Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, Frank Morris
Name of the Holding Company Director and Official

Chairman of the Board
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3-23-16
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-6 report
☐ will be sent under separate cover
☒ is not prepared

For Federal Reserve Bank Use Only
RSSD ID 1132243
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2015
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address
Red River Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 10
(Mailing Address of the Holding Company) Street / P.O. Box

Gainesville	TX	76241-0010
City	State	Zip Code

801 E. California St. Gainesville, TX 76240
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Brian McCain	CFO
Name	Title

940-668-4306
Area Code / Phone Number / Extension

940-668-4339
Area Code / FAX Number

Brian.McCain@f-s-b.com
E-mail Address

www.f-s-b.com
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

☐ Yes Please identify the report items to which this request applies:

☐ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
☐ The information for which confidential treatment is sought is being submitted separately labeled "Confidential."

☒ No

FORM FR Y-6

RED RIVER BANCORP, INC.
December 31, 2015

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AMENDED
JUN 27 2016

Report Item 2a

RED RIVER BANCORP, INC.
Gainesville, Texas
Incorporated in Texas

100%

FIRST STATE BANK
Gainesville, Texas
Incorporated in Texas

100%

FIRST STATE BANK
INSURANCE AGENCY, INC.
Gainesville, Texas
Incorporated in Texas

No entity has a LEI

Results: A list of branches for your holding company: RED RIVER BANCORP, INC. (1132243) of GAINESVILLE, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the **Effective Date** column.

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	435750	FIRST STATE BANK	801 EAST CALIFORNIA STREET	GAINESVILLE	TX	76240	COOKE	UNITED STATES	9810	0	FIRST STATE BANK	435750	
OK		Full Service	3280335	DECATUR BRANCH	661 WEST THOMPSON STREET	DECATUR	TX	76234	WISE	UNITED STATES	Not Required	Not Required	FIRST STATE BANK	435750	
OK		Full Service	3180275	DENTON BRANCH	400 W OAK ST	DENTON	TX	76201	DENTON	UNITED STATES	418501	6	FIRST STATE BANK	435750	
OK		Full Service	4763769	DENTON LOOP 288 BRANCH	1696 SOUTH LOOP 288	DENTON	TX	76205	DENTON	UNITED STATES	Not Required	Not Required	FIRST STATE BANK	435750	
OK		Full Service	4196639	RAYZOR RANCH BRANCH	2430 WEST UNIVERSITY DRIVE	DENTON	TX	76201	DENTON	UNITED STATES	512929	10	FIRST STATE BANK	435750	
OK		Full Service	4351559	TEASLEY BRANCH	3190 TEASLEY LANE	DENTON	TX	76205	DENTON	UNITED STATES	527546	11	FIRST STATE BANK	435750	
OK		Limited Service	3536199	DENTON MOBILE BRANCH	801 EAST CALIFORNIA STREET	GAINESVILLE	TX	76240	COOKE	UNITED STATES	365329	4	FIRST STATE BANK	435750	
OK		Full Service	2802347	LAKE KIOWA BRANCH	6586 F M 902	GAINESVILLE	TX	76240	COOKE	UNITED STATES	234449	2	FIRST STATE BANK	435750	
OK		Full Service	251259	NORTH TEXAS BRANCH	808 E HIGHWAY 82	GAINESVILLE	TX	76240	COOKE	UNITED STATES	16987	1	FIRST STATE BANK	435750	
OK		Electronic Banking	4472481	WWW.F-S-B.COM BRANCH	801 EAST CALIFORNIA STREET	GAINESVILLE	TX	76240	COOKE	UNITED STATES	492755	9	FIRST STATE BANK	435750	
OK		Full Service	3518654	MUENSTER BRANCH	519 EAST DIVISION STREET	MUENSTER	TX	76252	COOKE	UNITED STATES	207768	7	FIRST STATE BANK	435750	
OK		Full Service	4037255	ROANOKE BRANCH	211 SOUTH OAK STREET	ROANOKE	TX	76262	DENTON	UNITED STATES	Not Required	Not Required	FIRST STATE BANK	435750	
OK		Full Service	870968	SAINT JO BRANCH	108 EAST HOWELL STREET	SAINT JO	TX	76265	MONTAGUE	UNITED STATES	474326	8	FIRST STATE BANK	435750	
OK		Limited Service	3536180	VALLEY VIEW BRANCH	101 S FRONTAGE RD	VALLEY VIEW	TX	76272	COOKE	UNITED STATES	361737	3	FIRST STATE BANK	435750	

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JUL 06 2016

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Red River Bancorp, Inc.
Gainesville, Texas
Fiscal Year Ending December 31, 2015

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year end

(1)(a) Name & Address (City, State, Country)		(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities *Note 1*	*172106*
Jacob Bezner	Dallas, TX	United States	4,000	2.32%
Johnann Bezner Trust A				
Jacob Bezner, Trustee	Dallas, TX	United States	7,000	4.07%
Lambert Bezner Trust				
Jacob Bezner, Trustee	Dallas, TX	United States	7,000	4.07%
			18,000	10.46%
Johnann S Bezner	Gainesville, TX	United States	100	0.06%
Ben Turbeville Exemption Trust				
Ben Turbeville, Trustee	Gainesville, TX	United States	4,641	2.70%
The Ben Turbeville Family Trust				
Ben Turbeville, Trustee	Gainesville, TX	United States	4,410	2.56%
See Note 6			9,051	5.26%
Tim and Mary Turbeville Family Trust				
Tim Turbeville, Trustee	Gainesville, TX	United States	2,131	1.24%
Tim Turbeville ESOP shares - Non Voting	Excluded from total	United States	1,116.31	0.65%
See Note 6				
Brenda Louise Spaeth Clark	Lindsay, TX	United States	515	0.30%
See Note 5				
David H Spaeth	Lindsay, TX	United States	5,426	3.15%
David H Spaeth	Lindsay, TX			
Separate Property		United States	500	0.29%
See Note 5			5,926	3.44%
George W Spaeth	Gainesville, TX	United States	500	0.29%
See Note 5				
Patricia A Henry	Era, TX	United States	4,968	2.89%
See Note 5				
John David Spaeth	Muenster, TX	United States	500	0.29%
See Note 5				
Marie Felderhoff Spaeth	Gainesville, TX	United States	540	0.31%
See Note 5				
Lisa A Slingerland	Yukon, OK	United States	505	0.29%
See Note 5				
Amie Felderhoff-Schoendorf	Ponder, TX	United States	4,176	2.43%
See Note 5				
Tim Felderhoff and Ramona Felderhoff	Muenster, TX	United States	925	0.54%
See Note 5				
Alice Ruth Guffee	Frisco, TX	United States	20,501	11.91%
J Lynn Guffee and Alice Ruth Guffee	Frisco, TX	United States	760	0.44%
J Lynn Guffee	Frisco, TX	United States	324	0.19%

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			21,585	12.54%
Georganna Guffee Saunders	Allen, TX	United States	364	0.21%
Georganna Saunders heritage Trust Georganna Guffee Saunders, Trustee	Allen, TX	United States	2,750	1.60%
			3,114	1.81%
Regina Ruth Bowling Heritage Trust FSB Trust Department, Trustee	Gainesville, TX	United States	2,750	1.60%
The Morris Family Trust Co-Trustees Frank E Morris and Janet Morris	Gainesville, TX	United States	20,584	11.96%
			20,584	11.96%
Frank E Morris ESOP shares - Non Voting	Excluded from total		2,361.21	
Merideth Lindsey Morris	Gainesville, TX	United States	74	0.04%
Merideth L Mcleod Heritage Trust Merideth L Mcleod, Trustee	Gainesville, TX	United States	3,250	1.89%
Ava Mae Mcleod	Gainesville, TX	United States	25	0.01%
See Note 3			3,349	1.95%
Ryan C Morris	Gainesville, TX	United States	644	0.37%
Ryan C Morris Heritage Trust Ryan C Morris, Trustee	Gainesville, TX	United States	3,250	1.89%
Meg Elizabeth Morris	Gainesville, TX	United States	25	0.01%
Bay Elizabeth Morris	Gainesville, TX	United States	25	0.01%
Cole Penn Morris	Gainesville, TX	United States	25	0.01%
See Note 4			3,969	2.31%
Ryan C Morris ESOP shares - Non Voting	Excluded from total		214.43	
Employee Stock Ownership Plan Trustees			17,083	9.93%
Tim Turbeville	Gainesville, TX	United States		
Ryan C Morris	Gainesville, TX	United States		
Susan Howe	Gainesville, TX	United States		
See Note 2				

Notes

1. Common Stock is the only class issued for RRBI.
2. Voting rights with respect to Qualifying Employer Securities will be passed through to Participants for Significant Corporate Events. Participants will be allowed to direct the voting rights of Qualifying Employer Securities for Significant Corporate Events only. The Trustee will have the voting rights for all other matters.
3. Includes 25 shares held by minor child
4. Includes 75 shares held by minor children
5. The listed shareholders make up the "Felderhoff" family totaling 10.78% ownership when combined
6. Ben Turbeville is trustee and owner of the The Ben Turbeville Exemption Trust and Ben Turbeville Family Trust for a combined total ownership of 5.26%. Tim Turbeville is the owner and trustee of the Tim and Mary Turbeville Family Trust with an ownership percentage of 1.24%. The combined ownership of the Turbeville family is 6.50%.

Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12-31-2015			
(2)(a)	(2)(b)	(2)(c)	
Name & Address (City, State, Country)	Country of Citizenship or Incorporation	Number and Percentage of Each Class of Voting Securities	

N/A

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Form FR Y-6

Red River Bancorp, Inc.
Gainesville, Texas
Fiscal Year Ending December 31, 2015

Report Item 4: Insiders
(1)(a)(b)(c) and (2)(a)(b)(c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Jacob Bezner, CPA Gainesville, Texas, USA	Accountant	Director	Director First State Bank	President & Sole Director J Bezner Inc., P.C. Owner Harriman Equipment, Inc. Owner Estate Brokerage, LP	1	10.46%	None	J Bezner Inc., P.C. 100.00% Harriman Equipment, Inc. 100.00% Estate Brokerage, LP 98.00%
Johnann S. Bezner Gainesville, Texas, USA	N/A	Shareholder	N/A	N/A	1	0.06%	None	N/A
Harold D. Deem Lake Kiowa, Texas, USA	Investor	Director	Director First State Bank	President & Operating Partner Carolina Associated Restaurants, Licensed Franchise of T.G.I. Fridays in Charlotte, N.C.(2) and Columbia S.C. (1)		0.29%	None	Carolina Associated Restaurants, Licensed Franchise of T.G.I. Fridays in Charlotte, N.C.(2) and Columbia S.C. (1) 50.00%
Luke Grizzaffi Gainesville, Texas, USA	Health Insurance Agent	Director	Director First State Bank	Owner Grizzaffi Benefit Management, LLC Partner Bentley Yates Cobra CSI		0.17%	None	Grizzaffi Benefit Management, LLC 100.00%
Alice & Lynn Guffee Frisco, Texas, USA	N/A	Shareholder	N/A	N/A	6	12.54%	None	N/A
Ben Hatcher Gainesville, Texas, USA	N/A	Director & Vice Chairman	Director & Vice Chairman First State Bank	N/A		1.45%	None	N/A
Frank Morris Gainesville, Texas, USA	N/A	Director, Chairman & CEO	Director, Chairman & CEO First State Bank	N/A	6,9	0%	None	N/A
The Morris Family Trust Trustee Frank Morris Trustee Janet Morris Gainesville, Texas, USA	N/A	N/A	N/A	N/A	2,6	11.96%	None	N/A
Ryan C. Morris Gainesville, Texas, USA	N/A	Director	Director & Executive Vice President First State Bank	N/A	3,6	0.37%	None	N/A
Ronny Ortowski Gainesville, Texas, USA	Investor	Director	Director First State Bank	President, Limited Partner Ortowski Construction Sub: Escalade Enterprises LLC		0.66%	None	Ortowski Construction Sub: Escalade Enterprises LLC 100.00%

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(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
				President Aggressive Capital Management, Inc. Sub: Aggressive Investments LP President RECC Consulting, LLC President Cody Oil Inc. Secretary Ridge Addition, Inc.				Aggressive Capital Management, Inc. Sub: Aggressive Investments LP 100.00% RECC Consulting, LLC 56.00%
Lloyd Reiter Gainesville, Texas, USA	N/A	Director	Director & President & Chief Credit Officer First State Bank President First State Bank Insurance Agency	N/A		0.23%	None	N/A
Marty Rivers Denton, Texas, USA	N/A	Director	Director & Executive Vice President & Chief Loan Officer First State Bank	N/A		0.12%	None	N/A
Don Robinson Trophy Club, Texas, USA	Retired Banker	Director	Director First State Bank	N/A		0.12%	None	N/A
Andrew Rottner Decatur, Texas, USA	N/A	Director	Director & Executive Vice President First State Bank	N/A		0.12%	None	N/A
John Schmitz Gainesville, Texas, USA	Investor	Director	Director First State Bank	President HEP Oil Company, Ltd President, Treasurer Grayco Midstream, LLC President, Treasurer Trendstaff, LLC President, Treasurer Tierra Real Estate, LLC President Mages Group, LLC President B-29 Ups & Downs, LLC President Main Street Pub, LLC President B-29 Properties, LLC Treasurer Alta Naural Resources, LLC President Glen Crest Ranch, LLC President Shelcon Rentals, LLC President B-29 Investments, L.P. President Stark Enterprises Partner Merit Appraisal & Tax Consulting, LP Partner		1.39%	None	HEP Oil Company, Ltd 100.00% Grayco Midstream, LLC 100.00% Trendstaff, LLC 100.00% Tierra Real Estate, LLC 100.00% Mages Group, LLC 100.00% B-29 Ups & Downs, LLC 100.00% Main Street Pub, LLC 100.00% B-29 Properties, LLC 100.00% Alta Naural Resources, LLC 100.00% Glen Crest Ranch, LLC 100.00% Shelcon Rentals, LLC 100.00% B-29 Investments, L.P. 90.50% Stark Enterprises 90.50% Merit Appraisal & Tax Consulting, LP 80.00% Sunray Capital, LP

