



# ANNUAL REPORT 2016

***Guaranty***  
Bancshares, Inc.

**STRENGTH & STABILITY**





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## Highlights

- Achieved record earnings
- Consistent year-over-year loan growth
- Successful execution of strategic objectives
- Maintained sound asset quality

## Meeting

of Shareholders

April 19, 2017 | 1:00 P.M.  
 Guaranty Bank & Trust  
 100 West Arkansas Street  
 Mount Pleasant, Texas 75455

## Our Mission

“To continually improve the financial well-being of our customers and shareholders.”

### Corporate Office

Address: 201 South Jefferson Avenue | Mount Pleasant, Texas 75455  
 Phone: (888) 572-9881  
 Email: investors@gnty.com  
 Website: gnty.com

GUARANTY BANCSHARES, INC. is the holding company for GUARANTY BANK & TRUST, a \$1.8 billion asset community banking organization with a 100-year history of strength, stability and a proven track record of success in serving its customers and shareholders. As one of the oldest and most respected regional community banks in Texas, Guaranty provides its customers with a full array of relationship-driven commercial and consumer banking services, as well as mortgage, trust and wealth management products and other services that are tailored to meet the needs of small and medium-sized businesses, professionals, and individuals. Guaranty has 26 locations in 18 Texas markets.



**Ty Abston**  
Chairman of the Board & CEO

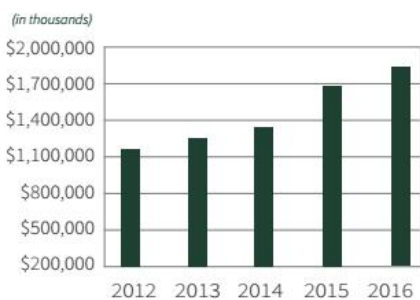
## Message to shareholders

*“The secret sauce behind every great company is always the same. It’s their culture.”*

Dear Fellow Shareholders,

Guaranty Bancshares had a very good year in 2016, with prospects of an even better year in 2017. We achieved record earnings of \$12.1 million, with record growth in total loans and deposits. We ended 2016 with record total assets of over \$1.8 billion. This was accomplished while continuing to execute on our five-year strategy to position the Company well for the future. We are entering the final year of executing this corporate strategy and the earnings drag from these strategic moves is starting to dissipate. During the year we opened two bank locations in Denton and opened our third location in Bryan/College Station. Both of these markets are experiencing strong growth, and we’re very optimistic about their future. We are pleased with our results for 2016 and encouraged by our prospects for the coming years.

### Total Assets





### **Our plans for the coming year...**

In 2017 we will focus on further maturing our recent expansion markets, and finalize our corporate strategic moves, all while continuing to look for new opportunities to expand Guaranty's franchise. Our current models project a very good year for the bank, with several potentially positive developments given the possibility of a lower corporate tax rate, increased economic growth and rising interest rates. Texas is still the place to be. The state as a whole is doing very well, but the regions in which Guaranty does business are doing particularly well. The DFW market continues to be one of the fastest growing areas in the country, as does Central Texas. The economy in East Texas is very stable and secure. All of these factors bode well for our stability and near-term growth prospects.

### **Our vision for the future...**

Guaranty is well positioned for the future. We have a balance sheet that is geographically diverse throughout the state, as well as prudent sector diversification within our balance sheet. With almost \$2 billion in assets, we now have the scale to absorb the escalating costs of doing business as a bank today, while still being able to adequately invest in growth initiatives and produce a fair return for shareholders. Our operational platforms are strong and scalable; and designed to easily bolt on additional market expansions and acquisitions when the right opportunities arise. A large percentage of bank integrations end up in a nightmare scenario for the bank's customers and staff, destroying franchise value along the way. We have operational systems and staffing that are stronger than necessarily required for a \$2 billion bank, but designed to successfully execute integrations when needed and accommodate additional future growth.

All of this will help Guaranty remain a strong and growing independent community bank. Guaranty has proven to be a great long-term investment for its owners over the years. Given how we are positioned today, there is no reason for that not to continue into the future. The key to this continuation will lie in our ability to attract and retain the best and brightest talent, while staying true to our core values and culture, and never becoming complacent or content with our current position or our risk management practices.

### **What we won't be doing...**

We will never turn away from or compromise our core values. As we grow and expand, we will not lose or dilute our strong culture, chase opportunities to the point of being imprudent with our credit underwriting standards, or ever settle on "good enough" when it comes to the quality of our team and leaders. Those actions are the stepping stones to decline in any organization, and most certainly in a business like banking.

