

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

For The Fiscal Year Ended December 31 , 2023 .

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-35854

**Independent Bank Group, Inc.**

(Exact name of registrant as specified in its charter)

Texas

13-4219346

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

7777 Henneman Way

McKinney,

Texas

75070-1711

(Address of principal executive offices)

(Zip Code)

( 972 ) 562-9004

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value \$0.01 per share	IBTX	NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the shares of common stock held by non-affiliates based on the closing price of the common stock on the Nasdaq Global Select Market on June 30, 2023 was approximately \$ 1,287,809,000 .

At February 16, 2024, the Company had 41,275,277 outstanding shares of common stock, par value \$.01 per share.

**Documents Incorporated By Reference:**

Portions of the Company's Proxy Statement relating to the 2024 Annual Meeting of Shareholders, which will be filed within 120 days after December 31, 2023, are incorporated by reference into Part III, Items 10 - 14 of this Annual Report on Form 10-K.

**INDEPENDENT BANK GROUP, INC. AND SUBSIDIARIES**  
**Annual Report on Form 10-K**  
**December 31, 2023**

**PART I**

Item 1.	<a href="#">Business</a>	<a href="#">1</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">15</a>
Item 1B.	<a href="#">Unresolved Staff Comments</a>	<a href="#">33</a>
Item 1C.	<a href="#">Cybersecurity</a>	<a href="#">34</a>
Item 2.	<a href="#">Properties</a>	<a href="#">35</a>
Item 3.	<a href="#">Legal Proceedings</a>	<a href="#">35</a>
Item 4.	<a href="#">Mine Safety Disclosures</a>	<a href="#">37</a>

**PART II**

Item 5.	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">37</a>
Item 6.	<a href="#">[Reserved]</a>	<a href="#">40</a>
Item 7.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">40</a>
Item 7A.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">67</a>
Item 8.	<a href="#">Financial Statements and Supplementary Data</a>	<a href="#">68</a>
Item 9.	<a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	<a href="#">68</a>
Item 9A.	<a href="#">Controls and Procedures</a>	<a href="#">69</a>
Item 9B.	<a href="#">Other Information</a>	<a href="#">71</a>
Item 9C.	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	<a href="#">71</a>

**PART III**

Item 10.	<a href="#">Directors, Executive Officers and Corporate Governance</a>	<a href="#">71</a>
Item 11.	<a href="#">Executive Compensation</a>	<a href="#">71</a>
Item 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	<a href="#">71</a>
Item 13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	<a href="#">71</a>
Item 14.	<a href="#">Principal Accountant Fees and Services</a>	<a href="#">72</a>

**PART IV**

Item 15.	<a href="#">Exhibits and Financial Statement Schedules</a>	<a href="#">73</a>
Item 16.	<a href="#">Form 10-K Summary</a>	<a href="#">139</a>

[Signatures](#)

---

## PART I

### ITEM 1. BUSINESS

*The disclosures set forth in this item are qualified by [Item 1A. Risk Factors](#), and the section captioned “[Forward-Looking Statements](#)” in [Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations](#) of this report and other cautionary statements set forth elsewhere in this report.*

#### General

Independent Bank Group, Inc. (the “Company”) is a registered bank holding company headquartered in McKinney, Texas, which is located in the northern portion of the Dallas-Fort Worth metropolitan area. The Company was organized as a Texas corporation on September 20, 2002. The Company, through its wholly owned subsidiary, Independent Bank, a Texas state chartered bank, doing business as Independent Financial (the “Bank”), provides a wide range of relationship-driven commercial banking products and services tailored to meet the needs of businesses, professionals and individuals. The terms “Company,” “we,” “us” and “our” mean the Company and its subsidiaries, when appropriate. We operate branches and offices in the Dallas/North Texas area, including McKinney, Dallas, Fort Worth, and Sherman/Denison, the Austin/Central Texas area, including Austin and Waco, the Houston Texas metropolitan area and along the Colorado Front Range area, including Denver, Colorado Springs and Fort Collins.

As of December 31, 2023, the Company had consolidated total assets of \$19.0 billion, total loans of \$14.6 billion, total deposits of \$15.7 billion and total stockholders’ equity of \$2.4 billion.

The Company’s primary function is to own all of the stock of the Bank. The Bank is a locally managed community bank that seeks to provide personal attention and professional assistance to its customer base, which consists principally of small to medium sized businesses, professionals and individuals. The Bank’s philosophy includes offering direct access to its officers and personnel, providing friendly, informed and courteous service, local and timely decision making, flexible and reasonable operating procedures, and consistently applied credit policies.

The Company’s common stock is traded on the Nasdaq Global Select Market under the symbol “IBTX.”

#### Business Strategy

The Company operates based upon the following core strategies, which the Company designed to enhance shareholder value by growing strategically while preserving asset quality, improving efficiency and increasing profitability:

**Grow Organically.** The Company focuses on continued organic growth through the Company’s existing footprint and business lines. The Company utilizes a community-focused, relationship-driven customer strategy to increase loans and deposits through the Company’s existing locations. Preserving the safety and soundness of the Company’s loan portfolio is a fundamental element of the Company’s organic growth strategy. The Company has a strong and conservative credit culture, which allows the Company to maintain its asset quality as the Company grows. In addition, the Company has an enterprise risk management function to identify and mitigate risk on a Company wide basis to support continued growth.

[Table of Contents](#)

**Grow Through Acquisitions.** The Company plans to continue to take advantage of opportunities to acquire or strategically partner with other banking franchises both within and outside the Company's current footprint. Since mid-2010, the Company has completed twelve acquisitions that the Company believes have enhanced shareholder value and the Company's market presence. The following table summarizes each of the acquisitions completed since 2010.

Acquired Institution/Market	Date of Acquisition	Fair Value of Total Assets Acquired (dollars in thousands)
Town Center Bank <i>Dallas/North Texas</i>	July 31, 2010	\$37,451
Farmersville Bancshares, Inc. <i>Dallas/North Texas</i>	September 30, 2010	99,420
I Bank Holding Company, Inc. <i>Austin/Central Texas</i>	April 1, 2012	172,587
The Community Group, Inc. <i>Dallas/North Texas</i>	October 1, 2012	110,967
Collin Bank <i>Dallas/North Texas</i>	November 30, 2013	168,320
Live Oak Financial Corp. <i>Dallas/North Texas</i>	January 1, 2014	131,008
BOH Holdings, Inc. <i>Houston, Texas</i>	April 15, 2014	1,188,893
Houston City Bancshares, Inc. <i>Houston, Texas</i>	October 1, 2014	350,747
Grand Bank <i>Dallas, Texas</i>	November 1, 2015	620,196
Carlisle Bancshares, Inc. <i>Dallas/North Texas, Central Texas, Colorado Front Range</i>	April 1, 2017	2,444,155
Integrity Bancshares, Inc. <i>Houston, Texas</i>	June 1, 2018	851,875
Guaranty Bancorp <i>Denver, Colorado and Colorado Front Range</i>	January 1, 2019	3,943,070

### The Company's Community Banking Services

**The Independent Way.** Nearly a century after the Bank's beginning, the Bank's dedication to serving the needs of businesses and individuals in the Bank's communities remains stronger than ever. Through the Bank, the Company strives to provide customers with innovative financial products and services, local decision making and a level of service and responsiveness that is second to none. The Company's innovative and independent spirit is balanced by adherence to fundamental banking principles that have enabled the Company to remain strong, sound and financially secure even during challenging economic times. The Company is also steeped in a tradition of civic pride as evidenced by the investment of the Company's time, energies and financial resources in many local community development initiatives and organizations to improve and benefit the Company's communities.

**Lending Operations.** Through the Bank, the Company offers a broad range of commercial and retail lending products to businesses, professionals and individuals. Commercial lending products include, but are not limited to, commercial real estate loans, interim construction loans, commercial loans (such as Small Business Administration (SBA) guaranteed loans, business term loans, lines of credit and energy related loans) to a diversified mix of small and midsized businesses, and loans to professionals, including medical practices. Retail lending products include, but are not limited to, residential first and second mortgage loans and consumer installment loans, such as loans to purchase cars, boats and other recreational vehicles.

## [Table of Contents](#)

The Company's strategy is to maintain a broadly diversified loan portfolio by type and location. The Company's loan portfolio consists of real estate loans, commercial and industrial loans, residential mortgage loans, residential construction loans, agricultural loans, consumer loans, and energy loans, among others. Real estate secured loans are spread among a variety of types of borrowers, including owner-occupied offices for small businesses, medical practices and offices, retail operations and multi-family properties. The Company's loans are diversified geographically throughout the Company's footprint. See "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Loan Portfolio](#) " for a more detailed description of the Company's lending operations.

**Deposits.** Through the Bank, the Company provides a full range of deposit products and services, including a variety of checking and savings accounts, debit cards, online banking, including online account opening, mobile banking, eStatements and bank-by-mail and direct deposit services. Deposits are the Company's principal source of funds for use in lending and other general banking purposes. The Company also offers business accounts and management services, including analyzed business checking, business savings, and treasury management services. The Company solicits deposits through its relationship-driven team of dedicated and accessible bankers and through community focused marketing. The Company also utilizes an experienced Treasury Management team to solicit and manage large deposit relationships.

**Other Services.** In connection with our relationship driven approach to our customers, the Company, through the Bank, offers residential mortgages through the mortgage division. The Company originates residential mortgages which are typically sold into the secondary market shortly after closing. The Company also supports residential mortgage operations through a mortgage warehouse program. The Company provides wealth management services to its customers through Private Capital Management, LLC, a registered investment advisory firm, which is a wholly owned subsidiary of the Bank.

The Company is also focused on a retail banking strategy designed to enhance the consumer experience with the Company. Through this strategy, the Company utilizes an intentional and focused approach to understand and meet the multifaceted financial needs of each individual customer within the Company's financial centers.

## **Competition**

The Company competes in the commercial banking industry solely through the Bank and firmly believes that the Bank's long-standing presence in the community and personal service philosophy enhance the Company's ability to attract and retain customers. This industry is highly competitive, and the Bank faces strong direct competition for deposits, loans and other financial-related services. The Company competes with other commercial banks, thrifts and credit unions. An emerging source of competition is banking through digital channels offered by large, money center banking organizations, as well as "FinTech" businesses. Although some of these competitors are situated locally, others have statewide or nationwide presence. In addition, the Company competes with large banks in major financial centers and other financial intermediaries, such as consumer finance companies, brokerage firms, mortgage banking companies, insurance companies, securities firms, mutual funds and certain government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. The Company believes that its banking professionals, the range and quality of products that the Company offers, its market presence, and its emphasis on building long-lasting relationships distinguishes the Bank from its competitors.

According to S&P Capital IQ, as of June 30, 2023, the Company had the 13<sup>th</sup> largest deposit market share in Texas and Colorado. We believe that our strong market share is a reflection of the Company's ability to compete with more prominent banking franchises in our markets.

## **Human Capital Management**

As of December 31, 2023, we employed 1,517 employees. The average tenure of the executive leadership team within the Company is 16.59 years, and the attrition rate for all employees in 2023 was 21.4%. None of the Company's employees are represented by any collective bargaining unit nor are they parties to any collective bargaining agreement. We believe our employee relations to be good.

We are a high performing company that provides meaningful and engaging employee experience while serving as a powerful force for positive change in the communities we serve. We believe in a corporate culture where all people are empowered to reach their full potential. The Company's Board of Directors fosters this belief by ensuring that senior management adopt strategies that result in the Company keeping a continuous pulse on both employee performance and satisfaction at every level. The Company has also adopted and enforces codes of conduct that establish principles of integrity, respect, and excellence at all levels of the Company.

## [Table of Contents](#)

Diversity and inclusion remains a focus of the Company's recruitment and retention strategies. The Company launched its Diversity and Inclusion Program in 2020. The program is built upon the three core principles of people, culture and community. The program includes the establishment of a Diversity Council, comprised of cross-functional leaders diverse in gender, race and ethnicity. The Company's Board of Directors receives quarterly updates on the progress made by the Diversity and Inclusion Program.

To attract and retain talent, the Company continues to offer a Hybridwork (remote work) Program, competitive compensation and benefits, and is heavily invested in the health, safety and welfare of each employee. The Company's standard benefits package includes an active health and wellness program that engages employees throughout the year with the goal of generating positive health outcomes for our team members. The program includes access to telemedicine, health savings accounts, flexible spending accounts, insurance premium reductions for those who complete certain health and fitness tasks in the year, and an Employee Assistance Program offering confidential emotional support, work-life solutions, and legal and financial planning resources. The Company also empowers employees to plan for their financial futures by matching 100% of the first 6% of contributions made to the Company's 401-K plan. The Company also offers a competitive staff incentive plan.

The Company also encourages every employee to effect positive change in the communities we serve throughout Texas and Colorado. Senior management has designed programs that encourage and celebrate community service by providing additional paid time off to employees to accommodate participation in service related activities and by highlighting contributions made by our team throughout the year. In 2023, our employees volunteered over 5,100 hours for a volunteer value of over \$160,000.

The Company firmly believes that one of its greatest assets is its employees. We strive year after year to build and enhance our corporate culture so that our workforce continues to feel valued, heard, understood, appreciated, encouraged and empowered to professionally thrive and make a difference within the Company and the communities we serve.

### **Available Information**

The Company files reports, proxy statements and other information with the Securities and Exchange Commission, or SEC, under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information about issuers, like the Company, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

Documents filed by the Company with the SEC are available from the Company without charge (except for exhibits to the documents). You may obtain documents filed by the Company with the SEC by requesting them in writing or by telephone from the Company at the following address:

Independent Bank Group, Inc.  
7777 Henneman Way  
McKinney, Texas 75070-1711  
Attention: Paul Langdale  
Executive Vice President, Chief Financial Officer  
Telephone: (972) 562-9004  
[www.ifinancial.com](http://www.ifinancial.com)

Documents filed by the Company with the SEC are also available on the Company's website, [www.ifinancial.com](http://www.ifinancial.com). Information furnished by the Company and information on, or accessible through, the SEC's or the Company's website is not part of this Annual Report on Form 10-K.

## Supervision and Regulation

**General.** The U.S. banking industry is highly regulated under federal and state law. Consequently, the growth and earnings performance of the Company and its subsidiaries will be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. These authorities include the Board of Governors of the Federal Reserve System, or Federal Reserve, the Federal Deposit Insurance Corporation, or the FDIC, the Office of the Comptroller of the Currency, or the OCC, the Texas Department of Banking, or the TDB, the Consumer Financial Protection Bureau, or the CFPB, the SEC, the Internal Revenue Service and state taxing authorities. The effect of these statutes, regulations and policies, and any changes to such statutes, regulations and policies, can be significant and cannot be predicted.

The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. The system of supervision and regulation applicable to the Company and its subsidiaries establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance fund, the banks' depositors and the public, rather than the Company's shareholders or creditors. The description below summarizes certain elements of the applicable bank regulatory framework. This description is not intended to describe all laws and regulations applicable to the Company and its subsidiaries, and the description is qualified in its entirety by reference to the full text of the statutes, regulations, policies, interpretive letters and other written guidance that are described herein.

### Independent Bank Group as a Bank Holding Company

As a bank holding company, the Company is subject to regulation under the Bank Holding Company Act of 1956, or the BHC Act, and supervision, examination and enforcement by the Federal Reserve. The BHC Act and other federal laws subject bank holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. The Federal Reserve's jurisdiction also extends to any company that the Company directly or indirectly controls, such as the Company's non-bank subsidiaries.

**Regulatory Restrictions on Dividends; Source of Strength.** The Company is regarded as a legal entity separate and distinct from the Bank. The principal source of the Company's revenues is dividends received from the Bank. As described in more detail below, Texas state law places limitations on the amount that state banks may pay in dividends, which the Bank must adhere to when paying dividends to the Company. The Federal Reserve has issued a policy statement that provides that a bank holding company should not pay dividends unless (a) its net income over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends, (b) the prospective rate of earnings retention appears to be consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries and (c) the bank holding company will continue to meet minimum required capital adequacy ratios. Accordingly, the Company should not pay cash dividends that exceed its net income in any year or that can only be funded in ways that weaken its ability to serve as a source of financial strength for its banking subsidiaries, including by borrowing money to pay dividends.

Under Federal Reserve policy, bank holding companies have historically been required to act as a source of financial and managerial strength to each of its banking subsidiaries, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, (the "Dodd-Frank Act") codified this policy as a statutory requirement. Under this requirement, the Company is expected to commit resources to support the Bank, including at times when the Company may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. As discussed below, a bank holding company, in certain circumstances, could be required to guarantee the capital restoration plan of an undercapitalized banking subsidiary. If the capital of the Bank were to become impaired, the Federal Reserve could assess the Company for the deficiency. If the Company failed to pay the assessment within three months, the Federal Reserve could order the sale of the Company's stock in the Bank to cover the deficiency.

**Scope of Permissible Activities.** Under the BHC Act, the Company is prohibited from acquiring a direct or indirect interest in or control of more than 5% of the voting shares of any company that is not a bank or financial holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to or performing services for its subsidiary banks, except that the Company may engage in, directly or indirectly, and may own shares of companies engaged in, certain activities found by the Federal Reserve to be so closely related to banking or managing and controlling banks as to be proper. These activities include, among others, operating a mortgage, finance, credit card or factoring company; performing certain data processing operations; providing investment and financial advice; acting as an insurance agent for certain types of credit-related insurance; leasing personal property on a full-payout, non-operating basis; and providing certain stock brokerage and investment advisory services. In approving acquisitions or the addition of activities, the Federal Reserve considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Notwithstanding the foregoing, the Gramm-Leach-Bliley Act (GLBA), also known as the Financial Services Modernization Act of 1999, effective March 11, 2000, or the GLBA, amended the BHC Act and eliminated the barriers to affiliations among banks, securities firms, insurance companies and other financial service providers. The GLBA permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. The GLBA defines “financial in nature” to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve has determined to be closely related to banking. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve.

**Safe and Sound Banking Practices.** Bank holding companies are not permitted to engage in unsafe and unsound banking practices and may be required to obtain prior approval and/or provide the Federal Reserve with prior notice of certain transactions. The Federal Reserve may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. In certain circumstances, the Federal Reserve could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

The Federal Reserve has broad authority to prohibit activities of bank holding companies and their nonbanking subsidiaries which represent unsafe and unsound banking practices or which constitute violations of laws or regulations, and can assess civil money penalties for certain activities conducted on a knowing and reckless basis, if those activities caused a substantial loss to a depository institution. The penalties can be as high as one million dollars (\$1,000,000) for each day the activity continues.

**Anti-Tying Restrictions.** Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other nonbanking services offered by a bank holding company or its affiliates.

**Capital Adequacy Requirements.** The Federal Reserve utilizes a system based upon risk-based capital guidelines under a two-tier capital framework to evaluate the capital adequacy of bank holding companies. Tier 1 capital generally consists of common stockholders' equity, retained earnings, a limited amount of qualifying perpetual preferred stock, qualifying trust preferred securities and noncontrolling interests in the equity accounts of consolidated subsidiaries, less goodwill and certain intangibles. Tier 2 capital generally consists of certain hybrid capital instruments and perpetual debt, mandatory convertible debt securities and a limited amount of subordinated debt, qualifying preferred stock, credit loss allowance, and unrealized holding gains on certain equity securities. The regulatory capital requirements are applicable to the Company because its total consolidated assets equal more than \$1 billion. The Bank is subject to the capital requirements of the FDIC.

Under the guidelines, specific categories of assets are assigned different risk weights, based generally on the perceived credit risk of the asset. These risk weights are multiplied by corresponding asset balances to determine a “risk-weighted” asset base. The guidelines required a minimum ratio to be well capitalized of total capital to total risk-weighted assets of 8.0% (of which at least 6.0% was required to consist of Tier 1 capital elements). Total capital is the sum of Tier 1 and Tier 2 capital. Risk-weighted assets exclude intangible assets such as goodwill and core deposit intangibles.



In addition to the risk-based capital guidelines, the Federal Reserve uses a leverage ratio as an additional tool to evaluate the capital adequacy of bank holding companies. The leverage ratio is a company's Tier 1 capital divided by its average total consolidated assets. In general, bank holding companies are required to maintain a leverage ratio of at least 4.0%. Further, under what is known as the "Basel III" requirements, the Company is subject to a capital measure known as "Common Equity Tier 1", or CET1, which emphasizes the common equity component of capital adequacy.

The federal banking agencies' risk-based and leverage capital ratios are minimum supervisory ratios generally applicable to banking organizations that meet certain specified criteria. Banking organizations not meeting these criteria are expected to operate with capital positions well above the minimum ratios. The federal bank regulatory agencies may set capital requirements for a particular banking organization that are higher than the minimum ratios when circumstances warrant. Federal Reserve guidelines also provide that banking organizations experiencing internal growth or making acquisitions must maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

In addition to the minimum CET1, Tier 1 and total risk-based capital ratios, the Company and the Bank must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, repurchasing shares, and paying discretionary bonuses.

Under the Federal Reserve's and FDIC's prompt corrective action standards, in order to be considered well-capitalized, the Company and the Bank must have a ratio of CET1 capital to risk-weighted assets of 6.5%, a ratio of Tier 1 capital to risk-weighted assets of 8.0%, a ratio of total capital to risk-weighted assets of 10.0%, and a leverage ratio of 5.0%; and must not be subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. In order to be considered adequately capitalized, an institution must have the minimum capital ratios described above. As of December 31, 2023, the Company and the Bank each were "well-capitalized." An institution that is not well capitalized is subject to certain restrictions on brokered deposits and interest rates on deposits. See Note 20. [Regulatory Matters](#) for more information on regulatory capital requirements.

The Federal Reserve's capital regulations and Regulation Y generally require a bank holding company to receive the Federal Reserve's prior approval of, and/or provide notice to and consult with the Federal Reserve regarding any redemption or repurchase of its own equity securities.

**Interchange Fees.** The Durbin Amendment to the Dodd-Frank Act limits the amount of interchange fees that banks with assets of \$10 billion or more may charge to process electronic debit transactions. An issuer must begin complying with the Durbin Amendment no later than July 1 of the next calendar year after the issuer crosses the \$10 billion threshold. The Company and the Bank became subject to the rule on July 1, 2020. Under the Durbin Amendment and the Federal Reserve's implementing regulations, bank issuers who are not exempt may only receive an interchange fee from merchants that is reasonable and proportional to the cost of clearing the transaction. The maximum permissible interchange fee is equal to no more than \$0.21 plus five basis points of the transaction value for many types of debit interchange transactions. A debit card issuer may also recover \$0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the Federal Reserve. In addition, the Federal Reserve has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

**Imposition of Liability for Undercapitalized Subsidiaries.** Bank regulators are required to take prompt corrective action to resolve problems associated with insured depository institutions whose capital declines below certain levels. In the event an institution becomes undercapitalized, it must submit a capital restoration plan. The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

The aggregate liability of the holding company of an undercapitalized bank is limited to the lesser of 5.0% of the institution's assets at the time it became undercapitalized or the amount necessary to cause the institution to be adequately capitalized. The bank regulators have greater power in situations where an institution becomes significantly or critically undercapitalized or fails to submit a capital restoration plan. For example, a bank holding company controlling such an institution can be required to obtain prior Federal Reserve approval of proposed dividends, or might be required to consent to a consolidation or to divest the troubled institution or other affiliates.

**Acquisitions by Bank Holding Companies.** The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before it acquires all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. In approving bank acquisitions by bank holding companies, the Federal Reserve is required to consider, among other things, the effect of the acquisition on competition, the financial condition, managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served (including the record of performance under the Community Reinvestment Act, or CRA), the effectiveness of the applicant in combating money laundering activities and the extent to which the proposed acquisition would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. The Company's ability to make future acquisitions will depend on its ability to obtain approval for such acquisitions from the Federal Reserve. The Federal Reserve could deny the Company's application based on the above criteria or other considerations. For example, the Company could be required to sell banking centers as a condition to receiving regulatory approval, which condition may not be acceptable to the Company or, if acceptable, may reduce the benefit of a proposed acquisition.

**Control Acquisitions.** Federal and state laws, including the BHCA and the Change in Bank Control Act, or the CBCA, impose additional prior notice or approval requirements and ongoing regulatory requirements on any investor that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution or bank holding company. Whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, an investor is deemed to control a depository institution or other company if the investor owns or controls 25% or more of any class of voting securities. Subject to rebuttal, an investor is presumed to control a depository institution or other company if the investor owns or controls 10% or more of any class of voting securities and either the depository institution or company is a public company or no other person will hold a greater percentage of that class of voting securities after the acquisition. If an investor's ownership of the Company's voting securities were to exceed certain thresholds, the investor could be deemed to "control" the Company for regulatory purposes, which could subject such investor to regulatory filings or other regulatory consequences.

On January 30, 2020, the Federal Reserve finalized a rule that simplifies and increases transparency of its rules for determining when one company controls another company for purposes of the BHC Act. The rule became effective September 30, 2020. The rule has and will likely continue to have a meaningful impact on control determinations related to investments in banks and bank holding companies and investments by bank holding companies in nonbank companies.

**Volcker Rule.** Section 619 of the Dodd-Frank Act, known as the Volcker Rule, prohibits any bank, bank holding company, or affiliate (referred to collectively as "banking entities") from engaging in two types of activities: "proprietary trading" and the ownership or sponsorship of private equity or hedge funds that are referred to as "covered funds." Proprietary trading is, in general, trading in securities on a short-term basis for a banking entity's own account. In December 2013, the federal banking agencies, the SEC and the Commodity Futures Trading Commission, finalized a regulation to implement the Volcker Rule. After the enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act in May 2018, Volcker Rule limitations apply to banking entities with \$10 billion or more in total consolidated assets. The Company became subject to the Volcker Rule on January 1, 2021 and has confirmed that its investment practices conform to the Volcker Rule.

**Federal Securities Laws.** The common stock of the Company is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Therefore, the Company is subject to the reporting, information disclosure, proxy solicitation, insider trading limits and other requirements imposed on public companies by the SEC under the Exchange Act. This includes limits on sales of stock by certain insiders and the filing of insider ownership reports with the SEC. The SEC and Nasdaq have adopted regulations under the Sarbanes-Oxley Act of 2002 and the Dodd Frank Act that apply to the Company as a Nasdaq-traded, public company, which seek to improve corporate governance, provide enhanced penalties for financial reporting improprieties and improve the reliability of disclosures in SEC filings.

## **Regulation of the Bank**

The Bank is a Texas-chartered banking association, the deposits of which are insured by the deposit insurance fund of the FDIC. The Bank is not a member of the Federal Reserve System; therefore, the Bank is subject to supervision and regulation by the FDIC, the TDB and the CFPB. Such supervision and regulation subject the Bank to special restrictions, requirements, potential enforcement actions and periodic examination by the FDIC, the TDB and the CFPB. Because the Federal Reserve regulates the Company, the Federal Reserve also has supervisory authority that directly affects the Bank.

**Equivalence to National Bank Powers.** The Texas Constitution, as amended in 1986, provides that a Texas-chartered bank has the same rights and privileges that are or may be granted to national banks domiciled in Texas. To the extent that the Texas laws and regulations may have allowed state-chartered banks to engage in a broader range of activities than national banks, the Federal Deposit Insurance Corporation Improvement Act of 1991, or the FDICIA, has operated to limit this authority. The FDICIA provides that no state bank or subsidiary thereof may engage as a principal in any activity not permitted for national banks, unless the institution complies with applicable capital requirements and the FDIC determines that the activity poses no significant risk to the deposit insurance fund of the FDIC. In general, statutory restrictions on the activities of banks are aimed at protecting the safety and soundness of depository institutions.

**Financial Modernization.** Under the GLBA, a national bank may establish a financial subsidiary and engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting as principal, insurance company portfolio investment, real estate development, real estate investment, annuity issuance and merchant banking activities. To do so, a bank must be well capitalized, well managed and have a Community Reinvestment Act, or CRA, rating from the FDIC of satisfactory or better. Subsidiary banks of a financial holding company or national banks with financial subsidiaries must remain well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions. Such actions or restrictions could include divestiture of the "financial in nature" subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has a CRA rating of satisfactory or better.

Although the powers of state chartered banks are not specifically addressed in the GLBA, Texas-chartered banks such as the Bank will have the same if not greater powers as national banks through the parity provisions contained in the Texas Constitution and other Texas statutes.

**Branching.** Texas law provides that a Texas-chartered bank can establish a branch anywhere in Texas provided that the branch is approved in advance by the TDB. The branch must also be approved by the FDIC, which considers a number of factors, including financial history, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate powers. The Dodd-Frank Act permits insured state banks to engage in de novo interstate branching if the laws of the state where the new branch is to be established would permit the establishment of the branch if it were chartered by such state.

**Restrictions on Transactions with Affiliates and Insiders .** Transactions between the Bank and its non-banking subsidiaries and/or affiliates, including the Company, are subject to Section 23A of the Federal Reserve Act. In general, Section 23A of the Federal Reserve Act imposes limits on the amount of such transactions, and also requires certain levels of collateral for loans to affiliated parties. It also limits the amount of advances to third parties that are collateralized by the securities or obligations of the Company or its subsidiaries. Covered transactions with any single affiliate may not exceed 10% of the capital stock and surplus of the Bank, and covered transactions with all affiliates may not exceed, in the aggregate, 20% of the Bank's capital and surplus. For a bank, capital stock and surplus refers to the bank's Tier 1 and Tier 2 capital, as calculated under the risk-based capital guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital. The Bank's transactions with all of its affiliates in the aggregate are limited to 20% of the foregoing capital. "Covered transactions" are defined by statute to include a loan or extension of credit to an affiliate, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, in connection with covered transactions that are extensions of credit, the Bank may be required to hold collateral to provide added security to the Bank, and the types of permissible collateral may be limited. The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates.

Affiliate transactions are also subject to Section 23B of the Federal Reserve Act, which generally requires that certain transactions between the Bank and its affiliates be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other non-affiliated persons.

The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to herein as “insiders”) contained in the Federal Reserve Act and in Regulation O promulgated by the Federal Reserve apply to all insured institutions and their subsidiaries and bank holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. Generally, these loans cannot exceed the institution’s total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate. Loans to senior executive officers of a bank are even further restricted, generally limited to \$100,000 per senior executive officer. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

**Restrictions on Dividends.** Dividends paid by the Bank have provided a substantial part of the Company’s operating funds, and for the foreseeable future, it is anticipated that dividends paid by the Bank to the Company will continue to be the Company’s principal source of operating funds. However, capital adequacy requirements serve to limit the amount of dividends that may be paid by the Bank. Under federal law, the Bank cannot pay a dividend if, after paying the dividend, it would be undercapitalized. The FDIC may declare a dividend payment to be unsafe and unsound even though the Bank would continue to meet its capital requirements after payment of the dividend.

Because the Company is a legal entity separate and distinct from its subsidiaries, its right to participate in the distribution of assets of any subsidiary upon the subsidiary’s liquidation or reorganization will be subject to the prior claims of the subsidiary’s creditors. The Federal Deposit Insurance Act, or the FDI Act, provides that, in the event of a “liquidation or other resolution” of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If the Bank fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the Company, with respect to any extensions of credit it has made to the Bank.

**Examinations by the FDIC & the TDB.** The Bank is subject to continuous regulation, supervision and examination by the FDIC and the TDB concerning all areas of operation of the Bank. Areas monitored by the FDIC and the TDB, include, but are not limited to, lending practices, corporate governance, investments, borrowings, payment of dividends, training of employees, reserve methodology, BSA/AML compliance, management of risk related to interest rate, liquidity, capital and operations, overall enterprise risk management, internal audit program, financial accounting practices, security procedures, information technology and other related matters. The Bank and Company devote a significant amount of time and resources to align practices and procedures with examiners’ expectations and federal and state regulation.

**Examinations by the CFPB.** The Bank is subject to supervision and examination by the CFPB. The CFPB maintains authority over the Bank with respect to substantially all federal statutes and regulations protecting the interests of consumers of financial services, including but not limited to the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Truth in Savings Act, the Right to Financial Privacy Act and the Electronic Funds Transfer Act and their respective related regulations. Violation of these laws and regulations could subject the Bank to lawsuits and administrative penalties, including civil monetary penalties, payments to affected consumers, and orders to halt or materially change our consumer banking activities. The CFPB has broad authority to pursue enforcement actions, including investigations, civil actions and cease and desist proceedings and can refer civil and criminal findings to the Department of Justice for prosecution. The Bank is also subject to other federal and state consumer protection laws that, among other things, prohibit unfair, deceptive and abusive, corrupt or fraudulent business practices, untrue or misleading advertising and unfair competition.

**Audit Reports.** Insured institutions with total assets of \$500 million or more must submit annual audit reports prepared by independent auditors to federal and state regulators. In some instances, the audit report of the institution’s holding company can be used to satisfy this requirement. Auditors of an insured institution must receive examination reports, supervisory agreements and reports of enforcement actions. For institutions with total assets of \$1 billion or more, financial statements prepared in accordance with generally accepted accounting principles (GAAP), management’s certifications signed by the Company’s and the Bank’s chief executive officer and chief accounting or financial officer concerning management’s responsibility for the financial statements, and an attestation by the auditors regarding the Bank’s internal controls must also be submitted. For institutions with total assets of more than \$3 billion, independent auditors may be required to review quarterly financial statements. The FDICIA requires that the Bank have an independent audit committee, consisting only of outside directors, or that the Company has an audit committee that is entirely independent. The committees of such institutions must include members with experience in banking or financial management, must have access to outside counsel, and must not include representatives of large customers.

**Capital Adequacy Requirements.** The FDIC has adopted regulations establishing minimum requirements for the capital adequacy of insured institutions and may establish higher minimum requirements if, for example, a bank has previously received special attention or has a high susceptibility to interest rate risk. The FDIC's risk-based capital guidelines, under the fully phased-in Basel III Capital Rules, generally require state banks to have a minimum ratio of Tier 1 capital to total risk-weighted assets of 8.5% and a ratio of total capital to total risk-weighted assets of 10.5%. The capital categories have the same definitions for the Bank as for the Company. The FDIC's leverage guidelines require state banks to maintain Tier 1 capital of no less than 4.0% of average total assets, except in the case of certain highly rated banks for which the requirement is 3.0% of average total assets. The TDB has issued a policy which generally requires state chartered banks to maintain a leverage ratio (defined in accordance with federal capital guidelines) of 5.0%. See Note 20. Regulatory Matters for more information on regulatory capital requirements.

**Corrective Measures for Capital Deficiencies.** The federal banking regulators are required by the FDI Act to take "prompt corrective action" with respect to capital-deficient institutions that are FDIC-insured. The five capital categories for insured depository institutions under the prompt corrective action regulations consist of:

- Well capitalized - equals or exceeds a 10% total risk-based capital ratio, 8% Tier 1 risk-based capital ratio, 6.5% CET1 capital ratio and 5% leverage ratio and is not subject to any written agreement, order or directive requiring it to maintain a specific level for any capital measure;
- Adequately capitalized - equals or exceeds an 8% total risk-based capital ratio, 6% Tier 1 risk-based capital ratio, 4.5% CET1 capital ratio and 4% leverage ratio;
- Undercapitalized - total risk-based capital ratio of less than 8%, or a Tier 1 risk-based ratio of less than 6%, a CET1 capital ratio of less than 4.5% or a leverage ratio of less than 4%;
- Significantly undercapitalized - total risk-based capital ratio of less than 6%, or a Tier 1 risk-based capital ratio of less than 4%, a CET1 capital ratio of less than 3% or a leverage ratio of less than 3%; and
- Critically undercapitalized - a ratio of tangible equity to total assets equal to or less than 2%.

In addition to requiring undercapitalized institutions to submit a capital restoration plan, agency regulations contain broad restrictions on certain activities of undercapitalized institutions, including asset growth, acquisitions, branch establishment and expansion into new lines of business. With certain exceptions, an insured depository institution is prohibited from making capital distributions, including dividends, and is prohibited from paying management fees to control persons if the institution would be undercapitalized after any such distribution or payment.

As an institution's capital decreases, the FDIC's enforcement powers become more severe. A significantly undercapitalized institution is subject to mandated capital raising activities, restrictions on interest rates paid and transactions with affiliates, removal of management and other restrictions. The FDIC has only very limited discretion in dealing with a critically undercapitalized institution and is virtually required to appoint a receiver or conservator.

Banks with risk-based capital and leverage ratios below the required minimums may also be subject to certain administrative actions, including the termination of deposit insurance upon notice and hearing, or a temporary suspension of insurance without a hearing in the event the institution has no tangible capital.

**Deposit Insurance Assessments.** Substantially all the deposits of the Bank are insured up to applicable limits by FDIC's Deposit Insurance Fund (DIF), and the Bank must pay annual deposit insurance assessments to the FDIC for such deposit insurance protection.

Under its current regulations, the FDIC has established a risk-based assessment system to calculate institutions' deposit insurance premiums. Pursuant to these regulations, an insured depository institution's assessment is equal to its assessment base multiplied by its risk-based assessment rate. An insured depository institution's assessment base and assessment rate are determined each quarter. Based upon the FDIC's methodology, generally, an insured depository institution's assessment base equals its average consolidated total assets minus its average tangible equity. Assessment rates are calculated using different methods depending upon the size of the institution (small institutions are generally those with less than \$10 billion in total assets; large institutions are generally those with between \$10 billion and \$50 billion in total assets; and highly complex institutions are those with \$50 billion in assets. Assessment rates for both large and highly complex institutions are calculated using a "scorecard" approach which assesses a variety of factors including CAMELS measures and certain other financial measures. (The acronym CAMELS stands for the following factors that examiners use to rate financial institutions: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity). Notably, the FDIC also has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations.

The FDIC is required to adopt a restoration plan when the DIF reserve ratio falls below the statutory minimum of 1.35% or is expected to within six months. In connection with this requirement, the FDIC Board adopted a series of restoration plans that have resulted in an increase in the initial base deposit insurance assessment rate schedules of two basis points to improve the likelihood that the reserve ratio is restored to at least 1.35% by September 30, 2028. The revised assessment rate schedules became effective on January 1, 2023, and were applicable beginning in the first quarterly assessment period of 2023 (with the first payment due on June 30, 2023). According to the FDIC, lower assessments will be adopted when the reserve ratio reaches 2% and then again when such ratio reaches 2.5%. As of June 30, 2023, the total base assessment rate for insured depository institutions ranged from 2.5 to 42 basis points on an annualized basis.

Separately, in connection with the U.S. Treasury Secretary's invocation of the systemic risk exception declared on March 12, 2023, in connection with the failure of two insured depository institutions and the appointment of the FDIC as receiver for such failed insured depository institutions, the FDIC adopted a final rule in November 2023 that implements a special assessment to recover the DIF's losses from protecting uninsured depositors following the closures of such failed insured depository institutions. This rule is effective on April 1, 2024 and affects only those insured depository institutions with more than \$5 billion in total assets. Affected institutions must pay such special assessment over eight quarterly assessment periods, the first of which will be reflected on the first quarterly assessment period for January 1 through March 31, 2024, with the first payment due on June 28, 2024. The FDIC also reserved the right to impose a one-time "shortfall assessment" at the conclusion of the special assessment if there are DIF losses that have not been fully recovered. It is possible that further increases in deposit insurance are adopted by the FDIC Board. Refer to Item [1A. Risk Factors - Legal, Regulatory and Compliance Risk](#) and [Item 7. Management's Discussion and Analysis - FDIC assessment](#) for further discussion on risks and the impact to the Company.

**Brokered Deposit Restrictions.** Adequately capitalized institutions cannot accept, renew or roll over brokered deposits, without receiving a waiver from the FDIC, and are subject to restrictions on the interest rates that can be paid on any deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits. The final rule became effective on April 1, 2021, with an extended compliance date of January 1, 2022.

**Concentrated Commercial Real Estate Lending Regulations.** The federal banking agencies have promulgated guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and non-farm residential properties and loans for construction, land development and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. Owner-occupied loans are excluded from this second category. If a concentration is present, management must employ heightened risk management practices that address the following key elements: board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending.

**Community Reinvestment Act.** The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their entire service area, including low and moderate income neighborhoods, consistent with the safe and sound operations of such banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) requires federal banking agencies to make public a rating of a bank's performance under the CRA. In the case of a bank holding company, the CRA performance record of the banks involved in the transaction are reviewed in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or to merge with any other bank holding company. An unsatisfactory CRA record could substantially delay approval or result in denial of an application. In October 2023, the FDIC, the Federal Reserve, and the OCC jointly issued a final rule to strengthen and modernize the existing regulations in four key ways: (i) clarifying what activities will qualify for CRA credit; (ii) updating where activities count for CRA credit; (iii) providing a more transparent and objective method for measuring CRA performance; and (iv) revising CRA-related data collection, record keeping, and reporting. Most changes go into effect no earlier than January 2026 with changes to the public file occurring April 2024.

**Privacy and Cybersecurity.** In addition to expanding the activities in which banks and bank holding companies may engage, the GLBA also imposed new requirements on financial institutions with respect to customer privacy. The GLBA generally prohibits disclosure of customer information to non-affiliated third parties unless the customer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. Financial institutions, however, are required to comply with state law if it is more protective of customer privacy than the GLBA.

Federal regulators have issued advisory statements regarding cybersecurity. Generally, federal regulators expect that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. In addition, a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If the Company fails to observe the regulatory guidance, the Company could be subject to various regulatory sanctions, including financial penalties. In 2021, the federal banking agencies adopted a Final Rule that went into effect on May 1, 2022, that requires banking organizations to notify their primary banking regulator within 36 hours of determining that a "computer-security incident" has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to carry out banking operations or deliver banking products and services to a material portion of its customer base, its businesses and operations that would result in material loss, or its operations that would impact the stability of the United States.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states, have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states, including Texas and Colorado, have implemented or modified their data breach notification and data privacy requirements. The Texas banks are required to promptly report material cybersecurity incidents to the Texas Banking Commissioner.

In 2023, the SEC issued a final rule that requires disclosure of material cybersecurity incidents, as well as cybersecurity risk management, strategy and governance. Under this rule, banking organizations that are SEC registrants must generally disclose information about a material cybersecurity incident within four business days of determining it is material with periodic updates as to the status of the incident in subsequent filings as necessary.

On March 15, 2023, the SEC issued a release containing proposed amendments to Regulation S-P that, if adopted, would require broker-dealers, registered investment companies and investment advisers to adopt written policies and procedures creating an incident response program to deal with unauthorized access to customer information, including procedures for notification of impacted individuals within 30 days.



The Company expects this trend of both federal and state-level attention to cybersecurity to continue, and is continually monitoring developments at the federal level and in the states in which its customers are located. See Item [1A. Risk Factors](#) for a further discussion of risks related to cybersecurity. See Item [1C. Cybersecurity](#) for further discussion of risk management and governance related to cybersecurity.

**Limits on Compensation.** The Federal Reserve, OCC and FDIC in 2010 issued comprehensive final guidance on incentive compensation policies for executive management of banks and bank holding companies. This guidance was intended to ensure that the incentive compensation policies of banking organizations do not undermine their safety and soundness by encouraging excessive risk-taking. The objective of the guidance is to assure that incentive compensation arrangements (i) provide incentives that do not encourage excessive risk-taking, (ii) are compatible with effective internal controls and risk management and (iii) are supported by strong corporate governance, including oversight by the board of directors. In 2016, the Federal Reserve and the FDIC proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2023, these rules have not been implemented. In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including Nasdaq and NYSE, to implement listing standards that require listed companies to adopt policies mandating the recovery or “clawback” of excess incentive-based compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. In June 2023, the SEC approved NYSE and Nasdaq’s proposed clawback listing standards (listing standards) with an effective date of October 2, 2023, and companies were required to adopt a clawback policy to comply with the listing standards no later than December 1, 2023. The Company adopted its Compensation Recovery Policy on October 19, 2023 in compliance with the new listing standards.

**Anti-Money Laundering and Anti-Terrorism Legislation** . A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001, or the USA Patriot Act, substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued and, in some cases, proposed a number of regulations that apply various requirements of the USA Patriot Act to financial institutions. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. The USA Patriot Act requires, among other things, financial institutions to comply with certain due diligence requirements in connection with correspondent or private banking relationships with non-U.S. financial institutions or persons, establish an anti-money laundering program that includes employee training and an independent audit, follow minimum standards for identifying customers and maintaining records of the identification information and make regular comparisons of customers against agency lists of suspected terrorists, their organizations and money launderers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

The Anti-Money Laundering Act of 2020 (“AMLA”), which amends the Bank Secrecy Act of 1970 (“BSA”), was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the U.S. Department of the Treasury to promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards for testing technology and internal processes for BSA compliance; expands enforcement- and investigation-related authority, including increasing available sanctions for certain BSA violations; and expands BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemaking, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance. In June 2021, the Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury, issued the priorities for anti-money laundering and countering the financing of terrorism policy required under the AMLA. The priorities include: corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing.



**Office of Foreign Assets Control Regulation** . The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control, or OFAC. The OFAC-administered sanctions targeting certain countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to a U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

#### **Changes in Laws, Regulations or Policies**

In general, regulators have increased their focus on the regulation of financial institutions. From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures. Such initiatives may change banking statutes and the operating environment of the Company and the Bank in substantial and unpredictable ways. The Company cannot determine the ultimate effect that any potential legislation, if enacted, or implementing regulations with respect thereto, would have, upon the financial condition or results of operations of the Company or the Bank. A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material effect on the financial condition, results of operations or business of the Company and the Bank.

#### **Enforcement Powers of Federal and State Banking Agencies**

The federal banking agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver. Failure to comply with applicable laws, regulations and supervisory agreements could subject the Company or the Bank and their subsidiaries, as well as their respective officers, directors, and other institution-affiliated parties, to administrative sanctions and potentially substantial civil money penalties. In addition to the grounds discussed above under “Corrective Measures for Capital Deficiencies,” the appropriate federal banking agency may appoint the FDIC as conservator or receiver for a banking institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist. The TDB also has broad enforcement powers over the Bank, including the power to impose orders, remove officers and directors, impose fines and appoint supervisors and conservators.

#### **Effect on Economic Environment**

The policies of regulatory authorities, including the monetary policy of the Federal Reserve, have a significant effect on the operating results of bank holding companies and their subsidiaries. Among the means available to the Federal Reserve to affect the money supply are open market operations in U.S. government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid for deposits.

Federal Reserve monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The Company cannot predict the nature of future monetary policies and the effect of such policies on the business and earnings of it and its subsidiaries.

#### **ITEM 1A. RISK FACTORS**

An investment in the Company's common stock involves risks. The following is a description of the material risks and uncertainties that the Company believes affect its business and an investment in the common stock. Additional risks and uncertainties that the Company is unaware of, or that it currently deems immaterial, also may become important factors that affect the Company and its business. If any of the risks described in this Annual Report on Form 10-K were to occur, the Company's financial condition, results of operations and cash flows could be materially and adversely affected. If this were to happen, the value of the common stock could decline significantly and you could lose all or part of your investment.

## [Table of Contents](#)

Summarized below are the most significant risks and uncertainties that we believe could adversely affect our business, financial condition or results of operations. Following this summary, we discuss each risk in greater detail under each risk's respective headings, organized by Risks Related to the Company's Business and Risks Related to an Investment in the Company's Common Stock. You should read both the summary and the detailed descriptions of each risk before investing in the Company's securities.

### **RISKS RELATED TO THE COMPANY'S BUSINESS**

#### **Strategic Risk**

- *The Company may not be able to continue to grow.*
- *The Company may not be able to continue its acquisition strategy.*
- *The Company must effectively manage risk associated with its acquisition strategy.*
- *The Company has a geographic concentration in Texas and Colorado.*

#### **Operational Risk**

- *Workforce disruption may inhibit the Company's ability to attract and retain talent.*
- *The Company must effectively manage the need for technological change.*
- *The Company may experience system failure or cybersecurity breaches.*
- *The Company is reliant on third party service providers.*
- *The Company may be subject to data processing failures, control failures and fraud.*
- *New lines of business or new products and services subject the Company to additional risks.*
- *The Company's accounting estimates and risk management programs rely on analytical and forecasting models.*
- *The Company is subject to counterparty risk.*
- *The value of the Company's goodwill could become impaired.*

#### **Credit Risk**

- *The Company must manage credit risk.*
- *The Company has a significant concentration in commercial real estate loans.*
- *The Company has exposure to credit risk related to the energy industry.*
- *The Company's Allowance for Credit Losses may be insufficient.*
- *The Company's mortgage business subjects the Company to additional risk.*

#### **Interest Rate Risk**

- *The Company must manage interest rate risk.*
- *The replacement of LIBOR may subject the Company to additional risk.*
- *The Company could experience losses on its investment securities in volatile rate environments.*

#### **Legal, Regulatory and Compliance Risk**

- *The Company is subject to legal and regulatory risk.*
- *The Company operates in a highly regulated environment and, as a result, is subject to extensive regulation and supervision.*
- *The Company must devote significant resources to compliance.*
- *The Company is subject to continuous examination.*
- *The Company may be required to pay significantly higher FDIC deposit insurance assessments in the future.*
- *The Company faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.*
- *There are substantial regulatory limitations on changes of control of bank holding companies.*

#### **Liquidity and Capital Risk**

- *The Company is subject to liquidity risk.*
- *The Company must maintain adequate capital.*

## [Table of Contents](#)

- *The Federal Reserve may require the Company to commit capital resources to support the Bank.*

### **Other Risks Affecting Our Business**

- *Volatile market conditions and macro economic trends.*
- *The Company operates in a competitive environment.*
- *The Company is reliant on deposits as a significant source of funding.*
- *The Company may be adversely impacted by natural disasters, health pandemics, and other local and worldwide events beyond the Company's control.*
- *The Company is subject to growing risk from changing environmental conditions.*
- *Reputational risk is heightened by emerging environmental, social and governance concerns.*
- *Monetary policies and regulations of the Federal Reserve could adversely affect the Company's business, financial condition and results of operations.*

### **RISKS RELATED TO AN INVESTMENT IN THE COMPANY'S COMMON STOCK**

- *The Company's stock price can be volatile.*
- *The Company is dependent upon the Bank for cash flow, and the Bank's ability to make cash distributions is restricted.*
- *The Company's dividend policy may change without notice, and the Company's future ability to pay dividends is subject to restrictions.*
- *The Company's largest shareholder and board of directors have historically, and currently, exert a controlling influence on the Company.*
- *The Company's corporate organizational documents and the provisions of Texas law make it more difficult or prevent an attempted acquisition of the Company that you may favor.*
- *Other debt and equity instruments have priority over the Company's common stock.*
- *An investment in the Company's common stock is not an insured deposit.*

### **RISKS RELATED TO THE COMPANY'S BUSINESS**

#### **Strategic Risk**

*The Company may not be able to continue to grow.*

To achieve its past levels of growth, the Company has focused on both internal growth and acquisitions. The Company may not be able to sustain its historical rate of growth or may not be able to grow at all. More specifically, the Company may not be able to grow earning assets, specifically loans, and the Company may not be able to find suitable acquisition candidates. Various factors, such as economic conditions and competition, may impede or prohibit loan growth and the completion of acquisitions. As further discussed below, the Company may be unable to attract and retain new talent, which could adversely affect its internal growth. If the Company is not able to continue its historical levels of growth, it may not be able to maintain its historical earnings trends. If the Company does not manage the Company's growth effectively, the Company's business, financial condition, results of operations and future prospects could be negatively affected, and the Company may not be able to continue to implement the Company's business strategy and successfully conduct the Company's operations.

*The Company may not be able to continue its acquisition strategy.*

The Company has been pursuing a growth strategy that includes the acquisition of other financial institutions in target markets. The Company has completed several acquisitions since 2010, with its last acquisition completed on January 1, 2019 of Guaranty Bancorp. The Company intends to continue its acquisition strategy. Such an acquisition strategy, involves significant risks, including the following:

- finding suitable markets for expansion;
- finding suitable candidates for acquisition;
- attracting funding to support additional growth;
- maintaining asset quality;
- attracting and retaining qualified management; and
- maintaining adequate regulatory capital.

## [Table of Contents](#)

Accordingly, the Company may be unable to find suitable acquisition candidates in the future that fit its acquisition and growth strategy. In addition, the Company's previous acquisitions may make it more difficult for investors to evaluate historical trends in the Company's financial results and operating performance, as the impact of such acquisitions make it more difficult to identify organic trends that would be reflected absent such acquisitions. If the Company is unable to continue to grow through acquisitions, the Company's business, financial condition, results of operation and future prospects could be negatively impacted.

*The Company must effectively manage risk associated with its acquisition strategy.*

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no available manner of recourse, exposure to unexpected asset quality problems, key employee and customer retention problems and other problems that could negatively affect the Company's organization. The Company may not be able to complete future acquisitions or, if completed, the Company may not be able to successfully integrate the operations, management, products and services of the entities that the Company acquires and eliminate redundancies. Acquisition activities and the integration process may also require significant time and attention from the Company's management that they would otherwise direct toward servicing existing business and developing new business. Further, the integration process could result in the loss of key employees, disruption of the combined entity's ongoing business, or inconsistencies in standards, controls, procedures and policies that adversely affect the Company's ability to maintain relationships with customers or employees or to achieve the anticipated benefits of the transaction. Failure to successfully integrate the entities the Company acquires into the Company's existing operations may increase the Company's operating costs significantly and adversely affect the Company's business and earnings. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of the Company's tangible book value and net income per common share may occur in connection with any future transaction.

*The Company has a geographic concentration in Texas and Colorado.*

The Company conducts its operations almost exclusively in Texas and Colorado. This geographic concentration imposes risks from lack of geographic diversification. The economic conditions in Texas and Colorado affect the Company's business, financial condition, results of operations, and future prospects, where adverse economic developments, among other things, could affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans and reduce the value of the Company's loans and loan servicing portfolio. Moreover, if the population or income growth in the Company's market areas is slower than projected, income levels, deposits and housing starts could be adversely affected and could result in a reduction of the Company's expansion, growth and profitability. Any regional or local economic downturn that affects Texas or Colorado, or existing or prospective borrowers or property values in such areas, may affect the Company and the Company's profitability more significantly and more adversely than the Company's competitors whose operations are less geographically concentrated.

### **Operational Risk**

*Workforce disruption may inhibit the Company's ability to attract and retain talent.*

The Company's business and growth strategies depend significantly on the Company's ability to recruit and retain management and employees with expertise, experience and business relationships within the Company's market areas. The Company's ability to attract and retain key management and employees is dependent upon its compensation, incentive and benefits programs, its response to emerging workplace trends and practices, such as the current demand for flexible work schedules and remote work options that have arisen from the COVID-19 pandemic, its reputation for rewarding and promoting qualified employees, and its implementation of diversity and inclusion initiatives. The competitive nature of the current labor market could increase the Company's noninterest expense, as well as cause significant difficulty and delay in replacing departed management and employees with qualified candidates, who are experienced in the specialized aspects of the Company's business or who have ties to the communities within the Company's market areas. The unexpected loss of any of the Company's key personnel could, therefore, have an adverse impact on the Company's productivity and growth. This in turn makes the Company's success dependent upon the strength of its recruitment efforts, as well as its succession plans and procedures.

*The Company must effectively manage the need for technological change.*

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. The Company's future success will depend in part upon the Company's ability to address the needs of the Company's customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in the Company's operations as it continues to grow and expand the Company's market area. The Company may experience operational challenges as it implements these new technology enhancements or products, which could result in the Company not fully realizing the anticipated benefits from such new technology or require the Company to incur significant costs to remedy any such challenges in a timely manner.

*The Company may experience system failure or cybersecurity breaches.*

The Company is highly dependent on its computer systems and network infrastructure to conduct its operations, including the secure processing, storage and transmission of vital and sensitive data, exposing the Company to potential cyber incidents resulting from deliberate attacks or unintentional events. As a financial institution, the Company processes, stores and transmits a significant amount of personal customer information. The Company also maintains important internal data such as personally identifiable information about employees and customers, and information relating to the Company's operations. The Company relies on third-party service providers for significant portions of its computer systems, network infrastructure and information security, and failure or misconduct by any of those third parties or their systems could have a material adverse effect on the Company. The secure maintenance and transmission of confidential information, as well as execution of transactions over the Company's computer systems, are essential to protect the Company and its customers against fraud and cybersecurity breaches and for the Company to maintain customer confidence. The computer systems and network infrastructure the Company uses could fail or be subject to unforeseen problems or a material cybersecurity incident. The Company's operations are dependent upon its ability to protect its computer systems and network against damage from physical theft, fire, power loss, telecommunications failure, or a similar catastrophic event, as well as from cybersecurity breaches, cyberattacks, ransomware attacks, viruses, worms, and other unauthorized or hostile acts which are becoming increasingly diverse and sophisticated. Any action, damage or failure that causes or results in breakdowns, disruptions, or unauthorized activities in the Company's computer systems or network infrastructure, including customer relationship management, general ledger, deposit, loan or other systems, could disrupt the Company's ability to properly operate its business, damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, investigations or fines, violate privacy or other applicable laws or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company. External or internal actors could obtain unauthorized access to the Company's computer systems or network infrastructure or information stored in and transmitted through the Company's computer systems and network infrastructure, which may result in the theft or unauthorized use of personal information, which could cause significant liability to the Company and may cause existing and potential customers to refrain from doing business with the Company. These factors are compounded by the continued trend to leverage cloud computing and support hybrid remote work strategies. The financial services industry has faced a notable increase in both the sophistication and frequency of cyberattacks leveraging phishing, exploitable vulnerabilities, and third-party service providers. The pervasiveness of cybersecurity incidents and the risks of cybersecurity breaches are complex and continue to evolve. In addition, advances in computer capabilities, such as artificial intelligence, and the increased sophistication of threat actors could result in a compromise or breach of the systems the Company and the Company's third-party service providers use to encrypt and protect customer data and transactions. A failure or compromise of such security measures could have a material adverse effect on the Company's business, financial condition and results of operations. See [Item 1C. Cybersecurity](#) for further discussion of risk management and governance related to cybersecurity..

As of February 20, 2024, the Company has not discovered any material cybersecurity incidents that have adversely affected our business, financial condition or results of operations. However, the Company can give no assurance that it will not have a material cybersecurity incident in the future.

*The Company is reliant on third party service providers.*

The Company depends on a number of relationships with third-party service providers. Specifically, the Company receives core systems processing, essential web hosting and other Internet systems, cloud technologies, deposit processing, mobile banking and other processing services from third-party service providers. If these third-party service providers experience difficulties, interruptions, or terminate their services, and the Company is unable to replace them with other comparable service providers, particularly on a timely basis, the Company's operations could be interrupted. If an interruption were to continue for a significant period of time, the Company's business, financial condition and results of operations could be adversely affected, perhaps materially. Even if the Company is able to replace third party service providers, it may be at a higher cost to the Company, which could adversely affect the Company's business, financial condition and results of operations.

*The Company may be subject to data processing failures, control failures and fraud.*

Employee errors and employee and customer fraud or misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by the Company's employees could include hiding unauthorized activities from the Company, improper or unauthorized activities on behalf of the Company's customers, or improper use of, or unauthorized access to confidential information. Customers are also subject to financial crimes, including fraud, wire fraud, and cyber-crimes, which could adversely impact their ability to pay loans or result in a fraudulent removal of funds from their deposit accounts or other unauthorized activities. It is not always possible to prevent employee errors and misconduct, or fraudulent and other criminal schemes impacting customers, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee errors could also subject the Company to financial claims for negligence.

The Company maintains a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors, cybersecurity breaches, and employee, customer, or third party fraud. However, if the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company relies 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 the Company will originate, as well as the terms of those loans. If any of the information upon which the Company relies is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or the Company may fund a loan that the Company would not have funded or on terms the Company would not have extended. Whether a misrepresentation is made by the applicant or another third party, the Company generally bears 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 monetary losses that the Company may suffer.

*New lines of business or new products and services subject the Company to additional risks.*

From time to time, the Company may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products 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 successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of the Company's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company's business, financial condition and results of operations.

*The Company's accounting estimate and risk management programs rely on analytical and forecasting models.*

The Company utilizes analytical and forecasting models across various areas of the Company's operations to manage risk. Many of these models rely upon certain assumptions, which, if inaccurate or inadequate, could impact the Company in materials ways. In addition, the models themselves may prove to be inadequate or inaccurate because of other flaws in their design or their implementation.

By way of example, the Company uses forecasting and analytical models to estimate its expected credit losses and to measure the fair value of financial instruments. It also uses models to estimate the effects of changing interest rates and other market measures on the Company's financial condition and results of operations. If the models the Company uses for interest rate risk and asset-liability management are inadequate, the Company may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models the Company uses for determining its expected credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models the Company uses to measure the fair value of financial instruments is inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what the Company could realize upon sale or settlement of such financial instruments. Any such failure in the Company's analytical or forecasting models could have a material adverse effect on the Company's business, financial condition and results of operations.