AMENDED JUL 06 2016

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
				Sunray Capital, LP Partner Catbird Properties No. 1, Ltd. President Schmitz & Schmitz Properties, Inc. Partner Desoto Holdings, LP President Elite Wellsite Service, LLC Partner Fenco Environmnetal Solutions, LLC Partner Falco-Texoma, LLC Partner WTR Transfer Services, Ltd. Treasurer S&S Directional Drilling, LLC Partner Cleburne Real Estate Holdings, LP				75.00% Catbird Properties No. 1, Ltd. 51.00% Schmitz & Schmitz Properties, Inc. 50.00% Desoto Holdings, LP 50.00% Elite Wellsite Service, LLC 48.75% Fenco Environmnetal Solutions, LLC 32.00% Falco-Texoma, LLC 30.00% WTR Transfer Services, Ltd. 25.00% S&S Directional Drilling, LLC 25.00% Cleburne Real Estate Holdings, LP 25.00%
Ben Turbeville Gainesville, Texas, USA	Retired Banker	Director	Director First State Bank	N/A	4	5.26%	None	N/A
Tim Turbeville Gainesville, Texas, USA	N/A	Director	Executive Vice President & Chief Operations Officer First State Bank Director & Secretary First State Bank Insurance Agency	N/A	3,4	1.24%	None	N/A
Brian McCain Gainesville, Texas, USA	N/A	Advisory Director	Senior Vice President & Chief Finanical Officer First State Bank	N/A		N/A	None	N/A
Susan Howe Gainesville, Texas, USA	N/A	N/A	Vice President First State Bank	N/A	3	N/A	None	N/A
Employee Stock Ownership Plan Trustees Tim Turbeville Ryan Morris Susan Howe	N/A	N/A	N/A	N/A		9.93%	None	N/A
Brenda Louise Spaeth Clark Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5	0.30%	None	N/A
David H Spaeth Lindsay, Texas USA	N/A	Shareholder	N/A	N/A	5	3.44%	None	N/A
George W Spaeth Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5	0.29%	None	N/A
Patricia A Henry Era, Texas USA	N/A	Shareholder	N/A	N/A	5	2.89%	None	N/A
John David Spaeth Muenster, Texas USA	N/A	Shareholder	N/A	N/A	5	0.29%	None	N/A
Marie Felderhoff Spaeth Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	5	0.31%	None	N/A
Lisa A Slingerland Yukon, Oklahoma USA	N/A	Shareholder	N/A	N/A	5	0.29%	None	N/A

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than with Bank Holding Company	(3)(a) Title & Position with Bank Holding Company	(3)(b) Title & Position with Subsidiaries (include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of other businesses)	Note	(4)(a) Percentage of Voting Securities in Bank Holding Company	(4)(b) Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Amie Felderhoff-Schoendorf Ponder, Texas USA	N/A	Shareholder	N/A	N/A	5	2.43%	None	N/A
Tim Felderhoff and Ramona Felderhoff Muenster, Texas USA	N/A	Shareholder	N/A	N/A	5	0.54%	None	N/A
Georganna Guffee Saunders Allen, Texas USA	N/A	Shareholder	N/A	N/A	6,10	1.81%	None	N/A
Regina Ruth Bowling Heritage Trust Trustee, FSB Trust Department Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6	1.60%	None	N/A
Merideth Lindsey Morris Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6	0.04%	None	N/A
Merideth L Mcleod Heritage Trust Trustee Merideth Mcleod Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6	1.89%	None	N/A
Ava Mae Mcleod Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6,8	0.01%	None	N/A
Ryan C Morris Heritage Trust Trustee Ryan Morris Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6	1.89%	None	N/A
Meg Elizabeth Morris Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6,7	0.01%	None	N/A
Bay Elizabeth Morris Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6,7	0.01%	None	N/A
Cole Penn Morris Gainesville, Texas USA	N/A	Shareholder	N/A	N/A	6,7	0.01%	None	N/A

Notes

1. Jacob Bezner has direct ownership of 2.32%. As trustee Jacob controls an additional 8.14%. For a total of 10.46%. Johnann S. Bezner owns 0.06%. When combined the Bezner family holds 10.52% ownership.
2. Frank and Janet Morris shares combined in 2015 to create The Morris Family Trust. Ownership amount remained the same
3. Trustee of the Employee Stock Ownership Plain
4. Ben Turbeville is trustee and owner of the The Ben Turbeville Exemption Trust and Ben Turbeville Family Trust for a combined total ownership of 5.26%. Tim Turbeville is the owner and trustee of the Tim and Mary Turbeville Family Trust with an ownership percentage of 1.24%. The combined ownership of the Turbeville family is 6.50%.
5. The listed shareholders make up the "Felderhoff" family totaling 10.78% ownership when combined
6. The listed shareholders form the Morris family. The combined ownership total is 32.16%.
7. Minor child of Ryan C Morris.
8. Minor child of Meredith Mcleod.
9. Frank Morris is Co-trustee for the Morris Family Trust which has ownership of 11.96%.
10. Georganna Guffee Saunders holds 0.21% and also 1.61% as trustee of the Georganna Guffee Saunders Heritage Trust. For a total of 1.81%.

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JUL 06 2016

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RECEIVED
APR 14 2016
NIC UNIT

RED RIVER BANCORP, INC.
AND SUBSIDIARIES

Consolidated Financial Statements
and Additional Information

December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Red River Bancorp, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Red River Bancorp, Inc. and Subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based upon our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red River Bancorp, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Payne & Smith, LLC

March 22, 2016

5952 Royal Lane • Suite 158 • Dallas, TX 75230 • 214 / 363-9927 • Fax 214 / 363-9980

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(In Thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 40,435	$ 111,189
Interest bearing deposits in other banks	250	500
Securities available for sale	431,587	420,828
Loans held for sale	5,261	2,020
Loans held for investment	451,967	397,067
Bank premises and equipment	22,800	18,633
Intangible assets	1,310	1,556
Goodwill	12,883	12,883
Cash surrender value of life insurance	11,420	11,141
Other real estate owned	709	723
Other assets	11,807	12,261
	$ 990,429	$ 988,801
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 289,816	$ 299,496
Interest bearing	593,786	577,759
Total deposits	883,602	877,255
Other borrowings	23,010	33,010
Other liabilities	9,518	8,273
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $1 par value, 2,000,000 shares authorized. 200,000 shares issued, and 172,106 shares outstanding at December 31, 2015 and 2014	2,000	2,000
Paid-in capital	18,987	18,987
Retained earnings	64,044	56,817
Accumulated other comprehensive loss	(7,940)	(4,749)
	77,091	73,055
Treasury stock, at cost	(2,792)	(2,792)
Total stockholders' equity	74,299	70,263
	$ 990,429	$ 988,801

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the Years Ended December 31, 2015 and 2014

(In Thousands)

	2015	2014
Interest income:		
Interest and fees on loans	$ 23,682	$ 15,883
Interest on securities		
Taxable	5,750	5,874
Nontaxable	2,918	2,638
Other	319	307
Total interest income	32,669	24,702
Interest expense:		
Interest on deposit accounts	1,633	1,339
Other	1,448	711
Total interest expense	3,081	2,050
Net interest income	29,588	22,652
Provision for loan losses	770	585
Net interest income after provision	28,818	22,067
Noninterest income:		
Service charges and fees	2,732	2,459
Trust fees	406	391
Net gain on sales of securities available for sale	837	284
Gain on sales of loans	2,240	1,631
Other	3,124	2,763
Total noninterest income	9,339	7,528
Noninterest expense:		
Salaries and employee benefits	16,079	13,089
Occupancy of bank premises	3,307	2,833
Legal and professional fees	741	545
Public relations	641	600
FDIC insurance assessment	486	390
Other	6,816	5,070
Total noninterest expense	28,070	22,527
Net income	$ 10,087	$ 7,068

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2015 and 2014

(In Thousands)

	2015	2014
Net income	$ 10,087	$ 7,068
Other comprehensive (loss) income:		
Change in net unrealized gain during the period on securities available for sale	(1,532)	5,844
Reclassification adjustment for net gains on sales of securities available for sale included in net income	(837)	(284)
Net unrealized (loss) gain on securities available for sale	(2,369)	5,560
Change in minimum pension liability	(822)	(2,110)
Other comprehensive (loss) income, net of tax	(3,191)	3,450
Total comprehensive income	$ 6,896	$ 10,518

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2015 and 2014

(In Thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance January 1, 2014	$ 2,000	$ 6,430	$ 52,440	$ (8,199)	$ (5,915)	$ 46,756
Net income	-	-	7,068	-	-	7,068
Other comprehensive income	-	-	-	3,450	-	3,450
Sale of treasury stock	-	12,557	-	-	3,123	15,680
Dividends	-	-	(2,691)	-	-	(2,691)
Balance December 31, 2014	2,000	18,987	56,817	(4,749)	(2,792)	70,263
Net income	-	-	10,087	-	-	10,087
Other comprehensive loss	-	-	-	(3,191)	-	(3,191)
Dividends	-	-	(2,860)	-	-	(2,860)
Balance December 31, 2015	$ 2,000	$ 18,987	$ 64,044	$ (7,940)	$ (2,792)	$ 74,299

See accompanying notes to consolidated financial statements.

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

(In Thousands)

	2015	2014
Cash flows from operating activities:		
Net income	$ 10,087	$ 7,068
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,419	1,278
Amortization	5,740	3,852
Provision for loan losses	770	585
Gain on sales of loans held for sale	(2,240)	(1,631)
Net gain on sales of securities available for sale	(837)	(284)
Net gain on sales of bank premises and equipment	(5)	-
Net gain on sales of other real estate owned	(3)	(87)
Mortgage loans originated for sale	(68,519)	(46,864)
Proceeds from sales of mortgage loans	67,518	49,736
Net increase in cash surrender value of life insurance	(279)	(284)
Decrease (increase) in other assets	299	(2,662)
Increase (decrease) in other liabilities	437	(3,366)
Net cash provided by operating activities	14,387	7,341
Cash flows from investing activities:		
Purchases of securities available for sale	(376,429)	(376,108)
Proceeds from sales, maturities and principal reductions of securities available for sale	358,799	299,756
Decrease in certificates of deposit in other banks	250	-
Net originations of loans	(55,670)	(18,260)
Net additions to bank premises and equipment	(5,586)	(1,163)
Proceeds from sales of bank premises and equipment	5	-
Proceeds from sales of other real estate owned	3	671
Net cash received in acquisition	-	8,475
Net cash used in investing activities	(78,628)	(86,629)
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings accounts	19,686	100,299
Net decrease in certificates of deposit	(13,339)	(590)
Net (decrease) increase in other borrowings	(10,000)	17,000
Proceeds from sale of treasury stock	-	15,680
Cash dividends paid	(2,860)	(2,741)
Net cash (used in) provided by financing activities	(6,513)	129,648
Net (decrease) increase in cash and cash equivalents	(70,754)	50,360
Cash and cash equivalents at beginning of year	111,189	60,829
Cash and cash equivalents at end of year	$ 40,435	$ 111,189

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Red River BanCorp, Inc. and Subsidiaries in the preparation of its consolidated financial statements. The accounting policies conform to generally accepted accounting principles and practices generally followed within the banking industry. A description of the more significant of these policies follows.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Red River Bancorp, Inc. (Red River) and its wholly owned subsidiaries, First State Bank (FSB) and, for the period November 6, 2014 to January 31, 2015, North Texas Bank, N.A. (North Texas) (collectively referred to as the Company). All significant inter-company transactions and balances have been eliminated in consolidation.

As more fully explained in Note 2, the Company acquired Chisolm Bancshares, Inc. (Chisolm) and its wholly owned subsidiary, North Texas, for a purchase price of approximately $25,700,000 on November 5, 2014. At the date of acquisition, Chisolm was merged into Red River, and North Texas became a wholly owned subsidiary of Red River. The operating results of North Texas for the period from November 6, 2014 to December 31, 2014 have been included in the accompanying consolidated statement of income during 2014.

Effective January 30, 2015, North Texas was merged with and into FSB. Accordingly, the operating results of North Texas for the period January 1, 2015 to January 30, 2015 have been included in FSB's operating results for the year ended December 31, 2015 in the accompanying consolidating statement of income and comprehensive income (see Additional Information) in a manner similar to a pooling of interests.

Nature of Operations

The Company is principally engaged in traditional community banking activities provided through its banking offices in Cooke, Denton, Wise and Montague counties, Texas. Community banking activities include the Company's commercial and retail lending, deposit gathering and investment, and liquidity management activities. The Company also leases excess office space not used by the Bank.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, valuation of other real estate owned, and the pension liability. While management uses available information to recognize losses on loans and other real estate owned, future provisions may be necessary based on changes in local economic conditions. In addition, banking regulators, as an integral part of their examination process, periodically review the Company's allowance for loan and other real estate losses. They may require the Company to record additional provisions for losses based on their judgment about information available to them at the time of their examination.

A significant portion of the Company's loans are secured by real estate and related assets located in local markets. Accordingly, the ultimate collectibility of this portion of the Company's loan portfolio is susceptible to changes in local market conditions.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, other short-term investments and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Interest Bearing Deposits in Other Banks

Interest bearing deposits in other banks are carried at cost and generally mature within one year of purchase.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans Held for Sale

The Company originates mortgage loans both for sale and for investment purposes. The designation of mortgage loans is made by management at the time of origination. Mortgage loans designated as held for sale are stated at the lower of aggregate cost, net of discounts or premium, or estimated fair market value. Market value is based on the contract prices at which the mortgage loans will be sold or, if the loans are not committed for sale, the current market price. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Gain or loss on the sale of mortgage loans held for sale is generally determined by the difference between the carrying amounts of the related loans sold and the net proceeds thereof. Since the Company does not retain servicing on the sold loans, proceeds from loans typically include a service release premium.

Loans

The Company grants commercial, real estate, agricultural, and consumer loans to customers. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Fees associated with originating loans to the extent they exceed the direct loan origination costs are generally deferred and recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Company considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Company's collateral position. Regulatory provisions typically require the placement of a loan on nonaccrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest on nonaccrual loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured, which is typically evidenced by a sustained period (at least six months) of repayment performance by the borrower.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. The Company does not consider smaller balance loans of similar nature (loans less than $100,000) in its impairment testing on an individual loan basis. If a loan greater than $100,000 is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on historical loss experience, current economic conditions, and performance trends.

Interest payments on impaired loans are typically applied to the principal amount unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Troubled Debt Restructured (TDR) Loans

A TDR loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms, which have been modified or restructured due to a borrower's financial difficulty, include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals, and rewrites. A TDR loan would generally be considered impaired in the year of modification and will be assessed periodically for further impairment.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to provide for estimated loan losses inherent in the loan portfolio. The allowance for possible loan losses includes allowance allocations calculated in accordance with ASC Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies.* The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions, and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general allocation is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity, and other financial and qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves, which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Bank Premises and Equipment

Land is carried at cost. Premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed principally by the straight-line method over the estimated useful lives of the related property

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Intangible Assets

Intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. The Company's intangible assets relate to core deposits. Intangible assets with definite useful lives are amortized over their estimated life.

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. Goodwill is assigned to reporting units and tested for impairment at least annually, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value.

Income Taxes

The Company files a consolidated Federal income tax return.

