GUARANTY FINANCIAL CORP /VA/
Form 10QSB
August 14, 2002

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

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2002	Commission File No. 0-25905

GUARANTY FINANCIAL CORPORATION

Virginia	54-1786496
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1658 State Farm Blvd., Charlottesville, VA 22911
(Address of Principal Executive Offices)

(434) 970-1100
(Issuer's Telephone Number, Including Area Code)

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

As of August 1, 2002, 1,962,777 shares of Common Stock, par value $1.25 per share, were outstanding.

GUARANTY FINANCIAL CORPORATION

QUARTERLY REPORT ON FORM 10-QSB

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Part I. Financial Information

Item 1 Financial Statements

GUARANTY FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
($ In Thousands)

	June 30, 2002	December 31 2001
ASSETS	(Unaudited)	
Cash and cash equivalents	$ 15,253	$ 12,4
Investment securities		
Held-to-maturity	883	9
Available for sale	16,626	20,5

Investment in FHLB and other stocks	1,972	1,9
Loans receivable, net	162,883	177,5
Accrued interest receivable	1,039	1,2
Real estate owned	418	7
Office properties and equipment, net	7,908	8,1
Other assets	4,513	1,5
Total assets	$ 211,495	$ 225,1
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Interest bearing demand	$ 27,596	$ 25,4
Non-interest bearing demand	25,550	22,1
Money market accounts	21,722	22,3
Savings accounts	13,318	12,9
Certificates of deposit	89,682	117,6
	177,868	200,6
Bonds payable	434	5
Advances from Federal Home Loan Bank	9,000	1,0
Accrued interest payable	54	1
Payments by borrowers for taxes and insurance	357	1
Other liabilities	442	5
Total liabilities	188,155	203,0
Convertible preferred securities	6,012	6,0
STOCKHOLDERS' EQUITY		
Preferred stock, par value $1 per share, 500,000 shares authorized, none issued	-	
Common stock, par value $1.25 per share, 4,000,000 shares authorized, 1,962,777 issued and outstanding (1,961,727 in 2001)	2,453	2,4
Additional paid-in capital	8,960	8,9
Accumulated comprehensive loss	(288)	(6
Retained earnings	6,203	5,3
Total stockholders' equity	17,328	16,0
Total liabilities and stockholders' equity	$ 211,495	$ 225,1

See accompanying notes to consolidated financial statements.

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GUARANTY FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Mon Jun
	2002	2001	2002
	(unaudited)		(una
Interest income			
Loans	$ 2,915	$ 3,957	$ 5,975
Investment securities	398	612	810
Total interest income	3,313	4,569	6,785
Interest expense			
Deposits	922	2,582	2,131
Borrowings	199	171	378
Total interest expense	1,121	2,753	2,509
Net interest income	2,192	1,816	4,276
Provision for loan losses	25	75	50
Net interest income after provision for loan losses	2,167	1,741	4,226
Non-interest income			
Deposit account fees	189	204	372
Mortgage banking income	153	295	467
Investment sales commissions	38	59	64
Gain on sale of Investments	17	-	17
Other	148	42	263
Total non-interest income	545	600	1,183
Non-interest expense			
Personnel	1,142	1,150	2,286
Occupancy	282	423	571
Information services	287	290	578
Marketing	29	54	43
Deposit insurance premiums	23	26	48
Other	328	387	659
Total non-interest expense	2,091	2,330	4,185
Income before income taxes	621	11	1,224
Provision for income taxes	193	4	390
Net income	$ 428	$ 7	$ 834
Basic and diluted earnings			

per common share	$ 0.22	$ 0.00	$ 0.42

See accompanying notes to consolidated financial statements.

GUARANTY FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Net income	$ 428	$ 7	$ 834	$ 175
Other comprehensive income:				
Unrealized gain on securities available for sale	830	81	617	722
Other comprehensive income, before tax	830	81	617	722
Income tax expense related to items of other comprehensive income	(282)	(28)	(210)	(246)
Other comprehensive income, net of tax	548	53	407	476
Comprehensive income	$ 976	$ 60	$ 1,241	$ 651

See accompanying notes to consolidated financial statements.

