starting with the Economic Growth Act’s enactment through June 30, 2021, the Company has been allowed to receive the benefits of the Policy Statement and will continue to do so during 2022. However, as of June 30, 2022, the last applicable measurement date, the Company had more than $3.0 billion in assets. Therefore, beginning in 2023, the Company expects to not receive the Policy Statement’s benefits. Although the minimum regulatory capital requirements are not currently applicable to the Company, the Company calculates these ratios for its own planning and monitoring purposes.

Capital amounts and ratios for Red River Bancshares, Inc. as of June 30, 2022 and December 31, 2021, are presented in the following table:

	Actual	
(dollars in thousands)	Amount	Ratio
June 30, 2022		
Total Risk-Based Capital	$ 335,249	16.89 %
Tier I Risk-Based Capital	$ 315,854	15.92 %
Common Equity Tier I Capital	$ 315,854	15.92 %
Tier I Leverage Capital	$ 315,854	9.73 %
December 31, 2021		
Total Risk-Based Capital	$ 319,553	17.83 %
Tier I Risk-Based Capital	$ 300,377	16.76 %
Common Equity Tier I Capital	$ 300,377	16.76 %
Tier I Leverage Capital	$ 300,377	9.67 %

Community Bank Leverage Ratio Framework

As part of the directive under the Economic Growth Act, on September 17, 2019, the FDIC and other federal bank regulatory agencies approved the CBLR framework. This optional framework became effective January 1, 2020, and is available as an alternative to the Basel III risk-based capital framework. The CBLR framework provides for a simple measure of capital adequacy for certain community banking organizations. Specifically, depository institutions and depository institution holding companies that have less than $10.0 billion in total consolidated assets and meet other qualifying criteria, including a Tier 1 leverage ratio of greater than 9.00% (subsequently temporarily reduced to 8.00% for

2020 and 8.50% for 2021 as a COVID-19 relief measure), are considered qualifying community banking organizations and are eligible to opt into the CBLR framework and replace the applicable Basel III risk-based capital requirements.

As of June 30, 2022, the Company and the Bank qualify for the CBLR framework. Management does not intend to utilize the CBLR framework.

8. Earnings Per Common Share

Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to stock splits. Diluted EPS includes accrued but unissued shares relating to the Director Compensation Program and restricted stock determined using the treasury stock method. The dilutive EPS calculation assumes all outstanding stock options to purchase common stock have been exercised at the beginning of the year, and the pro forma proceeds from the exercised options and restricted stock are used to purchase common stock at the average fair market valuation price.

The computations of basic and diluted earnings per common share for the Company were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands, except share amounts)	2022	2021	2022	2021
Numerator:				
Net income - basic	$ 9,147	$ 8,239	$ 16,539	$ 16,304
Net income - diluted	$ 9,147	$ 8,239	$ 16,539	$ 16,304
Denominator:				
Weighted average shares outstanding - basic	7,176,365	7,300,040	7,177,986	7,308,968
Plus: Effect of Director Compensation Program	361	283	721	514
Plus: Effect of restricted stock	19,917	19,028	19,917	19,028
Weighted average shares outstanding - diluted	7,196,643	7,319,351	7,198,624	7,328,510
Earnings per common share:				
Basic	$ 1.27	$ 1.13	$ 2.30	$ 2.23
Diluted	$ 1.27	$ 1.13	$ 2.30	$ 2.22

9. Equity

Stock Repurchase Program

On February 4, 2022, the Company's Board of Directors approved the renewal of its stock repurchase program that was completed in the fourth quarter of 2021 after reaching its purchase limit. The renewed repurchase program authorizes the Company to purchase up to $5.0 million of its outstanding shares of common stock from February 4, 2022 through December 31, 2022. Repurchases may be made from time to time in the open market at prevailing prices and based on market conditions, or in privately negotiated transactions. For the three months ended June 30, 2022, the Company did not repurchase any shares of its common stock. For the six months ended June 30, 2022, the Company repurchased 4,465 shares of its common stock at an aggregate cost of $218,000. As of June 30, 2022, the Company had $4.8 million available for repurchasing its common stock under this program.

AOCI - Transfer of Unrealized Gain (Loss) of Securities AFS and HTM

During the second quarter of 2022, the Company reclassified certain securities from AFS to HTM. Such transfers are made at fair value on the date of transfer. The net unrealized holding loss on the date of transfer is retained, net of tax, in AOCI, with no immediate change to the total balance in AOCI. The unrealized holding loss will be amortized over the remaining life of the securities.

At the date of transfer, the net unamortized, unrealized loss on the transferred securities included in the consolidated balance sheets totaled $17.9 million, of which $14.2 million, net of tax, was included in AOCI. As of June 30, 2022, the net unamortized, unrealized loss remaining on the transferred securities included in the consolidated balance sheets totaled $17.0 million, of which $13.5 million, net of tax, was included in AOCI.

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

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Red River Bancshares, Inc. on a consolidated basis from December 31, 2021 through June 30, 2022, and on our results of operations for the quarters ended June 30, 2022 and March 31, 2022, and for the six months ended June 30, 2022 and June 30, 2021.

This discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in our Annual Report on Form 10-K for the year ended December 31, 2021, and information presented elsewhere in this Report, particularly the unaudited consolidated financial statements and related notes appearing in Item 1.

The following discussion contains forward-looking statements that reflect our current views with respect to, among other things, future events and our financial performance. We caution that assumptions, expectations, projections, intentions, or beliefs about future events may, and often do, vary from actual results and the differences can be material. See "Cautionary Note Regarding Forward-Looking Statements" and "Part II - Item 1A. Risk Factors" in this Report. Also, see risk factors and other cautionary statements described in "Part I - Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2021. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

CORPORATE SUMMARY

Red River Bancshares, Inc. is the bank holding company for Red River Bank, a Louisiana state-chartered bank established in 1999 that provides a fully integrated suite of banking products and services tailored to the needs of our commercial and retail customers. Red River Bank operates from a network of 28 banking centers throughout Louisiana and one combined LDPO in New Orleans, Louisiana. Banking centers are located in the following Louisiana markets: Central, which includes the Alexandria MSA; Northwest, which includes the Shreveport-Bossier City MSA; Capital, which includes the Baton Rouge MSA; Southwest, which includes the Lake Charles MSA; the Northshore, which includes Covington; Acadiana, which includes the Lafayette MSA; and New Orleans.

Our priority is to drive shareholder value through the establishment of a market-leading commercial banking franchise based in Louisiana. We provide our services through relationship-oriented bankers who are committed to their customers and the communities where we offer our products and services. Our strategy is to expand market share in existing markets and engage in opportunistic new market *de novo* expansion, supplemented by strategic acquisitions of financial institutions with customer-oriented, compatible philosophies and in desirable geographic areas.

SECOND QUARTER 2022 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The second quarter of 2022 results included record-high quarterly net income and an improved net interest margin FTE. Our balance sheet reflects solid loan growth, a slight decrease in deposits and assets, and strategic changes to the securities portfolio. We also continued to execute our organic expansion plan in the Acadiana and New Orleans markets.

- Net income for the second quarter of 2022 was $9.1 million, or $1.27 diluted EPS, an increase of $1.8 million, or 23.7%, compared to $7.4 million, or $1.03 diluted EPS for the first quarter of 2022. These increases were mainly due to a $2.4 million increase in net interest income.
- For the second quarter of 2022, the return on assets was 1.15%, and the return on equity was 14.30%.
- Net interest income and net interest margin FTE increased in the second quarter of 2022 compared to the prior quarter. Net interest income for the second quarter of 2022 was $21.1 million, compared to $18.7 million for the prior quarter. Net interest margin FTE was 2.75% for the second quarter of 2022, compared to 2.46% for the prior quarter. These increases were a result of an improved asset mix, combined with the impact of a higher interest rate environment, partially offset by lower SBA PPP loan income.
- As of June 30, 2022, assets were $3.12 billion, a decrease of $91.3 million from March 31, 2022. The decrease in assets was mainly due to a $77.5 million decrease in deposits as a result of expected customer deposit account activity.
- Red River Bank is participating in the SBA PPP. As of June 30, 2022, PPP loans were $1.3 million, net of $30,000 of deferred income, or 0.1% of loans HFI. PPP loan income decreased in the second quarter of 2022 due to lower PPP loan balances. PPP loan income for the second quarter of 2022 was $150,000, compared to $485,000 for the prior quarter.
- As of June 30, 2022, non-PPP loans HFI (non-GAAP) were $1.84 billion, an increase of $105.6 million, or 6.1%, from March 31, 2022. The growth in non-PPP loans HFI was primarily a result of increased loan activity in all markets.

- As of June 30, 2022, total securities were $810.7 million, or 26.0% of assets, compared to $818.3 million, or 25.5% of assets, as of March 31, 2022. While the quarter-end balances for securities were fairly consistent, we restructured the securities portfolio during the first and second quarters of 2022, which resulted in higher interest income, an improved securities yield, and a loss on the sale of securities in the second quarter of 2022. Interest income on securities increased $715,000 to $3.7 million for the second quarter of 2022.
- During the second quarter of 2022, management reclassified 20.5% of the securities portfolio from AFS to HTM.
- Equity securities were an investment in a CRA mutual fund, consisting primarily of bonds. The mutual fund had a loss of $82,000 in the second quarter of 2022, compared to a loss of $365,000 for the first quarter of 2022. In April 2022, we liquidated all shares invested in the mutual fund.
- NPAs were $971,000, or 0.03% of assets, as of June 30, 2022. As of June 30, 2022, the allowance for loan losses ("ALL") was $19.4 million, or 1.05% of loans HFI.
- We paid a quarterly cash dividend of $0.07 per common share.
- We did not repurchase any shares through our stock repurchase program in the second quarter of 2022.
- In the second quarter of 2022, we continued implementing our organic expansion plan. In our Acadiana market, we held a grand opening ceremony for the Red River Bank full-service banking center in Lafayette, Louisiana, which began operations in January 2022. Also in Lafayette, we relocated the staff and services from the Lafayette LDPO to the new banking center and closed the LDPO. In the New Orleans market, we remodeled and received regulatory approval on a new leased banking center location in downtown New Orleans, which we opened as the Bank's first full-service banking center in New Orleans on August 1, 2022.

The following tables contain selected financial information regarding our financial position and performance as of and for the periods indicated:

	As of		Change from December 31, 2021 to June 30, 2022	
(dollars in thousands)	**June 30, 2022**	**December 31, 2021**	**$ Change**	**% Change**
Selected Period End Balance Sheet Data:				
Total assets	$ 3,121,113	$ 3,224,710	$ (103,597)	(3.2)%
Interest-bearing deposits in other banks	317,061	761,721	(444,660)	(58.4)%
Securities available-for-sale, at fair value	651,125	659,178	(8,053)	(1.2)%
Securities held-to-maturity, at amortized cost	159,562	—	159,562	— %
Loans held for investment	1,841,585	1,683,832	157,753	9.4 %
Total deposits	2,850,195	2,910,348	(60,153)	(2.1)%
Total stockholders' equity	253,596	298,150	(44,554)	(14.9)%

(dollars in thousands, except per share data)	As of and for the Three Months Ended June 30, 2022	March 31, 2022	June 30, 2021	As of and for the Six Months Ended June 30, 2022	June 30, 2021
Net Income	$ 9,147	$ 7,392	$ 8,239	$ 16,539	$ 16,304
Per Common Share Data:					
Earnings per share, basic	$ 1.27	$ 1.03	$ 1.13	$ 2.30	$ 2.23
Earnings per share, diluted	$ 1.27	$ 1.03	$ 1.13	$ 2.30	$ 2.22
Book value per share	$ 35.34	$ 36.91	$ 40.21	$ 35.34	$ 40.21
Tangible book value per share[1,2]	$ 35.12	$ 36.69	$ 40.00	$ 35.12	$ 40.00
Realized book value per share[1,3]	$ 44.23	$ 43.02	$ 40.06	$ 44.23	$ 40.06
Cash dividends per share	$ 0.07	$ 0.07	$ 0.07	$ 0.14	$ 0.14
Shares outstanding	7,176,365	7,176,365	7,284,994	7,176,365	7,284,994
Weighted average shares outstanding, basic	7,176,365	7,179,624	7,300,040	7,177,986	7,308,968
Weighted average shares outstanding, diluted	7,196,643	7,198,616	7,319,351	7,198,624	7,328,510
Summary Performance Ratios:					
Return on average assets	1.15 %	0.93 %	1.15 %	1.04 %	1.18 %
Return on average equity	14.30 %	10.27 %	11.41 %	12.17 %	11.38 %
Net interest margin	2.70 %	2.41 %	2.48 %	2.55 %	2.58 %
Net interest margin FTE[4]	2.75 %	2.46 %	2.54 %	2.61 %	2.64 %
Efficiency ratio[5]	55.64 %	60.80 %	56.62 %	58.07 %	55.30 %
Loans HFI to deposits ratio	64.61 %	59.47 %	62.28 %	64.61 %	62.28 %
Noninterest-bearing deposits to deposits ratio	41.46 %	40.34 %	40.14 %	41.46 %	40.14 %
Noninterest income to average assets	0.61 %	0.56 %	0.90 %	0.58 %	0.95 %
Operating expense to average assets	1.82 %	1.77 %	1.88 %	1.80 %	1.92 %
Summary Credit Quality Ratios:					
NPAs to total assets	0.03 %	0.03 %	0.11 %	0.03 %	0.11 %
Nonperforming loans to loans HFI	0.02 %	0.02 %	0.13 %	0.02 %	0.13 %
Allowance for loan losses to loans HFI	1.05 %	1.11 %	1.22 %	1.05 %	1.22 %
Net charge-offs to average loans	0.01 %	0.00 %	0.01 %	0.01 %	0.01 %
Capital Ratios:					
Total stockholders' equity to total assets	8.13 %	8.25 %	10.18 %	8.13 %	10.18 %
Tangible common equity to tangible assets[1,6]	8.08 %	8.20 %	10.13 %	8.08 %	10.13 %
Total risk-based capital to risk-weighted assets	16.89 %	17.28 %	19.10 %	16.89 %	19.10 %
Tier 1 risk-based capital to risk-weighted assets	15.92 %	16.26 %	17.90 %	15.92 %	17.90 %
Common equity Tier 1 capital to risk-weighted assets	15.92 %	16.26 %	17.90 %	15.92 %	17.90 %
Tier 1 risk-based capital to average assets	9.73 %	9.51 %	10.13 %	9.73 %	10.13 %

[1] Non-GAAP financial measure. Calculations of this measure and reconciliations to GAAP are included in " - Non-GAAP Financial Measures" in this Report. This measure has not been audited.
[2] We calculate tangible book value per share as total stockholders' equity, less intangible assets, divided by the outstanding number of shares of our common stock at the end of the relevant period.
[3] We calculate realized book value per share as total stockholders' equity, less AOCI, divided by the outstanding number of shares of our common stock at the end of the relevant period.
[4] Net interest margin FTE includes an FTE adjustment using a 21.0% federal income tax rate on tax-exempt securities and tax-exempt loans.
[5] Efficiency ratio represents operating expenses divided by the sum of net interest income and noninterest income.
[6] We calculate tangible common equity as total stockholders' equity, less intangible assets, net of accumulated amortization, and we calculate tangible assets as total assets, less intangible assets, net of accumulated amortization.

RESULTS OF OPERATIONS

Net income for the second quarter of 2022 was $9.1 million, or $1.27 diluted EPS, an increase of $1.8 million or 23.7%, compared to $7.4 million, or $1.03 diluted EPS, for the first quarter of 2022. The increase in net income was due to a $2.4 million increase in net interest income and a $458,000 increase in noninterest income, partially offset by a $100,000 increase in provision for loan losses, a $409,000 increase in operating expenses, and a $615,000 increase in income tax expense. The return on assets for the second quarter of 2022 was 1.15%, compared to 0.93% for the first quarter of 2022. The return on equity was 14.30% for the second quarter of 2022, compared to 10.27% for the first quarter of 2022. Our efficiency ratio for the second quarter of 2022 was 55.64%, compared to 60.80% for the first quarter of 2022.