The Company with the consent of its stockholders has elected to be an S corporation under the Internal Revenue Code. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Following this election the Company will generally report no Federal income tax expense or benefit in its financial statements. Because the Company's stockholders are obligated to pay Federal income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund stockholders' tax payments as they become due in the future.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company. Management evaluated the Company's tax positions and concluded that the Company had maintained its S corporation status and had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no liability for tax penalties has been included in the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Advertising

Advertising consists of the Company's advertising in its local market area. Advertising is expensed as incurred. Advertising expense was approximately $692,000 and $524,000 for the years ended December 31, 2015 and 2014, respectively.

Fair Values of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Trust Fee Income

Trust fee income is recognized generally on the cash basis in accordance with customary banking practice. This method of income recognition is not materially different from the result of using the accrual basis.

Stock Compensation Plans

Compensation expense for stock options is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. The fair value of stock options is estimated using the Black-Scholes option-pricing model. The fair value on non-vested stock awards is generally the market price of the Company's stock on the date of grant.

Pension Plan

ASC Topic 105, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans*, requires an employer to recognize all transactions and events affecting the overfunded or underfunded status of a defined benefit postretirement plan in comprehensive income in the year in which they occur. See also Note 12.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Treasury Stock

Treasury stock is recorded at cost. At December 31, 2015 and 2014, the Company had 27,894 shares held in treasury. Proceeds from the sale of the 31,200 shares of treasury stock during 2014 were primarily used to partially fund the acquisition of Chisolm.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss), which includes the change in unrealized gains and losses on securities available for sale and changes in the minimum pension liability.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through March 22, 2016, the date the financial statements were available to be issued.

Reclassification

Certain amounts previously reported have been reclassified to conform to the current format.

2. Acquisition

On November 5, 2014, the Company acquired Chisolm Bancshares, Inc. (Chisolm) and its wholly owned subsidiary, North Texas Bank, N.A. (North Texas) for the purchase price of approximately $25,700,000. At the time of acquisition, Chisolm was merged into Red River, and North Texas became a wholly owned subsidiary of Red River. The transaction has been accounted for in accordance with ASC Topic 805, *Business Combinations*.

A summary of the fair value of assets purchased and liabilities assumed by the Company is as follows (in thousands):

ASSETS:		
Interest bearing deposits in other banks	$	250
Investment securities available for sale		8,526
Loans		109,979
Bank premises and equipment		3,466
Other real estate owned		355
Other assets		777
		123,353
LIABILITIES:		
Deposits		141,671
Other liabilities		820
		142,491
Net liabilities assumed over the fair value of tangible assets (except cash and cash equivalents) acquired		19,138
Net cash received:		
Cash and cash equivalents acquired in purchase		34,175
Cash paid for stock of Chisolm		(25,700)
Net cash received		8,475
Liabilities assumed net of cash received over the fair value of tangible assets acquired	$	10,663

The liabilities assumed net of cash received over the fair value of tangible assets acquired was initially recorded as a core deposit intangible asset of approximately $1,086,000 and goodwill of approximately $9,577,000.

3. Recent Accounting Pronouncements

In January 2015, the FASB issued Accounting Standards Update 2015-1, *Income Statement-Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* The update eliminates from GAAP the concept of extraordinary items. Although the amendments will eliminate the requirements for companies to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-2, *Consolidation (Topic 810): Amendments to the Consolidation Analysis.* The update implements changes to both the variable interest consolidation model and the voting interest consolidation model. ASU 2015-02 (i) eliminates certain criteria that must be met when determining when fees paid to a decision maker or service provider do not represent a variable interest, (ii) amends the criteria for determining whether a limited partnership is a variable interest entity, and (iii) eliminates the presumption that a general partner controls a limited partnership in the voting model. The amendments in this Update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-3, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* The amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-4, *Compensation-Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets.* For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this Update provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-5, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The update addresses accounting for fees paid by a customer in cloud computing arrangements such as (i) software as a service, (ii) platform as a service, (iii) infrastructure as a service, and (iv) other similar hosting arrangements. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments will be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB amended existing guidance Accounting Standards Update 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.* The amendments require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments will be effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. This statement is not expected to have a material impact on the Company's consolidated financial statements.

4. Statement of Cash Flows

The Company reports on a net basis its cash receipts and cash payments for time deposits accepted and repayments of those deposits, loans made to customers and principal collections on those loans.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information for the years ended December 31, 2015 and 2014 is presented as follows (in thousands):

	2015	2014
Cash transactions:		
Interest expense paid	$ 3,050	$ 1,967
Noncash transactions:		
Net (disposition) acquisition of other real estate owned	$ (45)	$ 283
Refinance of other borrowings	$ -	$ 6,010
Acquisition (more fully discussed in Note 2)		
Recorded amounts of tangible assets acquired	$ -	$ 123,353
Liabilities assumed	-	142,491
Net liabilities assumed	$ -	$ 19,138
Net cash received in transaction	-	8,475
Excess of net liabilities assumed over net cash received in acquisition	$ -	$ 10,663

5. Debt and Equity Securities

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2015 and 2014 are as follows (in thousands):

Securities Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015:				
U.S. Government Agency obligations	$ 603	$ -	$ 1	$ 602
Mortgage-backed securities	247,728	84	3,070	244,742
Small business administration securities	81,369	-	955	80,414
State and political subdivisions	101,713	4,169	53	105,829
	$ 431,413	$ 4,253	$ 4,079	$ 431,587
December 31, 2014:				
U.S. Government Agency obligations	$ 1,138	$ -	$ 3	$ 1,135
Mortgage-backed securities	273,690	883	2,303	272,270
Small business administration securities	53,729	-	245	53,484
State and political subdivisions	89,728	4,397	186	93,939
	$ 418,285	$ 5,280	$ 2,737	$ 420,828

Securities with recorded values of approximately $82,719,000 and $88,480,000 at December 31, 2015 and 2014, respectively, were pledged to secure public fund deposits.

Proceeds from the sales of securities classified as available for sale were approximately $61,981,000 and $22,885,000, respectively, for the years ended December 31, 2015 and 2014. Gross gains of approximately $854,000 and $284,000, respectively, were recognized on sales in 2015 and 2014. Gross losses of approximately $17,000 were recognized on sales in 2015. No losses were recognized on sales in 2014.

The amortized cost and estimated fair value of debt securities at December 31, 2015 by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities Available for Sale	Amortized Cost	Fair Value
Due in one year or less	$ 4,785	$ 4,828
Due from one year to five years	270,049	268,231
Due from five years to ten years	119,868	120,992
Due after ten years	36,711	37,536
	$ 431,413	$ 431,587

Unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2015 and 2014, are summarized as follows (in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale						
December 31, 2015:						
U.S. Government Agency obligations	$ 602	$ 1	$ -	$ -	$ 602	$ 1
Mortgage-backed securities	125,083	1,069	103,904	2,001	228,987	3,070
Small business adminstration securities	65,674	809	11,335	146	77,009	955
State and political subdivisions	3,821	36	2,525	17	6,346	53
	$ 195,180	$ 1,915	$ 117,764	$ 2,164	$ 312,944	$ 4,079
December 31, 2014:						
U.S. Government Agency obligations	$ 1,135	$ 3	$ -	$ -	$ 1,135	$ 3
Mortgage-backed securities	70,401	319	121,634	1,984	192,035	2,303
Small business adminstration securities	36,176	201	17,308	44	53,484	245
State and political subdivisions	14,896	186	-	-	14,896	186
	$ 122,608	$ 709	$ 138,942	$ 2,028	$ 261,550	$ 2,737

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2015, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2015 and 2014, management believes the unrealized losses detailed in the table above are temporary and no impairment loss has been realized in the Company's income statement.

6. Loans and Allowance for Loan Losses

Loans at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Real estate:		
Construction, land development, land	$ 60,823	$ 41,085
Farmland	26,642	27,817
1-4 family residential properties	105,398	99,199
Multi-family residential	12,781	8,810
Nonfarm nonresidential owner occupied	75,775	76,825
Nonfarm nonresidential other	39,094	36,391
Total real estate	320,513	290,127
Commercial	70,731	64,306
Agricultural	12,270	11,403
Consumer	18,990	17,673
Other	34,897	18,335
	457,401	401,844
Allowance for loan losses	(5,434)	(4,777)
	$ 451,967	$ 397,067

At December 31, 2015 and 2014, the Bank had total commercial real estate loans of $188,473,000 and $163,111,000, respectively. Included in these amounts, the Bank had construction, land development, and other land loans representing 64% and 49% of total risk based capital at December 31, 2015 and 2014, respectively. The Bank had non-owner occupied commercial real estate loans representing 119% and 102%, respectively, of total risk based capital at December 31, 2015 and 2014. Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program (CRE). Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on CRE concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards, and credit risk review functions. Management believes it has implemented these practices in order to monitor its CRE. An institution which has reported loans for construction, land development, and other land loans representing 100% or more of total risk-based capital, or total non-owner occupied commercial real estate loans representing 300% or more of the institution's total risk-based capital and the outstanding balance of commercial real estate loan portfolio has increased by 50% or more during the prior 36 months, may be identified for further supervisory analysis by regulators to assess the nature and risk posed by the concentration.

The Bank extends commercial and consumer credit primarily to customers in the state of Texas. At December 31, 2015 and 2014, the majority of the Bank's loans were collateralized with real estate. The real estate collateral provides an alternate source of repayment in the event of default by the borrower, and may deteriorate in value during the time the credit is extended. The weakening of real estate markets may have an adverse effect on the Bank's profitability and asset quality. If the Bank were required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, earnings and capital could be adversely affected. Additionally, the Bank has loans secured by inventory, accounts receivable, equipment, marketable securities, or other assets. The debtors' ability to honor their contracts on all loans is substantially dependent upon the general economic conditions of the region.

Allowance for Loan Losses

An analysis of the allowance for loan losses for the years ended December 31, 2015 and 2014 is as follows (in thousands):

	Beginning Balance	Provision	Charge offs	Recoveries	Ending Balance
December 31, 2015:					
Real estate:					
Construction, land development, land	$ 692	$ 43	$ -	$ -	$ 735
Farmland	289	(20)	-	-	269
1-4 family residential properties	776	287	-	-	1,063
Multi-family residential	98	31	-	-	129
Nonfarm nonresidential owner occupied	737	67	-	-	804
Nonfarm nonresidential other	424	(9)	-	-	415
Total real estate	3,016	399	-	-	3,415
Commercial	902	471	(100)	22	1,295
Agricultural	111	27	(15)	-	123
Consumer	546	(277)	(34)	14	249
Other	202	150	-	-	352
	$ 4,777	$ 770	$ (149)	$ 36	$ 5,434
December 31, 2014:					
Real estate:					
Construction, land development, land	$ 510	$ 182	$ -	$ -	$ 692
Farmland	234	55	-	-	289
1-4 family residential properties	334	442	-	-	776
Multi-family residential	141	(43)	-	-	98
Nonfarm nonresidential owner occupied	956	(174)	(45)	-	737
Nonfarm nonresidential other	449	(25)	-	-	424
Total real estate	2,624	437	(45)	-	3,016
Commercial	601	369	(207)	139	902
Agricultural	43	59	-	9	111
Consumer	534	(378)	(65)	455	546
Other	104	98	-	-	202
	$ 3,906	$ 585	$ (317)	$ 603	$ 4,777

The Company's individual ALLL allocations are established for probable losses on specific loans. The Company's general ALLL allocations are established based upon historical loss experience for similar loans with similar characteristics and on economic conditions and other qualitative risk factors both internal and external to the Company. Further information pertaining to the allowance for loan losses (ALLL) at December 31, 2015 and 2014 is as follows (in thousands):

	Loan Evaluation			ALLL Allocations			
					General		
	Individually	General	Total loans	Individually	Historical	Other	Total ALLL
December 31, 2015:							
Real estate:							
Construction, land development, land	$ 7	$ 60,816	$ 60,823	$ -	$ 81	$ 654	$ 735
Farmland	-	26,642	26,642	-	5	264	269
1-4 family residential properties	-	105,398	105,398	-	19	1,044	1,063
Multi-family residential	-	12,781	12,781	-	2	127	129
Nonfarm nonresidential owner occupied	-	75,775	75,775	-	23	781	804
Nonfarm nonresidential other	-	39,094	39,094	-	12	403	415
Total real estate	7	320,506	320,513	-	142	3,273	3,415
Commercial	10	70,721	70,731	10	278	1,007	1,295
Agricultural	-	12,270	12,270	-	2	121	123
Consumer	2	18,988	18,990	1	25	223	249
Other	-	34,897	34,897	-	6	346	352
	$ 19	$ 457,382	$ 457,401	$ 11	$ 453	$ 4,970	$ 5,434
December 31, 2014:							
Real estate:							
Construction, land development, land	$ 37	$ 41,048	$ 41,085	$ -	$ 49	$ 643	$ 692
Farmland	-	27,817	27,817	-	15	274	289
1-4 family residential properties	197	99,002	99,199	-	1	775	776
Multi-family residential	-	8,810	8,810	-	5	93	98
Nonfarm nonresidential owner occupied	-	76,825	76,825	-	37	700	737
Nonfarm nonresidential other	-	36,391	36,391	-	21	403	424
Total real estate	234	289,893	290,127	-	128	2,888	3,016
Commercial	20	64,286	64,306	20	200	682	902
Agricultural	28	11,375	11,403	-	1	110	111
Consumer	9	17,664	17,673	3	-	543	546
Other	-	18,335	18,335	-	-	202	202
	$ 291	$ 401,553	$ 401,844	$ 23	$ 329	$ 4,425	$ 4,777

Impaired Loans

Impaired loans may include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. Average impaired loans during 2015 and 2014 were approximately $106,000 and $457,000, respectively. No significant interest income was recognized on impaired loans during 2015 and 2014. Approximately $6,000 and $25,000 of additional interest would have been recognized if the loans had been on accrual status during 2015 and 2014, respectively. The following is a summary of information pertaining to impaired loans at December 31, 2015 and 2014 (in thousands):

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Recorded Investment Total	Related Allowance
December 31, 2015:					
Real estate:					
Construction, land development, land	$ 7	$ 7	$ -	$ 7	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	-	-	-	-	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	7	7	-	7	-
Commercial	10	-	10	10	10
Agricultural	-	-	-	-	-
Consumer	6	1	1	2	1
Other	-	-	-	-	-
	$ 23	$ 8	$ 11	$ 19	$ 11
December 31, 2014:					
Real estate:					
Construction, land development, land	$ 37	$ 37	$ -	$ 37	$ -
Farmland	-	-	-	-	-
1-4 family residential properties	197	197	-	197	-
Multi-family residential	-	-	-	-	-
Nonfarm nonresidential owner occupied	-	-	-	-	-
Nonfarm nonresidential other	-	-	-	-	-
Total real estate	234	234	-	234	-
Commercial	20	-	20	20	20
Agricultural	28	28	-	28	-
Consumer	9	6	3	9	3
Other	-	-	-	-	-
	$ 291	$ 268	$ 23	$ 291	$ 23

Past Due Loans

The following is a summary of past due and nonaccrual loans at December 31, 2015 and 2014 is as follows (in thousands):

	30-89 Days Past Due	Past Due 90 Days or More Still Accruing	Past Due 90 Days or More Nonaccrual	Total Past Due
December 31, 2015:				
Real estate:				
Construction, land development, land	$ 3,307	$ 432	$ 7	$ 3,746
Farmland	1,088	-	-	1,088
1-4 family residential properties	2,018	-	-	2,018
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	265	97	-	362
Nonfarm nonresidential other	333	-	-	333
Total real estate	7,011	529	7	7,547
Commercial	465	258	-	723
Agricultural	95	-	-	95
Consumer	282	-	2	284
Other	-	-	-	-
	$ 7,853	$ 787	$ 9	$ 8,649
December 31, 2014:				
Real estate:				
Construction, land development, land	$ 678	$ -	$ 37	$ 715
Farmland	330	-	-	330
1-4 family residential properties	974	-	197	1,171
Multi-family residential	-	-	-	-
Nonfarm nonresidential owner occupied	8	-	-	8
Nonfarm nonresidential other	-	-	-	-
Total real estate	1,990	-	234	2,224
Commercial	25	-	2	27
Agricultural	37	-	28	65
Consumer	46	-	9	55
Other	-	-	-	-
	$ 2,098	$ -	$ 273	$ 2,371

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring (TDR) if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company had no TDR's for the periods ending December 31, 2015 and 2014.

