GUARANTY BANCSHARES INC /TX/
Form S-1
April 06, 2017
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As filed with the Securities and Exchange Commission on April 6, 2017

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

GUARANTY BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Texas	**6021**	**75-1656431**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification No.)**	**(I.R.S. Employer Identification No.)**

201 South Jefferson Avenue

Mount Pleasant, Texas 75455

(903) 572 - 9881

(Address, Including Zip Code, of Registrant s Principal Executive Offices)

Tyson T. Abston

Chairman and Chief Executive Officer

Guaranty Bancshares, Inc.

201 South Jefferson Avenue

Mount Pleasant, Texas 75455

(903) 572 - 9881

(Name, Address and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee**
Common Stock, $1.00 par value per share	$64,400,000	$7,463.96

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. Includes shares of common stock that the underwriters have the option to purchase pursuant to their over-allotment option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file an amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated April 6, 2017

PRELIMINARY PROSPECTUS

[ ] Shares

Guaranty Bancshares, Inc.

Common Stock

This prospectus relates to the initial public offering of Guaranty Bancshares, Inc. s common stock. We are offering [ ] shares of our common stock.

Since 2005, there has been no established public market for our common stock. We currently estimate that the public offering price of our common stock will be between $[ ] and $[ ] per share. We have applied to list our common stock on the NASDAQ Global Select Market under the symbol GNTY.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 20.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, and are subject to reduced public company reporting requirements. See Implications of Being an Emerging Growth Company.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us, before expenses	$	$

(1) See Underwriting for additional information regarding the underwriting discounts and commissions and certain expenses payable to the underwriters by us.

We have granted the underwriters an option for a period of 30 days following the date of this prospectus to purchase up to an additional [ ] shares of our common stock from us on the same terms set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission, nor any other state securities commission nor any other regulatory authority has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Our common stock is not a deposit or savings account. Our common stock is not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

Delivery of the shares is expected to occur on or about [ ], 2017, subject to customary closing conditions.

Sandler O Neill + Partners, L.P. **Stephens Inc.**

The date of this prospectus is [ ], 2017

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About this Prospectus

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf that we have referred you to. We and the underwriters have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. We are not making an offer of these securities in any state, country or other jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any free writing prospectus is accurate as of any date other than the date of the applicable document regardless of its time of delivery or the time of any sales of our common stock. Our business, financial condition, results of operations and cash flows may have changed since the date of the applicable document.

Market and Industry Data

This prospectus includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys, government agencies and other information available to us, which information may be specific to particular markets or geographic locations. Statements as to our market position are based on market data currently available to us. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe these sources are reliable, we have not independently verified the information. Some data is also based on our good faith estimates, which are derived from management s knowledge of the industry and independent sources. We believe our internal research is reliable, even though such research has not been verified by any independent sources. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus. Trademarks used in this prospectus are the property of their respective owners, although for presentational convenience we may not use the ® or the symbols to identify such trademarks.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in gross revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We will continue to be an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year following the fifth anniversary of this offering; (2) the last day of the fiscal year in which we have more than $1.0 billion in annual gross revenues; (3) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act; or (4) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities. Until we cease to be an emerging growth company, we may take advantage of specified reduced reporting and other regulatory requirements generally unavailable to other public companies. Those provisions allow us: to present only two years of audited financial statements in this prospectus and discuss only our results of operations for two years under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations; to provide less than five years of selected financial data in this prospectus relating to an initial public offering; not to provide an auditor attestation of our internal control over financial reporting; to choose not to comply with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and our audited financial statements; to provide reduced disclosure regarding our executive compensation arrangements pursuant to the rules applicable to smaller reporting companies, which means we do not have to include a Compensation Discussion and Analysis and certain other disclosure regarding our executive compensation; and not to seek a non-binding advisory vote on executive compensation or golden parachute arrangements. We may choose to take advantage of some or all of these reduced reporting and other regulatory requirements. We have elected in this prospectus to take advantage of certain reduced disclosure requirements discussed above, including those related to the presentation and discussion of our audited financial statements and those relating to our executive compensation arrangements.

The JOBS Act also permits an emerging growth company to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. However, we have opted out of this provision. As a result, we will comply with new or revised accounting standards to the same extent that compliance is required for non-emerging growth companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

Termination of Subchapter S Corporation Status

Effective January 1, 2008, we made an election to be taxed for federal income tax purposes as a Subchapter S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. We terminated our election to be taxed as a Subchapter S corporation effective December 31, 2013. During the period we were taxed as a Subchapter S corporation, our net income was not subject to, and we did not pay, U.S. federal income taxes, and we were not required to make any provision or recognize any liability for federal income taxes in our financial statements for the year ended December 31, 2008 through the year ended December 31, 2013. In addition, during these taxable periods that we were a Subchapter S corporation, we paid distributions to our shareholders to assist them in paying the federal income taxes on the pro rata portion of our taxable income that passed through to our shareholders. See Dividend Policy. Effective January 1, 2014, we became subject to federal income taxation as a C corporation under Subchapter C of the Internal Revenue Code, and we established deferred tax assets and liabilities effective December 31, 2013 to reflect the conversion. Accordingly, beginning January 1, 2014, we reflect a provision for federal income taxes on our financial statements. As a result of that change in our status under the federal income tax laws, the net income and earnings per share data presented for the years ended December 31, 2013 and 2012, in the section of this prospectus entitled Selected Historical Consolidated Financial Information, which do not include any provision for federal income taxes, will not be comparable with our historical financial statements for the years ended December 31, 2016, 2015 and 2014, or our future net income and earnings per share, which will be calculated by including a provision for federal income taxes. However, we have included in this prospectus adjusted financial information showing income tax expense and net earnings as if we were a C corporation at the beginning of the earliest period presented.

KSOP Repurchase Right Termination

In accordance with applicable provisions of the Internal Revenue Code, the terms of our employee stock ownership plan, or KSOP, currently provide that KSOP participants have the right, for a specified period of time, to require us to repurchase shares of our common stock that are distributed to them by the KSOP. As a result, the shares of common stock held by the KSOP are reflected in our consolidated balance sheet as a line item (called KSOP-owned shares) appearing between total liabilities and shareholders equity. As a result, the KSOP-owned shares are deducted from shareholders equity in our consolidated balance sheet. This repurchase right will terminate upon the closing of this offering and the listing of our common stock on the NASDAQ Global Select Market, which we sometimes refer to as the KSOP Repurchase Right Termination, whereupon our repurchase liability will be extinguished and the KSOP-owned shares will not be deducted from shareholders equity.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, together with our consolidated financial statements and the related notes, before making an investment decision. Unless the context indicates otherwise, references in this prospectus to we, our, us, the Company and Guaranty refer to Guaranty Bancshares, Inc., a Texas corporation and its consolidated subsidiaries. References in this prospectus to Guaranty Bank & Trust and the Bank refer to Guaranty Bank & Trust, N.A., a national banking association and our wholly owned consolidated subsidiary.

Our Company

We are a bank holding company, with headquarters in Mount Pleasant, Texas, and additional executive offices in Dallas and Bryan, Texas. Through our wholly owned subsidiary, Guaranty Bank & Trust, a national banking association, we provide a wide range of relationship-driven commercial and consumer banking, as well as trust and wealth management, products and services that are tailored to meet the needs of small- and medium-sized businesses, professionals and individuals.

As of December 31, 2016, we had total assets of $1.8 billion, total loans of $1.2 billion, total deposits of $1.6 billion and total shareholders equity of $110.3 million.

Our History and Growth

Guaranty Bank & Trust was originally chartered as a Texas state banking association over a century ago in 1913, and converted its charter to a national banking association in 2012. Guaranty was incorporated in 1990 to serve as the holding company for Guaranty Bank & Trust. Since our founding, we have built a strong reputation based on financial stability and community leadership. In 2013 and 2015, we expanded our markets from East Texas to include Bryan/College Station and the Dallas/Fort Worth metroplex, respectively. We currently operate 26 banking locations in 18 Texas communities. Our growth has been consistent and primarily organic. We have achieved organic growth by enhancing our lending and deposit relationships with existing customers and attracting new customers, as well as cross-selling our deposit, mortgage, trust and wealth management and treasury management products. Our expansion strategy has enabled us to access markets with stronger loan demand, achieve consistent growth, maintain stable operating efficiencies, preserve our historically conservative credit culture, and provide shareholders with stable earnings throughout credit cycles.

We have supplemented our organic growth and leveraged our strong deposit base with strategic acquisitions and the establishment of *de novo* banking locations. In 2011, we expanded our market share within the Texarkana, Texas area of our East Texas market with the acquisition of all loans and deposits of the Texarkana, Texas banking location of American State Bank. In 2013, we completed the acquisition of The First State Bank, which was located in Hallsville, Texas. We believe this acquisition provided a stable and established platform to expand within the Longview, Texas area of our East Texas market. We have historically experienced consistent growth in our East Texas market. As of December 31, 2011, we had total loans attributable to the East Texas market of $606.3 million and total deposits of $931.8 million, which have grown to total loans of $743.7 million and total deposits of $1.2 billion as of December 31, 2016.

In 2013, we expanded outside of East Texas when we established a *de novo* banking location in the growing Bryan/College Station, Texas market. We established two more *de novo* banking locations in this market in 2014 and

2016 and continue to operate all three banking locations. Our strong and stable core deposit base has

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allowed us to achieve organic loan growth in the Bryan/College Station market, which has increased our interest income. As of December 31, 2016, we had total loans of $210.2 million and total deposits of $137.4 million attributable to the Bryan/College Station market.

In March 2015, we entered the Dallas/Fort Worth metroplex market with the acquisition of DCB Financial Corp., or DCB Financial, which owned Preston State Bank, a Texas state-chartered bank headquartered in Dallas, Texas. At the time of our acquisition, DCB Financial operated two locations in Dallas, Texas, each of which continues to operate as a banking location of Guaranty Bank & Trust. In April 2015, we completed the acquisition of Texas Leadership Bank, a Texas state-chartered bank headquartered in Royse City, Texas, which is on the eastern side of the Dallas/Fort Worth metroplex. At the time of our acquisition, Texas Leadership Bank operated from a single banking location in Royse City, which we continue to operate. In September 2015, we established a *de novo* banking location in Rockwall, Texas, which is located approximately 10 miles west of Royse City and 20 miles east of downtown Dallas.

In May 2016, we established a *de novo* banking location in Denton, Texas, which is located approximately 40 miles north of downtown Dallas. In August 2016, we completed the acquisition of a full service Denton banking location from Independent Bank, in which we assumed certain deposits and acquired all of the fixed assets of the location. We currently operate the former banking location of Independent Bank as a location of Guaranty Bank & Trust.

Our acquisitions of DCB Financial, Texas Leadership Bank and the acquired Denton location, as well as the establishment of our *de novo* banking locations in Rockwall and Denton, are consistent with our strategy of expanding into the Dallas/Fort Worth metroplex. In total, the aggregate estimated fair values recorded at the time of acquisition in our three Dallas/Fort Worth metroplex acquisitions were $161.7 million in total loans and $164.6 million in total deposits. As of December 31, 2016, we had grown our total loans attributable to the Dallas/Fort Worth metroplex market to $291.3 million and our total deposits to $213.6 million.

Following completion of our acquisitions in the Dallas/Fort Worth metroplex in 2015, we established an executive office in Dallas, which houses our Chief Executive Officer and Chief Financial Officer, as well as our accounting, internal audit, marketing, loan review, treasury management, mortgage warehouse lending and mortgage departments. Mount Pleasant will continue to serve as the headquarters of Guaranty Bank & Trust and houses our credit operations, deposit services, information technology and human resources departments. We remain committed to successful integration with and expansion into the Dallas/Fort Worth metroplex and believe that establishing executive offices in Dallas promotes our strategic initiatives to attract quality banking talent and pursue quality loans within a growing metropolitan market, thereby growing our franchise in the Dallas/Fort Worth metroplex. In addition, we believe that maintaining our deposit services and primary operational departments in Mount Pleasant will allow us to support our continued growth in a cost-efficient manner.

Our Achievements and Highlights

Our financial and operational achievements and highlights include the following:

Strong Brand and Reputation. During our more than 100-year operating history, we have forged long-standing relationships with our customers and employees and have developed deep ties to the East Texas communities that we serve. We are continuously working to solidify our brand and reputation in our newest markets in Dallas/Fort Worth and Bryan/College Station through our strong and active community involvement. In 2016, *American Banker Magazine* named us #15 on their list of Best Banks to Work for, a designation awarded to 60 banks throughout the nation. We were also named as one of the 100 Best Companies to Work for in Texas by *Texas Monthly* magazine for the eighth consecutive year in 2017.

Successful Execution of Strategic Objectives. The Company s executive officers and board of directors established a five year strategic plan in 2012 to achieve meaningful loan growth while maintaining our disciplined underwriting principles and remaining conservative in our securities portfolio. In furtherance of these objectives, the strategic plan included identifying high growth and complementary markets to the Company s East Texas footprint to establish *de novo* locations consistent with an organic growth focus while simultaneously pursuing strategic acquisitions when culture, personnel and geography were favorable. The Company has grown its total assets from $1.1 billion as of December 31, 2011 to $1.8 billion as of December 31, 2016, an increase of 63.6%. During that same time period, we added 12 banking locations, of which six were *de novo* locations and six were added through strategic acquisitions. While the costs of pursuing this aggressive five year strategic plan limited shareholder returns during this time period, the board of directors supported this approach because of its long-term scalability and potential to increase shareholder value. To date, the Company has experienced smooth integrations of all of its new banking locations and established what the Company believes is a strong foundation for a highly successful and profitable business with continued growth and strong future shareholder returns.

Leadership in Primary Markets. We have a significant East Texas franchise, as demonstrated by our deposit market share in our primary markets. According to data compiled by the Federal Deposit Insurance Corporation, or FDIC, our deposit market share in the East Texas counties of Titus, Bowie and Lamar was approximately 52.3%, 18.0% and 19.7 %, respectively, as of June 30, 2016, the most recent date for which market share data is available. These three counties represented approximately 52.6% of our total deposits at that date. We more than doubled our market share of deposits in Brazos County (Bryan/College Station market) from June 30, 2015 to June 30, 2016, with growth in total deposits in that market from $57.7 million to $136.4 million, which represented approximately 9.1% of our total deposits as of that date. In our Dallas/Fort Worth metroplex market, we grew the $159.9 million in deposits we acquired in March and April of 2015 to $177.0 million as of June 30, 2016, an increase of 10.6%. As of June 30, 2016, we maintained a top three deposit market share ranking in seven of the 15 Texas counties in which we operate banking locations and a top 10 ranking in 12 of the 15 Texas counties in which we operate banking locations.

Consistent Growth and Stable Performance. During each of the last five years, we have achieved no less than a 9.5% compound annual growth rate for each of total assets, total deposits and total loans. We maintained our profitability during the recent economic recession, which generally adversely impacted the banking and financial services industries and, most recently, attained an 8.3% return on average equity for the year ended December 31, 2016.

Disciplined Credit Culture. Our in-depth knowledge of our markets, stringent credit approval processes and disciplined balance sheet growth strategies have allowed us to maintain sound asset quality while achieving meaningful loan growth. Our average annualized net charge-offs as a percentage of average loans was 0.12% over the past ten years and was 0.12% for the year ending December 31, 2016. Our average non-performing assets as a percentage of total assets was 0.64% over the past ten years and was 0.36% for the year ended December 31, 2016. We maintain a long-term focus on our financial performance by continually managing risk on our balance sheet with the intent of producing consistent results.

Investment in Technology. We also maintain a long-term focus on our franchise and have made significant investments in our information technology infrastructure, personnel and our digital banking products and services. We believe that these investments have enabled us to more effectively compete with larger institutions while retaining our ability to offer customized, relationship-based services to our customers, and to more easily accommodate future growth and expansion into new markets.

Growth and Expansion Strategy

Our strategic plan is to be a leading Texas bank holding company with a commitment to operate as a community bank as we continue to execute our expansion strategy. Our expansion strategy is to generate shareholder value through the following:

Maintain Focus on Organic Growth. Focusing on organic growth is a strategy that allows us to generate stable funding sources without the non-amortizing goodwill assets and core deposit intangibles that strategic acquisitions might add to our balance sheet. By design during the past several years, we have offered money market and demand deposit interest rates slightly higher than our peers, especially in our newer markets, to encourage the growth of these core deposits and set the foundation for strong customer relationships. We believe that these core deposits will become significantly more valuable and desirable because the ability to attract core deposits at a low cost will diminish as interest rates increase and alternative funding sources become more expensive. Much of our organic growth in 2015 and 2016 was attributable to our newer markets of Bryan/College Station and the Dallas/Fort Worth metroplex, which we believe provide significant additional opportunities for organic growth in future years.

We have a history of being a leading provider of financial services to small- and medium-sized businesses (generally with annual revenues of $50.0 million or less), professionals and individuals in our traditional East Texas market. In addition, we believe that our significant core deposit franchise in East Texas provides a stable funding source for meaningful loan growth in existing and new markets. Across all of our markets, we believe that customers value the relationship-driven, quality service we provide, as well as our deep, long-term understanding of their local communities. Primarily as a result of bank consolidation in our markets, we believe that there are few banking institutions in these markets that have the size or focus to provide comparable levels of service. We also believe that these consolidation trends with respect to our competitors, particularly in the Dallas/Fort Worth metroplex, present opportunities to acquire new customers and valuable employees from these institutions. The charts below illustrate our successful commitment to organic loan and deposit growth across our markets, while taking advantage of strategic acquisition opportunities that arise from time to time.

Pursue Strategic Acquisitions. We intend to continue to grow through strategic acquisitions within our current markets and in other complementary markets, and we believe having publicly-traded common stock will improve our ability to compete for acquisitions. We seek acquisitions that provide meaningful financial benefits through long-term organic growth opportunities and expense reductions, while maintaining our current risk profile. Though we do not currently have any specific or immediate acquisition plans, in order to achieve these goals, we seek acquisition opportunities involving talented bankers and banking teams that can execute our business model and contribute to our growth objectives. Additionally, we seek banking markets with favorable competitive dynamics and potential consolidation opportunities. We believe that many smaller financial institutions will consider us an ideal long-term partner due to our community banking philosophy, commitment to employee stock ownership and our culture of teamwork.

Establish De Novo Banking Locations. We intend to open *de novo* banking locations in our existing and other attractive markets in Texas to further diversify our banking location network. In September 2015 and May 2016, we opened *de novo* banking locations in Rockwall and Denton, respectively, which are both located in the Dallas/Fort Worth metroplex. Total loans and deposits at the two new locations were $34.1 million and $27.1 million, respectively, as of December 31, 2016. We also opened *de novo* banking locations in Bryan/College Station, Texas in June 2013, April 2014 and June 2016. As of December 31, 2016, total loans and deposits in our three Bryan/College Station locations were $210.2 million and $137.4 million, respectively. The total loans attributable to the Bryan/College Station and Dallas/Fort Worth metroplex markets comprised approximately 16.8% and 23.3%, respectively, of our total loans as of December 31, 2016. We believe these markets have the ability to flourish through varying economic conditions.

We believe that the Dallas/Fort Worth metroplex and surrounding communities are complementary to our established presence in East Texas. Our lending focus in the Bryan/College Station and Dallas/Fort Worth metroplex markets has been primarily on commercial real estate and other real estate loans, which provides diversity within our loan portfolio and complements our traditional small business and retail lending activities in our East Texas market. While we do not currently have specific plans to open *de novo* branches, our Bryan/College Station presence provides us with a platform to grow and ready access to other nearby larger markets, including Austin, San Antonio and Houston. Prior to entering a new market, we identify and build a team of experienced, successful bankers with market-specific knowledge to lead the Bank s operations in that market, including a local president. As we enter new markets, we also seek to establish a reputation for providing personal and dependable service and active community involvement, which we believe facilitates lasting relationships and continued growth.

Expand Revenue Sources. We seek to provide additional services to our customers in order to augment and diversify our revenue sources. For the year ended December 31, 2016, noninterest income represented approximately $13.0 million, or 19.5%, of our total revenue of $66.9 million (defined as net interest income plus noninterest income).

In 2015, we established a warehouse mortgage lending division in connection with our acquisition of DCB Financial and hired experienced personnel in 2015 to grow this new line of business. Revenues for the warehouse division are derived primarily from loan origination fees, interest on advances and transaction fees, and the division has experienced significant growth since it was established. Total mortgage amounts funded through warehouse lines of credit during the year ending December 31, 2015 were $332.3 million, which produced noninterest income of $154,900. Total mortgage amounts funded through warehouse lines of credit during

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the year ending December 31, 2016 were $978.1 million, which produced noninterest income of $425,200. Despite the significant growth, there have been no mortgage repurchases or losses experienced with our warehouse lending borrowers since inception of the division. In addition, Guaranty Bank & Trust is working to expand into eWarehouse lending, which allows a mortgage loan to close, fund and sell to the end investor entirely electronically, and we expect to produce our first eWarehouse line of credit in the second quarter of 2017. As of the date of this prospectus, only five financial institutions in the nation are included in the list of warehouse lenders currently funding eNotes that is maintained by the Federal National Mortgage Association, or Fannie Mae. As such, we expect to be one of very few banks offering eWarehouse lending and anticipate growth in our warehouse lending division as mortgage originators, consumers and investors increasingly transition to paperless mortgages, driving demand for eWarehouse lines of credit. We believe that our mortgage warehouse division offers significant potential for future revenue.

Consistent with our focus on cross-selling services to our customers, we offer trust and wealth management services through Guaranty Bank & Trust Wealth Management Group and mortgage services through our mortgage department, both of which operate as divisions of Guaranty Bank & Trust. As of December 31, 2016, our Wealth Management Group had total assets under management of $265.7 million. During the year ended December 31, 2016, our mortgage department originated $62.6 million in mortgage loans. Both divisions are well established and have significant growth potential in our newer Dallas/Fort Worth metroplex and Bryan/College Station markets, each of which has a higher volume of home sales and a larger concentration of high net worth individuals as compared to our traditional East Texas market. Our mortgage origination strategy is to increase market share without sacrificing our standards and regardless of fluctuations in interest rates or volume. We have developed a scalable platform for mortgage originations within our mortgage department and believe that we have significant opportunities to grow this segment of our business. In an effort to further grow our wealth management and mortgage divisions in Bryan/College Station and the Dallas/Fort Worth metroplex, we intend to enhance our business development and cross-selling efforts in those markets.

Although we are devoting substantial resources in furtherance of our expansion strategy, there are no assurances that we will be able to further implement our expansion strategy or that any of the components of our expansion strategy will be successful.

Our Community Banking Philosophy and Culture

We focus on a community-based relationship model, as opposed to a line of business model, because we believe the community-based relationship model promotes an entrepreneurial attitude within our Company while providing personal attention and solutions tailored to our customers. Our culture is one of employee ownership and it is something we take very seriously. In 2016, we formally documented our culture in a book called The Guaranty Culture, which we give to all prospective new hires and directors before they join our team so that they clearly understand who we are, how we work, what we believe, how we make decisions and what we admire in people.

We believe a great bank requires the right amount of two forms of capital: financial and human. We understand that our ability to successfully deploy our financial capital is directly related to our ability to bring the right talents together to lead our teams. This focus on human capital has rewarded us with a cohesive group of directors, officers and employees that we believe is our greatest asset. We have invested in a robust management training program designed to develop comprehensive bankers who understand all aspects of our operations and

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embrace our core values. The training program generally lasts 18-24 months and includes rotations through each primary department of the Bank. Successful graduates of our training program are typically promoted to a managerial position upon completion and we currently have graduates in management, lending and operational roles. Several of the Bank s market presidents and managers are graduates of our training program.

We have developed a network of banking locations strategically positioned in separate and distinct communities. Each community where we have a banking location is overseen by a local market president or manager, and we emphasize local decision-making by experienced bankers supported by centralized risk and credit oversight. We believe that employing local decision makers, supported by industry-leading technology and centralized operational and credit administration support from our corporate headquarters, allows us to serve our customers individual needs while managing risk on a uniform basis. We intend to repeat this scalable model in each market in which we are able to identify high-caliber bankers with a strong banking team. We empower these bankers to implement our operating strategy, grow our customer base and provide the highest level of customer service possible. We believe our organizational approach enables us to attract and retain talented bankers and banking teams who desire the combination of the Bank s size and loan limits, dedication to culture, commitment to our communities, local decision-making authority, compensation structure and focus on relationship banking.

Competitive Strengths

We believe the following competitive strengths support our growth and expansion strategy:

Experienced Executive Management Team. The Bank has a seasoned and experienced executive management team with a combined 277 years of experience in financial services businesses between its nine members. Our executive management team has successfully managed profitable organic growth, executed acquisitions, developed a strong credit culture and implemented a relationship-based approach to commercial and consumer banking. In addition, our executive management team has extensive knowledge of the bank regulatory landscape, significant experience navigating interest rate and credit cycles and a history of working together. The nine members of the Bank s executive management team have worked for the Bank for a combined 130 years.

Employee Ownership Mentality. As of December 31, 2016, our directors, officers and employees, as a group, beneficially owned approximately 37.8% of our outstanding shares of common stock (including 15.1% of our outstanding shares which are owned by our KSOP). Many of our employees interests in the KSOP represent material portions of their net worth, particularly our long-tenured employees. We believe that the KSOP s material ownership position promotes an owner-operator mentality among our employees, from senior officers to entry-level employees, which we believe enhances our employees dedication to our organization and the execution of our strategy. In addition, we believe the KSOP enhances our ability to attract and retain quality employees. In 2017, *Texas Monthly* magazine named the Bank as one of the 100 Best Companies to Work for in Texas for the eighth consecutive year, and we were named #15 on the national list of the Best Banks to Work for published by *American Banker Magazine*, with both awards having been determined on the basis of anonymous employee surveys.

Proven Successful Execution of Growth Strategies. We have developed a strategic growth plan that allows the Company to quickly identify and efficiently execute corporate transactions that we believe enhance our geographic footprint and enterprise value. Since 2011, we have successfully integrated six acquired locations into our Company through what we believe is an effective combination of comprehensive integration planning, extensive management experience with expansion, and a welcoming and flexible culture of employee ownership. In that same time period, we also established six de novo locations outside of our historical East Texas market, achieving our objectives for organic growth within our anticipated time periods and successfully integrating new local management teams and employees into our Company. Accordingly, we have a proven track record of executing value-added acquisitions and achieving consistent, meaningful organic growth.

Scalable Platform. Utilizing the significant prior experience of our management team and employees, we believe that we have built a strong and scalable operational platform, including technology and banking processes and infrastructure, capable of supporting future organic growth and acquisitions when the right opportunities arise. We maintain operational systems and staffing that we believe are stronger than necessarily required for a financial institution of our size in order to successfully execute integrations when needed and accommodate future growth without a commensurate need for expansion of our back office capabilities. We believe our platform allows us to focus on growing the revenue-generating divisions of our business while maintaining our operational efficiencies, resulting in improved profitability.

Disciplined Credit Culture and Robust Risk Management Systems. We seek to prudently mitigate and manage our risks through a disciplined, enterprise-wide approach to risk management, particularly credit, compliance, operational and interest rate risk. All of the Bank s executive officers serve on the Bank s Enterprise Risk Management Committee. We endeavor to maintain asset quality through an emphasis on local market knowledge, long-term customer relationships, consistent and thorough underwriting for all loans and a conservative credit culture. We have not traditionally engaged in significant oil and gas related lending, with only 0.36% of our total loan portfolio, or $4.5 million, consisting of oil and gas related loans as of December 31, 2016. Due to our conservative credit culture, our highest annual rate of net loan charge-offs as a percentage of average loans over the past ten years was 0.17% (compared to an average of 0.57% for all banks between $1.0 billion and $3.0 billion in assets located in the Dallas/Fort Worth metroplex, East Texas or Central Texas regions, which we refer to as our regional peer group, and compared to an average of 1.01% for all banks of the same size nationally, which we refer to as our national peer group), and our average annual rate of nonperforming assets as a percentage of total assets over the same period never exceeded 0.99% (compared to regional peer group average highest annual rate of 2.2%). As illustrated in the chart below, the Bank significantly outperformed our regional and national peer groups during the last financial crisis period (2008 2011) with respect to net loan charge-offs as a percentage of average loans.

Brand Strength and Reputation. We believe our brand recognition, including the Guaranty name and our iconic G logo, which is prominently displayed in all of our advertising and marketing materials and has been trademarked to preserve its integrity, is an important element of our business model and a key driver of our future growth. We have developed our brand primarily through strategic marketing and advertising initiatives and through our involvement and visibility within the communities we serve. We believe our reputation for providing personal and dependable service and active community involvement is well established in our traditional East Texas market, and we are continuously striving to replicate that brand awareness and reputation in our newer markets of Bryan/College Station and the Dallas/Fort Worth metroplex through a high level of community involvement and the targeted hiring of employees with strong relationships and reputations within these markets. We believe the strength of our brand and our reputation enable us to attract customers who value our customer service mission and banking teams that value our market management model and entrepreneurial culture.

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Diversified Markets. We operate in diverse markets that we believe are stable and growing. We have designated East Texas, Bryan/College Station and the Dallas/Fort Worth metroplex as our primary markets; however, our longer-term strategy is to expand our markets to include other major metropolitan areas of Texas. The differing characteristics of our various markets have allowed us to grow a balanced and diverse loan portfolio, without any significant customer or lending segment concentrations. In addition, we have historically managed our commercial real estate concentration ratios at or below current regulatory guidelines. The graph below shows our loan portfolio composition for each of our three markets.

Stable Core Deposit Base. We believe our traditional East Texas market provides a historically stable source of core deposits and will become a greater source of funding as interest rates increase and core deposits become more difficult and more expensive to attract, especially in more competitive markets. As we enter new markets, we believe that our stable core deposit base enhances our ability to pursue loans in large, high growth markets and to fund other new revenue sources such as our warehouse lending division. As of December 31, 2016, our non-interest bearing deposits were 22.75% of our total deposits. Among our interest-bearing deposits, 72.0% were in less volatile NOW, savings and money market accounts.