*The Company is subject to counterparty risk.*

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional customers. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or customer. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Company. Any such losses could have a material adverse effect on the Company.

*The value of the Company's goodwill could become impaired.*

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets that the Company acquired in connection with the purchase of another financial institution. The Company reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset might be impaired. Significant and sustained decline in the Company's stock price and material adverse changes in economic conditions may result in taking future write downs related to the impairment of goodwill.

The Company determines impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. 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 the Company's results of operations in the periods in which they become known. As of December 31, 2023, the Company had approximately \$1.0 billion of goodwill and other intangible assets. While the Company has not recorded any such impairment charges since the Company initially recorded the goodwill, there can be no assurance that the Company's future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on the Company's financial condition and results of operations.

## **Credit Risk**

*The Company must manage credit risk.*

Making any loan involves risk, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt, and risks resulting from changes in economic and market conditions. The Company's credit risk approval and monitoring procedures may fail to identify or reduce these credit risks, and they cannot completely eliminate all credit risks related to the Company's loan portfolio. The Company faces a variety of risk related to its types of loans. Adverse developments affecting commercial real estate values in the Company's market areas could increase the credit risk associated with commercial real estate loans, impair the value of the property pledged as collateral for these loans, and affect the Company's ability to sell the collateral upon foreclosure without a loss. For commercial real estate loans that are larger than average, the Company faces risk that losses incurred on a small number of commercial real estate loans could have a material adverse effect on the Company's financial condition and results of operations. The Company's commercial real estate and commercial loans also have the risk that repayment is subject to the ongoing business operations of the borrower. Commercial loans are often secured by personal property, such as inventory, and intangible property, such as accounts receivable, which if the business is unsuccessful, typically have values insufficient to satisfy the loan without a loss. If the overall economic climate in the United States, generally, or the Company's market areas in Texas and Colorado, specifically, experience material disruption, the Company's borrowers may experience difficulties in repaying their loans, the collateral the Company holds may decrease in value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require additional provisions for credit losses, which would cause the Company's net income and return on equity to decrease.

*The Company has a significant concentration in commercial real estate loans.*

As of December 31, 2023, approximately 79.7% of the Company's loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral, excluding agricultural loans secured by real estate. As a result, adverse developments affecting real estate values in the Company's market areas could increase the credit risk associated with the Company's real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of the Company's markets could increase the credit risk associated with the Company's loan portfolio, and could result in losses that would adversely affect credit quality, financial condition, and results of operation. Negative changes in the economy affecting real estate values and liquidity in the Company's market areas could significantly impair the value of property pledged as collateral on loans and affect the Company's 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. In addition, the COVID-19 pandemic has increased demand for remote work opportunities and continues to cause supply chain disruption, which could have a particularly adverse impact on the Company's commercial real estate portfolio. Such declines and losses would have a material adverse impact on the Company's business, results of operations and growth prospects. If real estate values decline, it is also more likely that the Company would be required to increase the Company's allowance for credit losses, which could adversely affect the Company's financial condition, results of operations and cash flows. Refer to Loan Portfolio within Management's Discussion and Analysis for more information.

*The Company has exposure to credit risk related to the energy industry.*

As of December 31, 2023, approximately 4.4% of the Company's loans held for investment portfolio (excluding mortgage warehouse loans) was comprised of loans made to companies engaged in oil production and oilfield services. A significant decline in oil prices could adversely effect some of these borrowers' ability to repay these loans and may impair the value of collateral securing some of these loans. While the Company's energy portfolio remains well managed, the decline and volatility in oil prices could have an impact on other segments of the economy generally, including real estate, and particularly for the Texas and Colorado economies. The Houston market economy specifically could be adversely affected given its high concentration of energy related businesses. The Company's asset quality and results of operations could be adversely impacted by the direct and indirect effects of current and future conditions in the energy industry and geopolitical conflicts. The Company's energy portfolio is also more susceptible to operational and environmental related disruption, such as on the job injuries, oil spills, explosions, severe weather, and heightened pressure to implement environmental, social and governance driven initiatives, and particularly initiatives that align with the Biden Administration's goals to reduce greenhouse gas emissions.



*The Company's Allowance for Credit Losses may be insufficient.*

The Company evaluates the adequacy of allowances for credit losses on loans, securities and off-balance sheet credit exposures. The Company has implemented controls and procedures to measure and estimate the lifetime expected credit loss at the time a financial asset is initially added to the balance sheet and periodically thereafter. The Company's amount of each allowance account represents management's best estimate of current expected credit losses on such financial instruments at each balance sheet date using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The actual amount of credit losses is affected by changes in economic, operating and other conditions within the Company's markets, as well as changes in the financial condition, cash flows, and operations of the Company's borrowers, all of which are beyond the Company's control, and such losses may exceed current estimates. As a result, the determination of the appropriate level of allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates related to current and expected future credit risks and trends, all of which may undergo material changes. The Company's current expected credit losses (CECL) model has increased the complexity, and associated risk, of the analysis and processes relying on management judgment, which could negatively impact the Company's financial condition and results of operations.

Credit losses will likely occur in the future and may occur at a rate greater than the Company has previously experienced. The Company may be required to take additional provisions for credit losses in the future to further supplement the allowance for credit losses, either due to management's decision to do so or requirements by the Company's banking regulators. In addition, bank regulatory agencies will periodically review the Company's allowance for credit losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Based on their judgments or interpretations, which may be different than management's, regulators may require the Company to change classifications or grades of loans or recognize further loan charge-offs. If the assessment of credit losses is inaccurate, or if economic and market conditions materially deteriorate as a result of occurrences, such as, natural disasters, global pandemics, or if anticipated climate change regulations impact the Company's CECL model, then the Company may need to increase or decrease its allowance for credits losses, which, in turn, will increase or decrease the Company's reported income, and introduce additional volatility into its reported earnings, and possibly capital. See also [Item 7. Management's Discussion and Analysis of Financial Condition - Allowance for Credit Losses](#) for additional discussion of financial impact of the allowance for credit losses.

*The Company's mortgage business subjects the Company to additional risk.*

The Company originates and sells residential mortgage loans through the Bank's mortgage division and purchases and sells residential mortgages through its mortgage warehouse business. Mortgage lending and mortgage warehouse purchase lending include credit risk associated with commercial bank lending. This line of business is also subject to market volatility, changes in interest rates, volume volatility and changing appetite of investors for certain mortgage products.

Through its mortgage warehouse business, the Company provides guidance lines of credit to mortgage companies that originate and sell residential mortgages. As part of this process, the Bank funds and purchases the mortgage at closing, the mortgage company sells the mortgage to an institutional buyer, and the proceeds from that sale are the primary source of repurchase of the mortgage from the Bank. This process exposes the Bank to market and interest rate risk in the event that the mortgage is not sold. The Bank is also subject to risk of fraud by mortgage company employees and customers. While the Company has insurance against fraud in the mortgage process, fraud loss in excess of insurance limits or which is not covered by insurance could have an adverse effect on the Company's business, financial condition and results of operation.

The Company has entered into loan purchase commitments and forward sales commitments to mitigate the interest rate risk related to mortgage origination activities. While the Company believes that its hedging strategies will be successful in mitigating exposure to interest rate risk associated with the origination and purchase of mortgage loans, no hedging strategy can completely mitigate risk. Poorly designed strategies, improperly executed transactions, or inaccurate assumptions regarding future interest rates or market conditions could have a material adverse effect on the Company's financial condition and results of operations.

Mortgage lending and mortgage warehouse purchase lending is subject to counterparty risk. The Company is from time to time required to hold or repurchase mortgage loans or reimburse investors as a result of breaches in contractual representations and warranties under the agreements pursuant to which it purchases and sells mortgage loans. While agreements with the originators and sellers of mortgage loans provide legal recourse that may allow the Company to recover some or all of losses, these companies are frequently not financially capable of paying large amounts of damages and as a result the Company can offer no assurance that it will not suffer loss as a result of these arrangements.

## [Table of Contents](#)

The Company may incur other costs and losses as a result of actual or alleged violations of regulations related to the origination and purchase of residential mortgage loans. The origination of residential mortgage loans is governed by a variety of federal and state laws and regulations, which are frequently changing. The Company sells residential mortgage loans that it has purchased or that it originated to various parties, including Ginnie Mae and GSEs such as Fannie Mae or Freddie Mac and other financial institutions that purchase mortgage loans for investment or private label securitization. These types of costs and losses arising from the Company's mortgage business would negatively impact the Company's business, financial condition and results of operation.

### **Interest Rate Risk**

*The Company must manage interest rate risk.*

The majority of the Company's banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, the Company's earnings are significantly dependent on the Company's net interest income, the principal component of the Company's earnings, which is the difference between interest earned by the Company from the Company's interest-earning assets, such as loans and investment securities, and interest paid by the Company on the Company's interest-bearing liabilities, such as deposits and borrowings. The Company expects that it will periodically experience "gaps" in the interest rate sensitivities of the Company's assets and liabilities, meaning that either its interest-bearing liabilities will be more sensitive to changes in market interest rates than the Company's interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to the Company's position, this "gap" will negatively impact the Company's 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 disorder and instability in domestic and foreign financial markets.

Interest rate increases often result in larger payment requirements for the Company's borrowers, which increase the potential for default. 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.

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 a material adverse effect on the Company's results of operations and cash flows. Further, when the Company places a loan on nonaccrual status, the Company reverses any accrued but unpaid interest receivable, which decreases interest income. At the same time, the Company continues 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.

Rising interest rates in prior periods have increased interest expense, which in turn has adversely affected net interest income, and may do so in the future if the Federal Reserve raises rates. In a rising interest rate environment, competition for cost-effective deposits increases, making it more costly to fund loan growth. In addition, a rising rate environment could cause mortgage and mortgage warehouse lending volumes to substantially decline. Any rapid and unexpected volatility in interest rates creates uncertainty and potential for unexpected material adverse effects. The Company actively monitors and manages the balances of maturing and repricing assets and liabilities to reduce the adverse impact of changes in interest rates, but there can be no assurances that the Company can avoid all material adverse effects that such interest rate changes may have on the Company's net interest margin and overall financial condition.

*The replacement of LIBOR may subject the Company to additional risk.*

On March 5, 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that (i) 24 LIBOR settings would cease to exist immediately after December 31, 2021 (all seven euro LIBOR settings; all seven Swiss franc LIBOR settings; the Spot Next, 1-week, 2-month, and 12-month Japanese yen LIBOR settings; the overnight, 1-week, 2-month, and 12-month sterling LIBOR settings; and the 1-week and 2-month US dollar LIBOR settings); and (ii) the 1-month, 3-month, 6-month and 12-month US LIBOR settings would cease to exist after June 30, 2023. In response to this, the federal banking agencies issued guidance on November 30, 2020 encouraging banks to (i) stop using LIBOR in new financial contracts no later than December 31, 2021; and (ii) either use a rate other than LIBOR or include clear language defining the alternative rate that will be applicable after LIBOR's discontinuation.

## [Table of Contents](#)

As a result of the preceding, the Company discontinued offering LIBOR-based products on October 31, 2021. The Company also required all LIBOR-based loans and renewals entered into on or prior to October 31, 2021 to close and fund by no later than December 31, 2021. As of November 1, 2021, the Company negotiates loans and loan renewals that would have been tied to LIBOR using the Wall Street Journal's U.S. Prime Rate ("WSJ Prime") or CME Term Secured Overnight Financing Rates ("SOFR").

While not anticipated, the transition to LIBOR could present additional risk, including, but not limited to, litigation and reputational risks if challenges are made to LIBOR fallback language within existing contracts. In addition, there continues to be uncertainty as to the ultimate effects of the LIBOR transition, including variations in the replacement benchmark rate designated and accepted by financial institutions. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could also have an adverse impact on the market for or value of any LIBOR-linked securities, loan, swaps, and other financial obligations or extension of credit held by or due to us or on our overall financial condition or results of operations. These variations also inject potential for greater competition with financial institutions whose LIBOR replacement rates and procedures may be more favorable or flexible than those adopted by the Company. The transition has also required changes to the Company's risk and pricing models, valuation tools, product design and hedging strategies. Failures to adequately manage the transition process also poses greater operational and reputational risks that could create material adverse effects on the Company's business, financial condition and results of operations.

Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations. Any failure to adequately manage this transition process with our customers could also adversely impact our reputation. We continue to monitor and evaluate the related risks.

*The Company could experience losses on its investment securities in volatile rate environments.*

While the Company attempts to invest a significant percentage of its assets in loans, the Company invests a percentage of its total assets in investment securities as part of its overall liquidity strategy.

Factors beyond the Company's control can significantly influence the fair value of securities in its portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities are generally subject to decreases in market value when market 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 continued instability in the credit markets. Any of the foregoing factors could cause an impairment in future periods and result in realized losses. The process for determining impairment 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. Because of changing economic and market conditions affecting market interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, the Company may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on the Company's financial condition and results of operations.

### **Legal, Regulatory and Compliance Risk**

*The Company is subject to legal and regulatory risk.*

The Company, like all financial institutions, has been and may in the future become involved in legal and regulatory proceedings. Litigation arises in a variety of contexts, including lending and deposit operations, intellectual property claims related to the technology used in business operations, employment practices, operating activities, and other general business matters. The Company considers most of these proceedings to be in the normal course of business or typical for the industry. However, it is inherently difficult to assess the outcome of these matters. Any material legal or regulatory proceeding could impose substantial cost and cause management to divert its attention from the Company's business and operations. Any adverse determination in a legal or regulatory proceeding could have a material adverse effect on the Company's business, financial condition and results of operations. See [Item 3. Legal Proceedings](#).

*The Company operates in a highly regulated environment and, as a result, is subject to extensive regulation and supervision.*

The Company and the Bank are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not the Company's shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Any change in applicable regulations or federal or state legislation could have a substantial impact on the Company, the Bank and their respective operations.

The Dodd-Frank Act, enacted in July 2010, instituted major changes to the banking and financial institutions regulatory regimes in light of the recent performance of and government intervention in the financial services sector. Additional legislation and regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could significantly affect the Company's powers, authority and operations, or the powers, authority and operations of the Bank in substantial and unpredictable ways. The Dodd-Frank Act created the Consumer Financial Protection Bureau, or the CFPB, with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority, including the authority to prohibit unfair, deceptive, and abusive acts and practices. These rules may result in increased regulatory compliance costs and subject the Company to increased potential liabilities related to its consumer banking business and residential mortgage lending activities.

Policies and regulations that may flow from the regulators could materially impact the Company's business, credit assessments, financial condition and/or operations. Regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of this regulatory discretion and power could have a negative impact on the Company. Failure to comply with laws, regulations or policies could also result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations.

*The Company must devote significant resources to compliance.*

Various federal banking laws and regulations, including rules adopted by the Federal Reserve Board pursuant to the requirements of the Dodd-Frank Act, impose certain heightened requirements on and greater supervision of banks and bank holding companies that maintain total consolidated assets of at least \$10 billion, like the Company. The imposition of these regulatory requirements and increased supervision has and will continue to require commitment of additional financial resources to maintain regulatory compliance, which has increased the Company's noninterest expense, and has and will continue to otherwise have an impact on the Company's financial condition and results of operations.

For example, the Company is subject to the Durbin Amendment to the Dodd-Frank Act regarding limits on debit card interchange fees. The Durbin Amendment gives the Federal Reserve Board the authority to establish rules regarding interchange fees charged for electronic debit transactions by a payment card issuer that, together with its affiliates, has assets of \$10 billion or more and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. The Federal Reserve Board has adopted rules under this provision that limit the swipe fees that a debit card issuer can charge a merchant for a transaction to the sum of \$0.21 and five basis points times the value of the transaction, plus up to one cent for fraud prevention costs. Accordingly, deposit insurance assessments and expenses related to regulatory compliance may increase, while any decrease in the amount of interchange fees that the Company receives would reduce the Company's revenue.

Further, on October 11, 2023, the FDIC issued a proposed rule and guidelines that would require all FDIC-supervised insured depository institutions with consolidated assets of over \$10 billion to adopt corporate governance and risk management standards that are comparable to those expected of banking organizations with \$100 billion or more in total consolidated assets. The proposed guidelines set forth requirements, expectations, and obligations of the board of directors (including composition, duties, and committees), Board and management responsibility regarding risk management and audits, and expectations with respect to identifying and addressing violations of law or regulations. If the proposed rule is adopted and implemented, this could result in substantial added expense to comply with the recordkeeping, reporting, and disclosure requirements. The comment period for the proposed rule and guidelines expired on February 9, 2024.

*The Company is subject to continuous examination.*

Texas and federal banking agencies periodically conduct examinations of the Company's business, including compliance with laws and regulations. If, as a result of an examination, a Texas or federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of the Company's operations had become unsatisfactory, or that the Company or its management was 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 the Company's capital, to restrict the Company's growth, to assess civil monetary penalties against the Company, the Company's officers or directors, to remove officers and directors and/or, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Company's deposit insurance. If the Company becomes subject to such regulatory actions, the Company could be materially and adversely affected.

*The Company may be required to pay significantly higher FDIC deposit insurance assessments in the future.*

Previous economic conditions and the Dodd-Frank Act caused the FDIC to increase deposit insurance assessments and may result in increased assessments in the future. In November 2023, the FDIC issued a final rule to implement a special assessment to recover losses to the DIF incurred as a result of recent bank failures and the FDIC's use of the systemic risk exception to cover certain deposits that were otherwise uninsured. The special assessment was based on estimated uninsured deposits as of December 31, 2022 (excluding the first \$5.0 billion) over eight quarterly assessment periods, beginning in the first quarter of 2024. Under the final rule, the estimated loss pursuant to the systemic risk determination will be periodically adjusted, and the FDIC has retained the ability to cease collection early, extend the special assessment collection period and impose a final shortfall special assessment on a one-time basis. Further, it is possible that further increases in deposit insurance are adopted by the FDIC Board. According to the FDIC's published materials in November 2023, there were 43 institutions on the FDIC's Problem Bank List as of the second quarter of 2023. The extent to which economic or other factors cause the FDIC Board to increase deposit insurance assessments and the impact any such increased assessments will have on our future deposit insurance expense is currently uncertain. An increase or change in the assessment rates imposed on the Bank could materially and adversely affect the Company. Refer to [Item 1. Business - Deposit Insurance Assessments](#) and [Item 7. Management's Discussion and Analysis - FDIC assessment](#) for further discussion and the impact to the Company.

*The Company faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.*

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the Treasury 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 Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If the Company's policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that the Company has already acquired or may acquire in the future are deficient, the Company would be subject to liability, including fines and regulatory actions such as restrictions on the Company's ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of the Company's business plan (including the Company's acquisition plans), which would negatively impact the Company's business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the Company.

*There are substantial regulatory limitations on changes of control of bank holding companies.*

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of the Company's voting stock or obtaining the ability to control in any manner the election of a majority of the Company's directors or otherwise direct the management or policies of the Company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any such purchase of shares of the Company's common stock. These provisions effectively inhibit certain mergers or other business combinations, which, in turn, could adversely affect the market price of the Company's common stock.

### **Liquidity and Capital Risk**

*The Company is subject to liquidity risk.*

Liquidity is essential to the Company's business. The Company relies on its ability to generate deposits and effectively manage the repayment and maturity schedules of the Company's loans and investment securities, respectively, to ensure that the Company has adequate liquidity to fund the Company's operations. An inability to raise funds through deposits, borrowings, the sale of the Company's investment securities, Federal Home Loan Bank advances, the sale of loans, and other sources could have a substantial negative effect on the Company's liquidity. The Company's most important source of funds consists of deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments or other financial institutions, the Company would lose a relatively low-cost source of funds, increasing the Company's funding costs and reducing the Company's net interest income and net income.

Other primary sources of funds consist of cash flows from operations, investment maturities and sales of investment securities, and proceeds from the issuance and sale of the Company's equity and debt securities to investors. Additional liquidity is provided by the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank. The Company also may borrow funds from third-party lenders, such as other financial institutions. The Company's access to funding sources in amounts adequate to finance or capitalize the Company's activities, or on terms that are acceptable to the Company, could be impaired by factors that affect the Company 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.

Unrealized losses on our available for sale securities portfolio have increased as interest rates have increased. Unrealized losses related to available for sale securities reduce tangible common equity but do not impact regulatory capital ratios. While we do not currently expect to sell securities for liquidity purposes, our access to liquidity sources could be impacted by unrealized losses if securities are sold at a loss. Additionally, unrealized losses could negatively impact market and/or customer perceptions which could lead to a reputational harm of the Company and/or deposit withdrawal, particularly among uninsured depositors.

Any decline in available funding could adversely impact the Company's ability to originate loans, invest in securities, meet the Company's expenses, pay dividends to the Company's shareholders, or to fulfill obligations such as repaying the Company's borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on the Company's liquidity, business, financial condition and results of operations.

*The Company must maintain adequate capital.*

The Company faces significant capital and other regulatory requirements as a financial institution. The Company may need to raise additional capital in the future to provide the Company with sufficient capital resources and liquidity to meet the Company's commitments and business needs, which could include the possibility of financing acquisitions. In addition, the Company, on a consolidated basis, and the Bank, on a stand-alone basis, must meet certain regulatory capital requirements and maintain sufficient liquidity. The Company faces significant capital and other regulatory requirements as a financial institution. The Company's ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on the Company's financial condition and performance. In the future, the Company may not be able to raise additional capital if needed or on terms acceptable to the Company. If the Company fails to maintain capital to meet regulatory requirements, the Company's financial condition, liquidity and results of operations would be materially and adversely affected.

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

The Federal Reserve, which examines the Company and the Bank, requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under these requirements, in the future, the Company could be required to provide financial assistance to the Bank if it experiences financial distress.

A capital injection may be required at times when the Company does not have the resources to provide it, and therefore the Company may be required to borrow the funds. 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 its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

### **Other Risks Affecting Our Business**

*Volatile market conditions and macro economic trends.*

The Company is operating in a dynamic and challenging economic environment, including uncertain global, national and local market conditions. In particular, Texas and Colorado based financial institutions are affected by volatility in the energy markets and the potential impact of that volatility on real estate and other markets. The Company is also subject to uncertain interest rate conditions. These volatile economic conditions could adversely affect borrowers and their businesses as well as the value of collateral (particularly real estate collateral) securing loans, which could adversely affect the Company's business, financial condition and results of operation.

*The Company operates in a competitive environment.*

The Company conducts its operations almost exclusively in Texas and Colorado. Many of the Company's competitors offer the same, or a wider variety of, banking services within the Company's market areas. These competitors include banks with nationwide operations, regional banks and other community banks.

The Company also faces competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices, or otherwise solicit deposits, in the Company's market areas. Furthermore, many of the Company's larger competitors have substantially greater resources to invest in technological improvement, resulting in additional or superior product offerings not offered by the Company.

Also, the rise of "FinTech" and popular derivations arising from the "FinTech" boom, such as cryptocurrency, have created both competitive and operational challenges. The Company's ability to successfully compete will depend on a number of factors, including its ability to maintain long-term customer relationships and customer satisfaction with the Company's products and services, the scope, relevance and pricing of the products and services the Company offers, industry and general economic trends, and the Company's ability to invest in and effectively implement new technology, procedures and methodology that promote the security of financial transactions in a digital world. If the Company's operations are unable to keep pace with customers' evolving financial needs and demands, then the Company may be unable to continue to grow its loan and deposit portfolios, or may be required to increase the rates the Company pays on deposits or lower the rates it offers on loans, which could reduce the Company's profitability.



*The Company is reliant on deposits as a significant source of funding.*

The Company relies on customer deposits as a significant source of funding. Competition among U.S. banks for customer deposits is intense, and may increase the cost of deposits or prevent new deposits, and may otherwise negatively affect the Company's ability to grow its deposit base. The Company's deposit accounts may decrease in the future, and any such decrease could have an adverse impact on the Company's sources of funding, which impact could be material. Any changes the Company makes to the rates offered on its deposit products to remain competitive with other financial institutions may adversely affect the Company's profitability and liquidity. The demand for the deposit products the Company offers may also be reduced due to a variety of factors, such as digital banking technology, demographic patterns, stability of other financial institutions, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. In addition, a portion of the Company's deposits are brokered deposits and FDIC uninsured deposits. The levels of these types of deposits that the Company holds may be more volatile during changing economic conditions. Refer to [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Deposits](#) for more information.

*The Company may be adversely impacted by natural disasters, health pandemics, and other local and worldwide events beyond the Company's control.*

Natural disasters, health pandemics, severe weather events, including those prominent in Texas and Colorado and those prominent in the geographic areas of vendors and business partners, together with worldwide hostilities, terrorist attacks, and other external events could have a significant impact on the Company's ability to conduct business. These events could also affect the stability of the Company's deposit base, borrowers' ability to repay loans, impair collateral, result in a loss of revenue or an increase in expenses. Although the Company has established disaster recovery and business continuity procedures and plans, the occurrence of any such event may adversely affect the Company's business, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Hurricanes, tornadoes, wildfires, earthquakes and other natural disasters and severe weather events have caused, and in the future may cause, widespread property damage and significantly and negatively affect the local economies in which the Company operates. The effect of catastrophic weather events if they were to occur, could have a materially adverse impact on the Company's financial condition, results of operations and business, as well as potentially increase the Company's exposure to credit losses and liquidity risks.

*The Company is subject to growing risk from changing environmental conditions.*

The Company is subject to growing risk from changing environmental conditions. Among the risks associated with "climate change" are more frequent severe weather events. As discussed in the previous factors, severe weather events subject the Company to significant risks and more frequent severe weather events magnify those risks. Governmental policy actions to address climate change, such as efforts to reduce reliance on fossil fuels and green energy initiatives, could have a significant impact on the Texas and Colorado economies, in particular. While the Texas and Colorado economies are more diversified than in the past and energy companies are working to adapt to climate change initiatives, the oil and gas industry has had, and continues to have, a significant impact on the overall Texas and Colorado economies. Further, banking regulators are beginning to consider the risk presented by climate change on the financial system and may pass new regulations, such as climate related stress testing, to address this risk. The potential losses and costs associated with climate change related risks could have a material adverse effect upon the Company's business, financial condition and results of operation.

In addition, given that a significant portion of the Company's loan portfolio is secured by real property, the Company has sensitivity to other environmental risks. During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Company to incur substantial expenses and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability. Although the Company has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's financial condition and results of operations.



*Reputational risk is heightened by emerging environmental, social and governance concerns.*

While reputational risk has always been inherent in the financial services sector, the emergence of the concept of environmental, social and governance (ESG) initiatives has heightened reputational risk for many industries, and particularly for publicly traded entities, like the Company. Pressure to conform operations and practices around ESG factors could have pervasive impact on the Company's lending practices, branching strategy, product and service offerings, corporate governance, mergers and acquisition strategy, and disclosures. The lack of formalized requirements framing how entities should implement ESG and to what degree creates uncertainty that could have materially adverse effects on the Company's business, financial condition and operations.

*Monetary policies and regulations of the Federal Reserve could adversely affect the Company's business, financial condition and results of operations.*

In addition to being affected by general economic conditions, the Company's earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount 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. The Company cannot predict the effects of such policies upon the Company's business, financial condition and results of operations.

#### **RISKS RELATED TO AN INVESTMENT IN THE COMPANY'S COMMON STOCK**

*The Company's stock price can be volatile.*

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. The Company's stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- new reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding the Company and/or its competitors;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations involving the Company or its competitors;
- the public float and trading volumes for the Company's common stock;
- changes in government regulations, including tax laws; and
- volatility in economic conditions, including changes in interest rates, significant local or global events, disruption in energy markets and changes in the global economy.

In addition, although the Company's common stock is listed for trading on the Nasdaq Global Select Market, the trading volume of the Company's common stock is less than that of other, larger financial institutions. Given the lower trading volume, significant sales of Company common stock, or the expectation of such sales, could cause the stock price to fall.

*The Company is dependent upon the Bank for cash flow, and the Bank's ability to make cash distributions is restricted.*

The Company's primary tangible asset is the Bank. As such, the Company depends upon the Bank for cash distributions (through dividends on the Bank's stock) that the Company uses to pay the Company's operating expenses, satisfy the Company's obligations (including the Company's senior indebtedness, subordinated debentures, and junior subordinated indebtedness issued in connection with trust preferred securities), and to pay dividends on the Company's common stock. There are numerous laws and banking regulations that limit the Bank's ability to pay dividends to the Company. If the Bank is unable to pay dividends to the Company, the Company will not be able to satisfy the Company's obligations or pay dividends on the Company's common stock. Federal and state statutes and regulations restrict the Bank's ability to make cash distributions to the Company. These statutes and regulations require, among other things, that the Bank maintain certain levels of capital in order to pay a dividend. Further, state and federal banking authorities have the ability to restrict the payment of dividends by supervisory action.

*The Company's dividend policy may change without notice, and the Company's future ability to pay dividends is subject to restrictions.*

The Company may change its dividend policy at any time without notice to the Company's shareholders. Holders of the Company's common stock are entitled to receive only such dividends as the Company's 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 the Company's earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, the Company's ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by its board of directors. Furthermore, consistent with the Company's strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, the Company has made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to the Company's 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, level of current and prospective earnings and level, composition and quality of capital. The guidance provides that the Company 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 the Company's capital structure, including interest on senior debt, subordinated debt and the subordinated debentures underlying the Company's trust preferred securities. If required payments on the Company's outstanding senior debt, subordinated debt and junior subordinated debentures, held by its unconsolidated subsidiary trusts, are not made or are suspended, the Company would be prohibited from paying dividends on its common stock.

*The Company's largest shareholder and board of directors have historically, and currently, exert a controlling influence on the Company.*

Collectively, as of February 16, 2024, Messrs. Vincent Viola and David Brooks owned 11.5% of the Company's outstanding common stock on a fully diluted basis. Vincent Viola, the largest shareholder of the Company, currently owns 9.9% of the Company's outstanding common stock, and David Brooks, the Company's Chairman of the Board and Chief Executive Officer, currently owns 1.6% of the Company's common stock, each calculated on a fully diluted basis. Further, as of the date hereof, the Company's other directors and executive officers currently own collectively approximately 1.8% of the Company's outstanding common stock. These individuals have historically, and currently, exert controlling influence in the Company's management and policies.

In addition, Michael Viola, a director of the Company, is the son of Vincent Viola. Further, David Brooks, the Company's Chairman and Chief Executive Officer, has a 36 year history of ownership and operation of the Bank with Vincent Viola; and he has a joint investment with Vincent Viola outside of the Company. Given these close relationships, even though he does not serve on the Company's board, Vincent Viola has and will continue to have an influence over the direction and operation of the Company.

## [Table of Contents](#)

*The Company's corporate organizational documents and the provisions of Texas law make more difficult or prevent an attempted acquisition of the Company that you may favor.*

The Company's certificate of formation and bylaws contain various provisions that could have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change in control of the Company. These provisions include the following:

- staggered terms of directors until shareholder approved declassification of the board is complete at the 2025 annual meeting of shareholders;
- a provision that directors cannot be removed except for cause;
- a provision that any special meeting of the Company's shareholders may be called only by a majority of the Company's board of directors, the Chairman or a holder or group of holders of at least 20% of the Company's shares entitled to vote at such special meeting; and
- a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered only at an annual or special meeting of shareholders.

The Company's certificate of formation provides for noncumulative voting for directors and authorizes the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of the Company's preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in the Company. In addition, certain provisions of Texas law, including a requirement that two-thirds of the shares outstanding must approve major corporate actions, such as an amendment to the Company's certificate of formation or the approval of a merger, and 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 of the Company. Also, the Company's certificate of formation prohibits shareholder action by written consent.

*Other debt and equity instruments have priority over the Company's common stock.*

In the event of any winding up and termination of the Company, the Company common stock would rank below all claims of the holders of the Company's debt and any preferred stock then outstanding. Upon the winding up and termination of the Company, holders of the Company's common stock will not be entitled to receive any payment or other distribution of assets until after all of the Company's obligations to the Company's debt holders have been satisfied and holders of the Company's senior debt, subordinated debt, and junior subordinated debentures issued in connection with trust preferred securities have received any payments and other distributions due to them. In addition, the Company is required to pay interest on the Company's senior debt, subordinated debt and subordinated debentures and junior subordinated debentures issued in connection with the Company's trust preferred securities before the Company pays any dividends on the Company's common stock. Furthermore, the Company's board of directors may also, in its sole discretion, designate and issue one or more series of preferred stock from the Company's authorized and unissued preferred stock, which may have preferences with respect to common stock in dissolution, dividends, liquidation or otherwise.

*An investment in the Company's common stock is not an insured deposit .*

An investment in the Company's common stock is not a bank deposit and, therefore, is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in the Company's common stock is inherently risky for the reasons described in this report and shareholders who acquire the Company's common stock could lose some or all of their investment.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 1C. CYBERSECURITY

### *Cybersecurity and Risk Management*

The Company's cybersecurity risk management processes are integrated into the overall risk management system through reporting of cyber risks to Technology and Information Security Oversight Committee, Operational Risk Committee, Enterprise Risk Committee, and Board Risk Oversight Committee. Risk Appetite statements are approved by the Board Risk Oversight Committee and the Board, and Key Risk Indicators are monitored on an ongoing basis by the Information Security team, and the Operational Risk and Enterprise Risk Committees. The Company performs regular Information Security focused Risk Assessments at the entity level, including but not limited to assessments based on the Federal Financial Institutions Examination Council Cybersecurity Assessment Tool (FFIEC CAT) and Ransomware Self-Assessment Tool (R-SAT), and National Institute of Standards and Technology (NIST) Cybersecurity Framework.

### *Engagement of Third Parties*

Information Security leverages third parties for cyber security services including but not limited to managed security services, external penetration testing, and tabletop exercises.

### *Oversight and Identification of Risks Associated with Third Parties*

Information Security, in coordination with Third Party Risk Management, reviews new vendors at onboarding to oversee and identify potential risks and performs ongoing monitoring of emerging risks related to any third-party service providers. Third-party service provider reviews include completion of a standardized questionnaire and review of SOC reports. New technology projects are subject to a Security Architecture Review completed by Information Security. Information Security coordinates with Contract Management to perform contract reviews for security controls and notification processes. Information Security conducts annual IT Risk Assessments on Tier 1 applications, defined as those vendors of critical importance to the Company's core operations.

### *Risks from Cybersecurity Threats*

In the last fiscal year, we have not experienced any material cybersecurity incidents. For a full discussion of cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our business strategy, result of operations, or financial condition, see [Item 1A. Risk Factors](#).

### *Board Oversight*

Our Board Risk Oversight Committee is charged with overseeing the Company's management of credit, market, liquidity, operational (including information technology and cybersecurity), compliance, reputational and strategic risks, including the annual approval and recommendation to the Board of Directors of the Company's risk appetite statement and approval of the Company's risk management framework.

Risks from cybersecurity threats are monitored on an ongoing basis by the Information Security team, engaging the Cyber Incident Response Team, Cyber Crisis Team, the Core Team, and Extended Core Team, as needed, and escalated to the extent that incidents rise to the level of notification to the relevant risk or board committee or on an ad hoc basis.

Additionally, quarterly cybersecurity updates are provided to risk and board committees including, but not limited to, the following materials: Annual GLBA Report, Information Security Metrics (including Key Performance and Key Risk Indicators), Penetration Testing and Tabletop Exercise updates, Cyber Maturity Assessments/Roadmap, Annual Threat Landscape Report, and additional cybersecurity education topics.

### *Management and Assessment of Risk*

The Enterprise Risk Sub-Committee (ERC) (a management committee) assists executive management and the Board of Directors with providing oversight of the Bank's enterprise risk management program.

## [Table of Contents](#)

The ERC and Board Risk Oversight Committee work together to facilitate effective risk management and timely escalation of substantive issues, including Operational Risk (which includes information technology and cybersecurity).

The Chief Information Security Officer (CISO), reporting to the Chief Risk Officer, is responsible for information security and cybersecurity risk management. The CISO has over 20 years of experience in cybersecurity in Financial Services and is a Certified Information Systems Security Professional (CISSP) and holds a SysAdmin, Audit, Network and Security Global Information Assurance Certification (SANS GCIA).

### *Incident and Risk Escalation Through Cyber Incident Response Plan*

Information Security maintains processes for prevention, detection, and mitigation of cybersecurity incidents. The Company maintains a Cyber Incident Response Plan (CIRP) that covers response and remediation processes for managing cybersecurity incidents. The CIRP outlines the cross-functional responsibilities for the Cyber Crisis Team, the Core Team and Extended Core Team during a notification incident. The Core Team consists of the Chief Information Security Officer, Chief Legal Officer, Chief Information Officer, and Director Operational Risk Management to manage the incident. The Extended Core Team consists of other business area leaders who may need to be engaged based on the area of impact. All CIRP incidents are managed through an Incident Commander with communications being escalated to executive leadership as needed, who will then report to the Board. Key Performance Indicators and Key Risk Indicators related to monitoring and detection are presented to Technology and Information Security and Operational Risk Management Committees.

### *Incident and Risk Escalation to Board*

The Board Risk Oversight Committee oversees the ERC and works directly with the ERC to facilitate effective risk management and timely escalation of substantive issues from ERC and ERC's sub-committees, including Operational Risk (which includes information technology and cybersecurity). Quarterly, cybersecurity updates are provided to risk and board committees including, but not limited to, the following materials: Annual GLBA Report, Information Security Metrics (including Key Performance and Key Risk Indicators), Penetration Testing and Tabletop Exercise updates, Cyber Maturity Assessments/Roadmap, Annual Threat Landscape Report, and additional cybersecurity education topics.

## **ITEM 2. PROPERTIES**

The Company owns its corporate headquarters, located at 7777 and 7677 Henneman Way, McKinney, Texas 75070, which serves as the Bank's home office. The headquarters campus consists of an approximately 165,000 square foot, six story corporate office building and an approximately 198,000 square foot, six story facility that serves as the Company's operation center.

As of December 31, 2023, the Company had 91 full-service branches. The Company believes that its facilities are in good condition and are adequate to meet the Company's operating needs for the foreseeable future. At December 31, 2023, the Company owns 71 of the branches, and leases the remaining facilities. Our branches are located in the Dallas/North Texas area, including McKinney, Dallas, Fort Worth, and Sherman/Denison, the Austin/Central Texas area, including Austin and Waco, the Houston Texas metropolitan area and along the Colorado Front Range area, including Denver, Colorado Springs and Fort Collins.

For more information about premises and equipment and lease commitments, see Note 6. Premises and Equipment, Net, and Note 12. Leases, respectively, to the Company's audited consolidated financial statements included elsewhere in this report.

## **ITEM 3. LEGAL PROCEEDINGS**

In the normal course of business, the Company and the Bank are named as defendants in various lawsuits. Management of the Company and the Bank, following consultation with legal counsel, do not expect the ultimate disposition of any, or a combination, of these matters to have a material adverse effect on the continued operations of the Company or the Bank.

## [Table of Contents](#)

The Bank is a party to a legal proceeding inherited in connection with the Company's acquisition of BOH Holdings, Inc. and its subsidiary, Bank of Houston, or BOH, that was completed on April 15, 2014. Several entities related to R.A. Stanford, or the Stanford Entities, including Stanford International Bank, Ltd., or SIBL, had deposit accounts at BOH. Certain individuals who had purchased certificates of deposit from SIBL filed a class action lawsuit against several banks, including BOH, on August 23, 2009 in Texas state court, alleging, among other things, that the plaintiffs were victims of fraud by SIBL and other Stanford Entities and seeks to recover damages and alleged fraudulent transfers by the defendant banks.

The plaintiffs seek recovery from the Bank and other defendants for their losses. On May 1, 2015, the plaintiffs filed a motion requesting permission to file a Second Amended Class Action Complaint in this case, which motion was subsequently granted. The Second Amended Class Action Complaint presents previously unasserted claims, including aiding and abetting or participation in a fraudulent scheme based upon the large amount of deposits that the Stanford Entities held at BOH and the alleged knowledge of certain BOH officers. The case was then inactive due to a Court-ordered discovery stay issued March 2, 2015 pending the Court's ruling on plaintiff's motion for class certificate and designation of class representatives and counsel. On November 7, 2017, the Court issued an order denying the plaintiff's motion. In addition, the Court lifted the previously ordered discovery stay. On January 11, 2018, the Court entered a scheduling order providing that the case be ready for trial on January 27, 2020. Due to agreed upon extensions of discovery on July 25, 2019, the Court amended the scheduling order to provide that the case be ready for trial on January 11, 2021. In light of additional agreed upon extensions of discovery deadlines, the Court entered a new scheduling order on March 9, 2020, which provided that the case be ready for trial March 15, 2021. In light of delays in discovery associated with the COVID-19 pandemic, the parties agreed to amend the scheduling order with new ready for trial date of May 6, 2021. The Defendants filed a motion to remand the case. The Bank also filed its motion for summary judgment on February 12, 2021. On the same day, the Bank also joined in on an omnibus motion for summary judgment based on procedural issues common to all Defendants. On March 19, 2021, the Plaintiffs filed a notice of abandonment of five of the seven causes of action against the Bank. On March 11, 2021, the Defendants filed a motion to amend the scheduling order, which was granted, effectively vacating the May 6, 2021 trial date. On January 20, 2022 the Court issued an opinion and order denying the motion for summary judgment by the Bank and the other defendants. On the same date, the Court issued a suggestion of remand of the case to the Southern District of Texas. As of March 11, 2022, the case has been officially remanded to the Southern District of Texas. On January 2-3, 2023, the Bank attended court-ordered mediation which did not result in resolution. Trial was scheduled to begin on February 27, 2023.

As disclosed in the Company's Current Report on Form 8-K dated February 27, 2023, the Bank entered into a settlement in principle with the Plaintiffs. A settlement agreement was subsequently executed by the parties on March 7, 2023. Pursuant to the settlement, the parties agreed to settle and dismiss the Stanford litigation and to seek the entry of bar orders from the U.S. District Court for the Northern District of Texas prohibiting any continued or future claims against the Bank and its related parties relating to Stanford, whether asserted to date or not. The settlement and the bar orders were approved by the Court on August 8, 2023. Once the settlement and bar orders are not subject to further appeal, and the underlying Stanford litigation is dismissed, the Bank will make a one-time cash payment of \$100 million to Ralph S. Janvey, in his capacity as the Court-appointed receiver for the Stanford litigation.

The settlement does not include any admission of liability of wrongdoing by the Bank, and the Bank expressly denied any liability or wrongdoing with respect to any matter alleged in the Stanford litigation. The Bank has agreed to the settlement to avoid the cost, risks, and distraction of continued litigation. The Company believes the settlement is in the best interests of the Company and its shareholders.

This is complex litigation involving a number of procedural matters and issues and the Company has experienced an increase in legal fees associated with the defense of this claim and expects to continue to incur legal fees in connection with this matter until this matter is fully resolved.

The Bank notified its insurance carriers of the claims made in the Second Amended Complaint. The insurance carriers have initially indicated that the claims are not covered by the policies or that a "loss" has not yet occurred. The Bank pursued insurance coverage as well as reimbursement of defense costs through the initiation of litigation and other means. On November 6, 2018, the Company settled claims under its Financial Institutions Select Policy pursuant to which the Company received payment of an amount which is not material to the operations of the Company. The Company did not settle any claims under its Financial Institution Bond Policy.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market for Common Stock**

Since January 2, 2014, the Company's common stock has traded on the Nasdaq Global Select Market under the symbol "IBTX." Quotations of the sales volume and the closing sales prices of the common stock of the Company are listed daily in the Nasdaq Global Select Market's listings. As of February 16, 2024, there were 413 holders of record for the Company's common stock.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information as of December 31, 2023, regarding the Company's equity compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	—	N/A	1,367,836 <sup>(1)</sup>
Equity compensation plans not approved by security holders	—	N/A	—

(1) Constitutes shares of the Company's common stock issuable under the 2022 Equity Incentive Plan. See Note 19. Stock Awards for more information on types of allowable awards under the Plan.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

**Stock Repurchase Program:** From time to time, the Company's board of directors has authorized stock repurchase programs which allows the Company to purchase its common stock in the open market or in privately negotiated transactions. In general, the share repurchase program allows the Company to proactively manage its capital position and return excess capital to shareholders. In January 2023, the Company's Board established the 2023 Stock Repurchase Plan (2023 Plan), which authorized the repurchase of up to \$125.0 million of common stock through December 31, 2023. No shares were repurchased by the Company during the year ended December 31, 2023. Under a prior stock repurchase program, the Company repurchased 1,651,236 shares of Company stock at a total cost of \$116.0 million during 2022 and 419,098 shares of Company stock at a total cost of \$29.2 million during 2021.

[Table of Contents](#)

The following table summarizes the Corporation's repurchase activity during the year ended December 31, 2023.

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plan	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan (thousands)
Total first quarter 2023	26,777	\$ 60.39	—	\$ 125,000
Total second quarter 2023	486	44.00	—	125,000
Total third quarter 2023	11,476	36.43	—	125,000
October 2023	2,825	39.43	—	125,000
November 2023	—	—	—	125,000
December 2023	163	43.25	—	—
Total fourth quarter 2023	2,988	39.63	—	—
Total 2023 year-to-date	41,727	\$ 52.12	—	\$ —

(1) All 41,727 shares were purchased to settle employee tax withholding related to vesting of restricted stock awards. These transactions are not considered part of the Company's repurchase program.

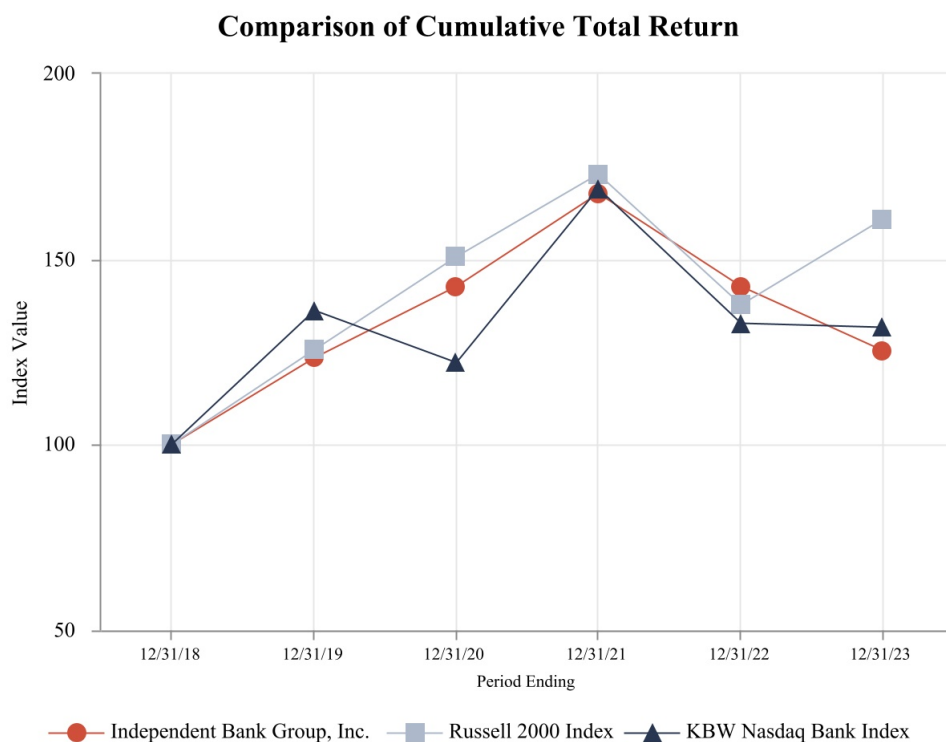


## Performance Graph

The following Performance Graph compares the cumulative total shareholder return on the Company's common stock for the period December 31, 2018 through December 31, 2023, with the cumulative total return of the Russell 2000 Index and the KBW Nasdaq Bank Index for the same period. Dividend reinvestment has been assumed. The Performance Graph assumes \$100 invested on December 31, 2018, in the Company's common stock, the Russell 2000 Index and KBW Nasdaq Bank Index. The historical stock price performance for the Company's common stock shown on the graph below is not necessarily indicative of future stock performance.

### Comparison of Cumulative Total Return

Among Independent Bank Group, Inc., the Russell 2000 Index and the KBW Nasdaq Bank Index



	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Independent Bank Group, Inc.	100.00	123.36	142.63	167.63	142.64	125.33
Russell 2000 Index	100.00	125.53	150.58	172.90	137.56	160.85
KBW Nasdaq Bank Index	100.00	136.13	122.09	168.88	132.75	131.57

(Source: S&P Capital IQ)

**ITEM 6. [RESERVED]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. Certain risks, uncertainties and other factors, including those set forth under "[Risk Factors](#)" in [Part I, Item 1A](#), and elsewhere in this Annual Report on Form 10-K, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis.

**Cautionary Note Regarding Forward Looking Statements**

This Annual Report on Form 10-K, our other filings with the SEC, and other press releases, documents, reports and announcements that we make, issue or publish may contain statements that we believe are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties and are made pursuant to the safe harbor provisions of Section 27A of the Securities Act, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and other related federal security laws. These forward-looking statements include information about our possible or assumed future results of operations, including our future revenues, income, expenses, provision for taxes, effective tax rate, earnings per share and cash flows, our future capital expenditures and dividends, our future financial condition and changes therein, including changes in our loan portfolio and allowance for credit losses, our future capital structure or changes therein, the plan and objectives of management for future operations, our future or proposed acquisitions, the future or expected effect of acquisitions on our operations, results of operations and financial condition, our future economic performance and the statements of the assumptions underlying any such statement. Such statements are typically, but not exclusively, identified by the use in the statements of words or phrases such as "aim," "anticipate," "estimate," "expect," "goal," "guidance," "intend," "is anticipated," "is estimated," "is expected," "is intended," "objective," "plan," "projected," "projection," "will affect," "will be," "will continue," "will decrease," "will grow," "will impact," "will increase," "will incur," "will reduce," "will remain," "will result," "would be," variations of such words or phrases (including where the word "could," "may" or "would" is used rather than the word "will" in a phrase) and similar words and phrases indicating that the statement addresses some future result, occurrence, plan or objective. The forward-looking statements that we make are based on the Company's current expectations and assumptions regarding its business, the economy, and other future conditions. Because forward-looking statements relate to future results and occurrences, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. The Company's actual results may differ materially from those contemplated by the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. Many possible events or factors could affect our future financial results and performance and could cause those results or performance to differ materially from those expressed in the forward-looking statements. These possible events or factors include, but are not limited to:

- our ability to sustain our current internal growth rate and total growth rate;
- changes in geopolitical, business and economic events, occurrences and conditions, including changes in rates of inflation or deflation, nationally, regionally and in our target markets, particularly in Texas and Colorado;
- worsening business and economic conditions nationally, regionally and in our target markets, particularly in Texas and Colorado, and the geographic areas in those states in which we operate;
- our dependence on our management team and our ability to attract, motivate and retain qualified personnel;
- the concentration of our business within our geographic areas of operation in Texas and Colorado;
- changes in asset quality, including increases in default rates on loans and higher levels of nonperforming loans and loan charge-offs generally;
- concentration of the loan portfolio of the Bank, before and after the completion of acquisitions of financial institutions, in commercial and residential real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;
- the ability of the Bank to make loans with acceptable net interest margins and levels of risk of repayment and to otherwise invest in assets at acceptable yields and that present acceptable investment risks;
- inaccuracy of the assumptions and estimates that the management of our Company and the financial institutions that we acquire make in establishing reserves for credit losses and other estimates generally;
- lack of liquidity, including as a result of a reduction in the amount of sources of liquidity we currently have;

## [Table of Contents](#)

- material increases or decreases in the amount of insured and/or uninsured deposits held by the Bank or other financial institutions that we acquire and the cost of those deposits;
- adverse developments in the banking industry related to soundness of other financial institutions, and the potential impact of such developments on customer confidence, liquidity, and regulatory responses, including regulatory oversight, examinations, and any potential related findings and actions;
- our access to the debt and equity markets and the overall cost of funding our operations;
- regulatory requirements to maintain minimum capital levels or maintenance of capital at levels sufficient to support our anticipated growth;
- changes in market interest rates that affect the pricing of the loans and deposits of each of the Bank and the financial institutions that we acquire and that affect the net interest income, other future cash flows, or the market value of the assets of each of the Bank and the financial institutions that we acquire, including investment securities;
- fluctuations in the market value and liquidity of the securities we hold for sale, including as a result of changes in market interest rates;
- effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- the effects of infectious disease outbreaks and the significant impact and associated efforts to limit such spread has had or may have on economic conditions and the Company's business, employees, customers, asset quality and financial performance;
- changes in economic and market conditions that affect the amount and value of the assets of the Bank and of financial institutions that we acquire;
- the institution and outcome of, and costs associated with, litigation and other legal proceedings against one or more of the Company, the Bank and financial institutions that we acquire or to which any of such entities is subject;
- the occurrence of market conditions adversely affecting the financial industry generally;
- the impact of recent and future legislative regulatory changes, including changes in banking, securities, and tax laws and regulations and their application by the Company's regulators, and changes in federal government policies, as well as regulatory requirements applicable to, and resulting from regulatory supervision of, the Company and the Bank as a financial institution with total assets greater than \$10 billion;
- changes in accounting policies, practices, principles and guidelines, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the SEC and the Public Company Accounting Oversight Board, as the case may be;
- governmental monetary and fiscal policies;
- changes in the scope and cost of FDIC insurance and other coverage;
- the effects of war or other conflicts, including, but not limited to, the current conflicts between Russia and the Ukraine and Israel and Hamas, acts of terrorism (including cyber attacks) or other catastrophic events, including natural disasters such as storms, droughts, tornadoes, hurricanes and flooding, that may affect general economic conditions;
- our actual cost savings resulting from previous or future acquisitions are less than expected, we are unable to realize those cost savings as soon as expected, or we incur additional or unexpected costs;
- our revenues after previous or future acquisitions are less than expected;
- the liquidity of, and changes in the amounts and sources of liquidity available to us, before and after the acquisition of any financial institutions that we acquire;
- deposit attrition, operating costs, customer loss and business disruption during the normal course of business, and before and after any completed acquisitions, including, without limitation, difficulties in maintaining relationships with employees, may be greater than we expected;
- the effects of the combination of the operations of financial institutions that we have acquired in the recent past or may acquire in the future with our operations and the operations of the Bank, the effects of the integration of such operations being unsuccessful, and the effects of such integration being more difficult, time consuming, or costly than expected or not yielding the cost savings we expect;
- the impact of investments that the Company may have made or may make and the changes in the value of those investments;
- the quality of the assets of financial institutions and companies that we have acquired in the recent past or may acquire in the future being different than we determined or determine in our due diligence investigation in connection with the acquisition of such financial institutions and any inadequacy of credit loss reserves relating to, and exposure to unrecoverable losses on, loans acquired;
- our ability to continue to identify acquisition targets and successfully acquire desirable financial institutions to sustain our growth, to expand our presence in our markets and to enter new markets;
- changes in general business and economic conditions in the markets in which we currently operate and may operate in the future;

## [Table of Contents](#)

- changes occur in business conditions and inflation generally;
- an increase in the rate of personal or commercial customers' bankruptcies generally;
- technology-related changes are harder to make or are more expensive than expected;
- physical or cyber attacks on the security of, and breaches of, the Company's digital information systems, the costs we or the Bank incur to provide security against such attacks and any costs and liability the Company or the Bank incurs in connection with any breach of those systems;
- the potential impact of technology and "FinTech" entities on the banking industry generally;
- the potential impact of climate change and related government regulation on the Company and its customers;
- other economic, competitive, governmental, regulatory, technological and geopolitical factors affecting the Company's operations, pricing and services; and
- the other factors that are described or referenced in [Part I, Item 1A](#), of the Annual Report on Form 10-K under the caption "Risk Factors."

We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating all such forward-looking statements made by us. As a result of these and other matters, including changes in facts and assumptions not being realized or other factors, the actual results relating to the subject matter of any forward-looking statement may differ materially from the anticipated results expressed or implied in that forward-looking statement. Any forward-looking statement made in this 10-K or made by us in any report, filing, document, or information incorporated by reference in this 10-K speaks only as of the date on which it is made. The Company undertakes no obligation to update any such forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

A forward looking-statement may include a statement of the assumptions or bases underlying the forward-looking statement. The Company believes that these assumptions or bases have been chosen in good faith and that they are reasonable. However, the Company cautions you that assumptions as to future occurrences or results almost always vary from actual future occurrences or results, and the differences between assumptions and actual occurrences and results can be material. Therefore, the Company cautions you not to place undue reliance on the forward-looking statements contained in this 10-K or incorporated by reference herein.

## **Overview**

The Company was organized as a bank holding company in 2002 and, since that time, has pursued a strategy to create long-term shareholder value through organic growth of our community banking franchise in our market areas and through selective acquisitions of complementary banking institutions with operations in the Company's market areas or in new market areas. On April 8, 2013, the Company consummated the initial public offering, or IPO, of its common stock which is traded on the Nasdaq Global Select Market.

The Company's principal business is lending to and accepting deposits from businesses, professionals and individuals. The Company conducts all of the Company's banking operations through its principal bank subsidiary. The Company derives its income principally from interest earned on loans and, to a lesser extent, income from securities available for sale and securities held to maturity. The Company also derives income from noninterest sources, such as fees received in connection with various deposit services, mortgage banking operations and investment advisory services. From time to time, the Company also realizes gains or losses on the sale of assets. The Company's principal expenses include interest expense on interest-bearing customer deposits, advances from the Federal Home Loan Bank of Dallas (FHLB) and other borrowings, operating expenses such as salaries and employee benefits, occupancy costs, communication and technology costs, expenses associated with other real estate owned, other administrative expenses, amortization of intangibles, provisions for credit losses and the Company's assessment for FDIC deposit insurance.

The Company intends for this discussion and analysis to provide the reader with information that will assist in understanding the Company's financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. This discussion relates to the Company and its consolidated subsidiaries and should be read in conjunction with the Company's consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and the accompanying notes, appearing elsewhere in this Annual Report on Form 10-K. The Company's fiscal year ends on December 31. The following discussion and analysis presents the more significant factors that affected our financial condition as of December 31, 2023 and 2022 and results of operations for each of the years then ended. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on Form 10-K, filed with the SEC on February 21, 2023 for discussion of our results of operations for the years ended December 31, 2022 and 2021.

## Recent Developments

### *Stanford Litigation*

As more fully discussed in [Part I, Item 3. Legal Proceedings](#), in first quarter 2023, the Bank entered into a settlement agreement with the plaintiffs to settle all claims of the ongoing lawsuit and will pay \$100.0 million under the terms of the settlement. While the Company denies any liability or wrongdoing with respect to this matter, it believes the settlement is in the best interest of the Company and its shareholders as it eliminates risk, ongoing expense and uncertainty. The \$100.0 million settlement, along with \$2.5 million in legal and other fees, is recorded to litigation settlement expense in the consolidated income statement. The recognition of this settlement has negatively affected the Company's earnings for the twelve months ended December 31, 2023, reducing net income by \$80.1 million or \$1.94 per diluted share.

### *Recent Banking Environment*

In light of recent events in the banking sector during 2023, including high-profile bank failures as well as other industry challenges such as liquidity, volatility in deposit balances and interest rate uncertainty among other factors, the Company has proactively positioned the balance sheet to mitigate the risks affecting the Company and the overall banking industry in order to serve its clients and communities.

- Liquidity remains strong, with cash and available for sale securities representing approximately 12.2% of assets and a loan to deposit ratio of 93.6% at December 31, 2023. Deposits are the Company's primary source of liquidity. In addition, the Company maintains the ability to access considerable sources of contingent liquidity at the Federal Home Loan Bank and the Federal Reserve Bank, among other sources. Management considers the Company's current liquidity position to be adequate to meet both short-term and long-term liquidity needs. Refer to the sections [Deposits](#) and [Liquidity Management](#) for additional information.
- Capital remains healthy, with ratios of the Company, and its subsidiary bank, well above the standards to be considered well-capitalized under regulatory requirements. Refer to Note 20. [Regulatory Matters](#), included elsewhere in this report for additional details.
- Asset quality remains solid, with a non-performing asset ratio of 0.32% of total assets at December 31, 2023 and net charge-offs of 0.01% for the year ended December 31, 2023, reflecting the Company's disciplined underwriting and conservative lending philosophy which has supported the Company's strong credit performance during prior financial crises. Refer to the section [Asset Quality](#) for additional information.

The duration of this crisis has been short but impactful to the Company. The Company will continue its safe and sound banking practices, but the continuing impact of the crisis and further extent on the Company's operations and financial results for future periods is uncertain and cannot be predicted.