### **What it takes to be a great bank...**

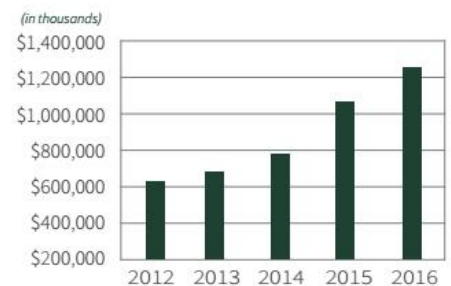
A great bank requires the right amount of two types of capital: financial and human. Financial capital without the right human capital will soon be squandered. Strong human capital without sufficient financial capital will soon disperse for better opportunities. To be successful and continue to grow our bank we require a constant investment in both. Our ability to successfully continue growing this Company is directly correlated with our ability to bring the right talents together to lead our teams. Banking is a risk management business, in which the complexity of that process expands as a bank's balance sheet expands. Simply put, the more financial capital we manage, the more human capital we need to properly manage that capital.



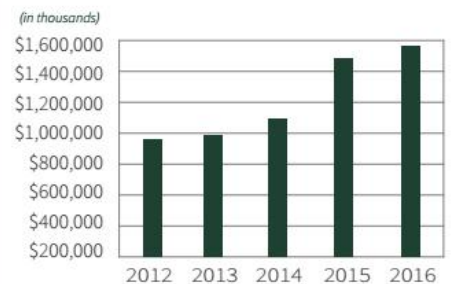
## New Growth

2 NEW LOCATIONS IN DENTON  
AND 1 IN COLLEGE STATION

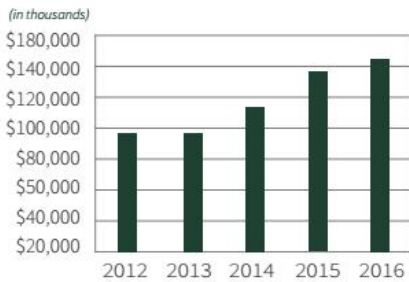
### Total Loans



### Total Deposits



## Total Shareholder Equity



## Culture

THE SECRET SAUCE BEHIND  
EVERY GREAT COMPANY

Guaranty has a very strong balance sheet and financial history. But our greatest strength has always been in the quality of our team. We will continue to raise the performance bar and expectations, and add talent to our team as we grow this Company. History has shown that good companies can go into decline if they allow their financial capital to outpace their human capital. Your management team spends as much time thinking about and evaluating the skills of our people as we do our financial position. This will remain a critical priority for our bank as we continue into the future.

### ***Banking is a risk management business...***

Strong risk management practices are essential to a successful bank. Risk management is not the same as risk elimination. In risk management, risks are accepted as a reality and a part of doing business. They are also necessary components to producing financial returns. But prudence and sound thought is the key to managing outcomes. Business cycles are assured and asset values will always fluctuate, sometimes unexpectedly.

At Guaranty, we will continue to make decisions based on “what can go right” but also consider “what can go wrong.” If we cannot obtain the level of returns we need to justify the level of risks we are being asked to accept or cannot sufficiently mitigate the risks we see to our satisfaction, then we will be patient and wait for better opportunities. We will continue to shy away from riskier assets and credit underwriting practices, regardless of what other banks are offering from one day to the next. We will manage our balance sheet for strength, run our own race, and make prudent, long-term decisions when managing risks.

### ***Culture counts...***

The secret sauce behind every great company is always the same. It's their culture.

The Guaranty culture starts with employee ownership through our Employee Stock Ownership Plan (ESOP). It ends with always doing the right things for the right reasons. Everything in between revolves around attracting and retaining the right people. In 2016 we formally documented our culture in a book called “The Guaranty Culture.” This book is available online for everyone on Guaranty’s team to read whenever they choose. Prospective new hires receive a copy before they join Guaranty so they clearly understand who we are, how we work, what we believe, how we make decisions and what we admire in people. That way we both can determine if they will be a good fit for Guaranty. Prospective bank directors also receive a copy so they too can understand and embrace this culture.

The Guaranty culture, developed over the past 45+ years, is clearly defined and clearly communicated. It forms the core of who we are as a company. To a large degree, it has been the secret to our success. We will preserve, practice and perpetuate this culture at all costs. A copy of our culture book is available to any shareholder upon request. We would love to share it with you.