Our cost of interest-bearing deposits has decreased from 0.85% for the year ended December 31, 2012 to an annual average of 0.64% for the four years ended December 31, 2016. We have historically paid slightly higher rates on interest-bearing deposits than our peers in an effort to attract and maintain core deposits, especially in low interest rate environments like the current one. In furtherance of this strategy, our overall cost of funds increased slightly compared to our peers during the years ended December 31, 2014, 2015 and 2016 as we intentionally offered slightly higher rates on deposits in our Bryan/College Station and Dallas/Fort Worth metroplex markets in an effort to attract depositors to our *de novo* banking locations and solidify new customer relationships in those

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markets. While we have successfully completed strategic acquisitions in the past and will continue to thoughtfully consider acquisition opportunities, we believe the costs of growing our core deposits organically in this manner are often less than the costs of the goodwill and core deposit intangibles that typically accompany strategic acquisitions and that the customer relationships we build are deeper and longer-lasting. We also have not historically relied on brokered deposits.

Technology and Online Banking Leadership. We believe that financial institutions are increasingly becoming technology companies, and we invest in technology that we believe should enhance our business and customer experience, as well as enable us to integrate and oversee our banking location network while operating in geographically disparate markets. To implement our commitment to technology, we have developed our technology team to include specialists in virtualization, storage area networks, and information security. The investment we have made in a new core processing system has created a scalable corporate infrastructure that has significantly expanded our ability to handle continued growth and improve our levels of operational efficiency. We have continued to enhance our online presence through improvements to our digital banking platforms. We have also invested in our business intelligence and data analytics platforms, which allow us to make better decisions through observed trends and behaviors identified across multiple information systems. Finally, we have developed internal expertise in business platform application development that has improved our ability to create dynamic and customized applications to meet our evolving needs for processing and reporting across all areas of our organization.

Our Markets

We consider our current market areas to be East Texas, Bryan/College Station and the Dallas/Fort Worth metroplex. We serve these communities from our headquarters in Mount Pleasant, Texas and through a network of 17 banking locations within East Texas, three banking locations in Bryan/College Station and six banking locations in the Dallas/Fort Worth metroplex. As part of our strategic plan, we intend to further diversify our markets through entry into other large metropolitan markets in Texas. In addition to our recent expansions into Bryan/College Station and the Dallas/Fort Worth metroplex, we believe there are several markets in the Central Texas region that are attractive for future expansion, particularly due to those markets proximity to our Dallas/Fort Worth and Bryan/College Station markets.

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We have a significant East Texas franchise as demonstrated by our deposit market share in the East Texas counties in which we operate. According to data compiled by the FDIC, our deposit market share in the East Texas counties of Titus, Bowie and Lamar was approximately 52.3%, 18.0% and 19.7 %, respectively, as of June 30, 2016. These three counties represent approximately 52.6% of our total deposits. As of June 30, 2016, we were one of the three largest banks by deposit share in seven of the 15 Texas counties in which we operate banking locations and one of the ten largest banks by market share in 12 of the 15 Texas counties in which we operate banking locations. We more than doubled our market share of deposits in Brazos County (Bryan and College Station locations) from June 30, 2015 to June 30, 2016, which represented approximately 9.1% of our total deposits as of that date and positioned us as one of the 10 largest banks by deposit share in the county entirely through organic growth only three years after first entering the market. The table below shows data for each of the counties and markets in which we have banking locations regarding total deposits, deposit market share, and compound average growth rates for deposits since June 30, 2011.

Texas County	Total Deposits ($000)	Deposit Share Rank	# of Banking Locations	Deposit Market Share (%)	Five Year Deposit CAGR (%)
East Texas					
Titus	$ 338,570	1	2	52.3	4.5
Bowie	258,935	1	5	18.0	3.9
Lamar	190,753	3	2	19.7	5.2
Hopkins	83,212	3	1	12.7	1.6
Camp	59,080	3	1	22.2	1.6
Gregg	55,472	14	2	1.7	79.7
Hunt	52,699	5	1	5.5	1.9
Red River	44,010	2	1	27.8	0.2
Harrison	35,920	8	1	4.4	3.3
Franklin	35,440	2	1	15.8	2.9
Cass	31,128	4	1	9.6	16.7
Dallas/Fort Worth Metroplex					
Dallas	104,878	54	2	0.1	N/A
Rockwall	61,018	7	2	4.3	N/A
Denton	11,056	34	2	0.1	N/A
Bryan/College Station					
Brazos	136,445	10	2	3.0	N/A
Total	**$ 1,498,616**		**26**		**10.7**

* Data as of June 30, 2016; Source: FDIC. As of December 31, 2016, we operated three banking locations in Brazos County and one in Gregg County.

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Our traditional East Texas market is a stable region comprised primarily of smaller communities served by forestry, oil and gas, manufacturing, government, education and healthcare related industries. According to the Texas Comptroller of Public Accounts, job growth in East Texas for the period between 2004 and 2014 was 9.8%, compared to 5.5% nationally during the same period. Major employers in our East Texas market include Kimberly-Clark, Campbell Soup, Pilgrim s Pride, Priefert Manufacturing, Luminant Electric Generation and Mining, Big Tex Trailer Manufacturing, Walmart, Eastman Chemical, Red River Army Depot & Tenants, Cooper Tire & Rubber, International Paper and several regional and county hospitals, government agencies and independent school districts. The table below includes some basic information on each of the East Texas counties in which we operate:

Texas County	**Population (2015 estimate)**	**Population Growth since 2010 (estimated)**	**Median Household Income (2015 estimate)**
Bowie	93,389	0.9%	$ 42,670
Camp	12,682	2.3%	$ 37,851
Cass	30,313	-0.5%	$ 37,352
Franklin	10,651	0.4%	$ 41,537
Gregg	124,108	1.9%	$ 47,639
Harrison	66,746	1.7%	$ 45,974
Hopkins	36,223	3.0%	$ 44,936
Hunt	89,844	4.3%	$ 45,197
Lamar	49,440	-0.7%	$ 40,748
Red River	12,455	-3.2%	$ 31,563
Titus	32,623	0.9%	$ 44,178

* Data as of July 1, 2015; Source: US Census Bureau.

Our East Texas market has a relatively low cost of living and a workforce with lower wage requirements as compared to more urban areas of Texas. According to the Texas Workforce Commission, the mean annual wages for all occupations in the North East Texas Workforce Development Area (which includes thirteen of our twenty-six locations, including our headquarters, and almost two-thirds of our deposits) for the second quarter of 2016 was $37,076, compared to $52,000 in Texas and $51,428 nationally. According to the Texas Comptroller of Public Accounts, the East Texas region supports a stable workforce and continues to serve as a key supplier of resources vital to the Texas economy.

Our decision to expand into Bryan/College Station and the Dallas/Fort Worth metroplex was driven by their proximity to our traditional East Texas market, strong economic and demographic growth in those markets, and our ability to attract talented bankers and employees to facilitate our expansion in those markets. According to US Census Bureau estimates, as of July 2015, the Dallas/Fort Worth metroplex was the fourth most populous metro area in the United States, with a population of over 7.1 million. The Dallas/Fort Worth metroplex has a low unemployment rate relative to the national rate (3.7% compared to 4.5% in 2016) and high annual job growth relative to the national rate (2.7% compared to 1.5% in 2016), according to the US Bureau of Labor Statistics, with the 92,300 new jobs added in 2016 accounting for almost half of the 188,000 jobs added in the state of Texas. The Dallas/Fort Worth metroplex is the second fastest growing metro area in the United States in absolute terms, behind only Houston, adding almost 400 new residents per day between 2014 and 2015, according to the US Census Bureau. The market is well-diversified, without being overly reliant on any particular sector, and is the headquarters for 20 Fortune 500 and 39 Fortune 1000 companies.

The adjoining towns of Bryan and College Station are well-situated between Austin, Houston, and Dallas, three of the four largest metro areas in Texas and two of the five largest in the nation, and within 170 miles of San Antonio, the third-largest metro area in Texas. Bryan/College Station had an estimated combined population of approximately 190,000 in 2015, an increase of almost 20,000 people since 2010, according to the

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US Census Bureau. College Station is home to Texas A&M University, the largest institution of higher learning in the state, which helps explain the market s relatively young (in 2010, the US Census Bureau found 73.7% of residents were between ages 18 and 64, compared to 62.4% in Texas and 63.0% nationally) and well-educated (in 2015, the US Census Bureau estimated 42.6% of residents over age 25 had a bachelor s degree or higher, compared to 27.6% in Texas and 29.8% nationally) population. According to the US Bureau of Labor Statistics, Bryan/College Station s unemployment rate in December 2016 was 3.4%, compared to 4.6% in Texas and 4.7% nationally. The local governments of Bryan and College Station have pro-business attitudes and policies, as evidenced by their recent partnering with each other and Texas A&M University to create a business district known as Atlas to attract companies engaged in the manufacture of biologics, pharmaceuticals, nutraceuticals and medical devices, with the project just breaking ground in January of this year. In 2013, Cognizant, a Fortune 500 technology company, relocated from New Jersey to College Station, citing the pro-business environment in College Station and Texas generally and the availability of a young and educated workforce.

Recent Developments

We expect to report net income in the range of $[ ] million to $[ ] million for the three months ended March 31, 2017 as compared to $2.7 million for the three months ended March 31, 2016 and $3.6 million for the three months ended December 31, 2016. The increase in net income for these periods is primarily attributable to growth in outstanding loans and a corresponding increase in net interest income.

As of March 31, 2017, total loans were $[ ] million, representing a $[ ] million increase from December 31, 2016 and a $[ ] million increase from March 31, 2016. Total deposits were $[ ] million as of March 31, 2017, representing an increase of $[ ] million from December 31, 2016, and a $[ ] million increase from March 31, 2016. Increases in our total loans and total deposits were largely driven by execution of our strategic plan and our continued focus on strengthening and developing new and existing customer relationships in our market areas.

Our expected net income for the three month period ending March 31, 2017 is a preliminary estimate and subject to closing procedures, which we expect to complete after the completion of this offering. These closing procedures could result in material changes to our preliminary estimate indicated above. The foregoing estimate constitutes a forward-looking statement and is subject to risks and uncertainties, including those described under Risk Factors in this prospectus. Accordingly, our final results for the three month period ending March 31, 2017 may not be consistent with the foregoing estimates. See Risk Factors Risks Related to Our Business and Forward-Looking Statements.

Our Corporate Information

Our principal executive office is located at 201 South Jefferson Avenue, Mount Pleasant, Texas 75455, and our telephone number is (903) 572-9881. Our website address is www.gnty.com. Information contained on or that can be accessed through our website does not constitute a part of this prospectus and is not incorporated by reference into this prospectus.

The Offering

Common stock offered by us	[ ] shares.
Underwriters over-allotment option to purchase additional shares of common stock	[ ] shares.
Common stock to be outstanding after this offering	[ ] shares of common stock, assuming the underwriters do not exercise their over-allotment option ([ ] shares if the underwriters exercise their over-allotment option in full).
Use of proceeds	Assuming an initial public offering price of $[ ] per share, which is the midpoint of the price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our common stock in this offering will be $[ ] million (or $[ ] million if the underwriters exercise in full their over-allotment option), after deducting estimated underwriting discounts and commissions and offering expenses payable by us. We intend to use the net proceeds to us from this offering to further implement our expansion strategy (though we do not have any immediate plans to do so), repay a portion of our corporate debt, fund organic growth in our banking markets and for general corporate purposes. See Use of Proceeds.
Dividend policy	Following the completion of this offering, we anticipate paying a quarterly dividend on our common stock in an amount equal to approximately 25.0% to 30.0% of our net income for the immediately preceding quarter, subject to the discretion of our board of directors. Dividends from Guaranty Bank & Trust are the principal source of funds for the payment of dividends on our common stock. Guaranty Bank & Trust is subject to certain restrictions that may limit its ability to pay dividends to us. See Dividend Policy.
Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to [ ] shares of common stock offered by this prospectus for sale to our directors, officers, employees and certain other persons who have expressed an interest in purchasing shares in this

offering. We will offer these reserved shares to the extent permitted under applicable laws and regulations in the United States through a directed share program. Reserved shares purchased by our directors and officers will be subject to the lock-up provisions described in Underwriting Lock-Up Agreements. The number of

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	shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus.
Securities owned by directors and executive officers	As of December 31, 2016, our directors and executive officers beneficially owned approximately 24.3% of our outstanding common stock, including shares held by our KSOP. Following the completion of this offering, we anticipate that our directors and executive officers will beneficially own approximately [ ]% of our common stock (or [ ]% if the underwriters exercise their over-allotment option in full). See Principal Shareholders.
Listing	We have applied to list our common stock on the NASDAQ Global Select Market under the trading symbol GNTY.
Risk factors	Investing in our common stock involves risks. See Risk Factors, beginning on page 20, for a discussion of factors that you should carefully consider before investing in our common stock.

References in this section to the number of shares of our common stock outstanding after this offering are based upon 8,751,923 shares of common stock issued and outstanding as of December 31, 2016. Unless expressly indicated or the context requires otherwise, all information in this prospectus:

assumes no exercise by the underwriters of their right to purchase up to an additional [ ] shares of our common stock to cover over-allotments;

assumes that the shares of common stock sold in this offering are sold at $[ ] per share, which is the mid-point of the range set forth on the cover page of this prospectus;

does not attribute to any director, officer, or principal shareholder any purchases of shares of our common stock in this offering, including through the directed share program described in Underwriting Directed Share Program;

excludes 1,000,000 shares of our common stock reserved for issuance under the Guaranty Bancshares, Inc. 2015 Equity Incentive Plan, 331,000 of which are currently subject to outstanding stock options with a weighted exercise price of $23.76 per share; and

excludes 9,377 shares of our common stock subject to outstanding stock options issued under the DCB Financial Corp. Stock Option Plan with an exercise price of $11.94 per share, which we assumed in connection with our acquisition of DCB Financial Corp. in March 2015.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth certain of our summary historical consolidated financial information for each of the periods indicated. The historical information as of and for the years ended December 31, 2016 and 2015 has been derived from our audited consolidated financial statements included elsewhere in this prospectus, and the selected historical consolidated financial information as of and for the years ended December 31, 2014, 2013 and 2012 has been derived from our audited consolidated financial statements not appearing in this prospectus. The historical results set forth below and elsewhere in this prospectus are not necessarily indicative of our future performance.

You should read the following together with the sections entitled Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited consolidated financial statements and the related notes included elsewhere in this prospectus.

(Dollars in Thousands, except Per Share Amounts)

	As of December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Selected Period End Balance Sheet Data:					
Total assets	$ 1,828,336	$ 1,682,640	$ 1,334,068	$ 1,246,451	$ 1,160,070
Cash and cash equivalents	127,543	111,379	105,662	81,462	125,931
Securities available for sale	156,925	272,944	227,022	246,395	278,973
Securities held to maturity	189,371	125,031	131,068	140,571	63,866
Loans held for sale	2,563	3,867	3,915	7,118	9,379
Total loans	1,245,135	1,068,667	788,229	699,167	627,088
Allowance for loan losses	11,484	9,263	7,721	7,093	6,354
Goodwill	18,742	18,601	6,116	6,436	2,691
Core deposit intangibles, net	3,308	3,846	2,881	3,310	3,433
Noninterest-bearing deposits	358,752	325,556	250,242	213,703	195,673
Interest-bearing deposits	1,218,039	1,140,641	826,550	788,110	760,794
Total deposits	1,576,791	1,466,197	1,076,792	1,001,813	956,467
Federal Home Loan Bank advances	55,170	21,342	111,539	111,728	23,539
Subordinated debentures	19,310	21,310	9,155	11,155	9,155
Other Debt	18,286	18,000	11,000	14,000	5,500
KSOP-owned shares	31,661	35,384	36,300	30,938	26,775
Total shareholders equity less KSOP-owned shares	110,253	102,352	75,989	66,157	70,964
Pro forma total shareholders equity(1)	141,914	137,736	112,289	97,095	97,739

	As of and for the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Selected Income Statement Data:					
Net interest income	$ 53,840	$ 47,759	$ 39,123	$ 35,368	$ 31,843
Provision for loan losses	3,640	2,175	1,322	1,745	1,064

Net interest income after provision for loan losses	50,200	45,584	37,801	33,623	30,779
Noninterest income	13,016	11,483	10,792	11,562	14,218
Noninterest expense	46,380	42,594	34,854	31,400	29,521
Net realized gain (loss) on sale of securities	82	77	(212)	578	3,590
Income before income tax	16,836	14,473	13,739	13,785	15,476
Income tax (benefit) expense(2)	4,715	4,362	4,023	(3,573)	
Net earnings	12,121	10,111	9,716	17,358	15,476
Dividends paid to common shareholders(2)	4,615	4,526	11,863	3,453	3,223

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	As of and for the Years Ended December 31,				
	2016	2015	2014	2013	2012
Per Share Data:					
Earnings per common share, basic(3)	$ 1.35	$ 1.15	$ 1.25	$ 2.40	$ 2.21
Earnings per common share, diluted(3)	1.35	1.15	1.25	2.40	2.21
Book value per common share(4)	16.22	15.47	14.01	13.17	13.67
Tangible book value per common share(4)(5)	13.70	12.95	12.89	11.84	12.81
Weighted average common shares outstanding, basic, in thousands(6)	8,968	8,796	7,771	7,241	7,011
Weighted average common shares outstanding, diluted, in thousands(6)	8,976	8,802	7,771	7,243	7,013

	As of and for the Years Ended December 31,				
	2016	2015	2014	2013 (pro forma)	2012 (pro forma)
Pro Forma Information as if a C Corporation:					
Income before income taxes	$ 16,836	$ 14,473	$ 13,739	$ 13,785	$ 15,476
Income tax provision	4,715	4,362	4,023	4,009	4,856
Pretax pre-provision and pre-securities gain (loss)	20,394	16,571	15,273	14,952	12,950
Net earnings	12,121	10,111	9,716	9,776	10,620
Basic earnings per share(3)	1.35	1.15	1.25	1.35	1.52
Diluted earnings per share(3)	1.35	1.15	1.25	1.35	1.51

	As of December 31,				
	2016	2015	2014	2013	2012
Summary Performance Ratios:					
Return on average assets(7)(8)	0.68%	0.65%	0.76%	1.47%	1.38%
Return on average equity(7)(8)	8.34	7.44	8.69	17.98	16.40
Net interest margin(9)	3.27	3.33	3.33	3.23	3.07
Efficiency ratio(10)	69.46	71.99	69.53	67.74	69.51
Loans to deposits ratio(11)	78.97	72.89	73.20	69.79	65.56
Noninterest income to average assets(7)	0.73	0.74	0.85	0.98	1.27
Noninterest expense to average assets(7)	2.61	2.75	2.74	2.67	2.64
Summary Credit Quality Ratios:					
Nonperforming assets to total assets	0.33%	0.25%	0.37%	0.69%	0.55%
Nonperforming loans to total loans(11)	0.35	0.23	0.52	1.03	0.78
Allowance for loan losses to nonperforming loans	260.47	381.04	189.38	98.06	129.51
Allowance for loan losses to total loans(11)	0.92	0.87	0.98	1.01	1.01
Net charge-offs to average loans outstanding(12)	0.12	0.06	0.09	0.15	0.11
Capital Ratios:					
Total shareholders equity to total assets	7.76%	8.19%	8.42%	7.79%	8.43%
Tangible common equity to tangible assets(13)	6.64	6.94	7.80	7.06	7.94
	9.28	10.43	N/A	N/A	N/A

Common equity tier 1 capital (CET1) to risk-weighted assets					
Tier 1 capital to average assets(7)	7.71	8.33	9.05	8.80	8.87
Tier 1 capital to risk-weighted assets	10.03	11.30	13.65	13.30	14.01
Total capital to risk-weighted assets	10.86	12.08	14.57	14.22	14.92

(1) Reflects the total shareholders equity of the Company after giving effect to the KSOP Repurchase Right Termination.

(2) Effective January 1, 2008, we made an election to be taxed for federal income tax purposes as a Subchapter S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code. We terminated our election to be taxed as a Subchapter S corporation effective December 31, 2013. As a result, for the taxable periods applicable to the years ended December 31, 2008 through December 31, 2013, our net income was not subject to, and we did not pay, U.S. federal income taxes, and no provision or liability for federal or state income tax has been included in our audited consolidated financial

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statements for the years ended December 31, 2012 and 2013, except as presented on a pro forma basis in our audited consolidated financial statements for the year ended December 31, 2013. Additionally, distributions made to our shareholders in respect of their federal income tax liability of $5.2 million in 2012 and $10.2 million in 2013 are not considered dividends paid to common shareholders. Despite the termination of our Subchapter S election, we paid dividends of $0.50 per share and a special dividend of $1.00 per share for the year ended December 31, 2014, since all dividends we pay for the first 12 months following the termination of our Subchapter S election were not subject to federal income taxation.

(3) Basic and diluted earnings per share for the years ended December 31, 2013 and 2012 are currently based on income before taxes due to our conversion from an S corporation to a C corporation, effective December 31, 2013. However, unaudited pro forma information is presented as if a C corporation for all periods under the heading Unaudited Pro Forma Information as if a C Corporation.

(4) Book value per common share and tangible book value per common share calculations reflect the Company s pro forma total shareholders equity.

(5) We calculate tangible book value per common share as total shareholders equity less goodwill, core deposit intangibles and other intangible assets, net of accumulated amortization at the end of the relevant period, divided by the outstanding number of shares of our common stock at the end of the relevant period. Tangible book value per common share is a financial measure that is not recognized by, or calculated in accordance with, U.S. generally accepted accounting principles, or GAAP, and, as we calculate tangible book value per common share, the most directly comparable GAAP financial measure is total shareholders equity per common share. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.

(6) Weighted average common shares outstanding as of December 31, 2013 and 2012 have been adjusted to reflect the 2-for-1 stock split we completed on August 20, 2014.

(7) We calculate our average assets and average equity for a period by dividing the period end balances of our total assets or total shareholders equity, as the case may be, by the number of months in the period.

(8) We have calculated our return on average assets and return on average equity for a period by dividing net earnings for that period by our average assets and average equity, as the case may be, for that period.

(9) Net interest margin represents net interest income divided by average interest-earning assets.

(10) The efficiency ratio was calculated by dividing total noninterest expenses by net interest income plus noninterest income, excluding securities losses or gains. Taxes are not part of this calculation.

(11) Excludes loans held for sale of $2.6 million, $3.9 million, $3.9 million, $7.1 million, and $9.4 million for the years ended December 31, 2016, 2015, 2014, 2013, and 2012, respectively.

(12) Includes average outstanding balances of loans held for sale of $3.0 million, $4.4 million, $4.2 million, $6.3 million, and $5.9 million for the years ended December 31, 2016, 2015, 2014, 2013, and 2012, respectively.

(13) We calculate tangible common equity as total shareholders equity less goodwill, core deposit intangibles and other intangible assets, net of accumulated amortization, and we calculate tangible assets as total assets less goodwill and core deposit intangibles and other intangible assets, net of accumulated amortization. Tangible common equity to tangible assets is a financial measure that is not recognized by or calculated in accordance with GAAP, or a non-GAAP financial measure, and, as we calculate tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total shareholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.

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RISK FACTORS

Investing in our common stock involves a significant degree of risk. You should carefully consider the following risk factors, in addition to the other information contained in this prospectus, including our consolidated financial statements and related notes, before deciding to invest in our common stock. Any of the following risks could have an adverse effect on our business, financial condition, results of operations and future prospects. As a result, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business

We may not be able to implement aspects of our expansion strategy, which may adversely affect our ability to maintain our historical earnings trends.

Our expansion strategy focuses on organic growth, supplemented by strategic acquisitions and expansion of the Bank s banking location network, or *de novo* branching. We may not be able to execute on aspects of our expansion strategy, which may impair our ability to sustain our historical rate of growth or prevent us from growing at all. More specifically, we may not be able to generate sufficient new loans and deposits within acceptable risk and expense tolerances, obtain the personnel or funding necessary for additional growth or find suitable acquisition candidates. Various factors, such as economic conditions and competition with other financial institutions, may impede or prohibit the growth of our operations, the opening of new banking locations and the consummation of acquisitions. Further, we may be unable to attract and retain experienced bankers, which could adversely affect our growth. The success of our strategy also depends on our ability to effectively manage growth, which is dependent upon a number of factors, including our ability to adapt our credit, operational, technology and governance infrastructure to accommodate expanded operations. If we fail to implement one or more aspects of our strategy, we may be unable to maintain our historical earnings trends, which could have an adverse effect on our business, financial condition and results of operations.

We may not be able to manage the risks associated with our anticipated growth and expansion through de novo branching.

Our business strategy includes evaluating strategic opportunities to grow through *de novo* branching, and we believe that banking location expansion has been meaningful to our growth since inception. *De novo* branching carries with it certain potential risks, including significant startup costs and anticipated initial operating losses; an inability to gain regulatory approval; an inability to secure the services of qualified senior management to operate the *de novo* banking location and successfully integrate and promote our corporate culture; poor market reception for *de novo* banking locations established in markets where we do not have a preexisting reputation; challenges posed by local economic conditions; challenges associated with securing attractive locations at a reasonable cost; and the additional strain on management resources and internal systems and controls. Failure to adequately manage the risks associated with our anticipated growth through *de novo* branching could have an adverse effect on our business, financial condition and results of operations.

We may not be able to overcome the integration and other risks associated with acquisitions, which could have an adverse effect on our ability to implement our business strategy.

Although we plan to continue to grow our business organically and through *de novo* branching, we also intend to pursue acquisition opportunities that we believe complement our activities and have the ability to enhance our profitability and provide attractive risk-adjusted returns. Our acquisition activities could be material to our business and involve a number of risks, including the following:

intense competition from other banking organizations and other acquirers for potential merger candidates;

market pricing for desirable acquisitions resulting in returns that are less attractive than we have traditionally sought to achieve;

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- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;

- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;

- potential exposure to unknown or contingent liabilities of banks and businesses we acquire, including consumer compliance issues;

- the time and expense required to integrate the operations and personnel of the combined businesses;

- experiencing higher operating expenses relative to operating income from the new operations;

- losing key employees and customers;

- reputational issues if the target s management does not align with our culture and values;

- significant problems relating to the conversion of the financial and customer data of the target;

- integration of acquired customers into our financial and customer product systems;

- risks of impairment to goodwill; or

- regulatory timeframes for review of applications may limit the number and frequency of transactions we may be able to consummate.

Depending on the condition of any institution or assets or liabilities that we may acquire, that acquisition may, at least in the near term, adversely affect our capital and earnings and, if not successfully integrated with our organization, may continue to have such effects over a longer period. We may not be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions, and any acquisition we may consider will be subject to prior regulatory approval. Our inability to overcome these risks could have an adverse effect on our ability to implement our business strategy, which, in turn, could have an adverse effect on our business, financial condition and results of operations.

A key piece of our expansion strategy is a focus on decision-making authority at the branch and market level, and our business, financial condition, results of operations and prospects could be adversely affected if our local teams do not follow our internal policies or are negligent in their decision-making.

In order to be able to provide the responsive and individualized customer service that distinguishes us from competitors and in order to attract and retain management talent, we empower our local management teams to make certain business decisions on the local level. Lending authorities are assigned to branch presidents and their banking teams based on their experience, with all loan relationships in excess of internal specified maximums being reviewed by the Bank s Directors Loan Committee, comprised of senior management of the Bank, or the Bank s board of directors, as the case may be. Our local lenders may not follow our internal procedures or otherwise act in our best interests with respect to their decision-making. A failure of our employees to follow our internal policies, or actions taken by our employees that are negligent or not in our best interests could have an adverse effect on our business, financial condition and results of operations.

Difficult market conditions and economic trends have recently and adversely affected the banking industry and could adversely affect our business, financial condition and results of operations in the future.

We are operating in an uncertain economic environment, including generally uncertain conditions nationally and locally in our industry and markets. Although economic conditions have improved in recent years,

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financial institutions continue to be affected by volatility in the real estate market in some parts of the country and uncertain regulatory and interest rate conditions. We retain direct exposure to the residential and commercial real estate markets in Texas and are affected by these events. In addition, financial institutions in Texas have been affected by the recent volatility with the oil and gas industry and significant decrease in energy prices. Although we do not have material direct exposure to the oil and gas industry, we retain some indirect exposure, as some of our customers businesses are directly affected by volatility with the oil and gas industry and energy prices.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our loan portfolio is made more complex by uncertain market and economic conditions. Another national economic downturn or deterioration of conditions in our markets could result in losses beyond those that are provided for in our allowance for loan losses and lead to the following consequences:

- increases in loan delinquencies;
- increases in non-performing assets and foreclosures;
- decreases in demand for our products and services, which could adversely affect our liquidity position; and
- decreases in the value of the collateral securing our loans, especially real estate, which could reduce customers borrowing power and repayment ability.

While economic conditions in Texas and the United States continue to show signs of recovery, there can be no assurance that these conditions will continue to improve. Although real estate markets have generally stabilized in portions of the United States, including Texas, a resumption of declines in real estate values, home sales volumes and financial stress on borrowers as a result of the uncertain economic environment, including job losses, could have an adverse effect on our borrowers or their customers, which could adversely affect our business, financial condition and results of operations. In addition, continued volatility in the oil and gas industry and relatively low energy prices could have an adverse effect on our borrowers or their customers, including declines in real estate values and job losses, which could adversely affect our business, financial condition and results of operations.

We may not be able to adequately measure and limit our credit risk, which could lead to unexpected losses.

The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid timely or at all or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the strength of the borrower s business sector and local, regional and national market and economic conditions. Many of our loans are made to small- to medium-sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of our loans within specific industries and our credit approval practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio could lead to unexpected losses and have an adverse effect on our business, financial condition and results of operations.