GUARANTY FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Six Months Ended June 30, 2002	2
	(unaudited)	
Operating Activities		
Net Income	$ 834	$
Adjustments to reconcile net income to net cash provided (absorbed) by operating activities:		
Provision for loan losses	50	
Provision for loss on sale of other real estate owned	40	
Depreciation and amortization	295	
Deferred loan fees	(34)	
Net amortization of premiums and accretion of discounts	122	
Gain on sale of loans	(467)	
Gain on sale of securities available for sale	(17)	
Originations of loans held for sale	(20,076)	(36
Proceeds from sale of loans	28,956	36
Gain on sale of other real estate owned	(18)	
Changes in:		
Accrued interest receivable	206	
Other assets	(126)	
Accrued interest payable	(83)	
Prepayments by borrowers for taxes and insurance	192	
Other liabilities	(104)	
Net cash provided by operating activities	9,770	1
Investing activities		
Net decrease in loans	6,085	11
Mortgage-backed securities principal repayments	240	
Purchase of securities held to maturity	(406)	
Proceeds from maturity of securities held to maturity	250	
Purchase of securities available for sale	-	(12
Proceeds from sale of securities available for sale	4,559	
Proceeds from sale of real estate owned	470	
Purchase of bank-owned life insurance	(3,000)	
Increase in bank-owned life insurance	(53)	
Origination of servicing rights	-	
Proceeds from sale of office properties and equipment	21	
Purchase of office properties and equipment	(136)	
Net cash provided (absorbed) by investing activities	8,030	
Financing activities		
Net increase (decrease) in deposits	(22,764)	10
Proceeds from FHLB advances	35,000	31
Repayment of FHLB advances	(27,000)	(41
Proceeds from issuance of common stock	8	
Principal payments on bonds payable, including unapplied payments	(228)	
Net cash provided (absorbed) by financing activities	(14,984)	

Increase in cash and cash equivalents	2,816	1
Cash and cash equivalents, beginning of period	12,437	15

See accompanying notes to consolidated financial statements.

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GUARANTY FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2002 and 2001
(unaudited)

Note 1 Principles of Presentation

The accompanying consolidated financial statements of Guaranty Financial Corporation ("Guaranty") have not been audited by independent accountants, except for the balance sheet at December 31, 2001. These financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission in regard to quarterly (interim) reporting. In management's opinion, the financial information presented reflects all adjustments, comprised only of normal recurring accruals that are necessary for a fair presentation of the results for the interim periods. Significant accounting policies and accounting principles have been consistently applied in both the interim and annual consolidated financial statements. Certain notes and the related information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-QSB. Therefore, these financial statements should be read in conjunction with Guaranty's Annual Report on Form 10-KSB for the year ended December 31, 2001. The results for the three and six months ended June 30, 2002, are not necessarily indicative of future financial results.

The accompanying consolidated financial statements include Guaranty's accounts and its wholly-owned subsidiaries, Guaranty Capital Trust I and Guaranty Bank, and Guaranty Bank's wholly-owned subsidiaries, GMSC, Inc., which was organized as a financing subsidiary, and Guaranty Investments Corporation, which was organized to sell non-deposit investment products. All material intercompany accounts and transactions have been eliminated in consolidation.

Amounts in the year 2001 financial statements have been reclassified to conform to the year 2002 presentation. These reclassifications had no effect on previously reported net income.

Note 2 Estimates

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

Note 3 Earnings Per Share

Basic earnings per share is based on net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share shows the dilutive effect of additional common shares issuable under stock option plans. The basic and diluted earnings per share for the three months and six months ended June 30, 2002 and 2001, have been determined by dividing net income by the weighted average number of shares of common stock outstanding during these periods. The following table indicates the weighted average shares outstanding for each period.