Net income for the six months ended June 30, 2022, was $16.5 million, or $2.30 diluted EPS, an increase of $235,000, or 1.4%, compared to $16.3 million, or $2.22 diluted EPS, for the six months ended June 30, 2021. The increase in net income was due to a $5.0 million increase in net interest income and a $1.2 million decrease in the provision for loan losses, partially offset by a $3.9 million decrease in noninterest income, a $2.0 million increase in operating expenses, and a $110,000 increase in income tax expense. The return on assets for the six months ended June 30, 2022, was 1.04%, compared to 1.18% for the six months ended June 30, 2021. The return on equity was 12.17% for the six months ended June 30, 2022, compared to 11.38% for the six months ended June 30, 2021. Our efficiency ratio for the six months ended June 30, 2022, was 58.07%, compared to 55.30% for the six months ended June 30, 2021.

Net Interest Income and Net Interest Margin

Our operating results depend primarily on our net interest income. Fluctuations in market interest rates impact the yield on interest-earning assets and the rate paid on interest-bearing liabilities. Changes in the amount and type of interest-earning assets and interest-bearing liabilities impact our net interest income. To evaluate net interest income, we measure and monitor: (1) yields on loans and other interest-earning assets; (2) the cost of deposits and other funding sources; (3) net interest spread; and (4) net interest margin. Since noninterest-bearing sources of funds, such as noninterest-bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing funding sources.

Beginning March 2020, we were in a low interest rate environment that impacted both the net interest income and net interest margin FTE. In March 2020, the target federal funds rate decreased 150 bps to a range of 0.00% to 0.25% and remained at that rate until March 2022, when the FOMC began increasing the target federal funds rate. The FOMC increased the target federal funds rate by 25 bps in March 2022, 50 bps in May 2022, and 75 bps in June 2022, resulting in a range of 1.50% to 1.75% as of June 30, 2022. The average effective federal funds rate for the second quarter of 2022 was 0.77% compared to 0.12% for the first quarter of 2022. For the six months ended June 30, 2022, the average effective federal funds rate was 0.45% compared to 0.08% for the six months ended June 30, 2021. The 2022 net interest income and net interest margin FTE were positively impacted by the 2022 target federal funds rate increases by the FOMC.

Second Quarter of 2022 vs. First Quarter of 2022

Net interest income for the second quarter of 2022 was $21.1 million, which was $2.4 million, or 12.9%, higher than the first quarter of 2022, due to a $2.5 million increase in interest and dividend income, partially offset by a $68,000 increase in interest expense. The increase in interest and dividend income was primarily due to an increase in non-PPP loan income, an increase in taxable securities income, and an increase in income on short-term liquid assets, partially offset by a decrease in PPP loan income. Non-PPP loan income increased $1.6 million due to a $112.7 million increase in the average balance of non-PPP loans and higher rates on new and renewed non-PPP loans when compared to the prior quarter. Taxable securities income increased $736,000 during the second quarter as the average balance of taxable securities increased due to our deployment of lower-yielding short-term liquid assets into higher-yielding taxable securities during the first half of the year. Income on short-term liquid assets increased $511,000 due to the FOMC's increases to the target federal funds rate. PPP loan income decreased $335,000 due to lower average PPP loans outstanding and lower fees recognized to income on PPP loans. Interest expense increased in the second quarter of 2022 as a result of an increase in the rates on interest-bearing transaction deposits.

The net interest margin FTE increased 29 bps to 2.75% for the second quarter of 2022, compared to 2.46% for the prior quarter. This increase was driven primarily by an improved asset mix and the higher interest rate environment in the second quarter of 2022. The yield on non-PPP loans increased seven bps driven by higher rates on new and renewed loans. The yield on taxable securities increased 17 bps, and the yield on short-term liquid assets increased 60 bps due to the higher interest rate environment.

The FOMC is expected to raise the target federal funds rate several more times in 2022. Our balance sheet is asset sensitive, and historically, our deposit interest rates have adjusted more slowly than the change in the federal funds rate. As of June 30, 2022, floating rate loans were 14.4% of loans HFI, and floating rate transaction deposits were 4.3% of interest-bearing transaction deposits. Depending on balance sheet activity and excluding PPP loans, we expect an increasing interest rate environment to positively impact our net interest income and net interest margin FTE in 2022.

The following table presents average balance sheet information, interest income, interest expense, and the corresponding average yields earned and rates paid for the three months ended June 30, 2022 and March 31, 2022:

	For the Three Months Ended					
	June 30, 2022			March 31, 2022		
(dollars in thousands)	Average Balance Outstanding	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Balance Outstanding	Interest Earned/ Interest Paid	Average Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1,2]	$ 1,796,322	$ 18,032	3.97 %	$ 1,690,445	$ 16,770	3.97 %
Securities - taxable	690,772	2,615	1.52 %	556,648	1,879	1.35 %
Securities - tax-exempt	211,672	1,062	2.01 %	215,360	1,083	2.01 %
Federal funds sold	53,216	116	0.86 %	53,249	25	0.19 %
Interest-bearing balances due from banks	351,092	671	0.76 %	589,794	251	0.17 %
Nonmarketable equity securities	3,451	2	0.22 %	3,450	1	0.10 %
Total interest-earning assets	3,106,525	$ 22,498	2.87 %	3,108,946	$ 20,009	2.58 %
Allowance for loan losses	(19,293)			(19,203)		
Noninterest-earning assets	99,687			124,258		
Total assets	$ 3,186,919			$ 3,214,001		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing transaction deposits	$ 1,410,270	$ 547	0.16 %	$ 1,418,583	$ 455	0.13 %
Time deposits	328,420	802	0.98 %	332,585	826	1.01 %
Total interest-bearing deposits	1,738,690	1,349	0.31 %	1,751,168	1,281	0.30 %
Other borrowings	—	—	— %	—	—	— %
Total interest-bearing liabilities	1,738,690	$ 1,349	0.31 %	1,751,168	$ 1,281	0.30 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,175,251			1,153,377		
Accrued interest and other liabilities	16,459			17,514		
Total noninterest-bearing liabilities	1,191,710			1,170,891		
Stockholders' equity	256,519			291,942		
Total liabilities and stockholders' equity	$ 3,186,919			$ 3,214,001		
Net interest income		$ 21,149			$ 18,728	
Net interest spread			2.56 %			2.28 %
Net interest margin			2.70 %			2.41 %
Net interest margin FTE[3]			2.75 %			2.46 %
Cost of deposits			0.19 %			0.18 %
Cost of funds			0.17 %			0.17 %

(1) Includes average outstanding balances of loans HFS of $3.8 million and $4.3 million for the three months ended June 30, 2022 and March 31, 2022, respectively.
(2) Nonaccrual loans are included as loans carrying a zero yield.
(3) Net interest margin FTE includes an FTE adjustment using a 21.0% federal income tax rate on tax-exempt securities and tax-exempt loans.

Average PPP loans outstanding, net of deferred income, for the second quarter of 2022 were $4.2 million, which was $6.9 million lower than the prior quarter. During the second quarter of 2022, we received $5.2 million in SBA forgiveness and borrower repayments on PPP loans, compared to $11.6 million in the prior quarter. PPP loans have a 1.0% interest rate, and PPP loan origination fees are recorded to interest income over the loan term, or until the loans are forgiven by the SBA or repaid by the borrower. When PPP loan forgiveness payments or borrower payments are received in full, the remaining portion of origination fees are recorded to income. For the second quarter of 2022, PPP loan interest and fees totaled $150,000, resulting in a 14.30% yield, compared to $485,000 in interest and fees and a 17.77% yield for the prior quarter. The decrease in PPP loan income and yield was primarily due to a lower amount of PPP loans forgiven by the SBA in the second quarter of 2022 than in the first quarter of 2022. As of June 30, 2022, deferred PPP fees were $30,000.

Excluding PPP loan income, net interest income (non-GAAP) for the second quarter of 2022 was $21.0 million, which was $2.8 million, or 15.1%, higher than the first quarter of 2022. Also, with PPP loans excluded for the second quarter of 2022, the yield on non-PPP loans (non-GAAP) was 3.95%, and the net interest margin FTE (non-GAAP) was 2.73%. For the second quarter of 2022, PPP loans had a two bp accretive impact to the yield on loans and a two bp accretive impact to the net interest margin FTE. For additional information on non-GAAP financial measures, see “ - Non-GAAP Financial Measures” in this Report.

The following table presents interest income for total loans, PPP loans, and total non-PPP loans (non-GAAP), as well as net interest income and net interest ratios excluding PPP loans (non-GAAP) for the three months ended June 30, 2022 and March 31, 2022:

	For the Three Months Ended					
	June 30, 2022			March 31, 2022		
(dollars in thousands)	Average Balance Outstanding	Interest/Fee Earned	Average Yield	Average Balance Outstanding	Interest/Fee Earned	Average Yield
Loans[1,2]	$ 1,796,322	$ 18,032	3.97 %	$ 1,690,445	$ 16,770	3.97 %
Less: PPP loans, net						
Average	4,202			11,061		
Interest		11			28	
Fees		139			457	
Total PPP loans, net	4,202	150	14.30 %	11,061	485	17.77 %
Non-PPP loans (non-GAAP)[3]	$ 1,792,120	$ 17,882	3.95 %	$ 1,679,384	$ 16,285	3.88 %
Net interest income, excluding PPP loan income (non-GAAP)						
Net interest income		$ 21,149			$ 18,728	
PPP loan income		(150)			(485)	
Net interest income, excluding PPP loan income (non-GAAP)[3]		$ 20,999			$ 18,243	
Ratios excluding PPP loans, net (non-GAAP)[3]						
Net interest spread			2.55 %			2.22 %
Net interest margin			2.68 %			2.35 %
Net interest margin FTE[4]			2.73 %			2.41 %

(1) Includes average outstanding balances of loans HFS of $3.8 million and $4.3 million for the three months ended June 30, 2022 and March 31, 2022, respectively.
(2) Nonaccrual loans are included as loans carrying a zero yield.
(3) Non-GAAP financial measure. See also “ - Non-GAAP Financial Measures” in this Report.
(4) Net interest margin FTE includes an FTE adjustment using a 21.0% federal income tax rate on tax-exempt securities and tax-exempt loans.

Six Months Ended June 30, 2022 vs. Six Months Ended June 30, 2021

Net interest income for the six months ended June 30, 2022 was $39.9 million, which was $5.0 million, or 14.5%, higher than $34.8 million for the six months ended June 30, 2021. Net interest income increased due to a $4.7 million increase in interest and dividend income and a $354,000 decrease in interest expense.

The increase in interest and dividend income for the six months ended June 30, 2022, when compared to the six months ended June 30, 2021, was primarily due to an increase in non-PPP loan income, an increase in taxable securities income, and an increase in income on short-term liquid assets, partially offset by a decrease in PPP loan income. Non-PPP loan income increased $3.8 million due to a $238.7 million increase in the average balance of non-PPP loans, partially offset by lower rates on new and renewed non-PPP loans when compared to the same period prior year. Taxable securities income increased $2.5 million primarily due to a higher average balance of taxable securities due to our deployment of lower-yielding short-term liquid assets into higher-yielding taxable securities during the first half of 2022. Income on short-term liquid assets increased $787,000 due to the FOMC’s increases to the target federal funds rate in 2022. PPP loan income decreased $2.6 million due to lower average PPP loan balances outstanding and lower fees recognized to income on PPP loans.

Interest expense was lower for the six months ended June 30, 2022, compared to the same period in 2021 mainly due to time deposits being priced downward as we adjusted rates on new and renewed time deposits in 2021. This decrease was partially offset by higher interest expense on interest-bearing transaction deposits. For the six months ended June 30, 2022, average interest-bearing transaction deposits increased $254.2 million, or 21.9%, compared to the six months ended June 30, 2021.

Net interest margin FTE decreased three bps to 2.61% for the six months ended June 30, 2022, from 2.64% for the six months ended June 30, 2021, primarily due to a 19 bp decrease in loan yield. The loan yield decreased as a result of an

11 bp decrease in the yield on non-PPP loans and a $2.0 million decrease in PPP loan fee income. The yield on non-PPP loans decreased from 4.03% to 3.92% due to lower rates on new and renewed non-PPP loans through the first quarter of 2022, partially offset by rising loan rates in the second quarter of 2022. PPP loan income decreased due to lower fees recognized to income on PPP loans and a lower average balance of PPP loans outstanding. These decreases were partially offset by the higher interest rate environment and an improved asset mix, which included our deployment of lower-yielding short-term liquid assets into higher-yielding securities in 2022. This deployment increased the average balance of higher-yielding taxable securities from $307.3 million in 2021 to $624.1 million in 2022, an increase of $316.8 million or 103.1%. In addition, the yield on taxable securities benefited from higher market interest rates on securities purchased during the first half of 2022, compared to the interest rate on taxable securities during the same period in 2021. The yield on taxable securities increased 16 bps for the six months ended June 30, 2022, when compared to the six months ended June 30, 2021. The net interest margin FTE also benefited from a 30 bp increase in the yield on short-term liquid assets due to the FOMC's recent increases to the target federal funds rate. The net interest margin FTE was further benefited by a six bp decrease in the cost of deposits. The cost of deposits decreased from 0.24% to 0.18% for the six months ended June 30, 2022, due to a 27 bp decrease in the rate on time deposits as we adjusted rates on new and renewed time deposits in 2021.

The following table presents average balance sheet information, interest income, interest expense, and the corresponding average yields earned and rates paid for the six months ended June 30, 2022 and 2021:

	For the Six Months Ended					
	June 30, 2022			June 30, 2021		
(dollars in thousands)	Average Balance Outstanding	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Balance Outstanding	Interest Earned/ Interest Paid	Average Yield/ Rate
Assets						
Interest-earning assets:						
Loans[1,2]	$ 1,743,676	$ 34,802	3.97 %	$ 1,606,094	$ 33,517	4.16 %
Securities - taxable	624,081	4,494	1.44 %	307,329	1,963	1.28 %
Securities - tax-exempt	213,506	2,145	2.01 %	197,782	2,064	2.09 %
Federal funds sold	53,232	141	0.53 %	80,118	47	0.12 %
Interest-bearing balances due from banks	469,784	922	0.39 %	491,342	229	0.09 %
Nonmarketable equity securities	3,450	3	0.16 %	3,447	2	0.11 %
Total interest-earning assets	$ 3,107,729	$ 42,507	2.72 %	$ 2,686,112	$ 37,822	2.81 %
Allowance for loan losses	(19,249)			(19,055)		
Noninterest-earning assets	111,905			132,234		
Total assets	$ 3,200,385			$ 2,799,291		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing transaction deposits	$ 1,414,404	$ 1,002	0.14 %	$ 1,160,251	$ 853	0.15 %
Time deposits	330,491	1,628	0.99 %	341,326	2,131	1.26 %
Total interest-bearing deposits	1,744,895	2,630	0.30 %	1,501,577	2,984	0.40 %
Other borrowings	—	—	— %	—	—	— %
Total interest-bearing liabilities	1,744,895	$ 2,630	0.30 %	1,501,577	$ 2,984	0.40 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,164,375			990,406		
Accrued interest and other liabilities	16,983			17,708		
Total noninterest-bearing liabilities	1,181,358			1,008,114		
Stockholders' equity	274,132			289,600		
Total liabilities and stockholders' equity	$ 3,200,385			$ 2,799,291		
Net interest income		$ 39,877			$ 34,838	
Net interest spread			2.42 %			2.41 %
Net interest margin			2.55 %			2.58 %
Net interest margin FTE[3]			2.61 %			2.64 %
Cost of deposits			0.18 %			0.24 %
Cost of funds			0.17 %			0.22 %

(1) Includes average outstanding balances of loans HFS of $4.0 million and $10.5 million for the six months ended June 30, 2022 and 2021, respectively.
(2) Nonaccrual loans are included as loans carrying a zero yield.
(3) Net interest margin FTE includes an FTE adjustment using a 21.0% federal income tax rate on tax-exempt securities and tax-exempt loans.