We are dependent on the use of data and modeling in our management s decision-making, and faulty data or modeling approaches could negatively impact our decision-making ability or possibly subject us to regulatory scrutiny in the future.

The use of statistical and quantitative models and other quantitative analyses is endemic to bank decision-making, and the employment of such analyses is becoming increasingly widespread in our operations.

Liquidity stress testing, interest rate sensitivity analysis, and the identification of possible violations of anti-money laundering regulations are all examples of areas in which we are dependent on models and the data that underlies them. The use of statistical and quantitative models is also becoming more prevalent in regulatory compliance. While we are not currently subject to annual Dodd-Frank Act stress testing (DFAST) and the Comprehensive Capital Analysis and Review (CCAR) submissions, we anticipate that model-derived testing may become more extensively implemented by regulators in the future.

We anticipate data-based modeling will penetrate further into bank decision-making, particularly risk management efforts, as the capacities developed to meet rigorous stress testing requirements are able to be employed more widely and in differing applications. While we believe these quantitative techniques and approaches improve our decision-making, they also create the possibility that faulty data or flawed quantitative approaches could negatively impact our decision-making ability or, if we become subject to regulatory stress-testing in the future, adverse regulatory scrutiny. Secondarily, because of the complexity inherent in these approaches, misunderstanding or misuse of their outputs could similarly result in suboptimal decision-making.

The small- to medium-sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair our borrowers ability to repay loans.

We focus our business development and marketing strategy primarily on small- to medium-sized businesses. As of December 31, 2016, we had approximately $572.5 million of loans to businesses, which represents approximately 46.0% of our total loan portfolio. Small- to medium-sized businesses frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower s ability to repay a loan. In addition, the success of a small- and medium-sized business often depends on the management skills, talents and efforts of a small group of people, and the death, disability or resignation of one or more of these people could have an adverse effect on the business and its ability to repay its loan. If our borrowers are unable to repay their loans, our business, financial condition and results of operations could be adversely affected.

Our commercial real estate and real estate construction loan portfolio exposes us to credit risks that may be greater than the risks related to other types of loans.

As of December 31, 2016, approximately $456.1 million, or 36.6%, of our total loans were nonresidential real estate loans (including owner occupied commercial real estate loans) and approximately $129.4 million, or 10.4%, of our total loans were construction and land development loans. These loans typically involve repayment dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service. The availability of such income for repayment may be adversely affected by changes in the economy or local market conditions. These loans expose a lender to greater credit risk than loans secured by other types of collateral because the collateral securing these loans is typically more difficult to liquidate due to the fluctuation of real estate values. Additionally, non-owner occupied commercial real estate loans generally involve relatively large balances to single borrowers or related groups of borrowers. Unexpected deterioration in the credit quality of our non-owner occupied commercial real estate loan portfolio could require us to increase our allowance for loan losses, which would reduce our profitability and could have an adverse effect on our business, financial condition and results of operations.

Construction and land development loans also involve risks because loan funds are secured by a project under construction and the project is of uncertain value prior to its completion. It can be difficult to accurately evaluate the total funds required to complete a project, and construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If we are forced to foreclose on a project prior to completion, we may be unable to recover the entire unpaid portion of the loan. In addition, we may be required to fund additional amounts to complete a project, incur taxes, maintenance and compliance costs for a foreclosed property and may have to hold the property for an indeterminate period of time, any of which could adversely affect our business, financial condition and results of operations.

Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

As of December 31, 2016, approximately $948.4 million, or 76.2%, of our total loans were loans with real estate as a primary or secondary component of collateral. Real estate values in many Texas markets have experienced periods of fluctuation over the last five years. The market value of real estate can fluctuate significantly in a short period of time. As a result, adverse developments affecting real estate values and the liquidity of real estate in our primary markets or in Texas generally could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect credit quality, financial condition and results of operations. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses would have an adverse effect on our business, financial condition and results of operations. If real estate values decline, it is also more likely that we would be required to increase our allowance for loan losses, which would adversely affect our business, financial condition and results of operations.

Appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, other real estate owned and repossessed personal property may not accurately describe the net value of the asset.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and, as real estate values may change significantly in value in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our other real estate owned, or OREO, and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our combined and consolidated financial statements may not reflect the correct value of our OREO, and our allowance for loan losses may not reflect accurate loan impairments. This could have an adverse effect on our business, financial condition or results of operations. As of December 31, 2016, we held OREO and repossessed property and equipment that was valued at $1.7 million and $3.5 million, respectively.

We engage in lending secured by real estate and may be forced to foreclose on the collateral and own the underlying real estate, subjecting us to the costs and potential risks associated with the ownership of the real property, or consumer protection initiatives or changes in state or federal law may substantially raise the cost of foreclosure or prevent us from foreclosing at all.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter own and operate such property, in which case we would be exposed to the risks inherent in the ownership of real estate. As of December 31, 2016, we held approximately $1.7 million in OREO in a special purpose subsidiary that is currently marketed for sale. The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including, but not limited to general or local economic condition, environmental cleanup liability, assessments, interest rates, real estate tax rates, operating expenses of the mortgaged properties, ability to obtain and maintain adequate occupancy of the properties, zoning laws, governmental and regulatory rules, and natural disasters. Our inability to manage the amount of costs or size of the risks associated with the ownership of real estate, or writedowns in the value of other real estate owned, could have an adverse effect on our business, financial condition and results of operations.

Additionally, consumer protection initiatives or changes in state or federal law may substantially increase the time and expense associated with the foreclosure process or prevent us from foreclosing at all. While historically Texas has had foreclosure laws that are favorable to lenders, a number of states in recent years have either considered or adopted foreclosure reform laws that make it substantially more difficult and expensive for lenders to foreclose on properties in default, and we cannot be certain that Texas will not adopt similar legislation in the future. Additionally, federal regulators have prosecuted a number of mortgage servicing companies for alleged consumer law violations. If new state or federal laws or regulations are ultimately enacted that significantly raise the cost of foreclosure or raise outright barriers, such could have an adverse effect on our business, financial condition and results of operation.

A portion of our loan portfolio is comprised of commercial loans secured by receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could expose us to credit losses.

As of December 31, 2016, approximately $224.0 million, or 18.0%, of our total loans were commercial loans to businesses. In general, these loans are collateralized by general business assets, including, among other things, accounts receivable, inventory and equipment, and most are backed by a personal guaranty of the borrower or principal. These commercial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Additionally, the repayment of commercial loans is subject to the ongoing business operations of the borrower. The collateral securing such loans generally includes moveable property such as equipment and inventory, which may decline in value more rapidly than we anticipate exposing us to increased credit risk. In addition, a portion of our customer base, including customers in the energy and real estate business, may be in industries which are particularly sensitive to commodity prices or market fluctuations, such as energy prices. Accordingly, negative changes in commodity prices and real estate values and liquidity could impair the value of the collateral securing these loans. Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate could cause rapid declines in loan collectability and the values associated with general business assets resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

Our allowance for loan losses may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for loan losses that represents management s judgment of probable losses and risks inherent in our loan portfolio. As of December 31, 2016, our allowance for loan losses totaled $11.5 million, which represents approximately 0.92% of our total loans. The level of the allowance reflects management s continuing evaluation of general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. The determination of the appropriate level of the allowance for loan losses is inherently highly subjective and requires us to make significant estimates of and assumptions regarding current credit risks and future trends, all of which may undergo material changes. Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification or deterioration of additional problem loans, acquisition of problem loans and other factors, both within and outside of our control, may require us to increase our allowance for loan losses. In addition, our regulators, as an integral part of their periodic examination, review our methodology for calculating, and the adequacy of, our allowance for loan losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to the allowance for loan losses, we may need additional provisions for loan losses to restore the adequacy of our allowance for loan losses. Finally, the measure of our allowance for loan losses is dependent on the adoption and interpretation of accounting standards. The Financial Accounting Standards Board recently

issued a new credit impairment model, the Current Expected Credit Loss, or CECL model, which will become applicable to us on January 1, 2020, though we may choose to adopt CECL on January 1, 2019, or may be encouraged by our regulators to do so. CECL will require financial institutions to estimate and develop a provision for credit losses at origination for the lifetime of the loan, as opposed to reserving for incurred or probable losses up to the balance sheet date. Under the CECL model, credit deterioration would be reflected in the income statement in the period of origination or acquisition of the loan, with changes in expected credit losses due to further credit deterioration or improvement reflected in the periods in which the expectation changes. Accordingly, the CECL model could require financial institutions like the Bank to increase their allowances for loan losses. Moreover, the CECL model likely would create more volatility in our level of allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

If we fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and timely, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, we could be subject to regulatory penalties and the price of our common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. As a public company, we will be required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we will be required to certify our compliance with Section 404 of the Sarbanes-Oxley Act beginning with our second annual report on Form 10-K, which will require us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, unless we remain an emerging growth company and elect additional transitional relief available to emerging growth companies, our independent registered public accounting firm may be required to report on the effectiveness of our internal control over financial reporting beginning as of that second annual report on Form 10-K.

We will continue to periodically test and update, as necessary, our internal control systems, including our financial reporting controls. In addition, we have hired additional accounting personnel in anticipation of our transition from a private company to a public company. Our actions, however, may not be sufficient to result in an effective internal control environment, and any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports and our access to the capital markets and cause the price of our common stock to decline and subject us to regulatory penalties.

We rely heavily on our executive management team and other key employees, and we could be adversely affected by the unexpected loss of their services.

Our success depends in large part on the performance of our executive management team and other key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. Competition for qualified employees is intense, and the process of locating key personnel with the combination of skills, attributes and business relationships required to execute our business plan may be lengthy. We may not be successful in retaining our key employees, and the unexpected loss of services of one or more of our key personnel could have an adverse effect on our business because of their skills, knowledge of and business relationships within our primary markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, or at all, which could have an adverse effect on our business, financial condition, results of operations and future prospects.

We earn income by originating residential mortgage loans for resale in the secondary mortgage market, and disruptions in that market could reduce our operating income.

Historically, we have earned income by originating mortgage loans for sale in the secondary market. A historical focus of our loan origination and sales activities has been to enter into formal commitments and informal agreements with larger banking companies and mortgage investors. Under these arrangements, we originate single family mortgages that are priced and underwritten to conform to previously agreed criteria before loan funding and are delivered to the investor shortly after funding. For the year ended December 31, 2015 and the year ended December 31, 2016, we earned approximately $1.1 million and $1.7 million, respectively, from these activities. However, in the recent past, disruptions in the secondary market for residential mortgage loans have limited the market for, and liquidity of, most mortgage loans other than conforming Fannie Mae and Federal Home Loan Mortgage Corporation, or Freddie Mac, loans. The effects of these disruptions in the secondary market for residential mortgage loans may reappear.

In addition, because government-sponsored entities like Fannie Mae and Freddie Mac, who account for a substantial portion of the secondary market, are governed by federal law, any future changes in laws that significantly affect the activity of these entities could, in turn, adversely affect our operations. In September 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the federal government. The federal government has for many years considered proposals to reform Fannie Mae and Freddie Mac, but the results of any such reform and their impact on us are difficult to predict. To date, no reform proposal has been enacted.

These disruptions may not only affect us but also the ability and desire of mortgage investors and other banks to purchase residential mortgage loans that we originate. As a result, we may not be able to maintain or grow the income we receive from originating and reselling residential mortgage loans, which would reduce our operating income. Additionally, we may be required to hold mortgage loans that we originated for sale, increasing our exposure to interest rate risk and the value of the residential real estate that serves as collateral for the mortgage loan.

Delinquencies, defaults and foreclosures in residential mortgages create a higher risk of repurchases and indemnity requests.

We originate residential mortgage loans for sale to government-sponsored enterprises, such as Fannie Mae, Freddie Mac and other investors. As a part of this process, we make various representations and warranties to these purchasers that are tied to the underwriting standards under which the investors agreed to purchase the loan. If a representation or warranty proves to be untrue, we could be required to repurchase one or more of the mortgage loans or indemnify the investor. Repurchase and indemnity obligations tend to increase during weak economic times, as investors seek to pass on the risks associated with mortgage loan delinquencies to the originator of the mortgage. In 2013 and 2014, we repurchased three residential mortgage loans sold to government-sponsored enterprises with an aggregate principal amount of $405,000, all of which were fully paid with no remaining principal balance as of December 31, 2016. If we are forced to repurchase additional mortgage loans that we have previously sold to investors, or indemnify those investors, our business, financial condition and results of operations could be adversely affected.

A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of our investment securities, the sale of loans, and other sources could have a substantial negative effect on our liquidity.

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Our most important source of funds is deposits. As of December 31, 2016, approximately $1.2 billion, or 78.3%, of our total deposits were demand, savings and money market accounts. Historically our savings, money market deposit accounts and demand accounts have been stable sources of funds However, these deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors that may be outside of our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits, increasing our funding costs and reducing our net interest income and net income.

The $341.6 million remaining balance of deposits consisted of certificates of deposit, of which $252.0 million, or 16.0% of our total deposits, were due to mature within one year. Historically, a majority of our certificates of deposit are renewed upon maturity as long as we pay competitive interest rates. These customers are, however, interest-rate conscious and may be willing to move funds into higher-yielding investment alternatives. If customers transfer money out of the Bank s deposits and into other investments such as money market funds, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities, and proceeds from the issuance and sale of our equity and debt securities to investors. Additional liquidity is provided by our ability to borrow from the Federal Reserve Bank of Dallas and the Federal Home Loan Bank of Dallas, or the FHLB. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by a decrease in the level of our business activity as a result of a downturn in Texas or by one or more adverse regulatory actions against us.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have an adverse effect on our business, financial condition and results of operations.

We may need to raise additional capital in the future, and such capital may not be available when needed or at all.

We may need to raise additional capital, in the form of additional debt or equity, in the future to have sufficient capital resources and liquidity to meet our commitments and fund our business needs and future growth, particularly if the quality of our assets or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. Economic conditions and a loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including interbank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve System. We may not be able to obtain capital on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of our bank or counterparties participating in the capital markets or other disruption in capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition or results of operations.

We have a concentration of deposit accounts with state and local municipalities that is a material source of our funding, and the loss of these deposits or significant fluctuations in balances held by these public bodies could force us to fund our business through more expensive and less stable sources.

As of December 31, 2016, $316.4 million, or approximately 20.1%, of our total deposits consisted of deposit accounts of public bodies, such as state or local municipalities, or public funds. These types of deposits are often secured and typically fluctuate on a seasonal basis due to timing differences between tax collection and expenditures. Withdrawals of deposits or significant fluctuation in a material portion of our largest public fund depositors could force us to rely more heavily on borrowings and other sources of funding for our business and withdrawal demands, adversely affecting our net interest margin and results of operations. We may also be forced, as a result of any withdrawal of deposits, to rely more heavily on other, potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have an adverse effect on our business, financial condition and results of operations.

We are subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.

The majority of our banking assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings are significantly dependent on our net interest income, the principal component of our earnings, which is the difference between interest earned by us from our interest-earning assets, such as loans and investment securities, and interest paid by us on our interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience gaps in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this gap will negatively impact our earnings. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply and international economic weakness and disorder and instability in domestic and foreign financial markets. As of December 31, 2016, approximately 51.1% of our interest-earning assets and approximately 68.5% of our interest-bearing liabilities had a variable rate. Our interest rate sensitivity profile was asset sensitive as of December 31, 2016, meaning that we estimate our net interest income would increase more from rising interest rates than from falling interest rates.

Interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default and could result in a decrease in the demand for loans. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates. In addition, in a low interest rate environment, loan customers often pursue long-term fixed rate credits, which could adversely affect our earnings and net interest margin if rates increase. Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have an adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. At the same time, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income. If short-term interest rates continue to remain at their historically low levels for a prolonged period and assuming longer-term interest rates fall further, we could experience net interest margin compression as our interest-earning assets would continue to reprice downward while our interest-bearing liability rates could fail to decline in tandem. Such an occurrence would have an adverse effect on our net interest income and could have an adverse effect on our business, financial condition and results of operations.

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Our business is concentrated in, and largely dependent upon, the continued growth and welfare of our primary markets, and adverse economic conditions in these markets could negatively impact our operations and customers.

Our business, financial condition and results of operations are affected by changes in the economic conditions of our primary markets of East Texas, Bryan/College Station, Texas and the Dallas/Fort Worth metroplex. Our success depends to a significant extent upon the business activity, population, income levels, employment trends, deposits and real estate activity in our primary markets. Economic conditions within our primary markets, and the state of Texas in general, are influenced by the energy sector generally and the price of oil and gas specifically. Although our customers business and financial interests may extend well beyond our primary markets, adverse conditions that affect our primary markets, including future declines in oil prices, could reduce our growth rate, affect the ability of our customers to repay their loans, affect the value of collateral underlying our loans, affect our ability to attract deposits and generally affect our business, financial condition, results of operations and future prospects. Due to our geographic concentration within our primary markets, we may be less able than other larger regional or national financial institutions to diversify our credit risks across multiple markets.

We face strong competition from financial services companies and other companies that offer banking services.

We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings banks, credit unions, nonbank financial services companies and other financial institutions operating within or near the areas we serve. Additionally, certain large banks headquartered outside of our markets and large community banking institutions target the same customers we do. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the internet and for nonbanks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The banking industry is experiencing rapid changes in technology, and, as a result, our future success will depend in part on our ability to address our customers needs by using technology. Customer loyalty can be influenced by a competitor s new products, especially offerings that could provide cost savings or a higher return to the customer. Increased lending activity of competing banks following the recent downturn has also led to increased competitive pressures on loan rates and terms for high-quality credits. We may not be able to compete successfully with other financial institutions in our markets, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability.

Many of our non-bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate. Our inability to compete successfully in the markets in which we operate could have an adverse effect on our business, financial condition or results of operations.

Our trust and wealth management division derives its revenue from noninterest income and is subject to operational, compliance, reputational, fiduciary and strategic risks that could adversely affect our business, financial condition and results of operations.

Our trust and wealth management division subjects us to a number of different risks from our commercial activities, any of which could adversely affect our business, financial condition and results of operations. Operational or compliance risk entails inadequate or failed internal processes, people and systems or

changes driven by external events. Success in the trust and wealth management business is highly dependent on reputation. Damage to our reputation from negative opinion in the marketplace could adversely impact both revenue and net income. Such results could also be affected by errors in judgment by management or the board, the improper implementation of business decisions or by unexpected external events. Our success in this division is also dependent upon our continuing ability to generate investment results that satisfy our clients and attract prospective clients, which may be adversely impacted by factors that are outside of our control. In addition, our trust and wealth management division is subject to fiduciary risks and risks associated with adverse decisions regarding the scope of fiduciary liabilities. If any claims or legal actions regarding our fiduciary role are not resolved in a manner favorable to us, we may be exposed to significant financial liability and our reputation could be damaged. Either of these results may adversely impact demand for our products and services, including those unrelated to our trust and wealth management division, or otherwise have an adverse effect on our business, financial condition or results of operation.

Additional risks resulting from our mortgage warehouse lending business could have an adverse effect on our business, financial condition and results of operations.

A portion of our lending involves the origination of mortgage warehouse lines of credit. Risks associated with our mortgage warehouse loans include credit risks relating to the mortgage bankers that borrow from us, including the risk of intentional misrepresentation or fraud; changes in the market value of mortgage loans originated by the mortgage banker, the sale of which is the expected source of repayment of the borrowings under a warehouse line of credit, due to changes in interest rates during the time in warehouse; and originations of mortgage loans that are unsalable or impaired, which could lead to decreased collateral value and the failure of a purchaser of the mortgage loan to ultimately purchase the loan from the mortgage banker. Any one or a combination of these events may adversely affect our loan portfolio and may result in increased delinquencies, loan losses and increased future provision levels, which, in turn, could adversely affect our business, financial condition and results of operations.

New lines of business, products, product enhancements or services may subject us to additional risks.

From time to time, we implement new lines of business, or offer new products and product enhancements as well as new services within our existing lines of business and we will continue to do so in the future. For example, in 2015, we established our warehouse mortgage lending division and plan to launch our new eWarehouse platform for this division in the second quarter of 2017, which we expect will be one of a only a few such platforms offered by banks nationally. We also have plans to enhance our trust and wealth management division. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In implementing, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although we may not assign the appropriate level of resources or expertise necessary to make these new lines of business, products, product enhancements or services successful or to realize their expected benefits. Further, initial timetables for the introduction and development of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have an adverse impact on our business, financial condition or results of operations.

Negative public opinion regarding our company or failure to maintain our reputation in the communities we serve could adversely affect our business and prevent us from growing our business.

As a community bank, our reputation within the communities we serve is critical to our success. We believe we have set ourselves apart from our competitors by building strong personal and professional relationships with our customers and being active members of the communities we serve. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, we may be less successful in attracting new talent and customers or may lose existing customers, and our business, financial condition and results of operations could be adversely affected. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to implement our expansion strategy, which could further adversely affect our business, financial condition and results of operations.

We could recognize losses on investment securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

While we attempt to invest a significant majority of our total assets in loans (our loan to asset ratio was 67.5% as of December 31, 2016), we invest a percentage of our total assets (18.9% as of December 31, 2016) in investment securities with the primary objectives of providing a source of liquidity, providing an appropriate return on funds invested, managing interest rate risk, meeting pledging requirements and meeting regulatory capital requirements. As of December 31, 2016, the fair value of our available for sale investment securities portfolio was $156.9 million, which included a net unrealized loss of $3.3 million. Factors beyond our control can significantly and adversely influence the fair value of securities in our portfolio. For example, fixed-rate securities are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual borrowers with respect to the underlying securities, and instability in the credit markets. Any of the foregoing factors could cause other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. As of December 31, 2016, there was other-than-temporary impairment in the amount of $324,495 that we recognized in 2013 related to one non-agency security in our investment portfolio with a $2.9 million carrying value. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our business, financial condition and results of operations.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider critical because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events or regulatory views concerning such analysis differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures, in each case resulting in our needing to revise or restate prior period financial statements, cause damage to our reputation and the price of our common stock, and adversely affect our business, financial condition and results of operations.

There could be material changes to our financial statements and disclosures if there are changes in accounting standards or regulatory interpretations of existing standards

From time to time the Financial Accounting Standards Board or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how new or existing standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently and retrospectively, in each case resulting in our needing to revise or restate prior period financial statements, which could materially change our financial statements and related disclosures, cause damage to our reputation and the price of our common stock, and adversely affect our business, financial condition and results of operations.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We outsource some of our operational activities and accordingly depend on a number of relationships with third-party service providers. Specifically, we rely on third parties for certain services, including, but not limited to, core systems support, informational website hosting, internet services, online account opening and other processing services. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. The failure of these systems, a cyber security breach involving any of our third-party service providers, or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with our third-party service providers could entail significant delay, expense and disruption of service.

As a result, if these third-party service providers experience difficulties, are subject to cyber security breaches, or terminate their services, and we are unable to replace them with other service providers, particularly on a timely basis, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected. Even if we are able to replace third-party service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

In addition, the Bank s primary federal regulator, the Office of the Comptroller of the Currency, or OCC, has recently issued guidance outlining the expectations for third-party service provider oversight and monitoring by financial institutions. The federal banking agencies, including the OCC, have recently issued enforcement actions against financial institutions for failure in oversight of third-party providers and violations of federal banking law by such providers when performing services for financial institutions. Accordingly, our operations could be interrupted if any of our third-party service providers experience difficulty, are subject to cyber security breaches, terminate their services or fail to comply with banking regulations, which could adversely affect our business, financial condition and results of operations. In addition, our failure to adequately oversee the actions of our third-party service providers could result in regulatory actions against the Bank, which could adversely affect our business, financial condition and results of operations.

System failure or cyber security breaches of our network security could subject us to increased operating costs as well as litigation and other potential losses.

Our computer systems and network infrastructure could be vulnerable to hardware and cyber security issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other internal sources. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect our computer systems and network infrastructure, including our digital, mobile and internet banking activities, against damage from physical break-ins, cyber security breaches and other disruptive problems caused by the internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability, damage our reputation and inhibit the use of our internet banking services by current and potential customers. We regularly add additional security measures to our computer systems and network infrastructure to mitigate the possibility of cyber security breaches, including firewalls and penetration testing. However, it is difficult or impossible to defend against every risk being posed by changing technologies as well as acts of cyber-crime. Increasing sophistication of cyber criminals and terrorists make keeping up with new threats difficult and could result in a system breach. Controls employed by our information technology department and cloud vendors could prove inadequate. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have an adverse effect on our business, financial condition and results of operations.

We have a continuing need for technological change, and we may not have the resources to effectively implement new technology, or we may experience operational challenges when implementing new technology or technology needed to compete effectively with larger institutions may not be available to us on a cost effective basis.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, at least in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our products and service offerings. We may experience operational challenges as we implement these new technology enhancements or products, which could impair our ability to realize the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner.

Many of our larger competitors have substantially greater resources to invest in technological improvements. Third parties upon which we rely for our technology needs may not be able to develop on a cost effective basis systems that will enable us to keep pace with such developments. As a result, they may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose customers seeking new technology-driven products and services to the extent we are unable to provide such products and services. Accordingly, the ability to keep pace with technological change is important and the failure to do so could adversely affect our business, financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer, employee or third-party fraud and data processing system failures and errors.

Employee errors and employee or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls to mitigate operational risks, including data processing system failures and errors and customer or employee fraud, as well as insurance coverage designed to protect us from material losses associated with these risks, including losses resulting from any associated business

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interruption. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could adversely affect our business, financial condition and results of operations.

In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms we would not have extended. Whether a misrepresentation is made by the applicant or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the resulting monetary losses we may suffer, which could adversely affect our business, financial condition and results of operations.

Our primary markets are susceptible to natural disasters and other catastrophes that could negatively impact the economies of our markets, our operations or our customers, any of which could have an adverse effect on us.

A significant portion of our business is generated from our primary markets of East Texas, Bryan/College Station, Texas and the Dallas/Fort Worth metroplex, which are susceptible to damage by tornadoes, floods, droughts and other natural disasters and adverse weather. In addition to natural disasters, man-made events, such as acts of terror and governmental response to acts of terror, malfunction of the electronic grid and other infrastructure breakdowns, could adversely affect economic conditions in our primary markets. These catastrophic events can disrupt our operations, cause widespread property damage, and severely depress the local economies in which we operate. If the economies in our primary markets experience an overall decline as a result of a catastrophic event, demand for loans and our other products and services could be reduced. In addition, the rates of delinquencies, foreclosures, bankruptcies and losses on loan portfolios may increase substantially, as uninsured property losses or sustained job interruption or loss may materially impair the ability of borrowers to repay their loans. Moreover, the value of real estate or other collateral that secures the loans could be materially and adversely affected by a catastrophic event. A natural disaster or other catastrophic event could, therefore, result in decreased revenue and loan losses that have an adverse effect on our business, financial condition and results of operations.

We may be subject to environmental liabilities in connection with the real properties we own and the foreclosure on real estate assets securing our loan portfolio.

In the course of our business, we may purchase real estate in connection with our acquisition and expansion efforts, or we may foreclose on and take title to real estate or otherwise be deemed to be in control of property that serves as collateral on loans we make. As a result, we could be subject to environmental liabilities with respect to those properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

The cost of removal or abatement may substantially exceed the value of the affected properties or the loans secured by those properties, we may not have adequate remedies against the prior owners or other responsible parties and we may not be able to resell the affected properties either before or after completion of any such removal or abatement procedures. If material environmental problems are discovered before foreclosure, we generally will not foreclose on the related collateral or will transfer ownership of the loan to a subsidiary. It should be noted, however, that the transfer of the property or loans to a subsidiary may not protect us from environmental liability. Furthermore, despite these actions on our part, the value of the property as collateral will generally be substantially reduced or we may elect not to foreclose on the property and, as a result, we may suffer a loss upon collection of the loan. Any significant environmental liabilities could have an adverse effect on our business, financial condition and results of operations.

We are subject to claims and litigation pertaining to intellectual property.

Banking and other financial services companies, such as our company, rely on technology companies to provide information technology products and services necessary to support their day-to-day operations. Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of our vendors, or other individuals or companies, may from time to time claim to hold intellectual property sold to us by our vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, we may have to engage in protracted litigation. Such litigation is often expensive, time-consuming, disruptive to our operations and distracting to management. If we are found to infringe one or more patents or other intellectual property rights, we may be required to pay substantial damages or royalties to a third party. In certain cases, we may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase our operating expenses. If legal matters related to intellectual property claims were resolved against us or settled, we could be required to make payments in amounts that could have an adverse effect on our business, financial condition and results of operations.

If the goodwill that we have recorded or may record in connection with a business acquisition becomes impaired, it could require charges to earnings.

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets we acquired in connection with the purchase of another financial institution. We review goodwill for impairment at least annually, or more frequently if a triggering event occurs which indicates that the carrying value of the asset might be impaired.

Our goodwill impairment test involves a two-step process. Under the first step, the estimation of fair value of the reporting unit is compared to its carrying value including goodwill. If step one indicates a potential impairment, the second step is performed to measure the amount of impairment, if any. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. As of December 31, 2016, our goodwill totaled $18.7 million. While we have not recorded any impairment charges since we initially recorded the goodwill, there can be no assurance that our future evaluations of our existing goodwill or goodwill we may acquire in the future will not result in findings of impairment and related write-downs, which could adversely affect our business, financial condition and results of operations.

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Risks Related to the Regulation of Our Industry

The ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, could adversely affect our business, financial condition, and results of operations.

On July 21, 2010, the Dodd-Frank Act was signed into law, and the process of implementation is ongoing. The Dodd-Frank Act imposes significant regulatory and compliance changes on many industries, including ours. There remains significant uncertainty surrounding the manner in which the provisions of the Dodd-Frank Act will ultimately be implemented by the various regulatory agencies and the full extent of the impact of the requirements on our operations is unclear, especially in light of the Trump administration s recent executive order calling for a full review of the Dodd-Frank Act and the regulations promulgated under it. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, require the development of new compliance infrastructure, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements or with any future changes in laws or regulations could adversely affect our business, financial condition and results of operations.