	June 30, 2002	June 30, 2001
Basic shares	1,962,777	1,961,727
Diluted shares	1,970,631	1,961,727

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Note 4 Loans

The loan portfolio is comprised of the following:

	June 30, 2002	December 31, 2001
	(In thousands)	
Mortgage loans:		
Residential	$ 27,550	$ 39,864
Commercial	9,731	16,277
Construction and land loans	37,941	36,307
Total real estate loans	75,222	92,448
Commercial business loans	67,347	66,603
Consumer loans	22,746	20,973
Total loans receivable	165,315	180,024
Adjustments:		
Allowance for losses	(2,517)	(2,512)
Deferred costs	85	67
Total loans receivable, net	$ 162,883	$ 177,579

Note 5 Allowance for Loan Loss

The following is a summary of transactions in the allowance for loan loss:

	June 30, 2002	December 31, 2001
	(In thousands)	
Balance at January 1	$ 2,512	$ 2,396
Provision charged to operating expense	50	333
Recoveries added to the reserve	3	9
Loans charged off	(48)	(226)
Balance at the end of the period	$ 2,517	$ 2,512

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Note 6 Investments

The investment portfolio is comprised of the following:

	June 30, 2002	December 31, 2001
	In thousands)	
Held to maturity:		
Mortgage-backed securities	$ 480	$ 720
U.S. Government obligations	403	250
Available for sale:		
Corporate Bonds	8,593	12,597
U.S. Government obligations	8,033	7,970
Other:		
Federal Home Loan Bank stock	1,550	1,550
Federal Reserve Bank & other stocks	422	422
	$ 19,481	$ 23,509

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Guaranty Financial Corporation ("Guaranty") is a single bank holding company organized under Virginia law that provides financial services through its primary operating subsidiary, Guaranty Bank (the "Bank"). The Bank is a full service commercial bank offering a wide range of banking and related financial services, including time and demand deposits, as well as commercial, industrial, residential construction, residential and commercial mortgage and consumer loans. Guaranty Investments Corporation, a subsidiary of the Bank, provides a full range of investment services and, through a contractual arrangement with a third party, sells mutual funds, stocks, bonds and annuities.

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the financial condition and results of operations of Guaranty. The analysis focuses on the consolidated financial statements, the footnotes thereto, and the other financial data herein. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends affecting Guaranty. Amounts are rounded for presentation purposes, while the percentages presented are computed based on unrounded amounts.

Analysis of Financial Condition

Total assets decreased 6.1% to $211.5 million at June 30, 2002, from $225.2 million at December 31, 2001. Cash and cash equivalents increased $2.9 million or 22.6%, to $15.3 million at June 30, 2002, from $12.4 million at December 31, 2001. Net loans were $162.9 million at June 30, 2002, a decrease of $14.7 million, or 8.3%, from net loans of $177.6 million at December 31, 2001. Total deposits at June 30, 2002, were $177.9 million compared to $200.6 million at December 31, 2001. FHLB borrowings were $9.0 million at June 30, 2002, compared to $1.0 million at December 31, 2001. Total stockholders' equity at June 30, 2002, increased by $1.2 million to $17.3 million from $16.1 million at December 31, 2001.

The factors causing the fluctuations in the major balance sheet categories are further discussed in the following sections.

Loans

During the first six months of 2002, Guaranty continued to strategically reposition its loan portfolio. Net loans receivable decreased by 8.3% to $162.9 million at June 30, 2002, from $177.6 million at December 31, 2001. This change was primarily attributable to a $12.3 million reduction in residential mortgage loans and a $6.5 million reduction in commercial mortgage loans. During the six months ended June 30, 2002, Guaranty originated $20.1 million in residential mortgage loans and sold $28.5 million in residential mortgage loans in the secondary market. Residential mortgage loans held for sale were $1.7 million at June 30, 2002, down from $14.3 million at December 31, 2001. All other segments of the loan portfolio were relatively constant through the first six months of 2002.

Investments

Total investments declined by 17.0% to $19.5 million at June 30, 2002, compared to $23.5 million at December 31, 2001. The majority of this change was due to the sale of approximately $4.0 million in corporate bonds for a gain of approximately $17,000.

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Real Estate Owned

Real estate owned decreased to $418,000 at June 30, 2002, from $764,000 at December 31, 2001. The decline was primarily due to the sale of a residential property during the period. No material losses are anticipated on the ultimate sale of the remaining properties.