## Discussion and Analysis of Results of Operations

Selected income statement data and key performance metrics are summarized in the table below:

(dollars in thousands except per share data)	As of and for the Years Ended December 31,		
	2023	2022	2021
<b>Selected Income Statement Data</b>			
Net interest income	\$ 456,883	\$ 558,208	\$ 520,322
Provision for credit losses	4,130	4,490	(9,000)
Noninterest income	51,109	51,466	66,517
Noninterest expense	451,544	358,889	313,606
Income tax expense	9,117	50,004	57,483
Net income available to common shareholders	43,201	196,291	224,750
<b>Per Share Data (Common Stock)</b>			
Earnings per common share:			
Basic	\$ 1.05	\$ 4.71	\$ 5.22
Diluted	1.04	4.70	5.21
Dividends	1.52	1.52	1.32
<b>Selected Performance Metrics</b>			
Return on average assets	0.23 %	1.09 %	1.21 %
Return on average equity	1.83	8.04	8.86
Net interest margin	2.74	3.46	3.10
Efficiency ratio	86.44	56.82	51.30
Dividend payout ratio	146.15	32.34	25.34

The following discussion and analysis of the Company's results of operations compares its results of operations for the years ended December 31, 2023 and 2022.

The Company's net income available to common shareholders decreased by \$153.1 million, or 78.0%, to \$43.2 million (\$1.04 per common share on a diluted basis) for the year ended December 31, 2023, from \$196.3 million (\$4.70 per common share on a diluted basis) for the year ended December 31, 2022. The decrease in net income for 2023 over 2022 was most impacted by the \$318.0 million increase in interest expense as well as the \$92.7 million increase in noninterest expense, offset by a \$216.7 million increase in interest income and a decrease of \$40.9 million in income tax expense. Net interest income before provision from loan losses was lower in the current year mainly due to increased funding costs on our deposit products and FHLB advances due to Fed rate increases over the last year offset to a lesser extent by increased earnings on interest earning assets, primarily loans and interest-bearing cash accounts. As mentioned in [Recent Developments](#), the increase in noninterest expense was due to the non-recurring \$100.0 million settlement of litigation. The Company posted returns on average common equity of 1.83% and 8.04%, returns on average assets of 0.23% and 1.09%, and efficiency ratios of 86.44% and 56.82% for the years ended December 31, 2023 and 2022, respectively. The efficiency ratio is calculated by dividing total noninterest expense (which does not include the provision for credit losses and the amortization of core deposits intangibles) by net interest income plus noninterest income. The Company's dividend payout ratio was 146.15% and 32.34% for the years ended December 31, 2023 and 2022, respectively, due to the decrease in diluted earnings per share from \$4.70 per share in 2022 to \$1.04 per share in 2023.

Details of the changes in the various components of net income are detailed below.

#### **Net Interest Income**

The Company's net interest income is its interest income, net of interest expenses. Changes in the balances of the Company's interest-earning assets and its interest-bearing liabilities, as well as changes in the market interest rates, affect the Company's net interest income. The difference between the Company's average yield on earning assets and its average rate paid for interest-bearing liabilities is its net interest spread. Noninterest-bearing sources of funds, such as demand deposits and stockholders' equity, also support the Company's earning assets. The impact of the noninterest-bearing sources of funds is reflected in the Company's net interest margin, which is calculated as annualized net interest income divided by average earning assets.

The Company earned net interest income of \$456.9 million for the year ended December 31, 2023, a decrease of \$101.3 million, or 18.2%, from \$558.2 million for the year ended December 31, 2022. The decrease was primarily driven by increased funding costs on deposit products, brokered deposits, and FHLB advances due to Fed fund rate increases over the year in addition to higher average balances for those interest-bearing liabilities year over year. Offset to a lesser extent were increased earnings on interest-earning assets, primarily loans and interest-bearing cash accounts. The year ended December 31, 2023 includes \$3.6 million of acquired loan accretion compared to \$9.1 million for the year ended December 31, 2022. The Company's net interest margin for 2023 decreased to 2.74% from 3.46% in 2022, and the Company's interest rate spread for 2023 decreased to 1.77% from the 3.13% interest rate spread for 2022. The average balance of interest-earning assets for 2023 increased by \$579.7 million, or 3.6%, to \$16.7 billion from an average balance of \$16.1 billion for 2022. The increase from the prior year was primarily related to organic loan growth for the year offset by decreases in average balances of interest-bearing deposits and securities. Average interest-bearing liabilities increased \$1.6 billion, or 15.2% primarily due to increased average deposits and FHLB advances mentioned above. The Company's net interest margin for the year ended December 31, 2023 was negatively impacted by a 252 basis point increase in the weighted-average cost of funds on interest-bearing liabilities to 3.45% for the year ended December 31, 2023, from 0.93% for the year ended December 31, 2022 related to the increase in rates over the year. This was slightly offset by a 116 basis point increase in the weighted-average yield on interest-earning assets to 5.22% for the year ended December 31, 2023, from 4.06% for the year ended December 31, 2022. The increase from the prior year is due primarily to overall higher yields on all interest-earning assets due to the increasing rate environment as well as higher earnings on loans due to organic growth for the year over year period.

**Average Balance Sheet Amounts, Interest Earned and Yield Analysis.** The following table presents average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2023, 2022 and 2021. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances.

(dollars in thousands)	For the Years Ended December 31,								
	2023			2022			2021		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
<b>Interest-earning assets:</b>									
Loans <sup>(1)</sup>	\$14,129,639	\$ 792,659	5.61 %	\$13,148,633	\$ 602,210	4.58 %	\$12,501,641	\$ 547,931	4.38 %
Taxable securities	1,436,856	31,747	2.21	1,617,454	32,944	2.04	1,204,153	22,754	1.89
Nontaxable securities	412,266	10,279	2.49	429,057	10,360	2.41	358,261	8,344	2.33
Interest-bearing deposits and other	717,434	37,051	5.16	921,391	9,503	1.03	2,693,812	4,533	0.17
Total interest-earning assets	16,696,195	\$ 871,736	5.22	16,116,535	\$ 655,017	4.06	16,757,867	\$ 583,562	3.48
Noninterest-earning assets	1,859,553			1,892,555			1,800,301		
Total assets	\$18,555,748			\$18,009,090			\$18,558,168		
<b>Interest-bearing liabilities:</b>									
Checking accounts	\$ 5,745,444	\$ 177,025	3.08 %	\$ 6,002,530	\$ 45,405	0.76 %	\$ 5,967,655	\$ 22,615	0.38 %
Savings accounts	628,088	399	0.06	787,937	387	0.05	711,401	1,034	0.15
Money market accounts	1,616,038	56,148	3.47	2,130,908	21,562	1.01	2,584,386	13,580	0.53
Certificates of deposit	2,977,281	124,833	4.19	1,027,561	10,274	1.00	1,269,736	6,970	0.55
Total deposits	10,966,851	358,405	3.27	9,948,936	77,628	0.78	10,533,178	44,199	0.42
FHLB advances	716,397	35,705	4.98	150,890	2,017	1.34	362,192	2,038	0.56
Other borrowings - short-term	40,078	2,781	6.94	15,918	593	3.73	6,278	118	1.88
Other borrowings - long-term	244,929	13,237	5.40	266,746	13,858	5.20	287,860	15,129	5.26
Junior subordinated debentures	54,526	4,725	8.67	54,328	2,713	4.99	54,130	1,756	3.24
Total interest-bearing liabilities	12,022,781	414,853	3.45	10,436,818	96,809	0.93	11,243,638	63,240	0.56
Noninterest-bearing demand accounts	3,957,699			5,018,631			4,675,667		
Noninterest-bearing liabilities	214,001			111,326			102,205		
Stockholders' equity	2,361,267			2,442,315			2,536,658		
Total liabilities and equity	\$18,555,748			\$18,009,090			\$18,558,168		
Net interest income		\$ 456,883			\$ 558,208			\$ 520,322	
Interest rate spread			1.77 %			3.13 %			2.92 %
Net interest margin <sup>(2)</sup>			2.74			3.46			3.10
Net interest income and margin (tax equivalent basis) <sup>(3)</sup>		\$ 461,056	2.76		\$ 562,633	3.49		\$ 524,260	3.13
Average interest earning assets to interest-bearing liabilities			138.87			154.42			149.04

(1) Average loan balances include nonaccrual loans.

(2) Net interest margins for the periods presented represent: (i) the difference between interest income on interest-earning assets and the interest expense on interest-bearing liabilities, divided by (ii) average interest-earning assets for the period.

(3) A tax-equivalent adjustment has been computed using a federal income tax rate of 21%.



**Interest Rates and Operating Interest Differential.** Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on the Company's interest-earning assets and the interest incurred on the Company's interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the prior year's volume. For purpose of the following table, changes attributable to both volume and rate, which cannot be segregated, have been allocated to the changes due to volume and the changes due to rate in proportion to the relationship of the absolute dollar amount of change in each.

	For the Year Ended December 31, 2023 v. 2022			For the Year Ended December 31, 2022 v. 2021		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
(dollars in thousands)	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
Interest-earning assets						
Loans	\$ 47,443	\$ 143,006	\$ 190,449	\$ 28,836	\$ 25,443	\$ 54,279
Taxable securities	(3,835)	2,638	(1,197)	8,276	1,914	10,190
Nontaxable securities	(415)	334	(81)	1,717	299	2,016
Interest-bearing deposits and other	(2,541)	30,089	27,548	(4,760)	9,730	4,970
Total interest-earning assets	\$ 40,652	\$ 176,067	\$ 216,719	\$ 34,069	\$ 37,386	\$ 71,455
Interest-bearing liabilities						
Checking accounts	\$ (2,033)	\$ 133,653	\$ 131,620	\$ 133	\$ 22,657	\$ 22,790
Savings accounts	(73)	85	12	108	(755)	(647)
Money market accounts	(6,340)	40,926	34,586	(2,731)	10,713	7,982
Certificates of deposit	42,726	71,833	114,559	(1,536)	4,840	3,304
Total deposits	34,280	246,497	280,777	(4,026)	37,455	33,429
FHLB advances	19,532	14,156	33,688	(1,674)	1,653	(21)
Other borrowings - short-term	1,396	792	2,188	289	186	475
Other borrowings - long-term	(1,148)	527	(621)	(1,100)	(171)	(1,271)
Junior subordinated debentures	10	2,002	2,012	6	951	957
Total interest-bearing liabilities	54,070	263,974	318,044	(6,505)	40,074	33,569
Net interest income	\$ (13,418)	\$ (87,907)	\$ (101,325)	\$ 40,574	\$ (2,688)	\$ 37,886

## Provision for Credit Losses

The measurement of expected credit losses under the Current Expected Credit Losses (CECL) methodology is applicable to financial assets measured at amortized cost. Provision for credit losses is determined by management as the amount to be added to the allowance for credit loss accounts for various types of financial instruments including loans, held to maturity debt securities and off-balance sheet credit exposure, after net charge-offs have been deducted, to bring the allowance to a level deemed appropriate by management to absorb expected credit losses over the lives of the respective financial instruments. Management actively monitors the Company's asset quality and provides appropriate provisions based on such factors as historical loss experience, current conditions and reasonable and supportable forecasts.

Financial instruments are charged-off against the allowance for credit losses when appropriate. Although management believes it uses the best information available to make determinations with respect to the provision for credit losses, future adjustments may be necessary if economic conditions differ from the assumptions used in making the determination.

[Table of Contents](#)

The following table presents the components of provision for credit losses:

	For the Years Ended December 31,		
	2023	2022	2021
Provision for credit losses related to:			
Loans	\$ 4,177	\$ 5,268	\$ (12,609)
Held to maturity securities	—	—	—
Off-balance sheet credit exposures	(47)	(778)	3,609
Total provision for credit losses	\$ 4,130	\$ 4,490	\$ (9,000)

The Company recorded a provision for credit losses on loans totaling \$4.2 million during the year ended December 31, 2023. This is a decrease of \$1.1 million, or 20.7% compared to the \$5.3 million provision for credit losses on loans recorded in 2022. Provision expense for loans is generally reflective of organic loan growth as well as charge-offs or specific credit allocations taken during the respective period. Provision expense is also impacted by the economic outlook and changes in macroeconomic variables. The provision recorded for both years ended December 31, 2023 and 2022 was primarily related to loan growth.

As discussed in Note 4. Securities, the Company reclassified a portion of its available for sale state and municipal portfolio to held to maturity during 2022 to limit future volatility due to expected increases in interest rates. The majority of securities in the held to maturity portfolio are guaranteed and have highly rated credit ratings. Therefore, there was no provision for credit losses on held to maturity securities recorded during 2023 or 2022.

The Company recorded \$47 thousand in negative provision for off-balance sheet credit exposures for the year ended December 31, 2023, compared to \$778 thousand negative provision for the same period in 2022. Changes in the allowance for unfunded commitments are generally driven by the remaining unfunded amount and the expected utilization rate of a given loan segment.

#### Noninterest Income

The following table sets forth the major components of noninterest income for the years ended December 31, 2023, 2022 and 2021 and the period-over-period variations in such categories of noninterest income:

	For the Years Ended December 31,			Variance		Variance	
	2023	2022	2021	2023 v. 2022		2022 v. 2021	
<i>(dollars in thousands)</i>							
Noninterest income:							
Service charges on deposit accounts	\$ 13,958	\$ 12,204	\$ 9,842	\$ 1,754	14.4 %	\$ 2,362	24.0 %
Investment management fees	9,650	9,146	8,586	504	5.5	560	6.5
Mortgage banking revenue	7,003	8,938	23,157	(1,935)	(21.6)	(14,219)	(61.4)
Mortgage warehouse purchase program fees	1,892	2,676	6,908	(784)	(29.3)	(4,232)	(61.3)
(Loss) gain on sale of loans	(14)	(1,844)	56	1,830	N/M	(1,900)	N/M
(Loss) gain on sale of other real estate	(1,797)	—	63	(1,797)	N/M	(63)	N/M
Gain on sale of securities available for sale	—	—	13	—	N/M	(13)	N/M
Gain (loss) on sale and disposal of premises and equipment	323	(494)	(304)	817	N/M	(190)	N/M
Increase in cash surrender value of BOLI	5,768	5,371	5,209	397	7.4	162	3.1
Other	14,326	15,469	12,987	(1,143)	(7.4)	2,482	19.1
Total noninterest income	\$ 51,109	\$ 51,466	\$ 66,517	\$ (357)	(0.7)%	\$ (15,051)	(22.6)%

N/M - Not meaningful

Noninterest income decreased \$357 thousand, or 0.7%, to \$51.1 million for the year ended 2023 from \$51.5 million for the year ended 2022. Significant changes in the components of noninterest income are discussed below.

**Service charges on deposit accounts.** Service charges on deposit accounts increased \$1.8 million, or 14.4%, for the year ended December 31, 2023, as compared to the same period in 2022. The increase is primarily due to higher account analysis charges of \$1.7 million due to increases in our commercial treasury products.

**Mortgage banking revenue.** Mortgage banking revenue decreased \$1.9 million, or 21.6% for the year ended December 31, 2023, compared to the same period in 2022. The decrease was primarily market driven, resulting in a lower fair value gain on derivative hedging instruments of \$104 thousand in 2023 compared to \$1.9 million in 2022.

**(Loss) gain on sale of loans.** The Company recognized \$1.8 million loss on sale of loans during 2022, primarily due to a \$1.5 million loss on the sale of a commercial real estate loan, which was sold at a discount.

**(Loss) gain on sale of other real estate.** In 2023, the Company recognized a \$1.8 million loss on sale of one other real estate property.

## Noninterest Expense

The following table sets forth the major components of the Company's noninterest expense for the years ended December 31, 2023, 2022 and 2021 and the period-over-period variations in such categories of noninterest expense:

(dollars in thousands)	For the Years Ended December 31,			Variance		Variance	
	2023	2022	2021	2023 v. 2022		2022 v. 2021	
<b>Noninterest expense:</b>							
Salaries and employee benefits	\$ 181,445	\$ 212,087	\$ 180,336	\$ (30,642)	(14.4)%	\$ 31,751	17.6 %
Occupancy	47,430	42,938	40,688	4,492	10.5	2,250	5.5
Communications and technology	28,713	24,937	22,355	3,776	15.1	2,582	11.5
FDIC assessment	22,153	6,883	5,865	15,270	N/M	1,018	17.4
Advertising and public relations	2,607	2,106	1,097	501	23.8	1,009	92.0
Other real estate owned (income) expenses, net	(510)	31	4	(541)	N/M	27	N/M
Impairment of other real estate	5,215	—	—	5,215	N/M	—	—
Amortization of other intangible assets	12,439	12,491	12,580	(52)	(0.4)	(89)	(0.7)
Litigation settlement	102,500	—	—	102,500	N/M	—	—
Professional fees	7,949	15,571	15,530	(7,622)	(48.9)	41	0.3
Other	41,603	41,845	35,151	(242)	(0.6)	6,694	19.0
<b>Total noninterest expense</b>	<b>\$ 451,544</b>	<b>\$ 358,889</b>	<b>\$ 313,606</b>	<b>\$ 92,655</b>	<b>25.8 %</b>	<b>\$ 45,283</b>	<b>14.4 %</b>

N/M - not meaningful

Noninterest expense increased \$92.7 million, or 25.8%, to \$451.5 million for the year ended 2023 from \$358.9 million for the year ended 2022. Significant changes in the components of noninterest expense are discussed below.

**Salaries and employee benefits.** Salaries and employee benefits expense, which historically has been the largest component of the Company's noninterest expense, decreased \$30.6 million, or 14.4%, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The change is primarily due to lower combined salaries, bonus, employee insurance, payroll taxes and 401(k) expenses of \$18.1 million in 2023 compared to the prior year, due to overall strategic efforts to manage expenses, which began in fourth quarter 2022 with the targeted reduction-in-force related to departmental and business line restructurings. Additionally, severance and stock amortization expenses were elevated in 2022 by \$13.7 million, primarily due to the aforementioned reduction-in-force and the separation of two executive officers during the year. Contributing to the year over year decrease was lower stock amortization in 2023 due to downward adjustments to performance-based executive compensation equity awards as well as a \$4.2 million decrease in contract labor costs. Offsetting these changes was \$4.7 million lower deferred salaries expense in 2023, which reduces overall salaries expense.

**Occupancy.** Occupancy expenses increased \$4.5 million, or 10.5% for the year ended December 31, 2023, compared to the same period in 2022. The increase was primarily due to higher depreciation, maintenance and property tax expense due to the opening of the second phase of the Company's headquarters campus in second quarter 2022.

**Communications and technology.** Communications and technology expense increased \$3.8 million, or 15.1%, for the year ended December 31, 2023, compared to the same period in 2022. Increased communications and technology expenses in the current year were primarily related to various technology improvements.

**FDIC assessment.** FDIC assessment increased \$15.3 million for the year ended December 31, 2023, compared to the same period in 2022. The increase was due to an increase in the FDIC initial base deposit insurance assessment rate schedules which took effect in first quarter 2023, as well as \$8.3 million recorded in fourth quarter for a special assessment charged by the FDIC to recover uninsured deposit losses due to bank failures in early 2023.

**Impairment of other real estate.** Impairment of other real estate expense was \$5.2 million for the year ended December 31, 2023, compared to none for the same period in 2022. The increase was due to write-downs of \$4.2 million on one commercial real estate property still held in other real estate at year-end, as well as a \$1.0 million write-down on another commercial real estate property that was sold in late 2023.

**Litigation settlement.** Litigation settlement of \$102.5 million was recognized in the first quarter 2023 due to the settlement of the ongoing litigation that was acquired by the Company in 2014, as discussed elsewhere in this report.

**Professional fees.** Professional fees expense for the year ended December 31, 2023 decreased by \$7.6 million, or 48.9%, compared to the same period in 2022. The decrease was due primarily to lower consulting fees of \$3.4 million as well as \$3.3 million lower legal fees.

#### Income Tax Expense

Income tax expense was \$9.1 million for the year ended December 31, 2023, which is an effective tax rate of 17.4%. Income tax expense was \$50.0 million for the year ended December 31, 2022, which is an effective tax rate of 20.3%. The effective income tax rates differed from the U.S. statutory federal income tax rate of 21% during 2023 and 2022 primarily due to tax exempt interest income earned on certain investment securities and loans, the nontaxable earnings on bank owned life insurance, disallowed FDIC assessment and nondeductible compensation, among other things, and their relative proportion to total pre-tax net income. The lower effective rate for 2023 is due primarily to lower pre-tax net income as a result of the Stanford litigation settlement recorded in early 2023 as discussed elsewhere in this report. Refer to Note 14. Income Taxes, in the notes to the Company's audited consolidated financial statements included elsewhere in this report for additional details.

#### Discussion and Analysis of Financial Condition

The following discussion and analysis summarizes the financial condition of the Company as of December 31, 2023 and 2022 and details certain changes between those periods.

#### Assets

The Company's total assets increased by \$776.7 million, or 4.3%, to \$19.0 billion as of December 31, 2023 from \$18.3 billion at December 31, 2022. The significant components of the total change are discussed below.

## Loan Portfolio

The Company's loan portfolio is the largest category of the Company's earning assets. The following table presents the balance and associated percentage of each major category in the Company's loan portfolio as of December 31, 2023 and 2022:

(dollars in thousands)	2023		2022	
	Amount	% of Total	Amount	% of Total
Commercial	\$ 2,266,851	15.4 %	\$ 2,240,959	16.1 %
Mortgage warehouse purchase loans	549,689	3.7	312,099	2.2
Real estate:				
Commercial	8,289,124	56.3	7,817,447	56.2
Commercial construction, land and land development	1,231,484	8.4	1,231,071	8.8
Residential <sup>(1)</sup>	1,686,206	11.5	1,604,169	11.5
Single-family interim construction	517,928	3.5	508,839	3.7
Agricultural	109,451	0.7	124,422	0.9
Consumer	76,229	0.5	81,667	0.6
Total gross loans	<u>\$ 14,726,962</u>	<u>100.0 %</u>	<u>\$ 13,920,673</u>	<u>100.0 %</u>

(1) Includes loans held for sale of \$16.4 million and \$11.3 million at December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company's loan portfolio, before the allowance for credit losses, totaled \$14.7 billion, which is an increase of \$806.3 million or 5.8% over total gross loans as of December 31, 2022. Loans held for investment, excluding mortgage warehouse purchase loans and net of loan sales, increased \$569.9 million, or 4.2% for the year over year period. See Note 5. Loans, Net and Allowance for Credit Losses on Loans, for more details on the Company's loan portfolio.

Most of the Company's lending activity occurs within the state of Texas, primarily in the north, central and southeast Texas regions and the state of Colorado, specifically along the Front Range area. As of December 31, 2023, loans in the North Texas region represented about 36% of the total portfolio, followed by the Colorado Front Range region at 26%, the Houston region at 25% and the Central Texas region at 13%. A large percentage of the Company's portfolio consists of commercial and residential real estate loans. As of December 31, 2023 and 2022, there were no concentrations of loans related to a single industry in excess of 10% of total loans.

The principal categories and changes in the loan portfolio are discussed below.

**Commercial loans.** The Company provides a mix of variable and fixed rate commercial loans. The loans are typically made to small-and medium-sized manufacturing, wholesale, retail, energy related service businesses and medical practices for working capital needs and business expansions. Commercial loans generally include lines of credit and loans with maturities of five years or less. The loans are generally made with operating cash flows as the primary source of repayment, but may also include collateralization by inventory, accounts receivable, equipment and/or personal guarantees. Additionally, a portion of the commercial loan portfolio includes participations purchased from other financial institutions in larger transactions considered Shared National Credits (SNC). Almost all purchased SNCs are in the Commercial loan portfolio with the largest single industry concentration in energy. Loans in the commercial portfolio are monitored for credit quality at least annually, while energy loans are subject to review semi-annually and other loans in the specialized lending portfolio are reviewed quarterly.

The Company's commercial loan portfolio increased \$25.9 million, or 1.2%, to \$2.3 billion as of December 31, 2023, from \$2.2 billion as of December 31, 2022. The net increase in this portfolio type is primarily due to growth in the energy portfolio increasing to \$ 621,883 at December 31, 2023, compared to \$ 574,698 at December 31, 2022.

**Mortgage warehouse purchase loans.** The Company's mortgage warehouse purchase loan portfolio increased \$237.6 million, or 76.1%, to \$549.7 million as of December 31, 2023, from \$312.1 million as of December 31, 2022, while average balances for the year declined to \$386.8 million for 2023 from \$428.4 million for 2022. The increase in this portfolio at December 31, 2023 was due to increased mortgage activity due to declines in mortgage interest rates late in the fourth quarter 2023. The decrease in average balances for the year was due to overall lower volumes resulting from the higher rate environment throughout 2023, compared to 2022.

**Commercial real estate loans (CRE).** The commercial real estate loan portfolio has historically been the Company's largest category of loans, representing 56.3% and 56.2% of the total portfolio as of December 31, 2023 and 2022, respectively. Such loans generally involve less risk than other loans in the portfolio, but may be more adversely affected by conditions in the real estate markets or in the general economy. The Company expects that commercial real estate loans will continue to be a significant portion of the Company's total loan portfolio and an area of emphasis in the Company's lending operations.

Commercial real estate loans increased \$471.7 million, or 6.0%, to \$8.3 billion as of December 31, 2023 from \$7.8 billion as of December 31, 2022. The increase was due to organic loan growth in this loan type during the year.

Despite the Company's concentration in commercial real estate, the properties securing this portfolio are diversified in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. As a matter of policy, the commercial real estate portfolio is subject to risk exposure limits by individual asset classes as well as geographic collateral locations outside of our market areas. We regularly assess these concentration levels, monitor economic conditions in major real estate markets in which we lend, and conduct stress testing and sensitivity analysis on the portfolio as a whole.

[Table of Contents](#)

The following tables summarize a) the property type and b) geographic region in which the loans were originated. Concentrations are stated by total loan balance and as a percentage of total commercial real estate loans as of December 31, 2023 and 2022:

	As of December 31,			
	2023		2022	
	Amount	Percent of Total	Amount	Percent of Total
<b>Property Type</b>				
Retail	\$ 2,522,945	30.4 %	2,301,065	29.4 %
Office and Office Warehouse	1,537,632	18.6	1,537,448	19.7
Multifamily	1,013,767	12.2	883,886	11.3
Industrial	953,190	11.5	866,710	11.1
Healthcare	379,666	4.6	379,866	4.9
Hotel/Motel	374,895	4.5	367,751	4.7
Convenience Store	293,771	3.5	275,015	3.5
Daycare/School	221,791	2.7	218,937	2.8
Restaurant	157,258	1.9	164,911	2.1
RV & Mobile Home Parks	145,825	1.8	129,587	1.7
Church	124,834	1.5	136,697	1.7
Mini Storage	108,935	1.3	115,641	1.5
Dealerships	84,687	1.0	87,930	1.1
Mixed Use (Non-Retail)	56,031	0.7	62,782	0.8
Miscellaneous	313,897	3.8	289,221	3.7
Total commercial real estate loans	\$ 8,289,124	100.0 %	\$ 7,817,447	100.0 %
<b>Geographic Region</b>				
North Texas	\$ 1,841,683	22.2 %	\$ 1,740,358	22.2 %
Central Texas	895,708	10.8	867,172	11.1
Houston	2,799,345	33.8	2,527,062	32.3
Colorado Front Range	2,752,388	33.2	2,682,855	34.4
Total	\$ 8,289,124	100.0 %	\$ 7,817,447	100.0 %

Additional information related to the granularity in the commercial real estate portfolio is presented in the table below as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
Average loan amount	\$1.9 million	\$1.8 million
Number of loans > \$5 million	395	357
Largest loan in the portfolio	\$33.1 million	\$32.6 million
Owner-occupied percentage	21.3%	23.2%

**Commercial construction, land and land development loans.** The Company's commercial construction, land and land development loans comprise of loans to fund commercial construction, land acquisition and real estate development construction. Although the Company continues to make commercial construction loans, land acquisition and land development loans on a selective basis, the Company does not expect the Company's lending in this area to result in this category of loans being a significantly greater portion of the Company's total loan portfolio.

[Table of Contents](#)

Commercial construction, land and land development loans increased slightly by \$413 thousand, or 0.0% to \$1.2 billion at December 31, 2023 from \$1.2 billion at December 31, 2022.

Additional information related to the granularity in the commercial construction, land and land development portfolio based on current balance outstanding is presented in the table below as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
Total loans > \$5 million	53	41
Average loan amount	\$1.1 million	\$954 thousand
Largest loan in the portfolio	\$22.5 million	\$25.8 million

**Residential Real Estate Loans.** The Company's residential real estate loans, excluding mortgage loans held for sale, are primarily made with respect to and secured by single-family homes, which are both owner-occupied and investor owned and include a limited amount of home equity loans, with a relatively small average loan balance spread across many individual borrowers. The Company offers a variety of mortgage loan portfolio products which generally are amortized over five to thirty years. Loans collateralized by 1-4 family residential real estate generally have been originated in amounts of no more than 80% of appraised value. The Company requires mortgage title insurance and hazard insurance. The Company incurs interest rate risk as well as the risks associated with nonpayment on such loans.

The Company's residential real estate loan portfolio increased by \$82.0 million, or 5.1%, to a balance of \$1.7 billion as of December 31, 2023 from \$1.6 billion as of December 31, 2022. The increase in this category was primarily a result of organic loan growth.

**Single-Family Interim Construction Loans.** The Company makes single-family interim construction loans to home builders and individuals to fund the construction of single-family residences with the understanding that such loans will be repaid from the proceeds of the sale of the homes by builders or, in the case of individuals building their own homes, with the proceeds of a permanent mortgage loan. Such loans are secured by the real property being built and are made based on the Company's assessment of the value of the property on an as-completed basis. The Company expects to continue to make single-family interim construction loans so long as demand for such loans continues and the market for single-family housing and the values of such properties remain stable or continue to improve in the Company's markets.

The balance of single-family interim construction loans in the Company's loan portfolio increased by \$9.1 million, or 1.8%, to \$517.9 million as of December 31, 2023 from \$508.8 million as of December 31, 2022. The increase in this category was due to organic origination activity that exceeded repayments during the year.

**Other Categories of Loans.** Other categories of loans in the Company's loan portfolio include agricultural loans made to farmers and ranchers relating to their operations and consumer loans made to individuals for personal purposes, including automobile purchase loans and personal loans. None of these categories of loans represents more than 1% of the Company's total loan portfolio as of December 31, 2023 and 2022 and such categories continue to be a very small percentage of the Company's total loan portfolio.



## Loans by Maturity and Interest Rate Sensitivity

The following table sets forth the contractual maturities of the Company's loan portfolio, including scheduled principal repayments and the distribution between fixed and adjustable interest rate loans as of December 31, 2023:

(dollars in thousands)	Within One Year		One Year to Five Years		After Five Years to Fifteen Years		After Fifteen Years		Total	
	Adjustable		Adjustable		Adjustable		Adjustable		Adjustable	
	Fixed Rate	Rate	Fixed Rate	Rate	Fixed Rate	Rate	Fixed Rate	Rate	Fixed Rate	Rate
Commercial	\$ 74,720	\$ 387,357	\$ 284,928	\$ 1,180,802	\$ 91,943	\$ 232,422	\$ 14,679	\$ —	\$ 466,270	\$ 1,800,581
Mortgage warehouse purchase loans	549,689	—	—	—	—	—	—	—	549,689	—
Real estate:										
Commercial real estate	447,911	184,900	4,313,847	1,092,707	288,232	1,677,530	4,506	279,491	5,054,496	3,234,628
Commercial construction, land and land development	149,663	232,078	354,153	301,214	9,735	138,182	—	46,459	513,551	717,933
Residential real estate	78,545	21,467	522,751	49,719	101,998	188,120	457,402	266,204	1,160,696	525,510
Single-family interim construction	35,206	289,097	22,522	87,692	6,868	9,412	38	67,093	64,634	453,294
Agricultural	3,005	8,243	55,271	2,348	3,029	28,541	603	8,411	61,908	47,543
Consumer	33,682	14,195	9,193	17,520	11	1,628	—	—	42,886	33,343
Total loans	<u>\$ 1,372,421</u>	<u>\$ 1,137,337</u>	<u>\$ 5,562,665</u>	<u>\$ 2,732,002</u>	<u>\$ 501,816</u>	<u>\$ 2,275,835</u>	<u>\$ 477,228</u>	<u>\$ 667,658</u>	<u>\$ 7,914,130</u>	<u>\$ 6,812,832</u>

At December 31, 2023, the average duration of the Company's loan portfolio was 3.5 years. The Company generally structures certain loans, like commercial and commercial real estate, with shorter-term loan maturities in order to match funding sources that will enable the Company to effectively manage the portfolio by providing the flexibility to respond to liquidity needs, changes in interest rates and changes in underwriting standards and loan structures, among other things. Due to the shorter-term nature of such loans, from time to time in the ordinary course of business and without any contractual obligation, the Company will renew or extend maturing lines of credit or refinance existing loans at their maturity dates based on customer practice and need. These renewals, extensions and refinancings are made in the ordinary course of business for customers that meet the normal level of credit standards. These requests are typically made by the customer to support their working capital needs for operations. Such borrowers are generally not experiencing financial difficulties and could obtain similar financing elsewhere. In connection with each renewal, extension or refinancing, the Company may require a principal reduction or an adjustment to the terms and structure to reflect the current market pricing/structuring for such loans or to remain competitive with other financial institutions.

## Asset Quality

**Nonperforming Assets.** The Company has established procedures to assist the Company in maintaining the overall quality of the Company's loan portfolio. In addition, the Company has adopted underwriting guidelines to be followed by the Company's lending officers and require significant senior management review of proposed extensions of credit exceeding certain thresholds. When delinquencies exist, the Company rigorously monitors the levels of such delinquencies for any negative or adverse trends. The Company's loan review procedures include approval of lending policies and underwriting guidelines by the Company's board of directors, ongoing risk-based independent internal and external loan reviews, approval of large credit relationships by the Bank's Executive Loan Committee and loan quality documentation procedures. The Company, like other financial institutions, is subject to the risk that its loan portfolio will be subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The Company classifies nonperforming assets as nonperforming loans, including nonaccrual loans and loans past due 90 days or more and still accruing interest, as well as other real estate owned and other repossessed assets. Further information regarding the Company's accounting policies related to past due loans, nonaccrual loans, collateral dependent loans and loan modifications to borrowers experiencing financial difficulty is presented in Note 5. Loans, Net and Allowance for Credit Losses on Loans.

[Table of Contents](#)

The following table sets forth the allocation of the Company's nonperforming assets among the Company's different asset categories and key credit-related metrics as of the dates indicated. The balances of nonperforming loans reflect the net investment in these assets.

(dollars in thousands)	As of December 31,	
	2023	2022
<b>Nonaccrual loans</b>		
Commercial	\$ 21,541	\$ 22,565
Commercial real estate	26,564	13,393
Commercial construction, land and land development	10	15
Residential real estate	2,111	1,582
Single-family interim construction	—	189
Agricultural	75	—
Consumer	5	8
<b>Total nonaccrual loans <sup>(1)</sup></b>	<b>50,306</b>	<b>37,752</b>
<b>Total loans delinquent 90 days or more and still accruing</b>	<b>1,494</b>	<b>843</b>
<b>Total troubled debt restructurings, not included in nonaccrual loans</b>	<b>—</b>	<b>1,494</b>
<b>Total nonperforming loans</b>	<b>51,800</b>	<b>40,089</b>
<b>Total other real estate owned and other repossessed assets</b>	<b>9,604</b>	<b>24,020</b>
<b>Total nonperforming assets</b>	<b>\$ 61,404</b>	<b>\$ 64,109</b>
<b>Total allowance for credit losses on loans</b>	<b>\$ 151,861</b>	<b>\$ 148,787</b>
<b>Total loans held for investment <sup>(2)</sup></b>	<b>\$ 14,160,853</b>	<b>\$ 13,597,264</b>
<b>Total assets</b>	<b>\$ 19,035,102</b>	<b>\$ 18,258,414</b>
<b>Credit Ratios</b>		
<b>Ratio of nonperforming loans to total loans held for investment</b>	0.37 %	0.29 %
<b>Ratio of nonperforming assets to total assets</b>	0.32	0.35
<b>Ratio of nonaccrual loans to total loans held for investment</b>	0.36	0.28
<b>Ratio of allowance for credit losses on loans to total loans held for investment</b>	1.07	1.09
<b>Ratio of allowance for credit losses on loans to nonaccrual loans</b>	301.87	394.12
<b>Ratio of allowance for credit losses on loans to total nonperforming loans</b>	293.17	371.14

(1) Nonaccrual loans include troubled debt restructurings of \$929 thousand as of December 31, 2022. With the adoption of ASU 2022-02, effective January 1, 2023, TDR accounting has been eliminated.

(2) Excluding mortgage warehouse purchase loans of \$549.7 million and \$312.1 million and loans held for sale of \$16.4 million and \$11.3 million as of December 31, 2023 and 2022, respectively.

The Company had \$50.3 million and \$37.8 million in loans on nonaccrual status as of December 31, 2023 and 2022, respectively. The increase from December 31, 2022 to December 31, 2023 was primarily due to the addition of a \$13.3 million commercial real estate loan to nonaccrual during the year.

The allowance for credit losses on loans as a percentage of nonperforming loans decreased from 371.14% at December 31, 2022, to 293.17% at December 31, 2023, due primarily to the increase in nonperforming loans as discussed above.

As of December 31, 2023, the Company had other real estate owned and other repossessed assets of \$9.6 million, which is a decrease of \$14.4 million from \$24.0 million at December 31, 2022, due to write-downs on properties totaling \$5.2 million during the year and the sale of an other real estate owned property totaling \$10.0 million. Offsetting this was a \$805 thousand branch facility that was closed and moved to other real estate during the year.

## Allowance for Credit Losses

The measurement of expected credit losses under CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, held to maturity debt securities and off-balance sheet credit exposures. The CECL model requires the measurement of all expected credit losses on applicable financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. While historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance accounts is dependent upon a variety of factors beyond the Company's control, including the performance of the portfolios, the economy, changes in interest rates and the view of the regulatory authorities toward classification of assets. For additional information regarding our accounting policies related to credit losses, refer to Note 1. Summary of Significant Accounting Policies and Note 5. Loans, Net and Allowance for Credit Losses on Loans in the accompanying notes to consolidated financial statements included elsewhere in this report.

The economy and other risk factors are minimized by the Company's underwriting standards which include the following principles: 1) financial strength of the borrower including strong earnings, high net worth, significant liquidity and acceptable debt to worth ratio, 2) managerial business competence, 3) ability to repay, 4) loan to value, 5) projected cash flow and 6) guarantor financial statements as applicable.

### Analysis of the Allowance for Credit Losses - Loans

The following table sets forth the allowance for credit losses by category of loans:

	As of December 31,			
	2023		2022	
	Amount	% of Total Loans <sup>(1)</sup>	Amount	% of Total Loans <sup>(1)</sup>
<b>(dollars in thousands)</b>				
Commercial loans	\$ 34,793	15.4 %	\$ 54,037	16.1 %
Mortgage warehouse purchase loans	—	3.7	—	2.2
Real estate:				
Commercial real estate	60,096	56.3	61,078	56.2
Construction, land and land development	31,494	8.4	17,696	8.8
Residential real estate	6,917	11.5	3,450	11.5
Single-family interim construction	17,437	3.5	11,817	3.7
Agricultural	745	0.7	207	0.9
Consumer	379	0.5	502	0.6
Total allowance for credit losses	<u>\$ 151,861</u>	<u>100.0 %</u>	<u>\$ 148,787</u>	<u>100.0 %</u>

(1) Represents the percentage of the Company's total loans included in each loan category.

As of December 31, 2023, the allowance for credit losses amounted to \$151.9 million, or 1.07%, of total loans held for investment, excluding mortgage warehouse purchase loans, compared with \$148.8 million, or 1.09%, as of December 31, 2022.

As of December 31, 2023, the Company had specific credit loss allocations of \$15.2 million on individually evaluated loans totaling \$47.3 million, compared with specific credit loss allocations of \$9.6 million on individually evaluated loans totaling \$34.5 million as of December 31, 2022. The majority of the increase in individually evaluated loans and specific credit loss allocations was due to the addition of a commercial real estate loan totaling \$13.3 million with specific credit loss allocation of \$2.2 million. Additionally, there was a \$3.5 million increase in specific credit allocation on a commercial loan relationship during the year.

[Table of Contents](#)

The factors driving significant changes in credit loss allocations by segment over the year are discussed below.

The allowance allocated to commercial loans totaled \$34.8 million, or 1.5% of total commercial loans as of December 31, 2023, compared to \$54.0 million, or 2.4% of commercial loans as of December 31, 2022. The allowance for credit losses decreased \$19.2 million, or 35.6% for the period despite an increase of \$25.9 million in the commercial loan portfolio. Modeled expected credit losses decreased \$12.7 million and qualitative factors and other qualitative adjustments related to commercial loans decreased \$9.9 million. The change in modeled losses was due to model changes applied during the second quarter, most notably the change to consolidate energy loans for modeling purposes into the commercial portfolio and by expanding the macroeconomic variables (MEVs) used for this portfolio. The decrease in qualitative factors was due to improvement in classified loan trends. Specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis increased \$3.3 million from \$8.4 million at December 31, 2022 to \$11.7 million at December 31, 2023. The increase in specific allocations for commercial loans was primarily related to the increase in specific allocation on a commercial loan relationship as mentioned above.

The allowance allocated to commercial real estate totaled \$60.1 million, or 0.7% of total commercial real estate loans as of December 31, 2023, compared to \$61.1 million, or 0.8% of commercial real estate loans as of December 31, 2022. The allowance for credit losses decreased \$982 thousand, or 1.6% over the year. Modeled expected credit losses decreased \$4.7 million, while qualitative factors and other qualitative adjustments increased \$1.4 million. The decrease in modeled losses was primarily related to new MEVs incorporated such as certain CRE price indices offset by changes related to the economic forecast, which included downward adjustments affecting office and multifamily commercial real estate. The increase in qualitative factors was due to an increase in risk-grade credit trends, specifically in the non-owner occupied pool within this segment. Specific allocations for commercial real estate loans that were evaluated for expected credit losses on an individual basis increased \$2.4 million from \$1.2 million at December 31, 2022 to \$3.6 million at December 31, 2023 primarily due to the \$2.2 million credit allocation on the commercial real estate loan discussed above.

The allowance allocated to construction, land and land development loans totaled \$31.5 million, or 2.6% of total construction, land and land development loans as of December 31, 2023, compared to \$17.7 million, or 1.4% of construction, land and land development loans as of December 31, 2022. The allowance for credit losses increased \$13.8 million, or 78.0% over the year. Modeled expected credit losses increased \$13.7 million and qualitative factors and other qualitative adjustments increased \$67 thousand. The increase in modeled losses was due to the new MEVs utilized to more closely align with the risks within this portfolio as well as a declining economic forecast over the year. There were no specific allocations for construction, land and land development loans that were evaluated for expected credit losses on an individual basis at December 31, 2022 or December 31, 2023.

The allowance allocated to residential real estate loans totaled \$6.9 million, or 0.4% of total residential real estate loans as of December 31, 2023, compared to \$3.5 million, or 0.2% of residential real estate loans as of December 31, 2022. The allowance for credit losses increased \$3.5 million, or 100.5% for the period. Modeled expected credit losses increased \$1.8 million while qualitative factors related to residential real estate loans increased \$1.7 million. The increase in modeled losses was primarily related to changes in the economic forecast which take into consideration the current environment and inflationary pressures, as well as expanded MEVs including certain price indices. The increase in qualitative factors was due primarily to changes made to the model during the year. There were no specific allocations for residential real estate loans that were evaluated for expected credit losses on an individual basis at December 31, 2022 or December 31, 2023.

The allowance allocated to single-family construction loans totaled \$17.4 million, or 3.4% of total single-family construction loans as of December 31, 2023, compared to \$11.8 million, or 2.3% of single-family construction loans as of December 31, 2022. The allowance for credit losses increased \$5.6 million, or 47.6%. Modeled expected credit losses increased \$5.6 million while qualitative factor and other qualitative adjustments related to single-family construction loans increased \$30 thousand. The increase in modeled losses was due to the new MEVs utilized in the calculation to more closely align with the risks within this portfolio as well as a declining economic forecast within this segment over the period. Specific allocations for single family construction loans that were evaluated for expected credit losses on an individual basis decreased \$43 thousand from \$43 thousand at December 31, 2022 to zero at December 31, 2023.

Refer to Note 5. Loans, Net and Allowance for Credit Losses on Loans, in the notes to the Company's audited consolidated financial statements included elsewhere in this report for additional details of the allowance for credit losses on loans.

[Table of Contents](#)

Additional information related to net charge-offs (recoveries) by loan type is presented in the table below.

	Net Charge-offs (Recoveries)	Average Loans	Ratio of Annualized Net Charge-offs (Recoveries) to Average Loans
<b>2023</b>			
Commercial	\$ (26)	\$ 2,216,381	— %
Mortgage warehouse purchase loans	—	386,768	—
Real estate:			
Commercial	—	8,010,876	—
Commercial construction, land and land development	1,085	1,181,664	0.09
Residential	—	1,637,940	—
Single-family interim construction	27	496,696	0.01
Agricultural	1	118,902	—
Consumer	16	80,412	0.02
<b>Total</b>	<b>\$ 1,103</b>	<b>\$ 14,129,639</b>	<b>0.01 %</b>
<b>2022</b>			
Commercial	\$ 1,244	\$ 2,104,991	0.06 %
Mortgage warehouse purchase loans	—	428,409	—
Real estate:			
Commercial	4,009	7,280,480	0.06
Commercial construction, land and land development	—	1,215,302	—
Residential	(75)	1,472,210	(0.01)
Single-family interim construction	—	449,488	—
Agricultural	—	116,760	—
Consumer	9	80,993	0.01
<b>Total</b>	<b>\$ 5,187</b>	<b>\$ 13,148,633</b>	<b>0.04 %</b>
<b>2021</b>			
Commercial	\$ 6,797	\$ 2,178,362	0.31 %
Mortgage warehouse purchase loans	—	906,675	—
Real estate:			
Commercial	375	6,374,508	0.01
Commercial construction, land and land development	126	1,190,934	0.01
Residential	(7)	1,340,382	—
Single family-interim construction	—	345,397	—
Agricultural	—	85,316	—
Consumer	129	80,067	0.16
<b>Total</b>	<b>\$ 7,420</b>	<b>\$ 12,501,641</b>	<b>0.06 %</b>

For the year ended December 31, 2023, net charge-offs totaled \$1.1 million, which is 0.01% of the Company's average loans outstanding during the period, compared to net charge-offs of \$5.2 million, or 0.04% of average loans for the year ended December 31, 2022. The higher level of charge-offs in 2022 was primarily due to net charge-offs recorded at the foreclosure of two commercial real estate properties totaling \$3.4 million and a \$773 thousand partial charge-off of a commercial loan that was paid off.

### ***Allowance for Credit Losses - Off-Balance Sheet Credit Exposures***

The allowance for credit losses on off-balance sheet credit exposures is calculated under the CECL model, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed in Note 13. [Off-Balance Sheet Arrangements, Commitments and Contingencies](#). The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur based on historical utilization rates. For both December 31, 2023 and 2022, the allowance for credit losses on off-balance sheet credit exposures was \$3.9 million.

### **Securities**

The Company's investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit, interest rate and duration risk. The types and maturities of securities purchased are primarily based on the Company's current and projected liquidity and interest rate sensitivity positions. Refer to Note 4. [Securities](#) for more details on the Company's security portfolio.

The fair value of the Company's available for sale securities decreased \$98.0 million, or 5.8%, to \$1.6 billion at December 31, 2023 from \$1.7 billion at December 31, 2022. The decrease was due to net paydowns, maturities and calls during the year. The amortized cost of held to maturity securities decreased \$1.8 million, or 0.9%, to \$205.2 million as of December 31, 2023 from \$207.1 million as of December 31, 2022.

Total securities represented 9.5% and 10.4% of the Company's total assets at December 31, 2023 and December 31, 2022, respectively. There were no sales of securities for the years ended December 31, 2023 and 2022.

Certain investment securities are valued at less than their amortized cost. At December 31, 2023, the Company's review of all securities at an unrealized loss position determined that the losses resulted from factors not related to credit quality. This conclusion is based on the Company's analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors for each security type in the portfolio. The unrealized losses are generally due to increases in market interest rates. Furthermore, the Company has the intent to hold these securities until maturity or a forecasted recovery, and it is more likely than not that the Company will not have to sell the securities before the recovery of their cost basis. The fair value is expected to recover as the securities approach their maturity date. As such, there is no allowance for credit losses on available for sale or held to maturity securities recognized as of December 31, 2023. Refer to Note 4. [Securities](#) for more information on the Company's analysis of credit losses on securities available for sale and held to maturity.

[Table of Contents](#)

The following table sets forth the amount, scheduled maturities and weighted average yields for the Company's investment portfolio as of December 31, 2023. Available for sale securities are presented at fair value and held to maturity securities are presented at amortized cost.

(dollars in thousands)	Within One Year		One Year to Five Years		After Five Years to Ten Years		After Ten Years		Total	
	Weighted Average Yield		Weighted Average Yield		Weighted Average Yield		Weighted Average Yield		Weighted Average Yield	
	Amount	(1)	Amount	(1)	Amount	(1)	Amount	(1)	Amount	(1)
<b>Securities Available for Sale</b>										
U.S. treasuries	\$ 59,274	1.80 %	\$ 127,593	1.29 %	\$ 27,355	1.25 %	\$ —	— %	\$ 214,222	1.42 %
Government agency securities	—	—	119,082	1.55	230,912	1.56	46,112	2.13	396,106	1.63
Obligations of state and municipal subdivisions	17,319	3.59	61,225	3.33	65,200	3.17	83,890	2.83	227,634	3.27
Corporate bonds	—	—	—	—	35,820	4.09	—	—	35,820	4.09
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	30	3.36	31,922	2.04	32,067	1.99	655,450	1.96	719,469	1.97
Other securities	—	—	500	2.10	—	—	—	—	500	2.10
Total	\$ 76,623	2.21 %	\$ 340,322	1.82 %	\$ 391,354	2.07 %	\$ 785,452	2.06 %	\$ 1,593,751	2.04 %
<b>Securities Held to Maturity</b>										
Obligations of state and municipal subdivisions	\$ —	— %	\$ —	— %	\$ —	— %	\$ 205,232	2.14 %	\$ 205,232	2.14 %

(1) Yields are based on amortized cost and calculated on a tax-equivalent basis assuming a 21% tax rate

### Cash and Cash Equivalents

Cash and cash equivalents increased by \$67.7 million, or 10.3% to \$722.0 million at December 31, 2023 from \$654.3 million at December 31, 2022. Cash and cash equivalent balances can vary due to cash needs and volatility of several large title company and commercial accounts. In addition, the increase in balances as of December 31, 2023 is primarily due to maintaining healthy excess liquidity in response to the challenging banking environment.

### Liabilities

Total liabilities increased \$759.5 million, or 4.8%, to \$16.6 billion as of December 31, 2023, from \$15.9 billion as of December 31, 2022 with significant components discussed below.

### Deposits

Total deposits increased \$601.6 million, or 4.0%, to \$15.7 billion as of December 31, 2023 from \$15.1 billion as of December 31, 2022. The increase is primarily due to the Company's increased use of brokered deposits as a source of liquidity due to deposit attrition during the year. Brokered deposits totaled \$2.5 billion and \$528.9 million at December 31, 2023 and 2022, respectively. Noninterest-bearing demand deposits totaled \$3.5 billion, or 22.5% of total deposits, as of December 31, 2023, compared with \$4.7 billion, or 31.3% of total deposits, as of December 31, 2022.

[Table of Contents](#)

The following table summarizes the Company's average deposit balances and weighted average rates for the periods presented:

(dollars in thousands)	For the Years Ended December 31,					
	2023		2022		2021	
	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
<b>Deposit Type</b>						
Noninterest-bearing demand accounts	\$ 3,957,699	— %	\$ 5,018,631	— %	\$ 4,675,667	— %
Interest-bearing accounts						
Checking accounts	5,745,444	3.08	6,002,530	0.76	5,967,655	0.38
Savings accounts	628,088	0.06	787,937	0.05	711,401	0.15
Money market accounts	1,616,038	3.47	2,130,908	1.01	2,584,386	0.53
Certificates of deposit and individual retirement accounts (IRA)	2,977,281	4.19	1,027,561	1.00	1,269,736	0.55
Total interest-bearing accounts	10,966,851	3.27	9,948,936	0.78	10,533,178	0.42
Total deposits	\$ 14,924,550	2.40 %	\$ 14,967,567	0.52 %	\$ 15,208,845	0.29 %

In 2023, there was a significant shift in average deposit balances by type, moving from noninterest-bearing, interest-bearing checking and money market accounts to higher yielding certificates of deposit accounts. This shift was due to the higher rates offered on these products resulting from Fed rate increases over the year. The Bank offered several promotional campaigns during the year on short duration certificates of deposit. Furthermore, average total brokered deposits increased to \$1.5 billion for 2023 from \$493.9 million in 2022, an increase of \$1.0 billion, or 212%, with the majority of brokered accounts concentrated in certificates of deposit representing average balances of \$969.4 million, or approximately one-third of the average balance of total certificates of deposit for the year.

The total cost of deposits increased 188 basis points from 0.52% for the year ended December 31, 2022 to 2.40% for the year ended December 31, 2023. The average cost of interest-bearing deposits was 3.27% for 2023 compared with 0.78% for 2022. The increase in deposit cost of funds is reflective of higher rates on deposit products as a result of Fed Funds rate increases over the year as well as the increased level of brokered deposits, as discussed above. Interest expense on brokered deposits totaled approximately \$80.6 million in 2023, compared to \$8.1 million in 2022 and had a weighted average interest rate paid of 5.23% for 2023, compared to 1.64% in 2022. Therefore, the combination of the shift from noninterest-bearing to interest-bearing accounts as well as the use of higher-cost brokered funds and overall rising rate environment in 2023 had a negative effect on the Company's net interest income during 2023.

The following table sets forth the maturity of time deposits (including IRA deposits) greater than \$250 thousand as of December 31, 2023:

(dollars in thousands)	Maturity within:				
	Three Months	Three to Six Months	Six to Twelve Months	After Twelve Months	Total
Individual retirement accounts	\$ 253	\$ 509	\$ 4,400	\$ 365	\$ 5,527
Certificates of deposit	464,907	420,174	181,111	64,831	1,131,023
Total	\$ 465,160	\$ 420,683	\$ 185,511	\$ 65,196	\$ 1,136,550

The estimated amount of uninsured and uncollateralized deposits including related accrued interest is approximately \$6.3 billion (40.2% of total deposits) and \$8.1 billion (53.6% of total deposits) as of December 31, 2023 and 2022, respectively. Estimated uninsured deposits, excluding public funds deposits totaled \$4.6 billion (29.1% of total deposits) and \$6.5 billion (42.9% of total deposits) as of December 31, 2023 and 2022, respectively.

#### FHLB Advances

The Company's FHLB borrowings totaled \$350.0 million as of December 31, 2023, compared with \$300.0 million as of December 31, 2022. The change in FHLB borrowings from prior year reflects the use of short-term FHLB advances as needed for liquidity. See further details of FHLB advances, including collateral and letters of credit in Note 9. [Federal Home Loan Bank Advances](#).



## **Other Borrowings**

As of December 31, 2023 and 2022, the Company had \$238.1 million and \$267.1 million, respectively, of long-term indebtedness (other than FHLB advances and junior subordinated debentures) outstanding, which included subordinated debentures. The decrease from December 31, 2022 to December 31, 2023 was due to the redemption of \$30.0 million of subordinated debentures in first quarter 2023.

In addition, the Company had \$33.8 million and zero of short-term borrowings outstanding on its \$100.0 million revolving line of credit as of December 31, 2023 and 2022, respectively. The \$33.8 million in borrowings remained outstanding as of February 20, 2024. See Note 10. Other Borrowings for further details of the Company's other borrowings.

## **Other Liabilities**

Other liabilities increased \$102.9 million, or 79.1%, to \$233.0 million at December 31, 2023 from \$130.1 million at December 31, 2022. The increase is due to primarily to the accruals of the \$100.0 million litigation settlement and the \$8.3 million FDIC special assessment as discussed elsewhere in this report, offset by decreases in other various year end accruals.

## **Capital Resources and Liquidity Management**

### **Capital Resources**

The Company's stockholders' equity is influenced by the Company's earnings, common stock repurchased by the Company, common stock granted and forfeited, stock based compensation expense, the dividends the Company pays on its common stock, and any changes in other comprehensive income relating to available for sale securities and cash flow hedges.

Total stockholder's equity was \$2.4 billion at December 31, 2023 and December 31, 2022, an increase of approximately \$17.2 million. The increase was primarily due to net income earned for the year totaling \$43.2 million, an improvement of \$31.3 million in other comprehensive income and stock based compensation of \$7.5 million offset by stock repurchased by the Company totaling \$2.2 million and dividends paid of \$62.7 million.

### **Regulatory Capital Requirements**

The Company's capital management consists of providing equity to support the Company's current and future operations. The Company is subject to various regulatory capital requirements administered by state and federal banking agencies, including the TDB, Federal Reserve and the FDIC. Failure to meet minimum capital requirements may prompt certain actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's financial condition and results of operations. Please refer to Note 20. Regulatory Matters, in the notes to the Company's audited consolidated financial statements included elsewhere in this report for additional details.

**Stock Repurchase Program.** In January 2023, the Company's Board approved the 2023 Stock Repurchase Plan, which provides for the repurchase of common stock up to \$125.0 million through December 31, 2023. There were no shares repurchased under the 2023 Plan through December 31, 2023.

See Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, in this report for additional information.

In August 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted. Among other things, the IRA imposes a new 1% excise tax on the fair market value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations. With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements.

## Liquidity Management

Liquidity refers to the measure of the Company's ability to meet current and future cash flow requirements as they become due, while at the same time meeting the Company's operating, capital and strategic cash flow needs, all at a reasonable cost. The Company's Asset Liability Committee (ALCO) is responsible for the oversight of liquidity. ALCO is a management subcommittee of the Board Risk Oversight Committee. The Company utilizes its Liquidity Risk Management Policy, Contingency Funding Plan (CFP), and Liquidity Risk Management Framework to monitor and manage liquidity risk. The Policy establishes liquidity monitoring ratios and their respective limits. The CFP identifies Key Risk Indicators and defines triggers to determine the level of risk on a sliding scale: Normal, Early Warning, Advanced Warning, and Crisis. The CFP further outlines appropriate action steps to be taken by management to remedy an increase in liquidity risk based on the level of risk determined in the framework. Additionally, the CFP outlines appropriate additional monitoring, reporting, and communication for each level of risk within the framework.

The Company's asset and liability management policy is intended to maintain adequate liquidity and, therefore, enhance the Company's ability to raise funds to support asset growth, meet deposit withdrawals and lending needs, maintain reserve requirements, and otherwise sustain operations. The Company accomplishes this through management of the maturities of its interest-earning assets and interest-bearing liabilities. The Company believes that its present position is adequate to meet the current and future liquidity needs.

The Company continuously monitors its liquidity position to ensure that assets and liabilities are managed in a manner that will meet all of the Company's short-term and long-term cash requirements. The Company manages its liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of the Company's shareholders. The Company also monitors its liquidity requirements in light of interest rate trends, changes in the economy, and the scheduled maturity and interest rate sensitivity of the investment and loan portfolios and deposits. Liquidity risk management is an important element in the Company's asset/liability management process. The Company's liquidity position is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. The Company's short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers, capital expenditures and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of pre-paid and maturing balances in the Company's loan and investment portfolios, debt financing and increases in customer deposits. The Company's liquidity position is supported by management of liquid assets and liabilities and access to alternative sources of funds. Liquid assets include cash, interest-bearing deposits in banks, federal funds sold, securities available for sale and maturing or prepaying balances in the Company's investment and loan portfolios. Liquid liabilities include core deposits, brokered deposits, federal funds purchased and other borrowings. Other sources of liquidity include the sale of loans, the issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities, borrowings through the Federal Reserve's discount window and the Bank Term Funding Program through the program's expiration date and the issuance of equity securities. In addition to the liquidity provided by the sources described above, the Company maintains correspondent relationships with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. The Company's \$100.0 million line of credit also provides an additional source of liquidity. For additional information regarding the Company's operating, investing and financing cash flows, see the [Consolidated Statements of Cash Flows](#) provided in the Company's consolidated financial statements.