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could adversely affect us.

Banking is highly regulated under federal and state law. As such, we are subject to extensive regulation, supervision and legal requirements that govern almost all aspects of our operations. These laws and regulations are not intended to protect our shareholders. Rather, these laws and regulations are intended to protect customers, depositors, the Deposit Insurance Fund and the overall financial stability of the United States. These laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that the Bank can pay to us, restrict the ability of institutions to guarantee our debt and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP would require. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional operating costs. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, enforcement actions and fines and other penalties, any of which could adversely affect our results of operations, regulatory capital levels and the price of our securities. Further, any new laws, rules and regulations, such as the Dodd-Frank Act, could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition and results of operations.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations could adversely affect us.

As part of the bank regulatory process, the OCC and the Board of Governors of the Federal Reserve System, or Federal Reserve, periodically conduct examinations of our business, including compliance with laws and regulations. If, as a result of an examination, one of these federal banking agencies were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, asset sensitivity, risk management or other aspects of any of our operations have become unsatisfactory, or that our Company, the Bank or their respective management were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital levels, to restrict our growth, to assess civil monetary penalties against us, the Bank or their respective officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Bank s deposit insurance. If we become subject to such regulatory actions, our business, financial condition, results of operations and reputation could be adversely affected.

We recently became subject to more stringent capital requirements, which may result in lower returns on equity, require the raising of additional capital, limit our ability to repurchase shares or pay dividends and discretionary bonuses, or result in regulatory action.

The Dodd-Frank Act requires the federal banking agencies to establish stricter risk-based capital requirements and leverage limits to apply to banks and bank and savings and loan holding companies. In July 2013, the federal banking agencies published new capital rules, referred to herein as the Basel III capital rules, which revised their risk-based and leverage capital requirements and their method for calculating risk-weighted assets. The Basel III capital rules apply to all bank holding companies with $1.0 billion or more in consolidated assets and all banks regardless of size. The Basel III capital rules became effective as applied to us on January 1, 2015, with a phase-in period for the new capital conservation buffer that generally extends from January 1, 2015 through January 1, 2019. See Supervision and Regulation Guaranty Bancshares, Inc. New Rules on Regulatory Capital.

As a result of the enactment of the Basel III capital rules, we became subject to increased required capital levels. Our inability to comply with these more stringent capital requirements could, among other things, result in lower returns on equity; require the raising of additional capital; limit our ability to repurchase shares or pay dividends and discretionary bonuses; or result in regulatory actions, any of which could adversely affect our business, financial condition and results of operation.

Many of our new activities and expansion plans require regulatory approvals, and failure to obtain them may restrict our growth.

We intend to complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. Generally, we must receive federal regulatory approval before we can acquire an FDIC-insured depository institution or related business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects, and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution s record of compliance under the Community Reinvestment Act, or the CRA) and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell banking locations as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise, we plan to continue *de novo* branching as a part of our expansion strategy. *De novo* branching and acquisitions carry with them numerous risks, including the inability to obtain all required regulatory approvals. The failure to obtain these regulatory approvals for potential future strategic acquisitions and *de novo* banking locations could impact our business plans and restrict our growth.

Financial institutions, such as the Bank, face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network, established by the U.S. Department of the Treasury, or the Treasury Department, to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and the Internal Revenue Service. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the Treasury Department s Office of Foreign Assets Control.

In order to comply with regulations, guidelines and examination procedures in this area, we have dedicated significant resources to our anti-money laundering program. If our policies, procedures and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the inability to obtain regulatory approvals to proceed with certain aspects of our business plans, including acquisitions and *de novo* branching.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, or CFPB, the U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. The CFPB was created under the Dodd-Frank Act to centralize responsibility for consumer financial protection with broad rulemaking authority to administer and carry out the purposes and objectives of federal consumer financial laws with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider, identifying and prohibiting acts or practices that are unfair, deceptive, or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The ongoing broad rulemaking powers of the CFPB have potential to have a significant impact on the operations of financial institutions offering consumer financial products or services. The CFPB has indicated that it may propose new rules on overdrafts and other consumer financial products or services, which could have an adverse effect on our business, financial condition and results of operations if any such rules limit our ability to provide such financial products or services.

A successful regulatory challenge to an institution s performance under the CRA, fair lending or consumer lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution s performance under fair lending laws in private class action litigation. Such actions could have an adverse effect on our business, financial condition and results of operations.

Increases in FDIC insurance premiums could adversely affect our earnings and results of operations.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. As a result of economic conditions and the enactment of the Dodd-Frank Act, the FDIC has in recent years increased deposit insurance assessment rates, which in turn raised deposit premiums for many insured depository institutions. In 2010, the FDIC increased the Deposit Insurance Fund s target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act s elimination of the 1.5% cap on the insurance fund s reserve ratio, and the FDIC as put in place a restoration plan to restore the Deposit Insurance Fund to its 1.35% minimum reserve ratio managed by the

Dodd-Frank Act by September 30, 2020. If recent increases in premiums are insufficient for the Deposit Insurance Fund to meet its funding requirements, further special assessments or increases in deposit insurance premiums may be required. Further, if there are additional financial institution failures that affect the Deposit Insurance Fund, we may be required to pay higher FDIC premiums. Our FDIC

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insurance related costs were $1.2 million for the year ended December 31, 2016, compared to $743,000 for the year ended December 31, 2015, and $680,000 for the year ended December 31, 2014. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could adversely affect our earnings and results of operations.

The Federal Reserve may require us to commit capital resources to support the Bank.

The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength to its subsidiary banks and to commit resources to support its subsidiary banks. Under the source of strength doctrine that was codified by the Dodd-Frank Act, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank at times when the bank holding company may not be inclined to do so and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. Accordingly, we could be required to provide financial assistance to the Bank if it experiences financial distress.

A capital injection may be required at a time when our resources are limited, and we may be required to borrow the funds or raise capital to make the required capital injection. Any loan by a bank holding company to its subsidiary bank is subordinate in right with payment to deposits and certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company s general unsecured creditors, including the holders of any note obligations. Thus, any borrowing by a bank holding company for the purpose of making a capital injection to a subsidiary bank often becomes more difficult and expensive relative to other corporate borrowings.

We could be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the U.S. money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market purchases and sales of securities by the Federal Reserve, adjustments of both the discount rate and the federal funds rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Although we cannot determine the effects of such policies on us at this time, such policies could adversely affect our business, financial condition and results of operations.

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We are subject to commercial real estate lending guidance issued by the federal banking regulators that impacts our operations and capital requirements.

The federal banking regulators have issued guidance regarding concentrations in commercial real estate lending directed at institutions that have particularly high concentrations of commercial real estate loans within their lending portfolios. This guidance suggests that institutions whose commercial real estate loans exceed certain percentages of capital should implement heightened risk management practices appropriate to their concentration risk and may be required to maintain higher capital ratios than institutions with lower concentrations in commercial real estate lending. Based on our commercial real estate concentration as of December 31, 2016, we believe that we are operating within the guidelines. However, increases in our commercial real estate lending, particularly as we expand into metropolitans markets and make more of these loans, could subject us to additional supervisory analysis. We cannot guarantee that any risk management practices we implement will be effective to prevent losses relating to our commercial real estate portfolio. Management has implemented controls to monitor our commercial real estate lending concentrations, but we cannot predict the extent to which this guidance will impact our operations or capital requirements.

Risks Related to an Investment in Our Common Stock

There is currently no regular market for our common stock. An active, liquid market for our common stock may not develop or be sustained upon completion of this offering, which may impair your ability to sell your shares.

Our common stock is not currently traded on an established public trading market. From 1998 to 2005, our common stock was listed on the Nasdaq Stock Market LLC under the symbol GNTY. In 2005, we terminated the registration of our common stock under Section 12(g) of the Exchange Act and, consequently, terminated the listing of our common stock on the Nasdaq Stock Market LLC. Since the delisting of our common stock in 2005, shares of our common stock have been quoted on the OTC Markets under the same symbol, although there has been no material trading volume in our common stock through our quotation on the OTC Markets. As a result, since 2005 there has been no regular market for our common stock. We have applied to list our common stock on the NASDAQ Global Select Market, but an active, liquid trading market for our common stock may not develop or be sustained following this offering. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace and independent decisions of willing buyers and sellers of our common stock, over which we have no control. Without an active, liquid trading market for our common stock, shareholders may not be able to sell their shares at the volume, prices and times desired. Moreover, the lack of an established market could materially and adversely affect the value of our common stock. The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may affect the market price and trading volume of our common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;

the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;

- publication of research reports about us, our competitors, or the financial services industry generally, or changes in, or failure to meet, securities analysts estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;

- operating and stock price performance of companies that investors deemed comparable to us;

- additional or anticipated sales of our common stock or other securities by us or our existing shareholders;

- additions or departures of key personnel;

- perceptions in the marketplace regarding our competitors or us, including the perception that investment in Texas is unattractive or less attractive during periods of low oil prices;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;

- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and

- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our primary markets or the financial services industry.

The stock market and, in particular, the market for financial institution stocks have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

Actual or anticipated issuances or sales of substantial amounts of our common stock following this offering could cause the market price of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Our certificate of formation authorizes us to issue up to 50,000,000 shares of our common stock, [ ] of which will be outstanding following the completion of this offering (or [ ] shares if the underwriters exercise in full their over-allotment option). All [ ] of the shares of common stock sold in this offering (or [ ] shares if the underwriters exercise in full their over-allotment option) will be freely tradable, except that any shares purchased by our affiliates (as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act) may be resold only in compliance with the limitations described under Shares Eligible for Future Sale. The remaining [ ] outstanding shares of our common stock will be deemed to be restricted securities as that term is defined in Rule 144, and may be resold in the United States only if they are registered for resale under the Securities Act or an exemption, such as Rule 144, is available. We also intend to file a registration statement on Form S-8 under the Securities Act to register an aggregate of approximately 1,000,000 shares of common stock issued or reserved for issuance under our equity incentive plan and an indeterminate amount of plan interests in our common stock to be offered and sold pursuant to the KSOP. We may issue all of these shares without any action or approval by our shareholders, and these shares, once issued (including upon exercise of outstanding options), will be available for sale into the public market, subject to the restrictions described above, if applicable, for affiliate holders.

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Further, in connection with this offering, we, our directors, our executive officers and certain shareholders have agreed to enter into lock-up agreements that restrict the sale of their holdings of our common stock for a period of 180 days from the date of this prospectus, subject to an extension in certain circumstances. The underwriters, in their discretion, may release any of the shares of our common stock subject to these lock-up agreement at any time without notice. In addition, after this offering, approximately [ ] shares of our common stock will not be subject to lock-up. The resale of such shares could cause the market price of our stock to drop significantly, and concerns that those sales may occur could cause the trading price of our common stock to decrease or to be lower than it should be.

In addition, we may issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments and pursuant to compensation and incentive plans. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition or under a compensation or incentive plan), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock and could impair our ability to raise capital through future sales of our securities.

The obligations associated with being a public company will require significant resources and management attention, which will increase our costs of operations and may divert focus from our business operations.

As a public company, we will face increased legal, accounting, administrative and other costs and expenses that we have not incurred as a private company, particularly after we no longer qualify as an emerging growth company. We expect to incur incremental costs related to operating as a public company of approximately $500,000 annually, although there can be no assurance that these costs will not be higher, particularly when we no longer qualify as an emerging growth company. After the completion of this offering, we will be subject to the reporting requirements of the Exchange Act, which requires that we file annual, quarterly and current reports with respect to our business and financial condition and proxy and other information statements, and the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Dodd-Frank Act, the PCAOB and the NASDAQ Global Select Market, each of which imposes additional reporting and other obligations on public companies. As a public company, compliance with these reporting requirements and other SEC and the NASDAQ Global Select Market rules will make certain operating activities more time-consuming, and we will also incur significant new legal, accounting, insurance and other expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management s attention from implementing our operating strategy, which could prevent us from successfully implementing our strategic initiatives and improving our results of operations. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses and such increases will reduce our profitability.

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price is expected to be substantially higher than the net tangible book value per share of our common stock immediately following this offering. Therefore, if you purchase shares in this offering, you will experience immediate and substantial dilution in net tangible book value per share in relation to the price that you paid for your shares. We expect the dilution as a result of this offering and the KSOP

Repurchase Right Termination to be $[ ] per share, based on an assumed initial offering price of $[ ] per share (the midpoint of the range set forth on the cover page of this prospectus) and our pro forma net tangible book value of $[ ] per share as of December 31, 2016. Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment. See Dilution.

Securities analysts may not initiate or continue coverage on us.

The trading market for our common stock will depend, in part, on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover us. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline. If we are covered by securities analysts and are the subject of an unfavorable report, the price of our common stock may decline.

Our management and board of directors have significant control over our business.

As of December 31, 2016, our directors and named executive officers beneficially owned an aggregate of 2,141,384 shares, or approximately 24.3%, of our issued and outstanding shares of common stock, including 304,788 shares that are held by our KSOP and allocated to the accounts of our named executive officers. As of December 31, 2016, our KSOP owned an aggregate of 1,319,225 shares, or approximately 15.07% of our issued and outstanding shares. A committee consisting of four independent directors of the Company, which we refer to herein as the KSOP Committee, currently serves as trustee of the KSOP. Because our common stock is not currently listed on a national securities exchange, the trustee of the KSOP generally has voting power with respect to the shares of our common stock held by the KSOP, except in certain limited circumstances, such as a merger, consolidation, or other extraordinary corporate matter. As such, the KSOP Committee, as trustee of the KSOP, has voting control over the shares held by the KSOP on most matters that require a vote of our shareholders. Following completion of this offering and the listing of our common stock on the NASDAQ Global Select Market, each KSOP participant will have the right to vote the shares allocated to such participant s account on all matters requiring a vote of our shareholders, but the KSOP committee, as trustee of the KSOP, will retain sole voting power over all shares held by the KSOP that are not allocated to participants accounts and all shares for which they have received no voting instructions from the participant. As of December 31, 2016, 50,000 of the 1,319,225 shares owned by our KSOP were unallocated to participants accounts.

Following the completion of this offering, our directors and named executive officers will beneficially own approximately [ ]% of our outstanding common stock, including 304,788 shares that are held by our KSOP and allocated to the accounts of such individuals. Consequently, our management and board of directors may be able to significantly affect the outcome of the election of directors and the potential outcome of other matters submitted to a vote of our shareholders, such as mergers, the sale of substantially all of our assets and other extraordinary corporate matters. The interests of these insiders could conflict with the interests of our other shareholders, including you.

We have broad discretion in the use of the net proceeds to us from this offering, and our use of these proceeds may not yield a favorable return on your investment.

We intend to use the net proceeds to us from this offering to further implement our expansion strategy, repay a portion of our corporate debt, fund organic growth in our banking markets and for general corporate purposes. We have not specifically allocated the amount of net proceeds to us that will be used for these purposes and our management will have broad discretion over how these proceeds are used and could spend these proceeds in ways with which you may not agree. In addition, we may not use the net proceeds to us from this offering effectively or in a manner that increases our market value or enhances our profitability. We have not established a timetable for the effective deployment of the net proceeds to us, and we cannot predict how long it will take to deploy these proceeds. Investing the net proceeds to us in securities until we are able to deploy these proceeds will provide lower yields than we generally earn on loans, which may have an adverse effect on our profitability. Although we may, from time to time in the ordinary course of business, evaluate potential acquisition opportunities that we believe provide attractive risk-adjusted returns, we do not have any immediate plans, arrangements or understandings relating to any acquisitions, nor are we engaged in negotiations with any potential acquisition targets. Likewise, although we regularly consider establishing *de novo* banking locations and organic growth initiatives within our current and potential new markets, we do not have any immediate plans, arrangements or understandings relating to the establishment of any *de novo* banking locations or any other organic growth initiatives outside of the ordinary course of business.

The holders of our existing debt obligations, as well as debt obligations that may be outstanding in the future, will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest.

In the event of any liquidation, dissolution or winding up of the Company, our common stock would rank below all claims of debt holders against us. As of the date of this prospectus, we had outstanding approximately $[ ] million of senior debt obligations relating to advances on our senior, unsecured line of credit, $9.0 million of subordinated debt obligations and approximately $10.3 million of junior subordinated debentures issued to statutory trusts that, in turn, issued $10.0 million of trust preferred securities. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by us. Our debt obligations are senior to our shares of common stock. As a result, we must make payments on our debt obligations before any dividends can be paid on our common stock. In the event of our bankruptcy, dissolution or liquidation, the holders of our debt obligations must be satisfied before any distributions can be made to the holders of our common stock. We have the right to defer distributions on our junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid to holders of our common stock. To the extent that we issue additional debt obligations or junior subordinated debentures, the additional debt obligations or additional junior subordinated debentures will be of equal rank with, or senior to, our existing debt obligations and senior to our shares of common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

At the time of this offering, our certificate of formation will authorize us to issue up to 15,000,000 shares of one or more series of preferred stock. Our board of directors will have the authority to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and materially adversely affect the market price and the voting and other rights of the holders of our common stock.

We are an emerging growth company, and the reduced regulatory and reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company we may to take advantage of reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. These include, without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced financial reporting requirements, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments. The JOBS Act also permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. However, we have irrevocably opted out of this provision, and we will comply with new or revised accounting standards to the same extent that compliance is required for non-emerging growth companies.

We may take advantage of these provisions for up to five years, unless we earlier cease to be an emerging growth company, which would occur if our annual gross revenues exceed $1.0 billion, if we issue more than $1.0 billion in non-convertible debt in a three-year period or if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30, in which case we would no longer be an emerging growth company as of the following December 31. Investors may find our common stock less attractive because we intend to rely on certain of these exemptions, which may result in a less active trading market and increased volatility in our stock price.

We are dependent upon the Bank for cash flow, and the Bank s ability to make cash distributions is restricted.

Our primary tangible asset is Guaranty Bank & Trust. As such, we depend upon the Bank for cash distributions (through dividends on the Bank s common stock) that we use to pay our operating expenses, satisfy our obligations (including our subordinated debentures and our other debt obligations) and to pay dividends on our common stock. Federal statutes, regulations and policies restrict the Bank s ability to make cash distributions to us. These statutes and regulations require, among other things, that the Bank maintain certain levels of capital in order to pay a dividend. Further, the OCC has the ability to restrict the Bank s payment of dividends by supervisory action. If the Bank is unable to pay dividends to us, we will not be able to satisfy our obligations or pay dividends on our common stock.

Our dividend policy may change without notice, and our future ability to pay dividends is subject to restrictions.

Following the completion of this offering, we anticipate that dividends will be declared and paid in the month following the end of each calendar quarter, and we anticipate paying a quarterly dividend on our common stock in an amount equal to approximately 25.0% to 30.0% of our net income for the immediately preceding quarter. However, holders of our common stock are entitled to receive only such cash dividends as our board of directors may declare out of funds legally available for such payments. Any declaration and payment of dividends on common stock will depend upon our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, our ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by our board of directors. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely affect the amount of dividends, if any, paid to our common shareholders.

The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization s overall asset quality, current and prospective earnings and level, composition and quality of capital. The guidance provides that we inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to our capital structure, including interest on the subordinated debentures underlying our trust preferred securities and our other debt obligations. If required payments on our outstanding junior subordinated debentures, held by our unconsolidated subsidiary trusts, or our other debt obligations, are not made or are deferred, or dividends on any preferred stock we may issue are not paid, we will be prohibited from paying dividends on our common stock.

Our corporate organizational documents and provisions of federal and state law to which we are subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition that you may favor or an attempted replacement of our board of directors or management.

Our certificate of formation and our bylaws (each as amended and restated and in effect prior to the completion of this offering) may have an anti-takeover effect and may delay, discourage or prevent an attempted

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acquisition or change of control or a replacement of our board of directors or management. Our governing documents include provisions that:

- empower our board of directors, without shareholder approval, to issue our preferred stock, the terms of which, including voting power, are to be set by our board of directors;
- divide our board of directors into three classes serving staggered three-year terms;
- provide that directors may only be removed from office for cause and only upon a majority shareholder vote;
- eliminate cumulative voting in elections of directors;
- permit our board of directors to alter, amend or repeal our amended and restated bylaws or to adopt new bylaws;
- require the request of holders of at least 50.0% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders meeting;
- prohibit shareholder action by less than unanimous written consent, thereby requiring virtually all actions to be taken at a meeting of the shareholders;
- require shareholders that wish to bring business before annual or special meetings of shareholders, or to nominate candidates for election as directors at our annual meeting of shareholders, to provide timely notice of their intent in writing; and
- enable our board of directors to increase, between annual meetings, the number of persons serving as directors and to fill the vacancies created as a result of the increase by a majority vote of the directors present at a meeting of directors.

In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control. Furthermore, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect control of an FDIC-insured depository institution or its holding company. These laws include the Bank Holding Company Act of 1956, as amended, or the BHC Act, and the Change in Bank Control Act, or the CBCA. These laws could delay or prevent an acquisition.

Furthermore, our amended and restated certificate of formation provides that the state courts located in Titus County, Texas, the county in which our headquarters in Mount Pleasant lie, will be the exclusive forum for: (a) any actual or purported derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of fiduciary duty by any of our directors or officers, (c) any action asserting a claim against us or our directors or officers arising pursuant to the TBOC, our certificate of formation, or our bylaws; or (d) any action asserting a claim against us or our officers or directors that is governed by the internal affairs doctrine. By becoming a shareholder of our Company, you will be deemed to have notice of and have consented to the provisions of our amended and restated certificate of formation related to choice of forum. The choice of forum provision in our amended and restated certificate of formation may limit our shareholders ability to obtain a favorable judicial forum for disputes with us. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of formation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, operating results, and financial condition.

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An investment in our common stock is not an insured deposit and is subject to risk of loss.

Any shares of our common stock you purchase in this offering will not be savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be capable of affording the loss of your entire investment.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as may, should, could, predict, potential, believe, wi result, expect, continue, will, anticipate, seek, estimate, intend, plan, projection, would and ou version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

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

- our ability to prudently manage our growth and execute our strategy;
- risks associated with our acquisition and *de novo* branching strategy;
- business and economic conditions generally and in the financial services industry, nationally and within our primary markets;
- deterioration of our asset quality;
- changes in the value of collateral securing our loans;
- changes in management personnel;
- liquidity risks associated with our business;
- interest rate risk associated with our business;
- our ability to maintain important deposit customer relationships and our reputation;

operational risks associated with our business;

volatility and direction of market interest rates;

increased competition in the financial services industry, particularly from regional and national institutions;

changes in the laws, rules, regulations, interpretations or policies relating to financial institution, accounting, tax, trade, monetary and fiscal matters;

further government intervention in the U.S. financial system;

natural disasters and adverse weather, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control; and

other factors that are discussed in the section entitled Risk Factors, beginning on page 20.

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The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $[ ] million, or approximately $[ ] million if the underwriters elect to exercise in full their over-allotment option, in each case, assuming an initial public offering price of $[ ] per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us. Each $1.00 increase or decrease in the assumed initial public offering price would increase or decrease (as applicable) the net proceeds to us from this offering by approximately $[ ] million, or approximately $[ ] million if the underwriters elect to exercise in full their over-allotment option, in each case, assuming the number of shares we sell, as set forth on the cover of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

We intend to use the net proceeds to us from this offering to further implement our expansion strategy, repay a portion of our corporate debt, fund organic growth in our banking markets and for general corporate purposes. We have not specifically allocated the amount of net proceeds to us that will be used for these purposes and our management will have broad discretion over how these proceeds are used. We are conducting this offering at this time because we believe that it will allow us to better execute our expansion strategy. Although we may, from time to time in the ordinary course of business, evaluate potential acquisition opportunities that we believe provide attractive risk-adjusted returns, we do not have any immediate plans, arrangements or understanding relating to any acquisitions, nor are we engaged in negotiations with any potential acquisition targets. Likewise, although we regularly consider establishing *de novo* banking locations and organic growth initiatives within our current and potential new markets, we do not have any immediate plans, arrangements or understanding relating to the establishment of any *de novo* banking locations or any other organic growth initiatives outside of the ordinary course of business.

We intend to use $[ ] of the proceeds from this offering to pay down the outstanding balance on our line of credit with our correspondent bank. The line of credit is unsecured and bears interest at the prime rate plus 0.50%, with interest payable quarterly, and matures in March 2018. The outstanding balance as of the date of this prospectus is $[ ].

We intend to use $4.5 million of the proceeds from this offering to redeem a portion of certain debentures issued by the Company in July and December 2015 with an aggregate principal amount of $9.0 million. The debentures have maturity dates ranging from July 2017 to June 2020, with interest rates varying with the maturity date. The debentures have a weighted average interest rate of 3.67%, and interest is payable semi-annually from the date of issuance.

In addition, we intend to retain up to $[ ] million of the proceeds at the holding company level for general corporate purposes and contribute the remaining proceeds to the Bank.

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DIVIDEND POLICY

Effective January 1, 2008, we made the election to be taxed as an electing small business corporation under Subchapter S of the Internal Revenue Code. Accordingly, we made quarterly distributions to our shareholders to provide them with funds to pay federal income taxes on the pro rata portion of our taxable income that was passed through to them. We have also historically declared and paid semi-annual dividends in June and December of each year, based on our earnings. Effective December 31, 2013, we terminated our election to be an electing small business corporation under Subchapter S of the Internal Revenue Code, and our dividend policy and practice changed because we are now taxed as a C corporation and, therefore, we will no longer pay distributions to provide shareholders with funds to pay federal income taxes on their pro rata portion of our taxable income.

Despite the termination of our Subchapter S election, we paid dividends of $0.50 per share and a special dividend of $1.00 per share for the year ended December 31, 2014, since all dividends we pay for the first 12 months following the termination of our Subchapter S election were not subject to federal income taxation.

In connection with this offering, our board of directors intends to amend its policy to pay a dividend to holders of our common stock as a return on their investment. Following the completion of this offering, we anticipate paying a quarterly dividend on our common stock in an amount equal to approximately 25.0% to 30.0% of our net income for the immediately preceding quarter. We anticipate that dividends will be declared and paid in the month following the end of each calendar quarter. Our dividend policy may change with respect to the payment of dividends as a return on investment, and our board of directors may change or eliminate the payment of future dividends at its discretion, without notice to our shareholders.

Any future determination to pay dividends on our common stock will be made by our board of directors and will depend on a number of factors, including: (1) our historic and projected financial condition, liquidity and results of operations; (2) our capital levels and needs; (3) tax considerations; (4) any acquisitions or potential acquisitions that we may examine; (5) statutory and regulatory prohibitions and other limitations; (6) the terms of any credit agreements or other borrowing arrangements that restrict our ability to pay cash dividends; (7) general economic conditions and (8) other factors deemed relevant by our board of directors. We are not obligated to pay dividends on our common stock.

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Subject to the restrictions discussed below, our shareholders are entitled to receive dividends when, as, and if declared by our board of directors out of legally available funds for that purpose. The following table shows recent and semi-annual dividends that have been paid on our common stock with respect to the periods indicated.

Quarterly period	Earnings dividends amount per share[1]	Total cash dividends (dollars in thousands)
First quarter 2014	$ -	$ -
Second quarter 2014	0.250	1,844
Third quarter 2014	-	-
Fourth quarter 2014	1.250	10,019
First quarter 2015	$ -	$ -
Second quarter 2015	0.250	2,295
Third quarter 2015	-	-
Fourth quarter 2015	0.250	2,231
First quarter 2016	$ -	$ -
Second quarter 2016	0.260	2,328
Third quarter 2016	-	-
Fourth quarter 2016	0.260	2,287

(1) The amounts have been adjusted to reflect our 2-for-1 stock split that was effective as of August 20, 2014.

As a Texas corporation, we are subject to certain restrictions on distributions under the Texas Business Organizations Code, or TBOC. Generally, a Texas corporation may not make a distribution to its shareholders if, after giving it effect, the corporation would not be able to pay its debts as they become due in the usual course of business, or the corporation s total assets would be less than the sum of its total liabilities plus the amount that would be needed if the corporation were to be dissolved at the time of the distribution to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. In addition, if required payments on our outstanding debt obligations, including our junior subordinated debentures held by our unconsolidated subsidiary trusts, are not made or suspended, we may be prohibited from paying dividends on our common stock.

Because we are a bank holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our shareholders depends, in large part, upon our receipt of dividends from the Bank, which is also subject to numerous limitations on the payment of dividends under federal banking laws, regulations and policies. See Supervision and Regulation Dividends. We are also subject to certain restrictions on our right to pay dividends to our shareholders in the event we default under the terms of our line of credit.

The present and future dividend policy of the Bank is subject to the discretion of its board of directors. The Bank is not obligated to pay dividends.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2016 on:

- an actual basis;
- a pro forma basis, assuming that the KSOP Repurchase Right Termination occurred as of December 31, 2016; and
- a pro forma as adjusted basis to give effect to the KSOP Repurchase Right Termination and the sale of [ ] shares of common stock by us in this offering (assuming the underwriters do not exercise their over-allotment option), at an assumed initial public offering price of $[ ] per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

This table should be read in conjunction with Use of Proceeds, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31, 2016		
	Actual	**Pro Forma**	**Pro Forma As Adjusted for Offering**
		(Dollars in thousands)	
Other indebtedness:			
Subordinated debentures	$ 19,310	$ 19,310	$ 19,310
Commitments and contingent liabilities			
KSOP-owned shares	31,661		
Shareholders equity:			
Preferred stock, par value $5.00 per share, 15,000,000 shares authorized, no shares issued			
Common stock, par value $1.00 per share, 50,000,000 shares authorized, 9,616,275 issued and 8,751,923 shares outstanding, actual, and [ ] shares issued and outstanding, as adjusted	9,616	9,616	[ ]
Additional paid-in capital	101,736	101,736	[ ]
Retained earnings	57,160	57,160	57,160
Treasury stock, at cost, 864,352 shares, actual, and [ ] shares, as adjusted	(20,111)	(20,111)	[ ]
Accumulated other comprehensive loss	(6,487)	(6,487)	(6,487)

Total shareholders equity, including KSOP-owned shares		141,914		141,914		[ ]
Less: KSOP-owned shares		31,661				
Total shareholders equity, net of KSOP-owned shares		110,253		141,914		[ ]
Total capitalization	$	129,563	$	161,224	$	[ ]

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	As of December 31, 2016		
	Actual	Pro Forma	Pro Forma As Adjusted for Offering
	(Dollars in thousands)		
Capital ratios:			
Common equity tier 1 capital (CET1) to risk-weighted assets	9.28%	9.28%	[ ]%
Tier 1 capital to average assets	7.71%	7.71%	[ ]%
Tier 1 capital to risk-weighted assets(1)	10.03%	10.03%	[ ]%
Total capital to risk-weighted assets(1)	10.86%	10.86%	[ ]%
Total shareholders equity to total assets	7.76%	7.76%	[ ]%
Tangible common equity to tangible assets(2)	6.64%	6.64%	[ ]%

(1) The as adjusted capital ratios above assume that the proceeds of this offering are invested in 100.0% risk-weighted assets.