Excluding PPP loan income, net interest income (non-GAAP) for the six months ended June 30, 2022, was $39.2 million, which was $7.6 million, or 24.0%, higher than the six months ended June 30, 2021. Also, with PPP loans excluded for the six months ended June 30, 2022, the yield on non-PPP loans (non-GAAP) was 3.92%, and the net interest margin FTE (non-GAAP) was 2.57%. For the six months ended June 30, 2022, PPP loans had a five bp accretive impact to the yield on loans and a four bp accretive impact to the net interest margin FTE. For additional information on non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

The following table presents interest income for total loans, PPP loans, and total non-PPP loans (non-GAAP), as well as net interest income and net interest ratios excluding PPP loans (non-GAAP) for the six months ended June 30, 2022 and 2021.

	For the Six Months Ended					
	June 30, 2022			June 30, 2021		
(dollars in thousands)	Average Balance Outstanding	Interest/Fee Earned	Average Yield	Average Balance Outstanding	Interest/Fee Earned	Average Yield
Loans[1,2]	$ 1,743,676	$ 34,802	3.97 %	$ 1,606,094	$ 33,517	4.16 %
Less: PPP loans, net						
Average	7,613			108,761		
Interest		39			568	
Fees		596			2,627	
Total PPP loans, net	7,613	635	16.80 %	108,761	3,195	5.92 %
Non-PPP loans (non-GAAP)[3]	$ 1,736,063	$ 34,167	3.92 %	$ 1,497,333	$ 30,322	4.03 %
Net interest income, excluding PPP loan income (non-GAAP)						
Net interest income		$ 39,877			$ 34,838	
PPP loan income		(635)			(3,195)	
Net interest income, excluding PPP loan income (non-GAAP)[3]		$ 39,242			$ 31,643	
Ratios excluding PPP loans, net (non-GAAP)[3]						
Net interest spread			2.39 %			2.28 %
Net interest margin			2.52 %			2.44 %
Net interest margin FTE[4]			2.57 %			2.50 %

(1) Includes average outstanding balances of loans HFS of $4.0 million and $10.5 million for the six months ended June 30, 2022 and 2021, respectively.
(2) Nonaccrual loans are included as loans carrying a zero yield.
(3) Non-GAAP financial measure. See also " - Non-GAAP Financial Measures" in this Report.
(4) Net interest margin FTE includes an FTE adjustment using a 21.0% federal income tax rate on tax-exempt securities and tax-exempt loans.

Rate/Volume Analysis

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and those due to changes in interest rates. The change in interest attributable to rate has been determined by applying the change in rate between periods to average balances outstanding in the earlier period. The change in interest due to volume has been determined by applying the rate from the earlier period to the change in average balances outstanding between periods. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

	For the Three Months Ended June 30, 2022 vs. March 31, 2022			For the Six Months Ended June 30, 2022 vs. June 30, 2021		
	Increase (Decrease) Due to Change in		Total Increase	Increase (Decrease) Due to Change in		Total Increase
(in thousands)	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
Interest-earning assets:						
Loans	$ 1,051	$ 211	$ 1,262	$ 2,876	$ (1,591)	$ 1,285
Securities - taxable	453	283	736	2,024	507	2,531
Securities - tax-exempt	(21)	—	(21)	164	(83)	81
Federal funds sold	—	91	91	(16)	110	94
Interest-bearing balances due from banks	(101)	521	420	4	689	693
Nonmarketable equity securities	—	1	1	—	1	1
Total interest-earning assets	$ 1,382	$ 1,107	$ 2,489	$ 5,052	$ (367)	$ 4,685
Interest-bearing liabilities:						
Interest-bearing transaction deposits	$ (4)	$ 96	$ 92	$ 186	$ (37)	$ 149
Time deposits	(10)	(14)	(24)	(68)	(435)	(503)
Total interest-bearing deposits	(14)	82	68	118	(472)	(354)
Other borrowings	—	—	—	—	—	—
Total interest-bearing liabilities	$ (14)	$ 82	$ 68	$ 118	$ (472)	$ (354)
Increase (decrease) in net interest income	$ 1,396	$ 1,025	$ 2,421	$ 4,934	$ 105	$ 5,039

Provision for Loan Losses

The provision for loan losses is a charge to income necessary to maintain the allowance for loan losses at a level considered appropriate by management. Factors impacting the provision include loan portfolio growth, changes in the quality and composition of the loan portfolio, the level of nonperforming loans, delinquency and charge-off trends, and current economic conditions.

The table below presents, for the periods indicated, the provision for loan losses:

	For the Three Months Ended			
(dollars in thousands)	June 30, 2022	March 31, 2022	Increase (Decrease)	
Provision for loan losses	$ 250	$ 150	$ 100	66.7 %

The provision for loan losses for the second quarter of 2022 was $250,000, an increase of $100,000 from $150,000 for the prior quarter. This increase was due to potential economic challenges resulting from the current inflationary environment, changing monetary policy, and loan growth. We will continue to evaluate future provision needs in relation to current economic situations, loan growth, and trends in asset quality.

The table below presents, for the periods indicated, the provision for loan losses:

	For the Six Months Ended			
(dollars in thousands)	June 30, 2022	June 30, 2021	Increase (Decrease)	
Provision for loan losses	$ 400	$ 1,600	$ (1,200)	(75.0)%

The provision for loan losses for the six months ended June 30, 2022, was $400,000, a decrease of $1.2 million, or 75.0%, from $1.6 million for the six months ended June 30, 2021. The decrease in provision expense for 2022 was attributed to continued, favorable asset quality metrics. The higher provision in the same period of 2021 was due to the anticipated adverse effects of the COVID-19 pandemic.

Noninterest Income

Our primary sources of noninterest income are fees related to the sale of mortgage loans, service charges on deposit accounts, debit card fees, brokerage income from advisory services, and other loan and deposit fees.

Second Quarter of 2022 vs. First Quarter of 2022

Noninterest income increased $458,000 to $4.9 million for the second quarter of 2022, compared to $4.4 million for the first quarter of 2022. The increase in noninterest income was primarily due to a decreased loss on equity securities, higher SBIC income, net debit card income, brokerage income, and service charges on deposit accounts, partially offset by lower mortgage loan income and a loss on the sale and call of securities.

The table below presents, for the periods indicated, the major categories of noninterest income:

	For the Three Months Ended			
(dollars in thousands)	June 30, 2022	March 31, 2022	Increase (Decrease)	
Noninterest income:				
Service charges on deposit accounts	$ 1,410	$ 1,308	$ 102	7.8 %
Debit card income, net	1,056	936	120	12.8 %
Mortgage loan income	892	1,127	(235)	(20.9)%
Brokerage income	890	775	115	14.8 %
Loan and deposit income	410	371	39	10.5 %
Bank-owned life insurance income	180	172	8	4.7 %
Gain (Loss) on equity securities	(82)	(365)	283	77.5 %
Gain (Loss) on sale and call of securities	(114)	39	(153)	(392.3)%
SBIC income	151	20	131	655.0 %
Other income (loss)	67	19	48	252.6 %
Total noninterest income	$ 4,860	$ 4,402	$ 458	10.4 %

Equity securities were an investment in a CRA mutual fund consisting primarily of bonds. The gain or loss on equity securities is a fair value adjustment primarily driven by changes in the interest rate environment. The mutual fund had a loss of $82,000 for the second quarter of 2022, compared to a loss of $365,000 for the first quarter of 2022. In April 2022, all shares invested in the mutual fund were liquidated.

SBIC income for the second quarter of 2022 increased $131,000 to $151,000 from the prior quarter due to higher operating income being distributed by the SBIC for the second quarter of 2022.

Debit card income, net, increased $120,000 to $1.1 million for the second quarter of 2022 from the prior quarter. This increase was primarily a result of an increase in the number of debit card transactions.

Brokerage income increased $115,000 to $890,000 for the second quarter of 2022, compared to $775,000 for the previous quarter. This increase was due to the sales activity and additional funds invested by existing clients in the second quarter. Assets under management were $789.2 million as of June 30, 2022.

Service charges on deposit accounts increased $102,000 to $1.4 million for the second quarter of 2022 compared to $1.3 million for the prior quarter. This increase was mainly due to a larger number of non-sufficient fund transactions and related fee income in the second quarter of 2022.

Mortgage loan income decreased $235,000 to $892,000 for the second quarter of 2022 compared to $1.1 million from the previous quarter. This decrease was primarily driven by reduced purchase and refinancing activity due to higher mortgage interest rates, as well as limited housing stock available for purchase.

The loss on the sale and call of securities was $114,000 for the second quarter of 2022 as a result of portfolio restructuring transactions. In the first quarter of 2022, the gain on the sale and call of securities was $39,000 as a result of municipal securities being called.

Six Months Ended June 30, 2022 vs. Six Months Ended June 30, 2021

Noninterest income decreased $3.9 million to $9.3 million for the six months ended June 30, 2022, compared to $13.2 million for the six months ended June 30, 2021. The decrease in noninterest income was due to lower mortgage loan income, a loss on equity securities, reduced income from an SBIC limited partnership of which Red River Bank is a member, a loss on sale and call of securities, lower net debit card income, and lower loan and deposit income. These decreases were partially offset by increased service charges on deposit accounts.

The table below presents, for the periods indicated, the major categories of noninterest income:

	For the Six Months Ended			
(dollars in thousands)	**June 30, 2022**	**June 30, 2021**	**Increase (Decrease)**	
Noninterest income:				
Service charges on deposit accounts	$ 2,718	$ 2,199	$ 519	23.6 %
Debit card income, net	1,992	2,250	(258)	(11.5)%
Mortgage loan income	2,018	5,239	(3,221)	(61.5)%
Brokerage income	1,666	1,640	26	1.6 %
Loan and deposit income	781	868	(87)	(10.0)%
Bank-owned life insurance income	352	297	55	18.5 %
Gain (Loss) on equity securities	(447)	(59)	(388)	(657.6)%
Gain (Loss) on sale and call of securities	(75)	193	(268)	(138.9)%
SBIC income	171	480	(309)	(64.4)%
Other income (loss)	86	71	15	21.1 %
Total noninterest income	$ 9,262	$ 13,178	$ (3,916)	(29.7)%

Mortgage loan income decreased $3.2 million to $2.0 million for the six months ended June 30, 2022, compared to $5.2 million for the same period prior year due to rising mortgage interest rates and home prices, as well as limited housing stock available for purchase. The low mortgage interest rate environment in the six months ended June 30, 2021, contributed to the high levels of mortgage lending activity for that period.

Due to a significant increase in interest rates, equity securities had a fair value loss of $447,000 for the six months ended June 30, 2022, compared to a loss of $59,000 for the same period in 2021. In April 2022, all shares invested in the mutual fund were liquidated.

SBIC income decreased $309,000 to $171,000 for the six months ended June 30, 2022, due to lower operating income being distributed by the SBIC in 2022.

The loss on the sale and call of securities was $75,000 for the six months ended June 30, 2022, and consisted of a loss of $114,000 related to portfolio restructuring transactions in the second quarter of 2022, offset by a $39,000 gain from municipal securities being called in the first quarter of 2022. For the six months ended June 30, 2021, the gain on the sale and call of securities was $193,000 as a result of portfolio restructuring transactions to improve the structure and yield of the portfolio.

Debit card income, net, decreased $258,000 to $2.0 million for the six months ended June 30, 2022, compared to the same period prior year. This decrease was mainly due to higher debit card expense as a result of upgrading our debit card stock in the first quarter of 2022 and higher processing fees.

Loan and deposit income decreased $87,000 to $781,000 for the six months ended June 30, 2022, compared to the same period in 2021. The decrease was primarily related to $110,000 of nonrecurring commercial real estate loan fees in the first quarter of 2021, partially offset by an increase in net credit card income of $61,000 due to higher credit card activity.

Service charges on deposit accounts increased $519,000 to $2.7 million for the six months ended June 30, 2022, compared to the same period prior year. This increase was mainly due to a larger number of non-sufficient fund transactions and related fee income in the first six months of 2022.

Operating Expenses

Operating expenses are composed of all employee expenses and costs associated with operating our facilities, obtaining and retaining customer relationships, and providing services.

Second Quarter of 2022 vs. First Quarter of 2022

Operating expenses increased $409,000 to $14.5 million for the second quarter of 2022, compared to $14.1 million for the first quarter of 2022. The increase was mainly due to higher data processing expense, personnel expenses, and loan and deposit expenses, partially offset by lower occupancy and equipment expenses.

The following table presents, for the periods indicated, the major categories of operating expenses:

	For the Three Months Ended			
(dollars in thousands)	June 30, 2022	March 31, 2022	Increase (Decrease)	
Operating expenses:				
Personnel expenses	$ 8,574	$ 8,452	$ 122	1.4 %
Non-staff expenses:				
Occupancy and equipment expenses	1,473	1,492	(19)	(1.3)%
Technology expenses	695	771	(76)	(9.9)%
Advertising	306	219	87	39.7 %
Other business development expenses	340	303	37	12.2 %
Data processing expense	564	316	248	78.5 %
Other taxes	647	636	11	1.7 %
Loan and deposit expenses	185	130	55	42.3 %
Legal and professional expenses	475	418	57	13.6 %
Regulatory assessment expenses	251	250	1	0.4 %
Other operating expenses	961	1,075	(114)	(10.6)%
Total operating expenses	$ 14,471	$ 14,062	$ 409	2.9 %

Data processing expense increased $248,000 to $564,000 for the second quarter of 2022, compared to the prior quarter. This increase was primarily attributed to receipt of a $230,000 periodic refund from our data processing center in the first quarter of 2022.

Personnel expenses increased $122,000 to $8.6 million for the second quarter of 2022, compared to the prior quarter. This increase was primarily due to annual merit increases effective April 2022.

Loan and deposit expenses increased $55,000 to $185,000 for the second quarter of 2022, compared to the prior quarter. This increase was primarily due to receipt of a $122,000 negotiated, variable rebate from a vendor in the first quarter of 2022.

Occupancy and equipment expenses decreased $19,000 to $1.5 million for the second quarter of 2022, compared to the prior quarter. This decrease was primarily due to $124,000 of nonrecurring expenses in the first quarter of 2022 related to opening new locations in our expansion markets, partially offset by higher, normal recurring expenses in the second quarter of 2022 related to these new locations.

Six Months Ended June 30, 2022 vs. Six Months Ended June 30, 2021

Operating expenses increased $2.0 million to $28.5 million for the six months ended June 30, 2022, compared to $26.6 million for the six months ended June 30, 2021. The increase in operating expenses was mainly due to higher personnel expenses, occupancy and equipment expenses, other taxes, other operating expenses, legal and professional expenses, and advertising.

The following table presents, for the periods indicated, the major categories of operating expenses:

	For the Six Months Ended			
(dollars in thousands)	June 30, 2022	June 30, 2021	Increase (Decrease)	
Operating expenses:				
Personnel expenses	$ 17,026	$ 16,131	$ 895	5.5 %
Non-staff expenses:				
Occupancy and equipment expenses	2,965	2,608	357	13.7 %
Technology expenses	1,466	1,408	58	4.1 %
Advertising	526	409	117	28.6 %
Other business development expenses	642	607	35	5.8 %
Data processing expense	880	917	(37)	(4.0)%
Other taxes	1,283	1,057	226	21.4 %
Loan and deposit expenses	315	448	(133)	(29.7)%
Legal and professional expenses	893	737	156	21.2 %
Regulatory assessment expenses	501	414	87	21.0 %
Other operating expenses	2,036	1,819	217	11.9 %
Total operating expenses	$ 28,533	$ 26,555	$ 1,978	7.4 %

Personnel expenses increased $895,000 to $17.0 million for the six months ended June 30, 2022, compared to the same period in 2021. This increase was primarily due to having six months of expenses for new staff that were added in the fourth quarter of 2021 in our expansion markets, partially offset by lower commission compensation in 2022 due to lower mortgage loan activity, when compared to the same period in 2021. As of June 30, 2022 and 2021, we had 348 and 339 total employees, respectively.