**Near-term prospects for the banking industry...**

Elections have consequences. Regardless of your personal political leanings, this last national election will certainly have consequences for the banking industry. So far, those consequences appear to be mostly positive as bank stocks have appreciated measurably since the election. The prospects of lower corporate tax rates, reduced regulatory burden, improved economic growth and higher interest rates have significantly improved bank stock valuations. How this continues to play out is anyone's guess, but right now, the prospects of an expansion of bank stock valuations appear to be strong and holding. We will seek to capitalize on this outcome in 2017 and look for ways to further enhance shareholder value and liquidity.

However, we approach this new environment of optimism within the banking industry with a guarded outlook. While many positive signals for banks are present in the marketplace right now, there also exists an unprecedented level of volatility. This uncertainty extends not only to the stock market, but also to the economy and geopolitical landscape. We will be prudent as we navigate this new terrain.

**We need our owners' help...**

As a fellow Guaranty shareholder, we ask you to let us know how we could better serve your personal banking needs in 2017. If you have a banking relationship at another bank, we ask you to consider whether Guaranty can offer you similar products or services to gain your business. Will you accept the challenge of referring a friend or family member to Guaranty in the coming year? If each of our 410 fellow owners will accept the challenge of making just one referral to your bank in 2017, this would go a long way toward helping us achieve our growth goals. Think about it. As owners, when Guaranty wins, we all win.

Our whole team feels very fortunate to have the opportunity to lead such a great company. We look forward to the coming year, and we are very excited about the possibilities that are ahead for our Company. Thank you, fellow shareholders, for your continued investment, support and confidence in Guaranty Bank & Trust and Guaranty Bancshares.



**Ty Abston**  
Chairman of the Board & CEO



# Guaranty Bancshares, Inc.

## Financial Highlights

<i>(in thousands, except per share data)</i>	2012	2013	2014	2015	2016
<b>Operating results</b>					
Net interest income	\$ 31,843	\$ 35,368	\$ 39,123	\$ 47,759	\$ 53,840
Provision for loan losses	1,064	1,745	1,322	2,175	3,640
Non-interest income	11,209	10,848	10,904	11,187	12,711
Net realized gain (loss) on securities	3,590	578	(212)	77	82
Non-interest expense	30,102	31,264	34,754	42,375	46,157
Earnings before provision for income taxes	15,476	13,785	13,739	14,473	16,836
Income tax provision **	4,856	4,009	4,023	4,362	4,715
Net earnings **	10,620	9,776	9,716	10,111	12,121
Core earnings ***	12,950	14,952	15,273	16,571	20,394
<b>At year end</b>					
Total assets	\$ 1,160,070	\$ 1,246,451	\$ 1,334,068	\$ 1,682,640	\$ 1,828,009
Loans, net of allowance	630,113	699,192	784,423	1,063,271	1,236,214
Investments in securities & time deposits	342,839	386,966	358,090	397,975	346,296
Deposits	956,467	1,001,813	1,076,792	1,466,197	1,576,791
Stockholders' equity	97,739	97,095	112,289	137,736	141,914
Common shares outstanding	7,151	7,375	8,016	8,901	8,752
<b>Other financial data</b>					
Return on total assets **	0.95%	0.83%	0.76%	0.65%	0.68%
Return on stockholders' equity **	11.25%	10.13%	8.69%	7.44%	8.34%
Loans to deposits	65.56%	69.79%	73.20%	72.89%	78.97%
Loan loss reserves to loans	1.01%	1.01%	0.98%	0.87%	0.92%
Net yield on interest earning assets	3.07%	3.23%	3.33%	3.33%	3.27%
Tier 1 capital to average assets	8.87%	8.80%	9.05%	8.33%	7.71%
Efficiency ratio	69.92%	67.65%	69.47%	71.89%	69.36%
Charge-offs net of recoveries	\$ 688	\$ 1,006	\$ 694	\$ 633	\$ 1,419
<b>Per share data (adjusted for a 2 for 1 stock split in August 2014)</b>					
Net income **	\$ 1.52	\$ 1.35	\$ 1.25	\$ 1.15	\$ 1.35
Market price (value based on year end numbers)	21.50	22.50	23.00	24.00	26.00
Tangible book value	12.81	11.84	12.89	13.21	13.85
Cash dividends, not including tax as an S corp	0.46	0.47	1.50	0.50	0.52