Deposits represent the Company's primary source of funds. The Company continues to focus on growing core deposits through the Company's relationship driven banking philosophy and community-focused marketing programs. During 2023, the Company increased the use of higher-cost brokered deposits to secure additional liquidity due to the competitive deposit environment resulting from the interest rate increases over the year. To avoid concentrations with any one broker, brokered deposits can be accessed from a variety of brokers acting as intermediaries, typically larger money-center financial institutions as well as broker networks including Certificate of Deposit Account Registry Service (CDARS), IntraFi Cash Service (ICS) & Total Bank Solutions (TBS) among other sources.

## [Table of Contents](#)

The following table summarizes the Company's short-term borrowing capacities net of balances outstanding as of December 31, 2023:

Unsecured fed funds lines available from commercial banks	\$	445,000
American Financial Exchange (overnight borrowings)	\$	699,000
Unused borrowing capacity from FHLB	\$	5,144,607
Unused borrowing capacity under Fed Discount window	\$	1,095,664
Unused borrowing capacity under Fed BTFP (based on unencumbered securities at par value)	\$	661,721
Unused portion of line of credit	\$	66,250

In the ordinary course of the Company's operations, the Company has entered into certain contractual obligations and has made other commitments to make future payments. The Company believes that it will be able to meet its contractual obligations as they come due through the maintenance of adequate cash levels. The Company expects to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity and continued deposit gathering activities. The Company has in place various borrowing mechanisms for both short-term and long-term liquidity needs. Refer to the accompanying [notes to consolidated financial statements](#) elsewhere in this report for the expected timing of such obligations and borrowing capacity, as applicable, as of December 31, 2023. These include payments related to (a) time deposits with stated maturity dates (Note 8. [Deposits](#)), (b) short and long term borrowings (Note 9. [Federal Home Loan Bank Advances](#), Note 10. [Other Borrowings](#) and Note 11. [Junior Subordinated Debentures](#)), (c) operating leases (Note 12. [Leases](#)) and (d) commitments to extend credit and standby letters of credit (Note 13. [Off-Balance Sheet Arrangements, Commitments and Contingencies](#)).

As discussed elsewhere in this report, the Company has accrued \$100.0 million in connection with the settlement of the Stanford lawsuit. Once the litigation is dismissed by the Court, the Company expects to pay the obligation as described in the settlement agreement. Refer to [Part I, Item 3. Legal Proceedings](#) for more information.

Other than normal changes in the ordinary course of business, there have been no significant changes in the types of contractual obligations or amounts due since December 31, 2023, except as described in Note 22. [Subsequent Events](#).

The Company is a corporation separate and apart from the Bank and, therefore, the Company must provide for the Company's own liquidity. The Company's main source of funding is dividends declared and paid to the Company by the Bank. Statutory and regulatory limitations exist that affect the ability of the Bank to pay dividends to the Company. Management believes that these limitations will not impact the Company's ability to meet the Company's ongoing short-term cash obligations. For additional information regarding dividend restrictions, see "[Supervision and Regulation](#)" under [Part I, Item 1. "Business."](#)

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with U.S. generally accepted accounting principles, or GAAP, requires the Company to make estimates and judgments that affect the Company's reported amounts of assets, liabilities, income and expenses and related disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. The Company evaluates its estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies, as described in detail in the notes to the Company's audited consolidated financial statements are an integral part of the Company's financial statements. A thorough understanding of these accounting policies is essential when reviewing the Company's reported results of operations and the Company's financial position. The Company has deemed the accounting policy and estimate discussed below as most critical and require the Company to make difficult, subjective or complex judgments about matters that are inherently uncertain. Changes in these estimates, which are likely to occur from period to period, or the use of different estimates that the Company could have reasonably used in the current period, would have a material impact on the Company's financial position, results of operations or liquidity. The Company has other significant accounting policies and continues to evaluate the materiality of their impact on its consolidated financial statements, but management believes these other policies either do not generally require them to make estimates and judgments that are difficult or subjective, or it is less likely they would have a material impact on the Company's reported results for a given period.

**Allowance For Credit Losses.** Management considers policies related to the allowance for credit losses on financial instruments for loans and off-balance sheet credit exposures to be critical to the financial statements. The Company's policies for the allowance for credit losses are accounted for under ASC 326, *Financial Instruments - Credit Losses*. In accordance with ASC 326, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans are charged against the allowance for credit losses when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance is increased (decreased) by provisions (or reversals of) reported in the income statement as a component of provisions for credit loss. Under the guidance, the allowance for credit losses on off-balance sheet credit exposures is a liability account representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit.

The amount of each allowance account represents management's best estimate of current expected credit losses on such financial instruments using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term as well as for changes in environmental conditions, such as changes in unemployment rates, gross domestic product, property values or other relevant factors. The Company utilizes Moody's Analytics economic forecast scenarios and assigns probability weighting to those scenarios which best reflect management's views on the economic forecast.

The allowance for credit losses for loans is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. For determining the appropriate allowance for credit losses on a collective basis, the loan portfolio is segmented into pools based upon similar risk characteristics and a lifetime loss-rate model is utilized. The measurement of expected credit losses is impacted by loan/borrower attributes and certain macroeconomic variables. Management has determined that they are reasonably able to forecast the macroeconomic variables used in the modeling processes with an acceptable degree of confidence for a total of two years then encompassing a reversion process whereby the forecasted macroeconomic variables are reverted to their historical mean utilizing a rational, systematic basis. Management qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factor (Q-Factor) adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk.

Due to the subjective nature of these estimates in general and more so due to the multiple variables used in the calculation, the estimate for determining current expected credit losses is subject to uncertainty. The various components of the calculation require significant management judgement and certain assumptions are highly subjective. Volatility in certain credit metrics and variations between expected and actual outcomes are likely.

Further information regarding Company policies and methodology used to estimate the allowance for credit losses is presented in Note 1. [Summary of Significant Accounting Policies](#), Note 5. [Loans, Net and Allowance for Credit Losses on Loans](#) and Note 13. [Off-Balance Sheet Arrangements, Commitments and Contingencies](#).

**Goodwill.** The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates that it is likely an impairment has occurred. The Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment test is unnecessary. If the Company concludes otherwise, then it is required to perform an impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. The Company performs its impairment test annually as of December 31. During the year ended December 31, 2023, the economic uncertainty and market volatility resulting from the rising interest rate environment and the recent banking crisis resulted in a decrease in the Company's stock price and market capitalization. Management believed such decrease was a triggering indicator requiring goodwill impairment quantitative assessments at each interim period in addition to the annual impairment test performed as of December 31, 2023, all of which resulted in no impairment charges. Refer to Note 1. Summary of Significant Accounting Policies, in the notes to the Company's consolidated financial statements included elsewhere in this report for additional information.

Determining the fair value of a reporting unit is considered a critical accounting estimate because it requires significant management judgment and the use of subjective measurements. Variability in the market and changes in assumptions or subjective measurements used to allocate fair value are reasonably possible and may have a material impact on the Company's financial position, liquidity or results of operations.

#### **Recently Issued Accounting Standards**

The Company has evaluated new accounting standards that have recently been issued and have determined that there are no new accounting standards that should be described in this section that will materially impact the Company's operations, financial condition or liquidity in future periods. Refer to Note 2. Recent Accounting Standards, of the Company's audited consolidated financial statements for a discussion of recent accounting standards and their expected impact on the consolidated financial statements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, commodity prices, and other relevant market rates and prices, such as equity prices. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows, and future earnings. Due to the nature of our operations, we are primarily exposed to interest rate risk.

##### **Asset/Liability Management and Interest Rate Risk**

The principal objective of the Company's asset and liability management function is to measure, monitor, and control the interest rate risk within the balance sheet while maximizing net income and preserving adequate levels of liquidity and capital. The Board Risk Oversight Committee has oversight of the asset and liability management function, which is managed by ALCO under the direction of the Company's Treasurer. ALCO, which members include the Treasurer, Chief Financial Officer and other senior management, meets regularly to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, as well as local and national market conditions. That management subcommittee also reviews the liquidity, deposit mix, loan mix and investment positions of the Company.

The Company's management and the Board of Directors are responsible for employing risk management policies that monitor and limit the Company's exposure to interest rate risk. Interest rate risk is measured using net interest income simulations and market value of equity analyses. These analyses use various assumptions, including the magnitude and timing of interest rate changes, yield curve shape, prepayments on loans and securities and deposits, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows.

Instantaneous parallel rate shift scenarios, known as rate shock, are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin.

## [Table of Contents](#)

The Company also analyzes the economic value of equity as an additional measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the market value of assets less the market value of liabilities. The economic value of equity is a longer term view of interest rate risk because it measures the present value of the future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to the Company's future earnings and is used in conjunction with the analyses on net interest income. The Company also runs customized scenarios to aid in decision making as well as stress test assumptions to confirm that the outputs are reasonable.

The Company conducts periodic analyses of its sensitivity to interest rate risk through the use of a third-party proprietary interest-rate sensitivity model that is run internally and has been customized to the Company's specifications. The analyses conducted by use of that model are based on current information regarding the Company's actual interest-earnings assets, interest-bearing liabilities, capital and other financial information that it supplies. The Company uses the information in the model to aid in its risk management framework surrounding the net interest margin.

The Company's asset liability management model indicated that it was in a liability sensitive position in terms of its income simulation as of December 31, 2023. The table below illustrates the impact of an immediate and sustained 200 and 100 basis point increase and a 100 basis point decrease in interest rates on net interest income over twelve months based on the interest rate risk model as of December 31, 2023:

Hypothetical Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
200	(9.52)%
100	(4.22)
(100)	3.67

The Company's model indicates that its projected balance sheet on December 31, 2023 has shifted to a liability sensitive position in comparison to an asset sensitive balance sheet as of December 31, 2022. The shift was due to the increase in short-term wholesale funding during and after the market liquidity events of early 2023. Additionally, the bank has seen a shift in its deposit base as customers seek to capture yields during a time of heightened interest rates. The movement from non-maturity deposits to time deposits, primarily in 6-to-13-month terms, has also increased the liability sensitivity of the bank's balance sheet. The Company has strategically positioned the duration of its liabilities short in order to maximize its ability to grow net interest income during periods of flat or falling interest rates.

These are good faith estimates and assume that the composition of the Company's interest sensitive assets and liabilities existing at each year-end is held consistent. Additionally, the forecast takes into consideration the future maturities and contractual interest rate repricing over the relevant twelve-month measurement period. Lastly, the model assumes that changes in market interest rates are instantaneous and sustained across the yield curve regardless of duration of pricing characteristics of specific assets or liabilities. This analysis does not contemplate any actions that the Company might undertake in response to changes in market interest rates. As a result, the Company believes these estimates are not necessarily indicative of what actually could occur in the event of immediate interest rate increases or decreases of this magnitude. As interest-bearing assets and liabilities re-price in different time frames and proportions to market interest rate movements, various assumptions must be made based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive and market conditions, the Company anticipates that future results will likely be different from the foregoing estimates, and such differences could be material.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, the reports thereon, the notes thereto and supplementary data commence at page 81 of this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

*Evaluation of disclosure controls and procedures.* As of the end of the period covered by this Annual Report on Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) were effective as of the end of the period covered by this report.

*Management's report on internal control over financial reporting.* The management, including the Chief Executive Officer and Chief Financial Officer, of the Company is responsible for establishing and maintaining an effective system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act.

As of December 31, 2023, management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations, or COSO, of the Treadway Commission (2013 framework). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting, as of December 31, 2023, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

*Attestation report of the registered public accounting firm.* The Company's independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K has issued an attestation report on the Company's internal control over financial reporting. The attestation report of RSM US LLP, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2023, appears below.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Independent Bank Group, Inc.

### Opinion on the Internal Control Over Financial Reporting

We have audited Independent Bank Group, Inc.'s (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and our report dated February 20, 2024 expressed an unqualified opinion.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Dallas, Texas

February 20, 2024



**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item 10 is incorporated herein by reference to the information under the captions "Election of Directors," "Our Board of Directors," "Identification & Evaluation of Director Candidates," "Nominee for Election," "Continuing Directors," "Executive Officers," "Board Governance," "Stock Ownership of Directors, Nominees, Executive Officers and Principal Shareholders," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for its 2024 Annual Meeting of Shareholders (the "2024 Proxy Statement") to be filed with the Commission pursuant to Regulation 14A under the Exchange Act within 120 days of the Company's fiscal year end.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item 11 is incorporated herein by reference to the information under the caption "Compensation Discussion & Analysis" in the 2024 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

Certain information required by this Item 12 is included under "Securities Authorized for Issuance under Equity Compensation Plans" in [Part II, Item 5](#) of this Annual Report on Form 10-K. The other information required by this Item is incorporated herein by reference to the information under the caption "Stock Ownership of Directors, Nominees, Executive Officers and Principal Shareholders" in the 2024 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 is incorporated herein by reference to the information under the captions "Election of Directors," "Board Governance-Director Independence" and "Related Person and Certain Other Transactions" in the 2024 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our independent registered public accounting firm is RSM US LLP , Dallas, Texas , Auditor Firm ID: 49 .

The information required by this Item 14 is incorporated herein by reference to the information under the caption “Fees Paid to Independent Registered Public Accounting Firm” and “Audit Committee Pre-Approval Policies and Procedures” in the 2024 Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements. Reference is made to the Consolidated Financial Statements, the report thereon and the notes thereto commencing at page [81](#) of this Annual Report on Form 10-K. Set forth below is an index of such Consolidated Financial Statements:

<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">78</a>
<a href="#">Consolidated Balance Sheets as of December 31, 2023 and 2022</a>	<a href="#">81</a>
<a href="#">Consolidated Statements of Income for the Years Ended December 31, 2023, 2022 and 2021</a>	<a href="#">82</a>
<a href="#">Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2023, 2022 and 2021</a>	<a href="#">83</a>
<a href="#">Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2023, 2022 and 2021</a>	<a href="#">84</a>
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2023, 2022 and 2021</a>	<a href="#">85</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">87</a>

2. Financial Statement Schedules. All supplemental schedules are omitted as inapplicable or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. The exhibits to this Annual Report on Form 10-K listed below have been included only with the copy of this report filed with the SEC. The Company will furnish a copy of any exhibit to shareholders upon written request to the Company and payment of a reasonable fee not to exceed the Company's reasonable expense.

Each exhibit marked with an asterisk is filed or furnished with this Annual Report on Form 10-K as noted below.

**EXHIBIT LIST**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Certificate of Formation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the SEC on February 27, 2013 (Registration No. 333-186912) (the "Form S-1 Registration Statement"))</a>
3.2	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Formation of the Company (incorporated herein by reference to Exhibit 3.3 to Amendment No. 2 to the Form S-1 Registration Statement filed with SEC on April 1, 2013)</a>
3.3	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Formation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 28, 2019)</a>
3.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Formation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 22, 2023).</a>
3.5	<a href="#">Statement of Designations of Senior Non-Cumulative Perpetual Preferred Stock, Series A of Independent Bank Group, Inc., as filed with the Office of the Secretary of State of the State of Texas on April 15, 2014 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 17, 2014)</a>
3.6	<a href="#">Sixth Amended and Restated Bylaws of Independent Bank Group, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 22, 2023)</a>
3.7	<a href="#">Certificate of Merger, dated December 18, 2013, but effective January 1, 2014, of Live Oak Financial Corp. with and into Independent Bank Group, Inc. (incorporated herein by reference to Exhibit 3.5 to Amendment No. 1 to the Company's Registration Statement on Form S-3 (Registration No. 333-196627 filed with the SEC on June 25, 2014 (the "Form S-3 Registration Statement"))</a>
3.8	<a href="#">Certificate of Merger, dated April 15, 2014, of BOH Holdings, Inc. with and into Independent Bank Group, Inc. (incorporated herein by reference to Exhibit 3.6 to Amendment No. 1 to the Form S-3 Registration Statement filed with the SEC on June 25, 2014)</a>
3.9	<a href="#">Certificate of Merger, dated September 30, 2014, of Houston City Bancshares, Inc. with and into Independent Bank Group, Inc. (incorporated by reference to Exhibit 3.7 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2015, filed with the SEC on July 31, 2015)</a>
3.10	<a href="#">Certificate of Merger, dated March 31, 2017, of Carlile Bancshares, Inc. with and into Independent Bank Group, Inc. (incorporated by reference to Exhibit 3.8 to the Company's Quarterly Report on Form 10-Q, for the quarter ended March 31, 2017 filed with the SEC on April 27, 2017)</a>
3.11	<a href="#">Certificate of Merger, dated October 23, 2017, of Washington Investment Company with and into Independent Bank Group, Inc. (incorporated by reference to Exhibit 3.9 to the Registrant's Current Report on Form 10-Q filed with the SEC on July 26, 2018)</a>
3.12	<a href="#">Certificate of Merger, dated May 31, 2018, of Integrity Bancshares, Inc. with and into Independent Bank Group, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 10-Q filed with the SEC on July 26, 2018)</a>
3.13	<a href="#">Certificate of Merger, dated December 27, 2018, but effective January 1, 2019, of Guaranty Bancorp with and into Independent Bank Group, Inc. (incorporated herein by reference to Exhibit 3.10 to the Company's Annual Report on Form 10-K for the year December 31, 2018, filed with the SEC on February 28, 2019)</a>
4.1	<a href="#">Form of certificate representing shares of the Company's common stock (incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Form S-1 Registration Statement filed with the SEC on March 18, 2013)</a>
4.2	<a href="#">Subordinated Debt Indenture, dated as of June 25, 2014, between Independent Bank Group, Inc. and Wells Fargo Bank, National Association, in its capacity as Indenture Trustee (incorporated herein by reference to Exhibit 4.6 to Amendment No. 1 to the S-3 Registration Statement filed with the SEC on June 25, 2014)</a>
4.3	<a href="#">First Supplemental Indenture, dated as of July 17, 2014, between Independent Bank Group, Inc. and Wells Fargo Bank, National Association, in its capacity as Indenture Trustee (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, dated July 18, 2014)</a>
4.4	<a href="#">Second Supplemental Indenture, dated as of December 19, 2017, between Independent Bank Group, Inc. and Wells Fargo Bank, National Association, as trustee (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, dated December 19, 2017)</a>

## [Table of Contents](#)

- 4.5 [Third Supplemental Indenture, dated as of September 15, 2020, between Independent Bank Group, Inc. and Wells Fargo Bank, National Association, as trustee \(incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 15, 2020\)](#)
- 4.6 [Form of Global Note to represent the 5.875% Subordinated Notes due August 1, 2024, of the Company \(incorporated herein by reference to Exhibit 4.5 in the Company's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2017, filed with the SEC on October 26, 2017\)](#)
- 4.7 [Form of Global Note to represent the 5.875% Subordinated Notes due August 1, 2024, of the Company \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, dated June 23, 2016\)](#)
- 4.8 [Form of 4.00% Fixed-to-Floating Rate Subordinated Notes due 2030 \(incorporated by reference to Exhibit 4.3 \(included in exhibit 4.2\) to the Company's Current Report on Form 8-K dated September 15, 2020\)](#)
- 4.9 [Description of Registrant's Securities \(incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K for the Year ended December 31, 2020, filed with the SEC on March 1, 2021\)](#)

The other instruments defining the rights of holders of the long-term debt securities of the Company and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.

- 4.10 [Adoption Agreement for Independent Financial 401\(k\) Profit Sharing Plan \(incorporated by reference to Exhibit 4.1\(a\) to the Company's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2022, filed with the SEC on July 26, 2022\)](#)
- 4.11 [Independent Financial 401\(k\) Profit Sharing Plan Document \(incorporated by reference to Exhibit 4.1\(b\) to the Company's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2022, filed with the SEC on July 26, 2022\)](#)
- 4.12 [Independent Financial 401\(k\) Profit Sharing Plan Document, approved November 30, 2023 \(incorporated by reference to Exhibit 99.1\(c\) of the Company's Post Effective Amendment No. 1 to the Registration Statement on Form S-8 \(Registration No. 333-275824\) filed with the SEC on December 14, 2023.\)](#)
- 4.13 [Trust Agreement for the Independent Financial 401\(k\) Profit Sharing Plan, approved November 30, 2023 \(incorporated by reference to Exhibit 99.1\(d\) of the Company's Post Effective Amendment No. 1 to the Registration Statement on Form S-8 \(Registration No. 333-275824\) filed with the SEC on December 14, 2023.\)](#)
- 10.1 [Form of Indemnification Agreement for directors and officers \(incorporated herein by reference to Exhibit 10.16 to the Form S-1 Registration Statement\)](#)
- 10.2 [2015 Performance Award Plan \(incorporated herein by reference to Annex A of the Company's definitive Proxy Statement for its 2015 Annual Meeting of Shareholders, dated April 13, 2015\)](#)
- 10.3(a) [2013 Equity Incentive Plan, with form of Restricted Stock Award Agreement \(incorporated herein by reference to Exhibit 10.20 to the Form S-1 Registration Statement\)](#)
- 10.3(b) [First Amendment to the 2013 Equity Incentive Plan \(incorporated by reference to Appendix A to the Company's proxy statement for its 2018 Annual Meeting of Shareholders filed with the SEC on April 26, 2018\)](#)
- 10.3(c) [Second Amendment to the 2013 Equity Incentive Plan \(incorporated by reference to Exhibit 10.3\(c\) to the Company's Annual Report on Form 10-K/A dated March 6, 2020\)](#)
- 10.3(d) [Form of Performance Restricted Stock Unit Agreement for performance based restricted stock units \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2020, filed with the SEC on October 29, 2020\)](#)
- 10.3(e) [Form of Restricted Stock Agreement for restricted stock grants with ratable vesting \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2020, filed with the SEC on October 29, 2020\)](#)
- 10.3(f) [Form of Performance Restricted Stock Unit Agreement for performance based restricted stock units granted to executive officers on January 28, 2021 \(incorporated by the reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2021 filed with the SEC on April 29, 2021\)](#)
- 10.3(g) [Form of Restricted Stock Agreement for Directors under the Independent Bank Group 2013 Equity Incentive Plan for grants made to directors on June 3, 2021 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2021, filed with the SEC on July 28, 2021\)](#)

## [Table of Contents](#)

10.3(h)	<a href="#">2022 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the SEC on May 27, 2022 (Registration No. 333-265270) (the "Form S-8 Registration Statement"))</a>
10.3(i)	<a href="#">Employee Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 99.2 to the Form S-8 Registration Statement)</a>
10.3(j)	<a href="#">Executive Leadership Team Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 99.3 to the Form S-8 Registration Statement)</a>
10.3(k)	<a href="#">Executive Leadership Team Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.4 to the Form S-8 Registration Statement)</a>
10.3(l)	<a href="#">Director Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 99.5 to the Form S-8 Registration Statement)</a>
10.3(m)	<a href="#">Employee Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2022, filed with the SEC on October 25, 2022)</a>
10.3(n)	<a href="#">Executive Leadership Team Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2022, filed with the SEC on with the SEC on October 25, 2022)</a>
10.3(o)	<a href="#">Executive Leadership Team Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the Quarter end September 30, 2022, filed with the SEC on October 25, 2022)</a>
10.3(p)	<a href="#">Director Time-Based Restricted Stock Agreement (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2022, filed with the SEC on October 25, 2022)</a>
10.4(a)	<a href="#">Credit Agreement, dated as of January 17, 2019, between Independent Bank Group, Inc., in favor of U.S. Bank National Association (incorporated herein by reference to Exhibit 10.1(a) to the Company's Current Report on Form 8-K, dated January 22, 2019)</a>
10.4(b)	<a href="#">Revolving Credit Note, dated January 17, 2019, by Independent Bank Group, Inc. in favor of U.S. Bank National Association (incorporated herein by reference to Exhibit 10.1(b) to the Company's Current Report on Form 8-K, dated January 22, 2019)</a>
10.4(c)	<a href="#">Negative Pledge Agreement, dated as of January 17, 2019, by Independent Bank Group, Inc., in favor of U.S. Bank National Association (incorporated herein by reference to Exhibit 10.1(c) to the Company's Current Report on Form 8-K, dated January 22, 2019)</a>
10.4(d)	<a href="#">First Amendment to Credit Agreement between Independent Bank Group, Inc. and U.S. Bank National Association, dated January 17, 2020 (incorporated by reference to Exhibit 10.4(d) to the Company's Annual Report on Form 10-K/A dated March 6, 2020)</a>
10.4(e)	<a href="#">Second Amendment to Credit Agreement between Independent Bank Group, Inc. and U.S. Bank National Association, dated January 17, 2021 (incorporated by reference to Exhibit 10.4(e) to the Company's Annual Report on Form 10-K for the Year ended December 31, 2020 filed with the SEC on March 1, 2021)</a>
10.4(f)	<a href="#">Third Amendment to Credit Agreement between Independent Bank Group, Inc. and U.S. Bank National Association, dated January 17, 2022 (incorporated by reference to Exhibit 10.4(f) to the Company's Annual Report on Form 10-K for the Year ended December 31, 2021 filed with the SEC on February 25, 2022)</a>
10.4(g)	<a href="#">Fourth Amendment to Credit Agreement between Independent Bank Group, Inc. and U.S. Bank National Association, dated February 16, 2022 (incorporated by reference to Exhibit 10.4(g) to the Company's Annual Report on Form 10-K for the Year ended December 31, 2021 filed with the SEC on February 25, 2022)</a>
10.4(h)	<a href="#">Fifth Amendment to Credit Agreement between Independent Bank Group, Inc. and US Bank National Association, dated February 16, 2023 (incorporated by reference to Exhibit 10.4(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 21, 2023)</a>
10.4(i)	<a href="#">Sixth Amendment to Credit Agreement between Independent Bank Group, Inc. and US Bank National Association, dated March 16, 2023 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the SEC on April 25, 2023)</a>
10.4(j)*	<a href="#">Waiver and Seventh Amendment to Credit Agreement between Independent Bank Group, Inc. and US Bank National Association, dated February 16, 2024</a>

## [Table of Contents](#)

10.5	<a href="#">Employment Agreement by and between Independent Bank Group, Inc. and John G. Turpen dated July 15, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2021 filed with the SEC on October 28, 2021)</a>
10.6(a)	<a href="#">Form of Change in Control Agreement, dated July 24, 2023, between Independent Bank Group, Inc. and certain Executive Officers (incorporated by reference to Exhibit 10.1(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on July 25, 2023.)</a>
10.6(b)	<a href="#">Amended Schedule of Executive Officers who have executed a Change in Control Agreement (incorporated by reference to Exhibit 10.1(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on July 25, 2023)</a>
10.7	<a href="#">Separation Agreement and Release dated July 28 2022 by and between Michelle S. Hickox and Independent Bank and joined in by the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed with the SEC on October 25, 2022)</a>
21.1*	<a href="#">Subsidiaries of Independent Bank Group, Inc.</a>
23.1*	<a href="#">Consent of RSM US LLP, Independent Registered Public Accounting Firm of Independent Bank Group, Inc.</a>
31.1*	<a href="#">Chief Executive Officer Section 302 Certification</a>
31.2*	<a href="#">Chief Financial Officer Section 302 Certification</a>
32.1***	<a href="#">Chief Executive Officer Section 906 Certification</a>
32.2***	<a href="#">Chief Financial Officer Section 906 Certification</a>
97.1*	<a href="#">Compensation Recovery Policy of the Company, adopted October 19, 2023</a>
99.1	<a href="#">Settlement Agreement dated March 7, 2023, between and among, on the one hand (i) Ralph S. Jarvey, the court-appointed receiver for the Stanford Receivership Estate; (ii) the Official Stanford Investors Committee; (iii) certain individual plaintiffs named the Rotstain; Investor Plaintiffs; and, on the other hand, (iv) Independent Bank (incorporated by reference to Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the SEC on April 25, 2023)</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document)

\*

Filed herewith as an Exhibit

\*\*

Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules and similar attachments have been omitted. The registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

\*\*\*

Furnished herewith as an Exhibit

(b) Exhibits. See the exhibit list included in Item 15(a)3 of this Annual Report on Form 10-K.

(c) Financial Statement Schedules. See Item 15(a)2 of this Annual Report on Form 10-K.

---

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Independent Bank Group, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Independent Bank Group, Inc. and its subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 20, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



### **Allowance for Credit Losses on Loans**

As described in Notes 1 and 5 of the consolidated financial statements, the Company's allowance for credit losses on loans totaled \$151.9 million as of December 31, 2023. The allowance for credit losses on loans is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. For determining the appropriate allowance for credit losses on a collective basis, the loan portfolio is segmented into pools based upon similar risk characteristics and a lifetime loss-rate model is utilized. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term as well as changes in environmental conditions, such as changes in unemployment rates, gross domestic product, property values, various price indices, or other relevant factors. Management has determined that they are reasonably able to forecast the macroeconomic variables used in the modeling processes and assign probability weighting to those scenarios with an acceptable degree of confidence for a total of two years then encompassing a reversion process whereby the forecasted macroeconomic variables are reverted to their historical mean utilizing a rational, systematic basis. Management qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factor adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The determination of the forecasts and qualitative factors requires a significant amount of judgment by management and the estimate is highly sensitive to changes in significant assumptions.

We identified the determination of forecasts and qualitative factors applied to the allowance for credit losses on loans as a critical audit matter because auditing the forecasts and qualitative factors required a high degree of auditor judgment, as the estimate is highly sensitive to changes in significant assumptions.

Our audit procedures related to the forecasts and qualitative factors applied to the allowance for credit losses on loans included the following, among others:

- We obtained an understanding of the relevant controls related to the development and weighting of forecasts and qualitative factors and tested such controls for design and operating effectiveness, including controls over management's establishment, review and approval of the forecasts and qualitative factors and data used in determining the forecasts and qualitative factors.
- We tested management's process and evaluated the reasonableness of their judgements and assumptions to develop the forecasts and qualitative factors, which included:
  - Testing the accuracy of the data inputs used by management as a basis for the forecasts and qualitative factors by comparing to internal and external source data and assessing the reasonableness of the magnitude and directional consistency of the adjustments for such.
  - Evaluating whether management's conclusions related to forecasts and weighting of forecasts were consistent with Company provided internal data and external or independently sourced data, and agreeing the impact to the allowance calculation.

### **Goodwill**

As described in Notes 1 and 7 of the consolidated financial statements, the Company's recorded goodwill was \$994.0 million as of December 31, 2023. The Company tests goodwill of a reporting unit for impairment annually on December 31 or on an interim basis if an event or circumstance indicates it is more likely than not that the fair value of the reporting unit is less than its carrying amount. During the year, the economic uncertainty and market volatility resulting from the rising interest rate environment and the banking crisis resulted in a decrease in the Company's stock price and market capitalization. Management determined such decrease was a triggering event requiring an interim quantitative impairment test. The Company estimated the fair value of the reporting unit by making significant estimates and assumptions related to the specific circumstances of the reporting unit such as net interest income and net income projections, based on historical results and industry data, and the selection of an appropriate discount rate and control premium as well as consideration of transactions involving banks similar to the Company and related multiples. The application of these valuation methodologies and necessary assumptions requires a significant amount of judgment by management and the estimate is highly sensitive to changes in significant assumptions.

We identified the interim goodwill impairment assessment as a critical audit matter because of the complexity of the analysis and certain significant assumptions, including the projected cash flows, effective discount rate and comparable market companies. Auditing management's assumptions required significant auditor judgment and increased audit effort, including the use of our internal valuation specialists.

Our audit procedures related to the interim goodwill impairment assessment included the following, among others:

- We obtained an understanding of the relevant controls related to the interim goodwill impairment assessment and tested such controls for design and operating effectiveness, including controls over management's preparation of cash flow projections, review of the significant assumptions such as discount rate and price multiples of comparable market companies and review of the computations made within the assessment.
- We evaluated the reasonableness of management's cash flow projections by comparing forecasts to historical data and through analysis of operating ratios such as loan growth, loan yields, deposit growth, deposit cost of funds, net interest margin, allowance ratio, and non-interest expense.
- We utilized our internal valuation specialists to assist in:
  - Evaluating the price multiples of comparable market companies by comparing management's assumptions to information publicly available.
  - Evaluating the effective discount rate by comparing to publicly available market data.

/s/ RSM US LLP

We have served as the Company's auditor since 2001.

Dallas, Texas  
February 20, 2024

[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**  
(Dollars in thousands, except share information)

Assets	December 31,	
	2023	2022
Cash and due from banks	\$ 98,396	\$ 134,183
Interest-bearing deposits in other banks	623,593	520,139
<b>Cash and cash equivalents</b>	<b>721,989</b>	<b>654,322</b>
Certificates of deposit held in other banks	248	496
Securities available for sale, at fair value	1,593,751	1,691,784
Securities held to maturity, net of allowance for credit losses of \$ 0 and \$ 0 , respectively, fair value of \$ 170,997 and \$ 162,239 , respectively	205,232	207,059
Loans held for sale (includes \$ 12,016 and \$ 10,612 carried at fair value, respectively)	16,420	11,310
Loans, net of allowance for credit losses of \$ 151,861 and \$ 148,787 , respectively	14,558,681	13,760,576
Premises and equipment, net	355,833	355,368
Other real estate owned	9,490	23,900
Federal Home Loan Bank (FHLB) of Dallas stock and other restricted stock	34,915	23,436
Bank-owned life insurance (BOLI)	245,497	240,448
Deferred tax asset	92,665	78,669
Goodwill	994,021	994,021
Other intangible assets, net	50,560	62,999
Other assets	155,800	154,026
<b>Total assets</b>	<b>\$ 19,035,102</b>	<b>\$ 18,258,414</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Noninterest-bearing	\$ 3,530,704	\$ 4,736,830
Interest-bearing	12,192,331	10,384,587
<b>Total deposits</b>	<b>15,723,035</b>	<b>15,121,417</b>
FHLB advances	350,000	300,000
Other borrowings	271,821	267,066
Junior subordinated debentures	54,617	54,419
Other liabilities	233,036	130,129
<b>Total liabilities</b>	<b>16,632,509</b>	<b>15,873,031</b>
Commitments and contingencies		
<b>Stockholders' equity:</b>		
Preferred stock ( 0 and 0 shares outstanding, respectively)	—	—
Common stock ( 41,281,919 and 41,190,677 shares outstanding, respectively)	413	412
Additional paid-in capital	1,966,686	1,959,193
Retained earnings	616,724	638,354
Accumulated other comprehensive loss	( 181,230 )	( 212,576 )
<b>Total stockholders' equity</b>	<b>2,402,593</b>	<b>2,385,383</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 19,035,102</b>	<b>\$ 18,258,414</b>

See Notes to Consolidated Financial Statements

[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2023, 2022 and 2021**  
(Dollars in thousands, except per share information)

	Years Ended December 31,		
	2023	2022	2021
<b>Interest income:</b>			
Interest and fees on loans	\$ 792,659	\$ 602,210	\$ 547,931
Interest on taxable securities	31,747	32,944	22,754
Interest on nontaxable securities	10,279	10,360	8,344
Interest on interest-bearing deposits and other	37,051	9,503	4,533
<b>Total interest income</b>	<b>871,736</b>	<b>655,017</b>	<b>583,562</b>
<b>Interest expense:</b>			
Interest on deposits	358,405	77,628	44,199
Interest on FHLB advances	35,705	2,017	2,038
Interest on other borrowings	16,018	14,451	15,247
Interest on junior subordinated debentures	4,725	2,713	1,756
<b>Total interest expense</b>	<b>414,853</b>	<b>96,809</b>	<b>63,240</b>
<b>Net interest income</b>	<b>456,883</b>	<b>558,208</b>	<b>520,322</b>
Provision for credit losses	4,130	4,490	( 9,000 )
<b>Net interest income after provision for credit losses</b>	<b>452,753</b>	<b>553,718</b>	<b>529,322</b>
<b>Noninterest income:</b>			
Service charges on deposit accounts	13,958	12,204	9,842
Investment management fees	9,650	9,146	8,586
Mortgage banking revenue	7,003	8,938	23,157
Mortgage warehouse purchase program fees	1,892	2,676	6,908
(Loss) gain on sale of loans	( 14 )	( 1,844 )	56
(Loss) gain on sale of other real estate	( 1,797 )	—	63
Gain on sale of securities available for sale	—	—	13
Gain (loss) on sale and disposal of premises and equipment	323	( 494 )	( 304 )
Increase in cash surrender value of BOLI	5,768	5,371	5,209
Other	14,326	15,469	12,987
<b>Total noninterest income</b>	<b>51,109</b>	<b>51,466</b>	<b>66,517</b>
<b>Noninterest expense:</b>			
Salaries and employee benefits	181,445	212,087	180,336
Occupancy	47,430	42,938	40,688
Communications and technology	28,713	24,937	22,355
FDIC assessment	22,153	6,883	5,865
Advertising and public relations	2,607	2,106	1,097
Other real estate owned (income) expenses, net	( 510 )	31	4
Impairment of other real estate	5,215	—	—
Amortization of other intangible assets	12,439	12,491	12,580
Litigation settlement	102,500	—	—
Professional fees	7,949	15,571	15,530
Other	41,603	41,845	35,151
<b>Total noninterest expense</b>	<b>451,544</b>	<b>358,889</b>	<b>313,606</b>
<b>Income before taxes</b>	<b>52,318</b>	<b>246,295</b>	<b>282,233</b>
Income tax expense	9,117	50,004	57,483
<b>Net income</b>	<b>\$ 43,201</b>	<b>\$ 196,291</b>	<b>\$ 224,750</b>
<b>Basic earnings per share</b>	<b>\$ 1.05</b>	<b>\$ 4.71</b>	<b>\$ 5.22</b>
<b>Diluted earnings per share</b>	<b>\$ 1.04</b>	<b>\$ 4.70</b>	<b>\$ 5.21</b>



**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**Years Ended December 31, 2023, 2022 and 2021**  
**(Dollars in thousands)**

	Years Ended December 31,		
	2023	2022	2021
Net income	\$ 43,201	\$ 196,291	\$ 224,750
Other comprehensive income (loss) before tax:			
<u>Unrealized gains (losses) on securities:</u>			
Unrealized gains (losses) arising during the period, excluding the change attributable to available for sale securities reclassified to held to maturity	36,691	( 265,551 )	( 38,292 )
Tax effect	7,705	( 55,766 )	( 8,041 )
Unrealized gains (losses) arising during the period, net of tax, excluding the change attributable to available for sale securities reclassified to held to maturity	28,986	( 209,785 )	( 30,251 )
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities	( 21 )	( 21 )	—
Tax effect	( 5 )	( 4 )	—
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities, net of tax	( 16 )	( 17 )	—
Reclassification of amount of gains realized through sale of securities	—	—	( 13 )
Tax effect	—	—	( 3 )
Reclassification of amount of gains realized through sale of securities, net of tax	—	—	( 10 )
Change in unrealized gains (losses) on securities, net of tax	28,970	( 209,802 )	( 30,261 )
<u>Unrealized gains (losses) on derivative financial instruments:</u>			
Unrealized holding losses arising during the period	( 1,161 )	( 10,916 )	( 455 )
Tax effect	( 244 )	( 2,292 )	( 96 )
Unrealized losses arising during the period, net of tax	( 917 )	( 8,624 )	( 359 )
Reclassification of amount of losses (gains) recognized into income	4,168	771	( 597 )
Tax effect	875	162	( 125 )
Reclassification of amount of losses (gains) recognized into income, net of tax	3,293	609	( 472 )
Change in unrealized gains (losses) on derivative financial instruments	2,376	( 8,015 )	( 831 )
Other comprehensive income (loss), net of tax	31,346	( 217,817 )	( 31,092 )
<b>Comprehensive income (loss)</b>	<b>\$ 74,547</b>	<b>\$ ( 21,526 )</b>	<b>\$ 193,658</b>

See Notes to Consolidated Financial Statements

**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Years Ended December 31, 2023, 2022 and 2021**  
(Dollars in thousands, except for par value, share and per share information)

	Preferred Stock \$ 0.01 Par Value 10 million shares authorized	Common Stock \$ 0.01 Par Value 100 million shares authorized		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2020</b>	\$ —	43,137,104	\$ 431	\$ 1,934,807	\$ 543,800	\$ 36,333	\$ 2,515,371
Cumulative effect of change in accounting principles	—	—	—	—	( 53,880 )	—	( 53,880 )
<b>Adjusted beginning balance</b>	—	43,137,104	431	1,934,807	489,920	36,333	2,461,491
Net income	—	—	—	—	224,750	—	224,750
Other comprehensive loss, net of tax	—	—	—	—	—	( 31,092 )	( 31,092 )
Common stock repurchased	—	( 461,068 )	( 4 )	—	( 32,128 )	—	( 32,132 )
Restricted stock forfeited	—	( 35,265 )	—	—	—	—	—
Restricted stock granted	—	115,463	1	( 1 )	—	—	—
Stock based compensation expense	—	—	—	10,691	—	—	10,691
Cash dividends (\$ 1.32 per share)	—	—	—	—	( 57,058 )	—	( 57,058 )
<b>Balance, December 31, 2021</b>	\$ —	42,756,234	\$ 428	\$ 1,945,497	\$ 625,484	\$ 5,241	\$ 2,576,650
Net income	—	—	—	—	196,291	—	196,291
Other comprehensive loss, net of tax	—	—	—	—	—	( 217,817 )	( 217,817 )
Common stock repurchased	—	( 1,704,324 )	( 17 )	—	( 119,729 )	—	( 119,746 )
Restricted stock forfeited	—	( 10,393 )	—	—	—	—	—
Restricted stock granted	—	149,160	1	( 1 )	—	—	—
Stock based compensation expense	—	—	—	13,697	—	—	13,697
Cash dividends (\$ 1.52 per share)	—	—	—	—	( 63,692 )	—	( 63,692 )
<b>Balance, December 31, 2022</b>	\$ —	41,190,677	\$ 412	\$ 1,959,193	\$ 638,354	\$ ( 212,576 )	\$ 2,385,383
Net income	—	—	—	—	43,201	—	43,201
Other comprehensive income, net of tax	—	—	—	—	—	31,346	31,346
Common stock repurchased	—	( 41,727 )	—	—	( 2,175 )	—	( 2,175 )
Restricted stock forfeited	—	( 5,940 )	—	—	—	—	—
Restricted stock granted	—	138,909	1	( 1 )	—	—	—
Stock based compensation expense	—	—	—	7,494	—	—	7,494
Cash dividends (\$ 1.52 per share)	—	—	—	—	( 62,656 )	—	( 62,656 )
<b>Balance, December 31, 2023</b>	\$ —	41,281,919	\$ 413	\$ 1,966,686	\$ 616,724	\$ ( 181,230 )	\$ 2,402,593

See Notes to Consolidated Financial Statements

**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023, 2022 and 2021**  
**(Dollars in thousands)**

	Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 43,201	\$ 196,291	\$ 224,750
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	18,475	14,934	12,385
Accretion income recognized on loans	( 3,783 )	( 10,022 )	( 21,174 )
Amortization of other intangibles assets	12,439	12,491	12,580
Amortization of premium on securities, net	6,341	7,377	5,226
Amortization of discount and origination costs on borrowings	1,203	893	894
Stock based compensation expense	7,494	13,697	10,691
Excess tax expense (benefit) on restricted stock vested	280	( 703 )	( 691 )
FHLB stock dividends	( 2,786 )	( 328 )	( 128 )
(Gain) loss on sale and disposal of premises and equipment	( 323 )	494	304
Loss (gain) on loans	14	1,844	( 56 )
Gain on sale of securities available for sale	—	—	( 13 )
Loss (gain) on sale of other real estate owned	1,797	—	( 63 )
Impairment of other real estate	5,215	—	—
Impairment of other assets	955	4,442	124
Deferred tax (benefit) expense	( 21,759 )	5,168	5,353
Provision for credit losses	4,130	4,490	( 9,000 )
Increase in cash surrender value of BOLI	( 5,768 )	( 5,371 )	( 5,209 )
Excess benefit claim on BOLI	( 522 )	( 784 )	—
Net gain on mortgage loans held for sale	( 4,613 )	( 4,469 )	( 21,799 )
Originations of loans held for sale	( 260,248 )	( 287,960 )	( 659,536 )
Proceeds from sale of loans held for sale	259,751	313,243	731,858
Net change in other assets	6,722	( 24,059 )	14,293
Net change in other liabilities	97,054	( 24,434 )	( 23,356 )
<b>Net cash provided by operating activities</b>	<b>165,269</b>	<b>217,234</b>	<b>277,433</b>



[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2023, 2022 and 2021**  
**(Dollars in thousands)**

	Years Ended December 31,		
	2023	2022	2021
Cash flows from investing activities:			
Investment securities available for sale:			
Proceeds from maturities, calls and paydowns	5,138,337	7,203,267	7,403,109
Proceeds from sales	—	—	9,294
Purchases	( 5,008,148 )	( 7,277,267 )	( 8,308,955 )
Investment securities held to maturity:			
Purchases	—	( 91,065 )	—
Proceeds from maturities of certificates of deposit held in other banks	248	2,749	1,237
Proceeds from benefit claim of BOLI	1,241	1,344	—
Purchase of bank owned life insurance contracts	—	—	( 10,000 )
Purchases of FHLB stock and other restricted stock	( 90,155 )	( 4,702 )	( 1,190 )
Proceeds from redemptions of FHLB stock and other restricted stock	81,462	3,167	50
Proceeds from sale of loans	4,188	25,649	3,034
Net loans originated held for investment	( 558,923 )	( 1,965,745 )	14,805
Originations of mortgage warehouse purchase loans	( 11,428,351 )	( 13,260,099 )	( 30,418,842 )
Proceeds from pay-offs of mortgage warehouse purchase loans	11,190,761	13,736,848	31,083,791
Additions to premises and equipment	( 20,979 )	( 62,961 )	( 71,356 )
Proceeds from sale of premises and equipment	681	188	21
Proceeds from sale of other real estate owned	1,550	—	538
<b>Net cash used in investing activities</b>	<b>( 688,088 )</b>	<b>( 1,688,627 )</b>	<b>( 294,464 )</b>
Cash flows from financing activities:			
Net (decrease) increase in demand deposits, money market and savings accounts	( 2,258,158 )	( 792,316 )	1,508,335
Net increase (decrease) in time deposits	2,859,776	359,825	( 353,354 )
Proceeds from FHLB advances	15,645,000	375,000	—
Repayments of FHLB advances	( 15,595,000 )	( 225,000 )	( 225,000 )
Proceeds from other borrowings	100,000	111,000	75,000
Repayments of other borrowings	( 96,250 )	( 128,000 )	( 104,500 )
Repurchase of common stock	( 2,175 )	( 119,746 )	( 32,132 )
Dividends paid	( 62,707 )	( 63,492 )	( 56,861 )
<b>Net cash provided by (used in) financing activities</b>	<b>590,486</b>	<b>( 482,729 )</b>	<b>811,488</b>
<b>Net change in cash and cash equivalents</b>	<b>67,667</b>	<b>( 1,954,122 )</b>	<b>794,457</b>
Cash and cash equivalents at beginning of period	654,322	2,608,444	1,813,987
Cash and cash equivalents at end of period	<u>\$ 721,989</u>	<u>\$ 654,322</u>	<u>\$ 2,608,444</u>

See Notes to Consolidated Financial Statements

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Note 1. Summary of Significant Accounting Policies**

**Nature of operations:** Independent Bank Group, Inc. (IBG) through its subsidiary, Independent Bank, a Texas state banking corporation, doing business as Independent Financial (Bank) (collectively known as the Company), provides a full range of banking services to individual and corporate customers in the North, Central and Southeast, Texas areas and along the Colorado Front Range, through its various branch locations in those areas. The Company is engaged in traditional community banking activities, which include commercial and retail lending, deposit gathering, and investment and liquidity management activities. The Company's primary deposit products are demand deposits, money market accounts and certificates of deposit, and its primary lending products are commercial business and real estate, real estate mortgage and consumer loans.

**Basis of presentation:** The accompanying consolidated financial statements include the accounts of IBG and all other entities in which IBG has controlling financial interest. All material intercompany transactions and balances have been eliminated in consolidation. In addition, the Company wholly-owns nine statutory business trusts that were formed for the purpose of issuing trust preferred securities and do not meet the criteria for consolidation (See Note 11. Junior Subordinated Debentures).

**Accounting standards codification:** The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) is the officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative.

**Segment reporting:** The Company has one reportable segment. The Company's chief operating decision-maker uses consolidated results to make operating and strategic decisions.

**Reclassifications:** Certain prior period financial statement and disclosure amounts have been reclassified to conform to current period presentation. The reclassifications have no effect on net income or stockholders' equity as previously reported.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The material estimates included in the financial statements relate to the allowance for credit losses, the valuation of goodwill and valuation of assets and liabilities acquired in business combinations.

**Cash and cash equivalents:** For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents. The Company maintains deposits with other financial institutions in amounts that exceed FDIC insurance coverage. The Company's management monitors the balance in these accounts and periodically assesses the financial condition of the other financial institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash or cash equivalents.

**Restricted cash:** The Company maintains cash collateral balances which have been pledged to derivative counterparties and are legally restricted as to use.

**Certificates of deposit:** Certificates of deposit are FDIC insured deposits in other financial institutions with original maturities of five years or less and are carried at cost.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Securities:** Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity are classified as available for sale. Securities available for sale are reported at fair value with unrealized gains or losses reported as a separate component of other comprehensive income, net of tax. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors.

The amortization of premiums and accretion of discounts, computed by the interest method generally over their contractual lives, are recognized in interest income. Premiums on callable securities are amortized to their earliest call date. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings on the trade date.

**Loans held for sale:** The Company originates residential mortgage loans that may subsequently be sold to unaffiliated third parties. The Company elected the fair value option for certain residential mortgage loans held for sale in accordance with ASC 825, *Financial Instruments*. This election allows for a more effective offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under ASC 815, *Derivatives and Hedging*. The Company has not elected the fair value option for other residential mortgage loans held for sale primarily because they are not economically hedged using derivative instruments. Mortgage loans originated and intended for sale not recorded under the fair value option are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. All mortgage loans held for sale are sold without servicing rights retained. Gains and losses on sales of loans are recognized in noninterest income at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans.

**Loans held for investment:** Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance, net of unearned interest, purchase premiums and discounts, deferred loan fees or costs and an allowance for credit losses. Loan origination fees, net of direct origination costs, are deferred and recognized as an adjustment to the related loan yield using the effective interest method without anticipating prepayments. Further information regarding the Company's accounting policies related to past due loans, non-accrual loans, collateral dependent loans and loan modifications to borrowers experiencing financial difficulty is presented in Note 5. [Loans, Net and Allowance for Credit Losses on Loans](#).

**Acquired loans:** In accordance with ASC 326, *Measurement of Credit Losses on Financial Instruments*, loans acquired in connection with a business combination are recorded at their acquisition-date fair value. The allowance for credit losses related to the acquired loan portfolio is not carried over. Acquired loans are classified into two categories based on the credit risk characteristics of the underlying borrowers as either purchased credit deteriorated (PCD) loans, or loans with no evidence of credit deterioration (non-PCD).

PCD loans are defined as a loan or pool of loans that have experienced more-than-insignificant credit deterioration since the origination date. For PCD loans, an initial allowance is established on the acquisition date using the same methodology as other loans held for investment and combined with the fair value of the loan to arrive at acquisition date amortized cost. Accordingly, no provision for credit losses is recognized on PCD loans at the acquisition date. Subsequent to the acquisition date, changes to the allowance are recognized in the provision for credit losses.

Non-PCD loans are pooled into segments together with originated held for investment loans that share similar risk characteristics and have an allowance established on the acquisition date, which is recognized in the current period provision for credit losses.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

Determining the fair value of the acquired loans involves estimating the principal and interest payment cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. For PCD loans, the non-credit discount or premium is allocated to individual loans as determined by the difference between the loan's unpaid principal balance and amortized cost basis. The non-credit premium or discount is recognized into interest income on a level yield basis over the remaining expected life of the loan. For non-PCD loans, the fair value discount or premium is allocated to individual loans and recognized into interest income on a level yield basis over the remaining expected life of the loan.

**Allowance for credit losses:** In accordance with ASC 326, the Company's accounting policies are described below.

*Allowance for credit losses - loans:* The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present management's best estimate of the net amount expected to be collected. Loans, or portions thereof, are charged-off against the allowance for credit losses when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance is increased (decreased) by provisions (or reversals of) reported in the income statement as a component of provision for credit losses. Management has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses and reports accrued interest separately in other assets in the consolidated balance sheets. Further information regarding Company policies and methodology used to estimate the allowance for credit losses on loans is presented in Note 5. Loans, Net and Allowance for Credit Losses on Loans.

*Allowance for credit losses - available for sale securities:* For available for sale securities in an unrealized loss position, the Company first assesses whether it intends to sell or it is more-likely-than-not that it will be required to sell the securities before recovery of the amortized cost basis. If either of these criteria is met, the securities amortized cost basis is written down to fair value as a current period expense. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, management may consider various factors including the extent to which fair value is less than amortized cost, performance of any underlying collateral and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess of the amortized cost basis over the present value of expected cash flows is recorded as an allowance for credit loss, limited to the amount by which the fair value is less than the amortized cost basis. Any impairment not recorded through an allowance for credit loss is recognized in other comprehensive income as a non credit-related impairment.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses. Available for sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

*Allowance for credit losses - held to maturity securities:* Management measures expected credit losses on held to maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. An allowance for credit losses on held to maturity securities, if needed, is a valuation account that is deducted from the amortized cost basis of held to maturity securities to present management's best estimate of the net amount expected to be collected. Held to maturity securities are charged-off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in the income statement as a component of provision for credit losses.

Management has made the accounting policy election to exclude accrued interest receivable on available for sale and held to maturity securities from the estimate of credit losses and report accrued interest separately in other assets in the consolidated balance sheet.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Allowance for credit losses on off-balance sheet credit exposures:** The allowance for credit losses on off-balance sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities in the consolidated balance sheets. Adjustments to the allowance are reported in the income statement as a component of provision for credit losses. Further information regarding Company policies and methodology used to estimate the allowance for credit losses on off-balance sheet credit exposures is presented in Note 13. Off-Balance Sheet Arrangements, Commitments and Contingencies.

**Premises and equipment, net:** Land is carried at cost. Bank premises, furniture and equipment and aircraft are carried at cost, less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. Real property acquired after January 1, 2019, accounts for depreciation using the straight-line method over the estimated useful lives of the assets considering the salvage value of the real property.

Leasehold improvements are carried at cost and are depreciated over the shorter of the estimated useful life or the lease period.

**Software:** Costs incurred in connection with development or purchase of internal use software and cloud computing arrangements, including in-substance software licenses, are capitalized. Amortization is computed on a straight-line basis over the estimated useful life of the asset, which generally ranges from one to five years. Capitalized software is included in other assets in the consolidated balance sheets.

**Leases:** The Company's leases are accounted for under ASC Topic 842, *Leases*. For operating leases with a term greater than one year, the Company recognizes operating right-of-use (ROU) lease assets and operating lease liabilities, which are recorded in other assets and other liabilities, respectively, in the consolidated balance sheets. The Company determines if an arrangement is a lease at inception. Operating ROU lease assets and related liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate referenced to the Federal Home Loan Bank Secure Connect advance rates for borrowings of similar terms in determining the present value of lease payments. The operating ROU lease asset also includes any lease pre-payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which the Company has elected to account for separately as the non-lease component amounts are readily determinable under most leases.

**Long-term assets:** Premises and equipment and other long-term assets are reviewed for impairment when events indicate that their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

**Other real estate owned:** Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell.

Revenue and expenses from operations of other real estate owned and impairment charges on other real estate are included in noninterest expense. Gains and losses on sale of other real estate are included in noninterest income.

**Goodwill and other intangible assets, net:** Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill is tested for impairment annually on December 31 or on an interim basis if an event triggering impairment may have occurred. If a reporting unit's carrying amount exceeds its fair value, the Company will record an impairment charge based on that difference.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

During the year ended December 31, 2023, the economic uncertainty and market volatility resulting from the rising interest rate environment and recent banking crisis resulted in a decrease in the Company's stock price and market capitalization. Management believed such decrease was a triggering indicator requiring interim goodwill impairment quantitative assessments during the year. Such assessments resulted in the Company's fair value exceeding its carrying value at each interim period. Furthermore, a quantitative assessment completed as of December 31, 2023, the Company's annual testing date, concluded that fair value exceeded carrying value.

Core deposit intangibles and other acquired customer relationship intangibles arising from bank acquisitions are amortized on a straight-line basis over their original estimated useful lives of ten years and thirteen years, respectively. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows.

**Restricted stock:** The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB of Dallas and other restricted stock do not have readily determinable fair values as ownership is restricted and they lack a ready market. As a result, these stocks are carried at cost and evaluated periodically by management for impairment. Both cash and stock dividends are reported as income.

**Bank-owned life insurance:** Bank-owned life insurance is recorded at the amount that can be realized under the insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Changes in the net cash surrender value of the policies, as well as insurance proceeds received are reflected in noninterest income.

**Income taxes:** Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to business combinations or components of other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. The effect of a change in tax rates on deferred assets and liabilities is recognized in income taxes during the period that includes the enactment date. A valuation allowance, if needed, reduces deferred tax assets to the expected amount more likely than not to be realized. Realization of deferred tax assets is dependent upon the level of historical income, prudent and feasible tax planning strategies, reversals of deferred tax liabilities and estimates of future taxable income.

The Company evaluates uncertain tax positions at the end of each reporting period. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefit recognized in the financial statements from any such position is measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Any interest and/or penalties related to income taxes are reported as a component of income tax expense.

**Loan commitments and related financial instruments:** In the ordinary course of business, the Company has entered into certain off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

**Stock based compensation:** Compensation cost is recognized for restricted stock awards/stock units issued to employees based on the market price of the Company's common stock on the grant date. Stock-based compensation expense is generally recognized using the straight-line method over the requisite service period for time-based awards. Compensation expense for performance stock units is recognized over the service period of the award based upon the probable number of units expected to vest. The impact of forfeitures of stock-based payment awards on compensation expense is recognized as forfeitures occur.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Transfers of financial assets:** Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Advertising costs:** Advertising costs are expensed as incurred.

**Business combinations:** The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100% of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Adjustments identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined. Acquisition-related costs are expensed as incurred.

**Comprehensive income:** Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. Gains and losses on available for sale securities are reclassified to net income as the gains or losses are realized upon sale of the securities. For securities transferred from available for sale to the held to maturity classification, the remaining pre-tax gains and losses will be amortized over the remaining life of the securities, as an adjustment of yield on the transferred securities. For cash flow hedges, gains and losses on the derivative(s) are recorded in accumulated other comprehensive income and subsequently reclassified into interest income in the same period that the hedged transaction affects earnings.

**Fair values of financial instruments:** Accounting standards define fair value, establish a framework for measuring fair value in GAAP, and require certain disclosures about fair value measurements (see Note 17. [Fair Value Measurements](#)). In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

**Derivative financial instruments:** The Company enters into certain derivative financial instruments: interest rate lock commitments, forward mortgage-backed securities trades and interest rate swaps. The accounting for changes in fair value depends on the intended use of the derivative. Changes in fair value of derivatives designated in a qualifying hedge relationship are recorded in accumulated other comprehensive income. Changes in fair value of derivatives not designated in a qualifying hedge relationship are recognized directly in earnings. All derivatives are carried at fair value in either other assets or other liabilities. See Note 18. [Derivative Financial Instruments](#) for further information regarding Company policy.

**Mortgage banking revenue:** This revenue category reflects the Company's mortgage production revenue, including fees and income derived from mortgages originated with the intent to sell, gains on sales of mortgage loans and the initial and subsequent changes in the fair value of the mortgage derivatives. Interest earned on mortgage loans is recorded in interest income.

**Loss Contingencies.** Loss contingencies, including claims and legal actions arising in the ordinary course of business are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Revenue recognition:** ASC Topic 606, *Revenue from Contracts with Customers (ASC 606)*, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, letters of credit, and investment securities, as well as revenue related to mortgage banking activities, and BOLI, as these activities are subject to other accounting guidance. Descriptions of revenue-generating activities that are within the scope of ASC 606, and are presented in the accompanying Consolidated Statements of Income as components of noninterest income, are as follows:

- Service charges on deposit accounts - these represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when the performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.
- Investment management - includes income related to providing investment management services to customers under investment management contracts. Also included are fees received from a third party broker-dealer as part of a revenue-sharing agreement for fees earned from customers that are referred to a third party. The investment management fees and referral fees are billed and paid on a quarterly basis and recognized ratably throughout the quarter as performance obligations are satisfied.
- Mortgage warehouse purchase program fees - includes fees for the administration and funding of mortgage loans, as well as renewal and application fees received from mortgage originator customers through our mortgage warehouse purchase program. Revenue related to the warehouse program is recognized when the related loan interest is paid off or upon renewal or application.
- Gains and losses on the sale of other real estate owned - generally recognized when the performance obligation is complete which is typically at delivery of control over the property to the buyer at time of each real estate closing.
- Other noninterest income - includes the Company's correspondent bank earnings credit, acquired loan recoveries, other deposit fees, and merchant interchange income. The majority of these fees in other noninterest income are not subject to the requirements of ASC 606. The other deposit fees and merchant interchange income are in the scope of ASC 606, and payment for such performance obligations are generally received at the time the performance obligations are satisfied.