Office Properties and Equipment

Guaranty's investment in office properties and equipment decreased to $7.9 million at June 30, 2002, from $8.1 million at December 31, 2001. This decrease was primarily due to depreciation of existing assets.

Other Assets

Other assets increased to $4.5 million at June 30, 2002, primarily due to the purchase of $3.0 million of bank owned life insurance.

Deposits

Deposits were $177.9 million at June 30, 2002, a decrease of $22.7 million, or

11.3%, from total deposits of $200.6 million at December 31, 2001. Demand accounts increased by 11.6% to $53.1 million from $47.6 million during the current year as Guaranty has continued to reposition its deposit funding mix. This increase represents Guaranty's continued emphasis on providing full service banking relationships to its customers. Certificates of deposit comprise 50.4% of total deposits at June 30, 2002, compared to 58.7% at December 31, 2001.

FHLB Borrowings

Guaranty's borrowings from the Federal Home Loan Bank ("FHLB") at June 30, 2002 increased to $9.0 million from $1.0 million at December 31, 2001. Guaranty was able to reduce its cost on certificates of deposit by increasing its borrowings from the FHLB. At June 30, 2002, Guaranty's available but unused borrowings with the FHLB were approximately $10.6 million.

Stockholders' Equity

Stockholders' equity at June 30, 2002, increased by 7.8% to $17.3 million from $16.1 million at December 31, 2001. The primary factors for the increase were the year to date net income of $834,000, $8,000 related to the issuance of 1,050 shares for the 2002 annual retainer for outside directors, and an increase in the mark to market gain adjustment (after the effect of income taxes) of Guaranty's available for sale investments by approximately $407,000.

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Results of Operations

Net Income

Guaranty reported net income of $428,000 ($.22 per share) for the three months ended June 30, 2002, compared with a net income of $7,000 ($.00 per share) for the three months ended June 30, 2001. The increase in the net income was primarily due to the combination of higher net interest income, reduced operating expenses and a lower provision for loan loss. Net income of $834,000 for the six months ended June 30, 2002 was an improvement over the $175,000 reported for the same period a year ago for the same reasons.

Net Interest Income

Net interest income for the quarter increased by 20.7% to $2.2 million from $1.8 million for the same quarter of the previous year. The continued decline in the cost of interest bearing deposits had a positive impact on the Company's net interest margin. Reduced interest expense more than offset the decrease in interest income that resulted from the reduction in average loans and investments held for the respective periods. The net interest margin increased to 4.53% for the three months ended June 30, 2002, compared to 3.13% for the same period a year ago. During the most recent quarter, the cost of certificates of deposit declined to 3.40% compared to 5.95% for the same period a year ago. Total cost of interest bearing deposits declined to 2.38% from 4.99% for the same quarterly periods. Interest rates on earning assets did not fall as dramatically. The yield on earning assets for the three months ended June 30, 2002, was 6.84% compared with 7.86% for the same period a year ago. The effect of the increase in the Company's net interest margin more than offset the lower amount of the Company's loan and investment portfolios in the second quarter 2002 compared to the same period a year ago. For the six months ended June 30, 2002, Guaranty's net interest income increased by 7.1% to $4.3 million from $4.0 million for the same period a year ago. The following table summarizes the factors determining net interest income (dollars in thousands).

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002
Average Interest Earning Assets	$194,151	$233,052	$197,627
Average Yield	6.84%	7.86%	6.92%
Average Interest Bearing Liabilities	$172,811	$216,690	$176,564
Average Cost	2.60%	5.10%	2.87%
Interest Spread	4.24%	2.77%	4.06%
Interest Margin	4.53%	3.13%	4.36%

Provision for Loan Losses

Guaranty recorded a provision of $25,000 and $75,000 for the three months ended June 30, 2002 and 2001, respectively. The decrease in the provision for the current year resulted from the decrease in the size of the loan portfolio and the increased level of the allowance for loan losses as a percentage of total loans. For the six months ended June 30, 2002, Guaranty's loan loss provision was $50,000 compared with $225,000 for the same period a year ago. The allowance for loan losses is maintained at a level considered by management to be adequate to absorb future loan losses currently inherent in the loan portfolio. Management's assessment of the adequacy of the allowance is based upon type and volume of the loan portfolio, past loan loss experience, existing and anticipated economic conditions, and other factors that deserve current recognition in estimating future loan losses. Management's assessment of the adequacy of the allowance is subject to evaluation and adjustment by Guaranty's regulators.