Occupancy and equipment expenses increased $357,000 to $3.0 million for the six months ended June 30, 2022, compared to the same period in 2021. This increase was primarily a result of opening new locations in our expansion markets.

Other taxes increased $226,000 to $1.3 million for the six months ended June 30, 2022, compared to the same period in 2021. This increase was due to a $231,000 increase in State of Louisiana bank stock tax resulting from higher deposit account balances and higher net income for the applicable tax years.

Other operating expenses increased $217,000 to $2.0 million for the six months ended June 30, 2022, compared to the same period in 2021. This increase was primarily the result of opening new locations in our expansion markets and an increase in employee related events due to removal of COVID-19 pandemic restrictions.

Legal and professional expenses increased $156,000 to $893,000 for the six months ended June 30, 2022, compared to the same period in 2021. This increase was primarily due to higher professional fees and public company expenses due to organizational growth, partially offset by lower attorney fees as a result of the completion of various legal matters.

Advertising increased $117,000 to $526,000 for the six months ended June 30, 2022, compared to the same period in 2021. This increase was a result of opening new locations in our expansion markets and an increase in community events.

Income Tax Expense

The amount of income tax expense is influenced by the amount 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.

Our effective income tax rates have differed from the U.S. statutory rate due to the effect of tax-exempt income from loans, securities, life insurance policies, and the income tax effects associated with stock-based compensation.

The table below presents, for the periods indicated, income tax expense:

	For the Three Months Ended						
(dollars in thousands)	June 30, 2022		March 31, 2022		Increase (Decrease)		
Income tax expense	$	2,141	$	1,526	$	615	40.3 %

For the quarters ended June 30, 2022 and March 31, 2022, income tax expense totaled $2.1 million and $1.5 million, respectively. The increase in income tax expense was primarily due to the increase in pre-tax income. Our effective income tax rates for each of the quarters ended June 30, 2022 and March 31, 2022, were 19.0% and 17.1%, respectively.

The table below presents, for the periods indicated, income tax expense:

	For the Six Months Ended						
(dollars in thousands)	June 30, 2022		June 30, 2021		Increase (Decrease)		
Income tax expense	$	3,667	$	3,557	$	110	3.1 %

For the six months ended June 30, 2022 and 2021, income tax expense totaled $3.7 million and $3.6 million, respectively. The increase in income tax expense was primarily due to the increase in pre-tax income. Our effective income tax rates for the six months ended June 30, 2022 and 2021, were 18.1% and 17.9%, respectively.

FINANCIAL CONDITION

General

As of June 30, 2022, assets were $3.12 billion, which was $103.6 million, or 3.2%, lower than assets of $3.22 billion as of December 31, 2021, primarily due to a decrease in deposits. Total deposits decreased $60.2 million, or 2.1%, to $2.85 billion as of June 30, 2022, from $2.91 billion as of December 31, 2021. During the first half of 2022, we made several changes to the asset mix, including deploying short-term liquid assets into loans and the securities portfolio, as well as restructuring the securities portfolio. As a result of these changes, during the first half of 2022, interest-bearing deposits in other banks decreased $444.7 million, or 58.4%, to $317.1 million and were 10.2% of assets as of June 30, 2022. Loans HFI increased $157.8 million, or 9.4%, which included a $174.0 million, or 10.4%, increase in non-PPP loans compared to December 31, 2021. As of June 30, 2022, the loans HFI to deposits ratio was 64.61%, compared to 57.86% as of December 31, 2021, and the noninterest-bearing deposits to total deposits ratio was 41.46%, compared to 39.50% as of December 31, 2021. Total securities increased $143.7 million, or 21.5%, to $810.7 million during the first half of 2022 and were 26.0% of assets as of June 30, 2022. Stockholders’ equity decreased $44.6 million during the first half of 2022 to $253.6 million as of June 30, 2022.

Interest-bearing Deposits in Other Banks

Interest-bearing deposits in other banks are the third-largest component of earning assets. Excess liquidity that is not being deployed into loans or securities is placed in these accounts. Starting during the COVID-19 pandemic, which began in the first quarter of 2020, interest-bearing deposits in other banks had become the second-largest component of earning assets as deposit growth exceeded loan growth. In the first six months of 2022, we deployed excess liquidity into loans and the securities portfolio. As of June 30, 2022, interest-bearing deposits in other banks were $317.1 million and were 10.2% of assets, a decrease of $444.7 million, or 58.4%, compared to $761.7 million and 23.6% of assets as of December 31, 2021.

Securities

Our securities portfolio is the second-largest component of earning assets and provides a significant source of revenue. Securities are classified as AFS, HTM, and equity securities. As of June 30, 2022, our total securities portfolio was 26.0% of assets. It is designed primarily to provide and maintain liquidity, generate a favorable return on investments without incurring unnecessary interest rate and credit risk, and complement our lending activities. We may invest in various types of liquid assets that are permissible under governing regulations and approved by our investment policy, which include U.S. Treasury obligations, U.S. government agency obligations, certificates of deposit of insured domestic banks, mortgage-backed and mortgage-related securities, corporate notes having an investment rating of “A” or better, municipal bonds, and certain equity securities.

Securities AFS and Securities HTM

Securities AFS and securities HTM are debt securities. Total debt securities were $810.7 million as of June 30, 2022, an increase of $151.5 million, or 23.0%, from $659.2 million as of December 31, 2021.

Securities AFS are held for indefinite periods of time and are carried at estimated fair value. As of June 30, 2022, the estimated fair value of securities AFS was $651.1 million. The net unrealized loss on securities AFS increased

$59.0 million for the six months ended June 30, 2022, resulting in a net unrealized loss of $63.7 million as of June 30, 2022.

Over the past year, due to the increase in our securities portfolio size, the current and projected balance sheet mix and growth, cash flows, and available liquidity sources, we evaluated transferring selected securities from AFS to HTM. In the second quarter of 2022, we reclassified $166.3 million, net of $17.9 million of unrealized loss, or 20.5% of the securities portfolio from AFS to HTM. Securities HTM, which we have the intent and ability to hold until maturity, are carried at amortized cost. As of June 30, 2022, the amortized cost of securities HTM was $159.6 million.

Investment activity for the six months ended June 30, 2022, included $313.5 million of securities purchased, partially offset by $31.8 million in sales and $53.0 million in maturities, principal repayments, and calls. There were no purchases or sales of securities HTM for the same period.

Securities AFS purchased during the six months ended June 30, 2022, primarily consisted of $159.8 million in U.S. Treasuries and $139.1 million in mortgage-backed securities. The U.S. Treasuries purchased had a yield of 1.78% and an average life of 1.85 years, and the mortgage-backed securities had a yield of 1.78% and an average life of 3.63 years. The overall price risk of the securities AFS and securities HTM portfolio decreased 130 bps, compared to December 31, 2021, primarily due to the short-term U.S. Treasury securities purchased in the first and second quarter of 2022.

During the six months ended June 30, 2022, we reallocated $260.5 million from overnight funds yielding 0.39% to securities AFS yielding 1.80%. We expect this reallocation to improve future interest income by moving these funds from overnight funds to a higher-yielding investment. In addition, $53.0 million of securities yielding 1.91% were purchased as we reinvested cash flows from the securities portfolio.

The securities AFS portfolio tax-equivalent yield was 1.72% for the six months ended June 30, 2022, compared to 1.81% for the six months ended June 30, 2021. The decrease in yield for the six months ended June 30, 2022, compared to the same period for 2021, was due to purchasing a significant amount of securities in the second half of 2021 with lower yields than the portfolio yield as of June 30, 2021.

The contractual maturity of mortgage-backed securities and collateralized mortgage obligations is not a reliable indicator of their expected lives because borrowers have the right to prepay their obligations at any time. Mortgage-backed securities and collateralized mortgage obligations are typically issued with stated principal amounts and are backed by pools of mortgage loans and other loans with varying maturities. The term of the underlying mortgages and loans may vary significantly due to the ability of a borrower to prepay. Monthly pay downs on mortgage-backed securities may cause the average lives of the securities to be much different than the stated contractual maturity. During a period of rising interest rates, fixed rate mortgage-backed securities are not likely to experience heavy prepayments of principal, and consequently, the average lives of these securities are typically lengthened. If interest rates begin to fall, prepayments may increase, thereby shortening the estimated average lives of these securities. As of June 30, 2022, the average life of our securities portfolio was 7.0 years with an estimated effective duration of 5.3 years. As of December 31, 2021, the average life of our securities portfolio was 4.9 years with an estimated effective duration of 4.1 years. Both the average life and the effective duration increased due to the increase in market rates and the resulting impact on mortgage-backed securities and our callable municipal securities.

The carrying values of our securities AFS are adjusted for unrealized gain or loss, and any unrealized gain or loss is reported on an after-tax basis as a component of AOCI in stockholders' equity. As of June 30, 2022, the net unrealized loss of the securities AFS portfolio was $63.7 million, an increase of $59.0 million, compared to a net unrealized loss of $4.8 million as of December 31, 2021. This change is attributed to a significant increase in market rates, which resulted in lower prices on securities and therefore, an overall lower market value of the portfolio.

The following tables summarize the amortized cost and estimated fair value of our securities by type as of the dates indicated. As of June 30, 2022, other than securities issued by U.S. government agencies or government-sponsored enterprises, our securities portfolio did not contain securities of any one issuer with an aggregate book value in excess of 10.0% of our stockholders' equity.

	June 30, 2022			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities AFS:				
Mortgage-backed securities	$ 307,528	$ 5	$ (25,390)	$ 282,143
Municipal bonds	222,440	32	(33,784)	188,688
U.S. Treasury securities	176,621	—	(4,219)	172,402
U.S. agency securities	8,264	—	(372)	7,892
Total Securities AFS	$ 714,853	$ 37	$ (63,765)	$ 651,125
Securities HTM:				
Mortgage-backed securities	$ 158,655	$ —	$ (11,455)	$ 147,200
U.S. agency securities	907	—	(45)	862
Total Securities HTM	$ 159,562	$ —	$ (11,500)	$ 148,062

	December 31, 2021			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities AFS:				
Mortgage-backed securities	$ 386,874	$ 1,112	$ (8,460)	$ 379,526
Municipal bonds	227,248	3,665	(942)	229,971
U.S. Treasury securities	41,770	—	(154)	41,616
U.S. agency securities	8,062	61	(58)	8,065
Total Securities AFS	$ 663,954	$ 4,838	$ (9,614)	$ 659,178
Securities HTM:				
Mortgage-backed securities	$ —	$ —	$ —	$ —
U.S. agency securities	—	—	—	—
Total Securities HTM	$ —	$ —	$ —	$ —

The following table shows the fair value of securities AFS that mature during each of the periods indicated. The contractual maturity of a mortgage-backed security is the date the last underlying mortgage matures. Yields are weighted-average tax equivalent yields that are calculated by dividing projected annual income by the average amortized cost of the applicable securities while using a 21.0% federal income tax rate, when applicable.

	Contractual Maturity as of June 30, 2022									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
(dollars in thousands)	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]
Securities AFS:										
Mortgage-backed securities	$ 75	1.73 %	$ 542	1.76 %	$ 64,540	1.50 %	$ 216,986	1.69 %	$ 282,143	1.65 %
Municipal bonds	5,041	1.55 %	20,798	1.80 %	14,293	2.57 %	148,556	2.57 %	188,688	2.47 %
U.S. Treasury securities	21,939	1.46 %	150,463	1.45 %	—	— %	—	— %	172,402	1.45 %
U.S. agency securities	191	2.12 %	5,935	1.83 %	1,766	1.26 %	—	— %	7,892	1.70 %
Total Securities AFS	$ 27,246	1.48 %	$ 177,738	1.50 %	$ 80,599	1.69 %	$ 365,542	2.07 %	$ 651,125	1.86 %

(1) Tax equivalent projected book yield as of June 30, 2022.

The following table shows the amortized cost of securities HTM that mature during each of the periods indicated. The contractual maturity of a mortgage-backed security is the date the last underlying mortgage matures. Yields are weighted-average tax equivalent yields that are calculated by dividing projected annual income by the average amortized cost of the applicable securities while using a 21.0% federal income tax rate, when applicable.

	Contractual Maturity as of June 30, 2022									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
(dollars in thousands)	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]
Securities HTM:										
Mortgage-backed securities	$ —	—%	$ —	—%	$ —	—%	$ 158,655	3.44%	$ 158,655	3.44%
U.S. agency securities	—	—%	—	—%	907	2.61%	—	—%	907	2.61%
Total Securities HTM	$ —	—%	$ —	—%	$ 907	2.61%	$ 158,655	3.44%	$ 159,562	3.43%

(1) Tax equivalent projected book yield as of June 30, 2022.

Equity Securities

Equity securities were an investment in a CRA mutual fund, consisting primarily of bonds. Equity securities were carried at fair value on the consolidated balance sheets with periodic changes in value recorded through the consolidated statements of income. In April 2022, we liquidated all shares invested in this fund. Equity securities had a recognized loss of $82,000 and $447,000 for the three and six months ended June 30, 2022, respectively, compared to a recognized loss of $175,000 for the year ended December 31, 2021, with a fair value of $7.8 million as of December 31, 2021. The loss on equity securities in the first half of 2022 was due to a significant increase in interest rates.

Loan Portfolio

Our loan portfolio is our largest category of earning assets, and interest income earned on our loan portfolio is our primary source of income. We maintain a diversified loan portfolio with a focus on commercial real estate, one-to-four family residential, and commercial and industrial loans. As of June 30, 2022, loans HFI were $1.84 billion, an increase of $157.8 million, or 9.4%, compared to $1.68 billion as of December 31, 2021.

Red River Bank is participating in the SBA PPP. Through June 30, 2022, we had received SBA forgiveness and borrower payments on 99.9% of the PPP loans originated. As of June 30, 2022, PPP loans totaled $1.3 million, net of $30,000 of deferred income, and were 0.1% of loans HFI.

As of June 30, 2022, non-PPP loans HFI (non-GAAP) were $1.84 billion, an increase of $174.0 million, or 10.4%, from December 31, 2021, due to new customer activity associated with new lenders in our expansion markets and increased loan activity across the state. For calculations and reconciliations to GAAP of non-GAAP financial measures, see “ - Non-GAAP Financial Measures” in this Report.

Loans by Category

Loans HFI by category, non-PPP loans HFI (non-GAAP), and loans HFS are summarized below as of the dates indicated:

	June 30, 2022		December 31, 2021	
(dollars in thousands)	Amount	Percent	Amount	Percent
Real estate:				
Commercial real estate	$ 765,131	41.6 %	$ 670,293	39.8 %
One-to-four family residential	510,741	27.7 %	474,420	28.2 %
Construction and development	138,965	7.5 %	106,339	6.3 %
Commercial and industrial	320,169	17.4 %	311,373	18.5 %
SBA PPP, net of deferred income	1,349	0.1 %	17,550	1.0 %
Tax-exempt	79,026	4.3 %	80,726	4.8 %
Consumer	26,204	1.4 %	23,131	1.4 %
Total loans HFI	$ 1,841,585	100.0 %	$ 1,683,832	100.0 %
Total non-PPP loans HFI (non-GAAP)[(1)]	$ 1,840,236		$ 1,666,282	
Total loans HFS	$ 4,524		$ 4,290	

(1) Non-GAAP financial measure. Calculations of this measure and reconciliations to GAAP are included in “ - Non-GAAP Financial Measures” in this Report.