The Company has made no significant judgments in applying the revenue guidance prescribed in ASC 606 that affect the determination of the amount and timing of revenue from the above-described contracts with customers.

**Earnings per share:** Basic earnings per common share is calculated as net income available to common shareholders divided by the weighted average number of common shares outstanding during the period. The unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under participating nonvested restricted stock awards as well as performance stock units (PSUs). The participating nonvested restricted stock awards were not included in dilutive shares as they were anti-dilutive for the years ended December 31, 2023, 2022 and 2021. Proceeds from the assumed exercise of dilutive participating nonvested restricted stock awards and PSUs are assumed to be used to repurchase common stock at the average market price.



[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

The following table presents a reconciliation of net income available to common shareholders and the number of shares used in the calculation of basic and diluted earnings per common share:

	Years Ended December 31,		
	2023	2022	2021
Basic earnings per share:			
Net income	\$ 43,201	\$ 196,291	\$ 224,750
Less:			
Undistributed earnings allocated to participating securities	( 45 )	1,037	1,576
Dividends paid on participating securities	142	494	534
Net income available to common shareholders	\$ 43,104	\$ 194,760	\$ 222,640
Weighted average basic shares outstanding	41,175,010	41,385,516	42,666,007
Basic earnings per share	\$ 1.05	\$ 4.71	\$ 5.22
Diluted earnings per share:			
Net income available to common shareholders	\$ 43,104	\$ 194,760	\$ 222,640
Total weighted average basic shares outstanding	41,175,010	41,385,516	42,666,007
Add dilutive performance stock units	94,409	83,259	58,785
Total weighted average diluted shares outstanding	41,269,419	41,468,775	42,724,792
Diluted earnings per share	\$ 1.04	\$ 4.70	\$ 5.21
Anti-dilutive participating securities	36,025	124,503	181,016

**Note 2. Recent Accounting Standards**

**Adoption of accounting standards**

ASU No. 2023-03, *Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock*. ASU 2023-03 amends the ASC for SEC updates pursuant to SEC Staff Accounting Bulletin No. 120; SEC Staff Announcement at the March 24, 2022 Emerging Issues Task Force (EITF) Meeting; and Staff Accounting Bulletin Topic 6.B., Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. These updates were immediately effective and did not have a significant impact on the financial statements.

ASU 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. ASU 2023-06 will align the disclosure and presentation requirements in the FASB Accounting Standards Codification with the SEC's regulations. The amendments in ASU 2023-06 will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. As the Company is currently subject to these SEC requirements, ASU 2023-06 is not expected to have a material effect on the Company's financial statements.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*. Under prior guidance, entities can apply the last-of-layer hedging method to hedge the exposure of a closed portfolio of prepayable financial assets to fair value changes due to changes in interest rates for a portion of the portfolio that is not expected to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows. ASU 2022-01 expands the last-of-layer method, which permits only one hedge layer, to allow multiple hedged layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. ASU 2022-01 also (i) expands the scope of the portfolio layer method to include non-prepayable financial assets, (ii) specifies eligible hedging instruments in a single-layer hedge, (iii) provides additional guidance on the accounting for and disclosure of hedge basis adjustments under the portfolio layer method and (iv) specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. ASU 2022-01 was effective for the Company on January 1, 2023. The adoption of ASU 2022-01 did not have a significant impact on the financial statements.

ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in ASC Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, ASU 2022-02 requires entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. ASU 2022-02 was effective for the Company on January 1, 2023. The adoption of ASU 2022-02 did not have a significant impact on the financial statements.

ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. ASU 2022-06 extended the period of time preparers can utilize the reference rate reform relief guidance provided by ASU 2020-04 and ASU 2021-01. ASU 2022-06, which was effective upon issuance, deferred the sunset date of this prior guidance from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief guidance in Topic 848. The adoption of ASU 2022-06 did not significantly impact the financial statements and the Company has fully transitioned all products tied to LIBOR.

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) (ASC 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). On January 1, 2021, the Company adopted ASU 2016-13 and related amendments. The measurement of current expected credit losses (CECL) methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The CECL model requires the measurement of all expected credit losses on applicable financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. In addition, ASU 2016-13 includes certain changes to the accounting for available for sale securities such as requiring credit-related impairments to be recognized as an allowance for credit losses rather than as a direct write-down of the securities amortized cost basis when management does not intend to sell or believes that it is more likely than not they will be required to sell securities prior to recovery of the securities amortized cost basis.

The Company adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. As a result of this adoption, the Company recognized a cumulative effect reduction to retained earnings totaling \$ 53,880, net of a recorded deferred tax asset of \$ 15,113, and reclassified \$ 13,035 of allowance for credit loss related to financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired (PCI) and accounted for under ASC 310-30 as discussed below. Results for periods beginning after January 1, 2021 are presented in accordance with ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The Company adopted ASU 2016-13 using the prospective transition approach for PCD assets. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2021, the amortized cost basis of the PCD assets were adjusted to reflect the addition of the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) was accreted into interest income at the effective interest rate as of January 1, 2021.

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The following table illustrates the impact of ASU 2016-13 on the allowances for credit losses as of January 1, 2021, the date of adoption:

	January 1, 2021			
	Pre-Adoption Allowance	Impact of Adoption	Initial allowance on loans purchased with credit deterioration	Post-Adoption Allowance
<b>Assets:</b>				
Allowance for credit losses on Loans:				
Commercial	\$ 27,311	\$ 12,775	\$ 4,328	\$ 44,414
Commercial real estate	36,698	29,108	7,640	73,446
Commercial construction, land and land development	13,425	22,008	927	36,360
Residential real estate	6,786	( 2,255 )	140	4,671
Single-family interim construction	2,156	7,179	—	9,335
Agricultural	337	( 178 )	—	159
Consumer	684	( 334 )	—	350
Unallocated	423	( 423 )	—	—
	<u>\$ 87,820</u>	<u>\$ 67,880</u>	<u>\$ 13,035</u>	<u>\$ 168,735</u>
<b>Liabilities:</b>				
Allowance for credit losses on off-balance sheet credit exposures	<u>\$ —</u>	<u>\$ 1,113</u>	<u>\$ —</u>	<u>\$ 1,113</u>

**Newly issued but not yet effective accounting standards**

ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. ASU 2023-01 requires entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. ASU 2023-01 will be effective for the Company on January 1, 2024. The adoption of ASU 2023-01 is not expected to have a significant impact on the financial statements.

ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. ASU 2023-02 is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. ASU 2023-02 will be effective for the Company on January 1, 2024. The adoption of ASU 2023-02 is not expected to have a significant impact on the financial statements.

ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 amends current guidance to require a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Public entities with a single reporting segment are required to provide both the new disclosures and all of the existing disclosures required under ASC 280. ASU 2023-07 will be effective for the Company for annual periods on January 1, 2024 and for interim periods starting in 2025. The adoption of ASU 2023-07 is not expected to have a significant impact on the financial statements.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 amends current guidance under ASC 740 to enhance the transparency and decision-usefulness of income tax disclosures. The guidance requires public business entities to disclose in the rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if the items meet a quantitative threshold. The guidance requires all entities, to disclose annually, income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. ASU 2023-09 will be effective for the Company on January 1, 2025. The adoption of ASU 2023-09 is not expected to have a significant impact on the financial statements.

**Note 3. Statement of Cash Flows**

As allowed by the accounting standards, the Company has chosen to report, on a net basis, its cash receipts and cash payments for time deposits accepted and repayments of those deposits, and loans made to customers and principal collections on those loans. The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information is presented below:

	Years Ended December 31,		
	2023	2022	2021
Cash transactions:			
Interest expense paid	\$ 380,804	\$ 92,506	\$ 65,336
Income taxes paid	\$ 25,786	\$ 46,570	\$ 58,083
Noncash transactions:			
Deferred dividend equivalents	\$ ( 51 )	\$ 200	\$ 197
Transfer of loans to other real estate owned	\$ —	\$ 23,900	\$ —
Loans to facilitate the sale of other real estate owned	\$ 6,188	\$ —	\$ —
Transfer of securities available for sale to held to maturity	\$ —	\$ 117,583	\$ —
Right-of-use assets obtained in exchange for lease liabilities	\$ 8,698	\$ 4,011	\$ 5,156
Loans purchased, not yet settled	\$ —	\$ 27,210	\$ 29,332
Transfer of bank premises to other real estate	\$ 805	\$ —	\$ —

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**
**Note 4. Securities**

Securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost of securities and their approximate fair values at December 31, 2023 and 2022, are as follows:

	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b><u>Securities Available for Sale</u></b>				
December 31, 2023				
U.S. treasuries	\$ 228,231	\$ —	\$ ( 14,009 )	\$ 214,222
Government agency securities	467,754	—	( 71,648 )	396,106
Obligations of state and municipal subdivisions	237,146	122	( 9,634 )	227,634
Corporate bonds	43,000	—	( 7,180 )	35,820
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	839,071	8	( 119,610 )	719,469
Other securities	500	—	—	500
	<u>\$ 1,815,702</u>	<u>\$ 130</u>	<u>\$ ( 222,081 )</u>	<u>\$ 1,593,751</u>
December 31, 2022				
U.S. treasuries	\$ 259,675	\$ —	\$ ( 20,265 )	\$ 239,410
Government agency securities	468,994	—	( 84,479 )	384,515
Obligations of state and municipal subdivisions	264,419	106	( 13,294 )	251,231
Corporate bonds	43,000	—	( 5,795 )	37,205
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	913,388	9	( 134,924 )	778,473
Other securities	950	—	—	950
	<u>\$ 1,950,426</u>	<u>\$ 115</u>	<u>\$ ( 258,757 )</u>	<u>\$ 1,691,784</u>
<b><u>Securities Held to Maturity</u></b>				
December 31, 2023				
Obligations of state and municipal subdivisions	<u>\$ 205,232</u>	<u>\$ 264</u>	<u>\$ ( 34,499 )</u>	<u>\$ 170,997</u>
December 31, 2022				
Obligations of state and municipal subdivisions	<u>\$ 207,059</u>	<u>\$ —</u>	<u>\$ ( 44,820 )</u>	<u>\$ 162,239</u>

<sup>(1)</sup> Excludes accrued interest receivable of \$ 7,129 and \$ 7,702 on available for sale and \$ 2,365 and \$ 2,697 on held to maturity securities at December 31, 2023 and 2022, respectively, that is recorded in other assets on the accompanying consolidated balance sheets.

During 2022, the Company reclassified, at fair value, approximately \$ 117,583 in available for sale obligations of state and municipal subdivisions to the held to maturity category, primarily to limit future volatility in equity due to potential increases in interest rates. The related net unrealized pre-tax gains of approximately \$ 26 remained in accumulated other comprehensive income (loss) and will be amortized over the remaining life of the securities, as an adjustment of the yield on the transferred securities. There have been no transfers of securities in 2023.

[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

The amortized cost and estimated fair value of securities at December 31, 2023, by contractual maturity, are shown below. Maturities of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2023			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 77,481	\$ 76,593	\$ —	\$ —
Due from one year to five years	329,879	308,400	—	—
Due from five to ten years	418,913	359,287	—	—
Thereafter	150,358	130,002	205,232	170,997
	976,631	874,282	205,232	170,997
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	839,071	719,469	—	—
	<u>\$ 1,815,702</u>	<u>\$ 1,593,751</u>	<u>\$ 205,232</u>	<u>\$ 170,997</u>

Securities with a fair value of approximately \$ 950,604 and \$ 1,168,006 at December 31, 2023 and 2022, respectively, were pledged primarily to secure deposits.

Proceeds from sale of securities available for sale and gross gains and gross losses for the years ended December 31, 2023, 2022 and 2021 were as follows:

	Years Ended December 31,		
	2023	2022	2021
Proceeds from sale	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,294</u>
Gross gains	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13</u>
Gross losses	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**Independent Bank Group, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
(Dollars in thousands, except for share and per share information)

The unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2023 and 2022, are summarized as follows:

Description of Securities	Less Than 12 Months		Greater Than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
<b>Securities Available for Sale</b>						
December 31, 2023						
U.S. treasuries	\$ —	\$ —	\$ 214,222	\$ ( 14,009 )	\$ 214,222	\$ ( 14,009 )
Government agency securities	—	—	396,106	( 71,648 )	396,106	( 71,648 )
Obligations of state and municipal subdivisions	40,864	( 360 )	147,529	( 9,274 )	188,393	( 9,634 )
Corporate bonds	—	—	32,820	( 7,180 )	32,820	( 7,180 )
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	8,724	( 312 )	710,301	( 119,298 )	719,025	( 119,610 )
	<u>\$ 49,588</u>	<u>\$ ( 672 )</u>	<u>\$ 1,500,978</u>	<u>\$ ( 221,409 )</u>	<u>\$ 1,550,566</u>	<u>\$ ( 222,081 )</u>
December 31, 2022						
U.S. treasuries	\$ 106,849	\$ ( 3,923 )	\$ 132,561	\$ ( 16,342 )	\$ 239,410	\$ ( 20,265 )
Government agency securities	63,451	( 7,533 )	321,064	( 76,946 )	384,515	( 84,479 )
Obligations of state and municipal subdivisions	209,395	( 9,068 )	17,034	( 4,226 )	226,429	( 13,294 )
Corporate bonds	23,584	( 4,416 )	10,621	( 1,379 )	34,205	( 5,795 )
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	266,756	( 25,377 )	511,207	( 109,547 )	777,963	( 134,924 )
	<u>\$ 670,035</u>	<u>\$ ( 50,317 )</u>	<u>\$ 992,487</u>	<u>\$ ( 208,440 )</u>	<u>\$ 1,662,522</u>	<u>\$ ( 258,757 )</u>

The Company's securities classified as available for sale and held to maturity are evaluated for expected credit losses by applying the appropriate expected credit losses methodology in accordance with ASC Topic 326, *Financial Instruments - Credit Losses*. At December 31, 2023, management's review of all securities at an unrealized loss position determined that the losses resulted from factors not related to credit quality. This conclusion is based on management's analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors for each security type in our portfolio.

The unrealized losses on available for sale securities are generally due to increases in market interest rates. Furthermore, the Company has the intent to hold the available for sale securities until maturity or a forecasted recovery, and it is more likely than not that the Company will not have to sell the securities before the recovery of their cost basis. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. As such, there is no allowance for credit losses on available for sale securities recognized as of December 31, 2023.

The Company's held to maturity securities include taxable and tax-exempt municipal securities issued primarily by school districts but also may include utility districts or other municipalities. With regard to securities issued by state and municipal subdivisions, management considers issuer bond ratings, historical loss rates for given bond ratings, whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, internal forecasts and whether or not such securities are guaranteed. Substantially all of the Company's held to maturity securities are guaranteed by the Texas Permanent School Fund (PSF), which is a sovereign wealth fund that serves to provide revenues for funding of public primary and secondary education in the State of Texas. At December 31, 2023, all of the Company's held to maturity securities were rated AAA/Aaa by Moody's and/or Standard & Poor's bond rating services. Furthermore, as of December 31, 2023, there were no past due principal or interest payments associated with these securities. As such, no allowance for credit losses has been recorded on held to maturity securities as of December 31, 2023.

**Independent Bank Group, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
(Dollars in thousands, except for share and per share information)

**Note 5. Loans, Net and Allowance for Credit Losses on Loans**

Loans, net at December 31, 2023 and 2022, consisted of the following:

	December 31,	
	2023	2022
Commercial	\$ 2,266,851	\$ 2,240,959
Mortgage warehouse purchase loans	549,689	312,099
Real estate:		
Commercial	8,289,124	7,817,447
Commercial construction, land and land development	1,231,484	1,231,071
Residential	1,669,786	1,592,859
Single-family interim construction	517,928	508,839
Agricultural	109,451	124,422
Consumer	76,229	81,667
<b>Total loans <sup>(1)</sup></b>	<b>14,710,542</b>	<b>13,909,363</b>
Allowance for credit losses	( 151,861 )	( 148,787 )
<b>Total loans, net <sup>(1)</sup></b>	<b>\$ 14,558,681</b>	<b>\$ 13,760,576</b>

<sup>(1)</sup> Excludes accrued interest receivable of \$ 54,563 and \$ 48,815 at December 31, 2023 and 2022, respectively, that is recorded in other assets on the accompanying consolidated balance sheets.

The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. The Company's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. These cash flows, however, may not be as expected and the value of collateral securing the loans may fluctuate. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis.

The commercial loan portfolio includes loans made to customers in the energy industry, which is a complex, technical and cyclical industry. Experienced bankers with specialized energy lending experience originate our energy loans. Companies in this industry produce, extract, develop, exploit and explore for oil and natural gas. Loans are primarily collateralized with proven producing oil and gas reserves based on a technical evaluation of these reserves. At December 31, 2023 and 2022, there were approximately \$ 621,883 and \$ 574,698 of energy-related loans outstanding, respectively.

The Company has a mortgage warehouse purchase program providing mortgage inventory financing for residential mortgage loans originated by mortgage banker clients across a broad geographic scale. Proceeds from the sale of mortgages is the primary source of repayment for warehouse inventory financing via approved investor takeout commitments. These loans typically have a very short duration ranging between a few days to 15 days. In some cases, loans to larger mortgage originators may be financed for up to 60 days. Warehouse purchase program loans are collectively evaluated for impairment and are purchased under several contractual requirements, providing safeguards to the Company. To date, the Company has not experienced a loss on these loans and no allowance for credit losses has been allocated to them.



**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location as well as granularity with moderate average loan sizes. Management monitors the diversification of the portfolio on a quarterly basis by type and geographic location. Management also tracks the level of owner-occupied property versus non owner-occupied property. At December 31, 2023, the portfolio consisted of approximately 21 % of owner-occupied property.

Land and commercial land development loans are underwritten using feasibility studies, independent appraisal reviews and financial analysis of the developers or property owners. Generally, borrowers must have a proven track record of success. Commercial construction loans are generally based upon estimates of cost and value of the completed project. These estimates may not be accurate. Commercial construction loans often involve the disbursement of substantial funds with the repayment dependent on the success of the ultimate project. Sources of repayment for these loans may be pre-committed permanent financing or sale of the developed property. The loans in this portfolio are geographically diverse and due to the increased risk are monitored closely by management and the board of directors on a quarterly basis.

Residential real estate and single-family interim construction loans are underwritten primarily based on borrowers' documented income and ability to repay the Bank and other creditors as well as minimum collateral values and credit scores. Relatively small loan amounts are spread across many individual borrowers, which minimizes risk in the residential portfolio. In addition, management evaluates trends in past dues and current economic factors on a regular basis.

Agricultural loans are collateralized by real estate and/or agricultural-related assets. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Loan-to-value ratios on loans secured by farmland generally do not exceed 80 % and have amortization periods limited to twenty years. Agricultural non-real estate loans are generally comprised of term loans to fund the purchase of equipment, livestock and seasonal operating lines to grain farmers to plant and harvest corn and soybeans. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop and other farm assets as considered necessary. Agricultural loans carry credit risks as they involve larger balances concentrated with single borrowers or groups of related borrowers. In addition, repayment of such loans depends on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. Farming operations may be affected by adverse weather conditions such as drought, hail or floods that can severely limit crop yields.

Consumer loans represent less than 1 % of the outstanding total loan portfolio. Collateral consists primarily of automobiles and other personal assets. Credit score analysis is used to supplement the underwriting process.

Most of the Company's lending activity occurs within the state of Texas, primarily in the north, central and southeast Texas regions and the state of Colorado, specifically along the Front Range area. As of December 31, 2023, loans in the North Texas region represented about 36 % of the total portfolio, followed by the Colorado Front Range region at 26 %, the Houston region at 25 % and the Central Texas region at 13 %. A large percentage of the Company's portfolio consists of commercial and residential real estate loans. As of December 31, 2023 and 2022, there were no concentrations of loans related to a single industry in excess of 10% of total loans.

Under ASC 326, the allowance for credit losses is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged-off against the allowance when they are deemed uncollectible. Recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information relevant to assessing collectibility over the loans' contractual terms, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the borrower contract and are not unconditionally cancellable by the Company.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

The Company's allowance balance is estimated using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term as well as for changes in environmental conditions, such as changes in unemployment rates, gross domestic product, property values, various price indices, and/or other relevant factors. The Company utilizes Moody's Analytics economic forecast scenarios and assigns probability weighting to those scenarios which best reflect management's views on the economic forecast.

The allowance for credit losses is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. For determining the appropriate allowance for credit losses on a collective basis, the loan portfolio is segmented into pools based upon similar risk characteristics and a lifetime loss-rate model is utilized. For modeling purposes, loan pools include: commercial and industrial, commercial real estate - construction/land development, commercial real estate - owner occupied, commercial real estate - non-owner occupied, agricultural, residential real estate, HELOCs, single-family interim construction, and consumer. Management periodically reassesses each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. The measurement of expected credit losses is impacted by loan/borrower attributes and certain macroeconomic variables. Management has determined that they are reasonably able to forecast the macroeconomic variables used in the modeling processes with an acceptable degree of confidence for a total of two years then encompassing a reversion process whereby the forecasted macroeconomic variables are reverted to their historical mean utilizing a rational, systematic basis. Management qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factor (Q-Factor) adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk.

Loans exhibiting unique risk characteristics and requiring an individual evaluation are measured based on 1) the present value of expected future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of collateral if the loan is collateral dependent. The majority of the Company's individually evaluated loans are measured at the fair value of the collateral.

Management continually evaluates the allowance for credit losses based upon the factors noted above. Should any of the factors considered by management change, the Company's estimate of credit losses could also change and would affect the level of future provision for credit losses. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged-off. While the calculation of the allowance for credit losses utilizes management's best judgment and all the information available, the adequacy of the allowance for credit losses is dependent on a variety of factors beyond the Company's control, including, among other things, the performance of the entire loan portfolio, the economy, changes in interest rates and the view of regulatory authorities towards loan classifications.

Loans requiring an individual evaluation are generally identified at the servicing officer level based on review of weekly past due reports and/or the loan officer's communication with borrowers. In addition, the status of past due loans are routinely discussed within each lending region as well as credit committee meetings to determine if classification is warranted. The Company's internal loan review department has implemented an internal risk-based loan review process to identify potential internally classified loans that supplements the independent external loan review. Independent loan reviews cover a wide range of the loan portfolio, including large lending relationships, specifically targeted loan types, and if applicable recently acquired loan portfolios. These reviews include analysis of borrower's financial condition, payment histories, review of loan documentation and collateral values to determine if a loan should be internally classified. Generally, once classified, an analysis is completed by the credit department to determine the amount of allocated allowance for credit loss required. Expected credit losses for collateral dependent loans, including loans where the borrower is experiencing financial difficulty but foreclosure is not probable, are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

During 2023, the Company updated and performed a recalibration of its credit loss models to enhance model performance reliability. The overall impact of the model changes as described below mainly resulted in reclassifications of provision expense between the loan pools. While the fundamental modeling methodologies remain unchanged, the updates included 1) consolidation of the energy loans into the commercial and industrial risk pool as a result of similarities in risk characteristics observed in recent history, 2) correlation of the loss rate model to new peer group loss history data which resulted in changes to certain loan pool macroeconomic variables (MEVs) further diversifying the variables used in the model, 3) changes to the qualitative factor model to address the volatility of past dues and risk grades by incorporating a four quarter rolling average to the assessed risk level, and 4) adjustment to the unfunded commitments utilization model to bifurcate the single-family residential and commercial construction portfolio loan pools into various sub pools to better correlate their utilization rates.

The following is a summary of the activity in the allowance for credit losses on loans by class for the years ended December 31, 2023, 2022 and 2021:

	Commercial	Commercial Real Estate	Commercial Construction, Land and Land Development	Residential Real Estate	Single-Family Interim Construction	Agricultural	Consumer	Unallocated	Total
<b>Year ended December 31, 2023</b>									
Balance at beginning of year	\$ 54,037	\$ 61,078	\$ 17,696	\$ 3,450	\$ 11,817	\$ 207	\$ 502	\$ —	\$ 148,787
Provision for credit losses	( 19,270 )	( 982 )	14,883	3,467	5,647	539	( 107 )	—	4,177
Charge-offs	( 918 )	—	( 1,196 )	—	( 27 )	( 6 )	( 17 )	—	( 2,164 )
Recoveries	944	—	111	—	—	5	1	—	1,061
Balance at end of year	<u>\$ 34,793</u>	<u>\$ 60,096</u>	<u>\$ 31,494</u>	<u>\$ 6,917</u>	<u>\$ 17,437</u>	<u>\$ 745</u>	<u>\$ 379</u>	<u>\$ —</u>	<u>\$ 151,861</u>
<b>Year ended December 31, 2022</b>									
Balance at beginning of year	\$ 49,747	\$ 65,110	\$ 23,861	\$ 2,192	\$ 7,222	\$ 106	\$ 468	\$ —	\$ 148,706
Provision for credit losses	5,534	( 23 )	( 6,165 )	1,183	4,595	101	43	—	5,268
Charge-offs	( 1,739 )	( 4,159 )	—	( 6 )	—	—	( 10 )	—	( 5,914 )
Recoveries	495	150	—	81	—	—	1	—	727
Balance at end of year	<u>\$ 54,037</u>	<u>\$ 61,078</u>	<u>\$ 17,696</u>	<u>\$ 3,450</u>	<u>\$ 11,817</u>	<u>\$ 207</u>	<u>\$ 502</u>	<u>\$ —</u>	<u>\$ 148,787</u>
<b>Year ended December 31, 2021</b>									
Balance at beginning of year	\$ 27,311	\$ 36,698	\$ 13,425	\$ 6,786	\$ 2,156	\$ 337	\$ 684	\$ 423	\$ 87,820
Impact of adopting ASC 326	12,775	29,108	22,008	( 2,255 )	7,179	( 178 )	( 334 )	( 423 )	67,880
Initial allowance on loans purchased with credit deterioration	4,328	7,640	927	140	—	—	—	—	13,035
Provision for credit losses	12,130	( 7,961 )	( 12,373 )	( 2,486 )	( 2,113 )	( 53 )	247	—	( 12,609 )
Charge-offs	( 6,856 )	( 375 )	( 126 )	—	—	—	( 174 )	—	( 7,531 )
Recoveries	59	—	—	7	—	—	45	—	111
Balance at end of year	<u>\$ 49,747</u>	<u>\$ 65,110</u>	<u>\$ 23,861</u>	<u>\$ 2,192</u>	<u>\$ 7,222</u>	<u>\$ 106</u>	<u>\$ 468</u>	<u>\$ —</u>	<u>\$ 148,706</u>

The Company will charge-off that portion of any loan which management considers a loss. Commercial and real estate loans are generally considered for charge-off when exposure beyond collateral coverage is apparent and when no further collection of the loss portion is anticipated based on the borrower's financial condition.

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The following table presents loans that were evaluated for expected credit losses on an individual basis and the related specific credit loss allocations, by loan class as of December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations
Commercial	\$ 21,534	\$ 11,662	\$ 21,981	\$ 8,378
Commercial real estate	25,672	3,567	12,303	1,209
Commercial construction, land and land development	—	—	—	—
Residential real estate	—	—	—	—
Single-family interim construction	—	—	189	43
Agricultural	75	19	—	—
Consumer	—	—	—	—
	<u>\$ 47,281</u>	<u>\$ 15,248</u>	<u>\$ 34,473</u>	<u>\$ 9,630</u>

Nonperforming loans by loan class at December 31, 2023 and 2022, are summarized as follows:

	Commercial	Commercial Real Estate	Commercial Construction, Land and Land Development	Residential Real Estate	Single-Family Interim Construction	Agricultural	Consumer	Total
<b>December 31, 2023</b>								
Nonaccrual loans <sup>(1)</sup>	\$ 21,541	\$ 26,564	\$ 10	\$ 2,111	\$ —	\$ 75	\$ 5	\$ 50,306
Loans past due 90 days and still accruing	—	14	—	1,480	—	—	—	1,494
Total nonperforming loans <sup>(2)</sup>	<u>\$ 21,541</u>	<u>\$ 26,578</u>	<u>\$ 10</u>	<u>\$ 3,591</u>	<u>\$ —</u>	<u>\$ 75</u>	<u>\$ 5</u>	<u>\$ 51,800</u>
<b>December 31, 2022</b>								
Nonaccrual loans <sup>(1)</sup>	\$ 22,565	\$ 13,393	\$ 15	\$ 1,582	\$ 189	\$ —	\$ 8	\$ 37,752
Loans past due 90 days and still accruing	5	—	—	838	—	—	—	843
Troubled debt restructurings (not included in nonaccrual or loans past due and still accruing)	—	1,435	—	59	—	—	—	1,494
Total nonperforming loans	<u>\$ 22,570</u>	<u>\$ 14,828</u>	<u>\$ 15</u>	<u>\$ 2,479</u>	<u>\$ 189</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 40,089</u>

<sup>(1)</sup> There are \$ 14 and \$ 125 in loans on nonaccrual without an allowance for credit loss as of December 31, 2023 and 2022, respectively. Additionally, no interest income was recognized on nonaccrual loans. No significant amounts of accrued interest was reversed during the years ended December 31, 2023 and 2022.

<sup>(2)</sup> With the adoption of ASU 2022-02, effective January 1, 2023, TDR accounting has been eliminated.

The accrual of interest is discontinued on a loan when management believes that, after considering collection efforts and other factors, the borrower's financial condition is such that collection of interest is doubtful, as well as when required by regulatory provisions. Regulatory provisions would typically require the placement of a loan on non-accrual status if 1) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or 2) full payment of principal and interest is not expected. All interest accrued but not collected for loans that are placed on nonaccrual status or charged-off is reversed against interest income. Cash collections on nonaccrual loans are generally credited to the loan receivable balance, and no interest income is recognized on those loans until the principal balance has been collected. Loans are generally returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

Occasionally, the Company modifies loans to borrowers in financial distress by providing certain concessions, such as principal forgiveness, term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of such concessions. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. During the year ended December 31, 2023, the Company did not provide any modifications under these circumstances to borrowers experiencing financial difficulty.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. The following table presents information regarding the aging of past due loans by loan class as of December 31, 2023 and 2022:

	Loans 30-89 Days Past Due	Loans 90 Days or More Past Due	Total Past Due Loans	Current Loans	Total Loans
<b>December 31, 2023</b>					
Commercial	\$ 1,898	\$ 4,883	\$ 6,781	\$ 2,260,070	\$ 2,266,851
Mortgage warehouse purchase loans	—	—	—	549,689	549,689
Commercial real estate	5,388	12,432	17,820	8,271,304	8,289,124
Commercial construction, land and land development	2,457	—	2,457	1,229,027	1,231,484
Residential real estate	7,477	2,282	9,759	1,660,027	1,669,786
Single-family interim construction	828	—	828	517,100	517,928
Agricultural	—	75	75	109,376	109,451
Consumer	267	4	271	75,958	76,229
	<u>\$ 18,315</u>	<u>\$ 19,676</u>	<u>\$ 37,991</u>	<u>\$ 14,672,551</u>	<u>\$ 14,710,542</u>
<b>December 31, 2022</b>					
Commercial	\$ 1,005	\$ 5,629	\$ 6,634	\$ 2,234,325	\$ 2,240,959
Mortgage warehouse purchase loans	—	—	—	312,099	312,099
Commercial real estate	13,093	449	13,542	7,803,905	7,817,447
Commercial construction, land and land development	2,820	—	2,820	1,228,251	1,231,071
Residential real estate	4,702	1,346	6,048	1,586,811	1,592,859
Single-family interim construction	—	189	189	508,650	508,839
Agricultural	—	—	—	124,422	124,422
Consumer	214	8	222	81,445	81,667
	<u>\$ 21,834</u>	<u>\$ 7,621</u>	<u>\$ 29,455</u>	<u>\$ 13,879,908</u>	<u>\$ 13,909,363</u>

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The Company's internal classified report is segregated into the following categories: 1) Pass/Watch, 2) Special Mention, 3) Substandard 4) Doubtful and 5) Loss. The loans placed in the Pass/Watch category reflect the Company's opinion that the loans reflect potential weakness that requires monitoring on a more frequent basis. The loans in the Special Mention category reflect the Company's opinion that the credit contains weaknesses which represent a greater degree of risk and warrant extra attention. These loans are reviewed monthly by officers and senior management to determine if a change in category is warranted. The loans placed in the Substandard category are considered to be potentially inadequately protected by the current debt service capacity of the borrower and/or the pledged collateral. These credits, even if apparently protected by collateral value, have shown weakness related to adverse financial, managerial, economic, market or political conditions, which may jeopardize repayment of principal and interest and may be considered impaired. There is a possibility that some future loss could be sustained by the Company if such weakness is not corrected. The Doubtful category includes loans that are in default or principal exposure is probable and the possibility of loss is extremely high. The Loss category includes loans that are considered uncollectible, with little chance of turnaround.

Management considers the guidance in ASC 310-20 when determining whether a modification, extension or renewal of a loan constitutes a current period origination. Generally, current period renewals of credit are re-underwritten at the point of renewal and considered current period originations for purposes of the table below. The following summarizes the amortized cost basis of loans by year of origination/renewal and credit quality indicator by class of loan as of December 31, 2023 and December 31, 2022:

December 31, 2023	Term Loans by Year of Origination or Renewal						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
<b>Commercial</b>									
Pass	\$ 223,287	\$ 211,182	\$ 281,878	\$ 78,695	\$ 99,516	\$ 161,184	\$ 1,099,241	\$ 347	\$ 2,155,330
Pass/Watch	168	9,672	8,976	121	2,064	9,396	5,655	—	36,052
Special Mention	185	—	13,517	85	—	820	9,052	1,214	24,873
Substandard	6,949	7,428	20,509	291	2,453	1,944	7,636	3,386	50,596
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial	<u>\$ 230,589</u>	<u>\$ 228,282</u>	<u>\$ 324,880</u>	<u>\$ 79,192</u>	<u>\$ 104,033</u>	<u>\$ 173,344</u>	<u>\$ 1,121,584</u>	<u>\$ 4,947</u>	<u>\$ 2,266,851</u>
Current period gross write-offs	<u>\$ 285</u>	<u>\$ —</u>	<u>\$ 301</u>	<u>\$ 5</u>	<u>\$ 73</u>	<u>\$ 254</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 918</u>
<b>Mortgage warehouse purchase loans</b>									
Pass	\$ 549,689	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 549,689
Pass/Watch	—	—	—	—	—	—	—	—	—
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total mortgage warehouse purchase loans	<u>\$ 549,689</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 549,689</u>
Current period gross write-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

	Term Loans by Year of Origination or Renewal							Revolving Loans	
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Converted to Term Loans	Total
Commercial real estate									
Pass	\$ 1,038,410	\$ 2,570,061	\$ 1,913,673	\$ 900,786	\$ 536,973	\$ 805,784	\$ 57,954	\$ 5,827	\$ 7,829,468
Pass/Watch	28,048	82,001	61,025	26,594	22,395	48,420	—	—	268,483
Special Mention	22,624	37,445	20,647	23,607	12,211	14,884	—	346	131,764
Substandard	5,502	16,666	27,653	4,371	3,026	2,191	—	—	59,409
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial real estate	\$ 1,094,584	\$ 2,706,173	\$ 2,022,998	\$ 955,358	\$ 574,605	\$ 871,279	\$ 57,954	\$ 6,173	\$ 8,289,124
Current period gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial construction, land and land development									
Pass	\$ 430,273	\$ 430,458	\$ 218,880	\$ 51,127	\$ 6,693	\$ 13,633	\$ 22,315	\$ 74	\$ 1,173,453
Pass/Watch	14,177	10,132	3,415	7,184	—	58	—	—	34,966
Special Mention	224	—	22,491	314	—	—	—	—	23,029
Substandard	—	26	—	—	—	10	—	—	36
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial construction, land and land development	\$ 444,674	\$ 440,616	\$ 244,786	\$ 58,625	\$ 6,693	\$ 13,701	\$ 22,315	\$ 74	\$ 1,231,484
Current period gross write-offs	\$ —	\$ —	\$ 1,196	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,196
Residential real estate									
Pass	\$ 197,436	\$ 506,608	\$ 356,360	\$ 219,473	\$ 136,968	\$ 162,766	\$ 71,494	\$ 437	\$ 1,651,542
Pass/Watch	—	360	2,415	2,895	1,239	1,902	85	—	8,896
Special Mention	—	—	—	47	1,492	1,607	—	262	3,408
Substandard	685	1,302	15	499	838	2,556	45	—	5,940
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total residential real estate	\$ 198,121	\$ 508,270	\$ 358,790	\$ 222,914	\$ 140,537	\$ 168,831	\$ 71,624	\$ 699	\$ 1,669,786
Current period gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Single-family interim construction									
Pass	\$ 300,574	\$ 133,211	\$ 15,590	\$ —	\$ —	\$ —	\$ 65,385	\$ —	\$ 514,760
Pass/Watch	1,203	—	—	—	—	—	—	—	1,203
Special Mention	1,964	—	—	—	—	—	1	—	1,965
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total single-family interim construction	\$ 303,741	\$ 133,211	\$ 15,590	\$ —	\$ —	\$ —	\$ 65,386	\$ —	\$ 517,928
Current period gross write-offs	\$ —	\$ —	\$ 27	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 27

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

	Term Loans by Year of Origination or Renewal							Revolving Loans	
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Agricultural									
Pass	\$ 16,543	\$ 35,993	\$ 22,472	\$ 9,707	\$ 3,470	\$ 10,056	\$ 9,435	\$ —	\$ 107,676
Pass/Watch	—	1,756	—	—	—	—	—	—	1,756
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	19	—	—	19
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total agricultural	\$ 16,543	\$ 37,749	\$ 22,472	\$ 9,707	\$ 3,470	\$ 10,075	\$ 9,435	\$ —	\$ 109,451
Current period gross write-offs	\$ —	\$ 5	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6
Consumer									
Pass	\$ 6,348	\$ 3,173	\$ 900	\$ 8,056	\$ 1,267	\$ 81	\$ 54,392	\$ 90	\$ 74,307
Pass/Watch	—	—	1,917	—	—	—	—	—	1,917
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	1	—	—	4	—	—	5
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total consumer	\$ 6,348	\$ 3,173	\$ 2,818	\$ 8,056	\$ 1,267	\$ 85	\$ 54,392	\$ 90	\$ 76,229
Current period gross write-offs	\$ 8	\$ 9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17
Total loans									
Pass	\$ 2,762,560	\$ 3,890,686	\$ 2,809,753	\$ 1,267,844	\$ 784,887	\$ 1,153,504	\$ 1,380,216	\$ 6,775	\$ 14,056,225
Pass/Watch	43,596	103,921	77,748	36,794	25,698	59,776	5,740	—	353,273
Special Mention	24,997	37,445	56,655	24,053	13,703	17,311	9,053	1,822	185,039
Substandard	13,136	25,422	48,178	5,161	6,317	6,724	7,681	3,386	116,005
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total loans	\$ 2,844,289	\$ 4,057,474	\$ 2,992,334	\$ 1,333,852	\$ 830,605	\$ 1,237,315	\$ 1,402,690	\$ 11,983	\$ 14,710,542
Current period gross write-offs	\$ 293	\$ 14	\$ 1,525	\$ 5	\$ 73	\$ 254	\$ —	\$ —	\$ 2,164

	Term Loans by Year of Origination or Renewal							Revolving Loans	
December 31, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Converted to Term Loans	Total
Commercial									
Pass	\$ 297,800	\$ 347,801	\$ 126,390	\$ 112,887	\$ 51,623	\$ 153,435	\$ 1,031,483	\$ 1,173	\$ 2,122,592
Pass/Watch	8	14,790	155	188	1,812	7,934	8,216	5,907	39,010
Special Mention	234	4,821	101	1,485	—	144	8,646	20	15,451
Substandard	394	35,950	398	9,191	55	7,037	10,840	41	63,906
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial	\$ 298,436	\$ 403,362	\$ 127,044	\$ 123,751	\$ 53,490	\$ 168,550	\$ 1,059,185	\$ 7,141	\$ 2,240,959



[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

	Term Loans by Year of Origination or Renewal							Revolving	
								Loans	
December 31, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Converted to Term Loans	Total
Mortgage warehouse purchase loans									
Pass	\$ 312,099	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 312,099
Pass/Watch	—	—	—	—	—	—	—	—	—
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total mortgage warehouse purchase loans	<u>\$ 312,099</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 312,099</u>
Commercial real estate									
Pass	\$ 2,652,298	\$ 1,980,631	\$ 998,910	\$ 617,664	\$ 448,758	\$ 640,275	\$ 59,184	\$ 9,222	\$ 7,406,942
Pass/Watch	90,313	25,954	33,664	18,678	53,469	25,831	—	—	247,909
Special Mention	10,180	41,193	—	10,870	8,722	10,735	—	26	81,726
Substandard	3,513	40,001	8,574	3,178	8,268	17,336	—	—	80,870
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial real estate	<u>\$ 2,756,304</u>	<u>\$ 2,087,779</u>	<u>\$ 1,041,148</u>	<u>\$ 650,390</u>	<u>\$ 519,217</u>	<u>\$ 694,177</u>	<u>\$ 59,184</u>	<u>\$ 9,248</u>	<u>\$ 7,817,447</u>
Commercial construction, land and land development									
Pass	\$ 553,376	\$ 465,272	\$ 126,704	\$ 10,477	\$ 23,073	\$ 12,188	\$ 12,705	\$ 4,018	\$ 1,207,813
Pass/Watch	8,036	43	10,297	—	—	72	—	—	18,448
Special Mention	1,313	674	—	—	—	—	—	—	1,987
Substandard	28	2,771	—	10	—	14	—	—	2,823
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total commercial construction, land and land development	<u>\$ 562,753</u>	<u>\$ 468,760</u>	<u>\$ 137,001</u>	<u>\$ 10,487</u>	<u>\$ 23,073</u>	<u>\$ 12,274</u>	<u>\$ 12,705</u>	<u>\$ 4,018</u>	<u>\$ 1,231,071</u>
Residential real estate									
Pass	\$ 525,631	\$ 379,789	\$ 220,077	\$ 155,460	\$ 79,437	\$ 154,875	\$ 59,332	\$ 1,238	\$ 1,575,839
Pass/Watch	373	918	642	1,743	76	3,312	302	—	7,366
Special Mention	2,267	—	—	700	227	1,224	126	—	4,544
Substandard	708	455	538	219	—	2,997	193	—	5,110
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total residential real estate	<u>\$ 528,979</u>	<u>\$ 381,162</u>	<u>\$ 221,257</u>	<u>\$ 158,122</u>	<u>\$ 79,740</u>	<u>\$ 162,408</u>	<u>\$ 59,953</u>	<u>\$ 1,238</u>	<u>\$ 1,592,859</u>
Single-family interim construction									
Pass	\$ 351,031	\$ 105,573	\$ 18,885	\$ —	\$ 241	\$ —	\$ 16,447	\$ —	\$ 492,177
Pass/Watch	—	—	—	—	—	16,471	2	—	16,473
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	189	—	—	189
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total single-family interim construction	<u>\$ 351,031</u>	<u>\$ 105,573</u>	<u>\$ 18,885</u>	<u>\$ —</u>	<u>\$ 241</u>	<u>\$ 16,660</u>	<u>\$ 16,449</u>	<u>\$ —</u>	<u>\$ 508,839</u>



[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

	Term Loans by Year of Origination or Renewal								Revolving Loans	
December 31, 2022	2022	2021	2020	2019	2018	Prior		Revolving Loans	Converted to Term Loans	Total
Agricultural										
Pass	\$ 52,525	\$ 24,743	\$ 13,875	\$ 3,705	\$ 5,847	\$ 8,872	\$ 10,588	\$ —	\$ 120,155	
Pass/Watch	2,700	—	—	—	—	—	1,547	—	4,247	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	20	—	—	20	
Doubtful	—	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	—	
Total agricultural	\$ 55,225	\$ 24,743	\$ 13,875	\$ 3,705	\$ 5,847	\$ 8,892	\$ 12,135	\$ —	\$ 124,422	
Consumer										
Pass	\$ 7,715	\$ 4,909	\$ 7,959	\$ 1,576	\$ 300	\$ 81	\$ 59,113	\$ —	\$ 81,653	
Pass/Watch	—	—	—	—	—	—	—	—	—	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	4	—	—	—	10	—	—	14	
Doubtful	—	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	—	
Total consumer	\$ 7,715	\$ 4,913	\$ 7,959	\$ 1,576	\$ 300	\$ 91	\$ 59,113	\$ —	\$ 81,667	
Total loans										
Pass	\$ 4,752,475	\$ 3,308,718	\$ 1,512,800	\$ 901,769	\$ 609,279	\$ 969,726	\$ 1,248,852	\$ 15,651	\$ 13,319,270	
Pass/Watch	101,430	41,705	44,758	20,609	55,357	53,620	10,067	5,907	333,453	
Special Mention	13,994	46,688	101	13,055	8,949	12,103	8,772	46	103,708	
Substandard	4,643	79,181	9,510	12,598	8,323	27,603	11,033	41	152,932	
Doubtful	—	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	—	
Total loans	\$ 4,872,542	\$ 3,476,292	\$ 1,567,169	\$ 948,031	\$ 681,908	\$ 1,063,052	\$ 1,278,724	\$ 21,645	\$ 13,909,363	

**Note 6. Premises and Equipment, Net**

Premises and equipment, net at December 31, 2023 and 2022 consisted of the following:

	December 31,	
	2023	2022
Land	\$ 81,224	\$ 81,570
Building	275,841	274,218
Furniture, fixtures and equipment	68,463	59,979
Aircraft	8,947	8,947
Leasehold and tenant improvements	9,301	6,421
Construction in progress	7,218	3,667
	450,994	434,802
Less accumulated depreciation	( 95,161 )	( 79,434 )
	<u>\$ 355,833</u>	<u>\$ 355,368</u>

Depreciation expense amounted to \$ 18,475 , \$ 14,934 and \$ 12,385 for the years ended December 31, 2023, 2022 and 2021, respectively.



**Independent Bank Group, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
(Dollars in thousands, except for share and per share information)

**Note 7. Goodwill and Other Intangible Assets, Net**

At December 31, 2023 and 2022, goodwill totaled \$ 994,021 .

The following is a summary of other intangible assets:

	December 31,	
	2023	2022
Gross core deposit intangible	\$ 125,884	\$ 125,884
Less accumulated amortization	( 79,267 )	( 67,321 )
Total core deposit intangible, net	\$ 46,617	\$ 58,563
Gross customer relationship intangible	\$ 6,407	\$ 6,407
Less accumulated amortization	( 2,464 )	( 1,971 )
Total customer relationship intangible, net	\$ 3,943	\$ 4,436
Total other intangible assets, net	\$ 50,560	\$ 62,999

Amortization expense related to intangible assets amounted to \$ 12,439 , \$ 12,491 and \$ 12,580 for the years ended December 31, 2023, 2022 and 2021, respectively. The remaining weighted average amortization period for intangible assets is 4.7 years as of December 31, 2023.

The future amortization expense related to other intangible assets remaining at December 31, 2023 is as follows:

First year	\$ 11,752
Second year	11,238
Third year	10,801
Fourth year	8,284
Fifth year	7,006
Thereafter	1,479
	<u>\$ 50,560</u>

**Independent Bank Group, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
(Dollars in thousands, except for share and per share information)

**Note 8. Deposits**

Deposits at December 31, 2023 and 2022 consisted of the following:

	December 31,			
	2023		2022	
	Amount	Percent	Amount	Percent
Noninterest-bearing demand accounts	\$ 3,530,704	22.5 %	\$ 4,736,830	31.3 %
Interest-bearing checking accounts	5,628,478	35.8	6,311,868	41.8
Savings accounts	540,121	3.4	760,777	5.0
Money market accounts	1,741,848	11.1	1,889,833	12.5
Certificates of deposit and individual retirement accounts (IRA), less than \$250,000	3,145,334	20.0	752,594	5.0
Certificates of deposit and individual retirement accounts (IRA), \$250,000 and greater	1,136,550	7.2	669,515	4.4
	<u>\$ 15,723,035</u>	<u>100.0 %</u>	<u>\$ 15,121,417</u>	<u>100.0 %</u>

At December 31, 2023, the scheduled maturities of certificates of deposit, including IRAs, were as follows:

First year	\$ 4,040,402
Second year	222,873
Third year	8,802
Fourth year	5,639
Fifth year	4,168
	<u>\$ 4,281,884</u>

Brokered deposits at December 31, 2023 and 2022 totaled \$ 2,503,281 and \$ 528,937 , respectively.

**Note 9. Federal Home Loan Bank Advances**

At December 31, 2023, the Company had two short-term advances from the FHLB of Dallas under note payable arrangements that matured in January 2024. The weighted average interest rate of the advances were 5.43 % and 2.42 % at December 31, 2023 and 2022, respectively. The balances outstanding on advances were \$ 350,000 and \$ 300,000 at December 31, 2023 and 2022, respectively.

The advances were secured by \$ 31,498 of FHLB stock owned by the Company and a blanket lien on certain loans along with specific listed loans for an aggregate available carrying value of \$ 6,808,778 at December 31, 2023. The Company had remaining credit available under the FHLB advance program of \$ 5,144,607 at December 31, 2023.

At December 31, 2023, the Company had \$ 1,303,100 in undisbursed advance commitments (letters of credit) with the FHLB. As of December 31, 2023, these commitments mature on various dates from January 2024 through July 2025. The FHLB letters of credit were obtained in lieu of pledging securities to secure public fund deposits that are over the FDIC insurance limit. At December 31, 2023, there were no disbursements against the advance commitments.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**
**Note 10. Other Borrowings**

Other borrowings at December 31, 2023 and 2022 consisted of the following:

	December 31,	
	2023	2022
Unsecured fixed rate subordinated debentures in the amount of \$ 110,000 . The balance of borrowings at December 31, 2023 and 2022 is net of discount and origination costs of \$ 198 and \$ 555 , respectively. Interest payments of 5.875 % are made semiannually on February 1 and August 1. The maturity date is August 1, 2024. The notes may not be redeemed prior to maturity and after August 1, 2023, no longer meet the criteria to be recognized as Tier 2 capital for regulatory purposes. <sup>(1)</sup>	\$ 109,802	\$ 109,445
Unsecured fixed-to-floating subordinated debentures in the amount of \$ 130,000 . The balance of borrowings at December 31, 2023 and 2022 is net of origination costs of \$ 1,731 and \$ 1,991 , respectively. Interest payments initially of 4.00 % fixed rate are made semiannually on March 15 and September 15 through September 15, 2025. Thereafter, floating rate payments of 3 month Secured Overnight Financing Rate (SOFR) plus 3.885 % payable quarterly in arrears beginning on December 15, 2025. The maturity date is September 15, 2030 with an optional redemption at September 15, 2025. The notes meet the criteria to be recognized as Tier 2 capital for regulatory purposes. <sup>(1)</sup>	128,269	128,009
Unsecured revolving line of credit with an unrelated commercial bank in the amount of \$ 100,000 . The line bears interest at the monthly Bloomberg Short-Term Bank Yield Index (BSBY) plus 1.75 % with a maturity date of February 16, 2024. The Company is required to meet certain financial covenants on a quarterly basis, which includes certain restrictions on cash at IBG and meeting minimum capital ratios. <sup>(2)</sup>	33,750	—
Unsecured fixed-to-floating subordinated debentures in the amount of \$ 30,000 . The balance of borrowings at December 31, 2022 is net of origination costs of \$ 388 . Interest payments of 5.00 % fixed rate were made semiannually on June 30 and December 31 through December 31, 2022 and thereafter, floating rate payments of 3 month LIBOR plus 2.83 % . On March 31, 2023, the next optional redemption date, the debentures were redeemed.	—	29,612
	<u>\$ 271,821</u>	<u>\$ 267,066</u>

(1) The permissible portion of qualified subordinated notes decreases 20% per year during the final five years of the term of the notes.

(2) Subsequent to December 31, 2023, the Company renewed the line (see Note 22. [Subsequent Events](#)).

The Company has established federal funds lines of credit notes with ten unaffiliated banks totaling \$ 445,000 of borrowing capacity at December 31, 2023 and eleven unaffiliated banks totaling \$ 545,000 of borrowing capacity at December 31, 2022. At December 31, 2023, one of the lines, totaling \$ 50,000 , has a stated maturity date in February 2024. The remaining lines have no stated maturity dates and the lenders may terminate the lines at any time without notice. The lines are provided on an unsecured basis and must be repaid the following business day from when the funds are borrowed. There were no borrowings against the lines at December 31, 2023 and 2022.

In addition, the Company maintains a secured line of credit with the Federal Reserve Bank with an availability to borrow approximately \$ 1,095,664 and \$ 1,072,483 at December 31, 2023 and 2022, respectively. Approximately \$ 1,312,949 and \$ 1,326,376 of certain loans and securities were pledged as collateral at December 31, 2023 and 2022, respectively. There were no borrowings against this line as of December 31, 2023 and 2022.

Beginning in first quarter 2023, the Company is eligible to borrow from the Federal Reserve's Bank Term Funding Program (BTFP), which provides additional contingent liquidity through the pledging of certain qualifying securities and other assets valued at par. Under the program, which ends March 11, 2024, the Company can obtain advances of up to one year in length and can repay the obligation at any time without penalty. Borrowing capacity of \$ 661,721 was available as of December 31, 2023 based on the par-value of qualifying unpledged securities. There were no borrowings outstanding as of December 31, 2023.

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The Company also participates in an exchange that provides direct overnight borrowings with other financial institutions. The funds are provided on an unsecured basis. Borrowing availability totaled \$ 699,000 and \$ 809,000 at December 31, 2023 and 2022, respectively. There were no borrowings as of December 31, 2023 and 2022.

**Note 11. Junior Subordinated Debentures**

The Company has formed or acquired nine statutory business trusts (the Trusts) for the purpose of issuing trust preferred securities. Each of the Trusts have issued capital and common securities and invested the proceeds thereof in an equivalent amount of junior subordinated debentures (the Debentures) issued by the Company. The interest rate payable on, and the payment terms of the Debentures are the same as the distribution rate and payment terms of the respective issues of capital and common securities issued by the Trusts. The Debentures are subordinated and junior in right of payment to all present and future senior indebtedness. The Company has fully and unconditionally guaranteed the obligations of each of the Trusts with respect to the capital and common securities. Except under certain circumstances, the common securities issued to the Company by the trusts possess sole voting rights with respect to matters involving those entities. Under certain circumstances, the Company may, from time to time, defer the debentures' interest payments, which would result in a deferral of distribution payments on the related trust preferred securities and, with certain exceptions, prevent the Company from declaring or paying cash distributions on the Company's common stock and any other future debt ranking equally with or junior to the debentures. The Company may redeem the debentures, which are intended to qualify as Tier 1 capital, at the Company's option, subject to approval of the Federal Reserve.

As of December 31, 2023 and 2022, the carrying amount of debentures outstanding totaled \$ 54,617 and \$ 54,419 , respectively. Information regarding the Debentures as of December 31, 2023 are summarized in the table below:

	Trust Preferred Securities Issued	Debentures Carrying Value	Repricing Frequency	Interest Rate	Interest Rate Index	Maturity Date
IB Trust I	\$ 5,155	\$ 5,155	Quarterly	8.89 %	SOFR + 3.25 %	March 2033
Guaranty Trust III	10,310	10,310	Quarterly	8.76	SOFR + 3.10	July 2033
IB Trust II	3,093	3,093	Quarterly	8.51	SOFR + 2.85	March 2034
Cenbank Trust III	15,464	15,464	Quarterly	8.31	SOFR + 2.65	April 2034
IB Centex Trust I	2,578	2,578	Quarterly	8.89	SOFR + 3.25	February 2035
IB Trust III	3,712	3,712	Quarterly	8.04	SOFR + 2.40	December 2035
Community Group Statutory Trust I	3,609	3,609	Quarterly	7.25	SOFR + 1.60	June 2037
Northstar Trust II <sup>(1)</sup>	5,155	4,121	Quarterly	7.32	SOFR + 1.67	June 2037
Northstar Trust III <sup>(1)</sup>	8,248	6,575	Quarterly	7.32	SOFR + 1.67	September 2037
	<u>\$ 57,324</u>	<u>\$ 54,617</u>				

(1) Assumed in 2017 with a total recorded fair value discount of \$ 2,707 remaining as of December 31, 2023.

**Note 12. Leases**

The Company's primary leasing activities relate to certain real estate operating leases entered into in support of the Company's branch operations and back office operations. The Company leases 20 of its 91 branches. The Company's branch locations operating under lease agreements have all been designated as operating leases. In addition, the Company leases certain equipment under operating leases. The Company does not have leases designated as finance leases.



[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

As of December 31, 2023 and 2022, the Company's ROU lease assets were \$ 24,404 and \$ 24,830 , respectively, and related lease liabilities were \$ 25,777 and \$ 25,913 , respectively. Leases have remaining terms ranging from six months to 27.1 years, including extension options that the Company is reasonably certain will be exercised.

The table below summarizes net lease cost:

	Years Ended December 31,		
	2023	2022	2021
Operating lease cost	\$ 6,037	\$ 6,559	\$ 6,567
Short term lease cost	59	121	64
Variable lease cost	1,351	1,455	1,645
Sublease income	( 374 )	( 268 )	( 282 )
Net lease cost	\$ 7,073	\$ 7,867	\$ 7,994

The table below summarizes other information related to operating leases:

	Years Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,708	\$ 5,743
Weighted average remaining lease term - operating leases, in years	7.64	7.19
Weighted average discount rate - operating leases	3.32 %	2.97 %

The following table outlines lease payment obligations as outlined in the Company's lease agreements for each of the next five years and thereafter in addition to a reconciliation to the Company's current lease liability as of December 31, 2023.

2024	\$ 5,773
2025	5,080
2026	3,669
2027	2,824
2028	2,547
Thereafter	9,313
Total lease payments	29,206
Less imputed interest	( 3,429 )
	\$ 25,777

As of December 31, 2023, the Company had not entered into any material leases that have not yet commenced.

**Independent Bank Group, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****(Dollars in thousands, except for share and per share information)****Note 13. Off-Balance Sheet Arrangements, Commitments and Contingencies***Financial Instruments with Off-Balance Sheet Risk*

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. The commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of this instrument. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2023 and 2022, the approximate amounts of these financial instruments were as follows:

	December 31,	
	2023	2022
Commitments to extend credit	\$ 3,107,827	\$ 3,291,409
Standby letters of credit	31,627	24,135
	<u>\$ 3,139,454</u>	<u>\$ 3,315,544</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, farm crops, property, plant and equipment and income-producing commercial properties.

Letters of credit are written conditional commitments used by the Company to guarantee the performance of a customer to a third party. The Company's policies generally require that letter of credit arrangements contain security and debt covenants similar to those contained in loan arrangements. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the table above. If the commitment is funded, the Company would be entitled to seek recovery from the customer.

*Allowance For Credit Losses on Off-Balance Sheet Credit Exposures*

The allowance for credit losses on off-balance sheet credit exposures is calculated under ASC 326, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed in the table above. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur based on historical utilization rates. The allowance is included in other liabilities on the Company's consolidated balance sheets.

[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

The allowance for credit losses on off-balance sheet commitments was as follows:

	December 31,		
	2023	2022	2021
Balance at beginning of period	\$ 3,944	\$ 4,722	\$ —
Impact of ASC 326 adoption	—	—	1,113
Provision for off-balance sheet credit exposure	( 47 )	( 778 )	3,609
Balance at end of period	<u>\$ 3,897</u>	<u>\$ 3,944</u>	<u>\$ 4,722</u>

*Litigation*

The Bank is a party to a legal proceeding inherited in connection with its acquisition of BOH Holdings, Inc. and its subsidiary, Bank of Houston (BOH). On February 27, 2023, the Bank entered into a settlement in principle with the plaintiffs and executed a settlement agreement on March 7, 2023. The settlement and bar orders were approved by the Court on August 8, 2023. Once the litigation is dismissed, the Bank, as described in the settlement agreement, will make a one-time cash payment of \$ 100,000 to the court appointed receiver to settle the case and to resolve all current and potential future claims. Such settlement is recognized as litigation settlement expense included in noninterest expense on the accompanying income statement along with \$ 2,500 in related legal and other fees.

In addition, the Company is involved in other legal actions arising from normal business activities. Management believes that the outcome of such proceedings will not materially affect the financial position, results of operations or cash flows of the Company.

