



2019 ANNUAL REPORT



• MISSION STATEMENT •

*Work hard, have fun, make money,
while providing outstanding customer service
and honoring the Golden Rule.*





To Our
STOCKHOLDERS and CUSTOMERS

2019 was a great year at HAPPY STATE BANK – in fact, the best overall year in our history. Measuring earnings, growth, acquisition activity, and stock value - alongside customer and employee satisfaction – I'll let these highlights tell the story:

- ★ Happy Bancshares, Inc. stock value increased to \$48.25, up 11.6% for the year...and a 10-year annualized return of 11.7%
- ★ HBI earnings were \$42 million, up over 32.0%, topping 2018 by \$10.2 million.
- ★ Another successful capital raise of \$64.9 million.
- ★ Four branches were added in Matador, Memphis, Turkey and White Deer – and Wheeler and Mobeetie will be added in January 2020 solidifying our footprint in the Panhandle.
- ★ We entered into a definitive agreement to merge with Lubbock-based Centennial Bank, which in addition to their branches in the Texas Panhandle and South Plains, also operates branches in the fast-growing Texas Hill Country.
- ★ We continued to stay on the forefront of technology and, among other advances, we were the first community bank in Texas to launch a product that allows customers to open accounts online from any electronic device in less than five minutes.
- ★ We began construction on two new branches in northeast Amarillo, strengthening our service commitment to the whole community.
- ★ We were one of only two banks in Texas to receive the highest “Outstanding” Community Reinvestment Act rating from the Federal Reserve Bank of Dallas.
- ★ *American Banker* named us one of the “Best Banks to Work For” - that’s six years in a row.

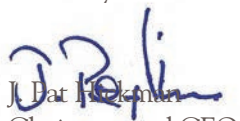
On January 2, 2020, as I celebrated my 30th Anniversary of getting to be CEO of this great company, I let my employees and stockholders know that I will be handing that CEO title over to Mikel Williamson (he’s going to do such a good job!) at our 2020 Stockholder’s Meeting in April. I will continue in my role as Chairman of the Board for both the Bank and the Holding Company.

I am not retiring. You might not see me in the office quite as much, but I’ll still represent our HAPPY STATE BANK in several ways. I hope to be even more personally involved with our stockholders and employees, continuing to work on HAPPY culture and expansions, and as a main spokesman for our new stock offerings. I love this bank far too much than to just retire and walk away.

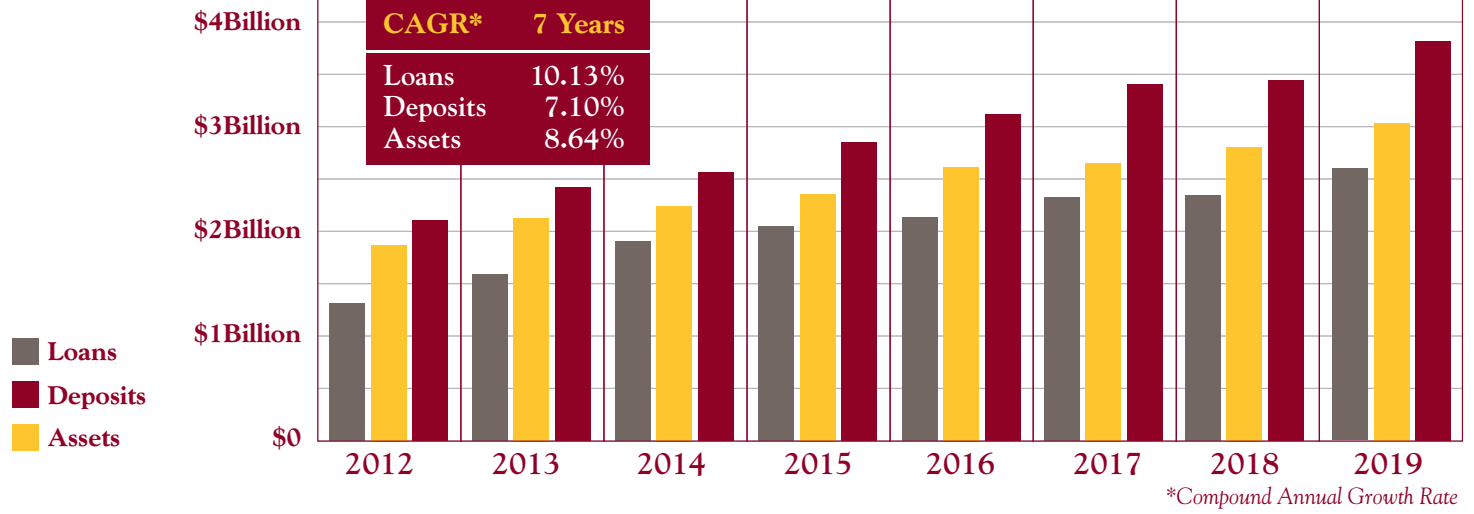
On top of all of that, this is an incredible time to be a HAPPY Banker in Texas. We have set the groundwork through our capital strength, our financial performance, our acquisition expertise and, above all, that renowned HAPPY culture to further extend our HAPPY brand and still perform strongly for our stockholders. This will enable us to offer the HAPPY Experience to more HAPPY customers, and perform stronger still for our HAPPY stockholders.