(2) We calculate tangible common equity as total shareholders equity less goodwill, core deposit intangibles and other intangible assets, net of accumulated amortization, and we calculate tangible assets as total assets less goodwill and core deposit intangibles and other intangible assets, net of accumulated amortization. Tangible common equity to tangible assets is a non-GAAP financial measure, and, as we calculate tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total shareholders equity to total assets. See our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.

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DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent that the initial public offering price per share of our common stock exceeds the net tangible book value per share of our common stock immediately following the completion of this offering. Net tangible book value is equal to our total shareholders equity, less intangible assets, divided by the number of common shares outstanding. As of December 31, 2016 and after giving effect to the KSOP Repurchase Right Termination, the net tangible book value of our common stock was $119.9 million, or $13.70 per share.

After giving effect to the KSOP Repurchase Right Termination and our sale of [ ] shares of common stock in this offering (assuming the underwriters do not exercise their over-allotment option) at an assumed initial public offering price of $[ ] per share, the midpoint of the price range on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, the pro forma net tangible book value of our common stock as December 31, 2016 would have been approximately $[ ] million, or $[ ] per share. Therefore, this offering will result in an immediate increase of $[ ] in the tangible book value per share of our common stock of existing shareholders and an immediate dilution of $[ ] in the tangible book value per share of our common stock to investors purchasing shares in this offering, or approximately [ ]% of the public offering price of $[ ] per share.

The following table illustrates the calculation of the amount of dilution per share that a purchaser of our common stock in this offering will incur given the assumptions above:

Assumed initial public offering price per share of common stock		$ [ ]
Net tangible book value per common share as of December 31, 2016 after giving effect to the KSOP Repurchase Right Termination	$ 13.70	
Increase in net tangible book value per common share attributable to this offering	$ [ ]	
As adjusted net tangible book value per common share after this offering and the KSOP Repurchase Right Termination		[ ]
Dilution in net tangible book value per common share to new investors		$ [ ]

A $1.00 increase (or decrease) in the assumed initial public offering price of $[ ] per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, would increase (or decrease) the as adjusted net tangible book value per share after this offering by approximately $[ ], and dilution in net tangible book value per share to new investors by approximately $[ ], assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their option to purchase additional shares of our common stock in this offering, the as adjusted net tangible book value after this offering would be $[ ] per share, the increase in net tangible book value to existing shareholders would be $[ ] per share and the dilution to new investors would be $[ ] per share, in each case assuming an initial public offering price of $[ ] per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus.

The following table summarizes the total consideration paid to us and the average price paid per share by existing shareholders and investors purchasing common stock in this offering. This information is presented on a pro forma basis as of December 31, 2016, after giving effect to our sale of [ ] shares of common stock in this offering (assuming the underwriters do not exercise their over-allotment option) at an assumed initial public offering price of $[ ] per share, the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus.

	Shares Purchased/Issued		Total Consideration		Average Price
	Number	Percent	Amount	Percent	per Share
Shareholders as of December 31, 2016	8,751,923	[ ]%	$ 111,352(1)	[ ]%	$ 11.58
New investors in this offering	[ ]	[ ]	[ ]	[ ]	[ ]
Total	[ ]	100.0%	$ [ ]	100%	[ ]

(1) Calculated as $9.6 million in common stock plus $101.9 million in additional paid in capital, which gives effect to a $11.8 million special dividend paid to shareholders in 2014 that was deducted from additional paid in capital.

In addition, if the underwriters option to purchase additional shares is exercised in full, the number of shares of common stock held by existing shareholders will be further reduced to [ ]% of the total number of shares of common stock to be outstanding upon the completion of this offering, and the number of shares of common stock held by investors participating in this offering will be further increased to [ ] shares or [ ]% of the total number of shares of common stock to be outstanding upon the completion of this offering.

The tables above excludes (1) 1,000,000 shares of our common stock reserved for issuance under the Guaranty Bancshares, Inc. 2015 Equity Incentive Plan, 331,000 of which are currently subject to outstanding stock options at a weighted average exercise price of $23.76 per share, 80,300 of which are currently vested, and (2) 9,377 shares of our common stock subject to outstanding stock options issued under the DCB Financial Corp. Stock Option Plan with an exercise price of $11.94 per share, all of which are currently vested, which we assumed in connection with our acquisition of DCB Financial Corp. in March 2015. To the extent that we issue shares of our common stock upon the exercise of any options, investors participating in this offering will experience further dilution.

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PRICE RANGE OF OUR COMMON STOCK

Our common stock is not currently traded on an established public trading market. From 1998 to 2005, our common stock was listed on the Nasdaq Stock Market LLC under the symbol GNTY. In 2005, we terminated the registration of our common stock under Section 12(g) of the Exchange Act and, consequently, terminated the listing of our common stock on the Nasdaq Stock Market LLC. Since the delisting of our common stock in 2005, shares of our common stock have been quoted on the OTC Markets under the same symbol, although there has been no material trading volume in our common stock through the OTC Markets. As a result, since 2005 there has been no regular market for our common stock. Although our shares may have been sporadically traded in private transactions, the prices at which such transactions occurred may not necessarily reflect the price that would be paid for our common stock in an active market. As of December 31, 2016, there were approximately 410 holders of record of our common stock.

We anticipate that this offering and the listing of our common stock on the NASDAQ Global Select Market will result in a more active trading market for our common stock. However, we cannot assure you that a liquid trading market for our common stock will develop or be sustained after this offering. You may not be able to sell your shares quickly or at the market price if trading in our common stock is not active. See Underwriting for more information regarding our arrangements with the underwriters and the factors considered in setting the initial public offering price.

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BUSINESS

Our Company

We are a bank holding company, with headquarters in Mount Pleasant, Texas, and additional executive offices in Dallas and Bryan, Texas. Through our wholly owned subsidiary, Guaranty Bank & Trust, a national banking association, we provide a wide range of relationship-driven commercial and consumer banking, as well as trust and wealth management, products and services that are tailored to meet the needs of small- and medium-sized businesses, professionals and individuals.

From 1998 through 2005, we were traded on the Nasdaq National Market System under the symbol GNTY. In 2005, due primarily to our operating strategy at that time and the associated costs of remaining a publicly-traded company, including certain increasing costs to comply with the provisions of the Sarbanes-Oxley Act of 2002, we deregistered our common stock under the provisions of the Exchange Act and, consequently, ceased trading on the Nasdaq National Market System. Because of our size in 2005, there was limited trading volume in shares of our common stock. In addition, we were not pursuing any acquisitions or aggressive growth opportunities at that time, so we did not perceive any incremental benefits in remaining publicly-traded. In 2008, we undertook a Subchapter S election, which would not have been available if we remained a publicly-traded company. However, we have experienced consistent organic growth and have completed three whole bank acquisitions since going private in 2005, and we terminated our Subchapter S election in 2014. We believe that becoming a publicly-traded company will facilitate our continued expansion in a manner consistent with our current strategy.

As of December 31, 2016, we had total assets of $1.8 billion, total loans of $1.2 billion, total deposits of $1.6 billion and total shareholders equity of $110.3 million.

Our History and Growth

Guaranty Bank & Trust was originally chartered as a Texas state banking association over a century ago in 1913, and converted its charter to a national banking association in 2012. Guaranty was incorporated in 1990 to serve as the holding company for Guaranty Bank & Trust. Since our founding, we have built a strong reputation based on financial stability and community leadership. In 2013 and 2015, we expanded our markets from East Texas to include Bryan/College Station and the Dallas/Fort Worth metroplex, respectively. We currently operate 26 banking locations in 18 Texas communities. Our growth has been consistent and primarily organic. We have achieved organic growth by enhancing our lending and deposit relationships with existing customers and attracting new customers, as well as cross-selling our deposit, mortgage, trust and wealth management and treasury management products. Our expansion strategy has enabled us to access markets with stronger loan demand, achieve consistent growth, maintain stable operating efficiencies, preserve our historically conservative credit culture, and provide shareholders with stable earnings throughout credit cycles.

We have supplemented our organic growth and leveraged our strong deposit base with strategic acquisitions and the establishment of *de novo* banking locations. In 2011, we expanded our market share within the Texarkana, Texas area of our East Texas market with the acquisition of all loans and deposits of the Texarkana, Texas banking location of American State Bank. In 2013, we completed the acquisition of The First State Bank, which was located in Hallsville, Texas. We believe this acquisition provided a stable and established platform to expand within the Longview, Texas area of our East Texas market. We have historically experienced consistent growth in our East Texas market. As of December 31, 2011, we had total loans attributable to the East Texas market of $606.3 million and total deposits of $931.8 million, which have grown to total loans of $743.7 million and total deposits of $1.2 billion as of December 31, 2016.

In 2013, we expanded outside of East Texas when we established a *de novo* banking location in the growing Bryan/College Station, Texas market. We established two more *de novo* banking locations in this market in 2014 and 2016 and continue to operate all three banking locations. Our strong and stable core deposit base has allowed us to achieve organic loan growth in the Bryan/College Station market, which has increased our interest income. As of December 31, 2016, we had total loans of $210.2 million and total deposits of $137.4 million attributable to the Bryan/College Station market.

In March 2015, we entered the Dallas/Fort Worth metroplex market with the acquisition of DCB Financial Corp., or DCB Financial, which owned Preston State Bank, a Texas state-chartered bank headquartered in Dallas, Texas. At the time of our acquisition, DCB Financial operated two locations in Dallas, Texas, each of which continues to operate as a banking location of Guaranty Bank & Trust. In April 2015, we completed the acquisition of Texas Leadership Bank, a Texas state-chartered bank headquartered in Royse City, Texas, which is on the eastern side of the Dallas/Fort Worth metroplex. At the time of our acquisition, Texas Leadership Bank operated from a single banking location in Royse City, which we continue to operate. In September 2015, we established a *de novo* banking location in Rockwall, Texas, which is located approximately 10 miles west of Royse City and 20 miles east of downtown Dallas.

In May 2016, we established a *de novo* banking location in Denton, Texas, which is located approximately 40 miles north of downtown Dallas. In August 2016, we completed the acquisition of a full service Denton banking location from Independent Bank, in which we assumed certain deposits and acquired all of the fixed assets of the location. We currently operate the former banking location of Independent Bank as a location of Guaranty Bank & Trust.

Our acquisitions of DCB Financial, Texas Leadership Bank and the acquired Denton location, as well as the establishment of our *de novo* banking locations in Rockwall and Denton, are consistent with our strategy of expanding into the Dallas/Fort Worth metroplex. In total, the aggregate estimated fair values recorded at the time of acquisition in our three Dallas/Fort Worth metroplex acquisitions were $161.7 million in total loans and $164.6 million in total deposits. As of December 31, 2016, we had grown our total loans attributable to the Dallas/Fort Worth metroplex market to $291.3 million and our total deposits to $213.6 million.

Following completion of our acquisitions in the Dallas/Fort Worth metroplex in 2015, we established an executive office in Dallas, which houses our Chief Executive Officer and Chief Financial Officer, as well as our accounting, internal audit, marketing, loan review, treasury management, mortgage warehouse lending and mortgage departments. Mount Pleasant will continue to serve as the headquarters of Guaranty Bank & Trust and houses our credit operations, deposit services, information technology and human resources departments. We remain committed to successful integration with and expansion into the Dallas/Fort Worth metroplex and believe that establishing executive offices in Dallas promotes our strategic initiatives to attract quality banking talent and pursue quality loans within a growing metropolitan market, thereby growing our franchise in the Dallas/Fort Worth metroplex. In addition, we believe that maintaining our deposit services and primary operational departments in Mount Pleasant will allow us to support our continued growth in a cost-efficient manner.

Our Achievements and Highlights

Our financial and operational achievements and highlights include the following:

Strong Brand and Reputation. During our more than 100-year operating history, we have forged long-standing relationships with our customers and employees and have developed deep ties to the East Texas communities that we serve. We are continuously working to solidify our brand and reputation in our newest markets in Dallas/Fort Worth and Bryan/College Station through our strong and active community involvement. In 2016, *American Banker Magazine* named us #15 on their list of Best Banks to Work for, a designation awarded to 60 banks throughout the nation. We were also named as one of the 100 Best Companies to Work for in Texas by *Texas Monthly* magazine for the eighth consecutive year in 2017.

Successful Execution of Strategic Objectives. The Company s executive officers and board of directors established a five year strategic plan in 2012 to achieve meaningful loan growth while maintaining our disciplined underwriting principles and remaining conservative in our securities portfolio. In furtherance of these objectives, the strategic plan included identifying high growth and complementary markets to the Company s East Texas footprint to establish *de novo* locations consistent with an organic growth focus while simultaneously pursuing strategic acquisitions when culture, personnel and geography were favorable. The Company has grown its total assets from $1.1 billion as of December 31, 2011 to $1.8 billion as of December 31, 2016, an increase of 63.6%. During that same time period, we added 12 banking locations, of which six were *de novo* locations and six were added through strategic acquisitions. While the costs of pursuing this aggressive five year strategic plan limited shareholder returns during this time period, the board of directors supported this approach because of its long-term scalability and potential to increase shareholder value. To date, the Company has experienced smooth integrations of all of its new banking locations and established what the Company believes is a strong foundation for a highly successful and profitable business with continued growth and strong future shareholder returns.

Leadership in Primary Markets. We have a significant East Texas franchise, as demonstrated by our deposit market share in our primary markets. According to data compiled by the Federal Deposit Insurance Corporation, or FDIC, our deposit market share in the East Texas counties of Titus, Bowie and Lamar was approximately 52.3%, 18.0% and 19.7 %, respectively, as of June 30, 2016, the most recent date for which market share data is available. These three counties represented approximately 52.6% of our total deposits at that date. We more than doubled our market share of deposits in Brazos County (Bryan/College Station market) from June 30, 2015 to June 30, 2016, with growth in total deposits in that market from $57.7 million to $136.4 million, which represented approximately 9.1% of our total deposits as of that date. In our Dallas/Fort Worth metroplex market, we grew the $159.9 million in deposits we acquired in March and April of 2015 to $177.0 million as of June 30, 2016, an increase of 10.6%. As of June 30, 2016, we maintained a top three deposit market share ranking in seven of the 15 Texas counties in which we operate banking locations and a top 10 ranking in 12 of the 15 Texas counties in which we operate banking locations.

Consistent Growth and Stable Performance. During each of the last five years, we have achieved no less than a 9.5% compound annual growth rate for each of total assets, total deposits and total loans. We maintained our profitability during the recent economic recession, which generally adversely impacted the banking and financial services industries and, most recently, attained an 8.3% return on average equity for the year ended December 31, 2016.

Disciplined Credit Culture. Our in-depth knowledge of our markets, stringent credit approval processes and disciplined balance sheet growth strategies have allowed us to maintain sound asset quality while achieving meaningful loan growth. Our average annualized net charge-offs as a percentage of average loans was 0.12% over the past ten years and was 0.12% for the year ending December 31, 2016. Our average non-performing assets as a percentage of total assets was 0.64% over the past ten years and was 0.36% for the year ended December 31, 2016. We maintain a long-term focus on our financial performance by continually managing risk on our balance sheet with the intent of producing consistent results.

Investment in Technology. We also maintain a long-term focus on our franchise and have made significant investments in our information technology infrastructure, personnel and our digital banking products and services. We believe that these investments have enabled us to more effectively compete with larger institutions while retaining our ability to offer customized, relationship-based services to our customers, and to more easily accommodate future growth and expansion into new markets.

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Growth and Expansion Strategy

Our strategic plan is to be a leading Texas bank holding company with a commitment to operate as a community bank as we continue to execute our expansion strategy. Our expansion strategy is to generate shareholder value through the following:

Maintain Focus on Organic Growth. Focusing on organic growth is a strategy that allows us to generate stable funding sources without the non-amortizing goodwill assets and core deposit intangibles that strategic acquisitions might add to our balance sheet. By design during the past several years, we have offered money market and demand deposit interest rates slightly higher than our peers, especially in our newer markets, to encourage the growth of these core deposits and set the foundation for strong customer relationships. We believe that these core deposits will become significantly more valuable and desirable because the ability to attract core deposits at a low cost will diminish as interest rates increase and alternative funding sources become more expensive. Much of our organic growth in 2015 and 2016 was attributable to our newer markets of Bryan/College Station and the Dallas/Fort Worth metroplex, which we believe provide significant additional opportunities for organic growth in future years.

We have a history of being a leading provider of financial services to small- and medium-sized businesses (generally with annual revenues of $50.0 million or less), professionals and individuals in our traditional East Texas market. In addition, we believe that our significant core deposit franchise in East Texas provides a stable funding source for meaningful loan growth in existing and new markets. Across all of our markets, we believe that customers value the relationship-driven, quality service we provide, as well as our deep, long-term understanding of their local communities. Primarily as a result of bank consolidation in our markets, we believe that there are few banking institutions in these markets that have the size or focus to provide comparable levels of service. We also believe that these consolidation trends with respect to our competitors, particularly in the Dallas/Fort Worth metroplex, present opportunities to acquire new customers and valuable employees from these institutions. The charts below illustrate our successful commitment to organic loan and deposit growth across our markets, while taking advantage of strategic acquisition opportunities that arise from time to time.

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Pursue Strategic Acquisitions. We intend to continue to grow through strategic acquisitions within our current markets and in other complementary markets, and we believe having publicly-traded common stock will improve our ability to compete for acquisitions. We seek acquisitions that provide meaningful financial benefits through long-term organic growth opportunities and expense reductions, while maintaining our current risk profile. Though we do not currently have any specific or immediate acquisition plans, in order to achieve these goals, we seek acquisition opportunities involving talented bankers and banking teams that can execute our business model and contribute to our growth objectives. Additionally, we seek banking markets with favorable competitive dynamics and potential consolidation opportunities. We believe that many smaller financial institutions will consider us an ideal long-term partner due to our community banking philosophy, commitment to employee stock ownership and our culture of teamwork.

Establish De Novo Banking Locations. We intend to open *de novo* banking locations in our existing and other attractive markets in Texas to further diversify our banking location network. In September 2015 and May 2016, we opened *de novo* banking locations in Rockwall and Denton, respectively, which are both located in the Dallas/Fort Worth metroplex. Total loans and deposits at the two new locations were $34.1 million and $27.1 million, respectively, as of December 31, 2016. We also opened *de novo* banking locations in Bryan/College Station, Texas in June 2013, April 2014 and June 2016. As of December 31, 2016, total loans and deposits in our three Bryan/College Station locations were $210.2 million and $137.4 million, respectively. The total loans attributable to the Bryan/College Station and Dallas/Fort Worth metroplex markets comprised approximately 16.8% and 23.3%, respectively, of our total loans as of December 31, 2016. We believe these markets have the ability to flourish through varying economic conditions.

We believe that the Dallas/Fort Worth metroplex and surrounding communities are complementary to our established presence in East Texas. Our lending focus in the Bryan/College Station and Dallas/Fort Worth metroplex markets has been primarily on commercial real estate and other real estate loans, which provides diversity within our loan portfolio and complements our traditional small business and retail lending activities in our East Texas market. While we do not currently have specific plans to open *de novo* branches, our Bryan/College Station presence provides us with a platform to grow and ready access to other nearby larger markets, including Austin, San Antonio and Houston. Prior to entering a new market, we identify and build a team of experienced, successful bankers with market-specific knowledge to lead the Bank s operations in that market, including a local president. As we enter new markets, we also seek to establish a reputation for providing personal and dependable service and active community involvement, which we believe facilitates lasting relationships and continued growth.

Expand Revenue Sources. We seek to provide additional services to our customers in order to augment and diversify our revenue sources. For the year ended December 31, 2016, noninterest income represented approximately $13.0 million, or 19.5%, of our total revenue of $66.9 million (defined as net interest income plus noninterest income).

In 2015, we established a warehouse mortgage lending division in connection with our acquisition of DCB Financial and hired experienced personnel in 2015 to grow this new line of business. Revenues for the warehouse division are derived primarily from loan origination fees, interest on advances and transaction fees, and the division has experienced significant growth since it was established. Total mortgage amounts funded through warehouse lines of credit during the year ending December 31, 2015 were $332.3 million, which produced noninterest income of $154,900. Total mortgage amounts funded through warehouse lines of credit during the year ending December 31, 2016 were $978.1 million, which produced noninterest income of $425,200. Despite the significant growth, there have been no mortgage repurchases or losses experienced with our warehouse lending borrowers since inception of the division. In addition, Guaranty Bank & Trust is working to expand into eWarehouse lending, which allows a mortgage loan to close, fund and sell to the end investor entirely electronically, and we expect to produce our first eWarehouse line of credit in the second quarter of 2017. As of the date of this prospectus, only five financial institutions in the nation are included in the list of warehouse lenders currently funding eNotes that is maintained by the Federal National Mortgage Association, or Fannie Mae. As such, we expect to be one of very few banks offering eWarehouse lending and anticipate growth in our warehouse lending division as mortgage originators, consumers and investors increasingly transition to paperless mortgages, driving demand for eWarehouse lines of credit. We believe that our mortgage warehouse division offers significant potential for future revenue.

Consistent with our focus on cross-selling services to our customers, we offer trust and wealth management services through Guaranty Bank & Trust Wealth Management Group and mortgage services through our mortgage department, both of which operate as divisions of Guaranty Bank & Trust. As of December 31, 2016, our Wealth Management Group had total assets under management of $265.7 million. During the year ended December 31, 2016, our mortgage department originated $62.6 million in mortgage loans. Both divisions are well established and have significant growth potential in our newer Dallas/Fort Worth metroplex and Bryan/College Station markets, each of which has a higher volume of home sales and a larger concentration of high net worth individuals as compared to our traditional East Texas market. Our mortgage origination strategy is to increase market share without sacrificing our standards and regardless of fluctuations in interest rates or volume. We have developed a scalable platform for mortgage originations within our mortgage department and believe that we have significant opportunities to grow this segment of our business. In an effort to further grow our wealth management and mortgage divisions in Bryan/College Station and the Dallas/Fort Worth metroplex, we intend to enhance our business development and cross-selling efforts in those markets.

Although we are devoting substantial resources in furtherance of our expansion strategy, there are no assurances that we will be able to further implement our expansion strategy or that any of the components of our expansion strategy will be successful.

Our Community Banking Philosophy and Culture

We focus on a community-based relationship model, as opposed to a line of business model, because we believe the community-based relationship model promotes an entrepreneurial attitude within our Company while providing personal attention and solutions tailored to our customers. Our culture is one of employee ownership and it is something we take very seriously. In 2016, we formally documented our culture in a book called The Guaranty Culture, which we give to all prospective new hires and directors before they join our team so that they clearly understand who we are, how we work, what we believe, how we make decisions and what we admire in people.

We believe a great bank requires the right amount of two forms of capital: financial and human. We understand that our ability to successfully deploy our financial capital is directly related to our ability to bring the right talents together to lead our teams. This focus on human capital has rewarded us with a cohesive group of directors, officers and employees that we believe is our greatest asset. We have invested in a robust management training program designed to develop comprehensive bankers who understand all aspects of our operations and embrace our core values. The training program generally lasts 18-24 months and includes rotations through each primary department of the Bank. Successful graduates of our training program are typically promoted to a managerial position upon completion and we currently have graduates in management, lending and operational roles. Several of the Bank s market presidents and managers are graduates of our training program.

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We have developed a network of banking locations strategically positioned in separate and distinct communities. Each community where we have a banking location is overseen by a local market president or manager, and we emphasize local decision-making by experienced bankers supported by centralized risk and credit oversight. We believe that employing local decision makers, supported by industry-leading technology and centralized operational and credit administration support from our corporate headquarters, allows us to serve our customers individual needs while managing risk on a uniform basis. We intend to repeat this scalable model in each market in which we are able to identify high-caliber bankers with a strong banking team. We empower these bankers to implement our operating strategy, grow our customer base and provide the highest level of customer service possible. We believe our organizational approach enables us to attract and retain talented bankers and banking teams who desire the combination of the Bank s size and loan limits, dedication to culture, commitment to our communities, local decision-making authority, compensation structure and focus on relationship banking.

Competitive Strengths

We believe the following competitive strengths support our growth and expansion strategy:

Experienced Executive Management Team. The Bank has a seasoned and experienced executive management team with a combined 277 years of experience in financial services businesses between its nine members. Our executive management team has successfully managed profitable organic growth, executed acquisitions, developed a strong credit culture and implemented a relationship-based approach to commercial and consumer banking. In addition, our executive management team has extensive knowledge of the bank regulatory landscape, significant experience navigating interest rate and credit cycles and a history of working together. The nine members of the Bank s executive management team have worked for the Bank for a combined 130 years.

Employee Ownership Mentality. As of December 31, 2016, our directors, officers and employees, as a group, beneficially owned approximately 37.8% of our outstanding shares of common stock (including 15.1% of our outstanding shares which are owned by our KSOP). Many of our employees interests in the KSOP represent material portions of their net worth, particularly our long-tenured employees. We believe that the KSOP s material ownership position promotes an owner-operator mentality among our employees, from senior officers to entry-level employees, which we believe enhances our employees dedication to our organization and the execution of our strategy. In addition, we believe the KSOP enhances our ability to attract and retain quality employees. In 2017, *Texas Monthly* magazine named the Bank as one of the 100 Best Companies to Work for in Texas for the eighth consecutive year, and we were named #15 on the national list of the Best Banks to Work for published by *American Banker Magazine*, with both awards having been determined on the basis of anonymous employee surveys.

Proven Successful Execution of Growth Strategies. We have developed a strategic growth plan that allows the Company to quickly identify and efficiently execute corporate transactions that we believe enhance our geographic footprint and enterprise value. Since 2011, we have successfully integrated six acquired locations into our Company through what we believe is an effective combination of comprehensive integration planning, extensive management experience with expansion, and a welcoming and flexible culture of employee ownership. In that same time period, we also established six de novo locations outside of our historical East Texas market, achieving our objectives for organic growth within our anticipated time periods and successfully integrating new local management teams and employees into our Company. Accordingly, we have a proven track record of executing value-added acquisitions and achieving consistent, meaningful organic growth.

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Scalable Platform. Utilizing the significant prior experience of our management team and employees, we believe that we have built a strong and scalable operational platform, including technology and banking processes and infrastructure, capable of supporting future organic growth and acquisitions when the right opportunities arise. We maintain operational systems and staffing that we believe are stronger than necessarily required for a financial institution of our size in order to successfully execute integrations when needed and accommodate future growth without a commensurate need for expansion of our back office capabilities. We believe our platform allows us to focus on growing the revenue-generating divisions of our business while maintaining our operational efficiencies, resulting in improved profitability.

Disciplined Credit Culture and Robust Risk Management Systems. We seek to prudently mitigate and manage our risks through a disciplined, enterprise-wide approach to risk management, particularly credit, compliance, operational and interest rate risk. All of the Bank s executive officers serve on the Bank s Enterprise Risk Management Committee. We endeavor to maintain asset quality through an emphasis on local market knowledge, long-term customer relationships, consistent and thorough underwriting for all loans and a conservative credit culture. We have not traditionally engaged in significant oil and gas related lending, with only 0.36% of our total loan portfolio, or $4.5 million, consisting of oil and gas related loans as of December 31, 2016. Due to our conservative credit culture, our highest annual rate of net loan charge-offs as a percentage of average loans over the past ten years was 0.17% (compared to an average of 0.57% for all banks between $1.0 billion and $3.0 billion in assets located in the Dallas/Fort Worth metroplex, East Texas or Central Texas regions, which we refer to as our regional peer group, and compared to an average of 1.01% for all banks of the same size nationally, which we refer to as our national peer group), and our average annual rate of nonperforming assets as a percentage of total assets over the same period never exceeded 0.99% (compared to regional peer group average highest annual rate of 2.2%). As illustrated in the chart below, the Bank significantly outperformed our regional and national peer groups during the last financial crisis period (2008 2011) with respect to net loan charge-offs as a percentage of average loans.

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Brand Strength and Reputation. We believe our brand recognition, including the Guaranty name and our iconic G logo, which is prominently displayed in all of our advertising and marketing materials and has been trademarked to preserve its integrity, is an important element of our business model and a key driver of our future growth. We have developed our brand primarily through strategic marketing and advertising initiatives and through our involvement and visibility within the communities we serve. We believe our reputation for providing personal and dependable service and active community involvement is well established in our traditional East Texas market, and we are continuously striving to replicate that brand awareness and reputation in our newer markets of Bryan/College Station and the Dallas/Fort Worth metroplex through a high level of community involvement and the targeted hiring of employees with strong relationships and reputations within these markets. We believe the strength of our brand and our reputation enable us to attract customers who value our customer service mission and banking teams that value our market management model and entrepreneurial culture.