Credit Quality Information

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans according to credit risk. The Company uses the following definitions for risk ratings:

Pass

Loans classified as pass are loans with low to average risk.

Special Mention

Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful

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

As of December 31, 2015 and 2014, based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2015:					
Real estate:					
Construction, land development, land	$ 59,035	$ -	$ 1,788	$ -	$ 60,823
Farmland	26,536	-	106	-	26,642
1-4 family residential properties	103,871	92	1,435	-	105,398
Multi-family residential	12,781	-	-	-	12,781
Nonfarm nonresidential owner occupied	74,769	1,006	-	-	75,775
Nonfarm nonresidential other	39,094	-	-	-	39,094
Total real estate	316,086	1,098	3,329	-	320,513
Commercial	70,700	21	10	-	70,731
Agricultural	12,270	-	-	-	12,270
Consumer	18,988	-	2	-	18,990
Other	34,897	-	-	-	34,897
	$ 452,941	$ 1,119	$ 3,341	$ -	$ 457,401
December 31, 2014:					
Real estate:					
Construction, land development, land	$ 38,709	$ -	$ 2,376	$ -	$ 41,085
Farmland	27,297	-	520	-	27,817
1-4 family residential properties	98,860	103	236	-	99,199
Multi-family residential	8,810	-	-	-	8,810
Nonfarm nonresidential owner occupied	75,667	1,158	-	-	76,825
Nonfarm nonresidential other	36,268	123	-	-	36,391
Total real estate	285,611	1,384	3,132	-	290,127
Commercial	64,116	167	23	-	64,306
Agricultural	11,403	-	-	-	11,403
Consumer	17,664	-	9	-	17,673
Other	18,307	-	28	-	18,335
	$ 397,101	$ 1,551	$ 3,192	$ -	$ 401,844

7. Bank Premises and Equipment

Bank premises and equipment at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Land	$ 2,734	$ 2,734
Buildings and improvements	22,567	18,285
Leasehold improvements	2,017	2,017
Furniture and equipment	7,320	7,501
	34,638	30,537
Accumulated depreciation	(11,838)	(11,904)
	$ 22,800	$ 18,633

The Company leases certain office facilities under operating leases that expire at various dates through 2025. The Company has renewal options on these leases. Rent expense totaled approximately $284,000 and $293,000 in 2015 and 2014, respectively.

Pursuant to the terms of non-cancelable lease agreements in effect at December 31, 2015 pertaining to banking premises, future minimum rent commitments under various operating leases are as follows (in thousands):

Year	Amount
2016	$ 154
2017	154
2018	158
2019	169
2020	169
Thereafter	1,398
	$ 2,202

8. Intangible Assets

Intangible assets consist of core deposit intangibles acquired in various acquisitions and are being amortized using the straight-line method over a period of ten years. Assigned costs and accumulated amortization at December 31, 2015 and 2014 consisted of the following (in thousands):

	2015	2014
Gross amount	$ 2,462	$ 2,462
Accumulated amortization	(1,152)	(906)
	$ 1,310	$ 1,556

Changes in the carrying amount of intangibles during 2015 and 2014 are summarized as follows (in thousands):

	2015	2014
Net intangible January 1	$ 1,556	$ 608
Amortization expense	(246)	(138)
Net value allocated to purchase of Chisolm	-	1,086
Net intangible December 31	$ 1,310	$ 1,556

9. Goodwill

Goodwill in the amount of $12,883,000 at both December 31, 2015 and 2014 is included in the accompanying consolidated financial statements. Goodwill increased by $9,577,000 in 2014 due to the acquisition of Chisolm referred to in Note 2. Goodwill is assessed at least annually for impairment. At December 31, 2015 and 2014, management has determined that there is no impairment of goodwill.

10. Deposits

Deposits at December 31, 2015 and 2014 are summarized as follows (in thousands):

	2015		2014	
	Amount	Percent	Amount	Percent
Noninterest bearing demand accounts	$ 125,866	14.2	$ 193,909	22.1
Noninterest bearing money market accounts	163,950	18.6	105,587	12.0
Interest bearing demand accounts	57,358	6.5	136,060	15.5
Savings accounts	68,315	7.7	72,096	8.2
Limited access money market accounts	331,638	37.5	219,789	25.1
Certificates of deposit, $100,000 or less	53,536	6.1	57,927	6.6
Certificates of deposit, greater than $100,000	82,939	9.4	91,887	10.5
	$ 883,602	100.0	$ 877,255	100.0

The Company had no brokered deposits at December 31, 2015 and 2014.

Included in deposits at December 31, 2015 and 2014 are deposits related to one customer in the amount of approximately $105,215,000 and $96,707,000, respectively. These amounts represent approximately 12% and 11% of total deposits at December 31, 2015 and 2014, respectively.

At December 31, 2015, scheduled maturities of certificates of deposit are as follows (in thousands):

Year	Amount
Less than one year	$ 97,002
One to three years	34,877
Over three years	4,596
	$ 136,475

11. Other Borrowings

Subordinated Promissory Notes Payable

In November 2013, the Company entered into a confidential private placement offering for the issuance of up to $6.165 million in subordinated promissory notes (2013 Notes) for the purpose of refinancing the debt issued in connection with the 2011 placement offering discussed below. The Company issued $6,010,000 in 2013 Notes in connection with this offering and paid $155,000 to redeem certain of the 2011 Notes. The 2013 Notes rank senior to the capital stock of the Company, but are subordinated to any senior indebtedness. The 2013 Notes call for interest at 5.0%, payable in quarterly installments of unpaid interest beginning April 2014, with a maturity date of March 31, 2023. After the 2013 Notes have been outstanding for a period of five years, the Company at their sole discretion may redeem the 2013 Notes in full or in part. The 2013 Notes are unsecured. The outstanding principal balance of the 2013 Notes was $6,010,000 at both December 31, 2015 and 2014.

Federal Home Loan Bank

At December 31, 2015, the Company had no outstanding advances from the Federal Home Loan Bank (FHLB). At December 31, 2014, the Company had an advance from the FHLB in the amount of approximately $10,000,000. Advances from the FHLB are collateralized by a security agreement, which requires the borrowing bank to maintain a certain level of qualified first mortgage collateral in relation to the amount of outstanding debt. The advance bore interest at the rate of 3.17%, with a balloon date scheduled to mature in January 2017. The Company paid the advance off during 2015 along with an early payment charge of approximately $335,000.

At December 31, 2015 the Company has additional unused borrowing capacity with the FHLB of approximately $74,411,000.

Line of Credit

The Company has a line of credit with an unaffiliated bank with a maximum advanceable amount of $25,000,000 at December 31, 2015 and 2014. The line of credit matures on October 1, 2019. Advances in the amount of $17,000,000 were outstanding at December 31, 2015 and 2014, respectively. The current rate on the line is the Wall Street Journal U.S. Prime Rate (3.50% at December 31, 2015).

At December 31, 2015, the scheduled repayment of the line of credit is as follows (in thousands):

Year	Amount
2016	$ 1,700
2017	1,700
2018	1,700
2019	11,900
2020	-
	$ 17,000

Other

The Company has unused federal funds lines available from commercial banks of approximately $26,250,000 at December 31, 2015.

12. Employee Benefits

Pension Plan

The Company has a qualified defined benefit pension plan (Plan) covering substantially all of its employees. Benefits are based on years of service and the employee's highest average compensation during any consecutive five years of employment. The contributions to the Plan are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Effective January 1, 2006, the Plan's administrative committee froze the Plan whereby all newly hired employees would be excluded from participating in the Plan. The administrative committee believes this action will not significantly affect the Plan's qualified status or the Plan's current participants.

The following table presents disclosure information required under ASC 715-20 for the retirement plan (in thousands):

	2015	2014
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 17,853	$ 14,299
Service cost	536	414
Interest cost	694	667
Actuarial loss	578	2,843
Benefits paid	(386)	(370)
Benefit obligation at end of year	19,275	17,853
Change in Plan Assets		
Fair value of plan assets at beginning of year	12,711	9,362
Actual (loss) return on plan assets	(262)	776
Employer contributions	1,500	2,943
Benefits paid	(386)	(370)
Fair value of plan assets at end of year	13,563	12,711
Funded status at end of year	$ (5,712)	$ (5,142)
Amounts recognized in the Balance Sheet		
Other liabilities	$ 5,712	$ 5,142
Amounts recognized in Accumulated Other Comprehensive Income		
Net loss	$ 8,114	$ 7,292
Accumulated Benefit Obligation	$ 15,170	$ 14,494
Net Periodic Pension Cost		
Service cost	$ 537	$ 414
Interest cost	694	667
Expected return on plan assets	(557)	(408)
Recognized net loss	574	365
Net periodic pension cost	1,248	1,038
Other changes in Plan Assets and Benefit Obligations recognized in Other Comprehensive Income (OCI)		
Net loss (gain)	1,396	2,475
Amortization of net gain	(574)	(365)
Total recognized in OCI	822	2,110
Total recognized in expense and OCI	$ 2,070	$ 3,148
Amounts expected to be recognized in OCI in the next year		
Net loss	$ (812)	$ (556)

The total expected long-term rate of return on assets is determined by assessing the rates of return on each targeted asset class, return premiums generated by portfolio management, and a comparison of rates used by other companies. For the years ended December 31, 2015 and 2014, the weighted average assumptions are as follows:

	2015	2014
Discount rate		
Net periodic pension cost	3.95%	4.75%
Benefit obligations	4.50%	3.95%
Expected return on Plan Assets at the beginning of the fiscal year	4.50%	5.00%
Rate of compensation increase		
Beginning of fiscal year	4.00%	3.00%
End of fiscal year	4.50%	4.00%

The overall investment goal of the Plan is to achieve a real long-term rate of return over inflation resulting from income, capital gains, or both which will assist the Plan in meeting its long-term objectives. Investment management of the assets is in accordance with the Plan's Investment Policy that includes target asset allocation of 60% fixed income and 40% equities. Within each asset class, assets are allocated to various investment styles. Professional managers manage all assets of the Plan and professional advisors assist the Plan in the attainment of its objectives. The Company's pension plan asset allocations at December 31, 2015 and 2014 are as follows:

	Percentage of Plan Assets December 31,	
	2015	2014
Asset Category		
Equity securities	29.62	11.16
Fixed income	56.68	77.98
Other	13.70	10.86
	100.00	100.00

The Company expects to contribute approximately $1,600,000 to its pension plan in 2016.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows at December 31, 2015 (in thousands):

Year	Amount
2016	$ 600
2017	650
2018	700
2019	800
2020	850
Years 6-10	5,330
	$ 8,930

Profit Sharing Plan

The Company has a profit sharing plan and an employee stock ownership plan that provide benefits for substantially all employees. Contributions to these plans are discretionary and determined annually by the Board of Directors. Contributions totaled approximately $609,000 and $498,000 in 2015 and 2014, respectively, and were charged to operating expense. The Company's trust department is the trustee for each of the Company's employee benefit plans.

Supplemental Retirement Plan

The Company has a supplemental life insurance/split dollar plan with certain key officers. The Company owns each policy's cash surrender value and their related accumulated earnings. The excess of death benefits over cash value upon death will be paid to the beneficiaries. The payment of these benefits is made by the insurer.

13. Commitments and Contingencies

From time to time, the Company is involved in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the consolidated financial position or results of operations of the Company.

The Company does not anticipate any material losses as a result of the commitments and contingent liabilities.

14. Financial Instruments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2015 and 2014, the approximate amounts of these financial instruments were as follows (in thousands):

	2015	2014
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 104,120	$ 71,586
Standby letters of credit	5,370	5,635
	$ 109,490	$ 77,221

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral and the nature of such collateral is essentially the same as that involved in making commitments to extend credit.

Although the maximum exposure to loss is the amount of such commitments, management currently anticipates no material losses from such activities.

15. Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Texas. Investments in state and municipal securities primarily involve governmental entities within the Company's market area.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

The contractual amounts of credit related financial instruments such as commitments to extend credit and letters of credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless.

At December 31, 2015 and 2014, the Company had a concentration of funds on deposit in excess of federally insured limits at certain independent correspondent banks. The nature of the Company's business requires that it maintain amounts at due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses and does not anticipate any losses from such accounts.

16. Related Party Transactions

In the ordinary course of business, the Company has and expects to continue to have transactions, including borrowings, with its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unaffiliated persons. At December 31, 2015 and 2014, the aggregate amounts of such loans were approximately $578,000 and $433,000, respectively. During the year ended December 31, 2015, new loans made to related parties totaled approximately $481,000 and repayments totaled approximately $336,000. Additionally, the Company had unfunded commitments to these related parties of approximately $40,000 at December 31, 2015. There were no unfunded commitments to related parties at December 31, 2014.

17. Fair Value Disclosures

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014 are as follows (in thousands):

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
December 31, 2015:			
Available for sale securities (1)	$ -	$ 431,587	$ -
December 31, 2014:			
Available for sale securities (1)	$ -	$ 420,828	$ -

(1) Securities are measured at fair value on a recurring basis, generally monthly.