**Note 14. Income Taxes**

Income tax expense for the years ended December 31, 2023, 2022 and 2021 was as follows:

	Years Ended December 31,		
	2023	2022	2021
Current income tax expense	\$ 30,876	\$ 44,836	\$ 52,130
Deferred income tax (benefit) expense	( 21,759 )	5,168	5,353
Income tax expense, as reported	<u>\$ 9,117</u>	<u>\$ 50,004</u>	<u>\$ 57,483</u>

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

A reconciliation between reported income tax expense and the amounts computed by applying the U.S. federal statutory income tax rate of 21% for the years ended December 31, 2023, 2022 and 2021 to income before income taxes is presented below:

	Years Ended December 31,		
	2023	2022	2021
Income tax expense computed at the statutory rate	\$ 10,987	\$ 51,722	\$ 59,269
Tax-exempt interest income from municipal securities	( 2,159 )	( 2,176 )	( 1,752 )
Tax-exempt loan income	( 962 )	( 1,116 )	( 1,359 )
Bank owned life insurance income	( 1,211 )	( 1,296 )	( 1,094 )
Non-deductible FDIC premiums	655	298	269
State taxes, net of federal benefit	244	2,045	2,516
Non-deductible compensation	565	919	473
Net tax expense (benefit) from stock based compensation	280	( 703 )	( 691 )
Other	718	311	( 148 )
	<u>\$ 9,117</u>	<u>\$ 50,004</u>	<u>\$ 57,483</u>

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

Components of deferred tax assets and liabilities are presented in the table below. Deferred taxes as of December 31, 2023 and 2022 are based on the U.S. statutory federal income tax rate of 21%.

	December 31,	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	\$ 33,886	\$ 33,241
Net unrealized loss on available for sale securities	46,610	54,315
Reserve for legal settlement	21,801	—
Lease liabilities under operating leases	5,608	5,640
NOL and tax credit carryforwards from acquisitions	2,631	2,986
Net unrealized loss on cash flow hedge	1,720	2,351
Acquired loan fair market value adjustments	3,001	3,785
Stock-based compensation	2,112	2,496
Reserve for bonuses and other accrued expenses	1,910	4,163
Deferred loan fees and costs, net	3,122	3,738
Accrued FDIC special assessment	1,812	—
Acquired securities	941	1,107
Acquired intangibles	910	1,060
Other real estate owned	917	—
Unearned income	327	420
Deferred compensation	243	416
Noncompete agreements	438	484
Nonaccrual loans	311	268
Other	865	868
	<u>129,165</u>	<u>117,338</u>
Deferred tax liabilities:		
Premises and equipment	( 17,215 )	( 16,920 )
Right-of-use assets under operating leases	( 5,309 )	( 5,404 )
Intangible assets	( 10,999 )	( 13,711 )
Acquired junior subordinated debentures fair value adjustment	( 589 )	( 632 )
FHLB and other restricted stocks	( 555 )	( 359 )
Acquired tax goodwill	( 1,064 )	( 899 )
Other	( 769 )	( 744 )
	<u>( 36,500 )</u>	<u>( 38,669 )</u>
Net deferred tax asset	<u>\$ 92,665</u>	<u>\$ 78,669</u>

At December 31, 2023, the Company had federal net operating loss carryforwards of approximately \$ 11,180 which expire in various years from 2025 to 2032 and state net operating loss carryforwards of approximately \$ 8,137 which expire in various years from 2025 to 2027. Deferred tax assets are recognized for net operating losses because the benefit is more likely than not to be realized. No valuation allowance for deferred tax assets was recorded at December 31, 2023 or 2022 as management believes it is more likely than not that all of the deferred tax assets will be realized.

**Independent Bank Group, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****(Dollars in thousands, except for share and per share information)**

The Company does not have any material uncertain tax positions and does not have any interest and penalties recorded in the income statement for the years ended December 31, 2023, 2022 and 2021. The Company files a consolidated income tax return in the US federal tax jurisdiction. The Company is no longer subject to examination by the US federal tax jurisdiction for years prior to 2020.

**Note 15. Related Party Transactions**

In the ordinary course of business, the Company has and expects to continue to have transactions, including loans to its officers, directors and their affiliates. In the opinion of management, such transactions are on the same terms as those prevailing at the time for comparable transactions with unaffiliated persons. Loan activity for officers, directors and their affiliates as of December 31, 2023 and 2022 is as follows:

	December 31,	
	2023	2022
Balance at beginning of year	\$ 35,798	\$ 34,627
New loan originations	2,444	13,641
Repayments	( 5,439 )	( 13,545 )
Changes in affiliated persons	( 105 )	1,075
Balance at end of year	<u>\$ 32,698</u>	<u>\$ 35,798</u>

At December 31, 2023 and 2022, none of the loans to officers, directors, or their affiliates were considered non-performing.

**Note 16. Employee Benefit Plans**

The Company has a 401(k) profit sharing plan (Plan) which covers employees over the age of eighteen who have completed thirty days of credited service, as defined by the Plan. The Plan provides for "before tax" employee contributions through salary reduction contributions under Section 401(k) of the Internal Revenue Code. A participant may choose a salary reduction not to exceed the dollar limit set by law each year. Contributions by the Company and by participants are immediately fully vested. The Company makes 401(k) matching contributions of 100 % up to 6 % of the participant's eligible compensation for the Plan year. The Plan also provides for the Company to make additional discretionary contributions to the Plan. The Company made contributions of \$ 7,523 , \$ 8,007 and \$ 7,011 for the years ended December 31, 2023, 2022 and 2021, respectively, which are recorded in salaries and employee benefits in the accompanying consolidated statements of income.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Note 17. Fair Value Measurements**

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

[Table of Contents](#)

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Assets and Liabilities Measured on a Recurring Basis**

The following table represents assets and liabilities reported on the consolidated balance sheets at their fair value on a recurring basis as of December 31, 2023 and 2022 by level within the ASC Topic 820 fair value measurement hierarchy:



		Fair Value Measurements at Reporting Date Using						
		Assets/ Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
December 31, 2023								
Assets:								
Investment securities available for sale:								
U.S. treasuries	\$	214,222	\$	—	\$	214,222	\$	—
Government agency securities		396,106		—		396,106		—
Obligations of state and municipal subdivisions		227,634		—		227,634		—
Corporate bonds		35,820		—		35,820		—
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA		719,469		—		719,469		—
Other securities		500		—		500		—
Loans held for sale, fair value option elected <sup>(1)</sup>		12,016		—		12,016		—
Derivative financial instruments:								
Interest rate lock commitments		507		—		507		—
Forward mortgage-backed securities trades		4		—		4		—
Loan customer counterparty		227		—		227		—
Financial institution counterparty		9,472		—		9,472		—
Liabilities:								
Derivative financial instruments:								
Interest rate swaps - cash flow hedge		8,256		—		8,256		—
Forward mortgage-backed securities trades		43		—		43		—
Loan customer counterparty		9,403		—		9,403		—
Financial institution counterparty		261		—		261		—
December 31, 2022								
Assets:								
Investment securities available for sale:								
U.S. treasuries	\$	239,410	\$	—	\$	239,410	\$	—
Government agency securities		384,515		—		384,515		—
Obligations of state and municipal subdivisions		251,231		—		251,231		—
Corporate bonds		37,205		—		37,205		—
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA		778,473		—		778,473		—
Other securities		950		—		950		—
Loans held for sale, fair value option elected <sup>(1)</sup>		10,612		—		10,612		—
Derivative financial instruments:								
Interest rate lock commitments		294		—		294		—
Forward mortgage-backed securities trades		98		—		98		—
Financial institution counterparty		13,968		—		13,968		—
Liabilities:								
Derivative financial instruments:								
Interest rate swaps - cash flow hedge		11,283		—		11,283		—
Interest rate lock commitments		6		—		6		—
Forward mortgage-backed securities trades		11		—		11		—
Loan customer counterparty		13,788		—		13,788		—

(1) At December 31, 2023 and 2022, loans held for sale for which the fair value option was elected had an aggregate outstanding principal balance of \$ 11,747 and \$ 10,330 , respectively. There were no mortgage loans held for sale under the fair value option that were 90 days or greater past due or on nonaccrual at December 31, 2023.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

*Investment securities available for sale*

Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. Securities are classified within Level 1 when quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. For securities utilizing Level 2 inputs, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury and other yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.

*Loans held for sale*

Certain mortgage loans held for sale are measured at fair value on a recurring basis due to the Company's election to adopt fair value accounting treatment for those loans originated for which the Company has entered into certain derivative financial instruments as part of its mortgage banking and related risk management activities. These instruments include interest rate lock commitments and mandatory forward commitments to sell these loans to investors known as forward mortgage-backed securities trades. This election allows for a more effective offset of the changes in fair values of the assets and the mortgage related derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under ASC 815, *Derivatives and Hedging*. Mortgage loans held for sale, for which the fair value option was elected, which are sold on a servicing released basis, are valued using a market approach by utilizing either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted to credit risk and other individual loan characteristics. As these prices are derived from market observable inputs, the Company classifies these valuations as Level 2 in the fair value disclosures. For mortgage loans held for sale for which the fair value option was elected, the earned current contractual interest payment is recognized in interest income, loan origination costs and fees on fair value option loans are recognized in earnings as incurred and not deferred. The Company has no continuing involvement in any residential mortgage loans sold.

*Derivatives*

The Company utilizes interest rate swaps to hedge exposure to interest rate risk and variability of cash flows associated to changes in the underlying interest rate of the hedged item. These hedging interest rate swaps are classified as a cash flow hedge. The Company utilizes a third-party vendor for derivative valuation purposes. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves (Level 2 inputs).

The estimated fair values of interest rate lock commitments utilize current secondary market prices for underlying loans and estimated servicing value with similar coupons, maturity and credit quality, subject to the anticipated loan funding probability (pull-through rate). The fair value of interest rate lock commitments is subject to change primarily due to changes in interest rates and the estimated pull-through rate. These commitments are classified as Level 2 in the fair value disclosures, as the valuations are based on observable market inputs.

Forward mortgage-backed securities trades are exchange-traded or traded within highly active dealer markets. In order to determine the fair value of these instruments, the Company utilized the exchange price or dealer market price for the particular derivative contract; therefore these contracts are classified as Level 2. The estimated fair values are subject to change primarily due to changes in interest rates.

The Company also enters into certain interest rate derivative positions. The estimated fair value of these commercial loan interest rate swaps are obtained from a pricing service that provides the swaps' unwind value (Level 2 inputs). See Note 18. Derivative Financial Instruments, for more information.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**
**Assets and Liabilities Measured on a Nonrecurring Basis**

In accordance with ASC Topic 820, certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at December 31, 2023 and 2022, for which a nonrecurring change in fair value has been recorded:

		Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Period Ended Total Losses	
Assets Measured at Fair Value						
December 31, 2023						
Assets:						
Individually evaluated loans	\$ 5,822	\$ —	\$ —	\$ 5,822	\$ 3,525	
Other real estate owned	9,490	—	—	9,490	6,052	
December 31, 2022						
Assets:						
Individually evaluated loans	\$ 8,527	\$ —	\$ —	\$ 8,527	\$ 3,505	
Other real estate owned	23,900	—	—	23,900	3,548	

Individually evaluated loans are measured at an observable market price (if available) or at the fair value of the loan's underlying collateral (if collateral dependent). Fair value of the loan's collateral is determined by appraisals or independent valuation, which is then adjusted for the estimated costs related to liquidation of the collateral. Management's ongoing review of appraisal information may result in additional discounts or adjustments to valuation based upon more recent market sales activity or more current appraisal information derived from properties of similar type and/or locale. In addition, management's discounting criteria may vary for loans secured by non-real estate collateral such as inventory, oil and gas reserves, accounts receivable, equipment or other business assets. Management reviews the appraisals or valuations for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5 % to 8 % of the appraised value. Therefore, the Company has categorized its individually evaluated loans as Level 3.

Other real estate owned is measured at fair value on a nonrecurring basis (upon initial recognition or subsequent impairment). Other real estate owned is classified within Level 3 of the valuation hierarchy. When transferred from the loan portfolio, other real estate owned is adjusted to fair value less estimated selling costs and is subsequently carried at the lower of carrying value or fair value less estimated selling costs. The fair value is determined using an external appraisal process, discounted based on internal criteria. Management reviews the external appraisals for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5 % to 8 % of the appraised value. Therefore, the Company has categorized its other real estate as Level 3.

In addition, mortgage loans held for sale not recorded under the fair value option are required to be measured at the lower of cost or fair value. The fair value of these loans is based upon binding quotes or bids from third party investors. As of December 31, 2023 and 2022, all mortgage loans held for sale not recorded under the fair value option were recorded at cost.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**
**Fair Value of Financial Instruments not Recorded at Fair Value**

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company's financial instruments that are reported at amortized cost on the Company's consolidated balance sheets were as follows at December 31, 2023 and 2022:

			Fair Value Measurements at Reporting Date Using							
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)					
December 31, 2023										
Financial assets:										
Cash and cash equivalents	\$	721,989	\$	721,989	\$	721,989	\$	—	\$	—
Certificates of deposit held in other banks		248		243		—		243		—
Investment securities held to maturity		205,232		170,997		—		170,997		—
Loans held for sale, at cost		4,404		4,506		—		4,506		—
Loans, net		14,558,681		14,547,963		—		—		14,547,963
FHLB of Dallas stock and other restricted stock		34,915		34,915		—		34,915		—
Accrued interest receivable		64,237		64,237		—		64,237		—
Financial liabilities:										
Deposits		15,723,035		15,697,806		—		15,697,806		—
Accrued interest payable		43,653		43,653		—		43,653		—
FHLB advances		350,000		350,022		—		350,022		—
Other borrowings		271,821		257,975		—		257,975		—
Junior subordinated debentures		54,617		68,735		—		68,735		—
Off-balance sheet assets (liabilities):										
Commitments to extend credit		—		—		—		—		—
Standby letters of credit		—		—		—		—		—
December 31, 2022										
Financial assets:										
Cash and cash equivalents	\$	654,322	\$	654,322	\$	654,322	\$	—	\$	—
Certificates of deposit held in other banks		496		486		—		486		—
Investment securities held to maturity		207,059		162,239		—		162,239		—
Loans held for sale, at cost		698		710		—		710		—
Loans, net		13,760,576		13,450,582		—		—		13,450,582
FHLB of Dallas stock and other restricted stock		23,436		23,436		—		23,436		—
Accrued interest receivable		59,214		59,214		—		59,214		—
Financial liabilities:										
Deposits		15,121,417		15,063,025		—		15,063,025		—
Accrued interest payable		9,604		9,604		—		9,604		—
FHLB advances		300,000		246,519		—		246,519		—
Other borrowings		267,066		258,800		—		258,800		—
Junior subordinated debentures		54,419		53,969		—		53,969		—
Off-balance sheet assets (liabilities):										
Commitments to extend credit		—		—		—		—		—
Standby letters of credit		—		—		—		—		—

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

The methods and assumptions used by the Company in estimating fair values of financial instruments as disclosed herein in accordance with ASC Topic 825, *Financial Instruments*, other than for those measured at fair value on a recurring and nonrecurring basis discussed above, are as follows:

**Cash and cash equivalents:** The carrying amounts of cash and cash equivalents approximate their fair value.

**Certificates of deposit held in other banks:** The fair value of certificates of deposit held in other banks is based upon current market rates.

**Investment securities held to maturity:** For investment securities held to maturity, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury and other yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.

**Loans held for sale, at cost:** The fair value of loans held for sale is determined based upon commitments on hand from investors.

**Loans:** A discounted cash flow model is used to estimate the fair value of the loans. The discounted cash flow approach models the credit losses directly in the projected cash flows, applying various assumptions regarding credit, interest and prepayment risks for the loans based on loan types, payment types and fixed or variable classifications.

**Federal Home Loan Bank of Dallas and other restricted stock:** The carrying value of restricted securities such as stock in the Federal Home Loan Bank of Dallas and Independent Bankers Financial Corporation approximates fair value.

**Deposits:** The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is their carrying amounts). The carrying amounts of variable-rate certificates of deposit (CDs) approximate their fair values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

**Federal Home Loan Bank advances, line of credit and federal funds purchased:** The fair value of advances maturing within 90 days approximates carrying value. Fair value of other advances is based on the Company's current borrowing rate for similar arrangements.

**Other borrowings:** The estimated fair value approximates carrying value for short-term borrowings. The fair value of private subordinated debentures are based upon prevailing rates on similar debt in the market place. The subordinated debentures that are publicly traded are valued based on indicative bid prices based upon market pricing observations in the current market.

**Junior subordinated debentures:** The fair value of junior subordinated debentures is estimated using discounted cash flow analyses based on the published Bloomberg US Financials BB rated corporate bond index yield.

**Accrued interest:** The carrying amounts of accrued interest approximate their fair values.

**Off-balance sheet instruments:** Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Note 18. Derivative Financial Instruments**

The Company accounts for its derivative financial instruments in accordance with ASC Topic 815 which requires all derivative instruments to be carried at fair value on the balance sheet. The Company has designated certain derivative instruments used to manage interest rate risk as hedge relationships with certain assets, liabilities or cash flows being hedged. Certain derivatives used for interest rate risk management are not designated in a hedge relationship and are used for asset and liability management related to the Company's mortgage banking activities and commercial customers' financing needs. All derivatives are carried at fair value in either other assets or other liabilities.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedge relationship. This documentation includes linking the fair value for cash flow hedges to the specific assets and liabilities on the balance sheet or the specific firm commitments or forecasted transaction. The Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company has two interest rate swap derivatives with an aggregated notional amount of \$ 100,000 that were designated as cash flow hedges. The derivatives are intended to hedge the variable cash flows associated with certain existing variable-interest rate loans and were determined to be effective during the year ended December 31, 2023.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into interest income in the same period that the hedged transaction affects earnings. Amounts of losses recognized in accumulated other comprehensive income (loss) related to derivatives was \$ 917 , net of tax, and the amounts of losses that were reclassified to interest income as interest payments were made on the Company's variable-rate loans was \$ 3,293 , net of tax, during and for the year ended December 31, 2023. Amounts of losses recognized in accumulated other comprehensive income related to derivatives was \$ 8,624 , net of tax, and the amounts of losses that were reclassified to interest income as interest payments were received on the Company's variable-rate loans was \$ 609 , net of tax, during and for the year ended December 31, 2022. During the next twelve months, the Company estimates that \$ 3,669 will be reclassified as a decrease to interest income.

Through its mortgage banking division, the Company enters into interest rate lock commitments with consumers to originate mortgage loans at a specified interest rate. These commitments, which contain fixed expiration dates, offer the borrower an interest rate guarantee provided the loan meets underwriting guidelines and closes within the timeframe established by the Company. The Company manages the changes in fair value associated with changes in interest rates related to interest rate lock commitments by using forward sold commitments known as forward mortgage-backed securities trades. These instruments are typically entered into at the time the interest rate lock commitment is made.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The Company offers certain derivatives products, primarily interest rate swaps, directly to qualified commercial banking customers to facilitate their risk management strategies. The interest rate swap derivative positions relate to transactions in which the Company enters into an interest rate swap with a customer, while at the same time entering into an offsetting interest rate swap with another financial institution. An interest rate swap transaction allows customers to effectively convert a variable rate loan to a fixed rate. In connection with each swap, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount.

The following table provides the outstanding notional balances and fair values of outstanding derivative positions at December 31, 2023 and 2022:

	Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
<b>December 31, 2023</b>			
Derivatives designated as hedging instruments:			
Interest rate swaps - cash flow hedge	\$ 100,000	\$ —	\$ 8,256
Derivatives not designated as hedging instruments:			
Interest rate lock commitments	18,789	507	—
Forward mortgage-backed securities trades	15,000	4	43
Commercial loan interest rate swaps:			
Loan customer counterparty	201,063	227	9,403
Financial institution counterparty	201,063	9,472	261
<b>December 31, 2022</b>			
Derivatives designated as hedging instruments:			
Interest rate swaps - cash flow hedge	\$ 100,000	\$ —	\$ 11,283
Derivatives not designated as hedging instruments:			
Interest rate lock commitments	15,476	294	6
Forward mortgage-backed securities trades	18,500	98	11
Commercial loan interest rate swaps:			
Loan customer counterparty	183,183	—	13,788
Financial institution counterparty	183,183	13,968	—

The commercial loan customer counterparty weighted average received and paid interest rates for interest rate swaps outstanding were as follows:

	Weighted Average Interest Rate			
	December 31, 2023		December 31, 2022	
	Received	Paid	Received	Paid
Loan customer counterparty	4.53 %	7.89 %	4.12 %	6.72 %

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The credit exposure related to interest rate swaps is limited to the net favorable value of all swaps by each counterparty, which was approximately \$ 9,699 and \$ 13,968 at December 31, 2023 and 2022, respectively. In some cases collateral may be required from the counterparties involved if the net value of the derivative instruments exceeds a nominal amount. Collateral levels are monitored and adjusted on a regular basis for changes in interest rate swap values. At December 31, 2023 and 2022, cash of \$ 10,242 and \$ 10,394 and securities of \$ 444 and \$ 509 were pledged as collateral for these derivatives, respectively, and counterparties had deposited \$ 2,130 of cash with the Company as of December 31, 2023.

The Company has entered into credit risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which the Company is either a participant or a lead bank. Risk participation agreements entered into as a participant bank provide credit protection to the financial institution counterparty should the borrower fail to perform on its interest rate derivative contract with that financial institution. The Company is party to one risk participation agreement as a participant bank having a notional amount of \$ 1,481 at December 31, 2023. The Company was not party to a risk participation agreement as the participant bank as of December 31, 2022. Risk participation agreements entered into as the lead bank provide credit protection to the Company should the borrower fail to perform on its interest rate derivative contract. The Company is party to one risk participation agreement as the lead bank having a notional amount of \$ 8,805 and \$ 9,082 at December 31, 2023 and 2022, respectively.

The changes in the fair value of interest rate lock commitments and the forward sales of mortgage-backed securities are recorded in mortgage banking revenue. These gains and losses were not attributable to instrument-specific credit risk. For commercial interest rate swaps, because the Company acts as an intermediary for our customer, changes in the fair value of the underlying derivative contracts substantially offset each other and do not have a material impact on the results of operations.

A summary of derivative activity and the related impact on the consolidated statements of income for the years ended December 31, 2023, 2022 and 2021 is as follows:

		Years Ended December 31,		
	Income Statement Location	2023	2022	2021
Derivatives designated as hedging instruments				
Interest rate swaps - cash flow hedges	Interest and fees on loans	\$ ( 4,188 )	\$ ( 791 )	\$ 584
Derivatives not designated as hedging instruments				
Interest rate lock commitments	Mortgage banking revenue	219	( 737 )	( 2,490 )
Forward mortgage-backed securities trades	Mortgage banking revenue	( 126 )	81	574

**Note 19. Stock Awards**

The Company grants common stock awards to certain employees of the Company. In May 2022, the shareholders of the Company approved the 2022 Equity Incentive Plan (2022 Plan). Under this plan, the Compensation Committee may grant awards to certain employees and directors of the Company in the form of restricted stock, restricted stock units, stock appreciation rights, qualified and nonqualified stock options, performance share awards and other equity-based awards. Effective with the adoption of the 2022 Plan, no further awards will be granted under the prior 2013 Equity Incentive Plan (2013 Plan). Awards outstanding under the 2013 Plan will remain in effect under the prior plan according to their respective terms and any terminated 2013 Plan awards will be available for awards under the 2022 Plan in accordance with the 2022 Plan's provisions. The 2022 Plan has 1,500,000 reserved shares of common stock to be awarded by the Company's Compensation Committee. As of December 31, 2023, there were 1,367,836 shares remaining available for grant for future awards.



**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

Shares issued under these plans are restricted stock awards and performance stock units. Restricted stock awarded generally vest evenly over the required employment period, and range from one to five years. Performance stock units awarded have a three to four year cliff vesting period. Restricted stock awards granted are issued at the date of grant and receive dividends. Performance stock units are eligible to receive dividend equivalents as such dividends are declared on the Company's common stock during the performance period. Equivalent dividend payments are based upon the number of shares issued under each performance award and are deferred until such time that the units vest and the shares are issued.

**Restricted Stock Awards**

The following table summarizes the activity in nonvested restricted stock awards for the years ended December 31, 2023 and 2022:

Restricted Stock Awards	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested shares, December 31, 2022	309,015	\$ 60.12
Granted during the period	138,909	56.74
Vested during the period	( 156,644 )	59.07
Forfeited during the period	( 5,940 )	63.07
Nonvested shares, December 31, 2023	<u>285,340</u>	\$ 58.99
Nonvested shares, December 31, 2021	363,551	\$ 53.14
Granted during the period	149,160	69.80
Vested during the period	( 193,303 )	54.61
Forfeited during the period	( 10,393 )	57.40
Nonvested shares, December 31, 2022	<u>309,015</u>	\$ 60.12

Compensation expense related to these awards is recorded based on the fair value of the award at the date of grant and totaled \$ 8,258 , \$ 10,856 and \$ 8,984 for the years ended December 31, 2023, 2022 and 2021, respectively. Compensation expense is recorded in salaries and employee benefits in the accompanying consolidated statements of income. At December 31, 2023, future compensation expense is estimated to be \$ 10,908 and will be recognized over a remaining weighted average period of 1.92 years.

The fair value of common stock awards that vested during the years ended December 31, 2023, 2022 and 2021 was \$ 7,971 , \$ 13,795 and \$ 12,651 , respectively. The Company has recorded \$ 280 , \$( 703 ) and \$( 691 ) in excess tax expense (benefit) on vested restricted stock to income tax expense for the years ended December 31, 2023, 2022 and 2021, respectively.

There were no modifications of stock agreements during 2023, 2022 and 2021 that resulted in significant additional incremental compensation costs.

At December 31, 2023, the future vesting schedule of the nonvested restricted stock awards is as follows:

	Number of Shares
First year	150,496
Second year	80,407
Third year	52,689
Fourth year	1,748
Total nonvested shares	<u>285,340</u>

**Independent Bank Group, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****(Dollars in thousands, except for share and per share information)***Performance Stock Units*

Performance stock units represent shares potentially issuable in the future. The number of shares issued is based upon the measure of the Company's achievement of its relative adjusted return on average tangible common equity, as defined by the Company, over the award's performance period as compared to an identified peer group's achievement over the same performance period. The number of shares issuable under each performance award is the product of the award target and the award payout percentage for the given level of achievement which ranges from 0 % to 150 % of the target.

The following table summarizes the activity in nonvested performance stock units at target award level for the years ended December 31, 2023 and 2022:

Performance-Based Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested shares, December 31, 2022	140,240	\$ 49.20
Granted during the period	37,938	60.21
Nonvested shares, December 31, 2023	<u>178,178</u>	<u>\$ 51.55</u>
Nonvested shares, December 31, 2021	114,498	\$ 43.93
Granted during the period	25,742	72.65
Nonvested shares, December 31, 2022	<u>140,240</u>	<u>\$ 49.20</u>

Compensation expense related to performance stock units is estimated each period based on the fair value of the target stock unit at the grant date and the most probable level of achievement of the performance condition, adjusted for the passage of time within the vesting periods of the awards. Compensation expense related to these awards was \$( 764 ), \$ 2,841 and \$ 1,707 for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, the unrecognized compensation expense is estimated to be \$ 2,673 . The remaining performance period over which the expense will be recognized is 1.88 years.

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Note 20. Regulatory Matters**

Under banking law, there are legal restrictions limiting the amount of dividends the Bank can declare. Approval of the regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of the Bank to fall below specified minimum levels. For state banks, subject to regulatory capital requirements, payment of dividends is generally allowed to the extent of net profits.

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Tier 2 capital for the Company includes permissible portions of the Company's subordinated notes. The permissible portion of qualified subordinated notes decreases 20% per year during the final five years of the term of the notes.

The Company is subject to the Basel III regulatory capital framework (the Basel III Capital Rules). The Basel III Capital Rules require that the Company maintain a 2.5% capital conservation buffer above the minimum risk-based capital adequacy requirements. The capital conservation buffer is designed to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. Failure to meet the full amount of the buffer will result in restrictions on the Company's ability to make capital distributions, including dividend payments and stock repurchases and to pay discretionary bonuses to executive officers.

In February 2019, the federal bank regulatory agencies issued a final rule that revised certain capital regulations under ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and included a transition option that allows banking organizations to phase in, over a three year period, the day one adverse effects of adoption on their regulatory capital ratios (three year transition option). In connection with the adoption of ASC 326 on January 1, 2021, the Company recognized an after-tax cumulative effect reduction to retained earnings. The Company elected to adopt the three year transition option and the deferral has been applied in capital ratios presented below.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Common Equity Tier 1 (CET1) and Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2023 and 2022, the Company and the Bank meet all capital adequacy requirements to which they are subject, including the capital buffer requirement.

As of December 31, 2023 and 2022, the Bank's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk based, CET1, Tier 1 risk based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events that management believes have changed the Bank's category.

[Table of Contents](#)
**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

The following table presents actual and required capital ratios under Basel III Capital Rules for the Company and Bank as of December 31, 2023 and 2022. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended, to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required Plus Capital Conservation Buffer		Required To Be Considered Well Capitalized <sup>(1)</sup>	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>December 31, 2023</b>						
Total capital to risk weighted assets:						
Consolidated	\$ 1,885,776	11.57 %	\$ 1,711,650	10.50 %	\$ 1,630,143	10.00 %
Bank	2,020,376	12.40	1,711,142	10.50	1,629,659	10.00
Tier 1 capital to risk weighted assets:						
Consolidated	1,617,985	9.93	1,385,621	8.50	978,086	6.00
Bank	1,882,585	11.55	1,385,210	8.50	1,303,727	8.00
Common equity tier 1 to risk weighted assets:						
Consolidated	1,562,385	9.58	1,141,100	7.00	N/A	N/A
Bank	1,882,585	11.55	1,140,761	7.00	1,059,278	6.50
Tier 1 capital to average assets:						
Consolidated	1,617,985	8.94	723,633	4.00	N/A	N/A
Bank	1,882,585	10.41	723,438	4.00	904,298	5.00
<b>December 31, 2022</b>						
Total capital to risk weighted assets:						
Consolidated	\$ 1,936,363	12.35 %	\$ 1,645,772	10.50 %	\$ 1,567,402	10.00 %
Bank	2,013,874	12.85	1,645,236	10.50	1,566,891	10.00
Tier 1 capital to risk weighted assets:						
Consolidated	1,637,191	10.45	1,332,291	8.50	940,441	6.00
Bank	1,896,702	12.10	1,331,858	8.50	1,253,513	8.00
Common equity tier 1 to risk weighted assets:						
Consolidated	1,581,591	10.09	1,097,181	7.00	N/A	N/A
Bank	1,896,702	12.10	1,096,824	7.00	1,018,479	6.50
Tier 1 capital to average assets:						
Consolidated	1,637,191	9.49	690,309	4.00	N/A	N/A
Bank	1,896,702	10.99	690,130	4.00	862,663	5.00

<sup>(1)</sup> "Well-capitalized" Common Equity Tier 1 to Risk-Weighted Assets and Tier 1 to Average Assets are not formally defined under applicable banking regulations for bank holding companies. However, the Federal Reserve Board and the FDIC may require the Company to maintain a Tier 1 to Average Assets Ratio above the required minimum.

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**

**Stock repurchase program:** From time to time, the Company's Board of Directors has authorized stock repurchase programs which allow the Company to purchase its common stock generally over a one-year period at various prices in the open market or in privately negotiated transactions. In January 2023, the Company's Board established the 2023 Stock Repurchase Plan (2023 Plan), which provided for the repurchase of up to \$ 125,000 of common stock through December 31, 2023. There were no shares repurchased under the 2023 Plan during the twelve months ended December 31, 2023. Under the prior plan, the Company repurchased 1,651,236 shares at a total cost of \$ 115,966 during the year ended December 31, 2022. Federal bank regulators have adopted final rules that, among other things, eliminated the standalone prior approval requirement for any repurchase of common stock. However, the Company remains subject to a Federal Reserve Board guideline that requires consultation with the Federal Reserve Board regarding plans for share repurchases. The Company's repurchases of its common stock may be subject to a prior approval or notice requirement under other regulations, policies or supervisory expectations of the Federal Reserve Board.

Company stock repurchased to settle employee tax withholding related to vesting of stock awards totaled 41,727 shares at a total cost of \$ 2,175 , and 53,088 shares at a total cost of \$ 3,780 for the periods ended December 31, 2023 and 2022, respectively, and were not included under the repurchase program.

**Note 21. Parent Company Only Financial Statements**

The following balance sheets, statements of income and statements of cash flows for Independent Bank Group, Inc. should be read in conjunction with the consolidated financial statements and the notes thereto.

**Balance Sheets**

	December 31,	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 7,311	\$ 5,660
Investment in subsidiaries	2,722,598	2,701,273
Investment in trusts	1,724	1,724
Other assets	3,285	3,511
<b>Total assets</b>	<b>\$ 2,734,918</b>	<b>\$ 2,712,168</b>
<b>Liabilities and Stockholders' Equity</b>		
Other borrowings	\$ 271,821	\$ 267,066
Junior subordinated debentures	54,617	54,419
Other liabilities	5,887	5,300
<b>Total liabilities</b>	<b>332,325</b>	<b>326,785</b>
<b>Stockholders' equity:</b>		
Preferred stock	—	—
Common stock	413	412
Additional paid-in capital	1,966,686	1,959,193
Retained earnings	616,724	638,354
Accumulated other comprehensive loss	( 181,230 )	( 212,576 )
<b>Total stockholders' equity</b>	<b>2,402,593</b>	<b>2,385,383</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,734,918</b>	<b>\$ 2,712,168</b>

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Dollars in thousands, except for share and per share information)

**Statements of Income**

	Years Ended December 31,		
	2023	2022	2021
<b>Interest expense:</b>			
Interest on other borrowings	\$ 15,934	\$ 14,450	\$ 15,247
Interest on junior subordinated debentures	4,725	2,713	1,756
<b>Total interest expense</b>	<b>20,659</b>	<b>17,163</b>	<b>17,003</b>
<b>Noninterest income:</b>			
Dividends from subsidiaries	148,132	208,665	134,547
Other	—	—	61
<b>Total noninterest income</b>	<b>148,132</b>	<b>208,665</b>	<b>134,608</b>
<b>Noninterest expense:</b>			
Salaries and employee benefits	8,383	14,886	10,546
Professional fees	948	736	126
Other	2,631	2,738	2,510
<b>Total noninterest expense</b>	<b>11,962</b>	<b>18,360</b>	<b>13,182</b>
<b>Income before income tax benefit and equity in undistributed income of subsidiaries</b>	<b>115,511</b>	<b>173,142</b>	<b>104,423</b>
Income tax benefit	6,711	8,454	7,131
<b>Income before equity in undistributed income of subsidiaries</b>	<b>122,222</b>	<b>181,596</b>	<b>111,554</b>
Equity in undistributed (loss) income of subsidiaries	( 79,021 )	14,695	113,196
<b>Net income</b>	<b>\$ 43,201</b>	<b>\$ 196,291</b>	<b>\$ 224,750</b>

**Independent Bank Group, Inc. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**(Dollars in thousands, except for share and per share information)**
**Statements of Cash Flows**

	Years Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 43,201	\$ 196,291	\$ 224,750
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed loss (income) of subsidiaries	79,021	( 14,695 )	( 113,196 )
Amortization of discount and origination costs on borrowings	1,203	893	894
Stock based compensation expense	7,494	13,697	10,691
Excess tax expense (benefit) on restricted stock vested	280	( 703 )	( 691 )
Deferred tax expense (benefit)	396	( 579 )	( 210 )
Net change in other assets	( 170 )	107	1,020
Net change in other liabilities	358	140	500
<b>Net cash provided by operating activities</b>	<b>131,783</b>	<b>195,151</b>	<b>123,758</b>
Cash flows from investing activities:			
Capital investment in subsidiaries	( 69,000 )	—	—
<b>Net cash used in investing activities</b>	<b>( 69,000 )</b>	<b>—</b>	<b>—</b>
Cash flows from financing activities:			
Proceeds from other borrowings	100,000	111,000	75,000
Repayments of other borrowings	( 96,250 )	( 128,000 )	( 104,500 )
Repurchase of common stock	( 2,175 )	( 119,746 )	( 32,132 )
Dividends paid	( 62,707 )	( 63,492 )	( 56,861 )
<b>Net cash used in financing activities</b>	<b>( 61,132 )</b>	<b>( 200,238 )</b>	<b>( 118,493 )</b>
<b>Net change in cash and cash equivalents</b>	<b>1,651</b>	<b>( 5,087 )</b>	<b>5,265</b>
Cash and cash equivalents at beginning of year	5,660	10,747	5,482
Cash and cash equivalents at end of year	<u>\$ 7,311</u>	<u>\$ 5,660</u>	<u>\$ 10,747</u>

**Independent Bank Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except for share and per share information)**

**Note 22. Subsequent Events**

**Declaration of dividends**

On January 18, 2024, the Company declared a quarterly cash dividend in the amount of \$ 0.38 per share of common stock to the stockholders of record on February 1, 2024. The dividend totaling \$ 15,685 was paid on February 15, 2024.

**BTFP advance**

On January 24, 2024, the Company borrowed \$ 155,000 against the BTFP as a lower cost alternative to an FHLB advance. The advance has an interest rate of 4.88 % and a one year term due January 24, 2025.

**Line of credit agreement**

On February 16, 2024, the Company renewed its \$ 100,000 unsecured revolving line of credit with a maturity date of February 15, 2025 and the rate index was updated to one-month Term SOFR. As of February 20, 2024, the Company has borrowings of \$ 33,750 against its revolving line of credit.



[Table of Contents](#)

**ITEM 16. FORM 10-K SUMMARY**

The Company has not elected to include a summary of the information required in this Annual Report on Form 10-K.

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of McKinney, Texas, on February 20, 2024.

**Independent Bank Group, Inc. (Registrant)**

**Date: February 20, 2024**

**By: /s/ David R. Brooks**

**David R. Brooks**

**Chairman and Chief Executive Officer**

---

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ David R. Brooks</u> David R. Brooks	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 20, 2024
<u>/s/ Paul B. Langdale</u> Paul B. Langdale	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 20, 2024
<u>/s/ Brenda K. Montgomery</u> Brenda K. Montgomery	Chief Accounting Officer (Principal Accounting Officer)	February 20, 2024
<u>/s/ Daniel W. Brooks</u> Daniel W. Brooks	Vice Chairman and Director	February 20, 2024
<u>/s/ William E. Fair</u> William E. Fair	Director	February 20, 2024
<u>/s/ Janet P. Froetscher</u> Janet P. Froetscher	Director	February 20, 2024
<u>/s/ Alicia K. Harrison</u> Alicia K. Harrison	Director	February 20, 2024
<u>/s/ Craig E. Holmes</u> Craig E. Holmes	Director	February 20, 2024
<u>/s/ J. Webb Jennings III</u> J. Webb Jennings III	Director	February 20, 2024
<u>/s/ Donald L. Poarch</u> Donald L. Poarch	Director	February 20, 2024
<u>/s/ G. Stacy Smith</u> G. Stacy Smith	Director	February 20, 2024
<u>/s/ Michael T. Viola</u> Michael T. Viola	Director	February 20, 2024
<u>/s/ Paul E. Washington</u> Paul E. Washington	Director	February 20, 2024

Execution Version

**WAIVER AND SEVENTH AMENDMENT TO CREDIT AGREEMENT**

This WAIVER AND SEVENTH AMENDMENT TO CREDIT AGREEMENT (this “**Amendment**”) is dated as of February 16, 2024 and is between INDEPENDENT BANK GROUP, INC., a Texas corporation (the “**Borrower**”), and U.S. BANK NATIONAL ASSOCIATION (“**U.S. Bank**”), a national banking association, as the Lender (the “**Lender**”) and as Administrative Agent.

**RECITALS**

A. Borrower, the Lender and the Administrative Agent are party to a Credit Agreement dated as of January 17, 2019, a First Amendment to Credit Agreement dated as of January 17, 2020, a Second Amendment to Credit Agreement dated as of January 15, 2021, a Third Amendment to Credit Agreement dated as of January 17, 2022 and a Fourth Amendment to Credit Agreement dated as of February 16, 2022, a Fifth Amendment to Credit Agreement dated as of February 16, 2023, and a Sixth Amendment to Credit Agreement dated as of March 16, 2023 (as amended, restated or otherwise modified, the “**Credit Agreement**”). Capitalized terms not otherwise defined in this Amendment shall have the meanings respectively ascribed to them in the Credit Agreement.

B. Consolidated Bank Subsidiaries failed to comply with the minimum Return on Average Assets covenant in Section 6.9(d) of the Credit Agreement for the fiscal quarter ending December 31, 2023 (the “**ROAA Default**”);

C. The parties hereto desire to amend and modify the Credit Agreement and waive the ROAA Default in accordance with the terms and subject to the conditions set forth in this Amendment.

**NOW, THEREFORE**, in consideration of the mutual covenants, conditions and agreements herein contained, the parties hereto hereby agree as follows:

**AGREEMENT**

SECTION 1. **AMENDMENTS TO THE CREDIT AGREEMENT**. The Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the underlined text (indicated textually in the same manner as the following examples: underlined text and underlined text) as set forth in the Credit Agreement attached hereto as Exhibit A, except that any Schedule, Exhibit or other attachment to the Term Loan Agreement not amended pursuant to the terms of this Amendment or otherwise included as part of said Exhibit A shall remain in effect without any amendment or other modification thereto.

SECTION 2. **REPRESENTATIONS AND WARRANTIES**. The Borrower hereby represents and warrants to the Lender and the Administrative Agent as of the date hereof as follows:

(i) No Default or Event of Default (other than the ROAA Default) has occurred or is continuing under the Credit Agreement, and no Default or Event of Default (other than the ROAA Default) would result from the amendment contemplated hereby.

(ii) The execution, delivery and performance by Borrower of this Amendment have been duly authorized by all necessary and proper corporate and other proceedings and do not and will not require any registration with, consent or approval of, or notice to or action by any Person (including any Governmental Authority) in order to be effective and enforceable.

(iii) This Amendment and the other Loan Documents (as amended by this Amendment) constitute the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(iv) The representations and warranties contained in Article V of the Credit Agreement are (x) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects as of the date hereof (upon giving effect to this Amendment), except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all respects on and as of such earlier date and (y) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects as of such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

(v) Borrower is in compliance with all of the covenants contained in the Credit Agreement.

(vi) Borrower's Obligations under the Credit Agreement and under the other Loan Documents are not subject to any defense, counterclaim, set-off, right to recoupment, abatement or other claim.

### SECTION 3. **ADDITIONAL TERMS.**

**3.1 Acknowledgement of Indebtedness under Credit Agreement.** Borrower acknowledges and confirms that, as of the date hereof, Borrower is indebted to the Lender, without defense, setoff, or counterclaim, in the aggregate principal amount of \$0.00 under the Credit Agreement.

**3.2 The Credit Agreement.** On and after the Effective Date: (i) each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import shall mean and be a reference to the Credit Agreement as amended hereby, (ii) each reference to the Credit Agreement in all Loan Documents shall mean and be a reference to the Credit Agreement, as amended hereby, and (iii) this Amendment shall be deemed a "Loan Document" for the purposes of the Credit Agreement.

**3.3 Amendment and Credit Agreement to be Read Together.** This Amendment supplements and is hereby made a part of the Credit Agreement, and the Credit Agreement and this Amendment shall from and after the Effective Date be read together and shall constitute one agreement. Except as otherwise set forth herein, the Credit Agreement shall remain in full force and effect.

**3.4 Acknowledgements.** Borrower acknowledges that (i) it has been advised by counsel of its choice of law with respect to this Amendment, the Credit Agreement, the other Loan Documents and the transactions contemplated hereby and thereby, (ii) any waiver of Borrower set forth herein has been knowingly and voluntarily made, and (iii) the obligations of the Lender and the Administrative Agent hereunder shall be strictly construed and shall be expressly subject to Borrower's compliance in all respects with the terms and conditions of the Credit Agreement.

**3.5 Limited Waiver.** Borrower has requested that Administrative Agent and Lender waive the ROAA Default. Effective as of the Effective Date (as defined below), and subject to the terms, conditions and provisions of this Amendment (including the satisfaction of the conditions precedent set forth in Section 4 of this Amendment), Administrative Agent and Lender hereby waive the ROAA Default. Other Events of Default may also exist and be continuing. The fact that such events are not specified herein shall not be construed as a waiver thereof or a waiver of the right to exercise rights and remedies with respect thereto. Except for the waiver of the ROAA Default set forth above, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any other Event of Default (including without limitation any other Event of Default existing on the date hereof), nor operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent (including without limitation any rights, powers or remedies of a Lender or the Administrative Agent with respect to any other Event of Default existing on the date hereof), nor constitute a waiver of, or consent to any departure from, any provision of the Credit Agreement, or any of the other Loan Documents.

**3.6 No Novation.** The terms and conditions of the Credit Agreement are amended as set forth in this Amendment. It is expressly understood and acknowledged that nothing in this Amendment shall be deemed to cause or otherwise give rise to a novation of the indebtedness contemplated in the Credit Agreement. All of Borrower's "**Obligations**" under the Credit Agreement shall in all respects be continuing and this Amendment shall not be deemed to evidence or result in a novation or repayment and re-borrowing of such "**Obligations**."

**SECTION 4. CONDITIONS PRECEDENT.** The amendments set forth in SECTION 1 above shall become effective as of the date (the "Effective Date") on which each of the following conditions shall have been satisfied: (i) Administrative Agent shall have received a fully executed Amendment and any other documents to be executed, delivered, or performed in connection with this Amendment (the "Amendment Documents"); and (ii) the Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date.

SECTION 5. **RELEASE.** BORROWER, FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS, DOES HEREBY FULLY, FINALLY AND UNCONDITIONALLY RELEASE AND FOREVER DISCHARGE, AND AGREES TO HOLD HARMLESS, THE LENDER, THE ADMINISTRATIVE AGENT AND EACH OF THEIR RESPECTIVE EQUITY HOLDERS AND AFFILIATES, AND THEIR RESPECTIVE AGENTS, ADVISORS, MANAGERS, PARENTS, SUBSIDIARIES, ATTORNEYS, REPRESENTATIVES, EMPLOYEES, OFFICERS AND DIRECTORS, AND THE SUCCESSORS, ASSIGNS, HEIRS AND REPRESENTATIVES OF EACH OF THE FOREGOING, FROM ANY AND ALL DEBTS, CLAIMS, COUNTERCLAIMS, SETOFFS, OBLIGATIONS, DAMAGES, COSTS, ATTORNEYS' FEES AND EXPENSES, SUITS, DEMANDS, LIABILITIES, ACTIONS, PROCEEDINGS AND CAUSES OF ACTION, IN EACH CASE WHETHER KNOWN OR UNKNOWN, CONTINGENT OR FIXED, DIRECT OR INDIRECT AND OF WHATEVER KIND, NATURE OR DESCRIPTION, AND WHETHER IN LAW OR IN EQUITY, UNDER CONTRACT, TORT, STATUTE OR OTHERWISE, THAT BORROWER HAS HERETOFORE HAD OR NOW OR HEREAFTER CAN, SHALL OR MAY HAVE BY REASON OF ANY ACT, OMISSION OR THING WHATSOEVER DONE OR OMITTED TO BE DONE ON OR PRIOR TO THE EFFECTIVE DATE ARISING OUT OF, CONNECTED WITH OR RELATED IN ANY WAY TO THIS AMENDMENT, THE CREDIT AGREEMENT, THE OTHER LOAN DOCUMENTS, THE TRANSACTIONS DESCRIBED THEREIN, THE REVOLVING LOANS, THE LENDER'S AND THE ADMINISTRATIVE AGENT'S ADMINISTRATION THEREOF, OR THE FINANCING OR BANKING RELATIONSHIPS OF BORROWER WITH THE LENDER AND THE ADMINISTRATIVE AGENT.

SECTION 6. **MISCELLANEOUS.**

- 6.1 Entire Agreement; Successors.** This Amendment (i) constitutes the entire understanding of the parties with respect to the subject matter hereof, and any other prior or contemporaneous agreements, whether written or oral, with respect hereto or thereto are expressly superseded hereby; and (ii) shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto permitted pursuant to Article XIII of the Credit Agreement.
- 6.2 Counterparts.** This Amendment may be executed in any number of counterparts (which taken together shall constitute one and the same instrument) and by facsimile or electronic (.pdf) transmission, which facsimile or electronic (.pdf) signatures shall be considered original executed counterparts.
- 6.3 GOVERNING LAW.** THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.
- 6.4 CONSENT TO JURISDICTION.** BORROWER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS

AMENDMENT AND BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AMENDMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

**6.5 WAIVER OF JURY TRIAL.** BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AMENDMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER.

**6.6 SERVICE OF PROCESS.** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 14.1 (OTHER THAN TRANSMISSION BY FACSIMILE) OF THE CREDIT AGREEMENT WITH RESPECT TO THE MATTERS SET FORTH IN THIS AMENDMENT. NOTHING IN THIS WAIVER WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

**[Remainder of Page Intentionally Left Blank]**



IN WITNESS WHEREOF, Borrower, the Lender, and the Administrative Agent have executed this Amendment as of the date first above written.

**INDEPENDENT BANK GROUP, INC.**

By: /s/ David R. Brooks

Name: David R. Brooks

Title: Chairman of the Board, CEO and President

*Signature Page to Seventh Amendment to Credit Agreement*

---

IN **WITNESS** WHEREOF, Borrower, the Lender, and the Administrative Agent have executed this Amendment as of the date first above written.

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Michael R. Point

Name: Michael R. Point Title: Senior Vice President

*Signature Page to Seventh Amendment to Credit  
Agreement*

---

EXHIBIT A

---

Conformed through ~~Sixth~~[Seventh](#) Amendment to Credit Agreement  
Dated ~~March~~[February](#) 16, ~~2023~~[2024](#)

CREDIT AGREEMENT DATED AS OF JANUARY

17, 2019

AMONG INDEPENDENT BANK GROUP,

INC.,

THE LENDERS,

U.S. BANK NATIONAL ASSOCIATION, AS  
ADMINISTRATIVE AGENT

AND

U.S. BANK NATIONAL ASSOCIATION,  
AS SOLE LEAD ARRANGER AND BOOKRUNNER

~~4891-7239-4657~~[4889-9803-5617](#)

---

## **Table of Contents**

	<b><u>Page</u></b>
ARTICLE I DEFINITIONS	1
ARTICLE II THE CREDITS	18
2.1 Commitment	18
2.2 Required Payments; Termination	<del>18</del> <a href="#">19</a>
2.3 Ratable Revolving Loans	<del>18</del> <a href="#">19</a>
2.4 Minimum Amount of Each Advance	<del>18</del> <a href="#">19</a>
2.5 Optional Principal Payments	<del>18</del> <a href="#">19</a>
2.6 Method of Borrowing	19
2.7 Interest Rates	19
2.8 Rates Applicable After Event of Default	<del>19</del> <a href="#">20</a>
2.9 Method of Payment	<del>19</del> <a href="#">20</a>
2.10 Evidence of Indebtedness	20
2.11 Telephonic Notices	<del>20</del> <a href="#">21</a>
2.12 Interest Payment Dates; Interest and Fee Basis	21
2.13 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions	21
2.14 Lending Installations	21
2.15 Non-Receipt of Funds by the Administrative Agent	21
2.16 Replacement of Lender	<del>21</del> <a href="#">22</a>
2.17 Limitation of Interest	22
2.18 Defaulting Lenders	23
ARTICLE III YIELD PROTECTION; TAXES	24
3.1 Increased Costs	24
3.2 Certificate for Reimbursement; Delay in Requests	25
3.3 <del>BSBY</del> Term SOFR Unavailability	<del>25</del> <a href="#">26</a>
3.4 Taxes	26
3.5 Selection of Lending Installation; Mitigation Obligations; Lender Statements; Survival of Indemnity	<del>29</del> <a href="#">30</a>
3.6 Reserved	<del>29</del> <a href="#">30</a>
ARTICLE IV CONDITIONS PRECEDENT	<del>29</del> <a href="#">30</a>
4.1 Initial Advances	<del>29</del> <a href="#">30</a>
4.2 Each Advance	<del>30</del> <a href="#">31</a>
ARTICLE V REPRESENTATIONS AND WARRANTIES	<del>31</del> <a href="#">32</a>
5.1 Organization, Qualification and Subsidiaries	<del>31</del> <a href="#">32</a>
5.2 Financial Statements	<del>31</del> <a href="#">32</a>
5.3 Authorization	32
5.4 Absence of Conflicting Obligations	32
5.5 Taxes	<del>32</del> <a href="#">33</a>
5.6 Absence of Litigation	<del>32</del> <a href="#">33</a>
5.7 Accuracy of Information	<del>32</del> <a href="#">33</a>

5.8	Ownership of Property	33
5.9	Federal Reserve Regulations	33
5.10	ERISA	<a href="#">3334</a>
5.11	Places of Business	<a href="#">3334</a>
5.12	Other Names	<a href="#">3334</a>
5.13	Not an Investment Company	34
5.14	No Defaults	34
5.15	Environmental Laws	34
5.16	Labor Matters	<a href="#">3435</a>
5.17	Restricted Payments	<a href="#">3435</a>
5.18	Solvency	<a href="#">3435</a>
5.19	Bank Holding Company	35
5.20	FDIC Insurance	35
5.21	Investigations	<a href="#">3536</a>
5.22	Anti-Corruption Laws; OFAC; Anti-Terrorism Laws	<a href="#">3536</a>

#### ARTICLE VI COVENANTS 36

6.1	Corporate Existence; Compliance With Laws; Maintenance of Business; Taxes	36
6.2	Maintenance of Property; Insurance	<a href="#">3637</a>
6.3	Financial Statements; Notices	<a href="#">3637</a>
6.4	<del>6.4</del> Inspection of Property and Records	39
6.5	Use of Proceeds	39
6.6	Comply With, Pay and Discharge All Notes, Mortgages, Deeds of Trust and Leases	<a href="#">3940</a>
6.7	Environmental Compliance	<a href="#">3940</a>
6.8	Fees and Costs	<a href="#">4041</a>
6.9	Financial Covenants	41
6.10	Revolving Loans Resting Period	42
6.11	OFAC, PATRIOT Act, Anti-Corruption Laws Compliance	42
6.12	Anti-Money Laundering Compliance	<a href="#">4243</a>

#### ARTICLE VII NEGATIVE COVENANTS [4243](#)

7.1	Change of Control; Consolidation, Merger, Acquisitions, Etc	<a href="#">4243</a>
7.2	Holding Company Indebtedness	43
7.3	Liens; Negative Pledges	43
7.4	Dividend; Distributions	<a href="#">4344</a>
7.5	Loans; Investments	<a href="#">4344</a>
7.6	Compliance with ERISA	<a href="#">4344</a>
7.7	Affiliates	44
7.8	Prepayment or Redemption of Subordinated Indebtedness	44

#### ARTICLE VIII DEFAULTS [4445](#)

8.1	Events of Default Defined	<a href="#">4445</a>
-----	---------------------------	----------------------

#### ARTICLE IX ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES [4647](#)

9.1	Acceleration; Remedies	<a href="#">4647</a>
-----	------------------------	----------------------

- 9.2 Application of Funds 47
- 9.3 Amendments 4748
- 9.4 Preservation of Rights 48

ARTICLE X GENERAL PROVISIONS 4849

- 10.1 Survival of Representations 4849
- 10.2 Governmental Regulation 4849
- 10.3 Headings 4849
- 10.4 Entire Agreement 4849
- 10.5 Several Obligations; Benefits of this Agreement 49
- 10.6 Expenses; Indemnification 49
- 10.7 Numbers of Documents 50
- 10.8 Accounting and Financial Determinations 50
- 10.9 Severability of Provisions 51
- 10.10 Nonliability of Lenders 51
- 10.11 Confidentiality 5152
- 10.12 Nonreliance 52
- 10.13 Disclosure 52
- 10.14 USA PATRIOT ACT NOTIFICATION 52
- 10.15 Acknowledgement and Consent to Bail-In of EEA Financial Institutions 52
- 10.16 Delaware Divisions 5253
- 10.17 Acknowledgement Regarding Any Supported QFCs 53

ARTICLE XI THE ADMINISTRATIVE AGENT 5354

- 11.1 Appointment; Nature of Relationship 5354
- 11.2 Powers 54
- 11.3 General Immunity 54
- 11.4 No Responsibility for Revolving Loans, Recitals, Etc 5455
- 11.5 Action on Instructions of Lenders 5455
- 11.6 Employment of Administrative Agents and Counsel 55
- 11.7 Reliance on Documents; Counsel 55
- 11.8 Administrative Agent's Reimbursement and Indemnification 5556
- 11.9 Notice of Event of Default 56
- 11.10 Rights as a Lender 56
- 11.11 Lender Credit Decision, Legal Representation 5657
- 11.12 Successor Administrative Agent 57
- 11.13 Delegation to Affiliates 5758
- 11.14 Negative Pledge Agreement 5758
- 11.15 No Advisory or Fiduciary Responsibility 58

ARTICLE XII SETOFF; RATABLE PAYMENTS 5859

- 12.1 Setoff 5859
- 12.2 Ratable Payments 5859

ARTICLE XIII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS 59

- 13.1 Successors and Assigns 59
- 13.2 Participations 5960

13.3 Assignments. 61

ARTICLE XIV NOTICES 6263

14.1 Notices; Effectiveness; Electronic Communication ~~62~~[63](#)

ARTICLE XV COUNTERPARTS; INTEGRATION; EFFECTIVENESS;  
ELECTRONIC EXECUTION; DOCUMENT IMAGING \_\_\_\_\_ 64

15.1 Document Imaging and Electronic Transactions\_\_ 64

15.2 Electronic Execution of Assignment\_\_ 64

15.3 Document Imaging and Electronic Transactions \_\_ ~~64~~[65](#)

ARTICLE XVI CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF  
JURY TRIAL\_\_ ~~64~~[65](#)

16.1 **CHOICE OF LAW**\_\_ ~~64~~[65](#)

16.2 **CONSENT TO JURISDICTION**\_\_ ~~64~~[65](#)

16.3 **WAIVER OF JURY TRIAL** 65

~~4891-7239-4657~~[17](#)

2 [4889-9803-5617](#)[14](#)

---



## **SCHEDULES**

**Schedule 1 - Commitments Schedule 5.1 –**

**Subsidiaries Schedule 5.12 – Other Names**

## **EXHIBITS**

**Exhibit A – Form of Negative Pledge Agreement Exhibit B – Form of  
Loan Request**

**Exhibit C – Form of Revolving Credit Note**

**Exhibit D – Form of Assignment and Assumption Agreement Exhibit E – Form  
of Compliance Certificate**

**Exhibit F – Form of Notice of Authorized Borrowers Exhibit G – Form  
of Authority to Debit Account**

## CREDIT AGREEMENT

This Credit Agreement (the "Agreement"), dated as of January 17, 2019, is among INDEPENDENT BANK GROUP, INC., the Lenders and U.S. Bank National Association, a national banking association, as Administrative Agent. The parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

As used in this Agreement:

"Administrative Agent" means U.S. Bank in its capacity as contractual representative of the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article XI.

"Advance" means a borrowing of Revolving Loans. "Affected Lender" is defined in Section 2.16.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person, including, without limitation, such Person's Subsidiaries. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Aggregate Commitment" means the aggregate amount of the Commitments of all the Lenders, as in effect from time to time. As of the date of this Agreement, the Aggregate Commitment is \$100,000,000.

"Agreement" means this Credit Agreement, as it may be amended or modified and in effect from time to time.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means U.S. Bank, and its successors, in its capacity as Sole Lead Arranger and Book Runner.

"Authority to Debit Account" means the Authority to Debit Account to be executed by the Borrower and delivered to the Administrative Agent, substantially in the form of **Exhibit G**.

~~4891-7239-46577~~

1 [4889-9803-561714](#)

---

“Authorized Officer” means any authorized officer set forth in a duly completed Notice of Authorized Borrowers delivered by the Borrower to the Administrative Agent, as in effect from time to time.

“Available Aggregate Commitment” means, at any time, the Aggregate Commitment in effect at such time minus the aggregate principal amount of the Revolving Loans outstanding at such time.

“Average Daily Principal Balance” means, for any Fiscal Quarter (or portion thereof), the average daily principal balance of the Revolving Loans outstanding during such Fiscal Quarter (or portion thereof).

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bank Subsidiary” means Independent Bank, and any Person which is now or hereafter an “insured depository institution” within the meaning of 12 U.S.C. Section 1831(c), as amended, and which is now or hereafter “controlled” by the Borrower within the meaning of 12 U.S.C. Section 1841(a), as amended.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with 12 U.S.C. 1841(k)) of such party.