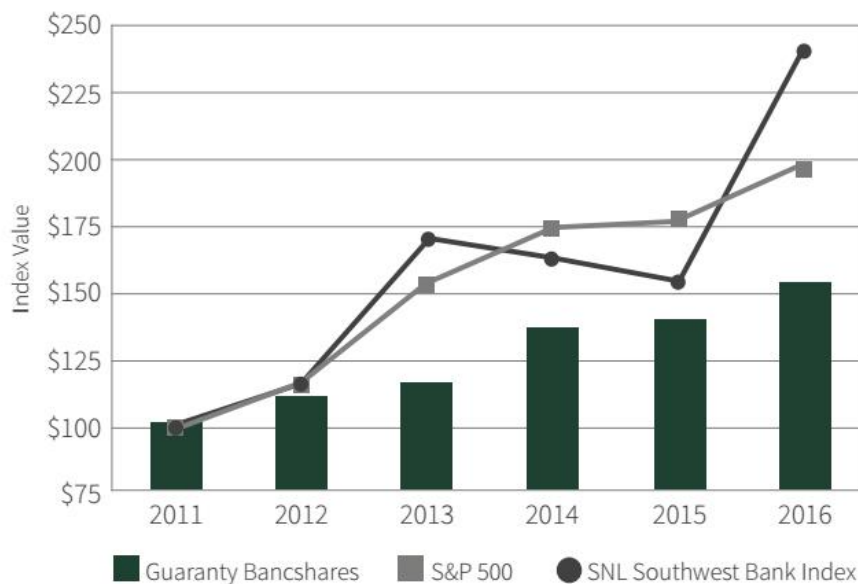
Company was an S corporation from 2005-2013

\*\* Numbers adjusted as if a C corporation in 2012-2013

\*\*\* Pre-tax pre-provision pre-extraordinary



## Guaranty Bancshares, Inc. Total Return Performance



	Guaranty Bancshares	S&P 500	SNL Southwest Bank Index
2011	\$100.00	\$100.00	\$100.00
2012	110.12	116.00	116.99
2013	115.28	153.57	170.52
2014	136.89	174.60	163.78
2015	139.88	177.01	155.28
2016	154.84	198.18	240.66

## Guaranty Bancshares, Inc. Stock Price and Earnings Per Share





## EAST TEXAS

Atlanta  
Bogata  
Commerce  
Hallsville  
Longview  
Mount Pleasant  
Mount Pleasant - South  
Mount Vernon  
New Boston  
Paris  
Paris - Loop  
Pittsburg  
Sulphur Springs  
Texarkana - North Kings Hwy.  
Texarkana - Richmond Road  
Texarkana - West 7th Street  
Texarkana - St. Michael Drive

## DFW

Dallas - Parkway  
Dallas - Preston Center

## Denton

### Denton - South

Rockwall  
Roys City

## CENTRAL TEXAS

Bryan  
College Station  
College Station - South

# Regional Model creating continued growth

For over 100 years, Guaranty has been rooted in the East Texas region. In the last few years, we have expanded into Central Texas and the DFW area. Our new regional model is based on organic growth and acquisitions, and we plan to continue to leverage opportunities that add value to our shareholders and our customers. As the following summaries show, the experienced teams leading each region know how to successfully implement the company's vision, values, and culture.

## East Texas Region

2017 marks the 104th year of operations for Guaranty Bank & Trust in Northeast Texas. With approximately \$1.2 billion in assets in 17 locations spread across 12 communities, the East Texas Region provides the bank with a stable base that supports the company's strategic growth initiatives. A strong core deposit base and a history of prudent lending have led to consistent growth and stability in this region. Longview and Hallsville, markets newer to us, provide additional growth opportunities in the future.

The Bank's strength, stability, and dedicated responsiveness to customer needs have helped the bank earn the reputation as one of the best banks in Northeast



Texas. Five Northeast Texas locations were ranked #1 in market share in their respective communities. Also, Texas Monthly magazine has named Guaranty Bank & Trust one of the Best Companies to Work for in Texas for eight consecutive years, demonstrating that the Guaranty culture contributes significantly to the Bank's success. The Bank is well positioned to take advantage of growth opportunities in Northeast Texas in 2017 and beyond.

The East Texas Region is home to the Guaranty Bank & Trust Deposit and Loan Operation functions, as well as the Internet Banking and IT Departments. Over the past two years, the Company has invested more than \$1 million in improvements to the bank facilities in Mount Pleasant, building out the infrastructure necessary to support the growth of the Bank. Infrastructure improvements have included additional square footage to both the Operations Center and Loan Operations areas. These renovations have accommodated the additional personnel necessary to support our growing operation and has provided additional jobs in the region.