God has rained His blessings on this bank. I’ve been blessed to be in the middle of those blessings. I’ve been inspired and amazed by the people who work here, the directors who guide us, the stockholders who support us and the customers who trust us. I thank God and you for allowing me to lead this company for these past 30 years. I pray you give Mikel the same support. I am eagerly looking forward to serving you for many, many more years as your HAPPY Chairman.

Sincerely,


J. Pat Stockman
Chairman and CEO

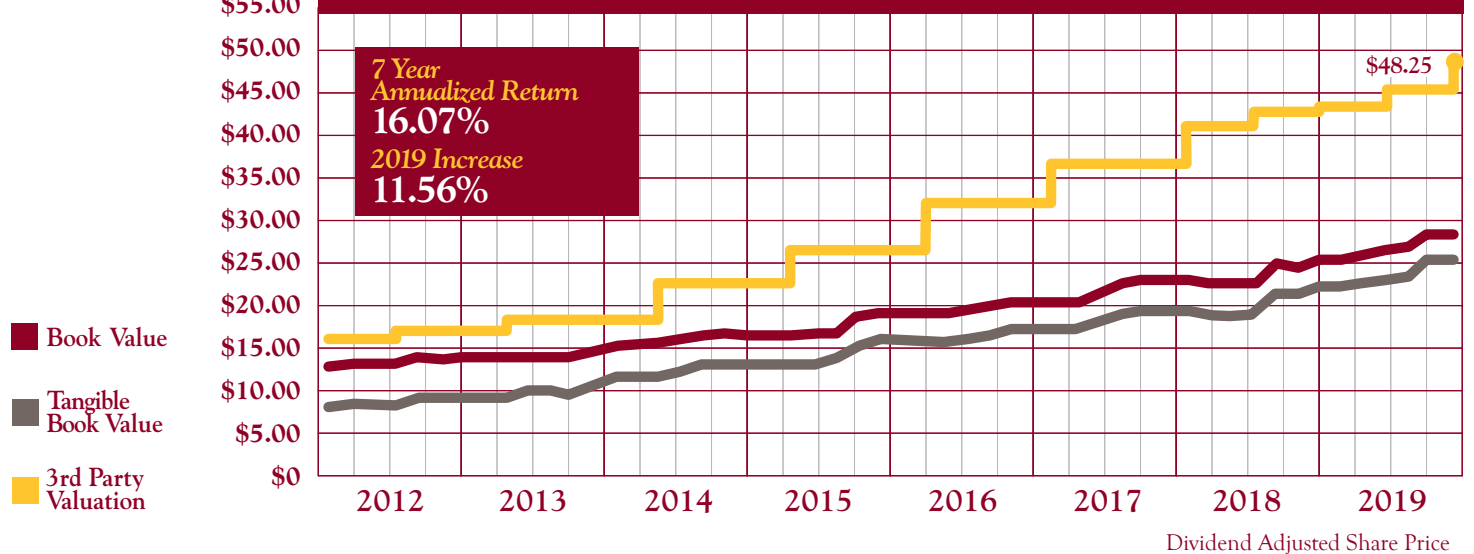
HBI HISTORIC GROWTH



HBI HISTORIC EARNINGS & EARNINGS PER SHARE



HBI STOCK VALUES



HAPPY BANCSHARES, INC.