Certain financial and nonfinancial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table summarizes financial assets and non-financial assets, measured at fair value on a non-recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015:				
Financial assets - impaired loans	$ -	$ -	$ 8	$ 8
Other real estate owned	-	709	-	709
December 31, 2014:				
Financial assets - impaired loans	$ -	$ -	$ 268	$ 268
Other real estate owned	-	723	-	723

During the years ended December 31, 2015 and 2014, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. For the years ended December 31, 2015 and 2014, impaired loans with a carrying value of $19,000 and $291,000, respectively, were reduced by specific valuation allowance allocations totaling $11,000 and $23,000 respectively, to a total reported fair value of $8,000 and $268,000 respectively, based on collateral valuations utilizing Level 3 valuation inputs at December 31, 2015 and 2014.

Foreclosed assets are valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third-party appraisals, less estimated costs to sell. Appraisals based upon comparable sales result in a Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the customer and customer's business. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above. During the years ended December 31, 2015 and 2014, there were no additional write-downs of valuations on other real estate owned.

The estimated fair values of the Company's financial instruments at December 31, 2015 and 2014 were as follows (in thousands):

	Carrying Amount	Total Estimated Fair Value Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2015:				
Financial assets:				
Cash and cash equivalents	$ 40,435	$ 40,435	$ -	$ -
Interest bearing deposits in other banks	250	-	250	-
Securities available for sale	431,587	-	431,587	-
Loans held for sale	5,261	-	5,261	-
Loans held for investment	451,967	-	-	463,368
Accrued interest receivable	3,803	3,803	-	-
Financial liabilities:				
Deposits	883,602	-	-	885,098
Other borrowings	23,010	-	24,625	-
Accrued interest payable	258	258	-	-
Off-balance sheet instruments:				
Commitments to extend credit	-	-	-	-
Standby letters of credit and financial guarantees	-	-	-	-
December 31, 2014:				
Financial assets:				
Cash and cash equivalents	$ 111,189	$ 111,189	$ -	$ -
Interest bearing deposits in other banks	500	-	500	-
Securities available for sale	420,828	-	420,828	-
Loans held for sale	2,020	-	2,020	-
Loans held for investment	397,067	-	-	401,467
Accrued interest receivable	3,575	3,575	-	-
Financial liabilities:				
Deposits	877,255	-	-	878,333
Other borrowings	33,010	-	34,800	-
Accrued interest payable	227	227	-	-
Off-balance sheet instruments:				
Commitments to extend credit	-	-	-	-
Standby letters of credit and financial guarantees	-	-	-	-

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

Cash and cash equivalents

The carrying amounts of cash and short-term instruments approximate their fair value.

Interest bearing deposits in other banks

Fair values of interest bearing deposits with a maturity greater than ninety days are estimated using discounted cash flow analyses based on the Company's current incremental investing rates for similar types of investment arrangements.

Securities available for sale

Fair values for securities, excluding restricted equity securities, are based on quoted market prices. The carrying values of restricted equity securities approximate fair values.

Loans held for sale

Fair values are based on quoted prices of similar loans sold on the secondary market.

Loans held for investment

For variable-rate loans that reprice frequently and have no significant changes in credit risk, fair values are based on carrying values. Fair values for fixed-rate commercial real estate, mortgage, consumer and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposits

The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed term money market accounts and certificates of deposit (CD's) approximate their fair values at the reporting date. Fair values for fixed-rate CD's are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Other borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within 90 days approximate their fair values. Fair values of other borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued interest

The carrying amounts of accrued interest approximate their fair values.

Off-balance sheet instruments

Fair values for off-balance sheet lending commitments are based on fees currently charged to enter into similar agreements taking into account the remaining terms of the agreements and the counterparties' credit standings.

18. Stockholders' Equity and Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2015, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations for banking institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2015, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts and ratios at December 31, 2015 are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk weighted assets	$ 94,615	17.53%	$ 43,177	8.00%	$ 53,972	10.00%
Tier 1 (core) capital to risk weighted assets	89,181	16.52%	32,383	6.00%	43,177	8.00%
Common Tier 1 (CET1)	89,181	16.52%	24,287	4.50%	35,081	6.50%
Tier 1 (core) capital to average assets	89,181	9.18%	38,860	4.00%	48,575	5.00%

During 2015, the Federal Reserve Bank issued a final rule that increased the asset threshold to qualify as a large bank holding company from $500 million to $1 billion. Accordingly, at December 31, 2014, the Company was considered a large bank holding company and was subject to the consolidated capital requirements by regulation.

Actual and required capital amounts and ratios at December 31, 2014 (prior to the implementation of the Basel III Capital Rules and the change in definition of a small bank holding company) are presented below (in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk weighted assets:						
Company	$ 71,360	14.30%	$ 39,927	8.00%	$ 49,908	10.00%
Bank	68,996	17.87%	30,888	8.00%	38,610	10.00%
Tier 1 capital to risk weighted assets:						
Company	60,573	12.14%	19,963	4.00%	$ 29,945	6.00%
Bank	64,229	16.64%	15,444	4.00%	23,166	6.00%
Tier 1 capital to average assets:						
Company	60,573	6.32%	38,344	4.00%	$ 47,931	5.00%
Bank	64,229	8.15%	31,511	4.00%	39,389	5.00%

PAYNE & SMITH, LLC
Certified Public Accountants

Independent Auditor's Report

On Additional Information

The Board of Directors
Red River Bancorp, Inc. and Subsidiaries

We have audited the consolidated financial statements of Red River Bancorp, Inc. and Subsidiaries as of and for the year ended December 31, 2015, and have issued our report thereon dated March 22, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 38 and 39 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Payne & Smith, LLC

March 22, 2016

5952 Royal Lane • Suite 158 • Dallas, TX 75230 • 214 / 363-9927 • Fax 214 / 363-9980

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2015

(In Thousands)

	Red River Bancorp, Inc.	First State Bank	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 2,334	$ 40,435	$ (2,334) (a)	$ 40,435
Interest bearing deposits in other banks	-	250	-	250
Securities available for sale	-	431,587	-	431,587
Investment in subsidiary	94,647	-	(94,647) (b)	-
Loans held for sale	-	5,261	-	5,261
Loans held for investment	-	451,967	-	451,967
Bank premises and equipment	-	22,800	-	22,800
Intangible assets	-	1,310	-	1,310
Goodwill	-	12,883	-	12,883
Cash surrender value of life insurance	-	11,420	-	11,420
Other real estate owned	709	-	-	709
Other assets	30	11,777	-	11,807
	$ 97,720	$ 989,690	$ (96,981)	$ 990,429
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest bearing	$ -	$ 292,150	$ (2,334) (a)	$ 289,816
Interest bearing	-	593,786	-	593,786
Total deposits	-	885,936	(2,334)	883,602
Other borrowings	23,010	-	-	23,010
Other liabilities	411	9,107	-	9,518
Commitments and contingencies	-	-	-	-
Stockholders' equity:				
Common stock	2,000	2,000	(2,000) (b)	2,000
Paid-in capital	18,987	59,488	(59,488) (b)	18,987
Retained earnings	64,044	41,099	(41,099) (b)	64,044
Accumulated other comprehensive loss	(7,940)	(7,940)	7,940 (b)	(7,940)
Treasury stock, at cost	(2,792)	-	-	(2,792)
Total stockholders' equity	74,299	94,647	(94,647)	74,299
	$ 97,720	$ 989,690	$ (96,981)	$ 990,429

See description of consolidating entries on page 40 and accompanying independent auditor's report on additional information

RED RIVER BANCORP, INC. AND SUBSIDIARIES

Consolidating Statement of Income and Comprehensive Income

For the Year ended December 31, 2015

(In Thousands)

	Red River Bancorp, Inc.	First State Bank	Eliminations	Consolidated
Interest income:				
Interest and fees on loans	$ -	$ 23,682	$ -	$ 23,682
Interest on securities				
Taxable	-	5,750	-	5,750
Nontaxable	-	2,918	-	2,918
Other	-	319	-	319
Total interest income	-	32,669	-	32,669
Interest expense:				
Interest on deposit accounts	-	1,633	-	1,633
Other	863	585	-	1,448
Total interest expense	863	2,218	-	3,081
Net interest income (expense)	(863)	30,451	-	29,588
Provision for loan losses	-	770	-	770
Net interest income (expense) after provision	(863)	29,681	-	28,818
Noninterest income:				
Dividend income	2,305	-	(2,305) (e)	-
Equity in undistributed earnings of subsidiary	8,719	-	(8,719) (d)	-
Service charges and fees	-	2,732	-	2,732
Trust fees	-	406	-	406
Net gain on sales of securities available for sale	-	837	-	837
Gain on sales of loans	-	2,240	-	2,240
Other	-	3,124	-	3,124
Total noninterest income	11,024	9,339	(11,024)	9,339
Noninterest expense:				
Salaries and employee benefits	-	16,079	-	16,079
Occupancy of bank premises	-	3,307	-	3,307
Legal and professional fees	47	694	-	741
Public relations	-	641	-	641
FDIC insurance assessment	-	486	-	486
Other	27	6,789	-	6,816
Total noninterest expense	74	27,996	-	28,070
Net income	10,087	11,024	(11,024)	10,087
Other comprehensive loss:				
Change in net unrealized gain during the period	(1,532)	(1,532)	1,532 (c)	(1,532)
Reclassification adjustment for net gains included in net income	(837)	(837)	837 (c)	(837)
Net unrealized loss on securities available for sale	(2,369)	(2,369)	2,369	(2,369)
Change in minimum pension liability	(822)	(822)	822 (c)	(822)
Other comprehensive loss	(3,191)	(3,191)	3,191	(3,191)
Total comprehensive income	$ 6,896	$ 7,833	$ (7,833)	$ 6,896

See description of consolidating entries on page 40 and accompanying independent auditor's report on additional information

Description of Consolidating Entries

For the Year Ended December 31, 2015

(a) To eliminate intercompany cash and deposits.

(b) To eliminate investment accounts against the stockholder's equity of the consolidated subsidiaries.

(c) To eliminate the change in net unrealized loss and the change in minimum pension liability during the period included in other comprehensive income.

(d) To eliminate equity in undistributed earnings of subsidiaries.

(e) To eliminate dividends from subsidiaries.

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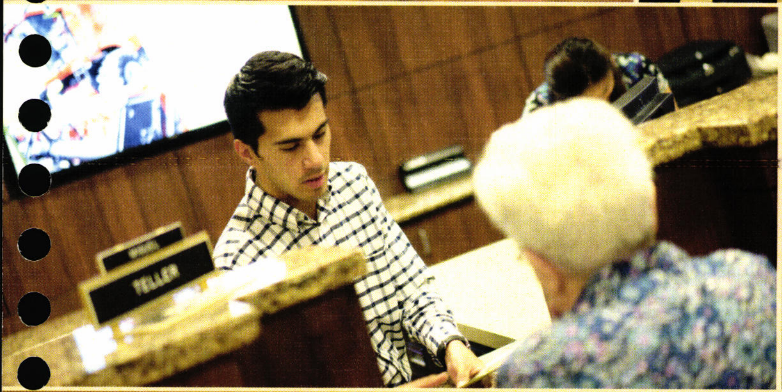
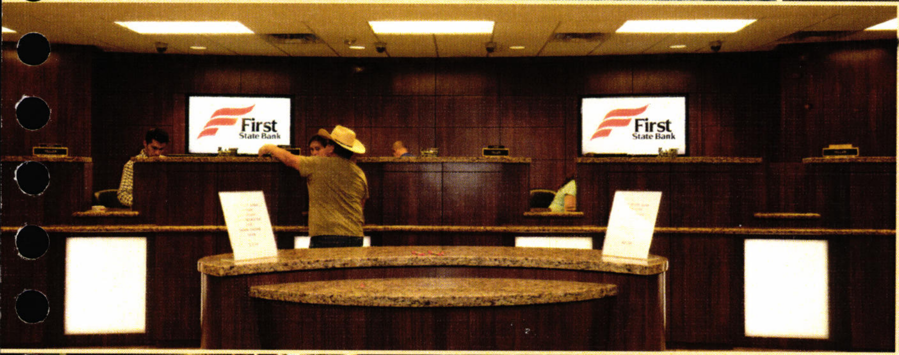
RED RIVER BANCORP, INC.

2015 Annual Report

First State Bank

Nº11





MISSION STATEMENT

Our mission is to treat the Community as our home, Customers as our neighbors, Employees as our family, and by so doing, create value for our Shareholders.

CORE VALUES

Genuinely Care
For Community, Customers, Employees, Shareholders

Relentless Improvement
In Policies, Procedures, Products, Service, Self, and Technology

Trust
From Community, Customers, Employees, Shareholders

Accountability
To Community, Customers, Employees, Shareholders, and Self

To shareholders of Red River Bancorp, Inc.:

The year of 2015 was a very busy one for Red River Bancorp Inc and First State Bank. It was the first full year of combined financials and operations as a result of the merger of North Texas Bank into First State Bank last January. The largest and most complex acquisition to date, it posed many operational challenges but also financial benefits. In addition to converting North Texas Bank systems in January, First State Bank also upgraded its own core operating system and payroll systems in November, keeping our operational and technology staff very busy all year.

This growth was evidenced throughout the bank, adding new lenders, new staff in loan operations and real estate, and in compliance. In addition to the new staff acquired from North Texas Bank, First State hired 56 new employees during the year. These were not additions of idle staff. Compared to 2014, our new loans booked increased 26% by number of loans and 94% by dollars of loans. Our demand deposit accounts increased by 18% by number of accounts and 24% by dollars of accounts. And as a result of this increase in transactional volume by combined growth from organic expansion and acquisition, Red River Bancorp's net income increased from $7.068mil in 2014 to $10.087mil in 2015, a 43% year over year growth in net income.

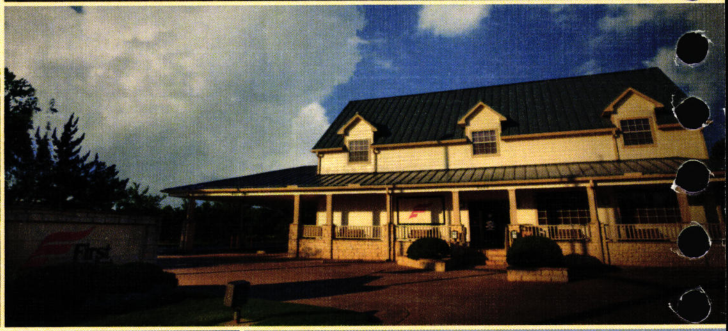
Of course, growth at this pace cannot continue forever and presents its own challenges. As a result, First State Bank will shift its focus in 2016 from growth to creating operational efficiencies and maximizing the deployment of our capital. We are excited about all of the opportunities in 2016 to improve as a bank while staying true to our community bank roots.