Industry Concentrations

Health care loans are our largest loan industry concentration and are made up of a diversified portfolio of health care providers. As of June 30, 2022, health care loans were $147.4 million, or 8.0% of non-PPP loans HFI (non-GAAP), compared to $138.1 million, or 8.3% of non-PPP loans HFI (non-GAAP) as of December 31, 2021. The average health care loan size was $323,000 as of June 30, 2022, and $295,000 as of December 31, 2021. Within the health care sector, loans to physician and dental practices were 4.0% of non-PPP loans HFI (non-GAAP) as of June 30, 2022, and 4.6% as of December 31, 2021. Loans to nursing and residential care facilities were 3.9% of non-PPP loans HFI (non-GAAP) as of June 30, 2022, and 3.6% as of December 31, 2021.

Energy loans were 1.5% of non-PPP loans HFI (non-GAAP) as of June 30, 2022, and 1.2% as of December 31, 2021. For additional information on non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

Geographic Markets

As of June 30, 2022, Red River Bank operates in seven geographic markets throughout the state of Louisiana. We entered the Acadiana market in the fourth quarter of 2020 and the New Orleans market in the fourth quarter of 2021. The following table summarizes non-PPP loans HFI (non-GAAP) by market of origin:

	June 30, 2022	
(dollars in thousands)	**Amount**	**Percent of Non-PPP Loans HFI (non-GAAP)**
Central	$ 626,540	34.1 %
Capital	493,309	26.8 %
Northwest	370,307	20.1 %
Southwest	132,959	7.2 %
Northshore	112,192	6.1 %
New Orleans	54,488	3.0 %
Acadiana	50,441	2.7 %
Total non-PPP loans HFI	$ 1,840,236	100.0 %

For additional information on non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

LIBOR

In July 2017, the United Kingdom Financial Conduct Authority, the authority that regulates LIBOR, announced its intent to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Subsequently, on March 5, 2021, it was announced that certain U.S. Dollar LIBOR rates would cease to be published after June 30, 2023. As of June 30, 2022, 2.3% of our non-PPP loans HFI (non-GAAP) were LIBOR-based with a setting that expires June 30, 2023. Alternative rate language is present in each credit agreement with a LIBOR-based rate. We do not anticipate any issue with transitioning each loan to a non-LIBOR-based rate. For additional information on non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

Nonperforming Assets

NPAs consist of nonperforming loans and property acquired through foreclosures or repossession. Nonperforming loans include loans that are contractually past due 90 days or more and loans that are on nonaccrual status. Loans are considered past due when principal and interest payments have not been received as of the date such payments are due.

Asset quality is managed through disciplined underwriting policies, continual monitoring of loan performance, and focused management of NPAs. There can be no assurance, however, that the loan portfolio will not become subject to losses due to declines in economic conditions, deterioration in the financial condition of our borrowers, or a decline in the value of collateral.

NPAs totaled $971,000 as of June 30, 2022, down $8,000, or 0.8%, from $979,000 as of December 31, 2021, primarily due to payments on nonaccrual loans. The ratio of NPAs to total assets was 0.03% as of June 30, 2022 and December 31, 2021.

Nonperforming loan and asset information is summarized below:

(dollars in thousands)	June 30, 2022	December 31, 2021
Nonperforming loans:		
Nonaccrual loans	$ 248	$ 280
Accruing loans 90 or more days past due	63	39
Total nonperforming loans	311	319
Foreclosed assets:		
Real estate	660	660
Total foreclosed assets	660	660
Total NPAs	$ 971	$ 979
Troubled debt restructurings:[1,2]		
Nonaccrual loans	$ —	$ —
Performing loans	3,571	3,944
Total TDRs	$ 3,571	$ 3,944
Nonaccrual loans to loans HFI	0.01%	0.02%
Nonperforming loans to loans HFI[1]	0.02%	0.02 %
Nonperforming loans to non-PPP loans HFI (non-GAAP)[1,3]	0.02%	0.02 %
NPAs to total assets	0.03%	0.03 %

[1] Troubled debt restructurings – nonaccrual and accruing loans 90 or more days past due are included in the respective components of nonperforming loans.
[2] In accordance with interagency regulatory guidance issued in March 2020, and revised in April 2020, COVID-19 pandemic-related short-term deferrals are not deemed to be TDRs to the extent they meet the terms of such guidance.
[3] Non-GAAP financial measure. For calculations and reconciliations to GAAP of non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

Nonaccrual loans are summarized below by category:

(in thousands)	June 30, 2022	December 31, 2021
Real estate:		
Commercial real estate	$ 45	$ 51
One-to-four family residential	193	216
Construction and development	—	—
Commercial and industrial	10	13
SBA PPP, net of deferred income	—	—
Tax-exempt	—	—
Consumer	—	—
Total nonaccrual loans	$ 248	$ 280

Potential Problem Loans

From a credit risk standpoint, we classify loans in one of five categories: pass, special mention, substandard, doubtful, or loss. Loan classifications reflect a judgment about the risk of default and loss associated with the loans. Classifications are reviewed periodically and adjusted to reflect the degree of risk and loss believed to be inherent in each loan. The methodology is structured so that specific reserve allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Loans classified as pass are of satisfactory quality and do not require a more severe classification.

Loans classified as special mention have potential weaknesses that deserve management's close attention. If these weaknesses are not corrected, repayment possibilities for the loan may deteriorate. However, the loss potential does not warrant substandard classification.

Loans classified as substandard have well-defined weaknesses that jeopardize normal repayment of principal and interest. Prompt corrective action is required to reduce exposure and to assure adequate remedial actions are taken by the borrower. If these weaknesses do not improve, loss is possible.

Loans classified as doubtful have well-defined weaknesses that make full collection improbable.

Loans classified as loss are considered uncollectible and charged-off to the allowance for loan losses.

As of June 30, 2022, loans classified as pass were 98.5% of loans HFI, and loans classified as special mention and substandard were 1.2% and 0.3%, respectively, of loans HFI. There were no loans as of June 30, 2022, classified as doubtful or loss. As of December 31, 2021, loans classified as pass were 99.5% of loans HFI, and loans classified as special mention and substandard were 0.1% and 0.4%, respectively, of loans HFI. There were no loans as of December 31, 2021, classified as doubtful or loss.

Allowance for Loan Losses

The allowance for loan losses is established for known and inherent losses in the loan portfolio based upon management's best assessment of the loan portfolio at each balance sheet date. It is maintained at a level estimated to be adequate to absorb potential losses through periodic changes to loan losses.

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

- for commercial real estate loans, the debt service coverage ratio (income from the business in excess of operating expenses compared to loan repayment 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 of properties of that type;
- for one-to-four 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;
- for construction and development 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; experience and ability of the developer; and the loan-to-value ratio; and
- for commercial and industrial loans, the debt service coverage ratio; 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; the value, nature, and marketability of collateral; and the financial resources of the guarantor(s), if any.

As an SEC registrant with smaller reporting company filing status as determined on June 30, 2019, CECL is effective for us on January 1, 2023. When effective, the CECL allowance model, prescribed by *ASU No. 2016-13*, will require measurement of expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts. This model will replace the existing incurred loss model. Based upon our preliminary CECL analysis as of June 30, 2022, we expect the adoption of CECL will result in a combined 1.0% to 5.0% increase in our allowance for credit losses and allowance for unfunded commitments. Refer to "Item 1. Financial Statements - Note 1 - Summary of Significant Accounting Policies - Recent Accounting Pronouncements" in this Report for more information on *ASU No. 2016-13*.

As of June 30, 2022, the allowance for loan losses was $19.4 million, or 1.05% of both loans HFI and non-PPP loans HFI (non-GAAP). As of December 31, 2021, the allowance for loan losses totaled $19.2 million, or 1.14% of loans HFI, and 1.15% of non-PPP loans HFI (non-GAAP). The $219,000 increase in the allowance for loan losses for the six months ended June 30, 2022, was mainly due to $400,000 from the provision for loan losses, partially offset by $181,000 of net charge-offs. For additional information on non-GAAP financial measures, see " - Non-GAAP Financial Measures" in this Report.

The provision for loan losses for the six months ended June 30, 2022, was $400,000, a decrease of $1.2 million, or 75.0%, from $1.6 million for the six months ended June 30, 2021. The decrease in provision for loan losses for 2022 was attributed to continued, favorable asset quality metrics. The higher provision for loan losses in the same period of 2021 was due to the anticipated adverse effects of the COVID-19 pandemic. We will continue to evaluate future provision needs in relation to current economic situations, loan growth, and trends in asset quality.

The following table displays activity in the allowance for loan losses for the periods shown:

	As of and For the Six Months Ended	
(dollars in thousands)	June 30, 2022	June 30, 2021
Loans HFI	$ 1,841,585	$ 1,600,388
Non-PPP Loans HFI (non-GAAP)[1]	$ 1,840,236	$ 1,517,416
Nonaccrual loans	$ 248	$ 2,026
Average loans	$ 1,743,676	$ 1,606,094
Allowance for loan losses at beginning of period	$ 19,176	$ 17,951
Provision for loan losses	400	1,600
Charge-offs:		
Real estate:		
One-to-four family residential	—	(10)
Construction and development	(18)	—
Commercial and industrial	(9)	(40)
Consumer	(250)	(163)
Total charge-offs	(277)	(213)
Recoveries:		
Real estate:		
One-to-four family residential	5	7
Construction and development	18	1
Commercial and industrial	7	13
Consumer	66	101
Total recoveries	96	122
Net (charge-offs)/recoveries	(181)	(91)
Allowance for loan losses at end of period	$ 19,395	$ 19,460
Allowance for loan losses to loans HFI	1.05 %	1.22 %
Allowance for loan losses to non-PPP loans HFI (non-GAAP)[1]	1.05 %	1.28 %
Allowance for loan losses to nonaccrual loans	7,820.56%	960.51%
Net charge-offs to average loans	0.01 %	0.01 %

(1) Non-GAAP financial measure. Calculations of this measure and reconciliations to GAAP are included in " - Non-GAAP Financial Measures" in this Report.

We believe the allowance for loan losses was adequate to provide for known and inherent losses in the portfolio at all times shown above. Future provisions for loan losses are subject to ongoing evaluations of the factors and loan portfolio risks described above, including economic pressures related to the COVID-19 pandemic, inflation, labor market and supply chain constraints, and natural disasters affecting the state of Louisiana. A decline in market area economic conditions, deterioration of asset quality, or growth in portfolio size could cause the allowance to become inadequate, and material additional provisions for loan losses could be required.

Deposits

Deposits are the primary funding source for loans and investments. We offer a variety of deposit products designed to attract and retain consumer, commercial, and public entity customers. These products consist of noninterest and interest-bearing checking accounts, savings accounts, money market accounts, and time deposit accounts. Deposits are gathered from individuals, partnerships, corporations, and public entities located primarily in our market areas. We do not have any internet-sourced or brokered deposits.

Total deposits decreased $60.2 million, or 2.1%, to $2.85 billion as of June 30, 2022, from $2.91 billion as of December 31, 2021. This decrease was primarily a result of expected customer deposit account activity. Noninterest-bearing deposits increased by $32.1 million, or 2.8%, to $1.18 billion as of June 30, 2022. Noninterest-bearing deposits as a percentage of total deposits were 41.46% as of June 30, 2022, compared to 39.50% as of December 31, 2021. Interest-bearing deposits decreased by $92.3 million, or 5.2%, to $1.67 billion as of June 30, 2022.

The following table presents our deposits by account type as of the dates indicated:

	June 30, 2022		December 31, 2021		Change from December 31, 2021 to June 30, 2022	
(dollars in thousands)	Balance	% of Total	Balance	% of Total	$ Change	% Change
Noninterest-bearing deposits	$ 1,181,781	41.5 %	$ 1,149,672	39.5 %	$ 32,109	2.8 %
Interest-bearing deposits:						
NOW accounts	467,261	16.4 %	503,383	17.3 %	(36,122)	(7.2)%
Money market accounts	679,259	23.8 %	733,044	25.2 %	(53,785)	(7.3)%
Savings accounts	199,777	7.0 %	191,076	6.5 %	8,701	4.6 %
Time deposits less than or equal to $250,000	235,540	8.3 %	243,596	8.4 %	(8,056)	(3.3)%
Time deposits greater than $250,000	86,577	3.0 %	89,577	3.1 %	(3,000)	(3.3)%
Total interest-bearing deposits	1,668,414	58.5 %	1,760,676	60.5 %	(92,262)	(5.2)%
Total deposits	$ 2,850,195	100.0 %	$ 2,910,348	100.0 %	$ (60,153)	(2.1)%

The following table presents deposits by customer type as of the dates indicated:

	June 30, 2022		December 31, 2021		Change from December 31, 2021 to June 30, 2022	
(dollars in thousands)	Balance	% of Total	Balance	% of Total	$ Change	% Change
Consumer	$ 1,367,169	48.0 %	$ 1,400,369	48.1 %	$ (33,200)	(2.4)%
Commercial	1,305,648	45.8 %	1,283,992	44.1 %	21,656	1.7 %
Public	177,378	6.2 %	225,987	7.8 %	(48,609)	(21.5)%
Total deposits	$ 2,850,195	100.0 %	$ 2,910,348	100.0 %	$ (60,153)	(2.1)%

Our uninsured deposits, which are the portion of deposit accounts that exceed the FDIC insurance limit (currently $250,000), were approximately $1.10 billion and $1.22 billion at June 30, 2022 and December 31, 2021, respectively. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes.

The following table presents the amount of time deposits, by account, that are in excess of the FDIC insurance limit (currently $250,000) by time remaining until maturity for the period indicated:

(in thousands)	June 30, 2022
Three months or less	$ 7,575
Over three months through six months	9,362
Over six months through 12 months	5,681
Over 12 months	14,209
Total	$ 36,827

Borrowings

Although deposits are our primary source of funds, we may, from time to time, utilize borrowings as a cost-effective source of funds when such borrowings can then be invested at a positive interest rate spread for additional capacity to fund loan demand or to meet our liquidity needs. We had no outstanding borrowings as of June 30, 2022 or December 31, 2021.

Equity and Regulatory Capital Requirements

Total stockholders' equity as of June 30, 2022, was $253.6 million, compared to $298.2 million as of December 31, 2021, a decrease of $44.6 million, or 14.9%. This decrease was attributed to a $60.0 million, net of tax, market adjustment to AOCI related to securities, $1.0 million in cash dividends, and the repurchase of 4,465 shares of common stock for $218,000, partially offset by $16.5 million of net income for the six months ended June 30, 2022, and $161,000 of stock compensation.

During the second quarter of 2022, the Company reclassified certain securities from AFS to HTM. Such transfers are made at fair value on the date of transfer. The net unrealized holding loss on the date of transfer is retained, net of tax, in AOCI, with no immediate change to the total balance in AOCI. The unrealized holding loss will be amortized over the remaining life of the securities.

At the date of transfer, the net unamortized, unrealized loss on the transferred securities included in the consolidated balance sheets totaled $17.9 million, of which $14.2 million, net of tax, was included in AOCI. As of June 30, 2022, the net unamortized, unrealized loss remaining on the transferred securities included in the consolidated balance sheets totaled $17.0 million, of which $13.5 million, net of tax, was included in AOCI.

On February 4, 2022, our Board of Directors approved the renewal of the stock repurchase program that was completed in the fourth quarter of 2021 after reaching its purchase limit. The renewed repurchase program authorizes us to purchase up to $5.0 million of our outstanding shares of common stock from February 4, 2022 through December 31, 2022. Repurchases may be made from time to time in the open market at prevailing prices and based on market conditions, or in privately negotiated transactions. For the three months ended June 30, 2022, the Company did not repurchase any shares of its common stock. For the six months ended June 30, 2022, the Company repurchased 4,465 shares of its common stock at an aggregate cost of $218,000. As of June 30, 2022 we had $4.8 million available for repurchasing our common stock under this program.