Statement of Condition



BALANCE SHEET

(Dollars in thousands)

	2017	2018	2019	Change from 2018 to 2019
ASSETS				
Cash & Due from Banks	\$ 187,475	\$ 181,478	\$ 219,746	21%
Investments	604,857	580,870	692,467	19%
Loans	2,339,046	2,352,080	2,612,576	11%
Fixed Assets	107,326	111,265	115,662	4%
Other Assets	174,389	220,688	188,837	-14%
TOTAL ASSETS	3,413,093	3,446,381	3,829,288	11%
LIABILITIES				
Deposits	2,663,641	2,813,600	3,040,314	8%
Other Liabilities	369,259	171,458	253,426	48%
TOTAL LIABILITIES	3,032,900	2,985,058	3,293,740	10%
CAPITAL				
Common Stock	16,494	18,086	18,593	3%
Capital Surplus	185,302	241,217	260,467	8%
Retained Earnings	176,662	208,102	250,030	20%
Accumulated other Comprehensive Income	1,735	(6,082)	6,458	-206%
TOTAL CAPITAL	380,193	461,323	535,548	16%
TOTAL LIABILITIES & EQUITY CAPITAL	\$ 3,413,093	\$ 3,446,381	\$ 3,829,288	11%

INCOME STATEMENT

(Dollars in thousands)

	2017	2018	2019	Change from 2018 to 2019
NET INTEREST INCOME				
Interest Income	\$ 125,606	\$ 147,387	\$ 164,220	11%
Interest Expense	17,335	27,592	34,718	26%
	108,271	119,795	129,502	8%
Provision for Loan Losses	6,200	6,300	8,650	37%
NON INTEREST INCOME				
Service Charges	15,844	17,482	18,816	8%
Other Non Interest Income	17,596	15,974	24,661	54%
	33,440	33,456	43,477	30%
NON INTEREST EXPENSE				
Salaries and Employee Benefits	59,683	66,076	68,385	3%
Occupancy and Equipment Expense, Net	12,295	12,850	14,221	11%
Data Processing	9,468	6,939	7,871	13%
Other	21,094	25,864	24,048	-7%
	102,540	111,792	114,525	3%
Net Income before Tax	32,971	35,222	49,804	41%
Income Tax	8,346	3,408	7,794	129%
NET INCOME	\$ 24,625	\$ 31,814	\$ 42,010	32%

Community Hours Reported:

10,427

Serving **541**
Organizations



AMERICAN BANKER
**BEST BANKS
TO WORK
FOR 2019**
6 Years in a Row!



HAPPY today, **HAPPY** Manana! Our DFW team promotes financial literacy for kids through the **Casa Manana Kid's Theater** program.

We love helping kids learn to start and operate a business by sponsoring **Lemonade Day** with the Amarillo Independent School District.





Four new communities joined the **HAPPY** family in 2019. And what better way to announce it than riding in Turkey's Bob Wills Day Parade?

One of our core values is to give back to our communities. That's why if something is happening, you'll usually see a team of **HAPPY** bankers pitching in and helping out.



The 2019 class of credit analysts were **HAPPY** to finish their 12-week course of study and get back to their branches to help us help businesses start and grow!





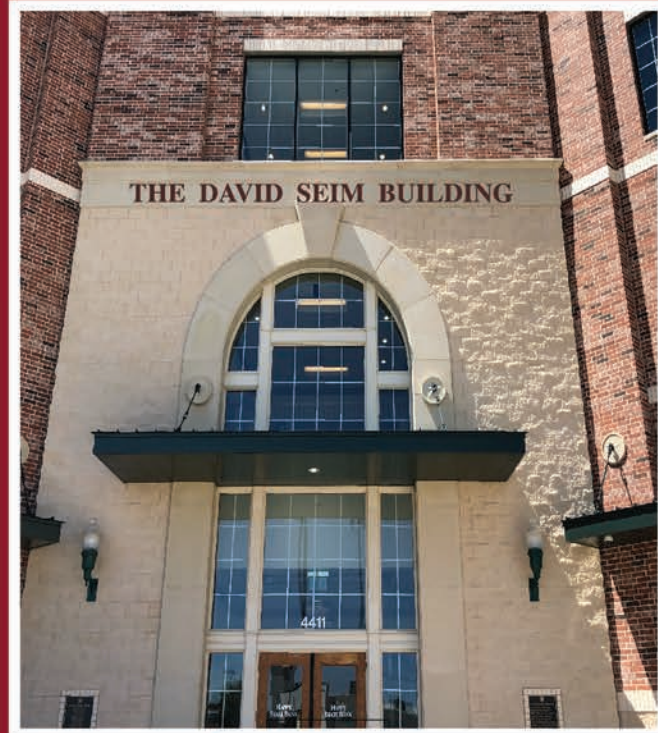
We broke ground on three locations in 2019 for branches in Amarillo to better serve our customers. You'll be able to see all the new technologies and features by mid-2020.



