

GUARANTY BANCSHARES INC /TX/
Form 10-Q
June 20, 2017

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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-38087

GUARANTY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Texas 75-1656431

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)

201 South Jefferson Avenue
Mount Pleasant, Texas 75455
(Address of principal executive offices) (Zip code)
(903) 572 - 9881
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Emerging growth company

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

of the Exchange Act.

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

As of June 20, 2017, there were 11,053,933 outstanding shares of the registrant's common stock, par value \$1.00 per share.

GUARANTY BANCSHARES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GUARANTY BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016	(Unaudited) Pro Forma March 31, 2017
ASSETS			
Cash and due from banks	\$ 32,576	\$ 39,605	\$ 32,576
Federal funds sold	83,175	60,600	83,175
Interest-bearing deposits	28,006	27,338	28,006
Total cash and cash equivalents	143,757	127,543	143,757
Securities available for sale	214,463	156,925	214,463
Securities held to maturity	185,837	189,371	185,837
Loans held for sale	1,446	2,563	1,446
Loans, net	1,241,215	1,233,651	1,241,215
Accrued interest receivable	6,304	7,419	6,304
Premises and equipment, net	44,823	44,810	44,823
Other real estate owned	1,637	1,692	1,637
Cash surrender value of life insurance	17,922	17,804	17,922
Deferred tax asset	4,426	4,892	4,426
Core deposit intangible, net	3,162	3,308	3,162
Goodwill	18,742	18,742	18,742
Other assets	17,465	19,616	17,465
Total assets	\$ 1,901,199	\$ 1,828,336	\$ 1,901,199
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits:			
Noninterest-bearing	\$ 370,810	\$ 358,752	\$ 370,810
Interest-bearing	1,300,361	1,218,039	1,300,361
Total deposits	1,671,171	1,576,791	1,671,171
Securities sold under agreements to repurchase	12,663	10,859	12,663
Accrued interest and other liabilities	7,595	6,006	7,595
Other debt	18,929	18,286	18,929
Federal Home Loan Bank advances	25,165	55,170	25,165
Subordinated debentures	19,310	19,310	19,310
Total liabilities	1,754,833	1,686,422	1,754,833
Commitments and contingent liabilities			
KSOP-owned shares	34,300	31,661	—

GUARANTY BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016	(Unaudited) Pro Forma March 31, 2017
Shareholders' equity			
Preferred stock, \$5.00 par value, 15,000,000 shares authorized, no shares issued	—	—	—
Common stock, \$1.00 par value, 50,000,000 shares authorized, 9,616,275 issued, 8,753,933 and 8,751,923 shares outstanding, respectively	9,616	9,616	9,616
Additional paid-in capital	101,796	101,736	101,796
Retained earnings	60,676	57,160	60,676
Treasury stock, 862,342 and 864,352 shares at cost	(20,087)	(20,111)	(20,087)
Accumulated other comprehensive loss	(5,635)	(6,487)	(5,635)
	146,366	141,914	146,366
Less KSOP-owned shares	34,300	31,661	—
Total shareholders' equity	112,066	110,253	146,366
Total liabilities and shareholders' equity	\$1,901,199	\$1,828,336	\$1,901,199

See accompanying notes to consolidated financial statements.

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GUARANTY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2017	2016
Interest income		
Loans, including fees	\$14,415	\$12,914
Securities		
Taxable	1,311	1,867
Nontaxable	922	515
Federal funds sold and interest-bearing deposits	488	173
Total interest income	17,136	15,469
Interest expense		
Deposits	2,404	2,186
FHLB advances and federal funds purchased	79	64
Subordinated debentures	207	222
Other borrowed money	205	194
Total interest expense	2,895	2,666
Net interest income	14,241	12,803
Provision for loan losses	650	450
Net interest income after provision for loan losses	13,591	12,353
Noninterest income		
Service charges	877	823
Net realized gain on securities transactions	—	37
Net realized gain on sale of loans	429	226
Other operating income	1,976	1,805
Total noninterest income	3,282	2,891
Noninterest expense		
Employee compensation and benefits	6,987	6,450
Occupancy expenses	1,748	1,747
Other operating expenses	3,310	3,280
Total noninterest expense	12,045	11,477
Income before income taxes	4,828	3,767
Income tax provision	1,312	1,090
Net earnings	\$3,516	\$2,677
Basic earnings per share	\$0.40	\$0.30
Diluted earnings per share	\$0.40	\$0.30

See accompanying notes to consolidated financial statements.