Diversified Markets. We operate in diverse markets that we believe are stable and growing. We have designated East Texas, Bryan/College Station and the Dallas/Fort Worth metroplex as our primary markets; however, our longer-term strategy is to expand our markets to include other major metropolitan areas of Texas. The differing characteristics of our various markets have allowed us to grow a balanced and diverse loan portfolio, without any significant customer or lending segment concentrations. In addition, we have historically managed our commercial real estate concentration ratios at or below current regulatory guidelines. The graph below shows our loan portfolio composition for each of our three markets.

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Stable Core Deposit Base. We believe our traditional East Texas market provides a historically stable source of core deposits and will become a greater source of funding as interest rates increase and core deposits become more difficult and more expensive to attract, especially in more competitive markets. As we enter new markets, we believe that our stable core deposit base enhances our ability to pursue loans in large, high growth markets and to fund other new revenue sources such as our warehouse lending division. As of December 31, 2016, our non-interest bearing deposits were 22.75% of our total deposits. Among our interest-bearing deposits, 72.0% were in less volatile NOW, savings and money market accounts.

Our cost of interest-bearing deposits has decreased from 0.85% for the year ended December 31, 2012 to an annual average of 0.64% for the four years ended December 31, 2016. We have historically paid slightly higher rates on interest-bearing deposits than our peers in an effort to attract and maintain core deposits, especially in low interest rate environments like the current one. In furtherance of this strategy, our overall cost of funds increased slightly compared to our peers during the years ended December 31, 2014, 2015 and 2016 as we intentionally offered slightly higher rates on deposits in our Bryan/College Station and Dallas/Fort Worth metroplex markets in an effort to attract depositors to our *de novo* banking locations and solidify new customer relationships in those markets. While we have successfully completed strategic acquisitions in the past and will continue to thoughtfully consider acquisition opportunities, we believe the costs of growing our core deposits organically in this manner are often less than the costs of the goodwill and core deposit intangibles that typically accompany strategic acquisitions and that the customer relationships we build are deeper and longer-lasting. We also have not historically relied on brokered deposits.

Technology and Online Banking Leadership. We believe that financial institutions are increasingly becoming technology companies, and we invest in technology that we believe should enhance our business and customer experience, as well as enable us to integrate and oversee our banking location network while operating in geographically disparate markets. To implement our commitment to technology, we have developed our technology team to include specialists in virtualization, storage area networks, and information security. The investment we have made in a new core processing system has created a scalable corporate infrastructure that has significantly expanded our ability to handle continued growth and improve our levels of operational efficiency. We have continued to enhance our online presence through improvements to our digital banking platforms. We have also invested in our business intelligence and data analytics platforms, which allow us to make better decisions through observed trends and behaviors identified across multiple information systems. Finally, we have developed internal expertise in business platform application development that has improved our ability to create dynamic and customized applications to meet our evolving needs for processing and reporting across all areas of our organization.

Our Markets

We consider our current market areas to be East Texas, Bryan/College Station and the Dallas/Fort Worth metroplex. We serve these communities from our headquarters in Mount Pleasant, Texas and through a network of 17 banking locations within East Texas, three banking locations in Bryan/College Station and six banking locations in the Dallas/Fort Worth metroplex. As part of our strategic plan, we intend to further diversify our markets through entry into other large metropolitan markets in Texas. In addition to our recent expansions into Bryan/College Station and the Dallas/Fort Worth metroplex, we believe there are several markets in the Central Texas region that are attractive for future expansion, particularly due to those markets proximity to our Dallas/Fort Worth and Bryan/College Station markets.

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We have a significant East Texas franchise as demonstrated by our deposit market share in the East Texas counties in which we operate. According to data compiled by the FDIC, our deposit market share in the East Texas counties of Titus, Bowie and Lamar was approximately 52.3%, 18.0% and 19.7 %, respectively, as of June 30, 2016. These three counties represent approximately 52.6% of our total deposits. As of June 30, 2016, we were one of the three largest banks by deposit share in seven of the 15 Texas counties in which we operate banking locations and one of the ten largest banks by market share in 12 of the 15 Texas counties in which we operate banking locations. We more than doubled our market share of deposits in Brazos County (Bryan and College Station locations) from June 30, 2015 to June 30, 2016, which represented approximately 9.1% of our total deposits as of that date and positioned us as one of the 10 largest banks by deposit share in the county entirely through organic growth only three years after first entering the market. The table below shows data for each of the counties and markets in which we have banking locations regarding total deposits, deposit market share, and compound average growth rates for deposits since June 30, 2011.

Texas County	**Total Deposits ($000)**	**Deposit Share Rank**	**# of Banking Locations**	**Deposit Market Share (%)**	**Five Year Deposit CAGR (%)**
East Texas					
Titus	$ 338,570	1	2	52.3	4.5
Bowie	258,935	1	5	18.0	3.9
Lamar	190,753	3	2	19.7	5.2
Hopkins	83,212	3	1	12.7	1.6
Camp	59,080	3	1	22.2	1.6
Gregg	55,472	14	2	1.7	79.7
Hunt	52,699	5	1	5.5	1.9
Red River	44,010	2	1	27.8	0.2
Harrison	35,920	8	1	4.4	3.3
Franklin	35,440	2	1	15.8	2.9
Cass	31,128	4	1	9.6	16.7
Dallas/Fort Worth Metroplex					
Dallas	104,878	54	2	0.1	N/A
Rockwall	61,018	7	2	4.3	N/A
Denton	11,056	34	2	0.1	N/A
Bryan/College Station					
Brazos	136,445	10	2	3.0	N/A
Total	**$ 1,498,616**		**26**		**10.7**

* Data as of June 30, 2016; Source: FDIC. As of December 31, 2016, we operated three banking locations in Brazos County and one in Gregg County.

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Our traditional East Texas market is a stable region comprised primarily of smaller communities served by forestry, oil and gas, manufacturing, government, education and healthcare related industries. According to the Texas Comptroller of Public Accounts, job growth in East Texas for the period between 2004 and 2014 was 9.8%, compared to 5.5% nationally during the same period. Major employers in our East Texas market include Kimberly-Clark, Campbell Soup, Pilgrim s Pride, Priefert Manufacturing, Luminant Electric Generation and Mining, Big Tex Trailer Manufacturing, Walmart, Eastman Chemical, Red River Army Depot & Tenants, Cooper Tire & Rubber, International Paper and several regional and county hospitals, government agencies and independent school districts. The table below includes some basic information on each of the East Texas counties in which we operate:

Texas County	Population (2015 estimate)	Population Growth since 2010 (estimated)	Median Household Income (2015 estimate)	
Bowie	93,389	0.9%	$	42,670
Camp	12,682	2.3%	$	37,851
Cass	30,313	-0.5%	$	37,352
Franklin	10,651	0.4%	$	41,537
Gregg	124,108	1.9%	$	47,639
Harrison	66,746	1.7%	$	45,974
Hopkins	36,223	3.0%	$	44,936
Hunt	89,844	4.3%	$	45,197
Lamar	49,440	-0.7%	$	40,748
Red River	12,455	-3.2%	$	31,563
Titus	32,623	0.9%	$	44,178

* Data as of July 1, 2015; Source: US Census Bureau.

Our East Texas market has a relatively low cost of living and a workforce with lower wage requirements as compared to more urban areas of Texas. According to the Texas Workforce Commission, the mean annual wages for all occupations in the North East Texas Workforce Development Area (which includes thirteen of our twenty-six locations, including our headquarters, and almost two-thirds of our deposits) for the second quarter of 2016 was $37,076, compared to $52,000 in Texas and $51,428 nationally. According to the Texas Comptroller of Public Accounts, the East Texas region supports a stable workforce and continues to serve as a key supplier of resources vital to the Texas economy.

Our decision to expand into Bryan/College Station and the Dallas/Fort Worth metroplex was driven by their proximity to our traditional East Texas market, strong economic and demographic growth in those markets, and our ability to attract talented bankers and employees to facilitate our expansion in those markets. According to US Census Bureau estimates, as of July 2015, the Dallas/Fort Worth metroplex was the fourth most populous metro area in the United States, with a population of over 7.1 million. The Dallas/Fort Worth metroplex has a low unemployment rate relative to the national rate (3.7% compared to 4.5% in 2016) and high annual job growth relative to the national rate (2.7% compared to 1.5% in 2016), according to the US Bureau of Labor Statistics, with the 92,300 new jobs added in 2016 accounting for almost half of the 188,000 jobs added in the state of Texas. The Dallas/Fort Worth metroplex is the second fastest growing metro area in the United States in absolute terms, behind only Houston, adding almost 400 new residents per day between 2014 and 2015, according to the US Census Bureau. The market is well-diversified, without being overly reliant on any particular sector, and is the headquarters for 20 Fortune 500 and 39 Fortune 1000 companies.

The adjoining towns of Bryan and College Station are well-situated between Austin, Houston, and Dallas, three of the four largest metro areas in Texas and two of the five largest in the nation, and within 170 miles of San Antonio, the third-largest metro area in Texas. Bryan/College Station had an estimated combined population of approximately 190,000 in 2015, an increase of almost 20,000 people since 2010, according to the US Census Bureau. College Station is home to Texas A&M University, the largest institution of higher learning in the state, which helps explain the market s relatively young (in 2010, the US Census Bureau found 73.7% of residents were between ages 18 and 64, compared to 62.4% in Texas and 63.0% nationally) and well-educated (in 2015, the US Census Bureau estimated 42.6% of residents over age 25 had a bachelor s degree or higher, compared to 27.6% in Texas and 29.8% nationally) population. According to the US Bureau of Labor Statistics, Bryan/College Station s unemployment rate in December 2016 was 3.4%, compared to 4.6% in Texas and 4.7% nationally. The local governments of Bryan and College Station have pro-business attitudes and policies, as evidenced by their recent partnering with each other and Texas A&M University to create a business district known as Atlas to attract companies engaged in the manufacture of biologics, pharmaceuticals, nutraceuticals and medical devices, with the project just breaking ground in January of this year. In 2013, Cognizant, a Fortune 500 technology company, relocated from New Jersey to College Station, citing the pro-business environment in College Station and Texas generally and the availability of a young and educated workforce.

Lending Activities

Overview. We offer a variety of loans, including commercial lines of credit, working capital loans, commercial real estate-backed loans (including loans secured by owner occupied commercial properties), term loans, equipment financing, acquisition, expansion and development loans, borrowing base loans, real estate construction loans, homebuilder loans, letters of credit and other loan products to small- and medium-sized businesses, real estate developers, mortgage lenders, manufacturing and industrial companies and other businesses. We also offer various consumer loans to individuals and professionals including residential real estate loans, home equity loans, installment loans, unsecured and secured personal lines of credit, and standby letters of credit. Lending activities originate from the efforts of our bankers, with an emphasis on lending to individuals, professionals, small- to medium-sized businesses and commercial companies located in our market areas. Although all lending involves a degree of risk, we believe that commercial business loans and commercial real estate loans present greater risks than other types of loans in our portfolio. We work to mitigate these risks through conservative underwriting policies and consistent monitoring of credit quality indicators.

The following table presents the composition of our loan portfolio, by category, as of December 31, 2016. At that time, we had outstanding an aggregate of commercial loans and commercial real estate loans of approximately $591.7 million, or 47.5% of our total loan portfolio.

Loan Type	Amount (Dollars in thousands)	Percentage of Total Loans
Commercial and industrial	$ 223,997	17.98%
Real estate:		
Construction and development	129,366	10.39
Commercial real estate	367,656	29.53
Farmland	62,362	5.01
1-4 family residential	362,952	29.15
Multi-family residential	26,079	2.09
Subtotal real estate	948,415	76.17
Consumer	53,505	4.30
Agricultural	18,901	1.52
Overdrafts	317	0.03

Total	$	1,245,135	100.00%

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The following table presents the composition of our loan portfolio among our three markets of East Texas, Bryan/College Station and the Dallas/Fort Worth metroplex as of December 31, 2016.

	East Texas		Bryan / College Station		DFW Metroplex	
Loan Type	**Amount**	**Percent of Market Total**	**Amount**	**Percent of Market Total**	**Amount**	**Percent of Market Total**
	(Dollars in thousands)					
Commercial and industrial	$ 127,731	17.2%	$ 12,298	5.9%	$ 83,968	28.8%
Real estate:						
Construction and development	41,759	5.6	48,407	23.0	39,200	13.4
Commercial real estate	162,739	21.9	87,352	41.6	117,565	40.3
Farmland	46,125	6.2	7,351	3.5	8,886	3.0
1-4 family residential	276,350	37.2	50,428	24.0	36,174	12.5
Multi-family residential	22,916	3.1	2,189	1.0	974	0.4
Subtotal real estate	549,889	74.0	195,727	93.1	202,799	69.6
Consumer	47,953	6.4	1,080	0.5	4,472	1.6
Agricultural	17,842	2.3	1,042	0.5	17	0.0
Overdrafts	303	0.1	3	0.0	11	0.0
Total	$ 743,718	100.00%	$ 210,150	100.00%	$ 291,267	100.00%

Non-Real Estate Commercial and Commercial and Industrial Loans. We make general commercial loans, including commercial lines of credit, working capital loans, term loans, equipment financing, asset acquisition, expansion and development loans, borrowing base loans, letters of credit and other loan products, primarily in our target markets that are underwritten on the basis of the borrower s ability to service the debt from income. We typically take as collateral a lien on general business assets including, among other things, available real estate, accounts receivable, promissory notes, inventory and equipment and generally obtain a personal guaranty of the borrower or principal. Our commercial loans generally have variable interest rates and terms that typically range from one to five years depending on factors such as the type and size of the loan, the financial strength of the borrower/guarantor and the age, type and value of the collateral. Fixed rate commercial loan maturities are generally short-term, with one to five year maturities, or include periodic interest rate resets. Our underwriting policy does allow for exceptions in which the term and amortization of a commercial and industrial loan may be longer than five years, however, the term and amortization must be consistent with the useful life and depreciation rates of the underlying collateral and an underwriting exception will be noted. In general, commercial loans may involve increased credit risk and, therefore, typically yield a higher return than commercial real estate loans. The increased risk in commercial loans derives from the expectation that such loans generally are serviced principally from the operations of the business, and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan. In addition, the collateral securing commercial loans generally includes moveable property such as equipment and inventory, which may decline in value more rapidly than we anticipated, exposing us to increased credit risk. As a result of these additional complexities, variables and risks, commercial loans require extensive underwriting and servicing.

Construction and Development Loans. Our construction portfolio includes loans to small- and medium-sized businesses to construct owner-user properties, loans to developers of commercial real estate investment properties and residential developments and, to a lesser extent, loans to individual clients for construction of single family homes in our market areas. Construction and development loans are generally made with a term of one to two years with interest paid monthly. Our underwriting policy does allow for exceptions in which the term of a construction and development loan may be longer than two years, however, the term must be realistic and consistent with the borrower s documented ability to repay. The ratio of the loan principal to the value of the collateral, as established by independent appraisal, typically will not exceed regulatory supervisory guidelines. Loan proceeds are disbursed based on the percentage of completion and only after the project has been inspected by an experienced construction lender or third-party inspector. Risks associated with construction loans include fluctuations in the value of real estate, project completion risk and change in market trends. We are also exposed to risk based on the ability of the construction loan borrower to finance the loan or sell the property upon completion of the project, which may be affected by changes in secondary market terms and criteria for permanent financing since the time that we funded the construction loan.

Commercial Real Estate Loans. We offer real estate loans for commercial property that is owner occupied as well as commercial property owned by real estate investors. Commercial loans that are secured by owner occupied commercial real estate and primarily collateralized by operating cash flows are also included in this category of loan. Commercial real estate loan terms are generally five years or less and amortization is generally limited to 20 years or less, although payments may be structured on a longer amortization basis in unusual cases. The interest rates on our commercial real estate loans may be fixed or adjustable, although rates typically are not fixed for a period exceeding five years. We generally charge an origination fee for our services. We typically require personal guarantees from the principal owners of the business supported by a review of the principal owners personal financial statements and global debt service obligations. Risks associated with commercial real estate loans include fluctuations in the value of real estate, the overall strength of the economy, new job creation trends, tenant vacancy rates, environmental contamination and the quality of the borrower s management. We make efforts to limit our risk by analyzing borrowers cash flow and collateral value. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as owner occupied offices/warehouses/production facilities, office buildings, hotels, mixed-use residential/commercial, retail centers and multifamily properties. Our commercial real estate loan portfolio presents a higher risk profile than our consumer real estate and consumer loan portfolios.

Residential Real Estate Loans. We offer first and second lien one-to-four family mortgage loans, as well as home equity lines of credit, in each case primarily on owner occupied primary residences. Our retail consumer real estate lending products are offered primarily to consumer customers within our geographic markets. We also originate for resale one-to-four family mortgage loans, and those loans are included as a part of our consumer real estate loan portfolio until sold to investors. However, as of December 31, 2016, we held only $2.6 million in mortgages for resale. Although our consumer real estate loan portfolio presents lower levels of risk than our commercial, commercial real estate and construction loan portfolios, we are exposed to risk based on fluctuations in the value of the real estate collateral securing the loan, as well as changes in the borrower s financial condition, which could be affected by numerous factors, including divorce, job loss, illness or other personal hardship.

Consumer Loans. While our focus is on service to small- and medium-sized businesses, we also make a variety of loans to individuals for personal, family and household purposes, including secured and unsecured installment and term loans. We offer consumer loans as an accommodation to our existing customers and do not market consumer loans to persons who do not have a pre-existing relationship with us. Our consumer loans, which are underwritten primarily based on the borrower s financial condition and, in some cases, are unsecured credits, subject us to risk based on changes in the borrower s financial condition, which could be affected by numerous factors, including divorce, job loss, illness or other personal hardship, and fluctuations in the value of the real estate or personal property securing the consumer loan, if any.

Agriculture Loans. A small portion of our loan portfolio (less than two percent) consists of agriculture loans. These loans are originated primarily in our markets and surrounding areas and typically consist of livestock and pasture loans.

Credit Policies and Procedures

General. We adhere to what we believe are disciplined underwriting standards, but also remain cognizant of the need to serve the credit needs of customers in our primary market areas by offering flexible loan solutions in a responsive and timely manner. We maintain asset quality through an emphasis on local market knowledge, long-term customer relationships, consistent and thorough underwriting for all loans and a conservative credit culture. We also seek to maintain a broadly diversified loan portfolio across customer, product and industry types. Our lending policies do not provide for any loans that are highly speculative, subprime, or that have high loan-to-value ratios. These components, together with active credit management, are the foundation of our credit culture, which we believe is critical to enhancing the long-term value of our organization to our customers, employees, shareholders and communities.

We have a service-driven, relationship-based, business-focused credit culture, rather than a price-driven, transaction-based culture. Substantially all of our loans are made to borrowers located or operating in our primary market areas with whom we have ongoing relationships across various product lines. The limited number of loans secured by properties located in out-of-market areas have been made strictly to borrowers who are well-known to us.

Credit Concentrations. In connection with the management of our credit portfolio, we actively manage the composition of our loan portfolio, including credit concentrations. Our loan approval policies establish concentrations limits with respect to industry and loan product type to enhance portfolio diversification. These limits are reviewed monthly as part of our loan review program. In general, loan product concentration levels are monitored on a monthly basis, and our commercial real estate concentrations are monitored monthly by the Bank s Directors Loan Committee, which is composed of seven outside directors and two Bank officers, including the Chief Executive Officer and Chief Lending Officer. Industry concentration levels are monitored on a monthly basis.

Loan Approval Process. We seek to achieve an appropriate balance between prudent, disciplined underwriting and flexibility in our decision-making and responsiveness to our customers. Our board has established an in-house lending limit to any single customer equal to 95% of our legal lending limit. As of December 31, 2016, the Bank had a legal lending limit of approximately $26.0 million for loans secured without readily marketable collateral, and its in-house lending limit was $24.8 million as of such date. Our credit approval policies provide for various levels of officer and senior management lending authority for new credits and renewals, which are based on position, capability and experience. Loans in excess of an individual officer s lending limit may be approved by two or more executive officers, with stacking authority, combining their individual lending limits, up to a current maximum of $2.5 million. Loans presenting aggregate lending exposure in excess of $2.5 million are subject to approval of the Bank s Directors Loan Committee. These limits are reviewed periodically by the Bank s board of directors. We believe that our credit approval process provides for thorough underwriting and efficient decision making.

Credit Risk Management. Credit risk management involves a partnership between our loan officers and our credit approval, credit administration and collections personnel. We conduct monthly loan meetings, attended by substantially all of our loan officers, related loan production staff and credit administration staff at which asset quality and delinquencies are reviewed. Our evaluation and compensation program for our loan officers includes significant goals, such as the percentages of past due loans and charge-offs to total loans in the officer s portfolio, that we believe motivate the loan officers to focus on the origination and maintenance of high quality credits consistent with our strategic focus on asset quality.

It is our policy to discuss each loan that has one or more past due payment at our monthly meetings with all lending personnel. Our policies require rapid notification of delinquency and prompt initiation of collection actions. Loan officers, credit administration personnel and senior management proactively support collection activities.

In accordance with our procedures, we perform annual asset reviews of our larger multifamily and commercial real estate loans. As part of these asset review procedures, we analyze recent financial statements of the property, borrower and any guarantor to determine the current level of occupancy, revenues and expenses and to investigate any deterioration in the value of the real estate collateral or in the borrower s and any guarantor s financial condition. Upon completion, we update the grade assigned to each loan. Loan officers are encouraged to bring potential credit issues to the attention of credit administration personnel. We maintain a list of loans that receive additional attention if we believe there may be a potential credit risk.

Loans that are downgraded or classified undergo a detailed quarterly review by the Bank s internal Problem Asset Committee. This review includes an evaluation of the market conditions, the property s trends, the borrower and guarantor status, the level of reserves required and loan accrual status. Additionally, we periodically have an independent, third-party review performed on our loan grades and our credit administration functions. Finally, we perform an annual stress test of our loan portfolio, in which we evaluate the impact of declining economic conditions on the portfolio based on previous recessionary periods. Management reviews these reports and presents them to the Bank s Directors Loan Committee. These asset review procedures provide management with additional information for assessing our asset quality. In addition, for business and personal loans that are not secured by real estate, we perform frequent evaluations and regular monitoring.

Deposits

Our deposits serve as the primary funding source for lending, investing and other general banking purposes. We provide a full range of deposit products and services, including a variety of checking and savings accounts, certificates of deposit, money market accounts, debit cards, remote deposit capture, online banking, mobile banking, e-Statements, bank-by-mail and direct deposit services. We also offer business accounts and cash management services, including business checking and savings accounts and treasury management services. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community focused marketing. We also seek to cross-sell deposit products at loan origination.

A significant driver of our business and growth is the availability of core deposits for funding. As of December 31, 2016, we held approximately $1.6 billion of total deposits, and from December 31, 2012 to December 31, 2016, our total deposits increased at a compound annual growth rate of approximately 10.5%. As of December 31, 2016, we did not have brokered deposits or any deposits from listing services or subscription services and our core deposit to total deposit ratio has ranged from 92.1% as of December 31, 2012 to 93.5% as of December 31, 2016. Our cost of interest-bearing deposits was 0.77% and average noninterest-bearing deposits comprised approximately 22.4% of average total deposits for the year ended December 31, 2016.

Given the diverse nature of our banking location network and our relationship-driven approach to our customers, we believe our deposit base is comparatively less sensitive to interest rate variations than our competitors. Nevertheless, we attempt to competitively price our deposit products to promote core deposit growth. We believe that our loan pricing encourages deposits from our loan customers.

Guaranty Bank & Trust Wealth Management Group

We deliver a comprehensive suite of trust services through Guaranty Bank & Trust Wealth Management Group, a division of our Bank. Enhancing and expanding our trust department, particularly in our Dallas/Fort Worth and Bryan/College Station markets is an important component of our strategic plan because trust and wealth management services can generate stable and recurring revenue and enhance banking customer loyalty, which can result in increased core deposits and greater cross-selling opportunities. We also provide traditional trustee, custodial and escrow services for institutional and individual accounts, including corporate escrow accounts, serving as custodian for self-directed individual retirement accounts and other retirement accounts. In addition, we offer clients comprehensive investment management solutions whereby we manage all or a portion of a client s investment portfolio on a discretionary basis. Finally, we provide retirement plan services, such as 401(k) programs, through a national vendor.

As of December 31, 2016, we had $265.7 million of trust assets under administration and 480 trust services accounts. In 2016, net earnings for this division were $80,250. We expect trust department asset growth and diversification to continue over the next several years, as we focus growth and marketing efforts on our newer markets in which the volume of potential customers seeking these services is greater than in our traditional East Texas market.

Residential Mortgage Origination

We originate residential mortgages for sale on the secondary market through the mortgage division of our Bank. We have developed a scalable platform for mortgage originations within this division and believe that we have significant opportunities to grow the business, particularly as we continue to expand into major metropolitan areas of Texas. The mortgage division handles loan processing, underwriting and closings in-house. We sell substantially all mortgage loans we originate to various investors in the secondary market and do not service these loans. Loans sold are subject to certain indemnification provisions with investors, including the repurchase of loans sold and the repayment of sales proceeds to investors under certain conditions. In addition, if a customer defaults on a mortgage payment shortly after the loan is originated, the purchaser of the loan may have a put right, whereby they can require us to repurchase the loan at the full amount paid by the purchaser. In 2013 and 2014, we repurchased three residential mortgage loans sold to government-sponsored enterprises with an aggregate principal amount of $405,000, all of which were fully paid with no remaining principal balance as of December 31, 2016.

Other Products and Services

We offer banking products and services that are attractively priced with a focus on customer convenience and accessibility. We offer a full suite of online banking services including access to account balances, online transfers, online bill payment and electronic delivery of customer statements, as well as ATMs, and banking by telephone, mail and personal appointment. We also offer debit cards, night depository, direct deposit, cashier s checks, and letters of credit, as well as treasury management services, including wire transfer services, remote deposit capture and automated clearinghouse services.

We are currently focused on expanding noninterest income though increased income from our treasury and cash management service. We offer a full array of commercial treasury management services designed to be competitive with banks of all sizes. Treasury management services include balance reporting (including current day and previous day activity), transfers between accounts, wire transfer initiation, automated clearinghouse origination and stop payments. Cash management deposit products consist of remote deposit capture, merchant services, positive pay and reverse positive pay (automated fraud detection tools), account reconciliation services, zero balance accounts and sweep accounts, including loan sweep.

Investments

Due to the recent growth in our loan portfolio, we manage our investment portfolio primarily for liquidity purposes, with a secondary focus on returns. We separate our portfolio into two categories: (1) short-term investments with maturities less than one year, including federal funds sold; and (2) investments with maturities exceeding one year (the current duration is approximately 5.3 years), all of which are classified as either available-for-sale or held-to-maturity and can be used for pledging on public deposits, selling under repurchase agreements and meeting unforeseen liquidity needs. The latter category is invested in a variety of high-grade securities, including government agency securities, government guaranteed mortgage backed securities and municipal securities. We regularly evaluate the composition of this category as changes occur with respect to the interest rate yield curve. Although we may sell investment securities from time to time to take advantage of changes in interest rate spreads, it is our policy not to sell investment securities unless we can reinvest the proceeds at a similar or higher spread, so as not to take gains to the detriment of future income.

The investment policy is reviewed annually by the Bank s board of directors. Overall investment goals are established by the Bank s board of directors and the Bank s Asset/Liability Management Committee. The Bank s board of directors has delegated the responsibility of monitoring our investment activities to the Investment Committee. Day-to-day activities pertaining to the investment portfolio are conducted within our accounting department under the supervision of our Chief Financial Officer.

Information Technology Systems

We continue to make significant investments in our information technology systems for our banking and lending operations and treasury management activities. We believe that this investment is essential to enhance our capabilities to offer new products and overall customer experience, to provide scale for future growth and acquisitions, and to increase controls and efficiencies in our back office operations. We have purchased our core data processing platform from a nationally recognized bank software vendor providing us with capabilities to support the continued growth of the Bank. Our internal network and e-mail systems are maintained in-house. We leverage the capabilities of a third-party service provider to provide the technical expertise around network design and architecture that is required for us to operate as an effective and efficient organization. We actively manage our business continuity plan. We strive to follow all recommendations outlined by the Federal Financial Institutions Examination Council in an effort to provide that we have effectively identified our risks and documented contingency plans for key functions and systems including providing for back up sites for all critical applications. We perform tests of the adequacy of these contingency plans on at least an annual basis.

The majority of our other systems, including electronic funds transfer and transaction processing, are operated in house. Online banking services and other public facing web services are hosted by third-party service providers. The scalability of this infrastructure is designed to support our expansion strategy. These critical business applications and processes are included in the business continuity plans referenced above.

Enterprise Risk Management

We place significant emphasis on risk mitigation as an integral component of our organizational culture. We believe that our emphasis on risk management is manifested in our solid asset quality statistics and in our historically low charge-offs and losses on deposit-related services due to debit card, ACH or wire fraud. All of the Bank s executive officers serve on the Bank s Enterprise Risk Management Committee, which is chaired by our Chief Risk Officer. Risk management, with respect to our lending philosophy, focuses on structuring credits to provide for multiple sources of repayment, coupled with strong underwriting undertaken by the Bank s experienced officers and credit policy personnel.

Our risk mitigation techniques include monthly Bank Directors Loan Committee meetings where loan pricing, allowance for loan losses methodology and level, and loan concentrations are reviewed and discussed. In addition, the Bank s Directors Loan Committee reviews interest rate stratification and portfolio composition reports on a monthly basis. The Bank s Problem Asset Committee also meets monthly to discuss criticized assets and set action plans for those borrowers who display deteriorating financial condition, to monitor those relationships and to implement corrective measures on a timely basis to minimize losses. We also perform an annual stress test on our loan portfolio, in which we evaluate the impact on the portfolio of declining economic conditions on the portfolio.