The Independent Bankers of Texas honored **HAPPY** by selecting us for three "Best of Community Banking" awards for Community Service and Bank Culture.



Our 98th Street location in Lubbock was renamed the **David Seim Building** in memory of our Lubbock Chairman. David was a friend, mentor, advisor and servant.



A banking first, we honored an outstanding group of non-officers for our **E3** recognition program. These individuals exemplified the 3 E's of the program: Exceptional Attitudes, Excellent Performance and Exceeding Expectations.



2019 was an exceptional year by all standards. And it could have never happened without the guidance and encouragement of our **HAPPY** Board of Directors.



When it comes to raising money for good causes, there's not much that **HAPPY** bankers won't do! Even participate in games suspiciously similar to **Family Feud**. They claim they just showed up in their normal street wear. . .



CEO Pat Hickman was appointed by Governor Greg Abbott to the **Texas Economic Development Corporation** board of directors. Shown here with top executives of Mitsubishi UFJ Financial Group, Japan's largest bank, as he accompanied the governor to Japan to discuss mutually beneficial economic and business opportunities.

DIRECTORS & OFFICERS

Board of Directors

Happy Bancshares, Inc. Happy State Bank

Matthew Bumstead

J. Pat Hickman

Bill Jennings

Nancy Gaitan-Kernell

Mike H. Kuhlman

Frank O. Marrs

Drayton McLane Jr.