East Texas Region	Loans <i>(in thousands)</i>	Deposits
December 31, 2015	\$731,386	\$1,216,897
December 31, 2016	\$742,572	\$1,223,554

## Central Texas Region

Guaranty posted another banner year in the Central Texas region in 2016, experiencing growth in loans (\$52.9 million or 33%), and growth in deposits (\$47.7 million or 53%). A third full-service location was opened at 2700 Earl Rudder Freeway, Suite 1000, College Station, including with it the exclusive signage rights to a five-story, centrally located office building. A third freestanding ATM was opened at 209 University Drive, College Station, and we also branded 18 ATMs on the Texas A&M University campus. These additions contributed to a successful year and position Guaranty for even more success in 2017.

The Central Texas economy continues to trend upward. Texas A&M University has a large impact on the local economy, and the area also boasts a diverse and progressive mix of medical, construction, and entrepreneurial businesses. Forbes selected College Station as #1 of the Best Small Texas Cities for Jobs, and WalletHub listed it as #15 of the Fastest Growing Local Economies in the U.S. Customers in the region are technologically savvy, idealistic, and appreciative of the personalized service of a strong community bank. In addition to education and other sectors, the retired or semi-retired make up a notable portion of the economy, fueling the growth of customized neighborhood housing, specialized medical practices, and varied concierge service providers. Guaranty has proven to be successful in our ability to cultivate relationships with these diverse customers and businesses.



104<sup>TH</sup>

YEAR IN OPERATION

\$1.2 billion

ASSETS IN 17 LOCATIONS



\$52 million

GROWTH IN LOANS



\$47 million

GROWTH IN DEPOSITS



Its central location—within a 180-mile radius of over 80% of the Texas population—makes Bryan/College Station an ideal regional headquarters for Guaranty. This area's growth, expansion, and increased contributions to the Company are expected to continue well into the future. With our core philosophies, talented bankers, and support, we are excited about continuing to establish a community bank partner to our customers throughout Central Texas.

Central Texas Region	Loans <i>(in thousands)</i>	Deposits
December 31, 2015	\$157,085	\$89,678
December 31, 2016	\$210,018	\$137,392

## DFW Region

The DFW region enjoyed significant activity during 2016, with the addition of two new locations in Denton County and corresponding growth in both loans (\$84 million or 52.37%) and deposits (\$58 million or 37.12%). Our Dallas Drive/Teasley Lane location opened in April 2016. Shortly thereafter, Guaranty was presented an opportunity that allowed for the purchase of a free-standing, full-service location at 3101 Wind River Lane, ideally complementing our Denton expansion strategy. This location was quickly staffed and opened in early August, providing Guaranty customers with two convenient, full-service locations in the Denton market.

In early 2015, Guaranty's strategic expansion into the vibrant, growing DFW market with the acquisitions of Preston State Bank (Dallas) and Texas Leadership Bank (Royse City) was an ambitious move for the Company. The conversion and integration of these two organizations were key to the continued development of Guaranty's regional expansion strategy. Significant time and resources were dedicated in 2016 to the successful execution of this effort. Coupled with the subsequent development of new start-up locations in Rockwall (one) and Denton (two), this effort has generated over \$243 million in new loans and over \$213 million in new deposits for the entire Company.

The DFW region is now poised to provide even greater positive benefit to the Company in 2017 as our new start-up locations have achieved month-to-month, bottom-line profitability and all locations are staffed to accommodate future growth with minimal increases in overhead expenses. Rockwall, Denton, and North Dallas/Plano are among the most sought after markets in the Metroplex. Guaranty is uniquely situated to provide truly personalized, community bank service to our customers while benefiting from opportunities provided by the dynamic, growth-oriented DFW marketplace.

DFW Region	Loans <i>(in thousands)</i>	Deposits
December 31, 2015	\$159,763	\$155,752
December 31, 2016	\$243,436	\$213,572



**\$84 million**  
GROWTH IN LOANS



**\$58 million**  
GROWTH IN DEPOSITS





# Culture

the difference between a good company and a great company



8

STRAIGHT YEARS  
BY TEXAS MONTHLY MAGAZINE

AMERICAN BANKER.

BEST BANKS  
TO WORK  
FOR 2016

IN AMERICA



# Community Outreach

social responsibility and civic engagement

in the communities where we live, work and play



# GUARANTY GIVES BACK

**GUARANTY GIVES BACK** initiative was started to encourage our employees to give their time, talents and resources to the betterment of our communities. Our employees have taken the **GUARANTY GIVES BACK** concept to heart as is evident in the positive impact they have made in their communities. At **GUARANTY BANK & TRUST**, we are committed to serving our communities.

