

GUARANTY BANCSHARES INC /TX/
Form 10-Q
August 10, 2018

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 June 30, 2018

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 August 10, 2018, there were 11,960,772 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) June 30, 2018	(Audited) December 31, 2017
ASSETS		
Cash and due from banks	\$ 37,944	\$ 40,482
Federal funds sold	56,850	26,175
Interest-bearing deposits	4,186	24,771
Total cash and cash equivalents	98,980	91,428
Securities available for sale	243,490	232,372
Securities held to maturity	167,239	174,684
Loans held for sale	1,731	1,896
Loans, net	1,580,441	1,347,779
Accrued interest receivable	8,667	8,174
Premises and equipment, net	53,396	43,818
Other real estate owned	1,926	2,244
Cash surrender value of life insurance	25,590	19,117
Deferred tax asset	2,902	2,543
Core deposit intangible, net	5,133	2,724
Goodwill	32,019	18,742
Other assets	23,126	17,103
Total assets	\$ 2,244,640	\$ 1,962,624
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	\$ 464,236	\$ 410,009
Interest-bearing	1,384,189	1,266,311
Total deposits	1,848,425	1,676,320
Securities sold under agreements to repurchase	12,588	12,879
Accrued interest and other liabilities	9,515	7,117
Federal Home Loan Bank advances	120,644	45,153
Subordinated debentures	13,810	13,810
Total liabilities	2,004,982	1,755,279

See accompanying notes to consolidated financial statements.

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

	(Unaudited) June 30, 2018	(Audited) December 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, 12,823,114 and 11,921,298 shares issued, and 11,960,772 and 11,058,956 shares outstanding, respectively	12,823	11,921
Additional paid-in capital	184,548	155,601
Retained earnings	72,293	66,037
Treasury stock, 862,342 shares at cost	(20,087) (20,087
Accumulated other comprehensive loss	(9,919) (6,127
Total shareholders' equity	239,658	207,345
Total liabilities and shareholders' equity	\$2,244,640	\$ 1,962,624

See accompanying notes to consolidated financial statements.

5.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income				
Loans, including fees	\$18,242	\$15,214	\$34,498	\$29,629
Securities				
Taxable	1,598	1,401	3,187	2,712
Nontaxable	932	920	1,846	1,842
Federal funds sold and interest-bearing deposits	254	257	533	745
Total interest income	21,026	17,792	40,064	34,928
Interest expense				
Deposits	4,004	2,627	7,278	5,031
FHLB advances and federal funds purchased	374	58	588	137
Subordinated debentures	176	188	343	395
Other borrowed money	13	120	24	325
Total interest expense	4,567	2,993	8,233	5,888
Net interest income	16,459	14,799	31,831	29,040
Provision for loan losses	650	800	1,250	1,450
Net interest income after provision for loan losses	15,809	13,999	30,581	27,590
Noninterest income				
Service charges	852	938	1,740	1,815
Net realized (loss) gain on securities transactions	(51)) 25	(51)) 25
Net realized gain on sale of loans	678	472	1,234	901
Other income	2,437	2,081	4,658	4,057
Total noninterest income	3,916	3,516	7,581	6,798
Noninterest expense				
Employee compensation and benefits	7,789	6,440	15,567	13,427
Occupancy expenses	2,006	1,866	3,859	3,614
Other expenses	4,274	3,600	7,777	6,910
Total noninterest expense	14,069	11,906	27,203	23,951
Income before income taxes	5,656	5,609	10,959	10,437
Income tax provision	1,022	1,633	1,966	2,945
Net earnings	\$4,634	\$3,976	\$8,993	\$7,492
Basic earnings per share	\$0.41	\$0.40	\$0.80	\$0.80
Diluted earnings per share	\$0.41	\$0.39	\$0.80	\$0.79

See accompanying notes to consolidated financial statements.

6.

GUARANTY BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
 (Dollars in thousands)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net earnings	\$4,634	\$3,976	\$8,993	\$7,492
Other comprehensive income:				
Unrealized (losses) gains on securities				
Unrealized holding (losses) gains arising during the period	(649)	1,457	(4,512)	2,686
Amortization of net unrealized gains on held to maturity securities	4	17	22	35
Reclassification adjustment for net losses (gains) included in net earnings	51	(25)	51	(25)
Tax effect	127	(501)	937	(931)
Unrealized (losses) gains on securities, net of tax	(467)	948	(3,502)	1,765
Unrealized holding gains (losses) arising during the period on interest rate swaps	60	(41)	196	(6)
Total other comprehensive (loss) income	(407)	907	(3,306)	1,759
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	—	—	(486)	—
Comprehensive income	\$4,227	\$4,883	\$5,201	\$9,251

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 Six Months Ended								
June 30, 2017								
Balance at December 31, 2016	\$	-\$9,616	\$101,736	\$57,160	\$(20,111)	\$ (6,487)	\$ (31,661)	\$ 110,253
Net earnings	—	—	—	7,492	—	—	—	7,492
Other comprehensive income	—	—	—	—	—	1,759	—	1,759
Terminated KSOP put option	—	—	—	—	—	—	34,300	34,300
Exercise of stock options	—	5	55	—	24	—	—	84
Sale of common stock	—	2,300	53,455	—	—	—	—	55,755
Stock based compensation	—	—	123	—	—	—	—	123
Net change in fair value of KSOP shares	—	—	—	—	—	—	(2,639)	(2,639)
Dividends:								
Common - \$0.26 per share	—	—	—	(2,576)	—	—	—	(2,576)
Balance at June 30, 2017	\$	-\$11,921	\$155,369	\$62,076	\$(20,087)	\$ (4,728)	\$ —	\$ 204,551
For the Six Months Ended								
June 30, 2018								
December 31, 2017	\$	-\$11,921	\$155,601	\$66,037	\$(20,087)	\$ (6,127)	\$ —	\$ 207,345
Net earnings	—	—	—	8,993	—	—	—	8,993
Other comprehensive loss	—	—	—	—	—	(3,306)	—	(3,306)
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	—	—	—	486	—	(486)	—	—
Exercise of stock options	—	2	44	—	—	—	—	46
Issuance of common stock	—	900	28,668	—	—	—	—	29,568
Stock based compensation	—	—	235	—	—	—	—	235
Dividends:								
Common - \$0.28 per share	—	—	—	(3,223)	—	—	—	(3,223)
Balance at June 30, 2018	\$	—	—	—	—	—	—	—