Drayton McLane III

Ginger Nelson

George Bailey Peyton, IV

J. Brian Sims, M.D.

Trent Sisemore

Brian L. Vincent

Victor "Vic" A. Weir, II

Mikel Williamson

John Zwiacher

Happy State Bank

ADMINISTRATION

J. Pat Hickman

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Mikel Williamson

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Kayla Carpenter

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Tracy Hobbs

Executive Assistant

Kim Mullane

Executive Assistant

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David Jones

General Counsel

Brandon Wing

VP & Assistant

General Counsel

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Mari Daniel

Executive Assistant

Marketing

Bill Holland

Executive Vice President

Cindy Brown

Assistant Vice President

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Accounting

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EVP & CFO

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Kelsea Heiman

Assistant Vice President

Lisa Martinez

Assistant Vice President

Ann Lowery

Bank Officer

Risk & Compliance

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EVP & ERM Officer

Eric Vigil

SVP & Sr Compliance Officer

Linda Crank

SVP & CRA Officer

Jo Hinds

SVP & BSA Officer

Kim Timmons

SVP Loan Review

Jennifer Lang

Senior Vice President

Lauren MacLaskey

Senior Vice President

Ian Currie

VP & ERM Officer

Denise Farmer

VP & Auditor

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Richard Johnson

Vice President

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Vice President

Bryan Reaves

Vice President

Gary Sefton

Vice President

Mary Beth da Silva

Assistant Vice President

Kira Kunkel

Assistant Vice President

Romy Shortz

Assistant Vice President

Jared Smith

Assistant Vice President

Johnny Terra

Assistant Vice President

Lindsey Corbin

Bank Officer

Bank Operations

Alberto Rios

EVP & COO

Greg Houlette

Senior Vice President

Kelly Lindley

Senior Vice President

Erin Viermann

Senior Vice President

Kraig Knox

Vice President

Mark Murray

Vice President

Stacie Smith

Vice President

Sherry States

Vice President

Kim Fulgham

Bank Officer

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Phil McConnell

Vice President

Paul Gilbert

Assistant Vice President

Human Resources

Renee McNeely

Executive Vice President

Cheryl Duke

Assistant Vice President

Mary Fuentes

Assistant Vice President

Training

Leslie Lewis

Senior Vice President

Melissa Curtis

Vice President

Breanna McMahan

Bank Officer

Information Technology

Jeff Rademaekers

Senior Vice President

Matthew Smith

Vice President

Jessie Castillo

Assistant Vice President

Bill Davis

Assistant Vice President

Fernando Miranda

Assistant Vice President

Garrett Boyer

IT Officer

Joe Cowden

IT Officer

Ty O'Kelly

IT Officer

Operations

Mandi Willis

Senior Vice President

Lourdes Aranda

Vice President

Cassie Ashford

Vice President

Terri Fry

Assistant Vice President

Chris Powell

Assistant Vice President

Travis Soto

Assistant Vice President

Jared Blake

Bank Officer

Sarah Burlingame

Bank Officer

Lisa Morris

Bank Officer

Erica Reyna

Bank Officer

Lending & Credit

Benny Teafatiller

EVP & Sr. Lending Officer

Ross Glenn

EVP & Special Assets

Scott Lewis

EVP & Sr. Credit Officer

David Smith

Executive Vice President

Cathy Tate

Executive Assistant

Appraisal Review

Anita Ray

Vice President

Credit Analysts

David Hutson

Senior Vice President

Matt Baggs

Vice President

Nathan Allison

Vice President

Mary Artho

Bank Officer

Chad Dyslin

Bank Officer

Josh Garza

Bank Officer

Parker Ogburn

Bank Officer

Ryan Sanford

Bank Officer

Dillon Spradley

Bank Officer

Scott Henderson

Bank Officer

JoAnn Schrader

Bank Officer

Jason West

Bank Officer

Sabrina Shields

Bank Officer

Loan Administration

Dianne Monroe

Senior Vice President

Lela Naggar

Senior Vice President

Marci Willis

Vice President

Nicole Houle

Vice President

Rachel Sarine

Vice President

Tonya Ingram

Bank Officer

Special Assets

Rusty Conway

Senior Vice President

Steve Marcum

Senior Vice President

Shane Watson

Vice President

Christy Heuston

Assistant Vice President

JD Morrison

Assistant Vice President

Abilene

Ken Bowles