“Benchmark” is defined in Section 3.3.

“Board” means the Board of Governors of the Federal Reserve System.

“Borrower” means Independent Bank Group, Inc., a Texas corporation and a registered bank holding company, and its successors and assigns.

“Borrowing Date” means a date on which an Advance is made hereunder. “BSBY” means the Bloomberg Short-Term Yield Index.

“Business Day” means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“Cash Management Services” means any banking services that are provided to the Borrower or any Subsidiary by the Administrative Agent, any Lender or any Affiliate of any of the foregoing (at the time such banking service is entered into), including without limitation: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) stored value cards, (f) automated clearing house or wire transfer services, or (g) treasury management, including controlled disbursement, consolidated account, lockbox, overdraft, return items, sweep and interstate depository network services.

“Change of Control” means (a) the acquisition by any Person, or two (2) or more Persons acting in concert, of the beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 10% or more of the outstanding shares of voting ownership interests of the Borrower, or (b) the lease, sale or transfer or other disposition of all or substantially all of the assets of the Borrower or any Bank Subsidiary in one or a series of transactions to any Person, or two (2) or more Persons acting in concert.

“Change of Control” shall not include, however, any of the foregoing transactions among Subsidiaries of the Borrower.

“Change in Law” means the adoption of or change in any law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) or in the interpretation, promulgation, implementation or administration thereof by any Governmental or quasi-Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, including, notwithstanding the foregoing, all requests, rules, guidelines or directives (x) in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or (y) promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States financial regulatory authorities, in each case of clauses (x) and (y), regardless of the date enacted, adopted, issued, promulgated or implemented, or compliance by any Lender or applicable Lending Institution with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency.

“Code” means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

“Collateral” means all of the Property, if any, granted to the Lender as collateral under the Loan Documents.

“Commitment” means, for each Lender, the obligation of such Lender to make Revolving Loans to the Borrower as set forth on Schedule 1, as it may be modified (i) as a result of any assignment that has become effective pursuant to Section 13.3(c), or (ii) otherwise from time to time pursuant to the terms hereof.

“Commitment Fee Percentage” means 0.30%.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. §1 et seq.), as amended from time to time, and any successor statute.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Bank Subsidiaries” means the Bank Subsidiaries on a consolidated basis. “Covered Entity” means any of the following:

- (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Covered Party” is defined in Section 10.17.

“Daily Simple SOFR” means a daily rate based on SOFR and determined by the Administrative Agent in accordance with the conventions for such rate selected by the Administrative Agent, plus 0.11448% (11.448 basis points).

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

“Default Rights” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§252.81, 47.2 or 382.1, as applicable.

“Defaulting Lender” means, subject to Section 2.18(b), any Lender that (a) has failed to (i) fund all or any portion of its Revolving Loans within two (2) Business Days after the date such Revolving Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied or waived, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days after the date when due, (b) has notified the Borrower and the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Revolving Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets

(other than an Undisclosed Administration), including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.18(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Deposits” is defined in Section 12.1.

“Dollar” and “\$” means the lawful currency of the United States of America.

“EDGAR” means the Electronic Data Gathering, Analysis and Retrieval system of the United States Securities and Exchange Commission.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee” means any Person except a natural Person, the Borrower, any of the Borrower's Affiliates or Subsidiaries or any Defaulting Lender or any of its Subsidiaries; provided that such Person is in the business of making or purchasing commercial loans similar to the Revolving Loans and has total assets in excess of \$500,000,000, calculated in accordance with the accounting principles prescribed by the regulatory authority applicable to such Person in its jurisdiction of organization.

“Employee Plan” means any savings, profit sharing, or retirement plan or any deferred compensation contract or other plan maintained for employees of the Borrower or its Subsidiaries and covered by Title IV of ERISA, including any “multiemployer plan” as defined in ERISA.

“Environmental Law” means any local, state or federal law or other statute, law, ordinance, rule, code, regulation, decree or order, presently in effect or hereafter enacted, promulgated or implemented governing, regulating or imposing liability or standards of conduct concerning the use, treatment, generation, storage, disposal, discharge or other handling or release of any Hazardous Substance.

“Environmental Liability” means all liability arising under, resulting from or imposed by any Environmental Law and all liability imposed under common law with respect to the use, treatment, generation, storage, disposal, discharge or other handling or release of any Hazardous Substance.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

“EU” means the European Union.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Event of Default” is defined in Article VIII.

“Excluded Taxes” means, in the case of each Lender or applicable Lending Installation and the Administrative Agent, (i) Taxes imposed on its overall net income, franchise Taxes, and branch profits Taxes imposed on it, by the respective jurisdiction under the laws of which such Lender or the Administrative Agent is incorporated or is organized or in which its principal executive office is located or, in the case of a Lender, in which such Lender’s applicable Lending Installation is located, (ii) in the case of a Non-U.S. Lender, any withholding tax that is imposed on amounts payable to such Non-U.S. Lender pursuant to the laws in effect at the time such Non-U.S. Lender becomes a party to this Agreement or designates a new Lending Installation, except in each case to the extent that, pursuant to Section 3.4(a), amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Installation, or is attributable to the Non-U.S.

Lender’s failure to comply with Section 3.4(f), and (iii) any U.S. federal withholding taxes imposed by FATCA.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities entered into in connection with the implementation of the foregoing

“FDIC” means the Federal Deposit Insurance Corporation and any successor thereof.

~~4891-7239-4657~~

6 [4889-9803-5617](#)

---

“Federal Funds Effective Rate” means, for any day, the greater of (a) zero percent (0.0%) and (b) the rate per annum calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Central time) on such day on such transactions received by the Administrative Agent from three (3) Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

“Fee Letter” means the Senior Credit Facility Fee Letter of even date herewith from U.S. Bank National Association to, and accepted and agreed to by, the Borrower.

“Fiscal Quarter” means any of the quarterly accounting periods of the Borrower, ending on the last day of March, June, September and December of each calendar year.

“Fitch” means Fitch, Inc.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“GAAP” means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board and the Securities and Exchange Commission acting through appropriate boards or committees thereof for all periods so as to properly reflect the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including, without limitation, any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting

Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervisory Practices or any successor or similar authority to any of the foregoing).

“Guaranteed Loan Amount” means, as of any date and with respect to each Bank Subsidiary, 100% of the aggregate principal amount set forth in (a) Columns B and C of item 11.f. on Schedule RC-N of the quarterly Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only – Federal Financial Institution Examination Counsel Form 041 most recently filed by such Bank Subsidiary with the appropriate Regulatory Authorities or (b) items PD940 and PD1040 on Schedule PD of the quarterly Thrift Financial Report most recently filed by such Bank Subsidiary with the appropriate Regulatory Authorities, as applicable.



“Guaranteed OREO Amount” means, as of any date and with respect to each Bank Subsidiary, 100% of the aggregate principal amount set forth in (a) item 13.b.7 on Schedule RC–M of the quarterly Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only – Federal Financial Institution Examination Counsel Form 041 most recently filed by such Bank Subsidiary with the appropriate Regulatory Authorities or (b) item SI795 on Schedule SI of the quarterly Thrift Financial Report most recently filed by such Bank Subsidiary with the appropriate Regulatory Authorities, as applicable.

“Guaranty Bancorp Subordinated Obligations” means the collective reference to the 5.75% Fixed-to-Floating Rate Subordinated Notes due 2026, Junior Subordinated Debentures due 2033 and Junior Subordinated Debentures due 2034, in each case issued by Guaranty Bancorp, a Delaware corporation and a registered bank holding company, which were assumed by the Borrower on January \*<sup>[1]</sup>, 2019, pursuant to the Agreement and Plan of Reorganization, dated as of May 22, 2018, between the Borrower and Guaranty Bancorp, as amended, supplemented or otherwise modified to and including such date.

“Hazardous Substance” means any pollutant, contaminant, waste, or toxic or hazardous chemicals, wastes or substances, including asbestos, urea formaldehyde insulation, petroleum, PCB’s, air pollutants, water pollutants, and other substances defined as hazardous or toxic in, or subject to regulation under, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9061 et seq., Hazardous Substances Transportation Act, 49 U.S.C. § 1801, et seq., the Resource Conservation and Recovery Act, 42

U.S.C. § 6901 et seq., the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. § 2601 et seq., the Solid Waste Disposal Act, 42 U.S.C. § 3251 et seq., the Clean Air Act, 42 U.S.C. § 1857 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001, et seq., or any other statute, rule, regulation or order of any Governmental Authority having jurisdiction over the control of such wastes or substances, including without limitation the United States Environmental Protection Agency, the United States Nuclear Regulatory Agency, and any applicable state department or county department of health or similar entity.

“Highest Lawful Rate” means, on any day, the maximum non-usurious rate of interest permitted for that day by applicable federal or state law stated as a rate per annum.

“Holding Company Indebtedness” means all (a) indebtedness of the Borrower for borrowed money; (b) indebtedness for the deferred purchase price of property or services for which the Borrower is liable, contingently or otherwise, as obligor, guarantor or otherwise; (c) commitments by which the Borrower assures a creditor against loss, including contingent reimbursement obligations of the Borrower with respect to letters of credit; (d) obligations of the Borrower which are evidenced by notes, acceptances or other instruments; (e) indebtedness guaranteed in any manner by the Borrower, including guaranties in the form of an agreement to repurchase or reimburse; (f) obligations of the Borrower under leases which are or should be, in accordance with GAAP, recorded as capital leases for which obligations the Borrower is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations the Borrower assures a creditor against loss; (g) unfunded obligations of the Borrower to any Employee Plan; (h) liabilities secured by any Lien on any Property owned by the Borrower even though it has not assumed or otherwise become liable for the payment thereof; and (i) other

liabilities or obligations of the Borrower which would, in accordance with GAAP, be included on the liability portion of a balance sheet; provided that Holding Company Indebtedness shall not include any liabilities incurred by the Borrower in the ordinary course of business (including any such liabilities arising under Rate Management Transactions linked to interest rates or other financial contracts that are entered into in the ordinary course of business that are non-speculative in nature) and other liabilities which do not exceed \$1,000,000.

“Indebtedness” means all (a) indebtedness of the Borrower or a Subsidiary for borrowed money; (b) indebtedness for the deferred purchase price of property or services for which the Borrower or a Subsidiary is liable, contingently or otherwise, as obligor, guarantor or otherwise; (c) commitments by which the Borrower or a Subsidiary assures a creditor against loss, including contingent reimbursement obligations with respect to letters of credit; (d) obligations of the Borrower or a Subsidiary which are evidenced by notes, acceptances or other instruments; (e) indebtedness guaranteed in any manner by the Borrower or a Subsidiary, including guaranties in the form of an agreement to repurchase or reimburse; (f) obligations under leases which are or should be, in accordance with GAAP, recorded as capital leases for which obligations the Borrower or a Subsidiary is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations the Borrower or a Subsidiary assures a creditor against loss; (g) unfunded obligations of the Borrower or a Subsidiary to any Employee Plan; (h) liabilities secured by any Lien on any Property owned by the Borrower or any Subsidiary even though it has not assumed or otherwise become liable for the payment thereof; and (i) other liabilities or obligations of the Borrower and its Subsidiaries which would, in accordance with GAAP, be included on the liability portion of a balance sheet; provided that Indebtedness shall not include any liabilities incurred by the Borrower in the ordinary course of business (including any such liabilities arising under Rate Management Transactions linked to interest rates or other financial contracts that are entered into in the ordinary course of business that are non-speculative in nature) and other liabilities which do not exceed \$1,000,000.

“Indemnified Taxes” means Taxes imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document, other than Excluded Taxes and Other Taxes.

“Independent Bank” means Independent Bank, a Texas state chartered bank.

“Lenders” means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

“Lending Installation” means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or affiliate of such Lender or the Administrative Agent listed on the signature pages hereof (in the case of the Administrative Agent) or on its Administrative Questionnaire (in the case of a Lender) or otherwise selected by such Lender or the Administrative Agent pursuant to Section 2.14.

“Lien” means any mortgage, pledge, hypothecation, assignment, collateral deposit arrangement, encumbrance, lien (statutory or other), deed of trust, charge, preference, priority, security interest or other security agreement or preferential arrangement of any kind or nature whatsoever including any conditional sale or other title retention agreement, any financing lease

having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction.

~~“Liquid Assets” means, with respect to the Borrower (on a non-consolidated basis), cash, reserves, and U.S. treasury securities or agency securities having a maturity no longer than one year after the date of issuance and rated at least AA+ by S&P and Fitch and Aa1 by Moody’s, in each case held by the Borrower or maintained for the account of the Borrower at any member bank of the U.S. Federal Reserve System.~~

“Loan Documents” means this Agreement and the Related Documents.

“Loan Loss Reserves” means, with respect to any Bank Subsidiary as at any date of determination, the loan loss reserves of such Bank Subsidiary and its consolidated Subsidiaries on a consolidated basis as of such date.

“Loan Request” is defined in Section 2.6.

“Material” means having or relating to meaningful consequences, and for purposes of this Agreement shall be determined reasonably in light of the facts and circumstances of the matter in question. The term “Materially” shall have a correlative meaning.

“Material Adverse Effect” means (a) a Default, (b) a Materially adverse change in the business, Property, operations, prospects or condition (financial or otherwise) of the Borrower or any Bank Subsidiary, (c) the termination of any Material agreement to which the Borrower or any Subsidiary is a party which would have a Material adverse effect on the Borrower or any Bank Subsidiary, (d) any Material impairment of the right to carry on the business as now or proposed to be conducted by the Borrower or any Subsidiary, which would have a Material effect on the Borrower or any Bank Subsidiary, or (e) any Material impairment of the ability of the Borrower to perform the Obligations under this Agreement or the Borrower or any Subsidiary under any Related Document to which it is a party. A Material Adverse Effect shall be deemed to have occurred if the cumulative effect of an individual event and all other than existing events would result in a Material Adverse Effect.

“Monthly Reset ~~BSBY~~Term SOFR Rate” means the greater of (i) zero percent (0.0%) and (ii) the one-month ~~BSBY~~Term SOFR rate quoted by the Administrative Agent from the Term SOFR Administrator’s Website or the applicable ~~Reuters~~Bloomberg screen ( or other commercially available source providing such quotations as may be selected by the Administrative Agent from time to time ) (the “Screen”), which shall be that one-month ~~BSBY~~Term SOFR rate ~~in effect~~published two New York Banking Days prior to the Rate Adjustment Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, and reset monthly on each Rate Adjustment Date; provided that if the ~~BSBY~~one-month Term SOFR rate is not published on such New York Banking Day due to a holiday or other circumstance that the Administrative Agent deems in its sole discretion to be temporary, the applicable ~~BSBY~~one-month Term SOFR rate shall be the ~~BSBY~~one-month Term SOFR rate last published prior to such New York Banking Day.

“Moody’s” means Moody’s Investors Service, Inc.

“Negative Pledge Agreement” means the Negative Pledge Agreement, in the form of **Exhibit A** hereto, by and between the Borrower and the Administrative Agent for the benefit of the Lenders, as amended, supplemented, modified, extended or restated from time to time, pursuant to which the Borrower shall agree not to pledge or grant a lien on the stock of any Bank Subsidiary to any Person. “New York Banking Day” means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York; provided that, when used in connection with SOFR, Term SOFR, or Monthly Reset Term SOFR Rate, the term “New York Banking Day” excludes any day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Non-U.S. Lender” means a Lender that is not a United States person as defined in Section 8701(a) (30) of the Code.

“Non-Performing Asset Amount” means, with respect to any Bank Subsidiary at any time, the sum of all Non-Performing Loans plus OREO minus Guaranteed OREO Amount of such Bank Subsidiary at such time.

“Non-Performing Loans” means, with respect to any Bank Subsidiary at any time, the aggregate principal amount (including any capitalized interest) of all nonaccruing loans of such Bank Subsidiary plus the aggregate principal amount of all loans of such Bank Subsidiary that are ninety (90) days or more past due and still accruing minus the Guaranteed Loan Amount of such Bank Subsidiary, in each case at such time.

“Notice of Authorized Borrowers” means the Notice of Authorized Borrowers to be executed by the Borrower and delivered to the Administrative Agent, substantially in the form of **Exhibit F**.

“Obligations” means all unpaid principal of and accrued and unpaid interest on the Revolving Loans, all obligations in connection with Cash Management Services, all Rate Management Obligations provided to the Borrower or any Subsidiary by the Administrative Agent or any Lender or any Affiliate of any of the foregoing, all accrued and unpaid fees, and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Administrative Agent or to any Lender, or any indemnified party arising under the Loan Documents; provided, that obligations in respect of Cash Management Services and Rate Management Obligations shall only constitute “Obligations” if owed to the Administrative Agent or if the Administrative Agent shall have received notice from the relevant Lender not later than sixty (60) days after such Cash Management Services or Rate Management Obligations have been provided.

“OCC” means the Office of the Comptroller of the Currency and any successor thereof. “OFAC”

means the U.S. Department of the Treasury’s Office of Foreign Assets Control,  
and any successor thereto. 11

~~4891-7239-4657~~

[4889-9803-5617](#)

---

“OREO” means, of any Bank Subsidiary, all real estate other than premises owned or controlled by such Bank Subsidiary and its consolidated Subsidiaries and direct and indirect investments of such Bank Subsidiary and Subsidiaries in real estate ventures, in each case to the extent included in OREO Amount.

“OREO Amount” means, of each Bank Subsidiary as of any date of determination, 100% of the aggregate principal amount set forth in item 3.f. on Schedule RC-M of the quarterly Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only – Federal Financial Institution Examination Counsel Form 041 most recently filed by such Bank Subsidiary with the appropriate Regulatory Authorities.

“Other Connection Taxes” means Taxes imposed as a result of a present or former connection between a Lender and the jurisdiction imposing such Tax ( other than connections arising from a Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Revolving Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document.

“Participant” is defined in Section 13.2(a). “Participant Register” is

defined in Section 13.2(c).

“PATRIOT Act” means USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute.

“Payment Date” means the first day of each month, provided, that if such day is not a Business Day, the Payment Date shall be the immediately preceding Business Day.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, and any successor thereof.

“Permitted Liens” means: (a) Liens for Taxes, assessments, or governmental charges, carriers’, warehousemen’s, repairmen’s, mechanics’, materialmen’s and other like Liens, which are either not delinquent or are being contested in good faith by appropriate proceedings which will prevent foreclosure of such Liens, and against which adequate cash reserves have been provided; (b) easements, restrictions, minor title irregularities and similar matters which have no Material adverse impact upon the ownership and use of the affected Property; (c) Liens or deposits in connection with worker’s compensation, unemployment insurance, social security or other insurance or to secure customs duties, public or statutory obligations in lieu of surety, stay or appeal bonds, or to secure performance of contracts or bids, other than contracts for the payment of money borrowed, or deposits required by law as a condition to the transaction of business or other Liens or deposits of a like nature made in the ordinary course of business; (d) Liens in favor of the Administrative Agent for the benefit of the Lenders pursuant to the Loan

~~4891-7239-465717~~

12 [4889-9803-56174](#)

---

Documents; (e) Liens evidenced by conditional sales, purchase money mortgages or other title retention agreements on machinery and equipment (acquired in the ordinary course of business and otherwise permitted to be acquired hereunder) which are created at the time of the acquisition of Property solely for the purposes of securing the Indebtedness incurred to finance the cost of such Property, provided no such Lien shall extend to any Property other than the Property so acquired and identifiable proceeds; (f) government deposit security pledges; (g) liens and pledges made in connection with repurchase agreements entered into by any Bank Subsidiary; (h) Liens existing on any asset of any Person at the time such Person is acquired by or is combined with any of the Borrower's Subsidiaries, provided the Lien was not created in contemplation of that event; (i) Liens on Property required by Regulation W promulgated by the Federal Reserve System; (j) Liens in the ordinary course of business in favor of any Federal Reserve Bank or the United States Treasury; (k) Liens in the ordinary course of business in favor of any Federal Home Loan Bank; (l) Liens not otherwise permitted by the foregoing clauses of this definition securing Indebtedness (other than indebtedness represented by the Revolving Credit Notes) in an aggregate principal amount at any time outstanding not to exceed \$50,000,000; (m) Liens incidental to the conduct of business or ownership of Property of any of the Borrower's Subsidiaries which do not in the aggregate materially detract from the value of the Property of the Borrower's Subsidiaries or materially impair the use thereof in business operations; and (n) Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any of the foregoing Liens.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Prime Rate" means the greater of (a) two percent (2.00%) and (b) the interest rate publicly announced by U.S. Bank from time to time in Minneapolis, Minnesota (or any other bank that may serve as a successor administrative agent under the Loan Documents) as its prime rate for interest rate determinations, which is solely a reference rate and may be at, above or below the rate or rates at which U.S. Bank (or such other bank acting as successor administrative agent) lends to other Persons. Any change in the Prime Rate shall become effective as of the opening of business on the day on which such change is publicly announced by U.S. Bank (or such other bank acting as successor administrative agent).

"Prime Rate Advance" means an Advance which bears interest at the Prime Rate. "Property" means any interest of any Person of any kind in property or assets, whether real, personal, mixed, tangible or intangible, wherever located, and whether now owned or subsequently acquired or arising and in the products, proceeds, additions and accessions thereof or thereto.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment and the denominator of which is the Aggregate Commitment, provided, however, if all of the Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Share" means the percentage obtained by dividing (a) the aggregate outstanding amount of such Lender's Revolving Loans at such time by (b) the aggregate outstanding amount of all Revolving Loans at such time; and provided, further, that

~~4891-7239-465717~~

when a Defaulting Lender shall exist, “Pro Rata Share” shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment (except that no Lender is required to fund or participate in Revolving Loans to the extent that, after giving effect thereto, the aggregate amount of its outstanding Revolving Loans would exceed the amount of its Commitment (determined as though no Defaulting Lender existed)).

“Purchasers” is defined in Section 13.3(a).

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. § 5390(c)(8)(D).

“QFC Credit Support” is defined in Section 10.17.

“Rate Adjustment Date” means the last day of each month.

“Rate Management Obligations” means any and all obligations of the Borrower or any Subsidiary, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

“Rate Management Transaction” means any transaction (including an agreement with respect thereto) now existing or hereafter entered into by the Borrower or any Subsidiary which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

“Register” is defined in Section 13.3(d).

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

“Regulation W” means Regulation W of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors implementing Section 23A and 23B of the Federal Reserve Act.

“Regulatory Authority” means any state, federal or other Governmental Authority, agency or instrumentality, including the FDIC, the Federal Reserve Board, the OCC, Texas



Department of Banking, and the Securities and Exchange Commission, responsible for the examination and oversight of the Borrower and each Bank Subsidiary.

“Related Documents” means the Revolving Credit Note, the Negative Pledge Agreement, and all other instruments, agreements, certificates, and other documents, now or in the future, executed by or on behalf of the Borrower, any Subsidiary or any guarantor in connection with the Agreement or any of the foregoing, any of the Obligations, or any of the transactions contemplated under the Agreement or any of the foregoing, all as amended, supplemented, modified or extended from time to time.

“Reports” is defined in Section 10.6(a).

“Reprice Date” means the first day of each month.

“Required Lenders” means Lenders in the aggregate having greater than 50% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding greater than 50% of the aggregate outstanding Revolving Loans; provided that, if at any time there shall be fewer than three Lenders, “Required Lenders” shall mean all Lenders. The Commitments and Revolving Loans of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

“Requirements of Law” means as to any matter or Person, the Certificate or Articles of Incorporation and Bylaws or other organizational or governing documents of such Person, and any law (including any Environmental Law), ordinance, treaty, rule, regulation, order, decree, determination or other requirement having the force of law relating to such matter or Person and, where applicable, any interpretation thereof by any Governmental Authority.

“Restricted Payments” means (a) dividends or other distributions by the Borrower or any Subsidiary based upon the equity interests of the Borrower or any Subsidiary (except (i) dividends payable to the Borrower or any Subsidiary by any Subsidiary and (ii) dividends payable solely in equity interests of the Borrower), (b) any other distribution by the Borrower in respect of the equity interests of the Borrower, whether now or hereafter outstanding, either directly or indirectly, whether in cash or property or otherwise, and (c) payment of management fees by the Borrower or any Subsidiary to any Affiliate of the Borrower or any such Subsidiary, either directly or indirectly, whether in cash or property or otherwise (but excluding (i) management fees paid among the Borrower and its Subsidiaries in the ordinary course of business, (ii) fees paid by and among the Borrower and its Subsidiaries consistent with past practices, and (iii) payments by the Borrower and its Subsidiaries pursuant to the Borrower’s or such Subsidiaries’ Supplemental Executive Retirement Plans, provided such payments are consistent with past practices).

“Return on Average Assets” means, for the Consolidated Bank Subsidiaries as at the end Fiscal Quarter (or portion thereof), the quotient, expressed as a percentage, obtained by dividing the net income of the Consolidated Bank Subsidiaries for [the four Fiscal Quarters ending at the end of](#) such Fiscal Quarter by the average total daily assets of the Consolidated Bank Subsidiaries during [the four Fiscal Quarters ending at the end of](#) such Fiscal Quarter ~~(or portion thereof)~~.

~~4891-7239-465717~~



“Revolving Credit Note” is defined in Section 2.10(d). “Revolving Loans” has the meaning set forth in Section 2.1.

“Risk-Based Capital Guidelines” means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States, including transition rules, and, in each case, any amendments to such regulations.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Sanctions” means sanctions administered or enforced from time to time by the U.S. government, including those administered by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“SBLF Preferred Stock” means senior perpetual noncumulative preferred stock (or equivalent securities) of the Borrower that is funded by the U.S. Treasury Department out of the Small Business Lending Fund established under the Small Business Jobs Act of 2010.

“Share Repurchase Program” means the Borrower’s Share Repurchase Program, established by the Borrower on October 24, 2018, providing for the repurchase by the Borrower of up to \$75,000,000 of its shares of common stock.

“Share Repurchases” means the purchase and cancellation by the Borrower of up to \$75,000,000 of its shares of common stock pursuant to the Share Repurchase Program.

“Special Event” means, with respect to any subordinated indebtedness of the Borrower, the occurrence of any of the following: (a) a change or prospective change in law occurs that could prevent the Borrower from deducting interest payable on such subordinated indebtedness for U.S. federal income tax purposes; (b) an event that precludes such subordinated indebtedness from being recognized as Tier 2 capital for regulatory capital purposes; and (c) the Borrower is required to register as an investment company under the Investment Company Act of 1940, as amended.

“Stated Rate” is defined in Section 2.17.

“SOFR” means ~~he, with respect to any New York Banking Day, a rate per annum equal to the~~ secured overnight financing rate ~~which is for such New York Banking Day published by the Board or any committee convened by the Board and available at www.newyorkfed.org~~ SOFR Administrator on the SOFR Administrator’s Website.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“Subordinated Indebtedness” means (a) Indebtedness of the Borrower that (i) is evidenced by bonds or notes, (ii) at or before the time of issuance or distribution, is fully subordinated in right of payment to the Obligations and any instruments or securities issued in substitution of, or exchange for, all or any portion of the Obligations, (iii) does not have the benefit of any obligation of any Person (whether as issuer, guarantor or otherwise), (iv) is unsecured, (v) does not contain any financial covenants and does not contain any other terms which are more burdensome to the Borrower, this Agreement or the Related Documents, and (vi) is not subject to optional or mandatory redemption or prepayment, except for optional redemption or prepayment in connection with the occurrence of a Special Event, and (vii) does not mature prior to the date that is five (5) years after the date of its issuance, and (b) the Guaranty Bancorp Subordinated Obligations.

“Subsidiary” means as to any Person, a Bank Subsidiary, a corporation, limited liability Borrower, partnership, association, joint venture or other entity of which shares of stock, membership interests or other voting interests having voting power (other than stock having such power only by reason of the happening of a contingency that has not occurred) sufficient to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, the term “Subsidiary” shall mean a Subsidiary of the Borrower and shall include all Bank Subsidiaries.

“Supported QFC” is defined in Section 10.17.

“swap” means any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“Taxes” means any and all present or future taxes, duties, levies, imposts, deductions, fees, assessments, charges or withholdings, and any and all liabilities with respect to the foregoing, including interest, additions to tax and penalties applicable thereto.

“Term SOFR” means ~~at the rate per annum determined by the Administrative Agent as the forward-looking term rate based on SOFR and recommended by the Board, plus 0.11448% (11.448 basis points) for a one-month tenor, 0.26161% (26.161 basis points) for a three-month tenor, and 0.42826% (42.826 basis points) for a six-month tenor.~~

“Term SOFR Administrator” means CME Group Benchmark Administration Ltd. (or a successor administrator of Term SOFR).

“Term SOFR Administrator’s Website” means <https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr>, or any successor source for Term SOFR identified as such by the Term SOFR Administrator from time to time.

“Termination Date” means February ~~16~~15, ~~2024~~2025 or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

“Texas Ratio” means, of the Consolidated Bank Subsidiaries as at any date of determination, the ratio (expressed as a percentage rounded to two decimal places) of (a) the

Non-Performing Asset Amount of the Consolidated Bank Subsidiaries to (b) (i) the aggregate amount of total equity capital of Borrower and its Subsidiaries as at such date of determination, plus (ii) the amount of Loan Loss Reserves as at such date of determination, minus (iii) the aggregate amount of all disallowed goodwill and other intangible assets of the Borrower and its Subsidiaries as at the date of determination.

“Total Risk-Based Capital Ratio” means the Total Risk-Based Capital Ratio determined in accordance with the rules and regulations of the appropriate Regulatory Authority as from time to time in effect, and any successor or other regulation or official interpretation of said Regulatory Authority relating thereto.

“Transferee” is defined in Section 13.3(e).

“UCC” means the Uniform Commercial Code as the same may, from time to time, be in effect and codified in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Administrative Agent's security interest in any Collateral for the benefit of the Lenders is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

“Undisclosed Administration” means in relation to a Lender the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

“U.S. Bank” means U.S. Bank National Association, a national banking association, in its individual capacity, and its successors.

“U.S. Special Resolution Regimes” is defined in Section 10.17.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Except as otherwise expressly stated, each reference to an “Article”, “Section”, “Schedule”, or “Exhibit” shall be deemed to refer to an “Article”, “Section”, “Schedule”, or “Exhibit” of or to this Agreement, as applicable.

For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new

Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

## ARTICLE II

### THE CREDITS

#### 2.1 Commitment

. From and including the date of this Agreement and prior to the Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make loans ("Revolving Loans") to the Borrower, provided that, after giving effect to the making of each such Revolving Loan, (a) the aggregate outstanding amount of such Lender's Revolving Loans shall not exceed its Commitment, and (b) the aggregate outstanding amount of the Revolving Loans shall not exceed the Aggregate Commitment. All Revolving Loans shall be made in Dollars. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow the Revolving Loans at any time prior to the Termination Date. Unless previously terminated, the Commitments shall terminate on the Termination Date.

#### 2.2 Required Payments; Termination

. If at any time (i) the aggregate amount of the outstanding Revolving Loans of any Lender exceeds the amount of such Lender's Commitments, or (ii) the aggregate outstanding amount of the Revolving Loans exceeds the Aggregate Commitment, the Borrower shall immediately make a payment on the Revolving Loans sufficient to eliminate such excess. The outstanding Revolving Loans and all other unpaid Obligations under this Agreement and the Related Documents shall be paid in full by the Borrower on the Termination Date.

#### 2.3 Ratable Revolving Loans

. Each Advance hereunder shall consist of Revolving Loans made by the several Lenders ratably according to their Pro Rata Shares.

#### 2.4 Minimum Amount of Each Advance

. Each Advance shall be in an amount equal to the lesser of (a) the minimum amount of \$100,000 and incremental amounts in integral multiples of \$100,000 and (b) the amount of the Available Aggregate Commitment.

#### 2.5 Optional Principal Payments

. The Borrower may from time to time pay, without penalty or premium, all outstanding Revolving Loans or Revolving Loans in a minimum aggregate amount of \$100,000 and incremental amounts in integral multiples of \$100,000, upon at least three (3) Business Days' prior written notice to the Administrative Agent.

#### 2.6 Method of Borrowing

. The Borrower shall give the Administrative Agent irrevocable notice in the form of **Exhibit B** (a "Loan Request") not later than 10:00 a.m. (New York City time) on the Borrowing Date of each Advance, two (2) Business Days before the Borrowing Date for such Advance, specifying:

- (a) the Borrowing Date, which shall be a Business Day, of such Advance, and
- (b) the aggregate amount of such Advance.

Not later than 12:00 noon (New York City time) on each Borrowing Date, each Lender shall make available its Revolving Loan or Revolving Loans in funds immediately available to the Administrative Agent at its address specified pursuant to Article XIV. The Administrative Agent will make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

## 2.7 Interest Rates

. Prior to an Event of Default, and except as otherwise provided herein, interest on each Revolving Loan shall accrue at an annual rate equal to 1.75% plus the Monthly Reset ~~BSBY~~Term SOFR Rate for each day such Revolving Loan shall be outstanding. If the initial occurrence of the interest rate described in the preceding sentence applying to either any new Revolving Loan or any outstanding Revolving Loan occurs other than on a Rate Adjustment Date, the initial Monthly Reset ~~BSBY~~Term SOFR Rate shall be determined by reference to the one- month ~~BSBY~~Term SOFR rate in effect two New York Banking Days prior to (a) the closing date of such new Revolving Loan and (b) the date of the initial occurrence of the interest rate described in the preceding sentence applying to any Revolving Loan outstanding on such date, which rate to the extent greater than zero percent (0.0%) plus the percentage described above shall be in effect until the next Rate Adjustment Date. The Administrative Agent's internal records of applicable interest rates shall be determinative in the absence of manifest error.

## 2.8 Rates Applicable After Event of Default

. During the continuance of an Event of Default, the Required Lenders may, at their option, by notice from the Administrative Agent to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 9.3 requiring unanimous consent of the Lenders to changes in interest rates), declare that each Revolving Loan and the principal amount of each other Obligation shall bear interest at the rate of three percent (3%) per annum in excess of the applicable rates set forth in this Agreement. After an Event of Default has been waived, the interest rate applicable to the Revolving Loans (and any such Obligations) shall revert to the rates applicable prior to the occurrence of an Event of Default.

## 2.9 Method of Payment

. All payments of the Obligations under this Agreement and the Related Documents shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIV, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by 12:00 noon (New York City time) on the date when

due and shall (except as otherwise specifically required hereunder) be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at its address specified pursuant to Article XIV or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. The Administrative Agent is hereby authorized to charge the account of the Borrower maintained with U.S. Bank for each payment of principal, interest, and fees as it becomes due hereunder.

#### 2.10 Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to such Lender resulting from each Revolving Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (i) the amount of each Revolving Loan made hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) The Revolving Loans of each Lender may, at the request of a Lender, be evidenced by a promissory note substantially in the form of **Exhibit C** (each a "Revolving Credit Note"). Upon receipt of any such request, the Borrower shall prepare, execute and deliver to such Lender such a Revolving Credit Note or Revolving Credit Notes payable to the order of such Lender in such form. Thereafter, the Revolving Loans evidenced by such Revolving Credit Note or Revolving Credit Notes and interest thereon shall at all times (prior to any assignment pursuant to Section 13.3) be represented by one or more Revolving Credit Notes payable to the order of the payee named therein.

#### 2.11 Telephonic Notices

. The Borrower hereby authorizes the Lenders and the Administrative Agent to extend Advances and to transfer funds based on telephonic notices made by any Person or Persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Loan Requests to be given telephonically. The Borrower agrees to deliver promptly to the Administrative Agent a written confirmation (which may include e-mail) of each telephonic notice authenticated by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the

~~4891-7239-465717~~

Administrative Agent and the Lenders shall govern absent manifest error. The parties agree to prepare appropriate documentation to correct any such error within ten (10) days after discovery by any party to this Agreement.

#### 2.12 Interest Payment Dates; Interest and Fee Basis

. Interest accrued on each Advance shall be payable on each Payment Date, commencing with the first such Payment Date to occur after the date hereof and at the Termination Date.

Interest accrued pursuant to Section 2.8 shall be payable on demand. Interest on all Advances and fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 12:00 noon (New York City time) at the place of payment. If any payment of principal of, or interest on, an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day.

#### 2.13 Notification of Advances, Interest Rates, Prepayments and Commitment Reductions

. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Loan Request and repayment notice received by it hereunder.

#### 2.14 Lending Installations

. Each Lender may book its Revolving Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Revolving Loans and any Revolving Credit Notes issued hereunder shall be deemed held by each Lender for the benefit of any such Lending Installation. Each Lender may, by written notice to the Administrative Agent and the Borrower in accordance with Article XIV, designate replacement or additional Lending Installations through which Revolving Loans will be made by it and for whose account Revolving Loan payments are to be made.

#### 2.15 Non-Receipt of Funds by the Administrative Agent

. Unless the Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (a) in the case of a Lender, the proceeds of a Revolving Loan or (b) in the case of the Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (y) in the case of payment by a Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in

accordance with banking industry rules on interbank compensation or (z) in the case of payment by the Borrower, the interest rate applicable to the Revolving Loans.

#### 2.16 Replacement of Lender

. If the Borrower is required pursuant to Sections 3.1, 3.2 or 3.4 to make any additional payment to any Lender or if any Lender defaults in its obligation to make a Revolving Loan or declines to approve an amendment or waiver that is approved by the Required Lenders or otherwise becomes a Defaulting Lender (any Lender so affected an "Affected Lender"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, provided that no Default or Event of Default shall have occurred and be continuing at the time of such replacement, and provided further that, concurrently with such replacement, (a) another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall agree, as of such date, to purchase for cash at par the Revolving Loans and other Obligations due to the Affected Lender under this Agreement and the Related Documents pursuant to an assignment substantially in the form of **Exhibit D** and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 13.3 applicable to assignments, and (b) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.4.

#### 2.17 Limitation of Interest

. The Borrower, the Administrative Agent and the Lenders intend to strictly comply with all applicable laws, including applicable usury laws. Accordingly, the provisions of this Section 2.17 shall govern and control over every other provision of this Agreement and the Related Documents which conflicts or is inconsistent with this Section 2.17, even if such provision declares that it controls. As used in this Section 2.17, the term "interest" includes the aggregate of all charges, fees, benefits or other compensation which constitute interest under applicable law, provided that, to the maximum extent permitted by applicable law, (a) any non-principal payment shall be characterized as an expense or as compensation for something other than the use, forbearance or detention of money and not as interest, and (b) all interest at any time contracted for, reserved, charged or received shall be amortized, prorated, allocated and spread, in equal parts during the full term of this Agreement. In no event shall the Borrower or any other Person be obligated to pay, or any Lender have any right or privilege to reserve, receive or retain, (y) any interest in excess of the maximum amount of non-usurious interest permitted under the applicable laws (if any) of the United States or of any applicable state, or (z) total interest in excess of the amount which such Lender could lawfully have contracted for, reserved, received, retained or charged had the interest been calculated for the full term of this Agreement at the Highest Lawful Rate. On each day, if any, that the interest rate (the "Stated Rate") called for under this Agreement or any Related Document exceeds the Highest Lawful Rate, the rate at which interest shall accrue shall automatically be fixed by operation of this sentence at the Highest Lawful Rate for that day, and shall remain fixed at the Highest Lawful Rate for each day thereafter until the total amount of interest accrued equals the total amount of interest which

~~4891-7239-465717~~



would have accrued if there were no such ceiling rate as is imposed by this sentence. Thereafter, interest shall accrue at the Stated Rate unless and until the Stated Rate again exceeds the Highest Lawful Rate when the provisions of the immediately preceding sentence shall again automatically operate to limit the interest accrual rate. The daily interest rates to be used in calculating interest at the Highest Lawful Rate shall be determined by dividing the applicable Highest Lawful Rate per annum by the number of days in the calendar year for which such calculation is being made. None of the terms and provisions contained in this Agreement and the Related Documents which directly or indirectly relate to interest shall ever be construed without reference to this Section 2.17, or be construed to create a contract to pay for the use, forbearance or detention of money at an interest rate in excess of the Highest Lawful Rate. If the term of any Revolving Loan or any other Obligation outstanding hereunder or under the Related Documents is shortened by reason of acceleration of maturity as a result of any Event of Default or by any other cause, or by reason of any required or permitted prepayment, and if for that (or any other) reason any Lender at any time, including but not limited to, the stated maturity, is owed or receives (and/or has received) interest in excess of interest calculated at the Highest Lawful Rate, then and in any such event all of any such excess interest shall be canceled automatically as of the date of such acceleration, prepayment or other event which produces the excess, and, if such excess interest has been paid to such Lender, it shall be credited pro tanto against the then-outstanding principal balance of the Borrower's Obligations to such Lender, effective as of the date or dates when the event occurs which causes it to be excess interest, until such excess is exhausted or all of such principal has been fully paid and satisfied, whichever occurs first, and any remaining balance of such excess shall be promptly refunded to its payor.

#### 2.18 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 12.1 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Revolving Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Revolving Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a

result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; sixth, if so determined by the Administrative Agent, distributed to the Lenders other than the Defaulting Lender until the ratio of the amount of the outstanding Revolving Loans of such Lenders to the aggregate amount of the outstanding Revolving Loans of all Lenders equals such ratio immediately prior to the Defaulting Lender's failure to fund any portion of any Revolving Loans; and seventh, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (A) such payment is a payment of the principal amount of any Revolving Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (B) such Revolving Loans were made at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Revolving Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Revolving Loans of such Defaulting Lender until such time as all Revolving Loans are held by the Lenders pro rata in accordance with the Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.18(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. (A) No Defaulting Lender shall be entitled to receive any commitment fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(b) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Revolving Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Revolving Loans to be held pro rata by the Lenders in accordance with the Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

## ARTICLE III

### YIELD PROTECTION; TAXES

#### 3.1 Increased Costs

.

~~4891-7239-465717~~

25 [4889-9803-561714](#)

---

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender ( except any reserve requirement reflected in ~~BSBY~~ or Term SOFR or BSBY);

(ii) subject any Lender to any Taxes ( other than (A) Indemnified Taxes and (B) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) compose on any Lender any other condition, cost or expense (other than Taxes) affecting this Agreement or Revolving Loans,

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Revolving Loan or of maintaining its obligation to make any Revolving Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount), then, upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitment or the Revolving Loans to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

### 3.2 Certificate for Reimbursement; Delay in Requests

. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Sections 3.1 and 3.4 and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Failure or delay on the part of such Lender to demand compensation pursuant to Sections 3 .1 and 3 .4 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate such Lender pursuant to Section

3 .1 for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's intention to claim compensation therefor ( except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

~~4891-7239-465717~~

### 3.3 ~~BSBY~~Term SOFR Unavailability

. If the Administrative Agent has determined in its sole discretion that (i) the administrator of ~~BSBY~~Term SOFR (or any substitute index which replaces ~~BSBY~~(~~BSBY~~Term SOFR (Term SOFR or such replacement, the "Benchmark")) has made a public statement that such Benchmark will no longer be provided, (ii) the administrator of the Benchmark has announced that such Benchmark is no longer representative of the underlying market and economic reality that such Benchmark is intended to measure, or (iii) any similar circumstance exists such that such Benchmark has become permanently unavailable or ceased to exist, the Administrative Agent will (x) replace such Benchmark with a replacement rate or (y) if any such circumstance applies to fewer than all tenors of such Benchmark used for determining an interest period hereunder, discontinue the availability of the affected interest periods. In the case of ~~BSBY~~Term SOFR, (a) for any Revolving Loan hereunder where the rate is reset daily, such replacement rate will be Daily Simple SOFR, and (b) for any Revolving Loan hereunder where the rate is reset at monthly or longer intervals, such replacement rate will be ~~Term SOFR~~~~BSBY~~; provided that if the Administrative Agent determines in its sole discretion that ~~Term SOFR~~~~BSBY~~ is not available for the applicable Revolving Loan at the time of such replacement, then such replacement rate will be Daily Simple SOFR. In connection with the selection and implementation of any such replacement rate, the Administrative Agent may make any technical, administrative or operational changes that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such replacement rate. Without limitation of the foregoing, in the case of a transition to Daily Simple SOFR, the Administrative Agent will remove any other pricing options included in this Agreement which reference a rate that may change or is reset on a daily basis, including, without limitation, the Administrative Agent's prime rate. The Administrative Agent does not warrant or accept any responsibility for the administration or submission of, or any other matter related to, ~~BSBY~~Term SOFR or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement rate will have the same value as, or be economically equivalent to, ~~BSBY~~Term SOFR.

The Administrative Agent's internal records of applicable interest rates shall be determinative in the absence of manifest error.

### 3.4 Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment, then the Borrower shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax or Other Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.4) the applicable Lender or the Administrative Agent receives an amount equal to the sum it would have received had no such deduction or withholding been made.

~~4891-7239-465717~~

(b) The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) The Borrower shall indemnify the applicable Lender or the Administrative Agent, within fifteen (15) days after demand therefor, for the full amount of any Indemnified Taxes and Other Taxes (including Indemnified Taxes and Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.4) payable or paid by such Lender or the Administrative Agent or required to be withheld or deducted from a payment to such Lender or the Administrative Agent and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes and Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Each Lender shall severally indemnify the Administrative Agent, within fifteen (15) days after demand therefor, for (i) any Indemnified Taxes and Other Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and Other Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 13.2(c) relating to the maintenance of a Participant Register, and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 3.4, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine

whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.4(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a United States Person for U.S. federal income Tax purposes shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 or IRS Form W-8BEN-E certifying that such Lender is exempt from U.S. federal backup withholding Tax;

(B) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Non-U.S. Lender claiming the benefits of an income Tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such Tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such Tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under Section 981(c) of the Code, (x) a certificate to the effect that such Non-U.S. Lender is not a "bank" within the meaning of Section 981(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 981(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 981(c)(3)(C) of the Code and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Non-U.S. Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8IMY or IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable.

(C) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1571(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1571(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.4 (including by the payment of additional amounts pursuant to this Section 3.4), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.4 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.



(h) Each party's obligations under this Section 3.4 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

3.5 Selection of Lending Installation; Mitigation Obligations; Lender Statements; Survival of Indemnity

. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Revolving Loans to reduce any liability of the Borrower to such Lender under Sections 3 .1 and 3 .4, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. The obligations of the Borrower under Sections 3.1 and 3 .4 shall survive payment of the Obligations and termination of this Agreement.

3.6 Reserved

## ARTICLE IV

### CONDITIONS PRECEDENT

4.1 Initial Advances

. In addition to the terms and conditions set forth in Section 4.2, the obligation of the Lenders to make the initial Advance is conditioned on the Administrative Agent receiving, prior to or on the date of such Advance, each of the following items in form, detail and content reasonably satisfactory to the Administrative Agent, each Lender, and its counsel:

(a) a duly executed Revolving Credit Note for each Lender which has requested the same;

(b) a certificate of the secretary or an assistant secretary of the Borrower and each of its Subsidiaries (i) certifying an attached complete and correct copy of its bylaws; (ii) solely in the case of the Borrower, certifying an attached complete and correct copy of resolutions duly adopted by the Borrower's board of directors which have not been amended since their adoption and remain in full force and effect, authorizing the execution, delivery and performance of this Agreement and the Related Documents to which it is a party; (iii) solely in the case of Independent Bank, certifying an attached copy of its certificate of formation, and in the case of the Borrower and each other Subsidiary, certifying that the articles of incorporation or charter attached to the applicable certificate of the Office of the Secretary of State of incorporation delivered pursuant to Section 4.1(d) hereof are complete and correct and have not been amended since the date of the last date of amendment thereto indicated on such certificate of the secretary of state; and (iv) certifying as to the incumbency and specimen signature of each officer executing this Agreement and all other Related Documents to which it is a party, and including a certification by another officer as to the incumbency and signature of the secretary or assistant secretary executing the certificate;

~~4891-7239-465717~~



(c) an opinion of counsel for the Borrower in form and substance reasonably satisfactory to the Administrative Agent, its counsel, and each Lender;

(d) certificates of status or good standing for the Borrower and each Subsidiary issued by the applicable Office of the Secretary of State of incorporation or organization and the respective state, if any, in which the Borrower's or such Subsidiary's principal place of business is located, and certified copies of the articles of incorporation for the Borrower and each Subsidiary, all issued by the Office of the Secretary of State of the state of the Borrower's or such Subsidiary's incorporation, as applicable, within thirty (30) days of the date hereof;

(e) certification that there are no (i) Material Liens of record on the Property of the Borrower only (and not any of its Subsidiaries) other than Permitted Liens and (ii) Material Liens of record on the Property of any Bank Subsidiary other than Permitted Liens;

(f) a duly executed Negative Pledge Agreement;

(g) a duly executed Notice of Authorized Borrowers; and

(h) a duly executed Authority to Debit Account.

#### 4.2 Each Advance

. The obligation of the Lenders to make each Advance is subject to the satisfaction, on the date of making such Advance, of the following conditions:

(a) receipt by the Administrative Agent of a Loan Request executed by the Borrower;

(b) since the date of the most recent financial statements referred to in Section 6.3, no event or condition shall have occurred and be continuing that constitutes a Material Adverse Effect;

(c) all of the representations, warranties and acknowledgments of the Borrower contained in this Agreement and the Related Documents shall be true and accurate in all Material respects as if made on such date (except for representations, warranties and acknowledgments which speak as of a particular date);

(d) there shall not exist on such date any Default and no Default shall occur as the result of the making or incurring of such Obligation;

(e) the aggregate principal amount of all Revolving Loans outstanding together with the amount of any Advance requested shall not exceed the Aggregate Commitment;

(f) each of the Loan Documents shall remain in full force and effect; and

(g) the Borrower shall not be in default of any agreement of any type with any

Lender.

Each Loan Request with respect to a Revolving Loan shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(b), (c), and (d) have been satisfied.

## **ARTICLE V REPRESENTATIONS AND**

### **WARRANTIES**

The Borrower represents and warrants to the Lenders that:

#### **5.1 Organization, Qualification and Subsidiaries**

. The Borrower is lawfully existing and in good standing as a Texas corporation and as a registered bank holding company. The Borrower and each Subsidiary are lawfully existing and in good standing under the laws of their respective jurisdiction of incorporation or organization, and are duly qualified, in good standing and authorized to do business in each jurisdiction where failure to do so might have a Material adverse impact on the consolidated assets, condition or prospects of such Subsidiary or the Borrower. The Borrower has the corporate power and authority and all necessary licenses, permits and franchises to borrow hereunder, and the Borrower and each Subsidiary has the corporate power and authority and all necessary licenses, permits and franchises to own its assets and conduct its business as presently conducted. All of the issued and outstanding capital stock of the Borrower and each of its Subsidiaries has been validly issued and is fully paid and non-assessable. Except as set forth on Schedule 5.1 attached hereto, as of the date hereof, the Borrower has no Subsidiaries and the Borrower does not own, directly or indirectly, any outstanding shares of any class of capital stock of any other Person.

#### **5.2 Financial Statements**

. The Borrower's (a) year-end audited financial statements for December 31, 2017, audited by RSM US LLP, and (b) quarter-end unaudited financial statements for the three-month period ended September 30, 2018, were prepared in accordance with GAAP consistently applied throughout the applicable period, excepting any change in accounting methodology and/or business combination reporting resulting from the adoption of new accounting guidance, and present fairly in all Material respects the financial condition of the Borrower and its consolidated Subsidiaries as of such dates and the results of its operations and cash flows for the periods then ended. The balance sheets and footnotes thereto show all known Material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the respective dates thereof in accordance with GAAP. There has been no Material Adverse Effect since the date of the latest of such statements. The Fiscal Year of the Borrower and each Subsidiary begins on January 1.

#### **5.3 Authorization**

. The making, execution, delivery and performance of this Agreement and the Related Documents by the Borrower have each been duly authorized by all necessary corporate action. The valid execution, delivery and performance of this Agreement, the Related Documents and the transactions contemplated hereby and thereby, are not and will not be subject to any approval, consent or authorization of any Governmental Authority. This Agreement and the Related Documents are the valid and binding obligations of the Borrower enforceable against the

~~4891-7239-465717~~

Borrower in accordance with their respective terms, except to the extent enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect which affect creditors' rights generally; (b) legal and equitable limitations on the availability of injunctive relief, specific performance, and other equitable remedies, and (c) general principles of equity and applicable laws or court decisions limiting the enforceability of particular provisions.

#### 5.4 Absence of Conflicting Obligations

. The making, execution, delivery and performance of this Agreement and the Related Documents, and compliance with their respective terms, do not violate or constitute a default, breach or violation under any Requirements of Law or any covenant, indenture, deed, lease, contract, agreement, mortgage, deed of trust, note or instrument to which the Borrower or any of its Subsidiaries is a party or by which it is bound.

#### 5.5 Taxes

. The Borrower and each Subsidiary have filed all federal, state, foreign and local Tax returns which were required to be filed, except those returns for which the due date has been validly extended. The Borrower and each Subsidiary have paid or made provisions for the payment of all Taxes, assessments, fees and other governmental charges owed, and no Material Tax deficiencies have been assessed, or to the Borrower's knowledge after due inquiry, proposed or threatened against the Borrower or its Subsidiaries. The federal income Tax liability of the Borrower and its Subsidiaries has been paid for all taxable years up to and including the taxable year ended December 31, 2016, and there is no pending or, to the Borrower's knowledge, threatened Material Tax controversy or dispute as of the date hereof.

#### 5.6 Absence of Litigation

. There is no pending or, to the knowledge of the Borrower, threatened litigation or administrative proceeding at law or in equity which would, if adversely determined, result in a Material Adverse Effect, and, to the best of the Borrower's knowledge after due inquiry, there are no presently existing facts or circumstances likely to give rise to any such litigation or administrative proceeding.

#### 5.7 Accuracy of Information

. All information, certificates or statements given or made by or on behalf of the Borrower to the Administrative Agent or any Lender in writing in connection with or pursuant to this Agreement and the Related Documents were accurate, true and complete in all Material respects when given, continue to be accurate, true and complete in all Material respects as of the date hereof (except for information, certificates or statements which speak as of a specific date), and do not contain any untrue statement or omission of a Material fact necessary to make the statements herein or therein not misleading. There is no fact known to the Borrower on the date of execution and delivery of this Agreement which is not set forth in this Agreement, the Related Documents or other documents, certificates or statements furnished to the Administrative Agent or any Lender by or on behalf of the Borrower in connection with the transactions contemplated

hereby and which will, or which in the future may (so far as the Borrower can reasonably foresee), cause a Material Adverse Effect.

#### 5.8 Ownership of Property

. The Borrower and each of its Subsidiaries has good and marketable title to all of its Material Property, including the Property reflected in the Borrower's consolidated balance sheets most recently delivered to or received by the Administrative Agent. There are no Material Liens of any nature on any of the Property of the Borrower and its Subsidiaries except Permitted Liens. All Property useful or necessary in the Borrower's and its Subsidiaries' business, whether leased or owned, is in adequate condition and, to the best of the Borrower's knowledge after due inquiry, conforms in all Material respects to all applicable Requirements of Law. The Borrower and each Subsidiary owns (or is licensed to use) and possesses all such patents, trademarks, trade names, service marks, copyrights and rights with respect to the foregoing as are reasonably necessary for the conduct of the businesses of the Borrower and such Subsidiaries as now conducted and proposed to be conducted without, individually or in the aggregate, any infringement upon rights of other Persons.

#### 5.9 Federal Reserve Regulations

. The Borrower and its Subsidiaries will not, directly or indirectly use any proceeds of the Obligations to: (a) purchase or carry any "margin stock" within the meaning of Regulation U; (b) extend credit to other Persons for any such purpose or refund Indebtedness originally incurred for any such purpose, except in compliance with all Requirements of Law; or (c) otherwise take or permit any action which would involve a violation of Section 8 of the Securities Exchange Act of 1934, as amended, or any regulation of the Board of Governors of the Federal Reserve System.

#### 5.10 ERISA

. The Borrower and each of its Subsidiaries and anyone under common control with the Borrower under Section 4001(b) of ERISA is in compliance in all Material respects with the applicable provisions of ERISA and, except where any such occurrence would not cause a Material Adverse Effect: (a) no "prohibited transaction" as defined in Section 406 of ERISA or Section 4975 of the Code has occurred; (b) no "reportable event" as defined in Section 4043 of ERISA has occurred; (c) no "accumulated funding deficiency" as defined in Section 302 of ERISA (whether or not waived) has occurred; (d) there are no unfunded vested liabilities of any Employee Plan administered by the Borrower or its Subsidiaries; and (e) the Borrower and its Subsidiaries or the plan sponsor have timely filed all returns and reports required to be filed for each Employee Plan.

#### 5.11 Places of Business

. As of the date hereof, the principal place of business and chief executive office of the Borrower is located at the address specified in Section 14.1 for the Borrower, and the corporate books and records of the Borrower are located and hereafter shall continue to be located at the Borrower's principal place of business and chief executive office.

#### 5.12 Other Names 35

~~4891-7239-465717~~

[4889-9803-561714](#)

---

. Except as provided on Schedule 5.12 hereto, the business conducted by the Borrower (and not of its Subsidiaries) has not been conducted under any other corporate, trade or fictitious name during the last five years, and following the date hereof the Borrower will not conduct its business under any other corporate, trade or fictitious name unless the Borrower shall have delivered at least thirty (30) days' prior written notice to the Administrative Agent of such name change.

#### 5.13 Not an Investment Company

. The Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company" or a "subsidiary" of a "holding company" or an "affiliate of a "holding company" within the meaning of the Public Utility Holding Company Act of 2005.

#### 5.14 No Defaults

. Neither the Borrower nor any Subsidiary is in default under or in violation of (a) any Requirements of Law, (b) any covenant, indenture, deed, lease, agreement, mortgage, deed of trust, note or other instrument to which the Borrower or any Subsidiary is a party or by which the Borrower or any Subsidiary is bound, or to which any of its Property is subject, or (c) any Indebtedness; or if any default or violation under Sections 5.14(a), (b) or (c) exists, the failure to cure such default or violation would not result in a Material Adverse Effect.

#### 5.15 Environmental Laws

. The business of the Borrower and each of its Subsidiaries has been operated in all Material respects in compliance with all Environmental Laws and neither the Borrower nor any Subsidiary is subject to any known Environmental Liability relating to the conduct of its business or the ownership of its Property and no facts or circumstances are known by the Borrower, after due inquiry, to exist which could give rise to such Environmental Liabilities, except for such Environmental Liabilities that in the aggregate would not cause a Material Adverse Effect. No notice has been served on the Borrower or any Subsidiary claiming any violation of Environmental Laws, asserting Environmental Liability or demanding payment or contribution for Environmental Liability or violation of Environmental Laws which would cause a Material Adverse Effect.

#### 5.16 Labor Matters

. There are no labor disputes between the Borrower or any Subsidiary, and any of its employees which individually or in the aggregate, if resolved in a manner adverse to the Borrower or a Subsidiary, would result in a Material Adverse Effect.

#### 5.17 Restricted Payments

. Other than declared dividends and distributions consistent with the Borrower's past practices or as otherwise permitted under this Agreement, the Borrower has not, since the date of the most recent financial statements referred to in Section 6.3 and as of the date hereof, made any Restricted Payments.

~~4891-7239-465717~~

#### 5.18 Solvency

. The Borrower is not “insolvent,” nor will the Borrower’s incurrence of loans, direct or contingent, to repay the Obligations render the Borrower “insolvent.” For purposes of this Section 5.18, a corporation is “insolvent” if (a) the “present fair salable value” (as defined below) of its assets is less than the amount that will be required to pay its probable liability on its existing debts and other liabilities (including contingent liabilities) as they become absolute and matured; (b) its property constitutes unreasonably small capital for it to carry out its business as now conducted and as proposed to be conducted including its capital needs; (c) it intends to, or believes that it will, incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by it and amounts to be payable on or in respect of debt of it), or the cash available to it after taking into account all of its other anticipated uses of the cash is anticipated to be insufficient to pay all such amounts on or in respect of its debt when such amounts are required to be paid; or (d) it believes that final judgments against it in actions for money damages will be rendered at a time when, or in an amount such that, it will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered), or the cash available to it after taking into account all other anticipated uses of its cash, is anticipated to be insufficient to pay all such judgments promptly in accordance with their terms. For purposes of this Section 5.18, the following definitions shall apply: (x) the term “debts” includes any legal liability, whether matured or unmatured, liquidated, absolute, fixed or contingent, (y) the term “present fair salable value” of assets means the amount which may be realized, within a reasonable time, either through collection or sale of such assets at their regular market value, and (z) the term “regular market value” means the amount which a capable and diligent businessman could obtain for the property in question within a reasonable time from an interested buyer who is willing to purchase under ordinary conditions.