The Economic Growth Act, which was signed into law in May 2018, provides, among other items, certain targeted modifications to prior financial services reform regulatory requirements. One of the Economic Growth Act's highlights with implications for us was the asset threshold under the Policy Statement being increased from $1.0 billion to $3.0 billion, which benefits bank holding companies by, among various other items, allowing for an 18-month safety and soundness examination cycle as opposed to a 12-month examination cycle, scaled biannual regulatory reporting requirements as opposed to quarterly regulatory reporting requirements, and not being subject to capital adequacy guidelines on a consolidated basis. Because we had less than $3.0 billion in assets as of each of the June 30th measurement dates starting with the Economic Growth Act's enactment through June 30, 2021, we have been allowed to receive the benefits of the Policy Statement and will continue to do so during 2022. However, as of June 30, 2022, the last applicable measurement date, we had more than $3.0 billion in assets. Therefore, beginning in 2023, we expect to not receive the Policy Statement's benefits.

Another significant provision was the Economic Growth Act's directive that federal bank regulatory agencies adopt a threshold for a CBLR framework. As part of the directive under the Economic Growth Act, on September 17, 2019, the FDIC and other federal bank regulatory agencies approved the CBLR framework. This optional framework became effective January 1, 2020, and is available as an alternative to the Basel III risk-based capital framework. The CBLR framework provides for a simple measure of capital adequacy for certain community banking organizations. Specifically, depository institutions and depository institution holding companies that have less than $10.0 billion in total consolidated assets and meet other qualifying criteria, including a Tier 1 leverage ratio of greater than 9.00% (subsequently temporarily reduced to 8.00% for 2020 and 8.50% for 2021 as a COVID-19 relief measure), are considered qualifying community banking organizations and are eligible to opt into the CBLR framework and replace the applicable Basel III risk-based capital requirements.

As of June 30, 2022, the Company and the Bank qualify for the CBLR framework. Management does not intend to utilize the CBLR framework.

LIQUIDITY AND ASSET-LIABILITY MANAGEMENT

Liquidity

Liquidity involves our ability to raise funds to support asset growth and potential acquisitions or to reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements, and otherwise to operate on an ongoing basis and manage unexpected events. For the six months ended June 30, 2022, and the year ended December 31, 2021, liquidity needs were primarily met by core deposits, security and loan maturities, and cash flows from amortizing security and loan portfolios. While maturities and scheduled amortization of loans are predictable sources of funds, deposit outflows, mortgage prepayments, and prepayments on amortizing securities are greatly influenced by market interest rates, economic conditions, and the competitive environment in which we operate, and therefore, these cash flows are monitored regularly.

Our most liquid assets are cash and short-term investments that include both interest-earning demand deposits and securities AFS. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. Access to purchased funds from correspondent banks and overnight advances from the FHLB and the Federal Reserve Bank of Atlanta are also available. Purchased funds from correspondent banks and overnight advances can be utilized to meet funding obligations, although we do not generally rely on these external funding sources.

Our primary source of funds is deposits, and our primary use of funds is the funding of loans. We invest excess deposits in interest-earning deposits at other banks or at the Federal Reserve, federal funds sold, securities, or other short-term liquid investments until the deposits are needed to fund loan growth or other obligations. Our average deposits increased $315.5 million, or 12.2%, for the six months ended June 30, 2022, compared to the average deposits for the twelve months ended December 31, 2021. The increase in average total deposits was primarily a result of customers maintaining higher deposit balances. Our average total loans increased $122.1 million, or 7.5%, for the six months ended June 30, 2022, compared to average total loans for the twelve months ended December 31, 2021.

Our securities AFS portfolio is an alternative source for meeting liquidity needs, and was our second-largest component of assets as of June 30, 2022. Securities generate cash flow through principal repayments, calls, and maturities, and they generally have readily available markets that allow for their conversion to cash. As of June 30, 2022, securities AFS totaled $651.1 million, or 20.9% of assets, compared to $659.2 million, or 20.4% of assets as of December 31, 2021. However, certain investments within our securities AFS portfolio are also used to secure specific deposit types, such as for public entities, which impacts their liquidity. As of June 30, 2022, securities with a carrying value of $159.7 million, or 24.5% of the securities AFS portfolio, were pledged to secure public entity deposits as compared to securities with a carrying value of $118.6 million, or 18.0% of the securities AFS portfolio, similarly pledged as of December 31, 2021. The increase of $41.1 million, or 34.7%, was primarily the result of utilizing securities to replace FHLB letters of credit as pledged collateral, combined with an increase in several public entity deposit accounts that occurred during the first half of 2022. During the second quarter of 2022, the Company reclassified $166.3 million, or 20.5%, of the securities portfolio from AFS to HTM. Significant limitations exist for selling debt securities classified as HTM, and therefore, are excluded from liquidity sources. For additional information, see “Part I. Financial Information - Item. 1 Financial Statements (Unaudited) - Notes to Unaudited Consolidated Financial Statements - Note 2. Securities - Securities AFS and Securities HTM.”

Interest-bearing deposits in other banks are our main source for meeting daily liquidity needs and were our third-largest component of assets as of June 30, 2022. Interest-bearing deposits in other banks were $317.1 million, or 10.2% of assets as of June 30, 2022, compared to $761.7 million, or 23.6% of assets as of December 31, 2021. The decrease of $444.7 million, or 58.4%, was primarily a result of deploying funds into securities and loans, combined with an outflow of deposits, during the first half of the year.

We also utilize the FHLB as needed as a viable funding source. FHLB advances may be used to meet short-term liquidity needs, particularly if the prevailing interest rate on an FHLB advance compares favorably to the rates that would be required to attract the necessary deposits. As of June 30, 2022 and December 31, 2021, our total borrowing availability from the FHLB was $808.6 million and $748.6 million, respectively. At various times, we may obtain letters of credit from the FHLB as collateral for our public entity deposits. As of June 30, 2022 and December 31, 2021, we held unfunded letters of credit in the amount of $29.1 million and $143.8 million, respectively. As of June 30, 2022 and December 31, 2021, our net borrowing capacity from the FHLB was $779.5 million and $604.8 million, respectively.

Other sources available for meeting liquidity needs include federal funds lines, repurchase agreements, and other lines of credit. We maintain four federal funds lines of credit with commercial banks that provided for the availability to borrow up to an aggregate of $95.0 million in federal funds as of June 30, 2022 and December 31, 2021. We also maintain an additional $6.0 million revolving line of credit at one of our correspondent banks. As of June 30, 2022 and December 31, 2021, we had total borrowing capacity of $101.0 million through these combined funding sources. We had no outstanding balances from either of these sources as of June 30, 2022 and December 31, 2021.

Commitments to Extend Credit

In the normal course of business, we enter into certain financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of our customers. These commitments involve elements of credit risk, interest rate risk, and liquidity risk. Some instruments may not be reflected in the accompanying consolidated financial statements until they are funded, although they expose us to varying degrees of credit risk and interest rate risk in much the same way as funded loans.

Commitments to extend credit are agreements to lend to a customer if all conditions of the commitment have been met. Commitments include revolving and nonrevolving credit lines and are primarily issued for commercial purposes. Commitments to extend credit generally have fixed expiration dates or other termination clauses. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions.

As of June 30, 2022, we had $372.3 million in unfunded loan commitments and $14.3 million in commitments associated with outstanding standby letters of credit. As of December 31, 2021, we had $357.9 million in unfunded loan commitments and $12.5 million in commitments associated with outstanding standby letters of credit. As commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding commitments may not necessarily reflect the actual future cash funding requirements.

Investment Commitments

The Company is party to various investment commitments in the normal course of business. The Company’s exposure is represented by the contractual amount of these commitments.

In 2014, the Company committed to an investment into an SBIC limited partnership. As of June 30, 2022, there was a $226,000 outstanding commitment to this partnership.

In 2020, the Company committed to an additional investment into an SBIC limited partnership. As of June 30, 2022, there was a $4.3 million outstanding commitment to this partnership.

In the second quarter of 2021, the Company committed to an investment into a bank technology limited partnership. As of June 30, 2022, there was a $727,000 outstanding commitment to this partnership.

Interest Rate Sensitivity and Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our asset-liability management policies provide management with guidelines for effective funds management, and we have established a measurement system for monitoring our net interest rate sensitivity position. We have historically managed our rate sensitivity position within our established policy 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 that 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 exposure to interest rates by structuring the balance sheet appropriately during the ordinary course of business. We have the ability to enter into interest rate swaps to mitigate interest rate risk in limited circumstances, but it is not our policy to enter into such transactions on a regular basis. We do not enter into instruments such as financial options, financial futures contracts, or forward delivery contracts for the purpose of reducing interest rate risk. We are not subject to foreign exchange risk, and our commodity price risk is immaterial, as the percentage of our agricultural loans to loans HFI was only 0.61% as of June 30, 2022.

Our exposure to interest rate risk is managed by Red River Bank’s Asset-Liability Management Committee. The committee formulates strategies based on appropriate levels of interest rate risk and monitors the results of those strategies. In determining the appropriate level of interest rate risk, the committee considers the impact on both earnings and capital given the current outlook on interest rates, regional economies, liquidity, business strategies, and other related factors.

The committee meets quarterly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and economic 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. We employ methodologies to manage interest rate risk, which include an analysis of relationships between interest-earning assets and interest-bearing liabilities, as well as an interest rate shock simulation model.

In conjunction with our interest rate risk management process, on a quarterly basis, we run various simulations within a static balance sheet model. This model tests the impact on net interest income and fair value of equity from changes in market interest rates under various scenarios. Rates are shocked instantaneously and ramped rates change over a 12-month and 24-month horizon based upon parallel yield curve shifts. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Our nonparallel rate shock simulation involves analysis of interest income and expense under various changes in the shape of the yield curve.

Bank policy regarding interest rate risk simulations performed by our risk model 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 10.0% for a 100 bp shift and 15.0% for a 200 bp shift. Bank policy regarding economic value at risk simulations performed by our risk model currently specifies that for instantaneous parallel shifts of the yield curve, estimated fair value of equity for the subsequent one-year period should not decline by more than 20.0% for a 100 bp shift and 25.0% for a 200 bp shift.

The following table shows the impact of an instantaneous and parallel change in rates, at the levels indicated, and summarizes the simulated change in net interest income and fair value of equity over a 12-month horizon as of the dates indicated.

	As of June 30, 2022		As of December 31, 2021	
	% Change in Net Interest Income	% Change in Fair Value of Equity	% Change in Net Interest Income	% Change in Fair Value of Equity
Change in Interest Rates (Bps)				
+300	12.6 %	0.0 %	45.7 %	16.7 %
+200	8.4 %	0.5 %	30.6 %	13.3 %
+100	4.4 %	1.0 %	15.3 %	8.0 %
Base	0.0 %	0.0 %	0.0 %	0.0 %
-100	(8.3)%	(4.3)%	(0.4)%	(18.9)%
-200	(15.8)%	(11.9)%	(2.6)%	(32.8)%

The results above, as of June 30, 2022 and December 31, 2021, demonstrate that our balance sheet is asset sensitive, which means our assets have the opportunity to reprice at a faster pace than our liabilities, over the 12-month horizon. We have also observed that, historically, our deposit interest rates have adjusted more slowly than the change in the federal funds rate. This assumption is incorporated into the risk simulation model and is generally not reflected in a gap analysis, which is the process by which we measure the repricing gap between interest rate-sensitive assets versus interest rate-sensitive liabilities.

As of June 30, 2022, the percentage change in the net interest income in the down 200 bp scenario slightly exceeded the policy threshold. These values are reported at each quarterly Asset-Liability Committee meeting, along with the percentages of change in the economic value of equity. The net interest income at risk will continue to be monitored and appropriate mitigating action will be taken if needed. Also, the percentage change in the fair value of equity in the up 300 bp scenario was zero percent, due to the change in the value of the assets being approximately equal to the change in the value of the liabilities; therefore, the economic value of equity did not change.

The impact of our floating rate loans and floating rate transaction deposits are also reflected in the results shown in the above table. As of June 30, 2022, floating rate loans were 14.4% of the loans HFI, and floating rate transaction deposits were 4.3% of interest-bearing transaction deposits.

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 management strategies and the slope of the yield curve.

NON-GAAP FINANCIAL MEASURES

Our accounting and reporting policies conform to GAAP and the prevailing practices in the banking industry. Certain financial measures used by management to evaluate our operating performance are discussed in this Report as supplemental non-GAAP performance measures. In accordance with the SEC's rules, 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 U.S.

Management and the board of directors review tangible book value per share, tangible common equity to tangible assets, realized book value per share, and PPP-adjusted metrics as part of managing operating performance. However, these non-GAAP financial measures that we discuss in this Report 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 that we calculate the non-GAAP financial measures that are discussed in this Report may differ from that of other companies reporting measures with similar names. It is important to understand how such other banking organizations calculate and name their financial measures similar to the non-GAAP financial measures discussed in this Report when comparing such non-GAAP financial measures.

Tangible Assets, Tangible Equity, Tangible Book Value, and Realized Book Value

Tangible Book Value Per Share. Tangible book value per share is a non-GAAP measure commonly used by investors, financial analysts, and investment bankers to evaluate financial institutions. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. We calculate tangible book value per share as total stockholders' equity, less intangible assets, divided by the outstanding number of shares of our common stock at the end of the relevant period. Intangible assets have the effect of increasing total book value while not increasing tangible book value. The most directly comparable GAAP financial measure for tangible book value per share is book value per share.

Tangible Common Equity to Tangible Assets. Tangible common equity to tangible assets is a non-GAAP measure generally used by investors, financial analysts, and investment bankers to evaluate financial institutions. We believe that this measure is important to many investors in the marketplace who are interested in the relative changes from period to period of tangible common equity to tangible assets, each exclusive of changes in intangible assets. Intangible assets have the effect of increasing both total stockholders' equity and assets while not increasing our tangible common equity or tangible assets. We calculate tangible common equity as total stockholders' equity less intangible assets, and we calculate tangible assets as total assets less intangible assets. The most directly comparable GAAP financial measure for tangible common equity to tangible assets is total common stockholders' equity to total assets.

As a result of previous acquisitions, we have a small amount of intangible assets. As of June 30, 2022, total intangible assets were $1.5 million, which is less than 1.0% of total assets.

Realized Book Value Per Share. Realized book value per share is a non-GAAP measure that we use to evaluate our operating performance. We believe that this measure is important because it allows us to monitor changes from period to period in book value per share exclusive of changes in AOCI. Our AOCI is impacted primarily by the unrealized gains and losses on securities AFS. These unrealized gains or losses on securities AFS are driven by market factors and may also be temporary and vary greatly from period to period. Due to the possibly temporary and greatly variable nature of these changes, we find it useful to monitor realized book value per share. We calculate realized book value per share as total stockholders' equity, less AOCI, divided by the outstanding number of shares of our common stock at the end of the relevant period. AOCI has the effect of increasing or decreasing total book value while not increasing or decreasing realized book value. The most directly comparable GAAP financial measure for realized book value per share is book value per share.

The following table reconciles, as of the dates set forth below, stockholders' equity to tangible common equity, and assets to tangible assets, and presents related resulting ratios.