Senior Vice President

Scott Jones

Senior Vice President

Annette Anders

Vice President

Lee Beaty

Bank Officer

Amarillo Market

Steve Bowen

Market President

Downtown

Jim Bryan

Senior Bank Officer

Gary Wells

Senior Bank Officer

Jamie Esch

Senior Vice President

Ryan Evans

Senior Vice President

Jeff Irwin

Senior Vice President

Greg Graham

Vice President

Tucker Lee

Vice President

Chris Morris

Vice President

Mason Reinbold

Assistant Vice President

Staci Scott

Bank Officer

Bell

Courtney Evans

Assistant Vice President

Coulter

Stacy Armstrong

Assistant Vice President

Express

Bill Latimer

Assistant Vice President

Georgia

Valerie de la Fuente

Assistant Vice President

Soncy

Scott Martin

President

Ryan Monroe

Senior Vice President

Steve Seabourn

Senior Vice President

Michael Blankenship

Vice President

Geoff Phemister

Vice President

Shelly Kearns

Assistant Vice President

Tascosa

Jennifer Currie

Assistant Vice President

DIRECTORS & OFFICERS

Teckla

Yolanda Castillo
Assistant Vice President

Western

Debbie Loyless
Assistant Vice President

Borger

Wes Hukill
President

Canadian

Ronda Bartlett
President

John Haley
Vice President

Cheryl Hohertz
Vice President

Canyon

Gary Hinders
President

David Tarver
Senior Vice President

Mike Sluder
Vice President

Chryis Thomason
Vice President

Dalhart

Eli Hernandez
President

April Lind
Bank Officer

DFW Market

Robert Gottlich
Market President

Addison

Julie Blakely
President

Kenneth Maynard
Senior Vice President

Tanya Cowgill
Senior Vice President

Matt Fisk
Vice President

Cheryl Johnson
Vice President

Matthew Peakes
Vice President

Darrell Chinnery
Assistant Vice President

Beth Freeman
Assistant Vice President

Brian Laing
Bank Officer

Luke McKee
IT Officer

Allen

Chris Castle
President

Jody Hervey
Assistant Vice President

John Young
Bank Officer

Bedford

Mike Monroe
President

John Ulmer
Senior Vice President

David Weiner
Senior Vice President

Matthew Blackmon
Bank Officer

Fort Worth

Daniel Herron
Senior Vice President

Carol Langford
Vice President

Stephanie Martin
Vice President

Jeanine Werberig
Vice President

Benton Woodrum
Vice President

Travis Kennedy
Assistant Vice President

Max Price
Bank Officer

Dumas

Kris Cartrite
President

Teresa Chastain
Senior Vice President

Donna Nelson
Bank Officer

Floydada

Diane Alvarez
Bank Officer

Happy

Erica Reyes
Bank Officer

Hereford

Christina Lucio
Assistant Vice President

Higgins

Trish Baker
Assistant Vice President

Lockney

Monty Teeter
President

Yara Poole
Bank Officer

Lubbock Market

Bud Holmes
Market President

98th & Quaker

Jay House
Senior Vice President

Mike Jackson
Senior Vice President

Clay Mercer
Senior Vice President

Peter Smith
Senior Vice President

Trey Weaver
Senior Vice President

Jennifer Bledsoe
Vice President

Craig Wells
Vice President

Anthony Almos
Assistant Vice President

Heather Glenn
Assistant Vice President

Jessica Terrell
Assistant Vice President

Leah Cleavinger
Bank Officer

Derek Dollahite
Bank Officer

Willie Martinez
Bank Officer

James Sikes
Bank Officer

19th & Quaker

Brad Petty
President

Suzie Stafford
Vice President

Matador

Olivia Osborn
Bank Officer

Memphis

Colleen Owens
Vice President

Olton

Brent Falkenberg
President

Gladys Harper
Assistant Vice President

Jimma Bradley
Bank Officer

Pampa

Alan Eubank
President

Jolita Sells
Vice President

Kay West
Vice President

Erica Guzman
Assistant Vice President

Misty Auwen
Bank Officer

Panhandle

Brady Shadid
President

Travis Hammer
Bank Officer

Plainview

Willis McCutcheon
President

Jordan Dunlap
Assistant Vice President

Nancy Stukey
Assistant Vice President

Shamrock

Kelly Livingston
President

Ann Brown
Bank Officer

Sae McAllister
Bank Officer

Silverton

Kyle Fuston
President

Beverly Minyard
Assistant Vice President

Stratford

Doak Crabtree
President

Trisha Keener
Vice President

Holly Reinart
Vice President

Sunray

Mary Jean Jones
Branch Operations
Manager

Texline

Gayle Koehn
President

Turkey

Kyle Fuston
President

White Deer

Darla Pulse
Assistant Vice President

Virtual Branch

Rian Clinton
President

IT and Other

Financial Services

Alan VanOngevalle
Executive Vice President

Jennifer Thomas
Executive Assistant

Happy Trust Co.