There were loan charge-offs for the three months ended June 30, 2002 of $48,000, compared to $9,000 for the same period a year ago. At June 30, 2002, Guaranty had $119,000 of loans that were 90 days or more past due. Of this total, no loans were considered to be non-accrual. At June 30, 2002, the allowance for loan losses was $2.5 million or 1.52% of total loans. Management believes that the allowance for loan losses is adequate to cover loan losses inherent in the loan portfolio at June 30, 2002, and that loans classified as special mention, substandard, doubtful and loss have been adequately reserved. Although management believes that it uses the best information available to make such determinations, future adjustments to the allowance for loan losses may be necessary, and net income could be significantly affected, if circumstances differ substantially from assumptions used in making the initial determinations.

Non-interest Income

Non-interest income was $545,000 for the three months ended June 30, 2002, compared with $600,000 for the same period a year ago. This change was primarily due to a decrease in mortgage banking income to $153,000 for the most recent quarter compared to $295,000 for the same period a year ago. For the six months ended June 30, 2002, Guaranty's non-interest income was $1.2 million, a $21,000 increase over the same period a year ago. During 2001, Guaranty changed its mortgage banking business model to sell all residential fixed rate mortgage loans on a servicing released basis. In addition, Guaranty sold its mortgage loan servicing rights related to mortgage loans serviced for others. The revised mortgage banking business model eliminates the secondary market interest rate risk through simultaneously locking a mortgage loan rate with the borrower and a correspondent investor at the same time. The 2001 sale of existing mortgage servicing rights and the continued sale of mortgage loans on a servicing released basis eliminated the valuation volatility associated with retained servicing rights. The results for the three months ended June 30, 2001, included a $35,000 gain in the value of the mortgage loan servicing rights.

Fees on deposit accounts decreased by 7.4% to $189,000 for the most recent quarter compared to $204,000 for the same period a year ago. Investment sales commissions decreased to $38,000 for the three months ended June 30, 2002, compared to $59,000 for the same period a year ago due to reduced sales volume.

Non-interest Expense

Non-interest expense was $2.1 million for the quarter ended June 30, 2002, a $239,000 decrease over the amount reported for the same period last year. The decrease is primarily attributable to the elimination of personnel and occupancy expenses due to the sale of a retail banking office in the suburban Richmond market, the right sizing of administrative function including information technology and mortgage banking administration, and limited marketing expense in the most recent quarter. The expenses related to the suburban Richmond retail banking office were included in the 2001 financial statements until July 2001 when the sale transaction was consummated. Marketing expense was $29,000 for the most recent quarter compared to $54,000 for the same period a year ago. Marketing expense should increase throughout the remainder of 2002 as activity increases. For the six months ended June 30, 2002, Guaranty's non-interest expense was $4.2 million, a 10.3% decrease from $4.7 million for the same period a year ago.

Income Tax Expense

Guaranty recognized income tax expense of $193,000 for the three months ended June 30, 2002, compared to income tax expense of $4,000 for the same period in 2001. The effective tax rate for the most recent quarter was 31.1% compared to 33.8% for the same period a year ago. The lower effective tax rate for the most recent quarter was due to an increase in non-taxable income from bank owned insurance. The net increase in income tax expense between periods was a result of increases in the level of taxable income.

Liquidity and Capital Resources

Liquidity is the ability to meet present and future financial obligations either through the sale of existing assets or through the acquisition of additional funds through asset and liability management. Guaranty's primary sources of funds are deposits, borrowings and amortization, prepayments and maturities of outstanding loans and securities. While scheduled payments from the amortization of loans and securities are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. Excess funds are invested in overnight deposits to fund cash requirements experienced in the normal course of business. Guaranty has been able to generate sufficient cash through its deposits as well as through its borrowings.