6.

GUARANTY BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2017	2016
Net earnings	\$3,516	\$2,677
Other comprehensive income:		
Unrealized gains on securities		
Unrealized holding gains arising during the period	1,229	2,492
Amortization of net unrealized gains on held to maturity securities	18	25
Reclassification adjustment for net gains included in net earnings	—	(37)
Tax effect	(430)	(859)
Unrealized gains on securities, net of tax	817	1,621
Unrealized holding gains (losses) arising during the period on interest rate swaps	35	(225)
Total other comprehensive income	852	1,396
Comprehensive income	\$4,368	\$4,073

See accompanying notes to consolidated financial statements.

7.

GUARANTY BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(Dollars in thousands, except share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Less: KSOP-Owned Shares	Total Shareholders' Equity
For the Three Months Ended								
March 31, 2016								
Balance at December 31, 2015	\$	-\$9,616	\$101,525	\$49,654	\$(16,486)	\$ (6,573)	\$ (35,384)	\$ 102,352
Net earnings	—	—	—	2,677	—	—	—	2,677
Other comprehensive income	—	—	—	—	—	1,396	—	1,396
Purchase of treasury stock	—	—	—	—	—	—	(3,000)	(3,000)
Sale of treasury stock	—	—	—	—	8,557	—	—	8,557
Stock based compensation	—	—	39	—	—	—	—	39
Net change in fair value of KSOP shares	—	—	—	—	—	—	(1,538)	(1,538)
Balance at March 31, 2016	—	9,616	101,564	52,331	(7,929)	(5,177)	(39,922)	110,483
For the Three Months Ended								
March 31, 2017								
Balance at December 31, 2016	—	9,616	101,736	57,160	(20,111)	(6,487)	(31,661)	110,253
Net earnings	—	—	—	3,516	—	—	—	3,516
Other comprehensive income	—	—	—	—	—	852	—	852
Exercise of stock options	—	—	—	—	24	—	—	24
Stock based compensation	—	—	60	—	—	—	—	60
Net change in fair value of KSOP shares	—	—	—	—	—	—	(2,639)	(2,639)
Balance at March 31, 2017	\$	-\$9,616	\$101,796	\$60,676	\$(20,087)	\$ (5,635)	\$ (34,300)	\$ 112,066

See accompanying notes to consolidated financial statements.

8.

GUARANTY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities		
Net earnings	\$3,516	\$2,677
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation	801	777
Amortization	264	241
Deferred taxes	2,402	(496)
Premium amortization, net of discount accretion	1,113	1,172
Net realized gain on securities transactions	—	(37)
Gain on loans held for sale	(429)	(226)
Provision for loan losses	650	450
Origination of loans held for sale	(13,232)	(13,726)
Proceeds from loans held for sale	14,778	12,835
Net loss on sale of premises, equipment, other real estate owned and other assets	27	(8)
Stock based compensation	60	39
Net change in accrued interest receivable and other assets	2,265	(1,286)
Net change in accrued interest payable and other liabilities	21	334
Net cash provided by operating activities	12,236	2,746
Cash flows from investing activities		
Securities available for sale:		
Purchases	(61,965)	(18,252)
Proceeds from sales	—	21,754
Proceeds from maturities and principal repayments	5,203	38,444
Securities held to maturity:		
Purchases	—	(79,649)
Proceeds from sales	—	1,866
Proceeds from maturities and principal repayments	2,892	3,419