Joby Mills - Amarillo
Senior Vice President

Chris Klemme - Dallas
Senior Vice President

Brooks Smith - Dallas
Senior Vice President

Bryan Limmer - Lubbock
Senior Vice President

Alisa Scott - Amarillo
Senior Vice President

Todd Wetsel - Amarillo
Senior Vice President

Terry Wright - Amarillo
Senior Trust Officer

Jason Carter - Fort Worth
Vice President

Buffy Haden - Amarillo
Vice President

Kevin Rider - Amarillo
Vice President

Terri Wright - Amarillo
Vice President

Scott Richardson - Amarillo
Trust Officer

Hunter Vagrosky - Amarillo
Trust Officer

Shannon Van Campen - Addison
Trust Officer

Happy Investment Services

Brad Griffin - Amarillo
Senior Vice President

Jon Burnett - Amarillo
Senior Vice President

John Bertsch - Plainview
Vice President

Chad Carlile - Lubbock
Vice President

Cyan Batchelor - Lubbock
Bank Officer

Sandi Brandt - Amarillo
Bank Officer

Dan Fowler - Pampa
Bank Officer

Mortgage Lending

Russell Pulliam - Bedford
Senior Vice President

Monica Aragon - Canyon
Vice President

Kim Bailey - Amarillo
Vice President

Donna Cooper - Amarillo
Vice President

Jeremy Dean - Fort Worth
Vice President

Donna Donnell - Amarillo
Vice President

Cindy Hanson - Amarillo
Vice President

Kay Kuhn - Amarillo
Vice President

Ryan Stewart - Bedford
Vice President

Giff Berryman - Amarillo
Assistant Vice President

Ashton George - Bedford
Assistant Vice President

Heather Schrader - Amarillo
Assistant Vice President

Erin Budd - Amarillo
Mortgage Officer

Mirna Corral - Amarillo
Mortgage Officer

Jennifer Harkins - Amarillo
Mortgage Officer

Sharla Fife - Bedford
Mortgage Officer

Jimmy Rivero - Amarillo
Mortgage Officer

GoldStar Trust Co.

John Johnson
Senior Vice President

David Schnierle
Senior Vice President

Jeff Worley
Senior Vice President

Angela Shafer
Vice President

Rhonda Cox
Vice President

Jeremy Self
Assistant Vice President

Sarah Ann Trujillo
Vice President

Wendy Baxter
Trust Officer

Lara Johns
Trust Officer

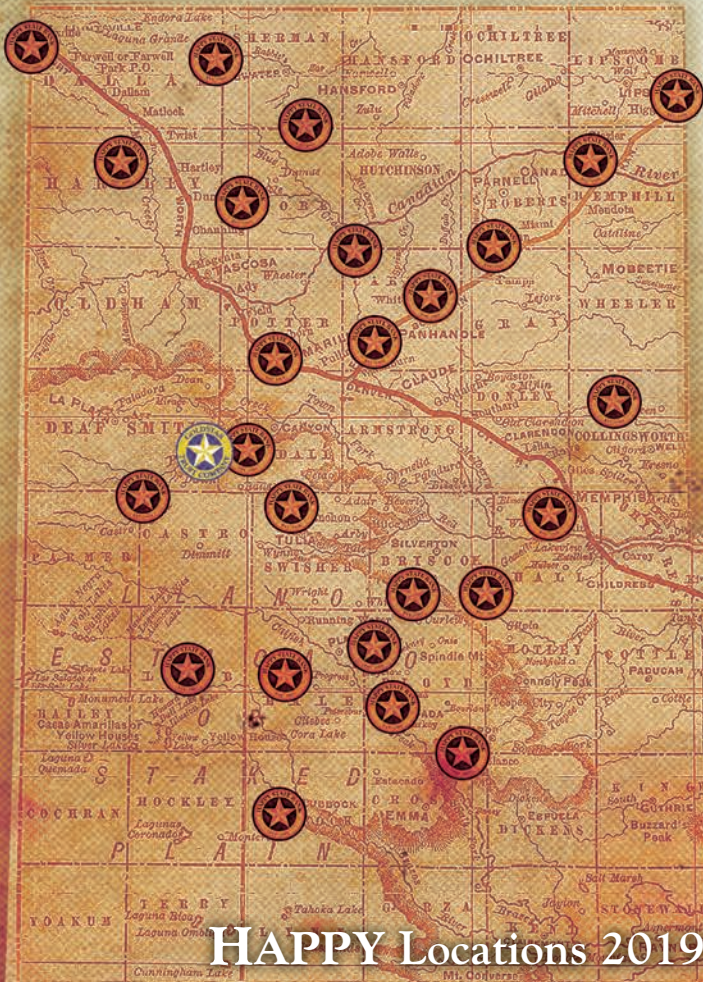
Vanessa Mata
Trust Officer

Carla McCaslin
Trust Officer

GoldStar

Protective Services

Marvin Daniels
Vice President



HAPPY BANCSHARES, INC.

HAPPY Locations 2019

- | | | |
|---------------|-------------|------------|
| Happy | Dumas | Pampa |
| Abilene | Floydada | Panhandle |
| Addison | Fort Worth | Plainview |
| Allen | Hereford | Shamrock |
| Amarillo - 10 | Higgins | Silverton |
| Bedford | Lockney | Stratford |
| Borger | Lubbock - 2 | Sunray |
| Canadian | Matador | Texline |
| Canyon | Memphis | White Deer |
| Dalhart | Olton | |



HAPPY STATE BANK
AND TRUST COMPANY
Member FDIC



GOLDSTAR TRUST COMPANY



HAPPY INVESTMENT SERVICES



GOLDSTAR PROTECTIVE SERVICES