Regards,

Frank Morris
Chairman of the Board

Ryan Morris
Chief Executive Officer





First
State Bank
ATM

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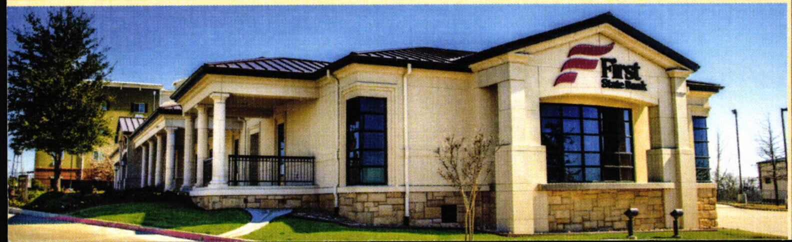
State Bank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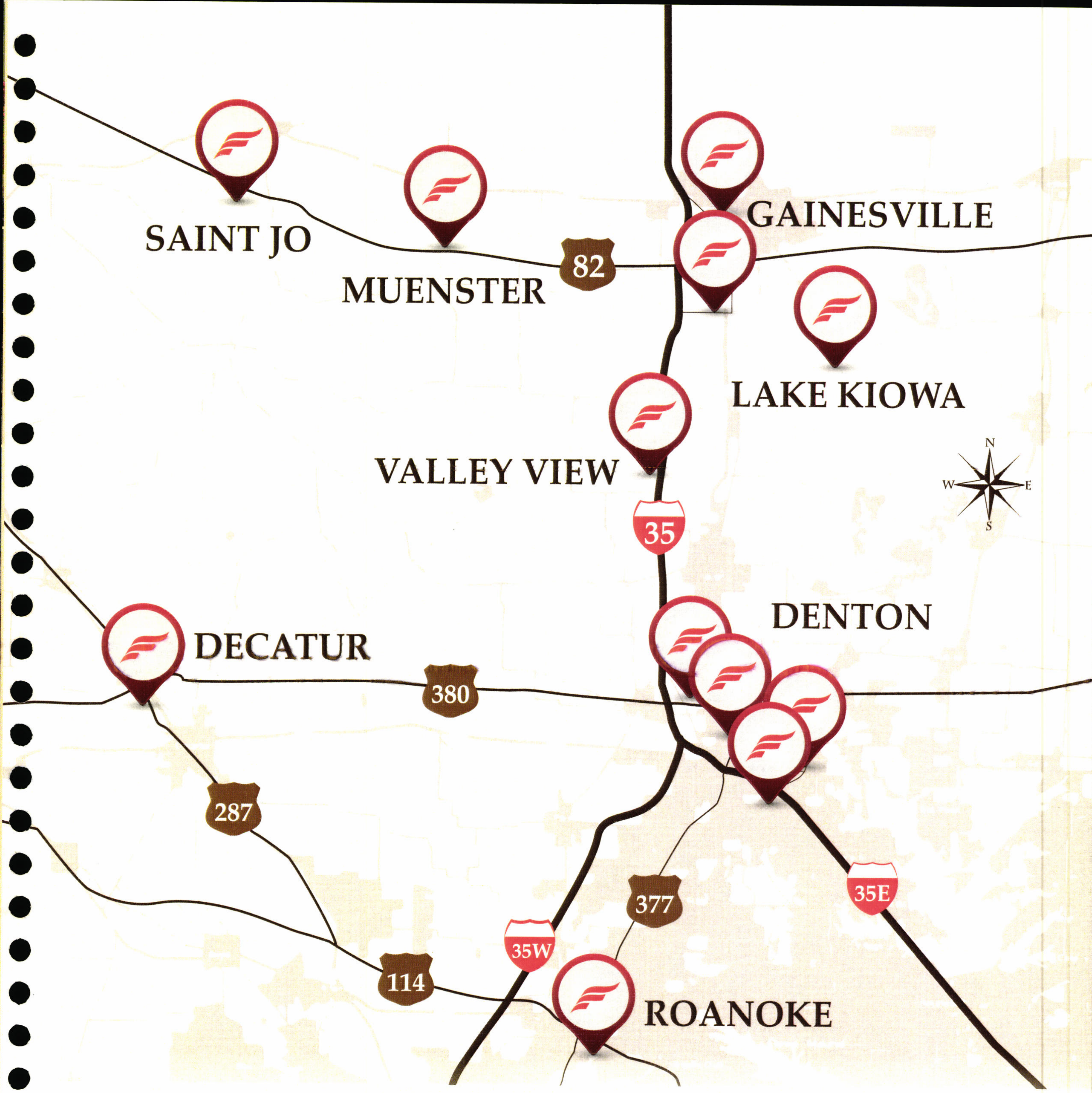


First State Bank now provides friendly, dependable service at

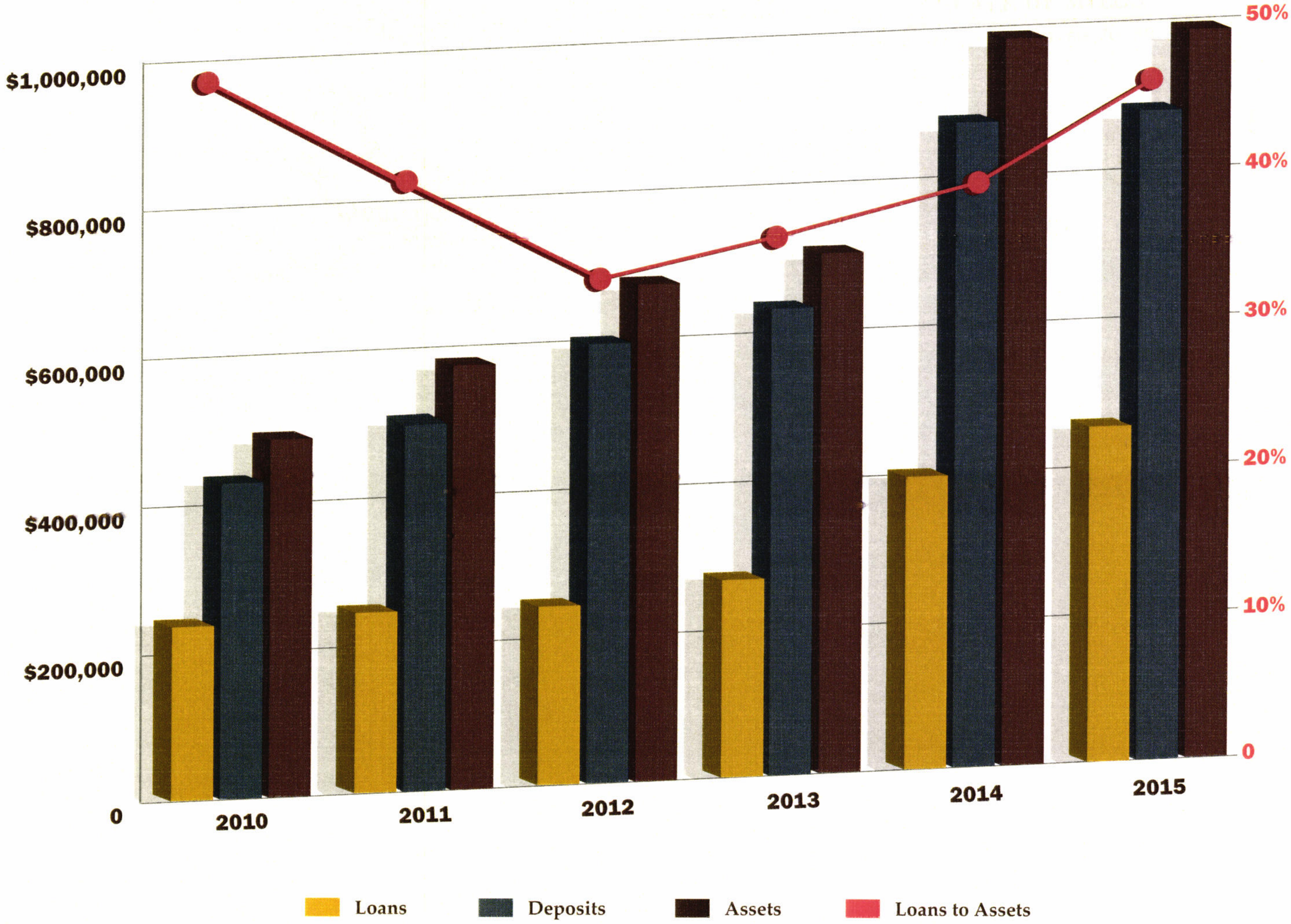
12 CONVENIENT LOCATIONS IN 4 CONTIGUOUS COUNTIES

across North Texas.

OVERVIEW

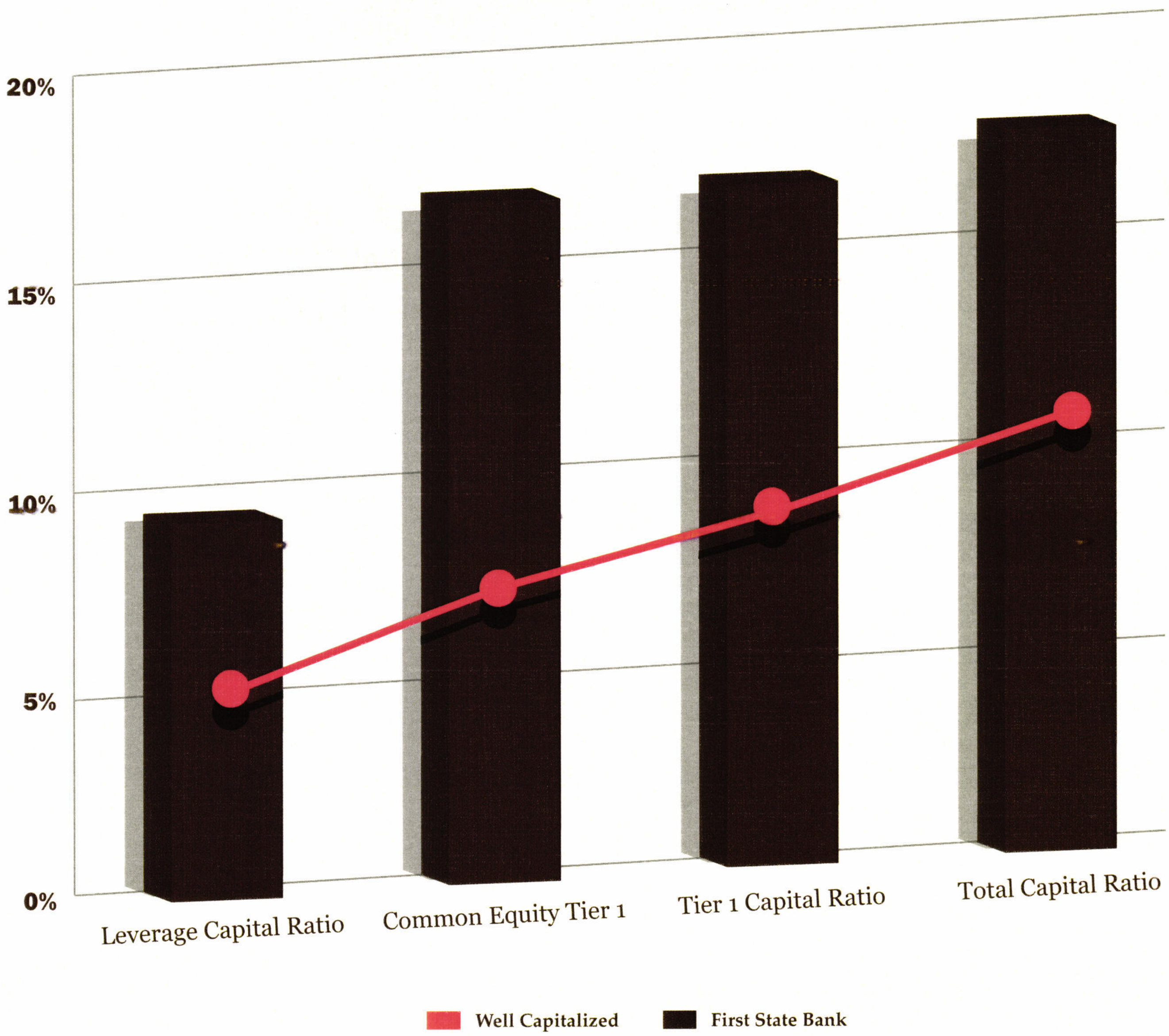
	12/31/15	12/31/14
ASSETS		
Cash & Cash Equivalents	40,435	111,189
Interest Bearing Deposits In Other Banks	250	500
Securities Available For Sale	431,587	420,828
Loans Held For Sale	5,261	2,020
Loans Held For Investment	451,967	397,067
Bank Premises & Equipment	22,800	18,633
Intangible Assets	1,310	1,556
Goodwill	12,883	12,883
Cash Surrender Value of Life Insurance	11,420	11,141
Other Real Estate Owned	709	723
Other Assets	11,807	12,261
TOTAL ASSETS	**$990,429**	**$988,801**
LIABILITIES & STOCK HOLDERS' EQUITY		
Deposits		
Non-Interest Bearing	289,816	299,496
Interest Bearing	593,786	577,759
TOTAL DEPOSITS	**883,602**	**877,255**
Other Borrowings	23,010	33,010
Other Liabilities	9,518	8,273
Stockholders' Equity		
Common Stock	2,000	2,000
Paid-In Capital	18,987	18,987
Retained Earnings	64,044	56,817
Accumulated Other Comprehensive Income	(7,940)	(4,749)
Treasury Stock, At Cost	(2,792)	(2,792)
TOTAL STOCKHOLDERS' EQUITY	**74,299**	**70,263**
	$990,429	**$988,801**

GROWTH



	2010	2011	2012	2013	2014	2015
LOANS	$237,466	$246,072	$243,387	$269,129	$399,087	$457,228
DEPOSITS	$430,132	$502,688	$597,534	$635,875	$877,255	$883,602
ASSETS	$487,808	$577,837	$677,171	$707,400	$988,801	$990,429