# Guaranty Bank & Trust

## executive management team



**TY ABSTON**  
CHAIRMAN OF THE BOARD &  
CHIEF EXECUTIVE OFFICER



**KIRK LEE**  
VICE CHAIRMAN &  
CHIEF CREDIT OFFICER



**CHUCK COWELL**  
VICE CHAIRMAN



**CAPPY PAYNE**  
SENIOR EXECUTIVE VICE PRESIDENT  
& CHIEF FINANCIAL OFFICER



**MARTIN BELL**  
EXECUTIVE VICE PRESIDENT &  
CHIEF OPERATIONS OFFICER



**RANDY KUCERA**  
EXECUTIVE VICE PRESIDENT &  
GENERAL COUNSEL



**HAL LOWER**  
EXECUTIVE VICE PRESIDENT



**DANNY MUSKRAT**  
EXECUTIVE VICE PRESIDENT &  
CHIEF INFORMATION OFFICER



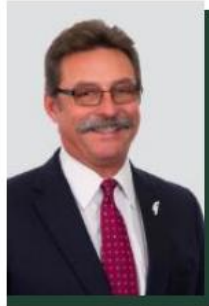
**ROBIN SHARP**  
EXECUTIVE VICE PRESIDENT

# Guaranty Bank & Trust

## board of directors



**TY ABSTON**  
CHAIRMAN OF THE BOARD &  
CHIEF EXECUTIVE OFFICER



**KIRK LEE**  
VICE CHAIRMAN &  
CHIEF CREDIT OFFICER



**CHUCK COWELL**  
VICE CHAIRMAN



**RICKY BAKER**  
KRB INVESTMENTS, LLC



**JEFF BROWN**  
CFO & MANAGING PARTNER  
ROSEROCK



**JIM BUNCH**  
PRESIDENT & CEO  
BWL, INC.



**JOHNNY CONROY**  
INVESTMENTS



**BRAD DRAKE**  
PRESIDENT  
LAMAR FABRICATION



**CHRIS ELLIOTT**  
PRESIDENT  
ELLIOTT AUTO GROUP



**CARL JOHNSON, JR.**  
PRINCIPAL  
BAKER & JOHNSON, CPA



**TIM KELTY**  
BROKER-OWNER  
CENTURY 21 HOMETOWN  
REAL ESTATE



**BRIAN LEE**  
INVESTMENTS  
TITUS COUNTY JUDGE



**BRIAN MASON**  
CHAIRMAN  
LOOK CINEMAS



**MIKE NOLAN**  
PRINCIPAL  
PROTERRA PROPERTIES



**BILL PRIEFERT**  
CHAIRMAN & CEO  
PRIEFERT MANUFACTURING, INC.



**CARL SMITH**  
PRINCIPAL  
HERITAGE CONSTRUCTORS, INC.



# Guaranty Bancshares, Inc.

## board of directors



### **TY ABSTON**

Chairman of the Board & CEO  
Guaranty Bancshares, Inc.

### **RICKY BAKER**

KRB Investments, LLC

### **JIM BUNCH**

President & CEO  
BWI, Inc.

### **JOHNNY CONROY**

Investments

### **BRAD DRAKE**

President  
Lamar Fabrication

### **CHRIS ELLIOTT**

President  
Elliott Auto Group

### **CARL JOHNSON, JR.**

Principal  
Baker & Johnson, CPA

### **KIRK LEE**

President  
Guaranty Bancshares, Inc.

### **WELDON MILLER**

President  
Everybody's Furniture

### **CAPPY PAYNE**

Senior Executive Vice President & CFO  
Guaranty Bancshares, Inc.

### **BILL PRIEFERT**

Chairman & CEO  
Priefert Manufacturing, Inc.

### **ART SCHARLACH**

Investments

## Investors

### **INDEPENDENT AUDITORS**

Whitley Penn  
8343 Douglas Avenue, Suite 400  
Dallas, Texas 75225

### **TRANSFER AGENT**

Guaranty Bancshares, Inc.  
P. O. Box 1158  
Mount Pleasant, Texas 75456-1158  
(888) 572-9881

### **DIVIDEND CALENDAR**

Dividends on Guaranty Bancshares, Inc.  
common stock are payable, if paid,  
quarterly.





# *Guaranty* Bank & Trust

Guaranty Bank & Trust, N.A. | Member FDIC