Guaranty uses its sources of funds primarily to meet its on-going operating expenses, to pay deposit withdrawals and to fund loan commitments. During the most recent quarter, total loans declined by approximately $700,000 and certificates of deposit declined by approximately $13.6 million. These decreases were a result of strategic decisions. Guaranty has been very targeted in its lending approach and has desired to reduce its funding reliance on certificates of deposit. At June 30, 2002, total approved loan commitments outstanding were approximately $6.0 million. At the same date, commitments under unused lines of credit were approximately $55.8 million. Certificates of deposit scheduled to mature in one year or less at June 30, 2002, were $80.0 million. Management believes that a significant portion of maturing deposits will remain with Guaranty. If these certificates of deposit do not remain with Guaranty, it will have to seek other sources of funding that may be at higher rates or reduce assets.

The reduction in total assets has positively impacted Guaranty's regulatory capital ratios. At June 30, 2002, regulatory capital was in excess of amounts required by Federal Reserve regulations to be considered well capitalized as shown in the following table (dollars in thousands):

	Actual Amount	Actual Percentage	Amount Required	Percent Required	
Leverage Ratio	$ 23,489	11.01%	$ 8,533	4.00%	$
Tier 1 Risk Based Capital	23,489	13.56%	6,929	4.00%	
Total Risk Based Capital	25,797	14.89%	13,858	8.00%	

Regulatory Issues

In October 2000, Guaranty and the Bank entered into a written agreement with the Federal Reserve Bank of Richmond ("FRB") and the Bureau of Financial Institutions of the Commonwealth of Virginia ("BFI") with respect to various operating policies and procedures. Various bank operating policies including asset/liability management, liquidity, risk management, loan administration and capital adequacy were rewritten and approved by bank regulators in 2001. Guaranty is restricted from paying future dividends or incurring any debt at the parent company level without prior regulatory approval. In addition, the Bank is prohibited from paying intercompany dividends to Guaranty without prior regulatory approval. Absent this intercompany dividend, Guaranty does not have sufficient resources to make the payments due on its outstanding subordinated debt securities.

Guaranty and the Bank have received regulatory approval for an intercompany dividend in an amount sufficient to make the September 15, 2002, payment due on its subordinated debt securities. While the FRB and the BFI have approved all quarterly dividend payment requests since the written agreement was executed, no assurances can be given that future requests will be approved.

Forward Looking Statements

Certain statements in this quarterly report on Form 10-QSB may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are generally identified by the use of words such as "believe", "expect", "anticipate", "should", "planned", "estimated", and "potential". These statements are based on Guaranty's current expectations. A variety of factors could cause Guaranty's actual results to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, and results of Guaranty's business include interest rate movements, competition from both financial and non-financial institutions, the timing and occurrence (or nonoccurrence) of transactions and events that may be subject to circumstances beyond Guaranty's control, and general economic conditions.

Part II. Other Information

Item 1 Legal Proceedings

Not Applicable

Item 2 Changes in Securities and Use of Proceeds

Not Applicable

Item 3 Defaults Upon Senior Securities

Not Applicable

Item 4 Submission of Matters to a Vote of Security Holders

On April 25, 2002, the Company's Annual Meeting of Shareholders was held to elect three directors to serve on its Board of Directors for terms of three years each. The results of the votes were as follows:

	For	Withheld
William E. Doyle, Jr.	1,738,435	57,508
Jason I. Eckford, Jr.	1,738,435	57,508
Harry N. Lewis	1,738,263	57,680

Item 5 Other Information

Not Applicable

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Statement of Chief Executive Officer and and Chief Financial Officer Pursuant to

18 USC ss 1350.

(b) Reports on Form 8-K - None

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GUARANTY FINANCIAL CORPORATION

Date: August 13, 2002   By: /s/ William E. Doyle, Jr.

William E. Doyle, Jr.
President and Chief Executive Officer

Date: August 13, 2002   By: /s/ Thomas F. Crump

Thomas F. Crump
Senior Vice President and Chief Financial Officer