CAPITAL

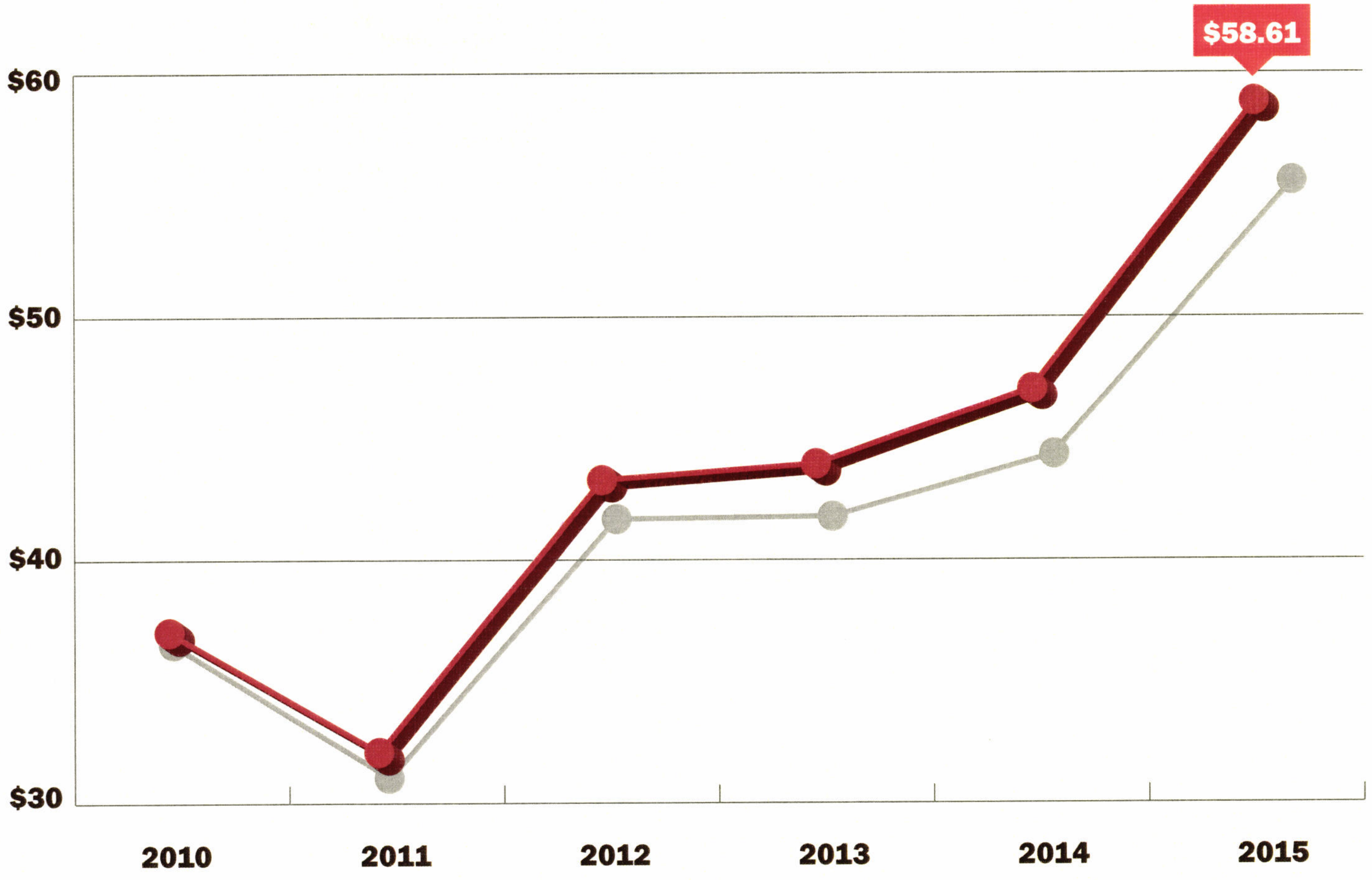


EXCEEDING THE WELL CAPITALIZED STANDARD

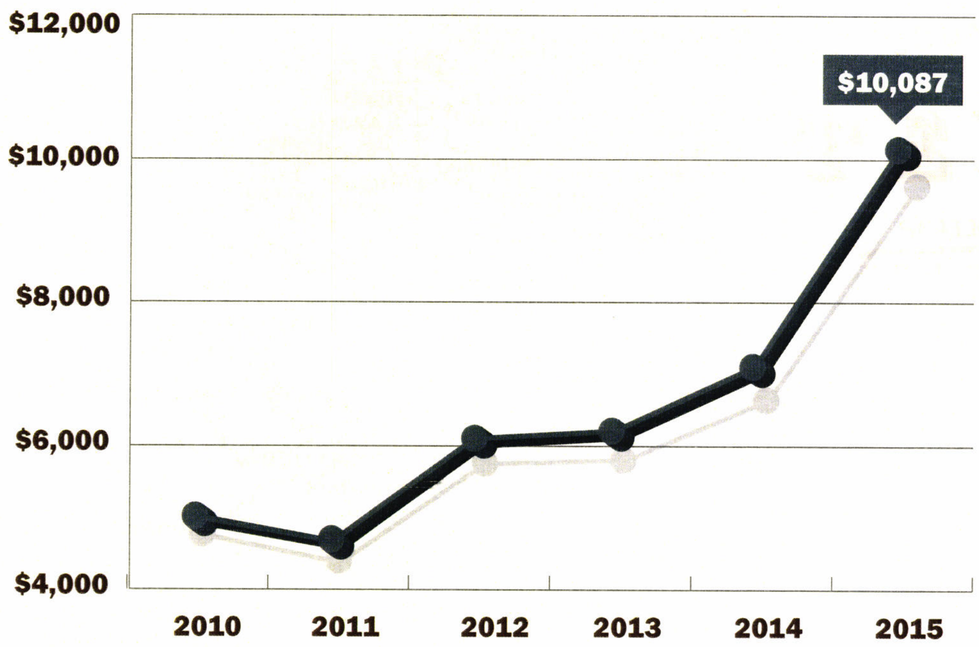
OVERVIEW

	12/31/15	12/31/14
Interest Income		
Interest & Fees On Loans	23,682	15,883
Interest On Securities	8,668	8,512
Other	319	307
TOTAL INTEREST INCOME	**32,669**	**24,702**
Interest Expense		
Interest On Deposit Accounts	1,633	1,339
Other	1,448	711
TOTAL INTEREST EXPENSE	3,081	2,050
Net Interest Income	29,588	22,652
Provision For Loan Losses	770	585
Net Interest Income After Provision	28,818	22,067
Non-Interest Income		
Service Charges & Fees	2,732	2,459
Trust Fees	406	391
Gain On Sales Of Securities Available For Sale	837	284
Gain On Sales Of Loans	2,240	1,631
Other	3,124	2,763
TOTAL NON-INTEREST INCOME	**9,339**	**7,528**
Non-Interest Expense		
Salaries And Employee Benefits	16,079	13,089
Occupancy Of Bank Premises	3,307	2,833
Legal & Professional Fees	741	807
FDIC Insurance Assessment	486	390
Other	7,457	5,408
TOTAL NON-INTEREST EXPENSE	**28,070**	**22,527**
Net Income	**$10,087**	**$7,068**