(dollars in thousands, except per share data)	June 30, 2022	March 31, 2022	June 30, 2021
Tangible common equity			
Total stockholders' equity	$ 253,596	$ 264,874	$ 292,924
Adjustments:			
Intangible assets	(1,546)	(1,546)	(1,546)
Total tangible common equity (non-GAAP)	$ 252,050	$ 263,328	$ 291,378
Realized common equity			
Total stockholders' equity	$ 253,596	$ 264,874	$ 292,924
Adjustments:			
Accumulated other comprehensive (income) loss	63,804	43,819	(1,058)
Total realized common equity (non-GAAP)	$ 317,400	$ 308,693	$ 291,866
Common shares outstanding	7,176,365	7,176,365	7,284,994
Book value per share	$ 35.34	$ 36.91	$ 40.21
Tangible book value per share (non-GAAP)	$ 35.12	$ 36.69	$ 40.00
Realized book value per share (non-GAAP)	$ 44.23	$ 43.02	$ 40.06
Tangible assets			
Total assets	$ 3,121,113	$ 3,212,460	$ 2,878,476
Adjustments:			
Intangible assets	(1,546)	(1,546)	(1,546)
Total tangible assets (non-GAAP)	$ 3,119,567	$ 3,210,914	$ 2,876,930
Total stockholders' equity to assets	8.13 %	8.25 %	10.18 %
Tangible common equity to tangible assets (non-GAAP)	8.08 %	8.20 %	10.13 %

PPP-Adjusted Metrics

Red River Bank is participating in the SBA PPP and has originated 1,888 PPP loans totaling $260.8 million. PPP loan originations were concluded in the second quarter of 2021. Through June 30, 2022, we had received $259.5 million in

SBA forgiveness and borrower payments on 99.9% of the PPP loans originated. As of June 30, 2022, PPP loans totaled $1.3 million, net of $30,000 of deferred income, and were 0.1% of loans HFI.

PPP loans were implemented as a response to the COVID-19 pandemic and have characteristics that are different than the rest of our loan portfolio, including being short-term in nature (24 or 60 months or less depending on loan forgiveness timing), having a lower than market interest rate, and only being originated during specified time periods during the COVID-19 pandemic. Because of these factors, management believes that PPP-adjusted metrics provide a more accurate portrayal of certain aspects of the Company’s financial condition and performance. Accordingly, we believe it is important to investors to see certain of our metrics with PPP loans excluded. The most directly comparable GAAP financial measure for PPP-adjusted metrics is total loans HFI.

The following table reconciles, as of the dates set forth below, non-PPP loans to total loans HFI and presents certain ratios using non-PPP loans:

(dollars in thousands)	**June 30, 2022**	**December 31, 2021**	**June 30, 2021**
Non-PPP loans HFI			
Loans HFI	$ 1,841,585	$ 1,683,832	$ 1,600,388
Adjustments:			
PPP loans, net	(1,349)	(17,550)	(82,972)
Non-PPP loans HFI (non-GAAP)	$ 1,840,236	$ 1,666,282	$ 1,517,416
Allowance for loan losses	$ 19,395	$ 19,176	$ 19,460
Nonperforming loans	$ 311	$ 319	$ 2,027
Allowance for loan losses to loans HFI	1.05 %	1.14 %	1.22 %
Allowance for loan losses to non-PPP loans HFI (non-GAAP)	1.05 %	1.15 %	1.28 %
Nonperforming loans to loans HFI	0.02 %	0.02 %	0.13 %
Nonperforming loans to non-PPP loans HFI	0.02 %	0.02 %	0.13 %

CRITICAL ACCOUNTING ESTIMATES

There were no material changes or developments during the reporting period with respect to methodologies that we use when developing critical accounting estimates as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Our consolidated financial statements are prepared in accordance with GAAP and with general practices within the financial services industry. Application of these principles requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

See “Item 1. Financial Statements – Note 1. Summary of Significant Accounting Policies – Recent Accounting Pronouncements.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are presented in our Annual Report on Form 10-K for the year ended December 31, 2021, under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Asset-Liability Management - Interest Rate Sensitivity and Market Risk.” Additional information as of June 30, 2022, is included herein under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Asset-Liability Management - Interest Rate Sensitivity and Market Risk.” The foregoing information is incorporated into this Item 3 by reference.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this Report, an evaluation was performed by the Company, under the supervision and with the participation of its management, including its Chief Executive Officer (Principal Executive Officer) and Chief

Financial Officer (Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this Report.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we, including our subsidiaries, are or may be involved in various legal matters arising in the ordinary course of business. In the opinion of management, neither we, nor any of our subsidiaries, are involved in such legal proceedings that the resolution is expected to have a material adverse effect on our consolidated results of operations, financial condition, or cash flows. However, one or more unfavorable outcomes in these ordinary claims or litigation against us or our subsidiaries could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or ultimate outcomes, such matters are costly, divert management's attention, and may materially and adversely affect our reputation or that of our subsidiaries, even if resolved favorably.

Item 1A. Risk Factors

For information regarding risk factors that could affect our business, financial condition, and results of operations, see the information in "Part I - Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the risk factors disclosed in our most recent Annual Report on Form 10-K.

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

Our purchases of shares of common stock made during the quarter under our publicly announced stock repurchase program are summarized in the table below:

(dollars in thousands, except per share data)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program[1]
April 1 - April 30, 2022	—	$ —	—	$ 4,782
May 1 - May 31, 2022	—	$ —	—	$ 4,782
June 1 - June 30, 2022	—	$ —	—	$ 4,782
Total	—	$ —	—	$ 4,782

[1] On February 4, 2022, our Board of Directors approved the renewal of the stock repurchase program that was completed in the fourth quarter of 2021 after reaching its purchase limit. The renewed repurchase program authorizes us to purchase up to $5.0 million of our outstanding shares of common stock from February 4, 2022 through December 31, 2022. Repurchases may be made from time to time in the open market at prevailing prices and based on market conditions, or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

NUMBER	DESCRIPTION
3.1	Restated Articles of Incorporation of Red River Bancshares, Inc. (incorporated by reference to Exhibit 3.1 to Red River Bancshares, Inc.'s Registration Statement on Form S-1 filed with the SEC on April 10, 2019, file number 333-230798)
3.2	Red River Bancshares, Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Red River Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on March 1, 2021, file number 001-38888)
10.1	Supplemental Executive Retirement Benefits Agreement between Red River Bank and G. Bridges Hall, IV*+#
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	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, is formatted in Inline Extensible Business Reporting Language (XBRL): (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income, (iv) the Unaudited Consolidated Statements of Changes in Stockholders' Equity, (v) the Unaudited Consolidated Statements of Cash Flows, and (vi) the Notes to Unaudited Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document* - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File* - Formatted as Inline XBRL and contained within the Inline XBRL Instance Document in Exhibit 101.
*	Filed herewith
**	These exhibits are furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.
+	Indicates a management contract or compensatory plan.
#	Certain exhibits to the Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. We will furnish the omitted exhibits to the SEC upon request.

SIGNATURES

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

	RED RIVER BANCSHARES, INC.	
Date: August 11, 2022	By:	/s/ R. Blake Chatelain
		R. Blake Chatelain President and Chief Executive Officer (Principal Executive Officer)
Date: August 11, 2022	By:	/s/ Isabel V. Carriere
		Isabel V. Carriere, CPA, CGMA Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

SUPPLEMENTAL EXECUTIVE
RETIREMENT BENEFITS AGREEMENT

This Supplemental Executive Retirement Benefits Agreement (this “Agreement”) is made as of the 1st day of October 2022, by and between Red River Bank, a Louisiana banking corporation (the “Bank”), and G. Bridges Hall, IV, an individual (“Executive”).

RECITALS

A. Executive is a valued employee of Bank.

B. Bank desires to retain Executive as an employee of Bank and believes that Executive’s long-term contribution to the business of Bank is not fully reflected in the compensation of the Executive.

C. Bank desires to provide for the post-retirement needs of its employees in a responsible manner.

D. Bank desires to make available to Executive certain supplemental retirement benefits, and Executive desires to enter into an arrangement for such supplemental retirement benefits.

AGREEMENT

NOW, THEREFORE, the parties hereto, for and in consideration of the foregoing and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound hereby, do agree as follows:

1. Supplemental Retirement Benefits. Bank hereby establishes an unfunded retirement plan, the obligations under which shall be reflected on the general ledger of Bank (the “Retirement Account”). The Retirement Account shall be an unsecured liability of Bank to Executive, payable only as provided herein from the general funds of Bank. The Retirement Account is not a deposit or insured by the FDIC and does not constitute a trust account or any other special obligation of Bank and does not have priority of payment over any other general obligation of Bank.

2. Payment of Benefits.

(a) On-Time Retirement. If Executive remains in the continual full-time employment of Bank (except for such breaks in service prescribed by law, such as the Family and Medical Leave Act, or as otherwise agreed in a writing expressly authorized by the Board of Directors of Bank) until the Full Benefits Date (as defined in **Exhibit A** hereto), then upon the date (the “Retirement Date”) on or after the Full Benefits Date on which Executive’s employment with the Bank is terminated for any reason other than For Cause (as hereinafter defined), Bank shall pay to Executive the Full Benefit (as defined in **Exhibit A** hereto) annually, payable in monthly installments beginning on the first business day of the first calendar month after the Retirement Date and on the first business day of each month thereafter until (but including) the fifteenth (15^{th}) anniversary of the Retirement Date. If Executive becomes deceased after the commencement of payments under this Section 2(a), but prior to the 15^{th} anniversary of the Retirement Date, payments shall continue to be paid to the Executive’s beneficiary, determined in accordance with Section 13, at the same time and in the same form as they would have been paid to Executive had Executive not deceased.

(b) Early Termination. If Executive voluntarily resigns from full-time employment with Bank before the Full Benefits Date, or if Bank discharges Executive from full-time employment with Bank for any reason other than For Cause before the Full Benefits Date, Bank shall pay to Executive the Limited Benefit (as hereinafter defined) annually, payable in monthly installments beginning on the Full Benefits Date, and thereafter on the first business day of each month thereafter until (but including) the fifteenth (15^{th}) anniversary of the Full Benefits Date. For the purposes of this Agreement, the “Limited Benefit” shall be the amount set forth on **Exhibit A** corresponding to the year in which Executive’s employment terminates. If Executive becomes deceased after the commencement of payments under this Section 2(b), but prior to the fifteenth (15^{th}) anniversary of the Full Benefits Date, payments shall continue to be paid to the Executive's beneficiary, determined in accordance with Section 13, at the same time and in the same form as they would have been paid to Executive had Executive not deceased.

(c) Disability. If Executive becomes Substantially Disabled (as hereinafter defined) and Executive's full-time employment with Bank is terminated by Bank prior to the Full Benefits Date as a result, Bank shall pay to Executive the Limited Benefit annually, payable monthly beginning on the first business day of the calendar month following the Disability Determination Date (as hereinafter defined). For purposes of this Agreement, the term "Substantial Disability" shall mean the substantial physical or mental impairment of Executive which materially diminishes Executive's ability to perform the services theretofore performed by Executive, for a period of six months or more, taking into consideration compliance by Bank with the reasonable accommodation provisions of the Americans with Disabilities Act. The determination of whether Executive is "Substantially Disabled" shall be made by a licensed physician selected by Bank. For purposes of this Agreement, the term "Disability Determination Date" shall mean the date that is thirty (30) days following the date the Substantial Disability is determined. If Executive becomes deceased after the Disability Determination Date, but prior to the fifteenth (15th) anniversary of the Disability Determination Date, payments shall continue to be paid to the Executive's beneficiary, determined in accordance with Section 13, at the same time and in the same form as they would have been paid to Executive had Executive not deceased until (but including) the fifteenth (15th) anniversary of the Disability Determination Date.

(d) Discharge for Cause. Any other provision of this Agreement to the contrary notwithstanding, if Executive's employment by Bank is terminated as a result of, or in connection with: (i) regulatory suspension or removal of Executive from duty with Bank; (ii) gross and consistent dereliction of duty by Executive; (iii) breach of fiduciary duty involving personal profit by Executive; (iv) willful violation of any banking law or regulation; or (v) conviction of a felony or crime of moral turpitude (any of the foregoing referred to herein as "For Cause"), then Executive shall not be entitled to any supplemental retirement benefits provided for in this Agreement and this Agreement may be terminated by Bank without any liability whatsoever. The obligation of Bank to make any payments contemplated under this Agreement shall be suspended during the pendency of any indictment, information or similar charge regarding a felony or crime of moral turpitude, during any regulatory or other adjudicative proceeding concerning regulatory suspension or removal or, for a reasonable time (not to exceed ninety days), while the board of directors of Bank seeks to determine whether Executive could have been terminated For Cause even though Executive may have previously retired, resigned, become Substantially Disabled or been discharged other than For Cause. If during such period the board of directors determines that the Executive could have been discharged For Cause, this subsection (d) shall be applicable as if the Executive had been discharged For Cause.

(e) Death Benefit.

(i) Death Prior to Full Benefits Date. If Executive becomes deceased prior to the Full Benefits Date while in full-time employment with Bank or following a termination of employment with Bank for any reason other than discharge For Cause or due to Executive becoming Substantially Disabled, Executive's beneficiary, as determined in accordance with Section 13, shall receive payment(s) in one of the following forms in accordance with Executive's election under Section 2(e)(iii):

(A) The Limited Benefit annually, payable in monthly installments beginning on the first business day of the first calendar month after the date of death and on the first business day of each month thereafter until (but including) the fifteenth (15th) anniversary of the date of death.

(B) A lump sum cash payment, payable within 90 days of Executive's death, equal to the present value of the payments set forth in Section 2(e)(i)(A) calculated as of the date of death based on a reasonable rate of interest as determined by Bank in its sole discretion.

For purposes of this Section 2(e)(i), the Limited Benefit shall be the value set forth on Exhibit A corresponding to the year in which Executive becomes deceased or, if earlier, the year in which Executive's employment terminates.

(ii) Death Following Full Benefits Date. If Executive becomes deceased while in full-time employment with Bank following the Full Benefits Date, Executive's beneficiary, as determined in accordance with Section 13, shall receive payment(s) in one of the following forms in accordance with Executive's election under Section 2(e)(iii):

(A) The Full Benefit annually, payable in monthly installments beginning on the first business day of the first calendar month after the date of death and on the first business day of each month thereafter until (but including) the fifteenth (15th) anniversary of the date of death.

(B) A lump sum cash payment, payable within 90 days of Executive's death, equal to the present value of the payments set forth in Section 2(e)(ii)(A) calculated as of the date of death based on a reasonable rate of interest as determined by Bank in its sole discretion.

(iii) Deferral Election. An election under this Section 2(e) shall be made by Executive within thirty (30) days after Executive first becomes entitled to benefits under this Section 2(e). If Executive fails to make an election under this Section 2(e)(iii), the default election shall be a lump sum cash payment under Sections 2(e)(i)(B) and 2(e)(ii)(B).

(f) Benefits Mutually Exclusive. Under no circumstances will Executive become entitled to more than one of the Full Benefit or the Limited Benefit.

(g) Termination of Agreement. Upon termination of this Agreement pursuant to Section 12(l) of this Agreement before the Full Benefits Date, Bank shall pay to Executive the Limited Benefit (as set forth on Exhibit A corresponding to the year in which the Agreement is terminated). Upon termination of this Agreement pursuant to Section 12(l) of this Agreement after the Full Benefits Date, Bank shall pay to Executive the Full Benefit. The benefit under this Section 2(g) shall be payable in monthly installments beginning on the Full Benefits Date, and thereafter on the first business day of each month thereafter until (but including) the fifteenth (15^{th}) anniversary of the Full Benefits Date.

(h) Payments to Specified Employees. If the Executive is considered a 'Specified Employee' within the meaning of Treasury Regulation section 1.409A-1(i) at the time the Executive becomes entitled to a benefit under Section 2(a), 2(b) or 2(c) of this Agreement, payment of the benefit due under Section 2(a), 2(b) or 2(c) will commence no earlier than the first day of the seventh (7^{th}) month following the Executive's termination of employment with Bank.

3. Intent of Parties. Bank and Executive intend that this Agreement shall primarily provide supplemental retirement benefits to Executive as a member of a select group of management or highly compensated employees of Bank for purposes of the Employee Retirement Income Security Act of 1974, as may be amended ("ERISA").

4. ERISA Provisions.

(a) The following provisions in this Agreement are part of this Agreement and are intended to meet the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

(b) The "Named Fiduciary" is Bank.