We also focus on risk management in numerous other areas throughout our organization, including asset/liability management, regulatory compliance and strategic and operational risk. We have implemented an extensive asset/liability management process, and utilize a well-known and experienced third party to run our interest rate risk model on a quarterly basis. We utilize hedging techniques whenever our models indicate short-term (net interest income) or long term (economic value of equity) risk to interest rate movements.

We have implemented management assessment and testing of internal controls consistent with the requirements of the Sarbanes-Oxley. We also annually engage an experienced third party to review and assess our controls with respect to technology, as well as to perform penetration and vulnerability testing to assist us in managing the risks associated with information security.

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Competition

The banking and financial services industry is highly competitive, and we compete with a wide range of financial institutions within our markets, including local, regional and national commercial banks and credit unions. We also compete with mortgage companies, brokerage firms, consumer finance companies, mutual funds, securities firms, insurance companies, third-party payment processors, fintech companies and other financial intermediaries for certain of our products and services. Some of our competitors are not subject to the regulatory restrictions and level of regulatory supervision applicable to us.

Interest rates on loans and deposits, as well as prices on fee-based services, are typically significant competitive factors within banking and financial services industry. Many of our competitors are much larger financial institutions that have greater financial resources than we do and compete aggressively for market share. These competitors attempt to gain market share through their financial product mix, pricing strategies and banking center locations. Other important competitive factors in our industry and markets include office locations and hours, quality of customer service, community reputation, continuity of personnel and services, capacity and willingness to extend credit, and ability to offer sophisticated banking products and services. While we seek to remain competitive with respect to fees charged, interest rates and pricing, we believe that our broad and sophisticated commercial banking product suite, our high-quality customer service culture, our positive reputation and long-standing community relationships will enable us to compete successfully within our markets and enhance our ability to attract and retain customers.

Our Employees

As of December 31, 2016, we employed 397 full-time equivalent persons. We provide extensive training to our employees in an effort to ensure that our customers receive superior customer service. None of our employees are represented by any collective bargaining unit or are parties to a collective bargaining agreement. We consider our relations with our employees to be good.

Our Properties

The Bank currently operates 26 banking locations, all of which are located in Texas. The principal executive office of the Bank is located at 201 South Jefferson Avenue, Mount Pleasant, Texas 75455. The Bank currently operates banking locations in the following Texas locations: Atlanta, Bogata, Bryan, College Station (two locations), Commerce, Dallas (two locations), Denton (two locations), Hallsville, Longview, Mount Pleasant (two locations), Mount Vernon, New Boston, Paris (two locations), Pittsburg, Rockwall, Royse City, Sulphur Springs, and Texarkana (four locations). We own all of our banking locations, except for two banking locations in Dallas, Texas, one banking location in Denton, Texas, one banking location in Rockwall, Texas and one office location in Longview, Texas, that we lease. We believe that the five leases to which we are subject are generally on terms consistent with prevailing market terms, and none of the leases are with our directors, officers, beneficial owners of more than 5% of our voting securities or any affiliates of the foregoing. We believe that our facilities are in good condition and are adequate to meet our operating needs for the foreseeable future.

Legal Proceedings

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort.

We intend to defend ourselves vigorously against any pending or future claims and litigation.

At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our combined results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or

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litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management s attention and may materially adversely affect our reputation, even if resolved in our favor.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Historical Consolidated Financial Information and the Company s audited consolidated financial statements and the accompanying notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that we believe are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under Forward-Looking Statements, Risk Factors and elsewhere in this prospectus, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. We assume no obligation to update any of these forward-looking statements.

General

The following discussion and analysis presents our financial condition and results of operations on a consolidated basis. However, because we conduct all of our material business operations through Guaranty Bank & Trust, the discussion and analysis relates to activities primarily conducted by Guaranty Bank & Trust.

As a bank holding company that operates through one segment, we generate most of our revenue from interest on loans and investments, customer service and loan fees, fees related to the sale of mortgage loans, and trust and wealth management services. We incur interest expense on deposits and other borrowed funds, as well as noninterest expense, such as salaries and employee benefits and occupancy expenses. We analyze our ability to maximize income generated from interest earning assets and control the interest expenses of our liabilities, measured as net interest income, through our net interest margin and net interest spread. Net interest income is the difference between interest income on interest-earning assets, such as loans and securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest margin is a ratio calculated as net interest income divided by average interest-earning assets. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities.

Changes in market interest rates and the interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as in the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and shareholders equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in Texas, as well as developments affecting the real estate, technology, financial services, insurance, transportation, manufacturing and energy sectors within our target markets and throughout the state of Texas.

Acquisitions

The comparability of our consolidated results of operations for the year ended December 31, 2015 to the year ended December 31, 2014 is affected by two acquisitions that we completed in 2015. On March 28, 2015, we completed the acquisition of DCB Financial. On April 11, 2015, we completed the acquisition of Texas Leadership Bank. Therefore, the results of the acquired operations of DCB Financial and Texas Leadership Bank were included in our results of operations for a portion of 2015 but were not included in our results of operations for 2014.

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Termination of Subchapter S Corporation Status

Effective January 1, 2008, we made an election to be taxed for federal income tax purposes as a Subchapter S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code. We terminated our election to be taxed as a Subchapter S corporation effective December 31, 2013. During the period we were taxed as a Subchapter S corporation, our net income was not subject to, and we did not pay, U.S. federal income taxes, and we were not required to make any provision or recognize any liability for federal income taxes in our financial statements for the year ended December 31, 2008 through the year ended December 31, 2013. In addition, during these taxable periods that we were a Subchapter S corporation, we paid distributions to our shareholders to assist them in paying the federal income taxes on the pro rata portion of our taxable income that passed through to our shareholders. See Dividend Policy. Effective January 1, 2014, we became subject to federal income taxation as a C corporation under Subchapter C of the Internal Revenue Code, and we established deferred tax assets and liabilities effective December 31, 2013 to reflect the conversion. Accordingly, beginning January 1, 2014, we reflect a provision for federal income taxes on our financial statements. As a result of that change in our status under the federal income tax laws, the net income and earnings per share data presented in our historical financial statements for the year ended December 31, 2013 which do not include any provision for federal income taxes, will not be comparable with our historical financial statements for the years ended December 31, 2014, 2015 and 2016, or our future net income and earnings per share, which will be calculated by including a provision for federal income taxes. However, we have included pro forma financial information in the section of this prospectus entitled Selected Historical Consolidated Financial Information showing income tax expense and net earnings as if we were a C corporation at the beginning of the earliest period presented for comparison purposes.

Performance Summary for the Years Ended December 31, 2016 and 2015

Net earnings were $12.1 million for the year ended December 31, 2016, as compared to $10.1 million for the year ended December 31, 2015. This performance resulted in basic earnings per share of $1.35 for the year ended December 31, 2016 as compared to $1.15 for the year ended December 31, 2015. The increase in net earnings over this period was primarily the result of our expansion in the Dallas/Fort Worth metroplex, a full year of earnings from the acquisitions of DCB Financial and Texas Leadership Bank in March and April of 2015, respectively, and the continued maturity of the *de novo* locations in both the Dallas/Fort Worth metroplex and Bryan/College Station markets. The increase in earnings per share over this period was due to a 19.9% increase in net earnings while the weighted average shares outstanding increased only 2.0%.

Our return on average assets was 0.68% for the year ended December 31, 2016, as compared to 0.65% for the year ended December 31, 2015. Our return on average equity was 8.34% for the year ended December 31, 2016, as compared to 7.44% for the year ended December 31, 2015. The increase in both ratios was due to the increase in net earnings of 19.9% relative to smaller increases in total average assets and total average shareholders equity of 14.5% and 6.9%, respectively.

Our net interest margin was 3.27% for the year ended December 31, 2016 and 3.33% for the year ended December 31, 2015. Our net interest margin has been relatively consistent in recent years, with 3.33%, 3.23% and 3.07% net interest margin for the years ended December 31, 2014, 2013 and 2012, respectively. Our efficiency ratio was 69.46% for the year ended December 31, 2016, as compared to 71.99% for the year ended December 31, 2015. Our efficiency ratio has been relatively stable in recent years, with the improvement in efficiency ratio in 2016 largely attributable to the relative lack of one-time expenses in 2016 compared to the expenses we incurred in 2015 in connection with our acquisitions and the establishment of our corporate office in Dallas. Our efficiency ratios for the years ended December 31, 2014, 2013 and 2012 were 69.53%, 67.74% and 69.51%, respectively.

Our total assets increased $145.7 million, or 8.7%, to $1.83 billion for the year ended December 31, 2016, compared to $1.68 billion for the year ended December 31, 2015. Our total loans (excluding loans held for sale) increased $176.5 million, or 16.5%, to $1.25 billion for the year ended December 31, 2016, compared to $1.07 billion for the year ended December 31, 2015. Total shareholders equity increased $4.2 million, or 3.0%, to $141.9 million for the year ended December 31, 2016, compared to $137.7 million for the year ended December 31, 2015. The increases in our total assets and shareholders equity are primarily the result of our loan growth in 2016, which was entirely organic, and the 19.9% increase in net earnings in 2016, respectively.

Results of Operations for the Years Ended December 31, 2016, 2015 and 2014

Net Interest Income

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

2016 vs. 2015. Net interest income for 2016 was $53.8 million compared to $47.8 million for 2015, an increase of $6.0 million, or 12.6%. The increase in net interest income was comprised of an $8.6 million, or 15.3%, increase in interest income offset by a $2.6 million, or 31.3%, increase in interest expense. The growth in interest income was primarily attributable to a $188.0 million, or 19.0%, increase in average loans outstanding for the year ended December 31, 2016, compared to 2015, partially offset by an 11 basis point decrease in the yield on total loans. The increase in average loans outstanding was primarily due to organic growth in all of our markets and continuing maturity of *de novo* and acquired locations in the Dallas/Fort Worth metroplex and Bryan/College Station markets. The $2.6 million increase in interest expense for the year ended December 31, 2016 was primarily related to a $210.6 million, or 21.8%, increase in average interest-bearing deposits over the same period in 2015. The majority of this increase is due to organic growth, primarily in money market accounts, driven in part by favorable rates that were offered in our Bryan/College Station and Dallas/Fort Worth metroplex markets. For the year ended December 31, 2016, net interest margin and net interest spread were 3.27% and 3.08%, respectively, compared to 3.33% and 3.17% for the same period in 2015, which reflects the increases in interest expense discussed above relative to the increases in interest income.

2015 vs. 2014. Net interest income for 2015 was $47.8 million compared to $39.1 million for 2014, an increase of $8.7 million, or 22.2%. The increase in net interest income for 2015 over 2014 was comprised of a $10.9 million, or 24.1%, increase in interest income offset by a $2.2 million, or 36.2%, increase in interest expense. The growth in interest income was primarily attributable to a $253.4 million, or 34.3%, increase in average loans outstanding for the year ended December 31, 2015, compared to 2014, partially offset by a five basis point decrease in the yield on total loans. The increase in average loans outstanding was primarily due to the acquisition of DCB Financial and Texas Leadership Bank in the first half of 2015 in which we acquired a fair value of performing loans of $118.2 million and $43.6 million, respectively, as well as our organic growth in the Bryan/College Station market and the Longview area of our East Texas market. Interest expense was $8.3 million for 2015, an increase of $2.2 million over 2014. The increase was primarily related to a $168.7 million, or 21.2%, increase in average interest-bearing deposits. The majority of this increase is due to the acquired interest-bearing deposits of $68.8 million and $48.8 million of DCB Financial and Texas Leadership Bank, respectively, as well as our organic growth in the Bryan/College Station market and the Longview area of our East Texas market. For the year ended December 31, 2015 net interest margin and net interest spread were 3.33% and 3.17%, respectively, compared to 3.33% and 3.18% for the same period in 2014.

The following table presents an analysis of net interest income and net interest spread for the periods indicated, including average outstanding balances for each each major category of interest-earning assets and interest-bearing liabilities, the interest earned or paid on such amounts, and the average rate earned or paid on

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such assets or liabilities, respectively. The table also sets forth the net interest margin on average total interest-earning assets for the same periods. Interest earned on loans that are classified as nonaccrual is not recognized in income; however the balances are reflected in average outstanding balances for the period. For the years ended December 31, 2016, 2015 and 2014, the amount of interest income not recognized on nonaccrual loans was not material. Any nonaccrual loans have been included in the table as loans carrying a zero yield.

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands)								
Assets									
Interest-earnings assets:									
Total loans[(1)]	$ 1,179,938	$ 55,565	4.71%	$ 991,889	$ 47,845	4.82%	$ 738,539	$ 35,961	4.87%
Securities available for sale	198,372	3,723	1.88%	233,484	4,393	1.88%	222,471	5,497	2.47%
Securities held to maturity.	182,870	4,678	2.56%	126,659	3,453	2.73%	134,894	3,615	2.68%
Nonmarketable equity securities	8,547	271	3.17%	7,450	91	1.22%	6,455	143	2.22%
Interest-bearing deposits in other banks	78,232	471	0.60%	72,997	300	0.41%	71,785	18	0.03%
Total interest-earning assets	1,647,959	$ 64,708	3.93%	1,432,479	$ 56,082	3.92%	1,174,144	$ 45,234	3.85%
Allowance for loan losses	(10,826)			(8,701)			(7,407)		
Noninterest-earnings assets	139,575			127,470			105,553		
Total assets	$ 1,776,708			$ 1,551,248			$ 1,272,290		
Liabilities and Stockholders Equity									
Interest-bearing liabilities:									
Interest-bearing deposits	$ 1,175,520	$ 9,050	0.77%	$ 964,900	$ 6,524	0.68%	$ 796,248	$ 4,579	0.58%

Advances from FHLB and Fed Funds Purchased	62,961	299	0.47%	104,157	674	0.65%	98,293	706	0.72%
Other debt	13,198	586	4.44%	10,578	497	4.70%	5,083	252	4.96%
Subordinated debentures	20,313	882	4.34%	14,078	603	4.28%	10,155	536	5.28%
Securities sold under agreements to repurchase	13,011	51	0.39%	11,223	25	0.22%	7,633	38	0.50%
Total interest-bearing liabilities	1,285,003	10,868	0.85%	1,104,936	8,323	0.75%	917,412	6,111	0.67%
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	340,240			301,288			236,206		
Consideration payable	-			3,735			-		
Accrued interest and other liabilities	6,080			5,335			6,832		
Total noninterest-bearing liabilities	346,320			310,358			243,038		
Shareholders equity	145,385			135,954			111,840		
Total liabilities and shareholders equity	$ 1,776,708			$ 1,551,248			$ 1,272,290		
Net interest rate spread(2)			3.08%			3.17%			3.18%
Net interest income		$ 53,840			$ 47,759			$ 39,123	
Net interest margin(3)			3.27%			3.33%			3.33%

(1) Includes average outstanding balances of loans held for sale of $3.0 million, $4.4 million and $4.2 million for the years ended December 31, 2016, 2015 and 2014 respectively.

(2) Net interest spread is the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.

(3) Net interest margin is equal to net interest income divided by average interest-earning assets.

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The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and changes attributable to changes in interest rates. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

	For the Years Ended December 31, 2016 vs. 2015			For the Years Ended December 31, 2015 vs. 2014		
	Increase (Decrease) Due to Change in		Total Increase	Increase (Decrease) Due to Change in		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
	(Dollars in thousands)			(Dollars in thousands)		
Interest-earning assets:						
Total loans	$ 8,856	$ (1,136)	$ 7,720	$ 12,221	$ (337)	$ 11,884
Securities available for sale	(659)	(11)	(670)	207	(1,311)	(1,104)
Securities held to maturity	1,438	(213)	1,225	(225)	63	(162)
Nonmarketable equity securities	35	145	180	12	(64)	(52)
Interest-earning deposits in other banks	32	139	171	5	277	282
Total increase (decrease) in interest income	$ 9,702	$ (1,076)	$ 8,626	$ 12,220	$ (1,372)	$ 10,848
Interest-bearing liabilities:						
Interest-bearing deposits	$ 1,622	$ 904	$ 2,526	$ 1,140	$ 805	$ 1,945
Advances from FHLB and Fed funds Purchased	(196)	(179)	(375)	38	(70)	(32)
Other debt	116	(27)	89	258	(13)	245
Subordinated debentures	271	8	279	168	(101)	67
Securities sold under agreements to repurchase	7	19	26	8	(21)	(13)
Total increase (decrease) in interest expense	1,820	725	2,545	1,612	600	2,212
Increase (decrease) in net interest income	$ 7,881	$ (1,800)	$ 6,081	$ 10,608	$ (1,972)	$ 8,636

Provision for Loan Losses

The provision for loan losses is a charge to income in order to bring our allowance for loan losses to a level deemed appropriate by management. For a description of the factors taken into account by our management in determining the allowance for loan losses see Financial Condition Allowance for Loan Losses. The provision for loan losses for the year ended December 31, 2016 was $3.6 million compared to $2.2 million for the year ended December 31, 2015. As of December 31, 2016 and December 31, 2015, our general allowance reserves were $11.2 million and $8.7 million, respectively, while our specific reserves allocated to cover classified and problem loans were $253,000 and $527,000, respectively. The increase in provision expense was primarily due to the $2.5 million increase in general allowance reserves, which was primarily attributable to the growth in loans of $176.5 million, or 16.5%, to $1.25 billion for the year ended December 31, 2016, from $1.07 billion for the year ended December 31, 2015. As of December 31, 2016, there was $11.7 million in loan balances past due 30 or more days and $4.4 million nonperforming (nonaccrual) loans, compared to $9.7 million and $2.4 million, respectively, for the year ended December 31, 2015. However, the specific reserves associated with these loans decreased due to improvements in the values of the underlying collateral that secure those loans, leading to a $274,000 decrease in specific reserves for the year ended December 31, 2016 over the year ended December 31, 2015 that partially offset the increase in general reserves driven by our loan growth. The provision for loan losses for the year ended December 31, 2015 increased $853,000 to $2.2 million compared to $1.3 million for the year ended December 31, 2014. The increase in provision expense in 2015 was due primarily

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to an increase in the level of specific reserves needed to cover certain classified loans and a higher amount of expense required to replenish the reserve from the net charge-off to loans, partially offset by general reserves needed to cover the amount of the portfolio loan growth. Net charge-offs for the year ended December 31, 2016 totaled $1.4 million, or 0.11%, of total loans including loans held for sale, compared to net charge-offs of $633,000, or 0.06%, and net charge-offs of $694,000, or 0.09%, for the same period in 2015 and 2014, respectively. The increase in net charge-offs for the year ended December 31, 2016 was primarily due to one borrowing relationship, with a charge-off amount of $1.2 million, in which the assets were repossessed and are currently held for sale. Without this specific charge-off, the ratio of net charge-offs to total loans for the year ended December 31, 2016, would have been 0.02%.

Noninterest Income

Our primary sources of recurring noninterest income are service charges on deposit accounts, merchant and debit card fees, fiduciary income, gains on the sale of loans, and income from bank-owned life insurance. Noninterest income does not include loan origination fees to the extent they exceed the direct loan origination costs, which are generally recognized over the life of the related loan as an adjustment to yield using the interest method.

For the year ended December 31, 2016, noninterest income totaled $12.8 million, an increase of $1.5 million, or 13.6%, compared to $11.3 million for the year ended December 31, 2015. For the year ended December 31, 2015, noninterest income increased $572,000, or 5.3%, from $10.7 million for the year ended December 31, 2014. The following table presents, for the periods indicated, the major categories of noninterest income:

	For the Years Ended December 31,		Increase (Decrease)	For the Years Ended December 31,		Increase (Decrease)
	2016	2015	2016 v. 2015	2015	2014	2015 v. 2014
	(Dollars in thousands)			(Dollars in thousands)		
Noninterest income:						
Service charges on deposit accounts	$ 3,530	$ 3,493	$ 37	$ 3,493	$ 3,618	$ (125)
Merchant and debit card fees	2,741	2,737	4	2,737	2,418	319
Fiduciary income	1,405	1,432	(27)	1,432	1,134	298
Gain (loss) on sales of loans	1,718	1,053	665	1,053	991	62
Bank-owned life insurance income	453	421	32	421	410	11
Gain (loss) on sales of investment securities	82	77	5	77	(212)	289
Title policies	-	-	-	-	240	(240)
Loan processing fee income	622	501	121	501	441	60
Other	2,465	1,769	696	1,769	1,752	17
Total noninterest income	$ 13,016	$ 11,483	$ 1,533	$ 11,483	$ 10,792	$ 691

Service Charges on Deposit Accounts. We earn fees from our customers for deposit-related services, and these fees constitute a significant and predictable component of our noninterest income. Service charges on deposit accounts were $3.5 million for the year ended December 31, 2016, which increased over the same period in 2015 by $37,000, or 1.1%. This increase was relatively flat compared to our deposit growth during the same period because the commercial account analysis deposit accounts that we acquired from DCB Financial and Texas Leadership Bank were not charged service fees during 2015 or 2016. We intend to begin charging service fees on those accounts during the second quarter of 2017. Service charges on deposit accounts decreased $125,000, or 3.5%, in 2015 compared to 2014. This decrease was primarily attributable to a small runoff in low balance accounts because of changes in the products and fee schedules applied to those lower balance accounts.

Merchant and Debit Card Fees. We earn interchange income related to the activity of our customers merchant debit card usage. Debit card interchange income was $2.7 million for the years ended December 31, 2016 and 2015. The income remained flat from 2015 to 2016, but related debit card expenses decreased $268,000, or 22.3%, during 2016 due to the conversion from Visa® to Mastercard® and the negotiation of better pricing, resulting in an overall increase in related net income. Debit card interchange income increased $319,000, or 13.2%, compared to $2.4 million for the year ended December 31, 2014. This increase was primarily due to the increases in the number of demand deposit accounts and the volume of debit card usage as a result of our growth.

Fiduciary Income. We have trust powers and provide fiduciary and custodial services through our trust and wealth management division. Fiduciary income was $1.4 million for the years ended December 31, 2016 and 2015, remaining flat despite an increase in total assets held of $12.6 million, from $253.1 million as of December 31, 2015 to $265.7 million as of December 31, 2016. Revenue for our services fluctuates by month with the market value for all publicly-traded assets held in our investment management and fiduciary accounts. Revenue remained flat primarily because of fluctuations in month-end market values of the investment management accounts and because of growth in assets related to custody-only services, which earn lower revenues than do other fiduciary or investment management services and are not based on publicly-traded asset market values. As of December 31, 2015, we had $253.1 million in assets held compared to $249.3 million as of December 31, 2014. Fiduciary income increased $298,000, or 26.3% in 2015 compared to 2014. This increase was due primarily to the increase in assets held and an increase in fee schedules implemented during the year.

Gain (Loss) on Sales of Loans. We originate long-term fixed-rate mortgage loans for resale into the secondary market. Our mortgage originations were $62.6 million for the year ended December 31, 2016, compared to $59.2 million for the year ended December 31, 2015. For the year ended December 31, 2014, our mortgage originations were $44.2 million. Gain on sale of loans was $1.7 million for the year ended December 31, 2016, an increase of $665,000, or 63.2%, compared to $1.1 million for the same period in 2015, which reflects an increase in the number of loans sold and the amount of gain per loan sold. Gain on sales of loans increased $62,000, or 6.3%, in 2015 compared to 2014, primarily due to an increase in mortgage activity as a result of entering the Dallas/Fort Worth metroplex.

Bank-Owned Life Insurance. We invest in bank-owned life insurance due to its attractive nontaxable return and protection against the loss of our key employees. We record income based on the growth of the cash surrender value of these policies as well as the annual yield net of fees and charges, including mortality charges. Income from bank-owned life insurance increased $32,000, or 7.6%, for the year ended December 31, 2016 compared to the same period in 2015. The increase in income was primarily due to the purchase of $445,000 of additional bank-owned life insurance in 2016, partially offset by a decrease in tax equivalent yields on these policies from 4.15% for 2015 compared to 4.00% for 2016. Income from bank-owned life insurance increased $11,000, or 2.7%, for the year ended December 31, 2015, compared to the same period in 2014. The increase in income was primarily attributable to the purchase of $1.3 million in additional bank-owned life insurance in 2015, partially offset by a decrease in tax equivalent yields on these policies of 4.15% for the year ended December 31, 2015, compared to 4.32% for the same period in 2014.

Gain (Loss) on Sales of Investment Securities. We recorded a gain on sales of securities in the amount of $82,000 and $77,000 for the years ended December 31, 2016 and 2015, respectively. The gains taken in both years relate to securities sold that had higher yields in the current markets, but that management believed also had higher volatility risk in an increasing interest rate environment. Accordingly, we sold these securities and recorded gains on the sales in an effort to decrease our interest rate risk. We recorded a loss on the sale of securities in the amount of $212,000 for the year ended December 31, 2014. The losses taken in 2014 were taken to reduce volatility risks in an increasing rate environment.

Title Policies. Prior to 2015, one of our subsidiaries generated fee income through issuance of title policies. The title company, Greene Title & Abstract, was sold in June 2014, which had previously been operated

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through our indirect subsidiary, Oak Tree Title, LLC. Title policy income of $240,000 was recorded through the sale date.

Loan Processing Fee Income. Revenue earned from collection of loan processing fees increased $121,000, or 24.2%, to $622,000 for the year ended December 31, 2016 from $501,000 for the year ended December 31, 2015. The increase in loan processing fee income is attributable primarily to an increase in volume of newly originated, renewed or extended loans during the period. Loan processing fees increased $60,000, or 13.6%, for the year ended December 31, 2015, from $441,000 for the year ended December 31, 2014, which was also attributable to volume growth of our loan portfolio during the period, resulting partially from the acquisition of DCB Financial and Texas Leadership Bank during March and April of 2015, respectively.

Other. This category includes a variety of other income producing activities, including mortgage loan origination fees, wire transfer fees, loan administration fees, and other fee income. Other noninterest income increased $696,000, or 39.3%, in 2016 compared to 2015 due primarily to the growth in our loan portfolio and increased mortgage origination volume causing an increase in fee income generated from loan administration fees and income from mortgage loan origination and processing fees. Other income increased $17,000, or 1.0%, for the year ended December 31, 2015, compared to the same period in 2014, primarily due to an increase in rental income generated by one of our subsidiaries, 2800 S Texas Ave, which owns our Bryan banking location, and an increase in administrative loan fee income due to an increase in our loan portfolio activity.

Noninterest Expense

Generally, noninterest expense is composed of all employee expenses and costs associated with operating our facilities, obtaining and retaining customer relationships and providing bank services. The largest component of noninterest expense is salaries and employee benefits. Noninterest expense also includes operational expenses, such as occupancy expenses, depreciation and amortization of our facilities and our furniture, fixtures and office equipment, professional and regulatory fees, including FDIC assessments, data processing expenses, and advertising and promotion expenses.

For the year ended December 31, 2016, noninterest expense totaled $46.2 million, an increase of $3.8 million, or 8.9%, compared to $42.4 million for the year ended December 31, 2015. Noninterest expense increased $7.6 million, or 21.9%, for the year ended December 31, 2015, compared to the same period in 2014. The following table presents, for the periods indicated, the major categories of noninterest expense:

	For the Years Ended December 31,		Increase (Decrease)	For the Years Ended December 31,		Increase (Decrease)
	2016	2015	2016 v. 2015	2015	2014	2015 v. 2014
	(Dollars in thousands)			(Dollars in thousands)		
Employee compensation and benefits	$ 25,611	$ 22,469	$ 3,142	$ 22,469	$ 18,251	$ 4,218
Non-staff expenses:						
Occupancy expenses	6,870	6,468	402	6,468	5,360	1,108
Amortization	980	951	29	951	904	47
Software support fees	1,870	1,840	30	1,840	1,447	393
FDIC insurance assessment fees	1,200	743	457	743	680	63
Legal and professional fees	1,935	2,064	(129)	2,064	1,625	439
Advertising and promotions	1,015	918	97	918	756	162

Telecommunication expense	609	572	37	572	533	39
ATM and debit card expense	933	1,201	(268)	1,201	940	261
Director and committee fees	940	859	81	859	853	6
Other	4,417	4,509	(92)	4,509	3,505	1,004
Total noninterest expense	$ 46,380	$ 42,594	$ 3,786	$ 42,594	$ 34,854	$ 7,740

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Employee Compensation and Benefits. Salaries and employee benefits are the largest component of noninterest expense and include payroll expense, the cost of incentive compensation, benefit plans, health insurance and payroll taxes. Salaries and employee benefits were $25.6 million for the year ended December 31, 2016, an increase of $3.1 million, or 14.0%, compared to $22.5 million for the same period in 2015. The increase was due primarily to an increase in the number of employees, as well as increased health insurance expenses, benefit plan expenses and payroll taxes. As of December 31, 2016 and 2015, we had 397 and 379 full-time equivalent employees, respectively, an increase of 18 employees. Salaries and employee benefits increased $4.2 million, or 23.1%, for the year end December 31, 2015, as compared to $18.3 million for the same period in 2014. The number of full-time equivalent employees increased from 308 for the year ended December 31, 2014, to 379 for the same period in 2015, an increase of 71 employees. The increases in staff and expenses in 2015 were due primarily to the acquisitions of DCB Financial and Texas Leadership Bank and the opening of a new location in Rockwall, Texas, as well as increased health insurance expenses, benefit plan expenses and payroll taxes.

Occupancy Expenses. Occupancy expenses were $6.9 million and $6.5 million for the years ended December 31, 2016 and 2015, respectively. This category includes building, leasehold, furniture, fixtures and equipment depreciation totaling $3.2 million for the year ended December 31, 2016 and $3.0 million for the same period in 2015. The increase of $402,000, or 6.2%, in occupancy expenses for 2016 compared to 2015 was due primarily to increased lease expense due to new locations in Denton and Rockwall, as well as increased depreciation from additional furniture, fixtures and office equipment, partially offset by decreases in automobile expense and utility expense. Expense associated with occupancy of premises increased $1.1 million, or 20.7%, for the year ended December 31, 2015, as compared to $5.4 million for the same period of 2014, and related depreciation expenses increased $439,000 from $2.5 million, or 17.4%. The increase of $1.1 million for 2015 compared to 2014 was due primarily to increased lease and rental expense related to the acquisition of DCB Financial in March of 2015, increased ad valorem taxes related to our expansion into the Dallas/Fort Worth metroplex, as well as an increase from $2.5 million in building, leasehold, furniture, fixtures and equipment depreciation for the year ended December 31, 2014, to $3.0 million for the same period in 2015.