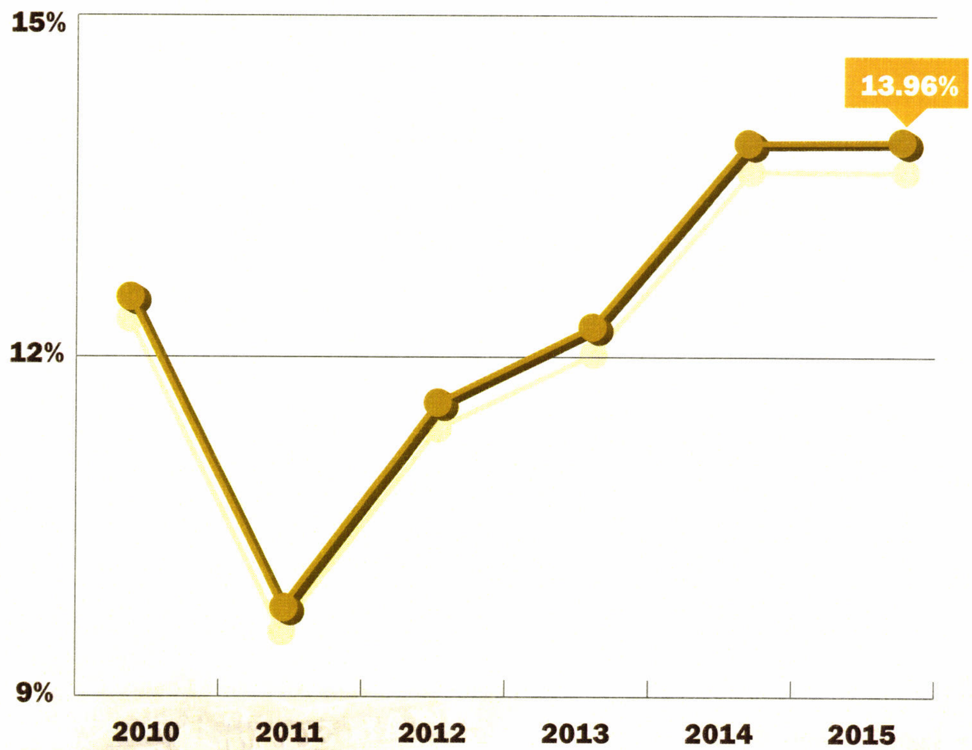
EARNINGS PER SHARE



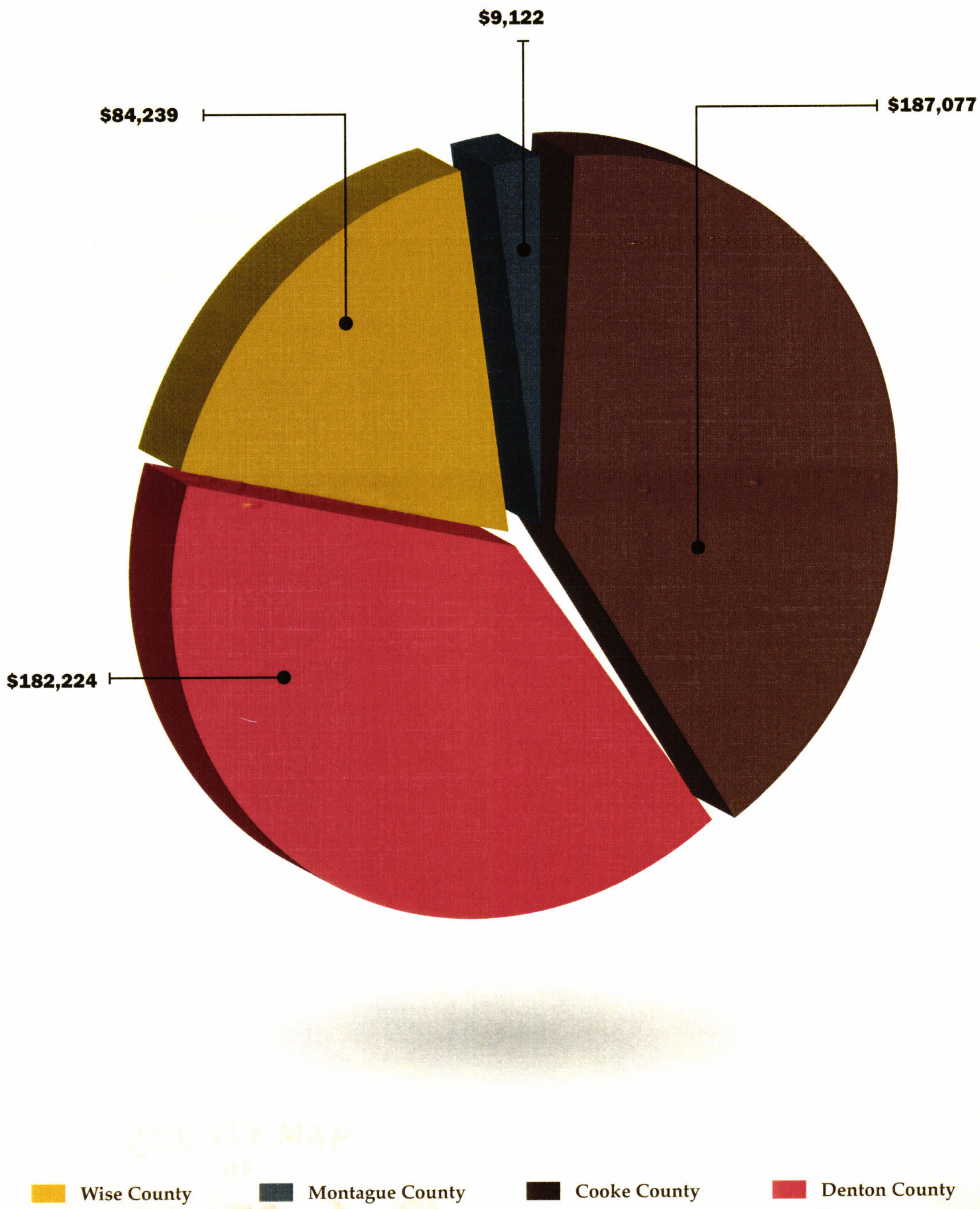
NET INCOME



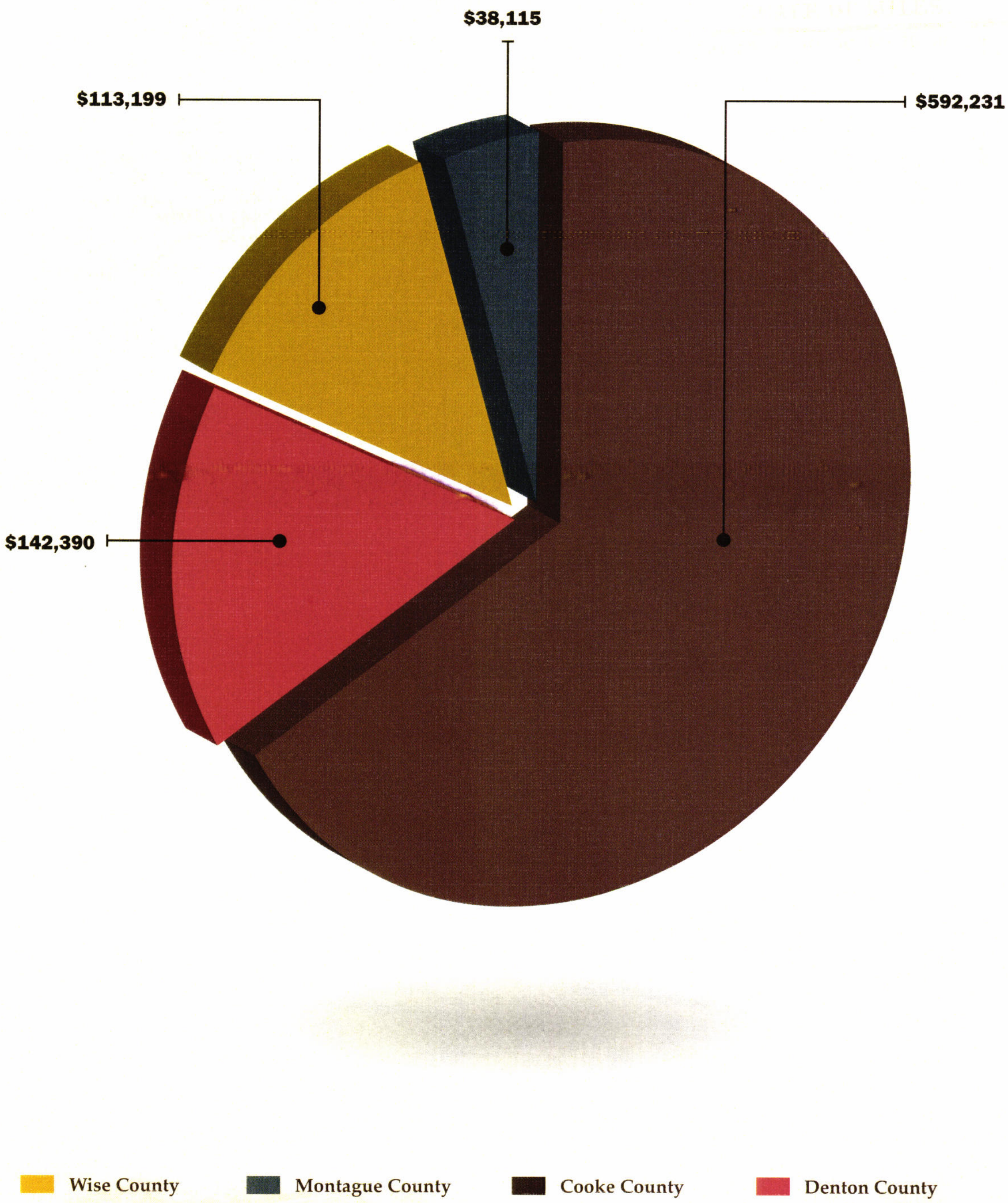
RETURN ON EQUITY



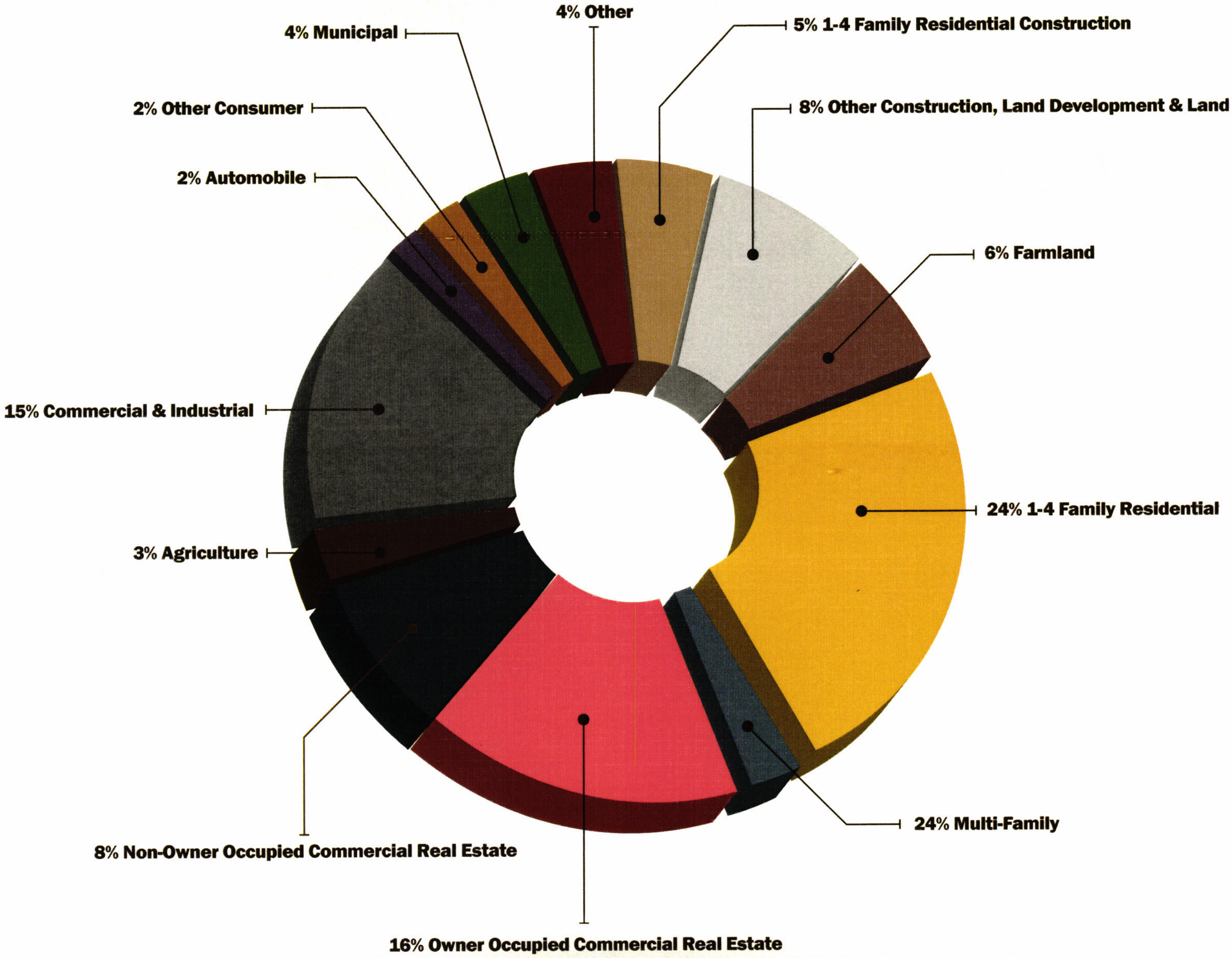
LOANS BY MARKET



DEPOSITS BY MARKET

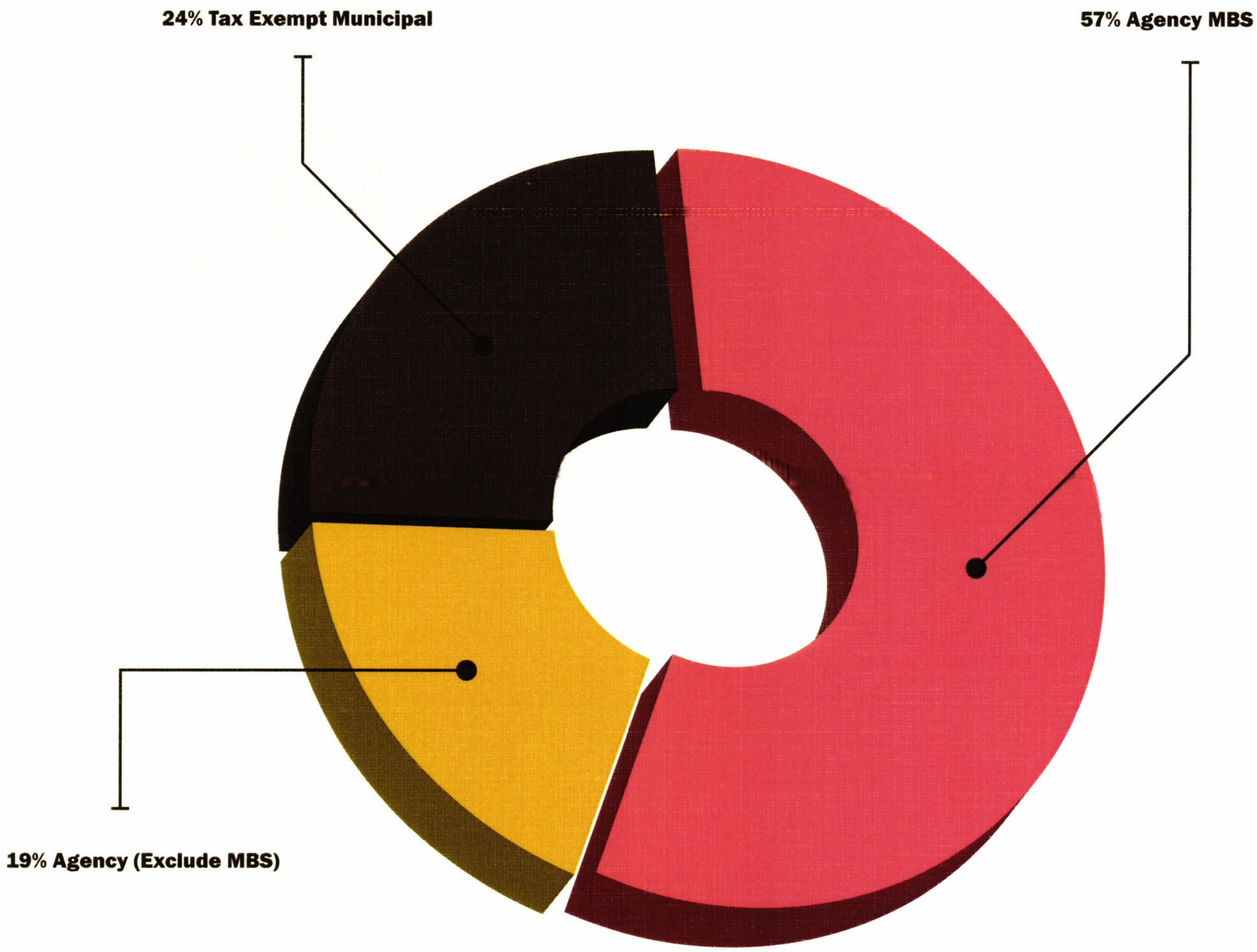


LOAN MIX



WELL DIVERSIFIED

INVESTMENT MIX



WELL DIVERSIFIED

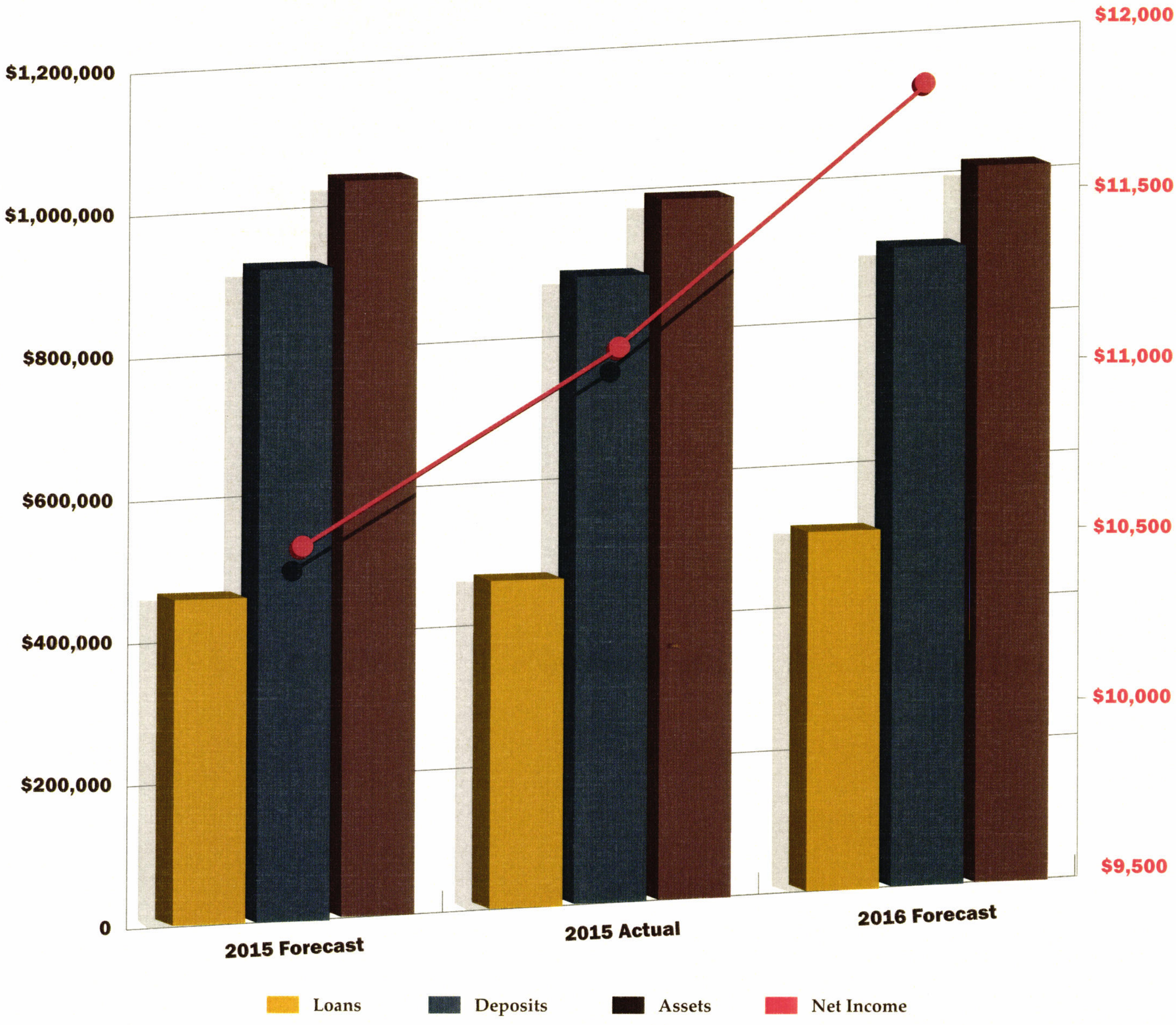
2016 OVERVIEW

	3/31/16
ASSETS	
Cash & Cash Equivalents	33,657
Interest Bearing Deposits In Other Banks	250
Securities Available For Sale	447,453
Loans Held For Sale	4,491
Loans Held For Investment	462,857
Bank Premises & Equipment	22,929
Intangible Assets	1,249
Goodwill	12,882
Cash Surrender Value of Life Insurance	12,072
Other Real Estate Owned	0
Other Assets	7,481
TOTAL ASSETS	**$1,005,321**
LIABILITIES & STOCK HOLDERS' EQUITY	
Deposits	
Non-Interest Bearing	287,883
Interest Bearing	607,982
TOTAL DEPOSITS	**895,865**
Other Borrowings	22,385
Other Liabilities	9,777
Stockholders' Equity	
Common Stock	2,000
Paid-In Capital	18,987
Retained Earnings	65,014
Accumulated Other Comprehensive Income	(5,915)
Treasury Stock, At Cost	(2,792)
TOTAL STOCKHOLDERS' EQUITY	**77,294**
	$1,005,321

2016 OVERVIEW

	3/31/16
Interest Income	
Interest & Fees On Loans	6,045
Interest On Securities	2,245
Other	99
TOTAL INTEREST INCOME	**8,389**
Interest Expense	
Interest On Deposit Accounts	418
Other	220
TOTAL INTEREST EXPENSE	638
Net Interest Income	7,751
Provision For Loan Losses	200
Net Interest Income After Provision	7,551
Non-Interest Income	
Service Charges & Fees	672
Trust Fees	129
Gain On Sales of Securities Available For Sale	0
Gain On Sales Of Loans	679
Other	784
TOTAL NON-INTEREST INCOME	**2,264**
Non-Interest Expense	
Salaries And Employee Benefits	4,173
Occupancy Of Bank Premises	738
Legal & Professional Fees	128
FDIC Insurance Assessment	126
Other	1,911
TOTAL NON-INTEREST EXPENSE	**7,076**
Net Income	**$2,739**

FIRST STATE BANK 2015 ACTUAL TO 2016 FORECAST



EXCEEDING PROJECTIONS

In 2015, First State Bank's

209

EMPLOYEES

volunteered

more than **2,500** HOURS