(c) The general corporate funds of Bank are the basis of payment of benefits under this Agreement.

(d) For claims procedure purposes, the "Claims Manager" shall be the Chief Executive Officer of the Bank, or such other person named from time to time by notice to Executive.

(i) If for any reason a claim for benefits under this Agreement is denied by Bank, the Claims Manager shall deliver to the claimant a written explanation setting forth the specific reasons for the denial, pertinent references to the Agreement section on which the denial is based, such other data as may be pertinent and information on the procedures to be followed by the claimant in obtaining a review of his/her claim, all written in a manner calculated to be understood by the claimant for this purpose:

(1) The claimant's claim shall be deemed filed when presented orally or in writing to the Claims Manager.

(2) The Claims Manager's explanation shall be in writing delivered to the claimant within 90 days of the date the claim is filed.

(i) The claimant shall have 60 days following his/her receipt of the denial of the claim to file with the Claims Manager a written request for review of the denial. For such review, the claimant or his/her representative may submit pertinent documents and written issues and comments.

(ii) The Claims Manager shall decide the issue on review and furnish the claimant with a copy within 60 days of receipt of the claimant's request for review of his/her claim. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Agreement provisions on which the decision is based. If a copy of the decision is not so furnished to the claimant within such 60 days, the claim shall be deemed denied on review.

(e) The Claims Manager has discretionary authority to determine eligibility for benefits.

5. Funding by Bank.

(a) Bank shall be under no obligation to set aside, earmark or otherwise segregate any funds with which to pay its obligations under this Agreement. Executive shall be and remain an unsecured general creditor of Bank with respect to Bank's obligations hereunder. Executive shall have no property interest in the Retirement Account or any other rights with respect thereto.

(b) Notwithstanding anything herein to the contrary, Bank has no obligation whatsoever to purchase or maintain an actual life insurance policy with respect to Executive or otherwise. If Bank determines in its sole discretion to purchase a life insurance policy referable to the life of Executive, neither Executive nor Executive's beneficiary shall have any legal or equitable ownership interest in, or lien on, such policy or any other specific funding or any other investment or to any asset of Bank. Bank, in its sole discretion, may determine the exact nature and method of funding (if any) of the obligations under this Agreement. If Bank elects to fund its obligations under this Agreement, in whole or in part, through the purchase of a life insurance policy, mutual funds, disability policy, annuity, or other security, Bank reserves the right, in its sole discretion, to terminate such method of funding at any time, in whole or in part.

(c) If Bank, in its sole discretion, elects to invest in a life insurance, disability or annuity policy on the life of Executive, Executive shall assist Bank, from time to time, promptly upon the request of Bank, in obtaining such insurance policy by supplying any information necessary to obtain such policy as well as submitting to any physical examinations required therefor. Bank shall be responsible for the payment of all premiums with respect to any whole life, variable, or universal life insurance, disability or annuity policy purchased in connection with this Agreement unless otherwise expressly agreed.

6. [Intentionally Omitted]

7. Competition with Bank. Anything in this Agreement to the contrary notwithstanding (but subject to the following proviso), if Executive, directly or indirectly, at any time after the execution of this Agreement, owns, manages, operates, joins, controls or participates in or is employed by or gives consultation or advice to or extends credit to (other than through insured deposits) or otherwise is connected in any manner, directly or indirectly with, any bank, financial institution, firm, person, sole proprietorship, partnership, corporation, company or other entity (other than the Bank or entities controlled or under common control with the Bank) that provides financial services, including, without limitation, retail or commercial lending services, and has an office in the State of Louisiana, then Bank shall have the option, in its sole and absolute discretion, to terminate Executive's right to receive any benefits under this Agreement (and, to the extent Executive may already have begun receiving benefits hereunder, terminate Executive's right to receive any further benefits hereunder); provided, however, that nothing in this Section 7 shall prohibit Executive from owning less than one percent (1%) of the outstanding shares of any company whose common stock is publicly traded. Any termination of benefits by Bank under the Section 7 shall be made by delivering written notice to Executive specifying the reason for such termination and the effective date of such termination.

Notwithstanding the preceding, this Section 7 shall not apply following a Change in Control. For purposes of this Agreement, a "Change in Control" shall occur in the event of (i) a change in the ownership of the capital stock of Bank, or of Red River Bancshares, Inc. ("Company") whereby a person or group (within the meaning of Code section 409A) (a "Person") acquires, directly or indirectly, ownership of a number of shares of capital stock of Bank or of Company which, together with capital stock already held by such Person, constitutes fifty percent (50%) or more of the total fair market value or of the combined voting power of Bank's or of Company's outstanding capital stock then entitled to vote generally in the election of the directors; provided, however, that if a Person already owns fifty percent (50%) or more of the total fair market value or of the combined voting power of Bank's or of Company's outstanding capital stock then entitled to vote generally in the election of the directors, the acquisition of additional capital stock by such Person is not considered a Change in Control of Bank or of Company; or (ii) a change in the effective control of Company whereby a majority of the persons who were members of the Board of Directors of Company are, within a twelve (12) month period, replaced by individuals whose appointment or election to Company's Board of Directors is not endorsed by a majority of Company's Board of Directors prior to such appointment or election; or (iii) a change in the ownership of the assets of Bank or of Company, whereby a Person acquires (or has acquired during a twelve (12) month period ending on the date of the most recent acquisition by such Person) assets of Bank or of Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of Bank or of Company immediately prior to such acquisition or acquisitions; provided, however, that there is no Change in Control if assets are transferred to an entity that is controlled by the shareholders of Bank or of Company immediately after the transfer, nor is it a Change in Control if Bank or Company transfers assets to: (A) a shareholder of Bank or of Company (immediately before the asset transfer) in exchange for or with respect to the shareholder's capital stock in Bank; (B) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by Bank or Company; (C) a Person that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding capital stock of Bank or of Company; or (D) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in paragraph (C) of this Section 7(iii).

8. Employment of Executive; Other Agreements. The benefits provided for herein for Executive are supplemental retirement benefits and shall not be deemed to modify, affect or limit any salary or salary increases, bonuses, profit sharing or any other type of compensation of Executive in any manner whatsoever. No provision contained in this Agreement shall in any way affect, restrict or limit any existing employment agreement between Bank and Executive, nor shall any provision or condition contained in this Agreement create specific employment rights of Executive or limit the right of Bank to discharge Executive with or without cause. Except as otherwise provided therein, nothing contained in this Agreement shall affect the right of Executive to participate in or be covered by or under any qualified or non-qualified pension, profit sharing, group, bonus or other supplemental compensation, retirement or fringe benefit plan constituting any part of Bank's compensation structure whether now or hereinafter existing.

9. Confidentiality. In further consideration of the mutual promises contained herein, Executive agrees that the terms and conditions of this Agreement, except as such may be disclosed in financial statements and tax returns, or in connection with estate planning, are and shall forever remain confidential until the death of Executive and Executive agrees that he/she shall not reveal the terms and conditions contained in this Agreement at any time to any person or entity, other than his/her financial and professional advisors unless required to do so by a court of competent jurisdiction.

10. Leave of Absence. Bank may, in its sole discretion, permit Executive to take a leave of absence for a period not to exceed one year. Any such leave of absence must be approved by the board of directors of Bank and reflected in its minutes. During this time, Executive will still be considered to be in the employ of Bank for purposes of this Agreement.

11. Withholding. Executive is responsible for payment of all taxes applicable to compensation and benefits paid or provided to Executive under this Agreement, including federal and state income tax withholding, except Bank shall be responsible for payment of all employment (FICA) taxes due to be paid by Bank pursuant to Internal Revenue Code § 3121(v) and regulations promulgated thereunder (i.e., FICA taxes on the present value of payments hereunder which are no longer subject to vesting). Executive agrees that appropriate amounts for withholding may be deducted from the cash salary, bonus or other payments due to Executive by Bank. If insufficient cash wages are available or if Executive so desires, Executive may remit payment in cash for the withholding amounts.

12. Miscellaneous Provisions.

(a) Counterparts. This Agreement may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission of an executed counterpart.

(b) Construction. As used in this Agreement, the neuter gender shall include the masculine and the feminine, the masculine and feminine genders shall be interchangeable among themselves and each with the neuter, the singular numbers shall include the plural, and the plural the singular. The term “person” shall include all persons and entities of every nature whatsoever, including, but not limited to, individuals, corporations, partnerships, governmental entities and associations. The terms “including,” “included,” “such as” and terms of similar import shall not imply the exclusion of other items not specifically enumerated.

(c) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be held to be invalid, illegal, unenforceable or inconsistent with any present or future law, ruling, rule or regulation of any court, governmental or regulatory authority having jurisdiction over the subject matter of this Agreement, such provision shall be rescinded or modified in accordance with such law, ruling, rule or regulation and the remainder of this Agreement or the application of such provision to the person or circumstances other than those as to which it is held inconsistent shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(d) Governing Law. This Agreement is made in the State of Louisiana and shall be governed in all respects and construed in accordance with the laws of the State of Louisiana, without regard to its conflicts of law principles, except to the extent superseded by the Federal laws of the United States.

(e) Binding Effect. This Agreement is binding upon the parties, their respective successors, assigns, heirs and legal representatives. Without limiting the foregoing this Agreement shall be binding upon any successor of Bank whether by merger or acquisition of all or substantially all of the assets or liabilities of Bank. This Agreement may not be assigned by any party without the prior written consent of each other party hereto. This Agreement has been approved by the Board of Directors of Bank and Bank agrees to maintain an executed counterpart of this Agreement in a safe place as an official record of Bank.

(f) No Trust. Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between Bank and Executive, Executive's designated beneficiary or any other person.

(g) Assignment of Rights. None of the payments provided for by this Agreement shall be subject to seizure for payment of any debts or judgments against Executive or any beneficiary; nor shall Executive or any beneficiary have any right to transfer, modify, anticipate or encumber any rights or benefits hereunder; provided, however, that the undistributed portion of any benefit payable hereunder shall at all times be subject to set-off for debts owed by Executive to Bank.

(h) Entire Agreement. This Agreement (together with its exhibits, which are incorporated herein by reference) constitutes the entire agreement of the parties with respect to the subject matter hereof and all prior or contemporaneous negotiations, agreements and understandings, whether oral or written, are hereby superseded, merged and integrated into this Agreement.

(i) Notice. Any notice to be delivered under this Agreement shall be given in writing and delivered by hand, or by first class, certified or registered mail, postage prepaid, addressed to the Bank or the Executive, as applicable, at the address for such party set forth below or such other address designated by notice.

Bank: Red River Bank
1412 Centre Court Drive, Suite 301
Alexandria, LA 71301
Attn: Chief Executive Officer

Executive: G. Bridges Hall, IV
____
____

(j) Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right.

(k) Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

(l) Amendment and Termination. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties; provided, however, that Bank shall have the right to unilaterally amend this Agreement to the extent necessary to obtain favorable tax treatment under Section 409A of the Internal Revenue Code of 1986, as amended. No waiver of any provision contained in this Agreement shall be effective unless it is in writing and signed by the party against whom such waiver is asserted.

Bank may terminate this Agreement in its entirety at any time by written notice to the Executive, provided that such termination and the payment of any benefit upon such termination complies with the requirements of Code section 409A and the regulations and guidance issued thereunder. Upon termination of the Agreement, benefits will be paid in accordance with Section 2 of the Agreement. Notwithstanding the foregoing, Bank may accelerate the payment of any benefit under this Agreement in the event of termination of the Agreement, provided that termination of the Agreement and payment of benefits in connection therewith complies with the requirements of Treasury Regulation sections 1.409A-3(j)(4)(ix)(A), (B) and (C), permitting acceleration of the time of payment in connection with plan terminations. If Bank accelerates the timing of payment under this Section 12(l), Bank shall pay the Executive the then present value of the payments due to the Executive under Section 2 of the Agreement. In such case, the present value of the Executive's benefit shall be determined using the interest rate published by the Pension Benefit Guaranty Corporation for private sector payments of immediate annuities under PBGC Reg. § 4022.7(e)(2) or any successor provision applicable to the month in which payment will be made. No discount shall be made for mortality.

(m) Seal. The parties hereto intend this Agreement to have the effect of an agreement executed under the seal of each.

13. Beneficiary Designation. Executive may from time to time name any beneficiary or beneficiaries to receive Executive's interest in this Agreement in the event of the Executive's death. Each designation will revoke all prior designations by Executive, shall be in a form reasonably prescribed by Bank (as defined in Exhibit B hereto) and shall be effective only when filed by Executive in writing with Bank during Executive's lifetime. If Executive fails to designate a beneficiary, then Executive's designated beneficiary shall be deemed to be Executive's estate.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed, this Agreement as of the day and year first above written.

BANK:

RED RIVER BANK

By /s/ R. Blake Chatelain
Its President/CEO

EXECUTIVE:

/s/ G. Bridges Hall IV
G. Bridges Hall, IV

STATE OF LOUISIANA)
:
RAPIDES PARISH)

I, the undersigned, a notary public in and for said parish in said state, hereby certify that R Blake Chatelain, whose name as President and CEO of Red River Bank, a Louisiana banking corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he/she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 27th day of July, 2022.

/s/ Julia Callis
Notary Public
[NOTARIAL SEAL] My commission expires:upon death

STATE OF LOUISIANA)
:
RAPIDES PARISH)

I, the undersigned, a notary public in and for said parish in said state, hereby certify that G. Bridges Hall, IV, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he/she executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this 28th day of July, 2022.

/s/ Julia Callis
Notary Public
[NOTARIAL SEAL] My commission expires: upon death

Exhibit A

Vesting Schedule – G. Bridges Hall, IV

"Full Benefit" = $50,000

"Full Benefits Date" = December 25, 2038

Year	Limited Benefit
October 1, 2022 to September 30, 2023	$2,778
October 1, 2023 to September 30, 2024	$5,556
October 1, 2024 to September 30, 2025	$8,333
October 1, 2025 to September 30, 2026	$11,111
October 1, 2026 to September 30, 2027	$13,889
October 1, 2027 to September 30, 2028	$16,667
October 1, 2028 to September 30, 2029	$19,444
October 1, 2029 to September 30, 2030	$22,222
October 1, 2030 to September 30, 2031	$25,000
October 1, 2031 to September 30, 2032	$27,778
October 1, 2032 to September 30, 2033	$30,556
October 1, 2033 to September 30, 2034	$33,333
October 1, 2034 to September 30, 2035	$36,111
October 1, 2035 to September 30, 2036	$38,889
October 1, 2036 to September 30, 2037	$41,667
October 1, 2037 to September 30, 2038	$44,444
October 1, 2038 to December 24, 2038	$47,222

The undersigned G. BRIDGES HALL, IV, (the "Executive"), hereby acknowledges that he or she has reviewed this Exhibit A to the Supplemental Executive Retirement Benefits Agreement and that all the information set forth in this Exhibit A is true and correct in all material respects.

/s/ G. Bridges Hall IV 7/28/22
G. BRIDGES HALL, IV DATE

Accepted: Red River Bank

Date: 7/28/22 By: R. Blake Chatelain

Its: President and CEO

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, R. Blake Chatelain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red River Bancshares, Inc. (the “registrant”);

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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, 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 control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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 registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: August 11, 2022

By: /s/ R. Blake Chatelain
R. Blake Chatelain
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Isabel V. Carriere, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red River Bancshares, Inc. (the “registrant”);

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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, 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 control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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 registrant’s board of directors (or persons performing the equivalent functions):

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

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

Date: August 11, 2022

By: /s/ Isabel V. Carriere
Isabel V. Carriere, CPA, CGMA
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 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 of Red River Bancshares, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, R. Blake Chatelain, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

By: /s/ R. Blake Chatelain
R. Blake Chatelain
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 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 of Red River Bancshares, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Isabel V. Carriere, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

By: /s/ Isabel V. Carriere
Isabel V. Carriere, CPA, CGMA
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)