Amortization. Amortization costs include amortization of software and core deposit premiums. Amortization costs were $980,000 for the year ended December 31, 2016, an increase of $29,000, or 3.0%, compared to $951,000 for the same period of 2015. Amortization costs for the year ended December 31, 2015, increased $47,000, or 5.2%, compared to $904,000 for the same period of 2014. The increases in amortization costs in 2015 and 2016 were primarily due to increased amortization from core deposit intangibles resulting from the acquisitions of DCB Financial and Texas Leadership Bank, as well as additional software purchases required to support our expansion and to build the infrastructure needed for growth in the volume of our business.

Software Support. Software support expenses were $1.9 million for the year ended December 31, 2016 and $1.8 million for the same period in 2015. The increase of $30,000, or 1.6%, was primarily attributable to incremental processing fees resulting from growth in volume of our loan and deposit accounts. Software support expenses increased $393,000, or 27.2%, in 2015 from $1.4 million for the year ended December 31, 2014. The increase was primarily attributable to incremental processing fees resulting from the growth in the volume of our loan and deposit accounts, data conversion fees due to acquisitions, and increased support fees from movement to a higher asset tier on certain support contracts.

FDIC Assessment Fees. FDIC assessment fees were $1.2 million and $743,000 for the years ended December 31, 2016 and 2015, respectively. The increase of $457,000, or 61.5%, resulted from the effect of an update in our accounting methodology related to accrual of the assessment fees. FDIC assessment fees increased $63,000, or 9.3%, for the year ended December 31, 2015, compared to the same period in 2014, resulting from growth in our assets over this period.

Legal and Professional Fees. Legal and professional fees, which include audit, loan review and regulatory assessments, were $1.9 million and $2.1 million for the years ended December 31, 2016 and 2015, respectively. The decrease of $129,000, or 6.3%, was primarily due to cancellation of services for a third-party investment advisory firm related to our Wealth Management Group during the period, which was partially offset by increases in legal fees and audit fees. The increase of $439,000, or 27.0%, for the year ended December 31, 2015, compared to $1.6 million for the year ended December 31, 2014, was primarily the result of fees paid to recruiters to staff our continued growth as well as consulting fees paid in 2014.

Advertising and Promotions. Advertising and promotion related expenses were $1.0 million and $918,000 for the years ended December 31, 2016 and 2015, respectively. The increase of $97,000, or 10.6%, was primarily due to additional advertising expenses related to our two new locations in Denton, Texas and completion of a direct mail campaign in Bryan/College Station. The increase of $162,000, or 21.4%, for the year ended December 31, 2015, compared to $756,000 for the year ended December 31, 2014, was primarily the result of advertising and promotion costs related to our expansion into the Dallas/Fort metroplex and the acquisitions of DCB Financial and Texas Leadership Bank.

Telecommunication Expense. Telecommunications expenses include telephone, internet and television/cable expenses, which were $609,000 and $572,000 for the years ended December 31, 2016 and 2015, respectively. The increase of $37,000, or 6.5%, was primarily due to an increase in the number of locations utilizing these services during the period. The increase of $39,000, or 7.3%, for the year ended December 31, 2015, compared to $533,000 for the year ended December 31, 2014, was primarily the result of additional locations opened and acquired from DCB Financial and Texas Leadership Bank.

ATM and Debit Card Expense. We pay processing fees related to the activity of our customers ATM and debit card usage. ATM and debit card expenses were $933,000 and $1.2 million for the years ended December 31, 2016 and 2015. Our expenses decreased $268,000, or 22.3%, due to a conversion from Visa® to Mastercard® as our brand and better negotiated pricing with Mastercard®. ATM and debit card expense increased $261,000, or 27.8%, for the year ended December 31, 2015, compared to $940,000 for the year ended December 31, 2014. This increase was primarily due to the increases in the number of demand deposit accounts and the volume of debit card usage as a result of our growth.

Director and Committee Fees. We pay fees to our board of directors for their attendance at board and committee meetings for both the Company and the Bank. Director and committee fees paid were $940,000 and $859,000 for the years ended December 31, 2016 and 2015. The expense increased $81,000, or 9.4%, due to an increase in the per meeting fees paid to directors starting on January 1, 2016. Director and committee fees increased slightly for the year ended December 31, 2015, by $6,000, or 0.7%, compared to $853,000 for the year ended December 31, 2014. This increase was primarily due to more meetings attended by the directors during the period.

Other. This category includes operating and administrative expenses, such as stock option expense, expenses and losses related to repossession of assets, small hardware and software purchases, expense of the value of stock appreciation rights, losses incurred on problem assets, losses on sale of other real estate owned and other assets, other real estate owned expense and write-downs, business development expenses (i.e., travel and entertainment, charitable contributions and club memberships), insurance and security expenses. Other noninterest expense decreased to $4.4 million for the year ended December 31, 2016, compared to $4.5 million for the same period in 2015, a decrease of $92,000, or 2.0%. The decrease was primarily due to no acquisition related expenses during 2016, as well as lower stock option expense and losses sustained. Other noninterest expense increased $1.0 million, or 28.6%, in 2015 compared to 2014, due primarily due to an increase in stock option expense and costs associated with our acquisitions of DCB Financial and Texas Leadership Bank.

Income Tax Expense

The amount of income tax expense we incur is influenced by the amounts of our pre-tax income, tax-exempt income and other nondeductible expenses. Deferred tax assets and liabilities are reflected at current income tax rates in effect for the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

For the years ended December 31, 2016, 2015, and 2014, income tax expense totaled $4.7 million, $4.4 million, and $4.0 million, respectively. Our effective tax rate for the years ended December 31, 2016, 2015 and 2014 was 28.0%, 30.1%, and 29.3%, respectively.

Financial Condition

Our total assets increased $145.7 million, or 8.7%, from $1.7 billion as of December 31, 2015 to $1.8 billion as of December 31, 2016. Total assets increased $348.6 million, or 26.1%, as of December 31, 2015 from $1.3 billion as of December 31, 2014. Our asset growth in 2014 was primarily due to maturity and growth of banking locations established in Bryan/College Station and Longview during 2013 and our acquisition of The First State Bank, Hallsville, Texas in July 2013. Our asset growth in 2015 was primarily due to a combination of organic growth and our acquisition of DCB Financial in March 2015 and Texas Leadership Bank in April of 2015, as well as the opening of one *de novo* branch in 2015. Our growth in 2016 was achieved primarily through organic growth in our traditional East Texas market and our newer Bryan/College Station and Dallas/Fort Worth metroplex locations by enhancing our lending and deposit relationships with existing customers and attracting new customers, as well as cross-selling our deposit and treasury management products.

Loan Portfolio

Our primary source of income is derived through interest earned on loans to small- to medium-sized businesses, commercial companies, professionals and individuals located in our primary market areas. A substantial portion of our loan portfolio consists of commercial and industrial loans and real estate loans secured by commercial real estate properties located in our primary market areas. Our loan portfolio represents the highest yielding component of our earning asset base.

As of December 31, 2016, total loans were $1.2 billion, an increase of $176.5 million, or 16.5%, compared to $1.1 billion as of December 31, 2015. Total loans as of December 31, 2015 represented an increase of $280.4 million, or 35.6%, compared to $788.2 million as of December 31, 2014. These increases were primarily due to our continued organic growth in our primary market areas, new locations opened or acquired in the Dallas/Fort Worth metroplex and Bryan/College Station, and our acquisitions of DCB Financial in March 2015 and Texas Leadership Bank in April 2015. In addition to these amounts, $2.6 million, $3.9 million and $3.9 million in loans were classified as held for sale as of December 31, 2016, 2015 and 2014, respectively.

Total loans, excluding loans held for sale, as a percentage of deposits were 78.97%, 72.89% and 73.20% as of December 31, 2016, 2015 and 2014, respectively. Total loans, excluding loans held for sale, as a percentage of assets were 68.2%, 63.7% and 59.4% as of December 31, 2016, 2015 and December 31, 2014, respectively.

The following table summarizes our loan portfolio by type of loan as of the dates indicated:

As of December 31,									
2016		2015		2014		2013		2012	
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)									

ommercial d industrial	$ 223,997	17.99%	$ 181,890	17.02%	$ 139,579	17.71%	$ 140,538	20.10%	$ 124,932	19.93
eal estate:										
onstruction d velopment	129,366	10.39%	122,739	11.49%	77,475	9.83%	57,189	8.18%	45,210	7.21
rmland	62,362	5.01%	47,663	4.46%	34,125	4.33%	25,844	3.70%	18,592	2.96
4 family sidential	362,952	29.15%	313,440	29.33%	247,511	31.40%	229,163	32.78%	203,566	32.46
ulti-family sidential	26,079	2.09%	30,356	2.84%	24,049	3.05%	16,274	2.33%	16,398	2.62
ommercial al estate	367,656	29.53%	301,686	28.23%	205,222	26.04%	170,061	24.32%	159,174	25.38
onsumer	53,822	4.32%	51,369	4.80%	44,949	5.70%	45,426	6.49%	43,852	6.99
gricultural	18,901	1.52%	19,524	1.83%	15,319	1.94%	14,672	2.10%	15,364	2.45
otal loans ld for vestment	$ 1,245,135	100.00%	$ 1,068,667	100.00%	$ 788,229	100.00%	$ 699,167	100.00%	$ 627,088	100.00
otal loans ld for sale	$ 2,563		$ 3,867		$ 3,915		$ 7,118		$ 9,379	

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Commercial and Industrial Loans. Commercial and industrial loans are underwritten after evaluating and understanding the borrower s ability to operate profitably and effectively. These loans are primarily made based on the identified cash flows of the borrower, and secondarily, on the underlying collateral provided by the borrower. Most commercial and industrial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and generally include personal guarantees.

Commercial and industrial loans increased $42.1 million, or 23.1%, to $224.0 million as of December 31, 2016 from $181.9 million as of December 31, 2015. The increase was due to organic growth, particularly in our Bryan/College Station and Dallas/Fort Worth metroplex markets. Commercial and industrial loans as of December 31, 2015 represented an increase of $42.3 million, or 30.3%, from $139.6 million as of December 31, 2014. The increase was driven by the acquisitions of DCB Financial and Texas Leadership Bank which resulted in 88.4% of the growth in this category, as well as continued organic growth in our existing markets.

Construction and Development. Construction and land development loans are comprised of loans to fund construction, land acquisition and land development construction. The properties securing the portfolio are located throughout Texas and are generally diverse in terms of type.

Construction and development loans increased $6.6 million, or 5.4%, to $129.4 million as of December 31, 2016 from $122.7 million as of December 31, 2015. The increase resulted from continued organic growth, especially in our Dallas/Fort Worth metroplex and Bryan/College Station markets. Construction and development loans as of December 31, 2015 represented an increase of $45.3 million, or 58.4%, from $77.5 million as of December 31, 2014. The increase primarily resulted from the acquisitions of DCB Financial and Texas Leadership Bank, as well as increases in market demand and our decision to seek a larger volume of such loans due to our belief that our loan portfolio was sufficiently diverse to sustain them.

1-4 Family Residential. Our 1-4 family residential loan portfolio is comprised of loans secured by 1-4 family homes, which are both owner occupied and investor owned. Our 1-4 family residential loans have a relatively small balance spread between many individual borrowers compared to our other loan categories. Our 1-4 family residential loans increased $49.5 million, or 15.8%, to $363.0 million as of December 31, 2016 from $313.4 million as of December 31, 2015. This increase primarily was a result of continued organic growth. Our 1-4 family residential loans as of December 31, 2015 represented an increase of $65.9 million, or 26.6%, from $247.5 million as of December 31, 2014. This growth primarily was a result of the acquisitions of DCB Financial and Texas Leadership Bank as well as continued organic growth in our existing markets.

Commercial Real Estate. Commercial real estate loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. These loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the portfolio are located primarily throughout our markets and are generally diverse in terms of type. This diversity helps reduce the exposure to adverse economic events that affect any single industry.

Commercial real estate loans increased $66.0 million, or 21.9%, to $367.7 million as of December 31, 2016 from $301.7 million as of December 31, 2015. The increase in commercial real estate loans during this period was mostly driven by a general increase in lending activity, primarily in our Dallas/Fort Worth metroplex and Bryan/College Station markets. Commercial real estate loans as of December 31, 2015 represented an increase of $96.5 million, or 47.0%, from $205.2 million as of December 31, 2014. This increase in commercial real estate loans during this period was due to our acquisition of DCB Financial and Texas Leadership Bank as well as a general increase in lending activity in the Bryan/College Station market.

Other Loan Categories. Other categories of loans included in our loan portfolio include farmland and agricultural loans made to farmers and ranchers relating to their operations, multi-family residential loans and consumer loans. None of these categories of loans represents a significant portion of our total loan portfolio.

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The contractual maturity ranges of loans in our loan portfolio and the amount of such loans with fixed and floating interest rates in each maturity range as of date indicated are summarized in the following tables:

	As of December 31, 2016			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial and industrial	$ 103,013	$ 89,827	$ 31,157	$ 223,997
Real estate:				
Construction and development	70,645	29,553	29,168	129,366
Farmland	15,944	2,796	43,622	62,362
1-4 family residential	31,498	22,810	308,644	362,952
Multi-family residential	757	8,515	16,807	26,079
Commercial real estate	13,703	59,389	294,564	367,656
Consumer	17,239	33,398	3,185	53,822
Agricultural	11,177	7,627	97	18,901
Total loans	$ 263,976	$ 253,915	$ 727,244	$ 1,245,135
Amounts with fixed rates	$ 197,944	$ 195,603	$ 82,967	$ 476,514
Amounts with floating rates	$ 66,032	$ 58,312	$ 644,277	$ 768,621

	As of December 31, 2015			
	One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial and industrial	$ 86,121	$ 58,319	$ 37,450	$ 181,890
Real estate:				
Construction and development	52,448	33,660	36,631	122,739
Farmland	9,840	5,276	32,547	47,663
1-4 family residential	17,116	28,851	267,473	313,440
Multi-family residential	1,194	8,697	20,465	30,356
Commercial real estate	15,290	47,638	238,758	301,686
Consumer	15,728	32,607	3,034	51,369
Agricultural	12,000	7,422	102	19,524
Total loans	$ 209,737	$ 222,470	$ 636,460	$ 1,068,667
Amounts with fixed rates	$ 162,184	$ 167,579	$ 86,755	$ 416,518
Amounts with floating rates	$ 47,553	$ 54,891	$ 549,705	$ 652,149

	As of December 31, 2014			
	One Year or Less	One Through Five Years	After Five Years	Total

	(Dollars in thousands)			
Commercial and industrial	$ 50,902	$ 51,233	$ 37,444	$ 139,579
Real estate:				
Construction and development	34,502	17,117	25,856	77,475
Farmland	2,643	5,141	26,341	34,125
1-4 family residential	10,909	13,904	222,698	247,511
Multi-family residential	1,022	2,880	20,147	24,049
Commercial real estate	15,240	33,826	156,156	205,222
Consumer	13,791	30,105	1,053	44,949
Agricultural	9,750	5,263	306	15,319
Total loans	$ 138,759	$ 159,469	$ 490,001	$ 788,229
Amounts with fixed rates	$ 110,353	$ 119,671	$ 62,759	$ 292,783
Amounts with floating rates	$ 28,406	$ 39,798	$ 427,242	$ 495,446

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Nonperforming Assets

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. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. In general, we place loans on nonaccrual status when they become 90 days past due. We also place loans on nonaccrual status if they are less than 90 days past due if the collection of principal or interest is in doubt. When interest accrual is discontinued, all unpaid accrued interest is reversed from income. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are, in management s opinion, reasonably assured.

We believe our conservative lending approach and focused management of nonperforming assets has resulted in sound asset quality and timely resolution of problem assets. We have several procedures in place to assist us in maintaining the overall quality of our loan portfolio. We have established underwriting guidelines to be followed by our bankers, and we also monitor our delinquency levels for any negative or adverse trends. There can be no assurance, however, that our loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

We had $6.1 million in nonperforming assets as of December 31, 2016, compared to $4.1 million and $4.9 million as of December 31, 2015 and 2014, respectively. We had $4.4 million in nonperforming loans as of December 31, 2016, compared to $2.4 million and $4.1 million as of December 31, 2015 and 2014, respectively. The $2.0 million increase in our nonperforming loans from December 31, 2015 to December 31, 2016 primarily relates to the downgrade of one loan relationship in the amount of $1.2 million that was previously classified as accrual in accordance with the terms of our loan policy. The following table presents information regarding nonperforming loans at the dates indicated:

	As of December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Nonaccrual loans	$ 4,409	$ 2,431	$ 4,077	$ 7,233	$ 4,906
Accruing loans 90 or more days past due	-	-	-	-	-
Total nonperforming loans	4,409	2,431	4,077	7,233	4,906
Other real estate owned:					
Commercial real estate, construction and development, and farmland	1,074	1,075	70	604	744
Residential real estate	618	618	742	758	725
Total other real estate owned	1,692	1,693	812	1,362	1,469
Total nonperforming assets	$ 6,101	$ 4,124	$ 4,889	$ 8,595	$ 6,375
Restructured loans-nonaccrual	$ 90	$ 160	$ 685	$ 877	$ 1,081
Restructured loans-accruing	415	3,541	2,574	1,422	3,937

Ratio of nonperforming loans to total loans[(1)(2)]	0.35%	0.23%	0.52%	1.03%	0.78%
Ratio of nonperforming assets to total assets	0.33%	0.25%	0.37%	0.69%	0.55%

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	As of December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Nonaccrual loans by category:					
Real estate:					
Construction and development	$ 1,825	$ -	$ -	$ 173	$ 241
Farmland	176	169	184	692	-
1-4 family residential	1,699	1,829	2,614	3,840	2,682
Multi-family residential	5		-	-	-
Commercial real estate	415	77	672	1,372	436
Commercial and industrial	82	118	507	707	810
Consumer	192	238	99	307	433
Agricultural	15	-	1	142	304
Total	$ 4,409	$ 2,431	$ 4,077	$ 7,233	$ 4,906

(1) Excludes loans held for sale of $2.6 million, $3.9 million, $3.9 million, $7.1 million and $9.4 million for the years ended December 31 2016, 2015, 2014, 2013 and 2012, respectively.
(2) Restructured loans-nonaccrual are included in nonaccrual loans which are a component of nonperforming loans.

Potential Problem Loans

From a credit risk standpoint, we classify loans in one of five categories: pass, special mention, substandard, doubtful or loss. Within the pass category, we classify loans into one of the following four subcategories based on perceived credit risk, including repayment capacity and collateral security: superior, excellent, good and acceptable. The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. We review the ratings on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is believed to be inherent in each credit as of each monthly reporting period. Our methodology is structured so that specific reserve allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in creditworthiness; however, such concerns are not so pronounced that we generally expect to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits with a lower rating.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses which exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated as doubtful have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on currently existing facts, conditions and values.

Credits rated as loss are charged-off. We have no expectation of the recovery of any payments in respect of credits rated as loss.

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The following table summarizes the internal ratings of our loans as of the dates indicated.

	As of December 31, 2016					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	(Dollars in thousands)					
Real estate:						
Construction and development	$ 127,537	$ 4	$ 1,825	$ -	$ -	$ 129,366
Farmland	61,713	248	401	-	-	62,362
1-4 family residential	353,483	4,311	5,121	37	-	362,952
Multi-family residential	25,871	-	208	-	-	26,079
Commercial real estate	360,264	1,927	5,465	-	-	367,656
Commercial and industrial	218,975	4,299	706	17	-	223,997
Consumer	52,648	524	568	82	-	53,822
Agricultural	17,965	478	458	-	-	18,901
Total	$ 1,218,456	$ 11,791	$ 14,752	$ 136	$ -	$ 1,245,135

	As of December 31, 2015					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	(Dollars in thousands)					
Real estate:						
Construction and development	$ 121,420	$ 848	$ 337	$ 134	$ -	$ 122,739
Farmland	46,601	730	332	-	-	47,663
1-4 family residential	301,824	5,448	6,168	-	-	313,440
Multi-family residential	28,893	1,192	271	-	-	30,356
Commercial real estate	294,485	4,360	2,841	-	-	301,686
Commercial and industrial	169,751	7,670	4,356	113	-	181,890
Consumer	50,194	710	438	27	-	51,369
Agricultural	18,703	713	108	-	-	19,524
Total	$ 1,031,871	$ 21,671	$ 14,851	$ 274	$ -	$ 1,068,667

	As of December 31, 2014					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	(Dollars in thousands)					
Real estate:						
	$ 77,176	$ 107	$ 192	$ -	$ -	$ 77,475

Construction and development										
Farmland		33,379		342		404		-		-		34,125
1-4 family residential		235,141		5,264		6,987		119		-		247,511
Multi-family residential		22,753		1,296		-		-		-		24,049
Commercial real estate		197,525		2,875		4,819		3		-		205,222
Commercial and industrial		137,814		434		1,129		202		-		139,579
Consumer		44,016		509		366		58		-		44,949
Agricultural		15,171		35		113		-		-		15,319
Total	$	762,975	$	10,862	$	14,010	$	382	$	-	$	788,229

Allowance for Loan Losses

We maintain an allowance for loan losses that represents management s best estimate of the loan losses and risks inherent in our loan portfolio. The amount of the allowance for loan losses should not be interpreted as an indication that charge-offs in future periods will necessarily occur in those amounts, or at all. In determining the allowance for loan losses, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably determined. The balance of the allowance for loan losses is based on internally assigned risk classifications of loans, historical loan loss rates, changes in the nature of our loan portfolio, overall portfolio quality, industry concentrations, delinquency trends, current economic factors and the estimated impact of current economic conditions on certain historical loan loss rates. Please see Critical Accounting Policies Allowance for Loan Losses.

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

- for commercial and industrial loans, the debt service coverage ratio (income from the business in excess of operating expenses compared to loan repayment requirements), the operating results of the commercial, industrial or professional enterprise, the borrower s business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral;

- for commercial mortgage loans and multifamily residential loans, the debt service coverage ratio, operating results of the owner in the case of owner occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type;

- for 1-4 family residential mortgage loans, the borrower s ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan-to-value ratio, and the age, condition and marketability of the collateral; and

- for construction and development loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan to value ratio.

As of December 31, 2016, the allowance for loan losses totaled $11.5 million, or 0.92%, of total loans. As of December 31, 2015, the allowance for loan losses totaled $9.3 million, or 0.87%, of total loans. As of December 31, 2014, the allowance for loan losses totaled $7.7 million, or 0.98%, of total loans.

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The following table presents, as of and for the periods indicated, an analysis of the allowance for loan losses and other related data:

	As of December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Average loans outstanding(1)	$ 1,179,938	$ 991,889	$ 738,539	$ 659,334	$ 617,076
Gross loans outstanding at end of period(2)	$ 1,245,135	$ 1,068,667	$ 788,229	$ 699,167	$ 627,088
Allowance for loan losses at beginning of the period	9,263	7,721	7,093	6,354	5,978
Provision for loan losses	3,640	2,175	1,322	1,745	1,064
Charge offs:					
Real Estate:					
Construction and development	9	6	14	37	32
Commercial real estate	-	53	27	112	120
Farmland	-	-	96	-	-
1-4 family residential	71	215	163	165	218
Multi-family residential	-	-	-	-	-
Commercial and industrial	1,213	192	241	326	234
Consumer	269	219	178	300	202
Agriculture	-	1	-	8	10
Overdrafts	200	227	233	259	140
Total charge-offs	1,762	913	952	1,207	956
Recoveries:					
Real Estate:					
Construction and development	4	-	4	1	-
Commercial real estate	-	-	1	11	83
Farmland	-	96	-	-	-
1-4 family residential	75	8	1	36	27
	-	-	-	-	-

Multi-family residential					
Commercial and industrial	17	20	38	20	85
Consumer	121	50	90	86	50
Agriculture	-	1	20	6	3
Overdrafts	126	105	104	41	20
Total recoveries	343	280	258	201	268
Net charge-offs	1,419	633	694	1,006	688
Allowance for loan losses at end of period	$ 11,484	$ 9,263	$ 7,721	$ 7,093	$ 6,354
Ratio of allowance to end of period loans[(2)]	0.92%	0.87%	0.98%	1.01%	1.01%
Ratio of net charge-offs to average loans[(1)]	0.12%	0.06%	0.09%	0.15%	0.11%

(1) Includes average outstanding balances of loans held for sale of $3.0 million, $4.4 million, $4.2 million, $6.3 million and $5.9 million for the years ended December 31 2016, 2015, 2014, 2013 and 2012, respectively.

(2) Excludes loans held for sale of $2.6 million, $3.9 million, $3.9 million, $7.1 million and $9.4 million for the years ended December 31 2016, 2015, 2014, 2013 and 2012, respectively.

We believe the successful execution of our expansion strategy through organic growth and strategic acquisitions is generally demonstrated by the upward trend in loan balances from December 31, 2012 to December 31, 2016. Loan balances, excluding loans held for sale, increased from $627.1 million as of December 31, 2012, to $1.2 billion as of December 31, 2016. Net charge-offs have been minimal, representing on average 0.11% of average loan balances during the same period.

Although we believe that we have established our allowance for loan losses in accordance with GAAP and that the allowance for loan losses was adequate to provide for known and inherent losses in the portfolio at all times shown above, future provisions for loan losses will be subject to ongoing evaluations of the risks in our loan portfolio. If our primary market areas experience economic declines, if asset quality deteriorates or if we are successful in growing the size of our loan portfolio, our allowance could become inadequate and material additional provisions for loan losses could be required.

The following table shows the allocation of the allowance for loan losses among loan categories and certain other information as of the dates indicated. The allocation of the allowance for loan losses as shown in the table should neither be interpreted as an indication of future charge-offs, nor as an indication that charge-offs in future periods will necessarily occur in these amounts or in the indicated proportions. The total allowance is available to absorb losses from any loan category.

	As of December 31,									
	2016		2015		2014		2013		2012	
	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total
	(Dollars in thousands)									
Real estate:										
Construction and development	$ 1,161	10.11%	$ 1,004	10.84%	$ 615	7.97%	$ 460	6.48%	$ 395	6.22%
Farmland	482	4.20%	400	4.32%	387	5.01%	380	5.36%	190	2.99%
1-4 family residential	3,960	34.48%	2,839	30.65%	2,395	31.02%	2,236	31.53%	2,018	31.76%
Multi-family residential	281	2.45%	325	3.51%	232	3.00%	153	2.16%	141	2.22%
Commercial real estate	3,264	28.42%	2,106	22.74%	1,870	24.22%	1,502	21.18%	1,386	21.81%
Total real estate	9,148	79.66%	6,674	72.06%	5,499	71.22%	4,731	66.71%	4,130	65.00%
Commercial and industrial	1,592	13.86%	1,878	20.26%	1,473	19.08%	1,503	21.19%	1,246	19.61%
Consumer	591	5.15%	573	6.19%	612	7.93%	725	10.22%	776	12.21%
Agricultural	153	1.33%	138	1.49%	137	1.77%	134	1.88%	202	3.18%
Total allowance for loan losses	$ 11,484	100.00%	$ 9,263	100.00%	$ 7,721	100.00%	$ 7,093	100.00%	$ 6,354	100.00%

Securities

We use our securities portfolio to provide a source of liquidity, provide an appropriate return on funds invested, manage interest rate risk, meet collateral requirements and meet regulatory capital requirements. As of December 31, 2016, the carrying amount of our investment securities totaled $346.3 million, a decrease of $51.7 million, or 13.0%, compared to $398.0 million as of December 31, 2015. The decrease was due primarily to the sale of certain available-for-sale securities and the use of proceeds from maturing securities to fund increases in the loan portfolio. The carrying amount of our investment securities as of December 31, 2015 represented an increase of $39.9 million, or 11.1%, compared to $358.1 million as of December 31, 2014. The increases in investment securities were funded primarily from increases in deposits. Investment securities represented 18.9%, 23.7% and 26.9% of total assets as of December 31, 2016, 2015 and 2014, respectively.

Our investment portfolio consists of securities classified as available for sale and held to maturity. As of December 31, 2016, securities available for sale and securities held to maturity totaled $156.9 million and

$189.4 million, respectively. As of December 31, 2015, securities available for sale and securities in held to maturity totaled $272.9 million and $125.0 million, respectively, and as of December 31, 2014, $227.0 million and $131.1 million, respectively. Held to maturity percentages were 54.7% as of December 31, 2016, 31.4% as of December 31, 2015, and 36.6% at December 31, 2014. While we generally seek to maintain 50.0% or less of our portfolio in held to maturity securities, the Company has the intent and ability to hold its held to maturity securities until maturity or call and the current policy exception was approved by our board of directors. The carrying values of our investment securities classified as available for sale are adjusted for unrealized gain or loss, and any gain or loss is reported on an after-tax basis as a component of other comprehensive income in

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shareholders equity. The following table summarizes the amortized cost and estimated fair value of our investment securities as of the dates shown:

	As of December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. government agencies	$ -	$ -	$ -	$ -
Corporate bonds	25,254	6	377	24,883
Municipal securities	157,261	901	4,511	153,651
U.S. treasury securities	-	-	-	-
Mortgage-backed securities	89,748	318	1,898	88,168
Collateralized mortgage obligations	77,290	275	1,187	76,378
Total	$ 349,553	$ 1,500	$ 7,973	$ 343,080

	As of December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
U.S. government agencies	$ 5,158	$ 121	$ -	$ 5,279
Corporate bonds	28,399	-	412	27,987
Municipal securities	67,350	2,384	18	69,716
U.S. treasury securities	29,985	-	-	