#### 5.19 Bank Holding Company

. The Borrower has complied in all Material respects with all federal, state and local laws pertaining to bank holding companies, including the Bank Holding Company Act of 1956 (12 U.S.C. § 1841(a)(2)(A) et seq.) and Chapter 202 of the Texas Finance Code, and there are no unsatisfied conditions precedent to its engaging in the business of being a registered bank holding company.

#### 5.20 FDIC Insurance

. The deposits held by each Bank Subsidiary of the Borrower are insured by the FDIC to the maximum extent permitted by applicable federal law and no event, act or omission has occurred which would adversely affect the status of any Bank Subsidiary as an FDIC-insured bank.

#### 5.21 Investigations

. Neither the Borrower nor any Bank Subsidiary is (a) to the Borrower’s knowledge, under investigation by any Regulatory Authority or any other Governmental Authority which

would cause a Material Adverse Effect, or (b) is operating under any Material formal or informal restrictions or understandings imposed by, or agreed to in connection with, any Regulatory Authority or any other Governmental Authority.

#### 5.22 Anti-Corruption Laws; OFAC; Anti-Terrorism Laws.

(a) The Borrower, its Subsidiaries and their respective officers and employees and, to the knowledge of the Borrower, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all Material respects. The Borrower has implemented and maintains in effect for itself and its Subsidiaries policies and procedures to ensure compliance by the Borrower, its Subsidiaries, and their respective officers, employees, directors, and agents with Anti-Corruption Laws and applicable Sanctions. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any director, officer, employee, agent, or Affiliate of the Borrower or any of its Subsidiaries is an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by individuals or entities (including any agency, political subdivision or instrumentality of any government) that are (i) the target of any Sanctions or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (currently Crimea, Cuba, Iran, North Korea, Sudan and Syria).

(b) Neither the making of the Revolving Loans hereunder nor the use of the proceeds thereof will violate the PATRIOT Act, the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or successor statute thereto. The Borrower and its Subsidiaries are in compliance in all material respects with the PATRIOT Act.

### **ARTICLE VI COVENANTS**

The Borrower covenants and agrees, that, from and after the date of this Agreement and until the Termination Date and until the entire amount of all Obligations are paid in full, it shall and, with the exception of Sections 6.8 and 6.9, shall cause each Subsidiary to:

#### 6.1 Corporate Existence; Compliance With Laws; Maintenance of Business; Taxes

. (a)(i) With respect to the Borrower, maintain its corporate existence, (ii) with respect to each Subsidiary, maintain its corporate existence except in the case of a merger or consolidation with another Subsidiary, or where the failure to maintain such corporate existence could not be reasonably expected to have a Material Adverse Effect, and (iii) with respect to the Borrower and each Subsidiary, except where the failure to do so could not be expected to have a Material Adverse Effect, maintain its licenses, permits, rights and franchises; (b) comply in all Material respects with all Requirements of Law, including, without limitation, Anti-Corruption Laws and applicable Sanctions; (c) conduct its business substantially as now conducted and proposed to be conducted; and (d) pay before the same become delinquent and before penalties accrue thereon, all Taxes, assessments and other government charges against it and its Property, and all other

~~4891-7239-465717~~

38 [4889-9803-561714](#)

---

liabilities except to the extent and so long as the same are being contested in good faith by appropriate proceedings, with adequate reserves having been provided, and except where the failure to do so would not be expected to have a Material Adverse Effect.

## 6.2 Maintenance of Property; Insurance.

(a) Keep all Property Material to its business, useful and necessary in its business, whether leased or owned, in adequate condition.

(b) Maintain with good, reputable and financially sound insurance underwriters insurance of such nature and in such amounts as is customarily maintained by companies engaged in the same or similar business and such other insurance as may be required by law or as may be reasonably required in writing by the Required Lenders. Upon the Administrative Agents's request, the Borrower shall furnish to the Administrative Agent and the Lenders copies of all such insurance policies or a certificate evidencing that the Borrower has complied with the requirements of this paragraph on the date hereof and on each renewal date of such policies.

## 6.3 Financial Statements; Notices

. Maintain an adequate system of accounting in accordance with sound accounting practice, and furnish to the Administrative Agent and the Lenders such information respecting the business, assets and financial condition of the Borrower and its Subsidiaries as the Administrative Agent or any Lender may reasonably request and, without request, furnish to the Administrative Agent and the Lenders:

(a) as soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter (other than any Fiscal Quarter that completes a Fiscal Year), financial statements including the balance sheet for the Borrower and its Subsidiaries as of the end of each such Fiscal Quarter and statements of income, changes in shareholders' equity and cash flows of the Borrower and its Subsidiaries for each such Fiscal Quarter and for that part of the Fiscal Year ending with such Fiscal Quarter, setting forth in each case, in comparative form, figures for the corresponding periods in the preceding Fiscal Year certified as true, correct and complete, subject to review and normal year-end adjustments, by the chief financial officer of the Borrower. The Administrative Agent and the Lenders agree that posting to EDGAR of the Form 10-Q for the Borrower for each Fiscal Quarter will meet all financial statement delivery requirements of this Section 6.3(a);

(b) as soon as available, and in any event within seventy-five (75) days after the close of each Fiscal Year, a copy of the detailed annual audit report for such year and accompanying financial statements for the Borrower and its Subsidiaries as of the end of such year, containing balance sheets and statements of income, changes in shareholders' equity and cash flows for such year and for the previous Fiscal Year, as audited by independent certified public accountants of recognized standing selected by the Borrower and satisfactory to the Required Lenders, which report shall be accompanied by (i) the unqualified opinion of such accountants to the effect that the statements present fairly, in all Material respects, the financial position of the Borrower as of the end of such year and the results of its operations and its cash



flows for the year then ended in conformity with GAAP; and (ii) a certificate of such accountants stating that their audit disclosed no Default or that their audit disclosed a Default and specifying the same and the action taken or proposed to be taken with respect thereto. The Administrative Agent and the Lenders agree that the posting to EDGAR of the FORM 10-K for the Borrower for each Fiscal Year will meet all financial statement delivery requirements of this Section 6.3(b);

(c) as soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter (other than any Fiscal Quarter that completes a Fiscal Year) and sixty (60) days after the end of each Fiscal Year, copies of the Borrower's quarterly Parent Borrower Only Financial Statements for Large Bank Holding Companies – FR Y-9LP and Consolidated Financial Statements for Bank Holding Companies – FR Y-9C prepared by the Borrower in compliance with the requirements of each applicable Regulatory Authority, all prepared in accordance with the requirements imposed by the applicable Regulatory Authorities. The Administrative Agent and the Lenders agree that the posting to the applicable Regulatory Authority's website of the Parent Borrower Only Financial Statements for Large Bank Holding Companies – FR Y-9LP and Consolidated Financial Statements for Bank Holding Companies – FR Y-9C for the Borrower will meet all report delivery requirements of this Section 6.3(c);

(d) as soon as available, and in any event within forty five (45) days after the end of each Fiscal Quarter (excluding any Fiscal Quarter that completes a Fiscal Year) and forty five (45) days after the end of each Fiscal Year, the certificate of the president or chief financial officer of the Borrower substantially in the form of **Exhibit E** attached hereto, among other things: (i) showing the calculations of the financial covenants contained herein; (ii) stating that a review of the activities of the Borrower during such period has been made under his supervision to determine whether the Borrower has observed, performed and fulfilled each and every covenant and condition in this Agreement and the Related Documents; and (iii) stating that no Default has occurred (or if such Default has occurred, describing such Default in reasonable detail and specifying the period of existence thereof and the steps, if any, being undertaken to correct the same);

(e) as soon as available, and in any event within five (5) Business Days of filing, a copy of each other filing and report made by the Borrower with or to any securities exchange or the Securities and Exchange Commission, and of each communication from the Borrower to its equity holders generally. The Administrative Agent and the Lenders agree that the posting to EDGAR of any such communication will meet all filing and report delivery requirements of this Section 6.3(e);

(f) as soon as available, and in any event within forty five (45) days after the end of each Fiscal Quarter, the complete Call Report and/or Thrift Financial Report, as applicable, prepared by Borrower and/or each Bank Subsidiary at the end of such Fiscal Quarter in compliance with the requirements of each applicable Regulatory Authority, all prepared in accordance with the requirements imposed by the applicable Regulatory Authorities. The Administrative Agent and the Lenders agree that the posting to the applicable Regulatory Authority's website of the Call Report and/or Thrift Financial Report, as applicable, for the Borrower and each Bank Subsidiary will meet all report delivery requirements of this Section 6.3(f);

(g) as soon as available, and in any event within five (5) days, but without duplication of any other requirements set forth in this Section 6.3, a copy of all periodic reports which are required by law to be furnished to any Regulatory Authority having jurisdiction over the Borrower or any Bank Subsidiary (including Federal Reserve Bank reports, but excluding any report which applicable law or regulation prohibits the Borrower or a Bank Subsidiary from furnishing to the Administrative Agent or the Lenders). The Administrative Agent and the Lenders agree that the posting to the applicable Regulatory Authority's website for the Borrower and each Bank Subsidiary will meet all report delivery requirements of this Section 6.3(g); and

(h) promptly upon learning of the occurrence of any of the following, written notice thereof, describing the same in reasonable detail and the steps being taken with respect thereto: (i) the occurrence of any Default or Event of Default; (ii) the institution of, or any Materially adverse determination or development in, any Material litigation, arbitration proceeding or governmental proceeding; (iii) the occurrence of a "reportable event" under, or the institution of steps by the Borrower or any Subsidiary to withdraw from, or the institution of any steps to terminate, any Employee Plan as to which the Borrower or any Subsidiary may have liability; (iv) the commencement of any dispute which could reasonably be expected to lead to the modification, transfer, revocation, suspension or termination of this Agreement or any Related Document; (v) any event which would have a Material Adverse Effect; (vi) any change in the Chief Executive Officer, Chief Financial Officer, or Chief Risk Officer of the Borrower or any change in the Chief Executive Officer of any Bank Subsidiary; or (vii) the determination by the Borrower to prepay or redeem any Subordinated Indebtedness upon the occurrence of a Special Event. All financial statements referred to herein shall be complete and correct in all Material respects and shall be prepared in reasonable detail and on a consolidated and consolidating basis in accordance with GAAP (including financial statements for the Consolidated Bank Subsidiaries on a consolidated basis), applied consistently throughout all accounting periods, excepting any change in accounting methodology and/or business combination reporting resulting from the adoption of new accounting guidance.

#### 6.4 Inspection of Property and Records

. At any reasonable time following reasonable notice, as often as may be reasonably desired and, from and after the occurrence of and during the continuance of an Event of Default, at the Borrower's expense, permit representatives of the Administrative Agent and the Lenders to visit the Borrower's and its Subsidiaries' Property, to examine the Borrower's and its Subsidiaries books and records and to discuss the Borrower's and its Subsidiaries' affairs, finances and accounts with its respective officers and independent certified public accountants (who shall be instructed by the Borrower to comply with reasonable requests of the Lender or its agents for access to the work papers of such accountants) and the Borrower shall facilitate such inspection and examination; provided, however, that if no Default or Event of Default has occurred, no more than two such examinations shall occur per year.

#### 6.5 Use of Proceeds

. Use the entire proceeds of the Obligations only for (a) general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, funding operating expenses, dividends that are not prohibited under Section 7.4 hereof, and interest on Indebtedness of the

~~4891-7239-465717~~

Borrower and its Subsidiaries, (b) Share Repurchases, and (c) acquisitions that are not prohibited under Section 7.1 hereof.

6.6 Comply With, Pay and Discharge All Notes, Mortgages, Deeds of Trust and Leases

. Comply with, pay and discharge all existing notes, mortgages, deeds of trust, leases, indentures and any other contractual arrangements to which the Borrower or any Subsidiary is a party (including all Indebtedness) in accordance with the respective terms of such instruments so as to prevent any default thereunder, except where the failure to do so would not be expected to have a Material Adverse Effect.

6.7 Environmental Compliance.

(a) Maintain at all times all Material permits, licenses and other authorizations required under Environmental Laws, and comply in all Material respects with all terms and conditions of the required permits, licenses and authorizations and all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws.

(b) Notify the Administrative Agent and the Lenders promptly upon obtaining knowledge that (i) any Property previously or presently owned or operated by the Borrower or any Subsidiary is the subject of a Material environmental investigation by any Governmental Authority having jurisdiction over the enforcement of Environmental Laws, (ii) the Borrower or any of its Subsidiaries has been or may be named as a responsible party subject to a Material Environmental Liability, or (iii) the Borrower obtains knowledge of any Hazardous Substance located on any Property of the Borrower that might lead to a Material Environmental Liability.

(c) At any time following the Borrower's notification to the Administrative Agent and the Lenders pursuant to Section 6.7(b) hereof or the Administrative Agent and the Lenders otherwise becoming aware of any of the items described in Section 6.7(b) hereof, following notice from the Administrative Agent, and as often as may be reasonably desired, permit the Administrative Agent and the Lenders or an independent consultant selected by the Required Lenders to conduct an environmental investigation satisfactory to the Required Lenders for the purpose of determining whether the Borrower, each Subsidiary and their respective Properties comply with Environmental Laws and whether there exists any condition or circumstance which may require a cleanup, removal or other remedial action by the Borrower or a Subsidiary with respect to any Hazardous Substance. The Borrower and its Subsidiaries shall facilitate such environmental audit. The Administrative Agent shall provide the Borrower, at the Borrower's request, with all reports and findings but the Borrower may not rely on such environmental investigation for any purpose. Reasonable costs for any environmental investigation of Property by the Administrative Agent and the Lenders shall be at the Borrower's expense where conducted (i) under this Section 6.7(c), (ii) upon the occurrence of an event described in Section 6.7(b), or (iii) at any time the Property is the subject of an environmental investigation by a Governmental Authority having jurisdiction over the enforcement of Environmental Laws.

Notwithstanding the foregoing, nothing contained in this Agreement, or in the Related Documents, or in the enforcement of this Agreement or the Related Documents, shall constitute or be construed as granting or providing the right, power or capacity to the Administrative Agent or any Lender to exercise (y) decision making control of the Borrower's or any Subsidiary's compliance with any Environmental Law, or (z) day to day decision making of the Borrower or any Subsidiary with respect to (i) compliance with Environmental Laws or (ii) all or substantially all of the operational aspects of the Borrower or any Subsidiary.

#### 6.8 Fees and Costs.

(a) Pay the Administrative Agent for the account of the Lenders on the first Business Day of each of January, April, July and October, commencing with January 1, 2018, in arrears, the accrued and unpaid commitment fee for the Revolving Loan Commitment, which commitment fee shall accrue at a rate per annum equal to the Commitment Fee Percentage of the difference between (i) the Revolving Loan Commitment and (ii) the Average Daily Principal Balance during the most recently ended Fiscal Quarter (or portion of such Fiscal Quarter). The commitment fee shall be computed daily based on the actual number of days elapsed in a year of 360 days. All unpaid commitment fees shall be due and payable on the Termination Date. The Administrative Agent may debit to any account of the Borrower at which it makes Advances available to the Borrower all commitment fees when due, without prior notice to or consent of the Borrower.

(b) Pay immediately upon receipt of an invoice from the Administrative Agent or any Lender the fees and expenses to be reimbursed to such Person pursuant to Section 6.4, including travel expenses incurred by representatives of such Person.

(c) Pay immediately upon receipt of an invoice from the Administrative Agent or any Lender all fees and expenses to be reimbursed to such Person pursuant to this Agreement, the Related Documents and the Obligations, and any amendments thereof and supplements thereto, including the reasonable fees of counsel to the Administrative Agent in connection with the preparation and negotiation of this Agreement, the Related Documents and all amendments thereto, and any waivers of the terms and provisions thereof and the consummation of the transactions contemplated herein.

(d) Pay immediately upon receipt of an invoice from the Administrative Agent or any Lender all fees and expenses (including attorneys' fees) incurred by such Person in seeking advice under this Agreement and the Related Documents with respect to protection or enforcement (including collection and disposition of Collateral, if any) of such Person's rights and remedies under this Agreement and the Related Documents and with respect to the Obligations (including collection thereof) and all costs and expenses which may be incurred by such Person as a consequence of a Default as provided in Section 9.1(c) and all reasonable fees and expenses incurred by such Person in connection with any bankruptcy, receivership, conservatorship or other debtor relief proceeding or any federal or state liquidation, rehabilitation or supervisory proceeding involving the Borrower or any of its Subsidiaries.

#### 6.9 Financial Covenants.

~~4891-7239-465717~~

43 [4889-9803-561714](#)

---

(a) Loan Loss Reserves to Non-Performing Loans Ratio. With respect to the Consolidated Bank Subsidiaries, maintain as at the end of each Fiscal Quarter a ratio of Loan Loss Reserves to Non-Performing Loans of not less than 100%.

(b) Maximum Texas Ratio. With respect to the Consolidated Bank Subsidiaries, maintain as at the end of each Fiscal Quarter a Texas Ratio of not more than 12%.

(c) Total Risk-Based Capital Ratio of Consolidated Bank Subsidiaries. With respect to the Consolidated Bank Subsidiaries, maintain a Total Risk-Based Capital Ratio as at the end of each Fiscal Quarter equal to or greater than 10.50%.

(d) Minimum Return on Average Assets. With respect to the Consolidated Bank Subsidiaries, maintain as at the end of any Fiscal Quarter (commencing with the Fiscal Quarter ending December 31, 2023) a Return on Average Assets of at least equal to ~~9.90~~ 10.50%; provided, however, for purposes of determining Return of Average Assets for the period commencing March 31, 2023 and continuing until March 31, 2024, the Borrower's non-interest expenses up to \$100,000,000 for a settlement that occurred on or about February 27, 2023 related to a receivership litigation involving Stanford International Bank, Ltd., shall be excluded for purposes of determining Net Income.

(e) ~~Minimum Liquid Assets. With respect to the Borrower, maintain at all times Liquid Assets of at least equal to \$5,000,000.~~ [Reserved].

(f) Total Risk-Based Capital Ratio of Borrower and Consolidated Subsidiaries. With respect to the Borrower and its consolidated Subsidiaries, on a consolidated basis, maintain a Total Risk-Based Capital Ratio as at the end of each Fiscal Quarter equal to or greater than 10.75%.

(g) Well-Capitalized Status. With respect to each Bank Subsidiary, maintain at all times such capital as may be necessary to cause such Bank Subsidiary to be classified as a "well capitalized" institution in accordance with all laws and regulations (as such laws and regulations may be amended, supplemented or otherwise modified from time to time) of the FDIC and each other Regulatory Authority that has supervisory authority over such Subsidiary.

(h) Compliance with Regulatory Requirements. At all times remain in Material compliance with all regulatory rules and requirements of or imposed by the FDIC and all other Regulatory Authorities which are applicable to or govern the Borrower or any of its Subsidiaries.

#### 6.10 Revolving Loans Resting Period

. For a period of not less than thirty (30) consecutive days during each twelve (12) month period from July 1 through June 30 of any calendar year, pay so much of the aggregate outstanding principal amount of Revolving Loans as is necessary to reduce the aggregate outstanding amount of Revolving Loans to an amount equal to \$0.00 at all times during such thirty (30) day consecutive period.

#### 6.11 ~~OFAC, PATRIOT Act, Anti-Corruption Laws Compliance~~

~~4891-7239-465717~~

. The Borrower shall, and shall cause each Subsidiary to, (i) refrain from doing business in a Sanctioned Country or with a Sanctioned Person in violation of the economic sanctions of the United States administered by OFAC, and (ii) provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the PATRIOT Act. The Borrower will not request any Revolving Loan, and the Borrower will not use, and the Borrower will ensure that its Subsidiaries and its or their respective directors, officers, employees and agents will not use, the proceeds of any Revolving Loan (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (iii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Revolving Loans, whether as underwriter, advisor, investor, or otherwise).

#### 6.12 Anti-Money Laundering Compliance

. The Borrower shall, and shall cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with anti-money laundering laws and regulations.

### **ARTICLE VII NEGATIVE COVENANTS**

The Borrower covenants and agrees that, from and after the date of this Agreement and until the Termination Date and until all Obligations are paid in full, the Borrower and each Subsidiary shall not directly or indirectly without the prior written consent of the Lenders required under Section 9.3 hereof:

#### 7.1 Change of Control; Consolidation, Merger, Acquisitions, Etc

. (a) Enter into a Change of Control transaction; or (b) purchase or otherwise acquire all or substantially all of the assets or stock of a Person (which Person would, upon the consummation of such transaction, become a Bank Subsidiary), unless, at the time such purchase or other acquisition is announced, the Borrower provides the Administrative Agent and the Lenders with a pro forma compliance certificate that includes a certification that such purchase or other acquisition will not cause an Event of Default (assuming for the purposes of the pro forma calculation of the financial covenants set forth in Section 6.9 hereof that the effective date of such purchase or other acquisition were the end of a Fiscal Quarter or Fiscal Year, as applicable).

#### 7.2 Holding Company Indebtedness

. With respect to the Borrower only (and not any of its Subsidiaries) issue, create, incur, assume or otherwise become liable with respect to (or agree to issue, create, incur, assume or

otherwise become liable with respect to), or permit to remain outstanding, any Holding Company Indebtedness, except: (a) the Obligations; (b) Holding Company Indebtedness disclosed on the Borrower's quarterly Parent Borrower Only Financial Statements for Large Bank Holding Companies – FR Y-9LP dated September 30, 2018, (c) Subordinated Indebtedness, and (d) the Borrower's guarantee of the preferred securities issued by CenBank Statutory Trust III and Guaranty Capital Trust III and outstanding on January \* [1], 2018.

### 7.3 Liens; Negative Pledges

. With respect to (a) the Borrower only (and not any of its Subsidiaries), create or permit to be created or allow to exist any Lien upon or interest in any Property of the Borrower, and (b) any Bank Subsidiary only, create or permit to be created or allow to exist any Lien upon or interest in any Property of such Bank Subsidiary except Permitted Liens. The Borrower further agrees that it shall not, without the prior written consent of the Administrative Agent and the Lenders, enter into, become a party to or become subject to any negative pledge agreement relating to any of its assets with any third party except as set forth in the Related Documents.

### 7.4 Dividend; Distributions

. Make any Restricted Payments; provided, however, that, so long as no Default has occurred and is continuing, or will occur as a result of any such payment (with the calculation of the covenants set forth in Section 6.9 being made on a pro forma basis as at the date of such payment), the Borrower may pay dividends and distributions to its shareholders as permitted by applicable governmental laws and regulations, including dividends with respect to SBLF Preferred Stock.

### 7.5 Loans; Investments

. Make or commit to make advances, loans, extensions of credit or capital contributions to, or purchases of any stock, bonds, notes, debentures or other securities of, or make any other investment in, any Person except, advances in the ordinary course of business to Subsidiaries consistent with past practices, or for purposes of acquiring, merging, consolidating Subsidiaries, or as otherwise permitted by applicable governmental laws and regulations, or as otherwise permitted by this Article VII.

### 7.6 Compliance with ERISA

. (a) Terminate any Employee Plan so as to result in any Material liability to PBGC; (b) engage in any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Employee Plan which would result in a Material liability for an excise tax or civil penalty in connection therewith; or (c) incur or suffer to exist any Material "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, involving any condition, which presents a risk of incurring a Material liability to PBGC by reason of termination of any such Employee Plan.

### 7.7 Affiliates

~~4891-7239-465717~~



. Permit any transaction with any Affiliate of the Borrower or a Subsidiary that violates Section 23A or 23B of the Federal Reserve Act, as amended, or enter into any transaction (including the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate of the Borrower or a Subsidiary, except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

#### 7.8 Prepayment or Redemption of Subordinated Indebtedness

. Prepay or redeem, or permit any prepayment or redemption of, any Subordinated Indebtedness, except upon the occurrence of a Special Event, provided that (a) immediately after giving effect to any such prepayment or redemption the Borrower shall be in compliance with Section 6.9 hereof, determined on a pro forma basis as at the date of such prepayment or redemption (except in the case of Section 6.9(d) which shall be determined as at the end of the immediately preceding Fiscal Quarter), which compliance shall be demonstrated by delivery by the Borrower to the Administrative Agent and the Lenders of a duly completed certificate of the president or chief financial officer of the Borrower in the form of **Exhibit E** attached hereto, and  
(b) both immediately before and after giving effect to any such prepayment or redemption no Default or Event of Default shall have occurred and be continuing.

### ARTICLE VIII

#### DEFAULTS

#### 8.1 Events of Default Defined

. The occurrence of any one or more of the following events shall constitute an Event of Default (each, an "Event of Default"):

(a) the Borrower shall fail to pay (i) principal of any Revolving Loan (including, without limitation, the Revolving Credit Notes and the payments required by Section 2.2) when and as the same shall become due and payable, or (ii) interest on any Revolving Loan (including, without limitation, the Revolving Credit Notes and the payments required by Section 2.2), within five (5) days after the same shall become due and payable, or (iii) fees or other obligations in respect of the Obligations (including, without limitation, payments required by Sections 3.6 and 6.8) within ten (10) days after the same shall become due and payable, in either case whether upon demand, at maturity, by acceleration or otherwise;

(b) the Borrower or any of its Subsidiaries shall fail to observe or perform any of the covenants, agreements or conditions contained in Section 6.3(h) or Section 6.8;

(c) the Borrower or any of its Subsidiaries shall fail to observe or perform any of the covenants, agreements or conditions contained in this Agreement or the Related Documents (other than any such failure that results in an Event of Default as expressly provided in any other paragraph of this Section 8.1) and such failure shall continue for 15 Business Days after Borrower's receipt of written notice of such failure by the Administrative Agent;



(d) (i) the Borrower or any of its Subsidiaries shall default (as principal or guarantor or otherwise) in the payment of any Indebtedness (other than the Obligations) aggregating \$100,000 or more; (ii) the maturity of any such Indebtedness shall, in whole or in part, have been accelerated, or any such Indebtedness shall, in whole or in part, have been required to be prepaid prior to the stated maturity thereof, in accordance with the provisions of any contract evidencing, providing for the creation of, or concerning such Indebtedness; or (iii)

(A) any event shall have occurred and be continuing that permits (or, with the passage of time or the giving of notice or both, would permit) any holder or holders of such Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person so to accelerate such maturity or require any such prepayment and (B) if the contract evidencing, providing for the creation of, or concerning such Indebtedness provides for a cure period for such event, such event shall not be cured prior to the end of such cure period or such shorter period of time as the Required Lenders may specify;

(e) A default shall be continuing under any contract, arrangement, or agreement (other than a contract relating to Indebtedness to which clause (d) of this Section is applicable) binding upon the Borrower or any Subsidiary, except a default that, together with all other such defaults, has not had and will not have a Materially Adverse Effect on the Borrower and the Subsidiaries taken as a whole.

(f) any representation or warranty made by the Borrower herein or in any of the Related Documents or in any certificate, document or financial statement delivered to the Administrative Agent or the Lenders shall prove to have been incorrect in any Material adverse respect as of the time when made or given;

(g) a final judgment (or judgments) for the payment of amounts aggregating in excess of \$100,000 shall be entered and final against the Borrower or any of its Subsidiaries, and such judgment (or judgments) shall remain outstanding and unsatisfied, unbonded or unstayed after thirty (30) days from the date of entry thereof;

(h) the Borrower or any of its Subsidiaries shall (i) become insolvent or take or fail to take any action which constitutes an admission of inability to pay its debts as they mature; (ii) make an assignment for the benefit of creditors; (iii) petition or apply to any tribunal for the appointment of a custodian, receiver or any trustee for the Borrower or such Subsidiary or a substantial part of its respective assets; (vi) suffer a rehabilitation proceeding, custodianship, receivership, conservatorship or trusteeship to continue undischarged for a period of sixty (60) days or more; (iv) commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (v) by any act or omission indicate its consent to, approval of or acquiescence in any rehabilitation proceeding or any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver, conservator or any trustee for it or any substantial part of any of its properties; or (vi) adopt a plan of liquidation of its assets;

(i) any Person shall: (i) petition or apply to any tribunal for the appointment of a custodian, receiver, conservator or any trustee for the Borrower or any Subsidiary or a substantial part of its respective assets which continues undischarged for a period of sixty (60) days or more; (ii) commence any proceeding under any bankruptcy, reorganization, arrangement,

readjustment of debt, rehabilitation, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, in which an order for relief is entered or which remains undismissed for a period of sixty (60) days or more;

(j) any Governmental Authority or any geotechnical engineer or environmental consultant hired by the Borrower, the Required Lenders or any Governmental Authority shall determine that the potential uninsured or unrecoverable liability of the Borrower or a Subsidiary for damages caused by the discharge of any Hazardous Substance, including liability for real property damage or remedial action related thereto or liability for personal injury claims, exceeds \$1,000,000 and the Borrower is unable to provide for such liability in a manner reasonably acceptable in good faith to the Required Lenders;

(k) (i) the FDIC, the Federal Reserve Board, the OCC, or any other Regulatory Authority shall (A) issue any formal or informal Material notice, order or directive involving activities deemed unsafe or unsound by the Borrower or any of its Subsidiaries, (B) issue a memorandum of understanding, capital maintenance agreement, cease and desist order, prompt corrective action order, or other directive (including a capital raise directive) involving the Borrower or any of its Subsidiaries, (C) cause the suspension or removal of the Chief Executive Officer or any Executive Vice President of the Borrower or the Chief Executive Officer of any of the Subsidiaries, or (D) otherwise restrict the ability of any Subsidiary to pay dividends to the Borrower without prior regulatory approval, or (ii) the FDIC shall terminate its insurance coverage with respect to the Bank Subsidiaries; or

(l) this Agreement or any of the Related Documents shall at any time cease to be in full force and effect, or the Borrower shall so assert or shall attempt to revoke or terminate this Agreement or any Related Document.

## **ARTICLE IX**

### **ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES**

#### **9.1 Acceleration; Remedies.**

(a) If any Event of Default described in Section 8.1(h) or 8.1(i) occurs with respect to the Borrower, the obligations of the Lenders to make Revolving Loans hereunder shall automatically terminate and the Obligations under this Agreement and the Related Documents shall immediately become due and payable without any election or action on the part of the Administrative Agent or any Lender. If any other Event of Default occurs, the Administrative Agent may, and at the request of the Required Lenders shall, terminate or suspend the obligations of the Lenders to make Revolving Loans hereunder or declare the Obligations under this Agreement and the Related Documents to be due and payable, or both, whereupon the Obligations under this Agreement and the Related Documents shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

(b) If, within thirty (30) days after acceleration of the maturity of the Obligations under this Agreement and the Related Documents or termination of the obligations

of the Lenders to make Revolving Loans hereunder as a result of any Event of Default (other than any Event of Default as described in Section 8.1(h) or 8.1(i) with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due under this Agreement and the Related Documents shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

(c) Upon the occurrence and during the continuation of any Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, exercise all rights and remedies under the Loan Documents and enforce all other rights and remedies under applicable law.

## 9.2 Application of Funds

. After the exercise of remedies provided for in Section 9.1 (or after the Obligations under this Agreement and the Related Documents have automatically become immediately due and payable as set forth in the first sentence of Section 9.1(a)), any amounts received by the Administrative Agent on account of the Obligations shall be applied by the Administrative Agent in the following order:

(a) First, to payment of fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

(b) second, to payment of fees, indemnities and other amounts (other than principal, interest, and commitment fees) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders as required by Section 10.6 and amounts payable under Article III);

(c) third, to payment of accrued and unpaid commitment fees and interest on the Revolving Loans, ratably among the Lenders in proportion to the respective amounts described in this Section 9.2(c) payable to them;

(d) fourth, to payment of all Obligations ratably among the Lenders; and

(e) last, the balance, if any, to the Borrower or as otherwise required by law.

## 9.3 Amendments

. Subject to the provisions of this Section 9.3, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to this Agreement or changing in any manner the rights of the Lenders or the Borrower hereunder or thereunder or waiving any Default or Event of Default hereunder; provided, however, that no such supplemental agreement shall:

(a) without the consent of each Lender directly affected thereby, extend the final maturity of any Revolving Loan to a date after the Termination Date or postpone any

~~4891-7239-465717~~

regularly scheduled payment of principal of any Revolving Loan or forgive all or any portion of the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon or increase the amount of the Commitment of such Lender hereunder.

(b) without the consent of all of the Lenders, reduce the percentage specified in the definition of Required Lenders.

(c) without the consent of all of the Lenders, amend this Section 9.3.

No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent. The Administrative Agent may waive payment of the fee required under Section 13.3(c) without obtaining the consent of any other party to this Agreement. Notwithstanding anything to the contrary herein, the Administrative Agent may, with the consent of the Borrower only, amend, modify or supplement this Agreement or any of the Related Documents to cure any ambiguity, omission, mistake, defect or inconsistency of a technical or immaterial nature, as determined in good faith by the Administrative Agent.

#### 9.4 Preservation of Rights

. No delay or omission of the Lenders or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and the making of an Advance notwithstanding the existence of an Event of Default or the inability of the Borrower to satisfy the conditions precedent to such Advance shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 9.3, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent and the Lenders until the Obligations have been paid in full.

### **ARTICLE X GENERAL PROVISIONS**

#### 10.1 Survival of Representations

. All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Advances herein contemplated.

#### 10.2 Governmental Regulation

. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

#### 10.3 Headings

~~4891-7239-465717~~

. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

#### 10.4 Entire Agreement

. The Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, and the Lenders and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, and the Lenders relating to the subject matter thereof other than those contained in the Fee Letter which shall survive and remain in full force and effect during the term of this Agreement.

#### 10.5 Several Obligations; Benefits of this Agreement

. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 10.6, 10.10 and 11.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

#### 10.6 Expenses; Indemnification.

(a) The Borrower shall reimburse the Administrative Agent and the Arranger upon demand for all reasonable out-of-pocket expenses paid or incurred by the Administrative Agent or the Arranger, including, without limitation, filing and recording costs and fees, costs of any environmental review, and consultants' fees, travel expenses and reasonable fees, charges and disbursements of outside counsel to the Administrative Agent and the Arranger and/or the allocated costs of in-house counsel incurred from time to time, in connection with the due diligence, preparation, administration, negotiation, execution, delivery, syndication, distribution (including, without limitation, via DebtX and any other internet service selected by the Administrative Agent), review, amendment, modification, and administration of the Loan Documents, and expenses incurred in connection with assessing and responding to any subpoena, garnishment or similar process served on the Administrative Agent relating to the Borrower, any Collateral, any Loan Document or the extensions of credit evidenced thereby. The Borrower also agrees to reimburse the Administrative Agent, the Arranger, and the Lenders for any costs, internal charges and out-of-pocket expenses, including, without limitation, filing and recording costs and fees, costs of any environmental review, and consultants' fees, travel expenses and reasonable fees, charges and disbursements of outside counsel to the Administrative Agent, the Arranger, and the Lenders and/or the allocated costs of in-house counsel incurred from time to time, paid or incurred by the Administrative Agent, the Arranger, or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Borrower under this Section 10.6(a) include, without limitation, costs and expenses incurred in connection with the Reports described in the following

sentence. The Borrower acknowledges that from time to time U.S. Bank may prepare and may distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by U.S. Bank from information furnished to it by or on behalf of the Borrower, after U.S. Bank has exercised its rights of inspection pursuant to this Agreement.

(b) The Borrower hereby further agrees to indemnify and hold harmless the Administrative Agent, the Arranger, each Lender, their respective affiliates, and each of their directors, officers and employees, agents and advisors against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements and settlement costs (including, without limitation, all expenses of litigation or preparation therefor) whether or not the Administrative Agent, the Arranger, any Lender or any affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the Related Documents, the transactions contemplated hereby, any actual or alleged presence or release of Hazardous Substances on or from any Property owned or operated by Borrower or any of its Subsidiaries, any environmental liability related in any way to Borrower or any of its Subsidiaries, or any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower or any of its Subsidiaries, or the direct or indirect application or proposed application of the proceeds of any Advance hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrower under this Section 10.6 shall survive the termination of this Agreement.

#### 10.7 Numbers of Documents

. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders.

#### 10.8 Accounting and Financial Determinations.

(a) To the extent applicable and except as otherwise specified in this Agreement, where the character or amount of any asset or liability or item of income or expense is required to be determined, or any accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall be made on a consolidated basis so as to include Borrower and each Subsidiary of the Borrower in each such calculation and shall be made in accordance with GAAP; provided, however, that if any change in GAAP from those applied in the preparation of the financial statements referred to in Section 6.3 is occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the Securities and Exchange Commission (or its boards or committees or successors thereto or agencies with similar functions), the initial announcement of which change is made after the date hereof, results in a change in the method of calculation of financial covenants, standards or terms found in Section 6, the parties hereto agree to enter into good faith negotiations in order to amend such provisions so as to reflect such changes with the desired result that the criteria for evaluating the Borrower's

~~4891-7239-465717~~

financial condition shall be the same after such changes as if such changes had not been made; and provided, further, that until such time as the parties hereto agree upon such amendments, such financial covenants, standards and terms shall be construed and calculated as though no change had taken place.

(b) All regulatory determinations and calculations made in connection with the determination of the status of the Borrower and any Bank Subsidiary as well-capitalized under Section 6.9 hereof, shall be made in accordance with the laws, rules, regulations and interpretations thereof by the Governmental Authority charged with interpretations thereof, as in effect on the date of such determination or calculation, as the case may be.

(c) When used herein, the term "financial statement" shall include balance sheets, statements of earnings, statements of stockholders' equity, statements of cash flows and the notes and schedules thereto, and each reference herein to a balance sheet or other financial statement of the Borrower shall be to a statement prepared on a consolidated basis, unless otherwise specified.

#### 10.9 Severability of Provisions

. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

#### 10.10 Nonliability of Lenders

. The relationship between the Borrower on the one hand and the Lenders and the Administrative Agent on the other hand shall be solely that of borrower and lender. None of the Administrative Agent, the Arranger, and any Lender shall have any fiduciary responsibilities to the Borrower. None of the Administrative Agent, the Arranger, and any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that none of the Administrative Agent, the Arranger, and any Lender shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. None of the Administrative Agent, the Arranger, and any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby. It is agreed that the Arranger shall, in its capacity as such, have no duties or responsibilities under the Agreement or any Related Document. Each Lender acknowledges that it has not relied and will not rely on the Arranger in deciding to enter into the Agreement or any Related Document or in taking or not taking any action.

#### 10.11 Confidentiality

. The Administrative Agent and each Lender agrees to hold any confidential information which it may receive from the Borrower in connection with this Agreement in confidence, except for disclosure (i) to its Affiliates and to the Administrative Agent and any other Lender and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to the Administrative Agent or such Lender provided such parties have been notified of the confidential nature of such information, (iii) as provided in Section 13.3(e), (iv) to regulatory officials, (v) to any Person as requested pursuant to or as required by law, regulation, or legal process, (vi) to any Person in connection with any legal proceeding to which it is a party, (vii) to its direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties provided such parties have been notified of the confidential nature of such information, (viii) to rating agencies if requested or required by such agencies in connection with a rating relating to the Advances hereunder, (ix) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any Related Document or the enforcement of rights hereunder or thereunder, and (x) to the extent such information (1) becomes publicly available other than as a result of a breach of this Section 10.11 or (2) becomes available to the Administrative Agent or any Lender on a non-confidential basis from a source other than the Borrower. Without limiting Section 10.4, the Borrower agrees that the terms of this Section 10.11 shall set forth the entire agreement between the Borrower and the Administrative Agent and each Lender with respect to any confidential information previously or hereafter received by the Administrative Agent or such Lender in connection with this Agreement, and this Section 10.11 shall supersede any and all prior confidentiality agreements entered into by the Administrative Agent or any Lender with respect to such confidential information.

#### 10.12 Nonreliance

. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) for the repayment of the Revolving Loans provided for herein.

#### 10.13 Disclosure

. The Borrower and each Lender hereby acknowledge and agree that U.S. Bank and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

#### 10.14 USA PATRIOT ACT NOTIFICATION

. The following notification is provided to Borrower pursuant to Section 326 of the PATRIOT Act:

Each Lender that is subject to the requirements of the PATRIOT Act hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the PATRIOT Act.

#### 10.15 Acknowledgement and Consent to Bail-In of EEA Financial Institutions

~~4891-7239-465717~~

[4889-9803-561714](#)

---



Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

#### 10.16 Delaware Divisions

. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

#### 10.17 Acknowledgement Regarding Any Supported QFCs

. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Obligations or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

~~4891-7239-465717~~

In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

## ARTICLE XI

### **THE ADMINISTRATIVE AGENT**

#### **11.1 Appointment; Nature of Relationship**

. U.S. Bank National Association is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the “Administrative Agent”) hereunder and under each Related Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the Related Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article XI. Notwithstanding the use of the defined term “Administrative Agent,” it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any Related Document and that the Administrative Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the Related Documents. In its capacity as the Lenders’ contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the Related Documents. Each of the Lenders hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

#### **11.2 Powers**

~~4891-7239-465717~~

. The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Administrative Agent.

#### 11.3 General Immunity

. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any Related Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

#### 11.4 No Responsibility for Revolving Loans, Recitals, Etc

. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Administrative Agent; (d) the existence or possible existence of any Default or Event of Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any Collateral; or (g) the financial condition of the Borrower or any Subsidiary of the Borrower.

#### 11.5 Action on Instructions of Lenders

. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any Related Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any Related Document unless it shall be requested in writing to do so by the Required Lenders. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any Related Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

#### 11.6 Employment of Administrative Agents and Counsel

~~4891-7239-465717~~

58 [4889-9803-561714](#)

---

. The Administrative Agent may execute any of its duties as Administrative Agent hereunder and under any Related Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any Related Document.

#### 11.7 Reliance on Documents; Counsel

. The Administrative Agent shall be entitled to rely upon any Revolving Credit Note, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex, electronic mail message, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent. For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the applicable date specifying its objection thereto.

#### 11.8 Administrative Agent's Reimbursement and Indemnification

. The Lenders agree to reimburse and indemnify the Administrative Agent ratably in proportion to their respective Pro Rata Shares (disregarding, for the avoidance of doubt, the exclusion of Defaulting Lenders therein) (i) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent and (ii) any indemnification required pursuant to Section 3.4(d) shall, notwithstanding the provisions of this Section 11.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 11.8 shall survive payment of the Obligations and termination of this Agreement.

~~4891-7239-465717~~

#### 11.9 Notice of Event of Default

. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders; provided that, except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity.

#### 11.10 Rights as a Lender

. In the event the Administrative Agent is a Lender, the Administrative Agent shall have the same rights and powers hereunder and under any Related Document with respect to its Commitment and its Revolving Loans as any Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, at any time when the Administrative Agent is a Lender, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any Related Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person.

#### 11.11 Lender Credit Decision, Legal Representation.

(a) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the Related Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the Related Documents. Except for any notice, report, document or other information expressly required to be furnished to the Lenders by the Administrative Agent or Arranger hereunder, neither the Administrative Agent nor the Arranger shall have any duty or responsibility (either initially or on a continuing basis) to provide any Lender with any notice, report, document, credit information or other information concerning the affairs, financial condition or business of the Borrower or any of its Affiliates that may come into the possession of the Administrative Agent or Arranger (whether or not in their respective capacity as Administrative Agent or Arranger) or any of their Affiliates.

(b) Each Lender further acknowledges that it has had the opportunity to be represented by legal counsel in connection with its execution of this Agreement and the Related Documents, that it has made its own evaluation of all applicable laws and regulations relating to

the transactions contemplated hereby, and that the counsel to the Administrative Agent represents only the Administrative Agent and not the Lenders in connection with this Agreement and the transactions contemplated hereby.

#### 11.12 Successor Administrative Agent

. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent or, if no successor Administrative Agent has been appointed, thirty (30) days after the retiring Administrative Agent gives notice of its intention to resign. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders within fifteen (15) days after the resigning Administrative Agent's giving notice of its intention to resign, then the resigning Administrative Agent may appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent. Notwithstanding the previous sentence, the Administrative Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Administrative Agent hereunder. If the Administrative Agent has resigned and no successor Administrative Agent has been appointed, the Lenders may perform all the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor Administrative Agent has accepted the appointment. Any such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Administrative Agent. Upon the effectiveness of the resignation of the Administrative Agent, the resigning Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Administrative Agent, the provisions of this Article XI shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the Related Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 11.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent.

#### 11.13 Delegation to Affiliates

. The Borrower and the Lenders agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles X and XI.

#### 11.14 Negative Pledge Agreement

~~4891-7239-465717~~

. The Lenders hereby empower and authorize the Administrative Agent to execute and deliver to the Borrower on their behalf the Negative Pledge Agreement.

#### 11.15 No Advisory or Fiduciary Responsibility

. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any Related Document), the Borrower acknowledges and agrees that: (a) (i) the arranging and other services regarding this Agreement provided by the Lenders are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Lenders, on the other hand, (ii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the Related Documents; (b) (i) each of the Lenders is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (ii) no Lender has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the Related Documents; and (c) each of the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and no Lender has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against each of the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

## **ARTICLE XII**

### **SETOFF; RATABLE PAYMENTS**

#### 12.1 Setoff

. The Borrower hereby grants each Lender a security interest in all deposits, credits and deposit accounts (including all account balances, whether provisional or final and whether or not collected or available) of the Borrower with such Lender or any Affiliate of such Lender (the "Deposits") to secure the Obligations. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Event of Default occurs, Borrower authorizes each Lender to offset and apply all such Deposits toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to such Lender or the Lenders; provided, that in the event that any Defaulting Lender shall exercise such right of setoff, (y) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.18 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (z) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff.

~~4891-7239-465717~~

62 [4889-9803-56174](#)

---



## 12.2 Ratable Payments

. If any Lender, whether by setoff or otherwise, has payment made to it upon its outstanding Revolving Loans (other than payments received pursuant to Section 3.1, 3.2 or 3.4) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the outstanding Revolving Loans held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the aggregate outstanding Revolving Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral or other protection ratably in proportion to their respective Pro Rata Shares of the aggregate outstanding Revolving Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

## ARTICLE XIII

### **BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

#### 13.1 Successors and Assigns

. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns permitted hereby, except that (a) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents without the prior written consent of each Lender, (b) any assignment by any Lender must be made in compliance with Section 13.3, and (c) any transfer by participation must be made in compliance with Section 13.2. Any attempted assignment or transfer by any party not made in compliance with this Section 13.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with the terms of this Agreement. The parties to this Agreement acknowledge that clause (b) of this Section 13.1 relates only to absolute assignments and this Section 13.1 does not prohibit assignments creating security interests, including, without limitation, (y) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Revolving Credit Note to a Federal Reserve Bank or (z) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Revolving Credit Note to its trustee in support of its obligations to its trustee; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 13.3. The Administrative Agent may treat the Person which made any Revolving Loan or which holds any Revolving Credit Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 13.3; provided, however, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Revolving Loan or which holds any Revolving Credit Note to direct payments relating to such Revolving Loan or Revolving Credit Note to another Person. Any assignee of the rights to any Revolving Loan or any Revolving Credit Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the



owner of the rights to any Revolving Loan (whether or not a Revolving Credit Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Revolving Loan.

### 13.2 Participations.

(a) Permitted Participants; Effect. Any Lender may at any time sell to one or more entities ("Participants") participating interests in any Revolving Loans owing to such Lender, any Revolving Credit Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Revolving Loans and Commitment and the holder of any Revolving Credit Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

(b) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents provided that each such Lender may agree in its participation agreement with its Participant that such Lender will not vote to approve any amendment, modification or waiver with respect to any Revolving Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 9.3 or of any Related Document.

(c) Benefit of Certain Provisions. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 12.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 12.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.2 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4, 10.6 and 10.10 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.3, provided that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.2 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) a Participant shall not be entitled to receive any greater payment under Section 3.4 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account (A) except to the extent such entitlement to receive a greater payment results from a change in treaty, law or regulation

(or any change in the interpretation or administration thereof by any Governmental Authority) that occurs after the Participant acquired the applicable participation and (B), in the case of any Participant that would be a Non-U.S. Lender if it were a Lender, such Participant agrees to comply with the provisions of Section 3.4 to the same extent as if it were a Lender (it being understood that the documentation required under Section 3.4(f) shall be delivered to the participating Lender). Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in any Revolving Loans, any Revolving Credit Note, any Commitment or any other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Revolving Loans, any Revolving Credit Note, any Commitment or any other obligations under the Loan Documents) to any Person except to the extent that such disclosure is necessary to establish that such Revolving Loans, any Revolving Credit Note, any Commitment or any other obligations under the Loan Documents is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

### 13.3 Assignments.

(a) Permitted Assignments. Any Lender may at any time assign to one or more Eligible Assignees ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of **Exhibit D** or in such other form reasonably acceptable to the Administrative Agent as may be agreed to by the parties thereto. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Commitment and the Revolving Loans of the assigning Lender or (unless each of the Borrower and the Administrative Agent otherwise consents) be in an aggregate amount not less than \$5,000,000. The amount of the assignment shall be based on the Commitment or Revolving Loans (if the Commitment has been terminated) subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the assignment.

(b) Consents. The consent of the Borrower shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund, provided that the consent of the Borrower shall not be required if an Event of Default has occurred and is continuing; provided further that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof. The consent of the Administrative Agent shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund. Any consent required under this Section 13.3(b) shall not be unreasonably withheld or delayed.

~~4891-7239-465717~~

(c) Effect: Assignment Effective Date. Upon (i) delivery to the Administrative Agent of an assignment, together with any consents required by Sections 13.3(a) and 13.3(b), and (ii) payment of a \$3,500 fee to the Administrative Agent for processing such assignment (unless such fee is waived by the Administrative Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Revolving Loans under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any Related Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the transferor Lender shall be released with respect to the Commitment and Revolving Loans assigned to such Purchaser without any further consent or action by the Borrower, the Lenders or the Administrative Agent. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the Related Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 13.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 13.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 13.3(c), the transferor Lender, the Administrative Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Revolving Loans be evidenced by Revolving Credit Notes, make appropriate arrangements so that new Revolving Credit Notes or, as appropriate, replacement Revolving Credit Notes are issued to such transferor Lender and new Revolving Credit Notes or, as appropriate, replacement Revolving Credit Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

(d) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in the United States of America, a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Revolving Loans owing to, each Lender, pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and each Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession; provided that each Transferee and prospective Transferee agrees to be bound by Section 10.11 of this Agreement.

## **ARTICLE XIV NOTICES**

### **14.1 Notices; Effectiveness; Electronic Communication**

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to the Borrower, to it at Independent Bank Group, Inc., 7777 Henneman Way, McKinney, TX 75069, Attention: David Brooks, Chairman of the Board, Chief Executive Officer and President, Michelle Hickox, Executive Vice President & Chief Financial Officer, Telephone: 972-562- 9004; Email: michelle.hickox@ifinancial.com;

(ii) if to the Administrative Agent, to it at U.S. Bank National Association, 333 Commerce Street, Suite 800, Nashville, TN 37201, Attention: Michael Trenkmann, Telephone: 615-251-9277; Email: michael.trenkmann@usbank.com; and

(iii) if to a Lender, to it at its address set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent ( except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent or as otherwise determined by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, provided that such determination or approval may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such

notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto given in the manner set forth in this Section 14.1.

## ARTICLE XV

### **COUNTERPARTS; INTEGRATION; EFFECTIVENESS; ELECTRONIC EXECUTION; DOCUMENT IMAGING**

#### 15.1 Counterparts; Effectiveness

. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in Article IV, this Agreement shall become effective when it shall have been executed by the Administrative Agent, and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

#### 15.2 Electronic Execution of Assignments

. The words "execution," "signed," "signature," and words of like import in any assignment and assumption agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, or any other state laws based on the Uniform Electronic Transactions Act.

#### 15.3 Document Imaging and Electronic Transactions

. The Borrower hereby acknowledges the receipt of a copy of this Agreement and all other Loan Documents. The Administrative Agent and each Lender may, on behalf of Borrower, create a microfilm or optical disk or other electronic image of this Agreement and any or all of the Loan Documents. The Administrative Agent and each Lender may store the electronic image of this Agreement and such Loan Documents in its electronic form and then destroy the paper original as part of the Administrative Agent's and each Lender's normal business practices, with the electronic image deemed to be an original. The Administrative Agent and each Lender are

~~4891-7239-465717~~

authorized, when appropriate, to convert any Revolving Credit Note into a "transferable record" under the Uniform Electronic Transactions Act.

## **ARTICLE XVI**

### **CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL**

#### **16.1 CHOICE OF LAW**

. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

#### **16.2 CONSENT TO JURISDICTION**

. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

#### **16.3 WAIVER OF JURY TRIAL**

. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Borrower, the Lenders and the Administrative Agent have executed this Agreement as of the date first above written.

INDEPENDENT BANK GROUP, INC.

By:\_\_\_ Name:  
Title:

U.S. BANK NATIONAL ASSOCIATION,  
as a Lender and as Administrative Agent

By:\_\_\_ Name:  
Title:

*Signature Page to  
Credit Agreement, dated as of January 17, 2019 among Independent Bank Group, Inc., The Lenders, and  
U.S. Bank National Association, as Administrative Agent*

~~4891-7239-4657~~

[4889-9803-5617](#)

---

**SCHEDULE 1**  
**Commitments**

Lender:	Commitment:	Total Commitment:
U.S. BANK NATIONAL ASSOCIATION	\$100,000,000	\$100,000,000
<b>TOTAL COMMITMENTS</b>	<b>\$100,000,000</b>	<b>\$100,000,000</b>



## SCHEDULE 5.1 Subsidiaries

### IBG Subsidiaries:

1. Independent Bank
2. Carlile Capital, LLC

~~4891-7239-4657~~[4889-9803-5617\4](#)

---

**SCHEDULE 5.12**  
**Other Names**

**None**

~~4891-7239-4657~~[4889-9803-5617](#)

---

## **EXHIBIT A NEGATIVE PLEDGE AGREEMENT**

This NEGATIVE PLEDGE AGREEMENT (this "Agreement") is made as of this 17th day of January, 2019, by INDEPENDENT BANK GROUP, INC., a Texas corporation and a registered bank holding company (the "Borrower"), in favor of U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Lenders (defined below) (the "Administrative Agent").

### **RECITALS**

The Administrative Agent and the Lenders have entered into the Credit Agreement (defined below) with the Borrower pursuant to which the Administrative Agent and the Lenders have agreed to extend credit to the Borrower upon the terms set forth in the Credit Agreement. The Administrative Agent and the Lenders would not have agreed to extend such credit but for this Agreement. The Lenders have authorized and directed the Administrative Agent to accept and acknowledge this Agreement on their behalf.

NOW, THEREFORE, in consideration of the extension of credit to the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower hereby agrees:  
AGREEMENT

1. Definitions. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Credit Agreement (as hereinafter defined). In addition, the following terms used in this Agreement shall have the following meanings:

"Credit Agreement" shall mean the Credit Agreement among the Borrower, the Lenders and the Administrative Agent, dated as of the date hereof, as the same may be amended, modified, extended, supplemented or restated from time to time hereafter.

"Shares" shall mean, collectively, 100% of the issued and outstanding capital stock, equity and other ownership interests (and any rights to acquire any of such interests) of each Bank Subsidiary owned by the Borrower, and any further securities, warrants, options, rights, cash or property issued as an addition to, in substitution of, in exchange for, or with respect to such ownership interests.

2. Negative Pledge. The Borrower covenants and agrees that, unless consented to by the Administrative Agent, from and after the date of this Agreement and until the Termination Date and until all Obligations to the Lenders are paid in full, the Borrower will (a) not sell, option, exchange or otherwise convey any legal, equitable or beneficial interest in the Shares or any part thereof, and (b) keep the Shares free and clear from any pledge, mortgage, security interest, hypothecation, lien, charge, encumbrance, conditional sale agreements, rights or claims of third parties, other burdens and any security interest therein, other than Permitted Liens.

4891-7239-46577

A-1 4889-9803-56174

---

3. Certain Representations and Warranties. The Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Ownership. The Borrower is the record and beneficial owner of all the Shares. The Shares represent, and during the term of this Agreement will represent, all of the issued and outstanding capital stock, equity and other ownership interests (and any rights to acquire any of such interests) of each Bank Subsidiary.

(b) Authority. The Borrower has all necessary power and authority to enter into this Agreement and perform its obligations hereunder. The execution, delivery and performance of this Agreement: (i) do not require the approval of any Governmental Authority or other Person; and (ii) will not violate any law, agreement or restriction by which the Borrower is bound. This Agreement is the legal, valid and binding obligation of the Borrower and is enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(c) Title. The Shares are genuine, and the Borrower has good title to the Shares. The Shares are owned by the Borrower free and clear of any pledge, mortgage, security interest, hypothecation, lien, charge, encumbrance, conditional sale agreements, rights or claims of third parties, other burdens and any security interest therein, other than Permitted Liens.

4. Default; Expenses. The failure of the Borrower to comply with any term of this Agreement shall constitute an Event of Default under the Credit Agreement. In addition, the Borrower shall reimburse the Administrative Agent and the Lenders (and any agent or representative of the Administrative Agent or the Lenders) for any expenses incurred by the Administrative Agent or the Lenders (or such agent or representative of the Administrative Agent or the Lenders) in protecting or enforcing their rights under this Agreement, including, without limitation, reasonable attorneys' fees.

5. Further Assurances. The Borrower agrees to execute and deliver, or cause to be executed and delivered, all such other papers and to take all such other actions as the Administrative Agent may reasonably request from time to time in order to carry out the purposes of this Agreement.

6. Term. When all of the Obligations are irrevocably and fully paid and fully discharged and the Lenders shall have no further obligation or commitment to advance or extend credit to the Borrower under the Credit Agreement, this Agreement shall terminate. Notwithstanding the foregoing, this Agreement shall apply to all extensions, renewals, refinancings or modifications, if any, of the Obligations.

7. Miscellaneous.

(a) Waivers. No failure to exercise and no delay in exercising on the part of the Administrative Agent or the Lenders any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy

hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The failure of the Administrative Agent or the Lenders to insist upon the strict observance or enforcement of any provision of this Agreement shall not be construed as a waiver or relinquishment of such provision. Any waiver of any right, power, remedy, term or condition contained herein shall only be effective if it is in writing and signed by the Administrative Agent and the Required Lenders.

(b) Amendments. This Agreement may only be amended by a writing executed by the Borrower, the Administrative Agent and the Required Lenders.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

(d) Successors and Assigns. This Agreement shall inure to the benefit of the Administrative Agent and the Lenders and be binding upon the Borrower and its successors and assigns. This Agreement shall not be assigned by the Borrower.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which when taken together shall be deemed to constitute one and the same agreement.

(f) Headings. The Section headings set forth in this Agreement are for convenience of reference only and shall not be deemed to define or limit the provisions hereof or to affect in any way their construction and application.

(g) Incorporation of Recitals. The Recitals to this Agreement are true, correct and incorporated herein by reference.

[Signature Page Follows]

~~4891-7239-46577~~

A-3 [4889-9803-56174](#)

---

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Negative Pledge Agreement as of the date first above written.

INDEPENDENT BANK GROUP, INC.

By:\_\_\_ Name: \_\_\_ Title: \_\_\_

Acknowledged and accepted by:

U.S BANK NATIONAL ASSOCIATION,  
as Administrative Agent

By:\_\_\_ Name: \_\_\_ Title: \_\_\_

## **EXHIBIT B LOAN REQUEST**

**Date: \_\_, 20\_\_**

U.S. Bank National Association 1255 Corporate  
Drive, 6th Floor Irving, TX 75038

Attn: Gregory Hargis, Vice President Gentlemen:

Please refer to the Credit Agreement dated as of January 17, 2019 (as amended, modified, supplemented, extended or restated from time to time, the "Credit Agreement") among Independent Bank Group, Inc. (the "Borrower"), the Lenders, and U.S. Bank National Association, as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein have the meanings given to them in the Credit Agreement.

The Borrower hereby gives notice to the Administrative Agent that on \_\_, 20\_\_, the Borrower desires to borrow from the Lenders the amounts described in **Annex A** to be deposited in the account listed therein.

The Borrower hereby certifies that both immediately before and immediately after making the Advances requested herein, no Default or Event of Default has occurred or is continuing under the Credit Agreement.

### **BORROWER:**

INDEPENDENT BANK GROUP, INC.

By: \_\_ Name: \_\_ Title: \_\_

4891-7239-465717

B-1 [4889-9803-561714](#)

---

## ANNEX A REVOLVING LOAN REQUEST

TO: U.S. BANK NATIONAL ASSOCIATION, as Administrative Agent

BORROWER: INDEPENDENT BANK GROUP, INC.

I. REVOLVING LOAN REQUEST(S)

A. Borrowing Date: , 20\_\_

B. Principal Amount: \$<sup>1</sup>

C. Loan Period: 1 month

<sup>1</sup> Revolving Loans must be in the principal amount of the lesser of (a) \$100,000 or a multiple thereof, and (b) the Available Aggregate Commitment.



## **EXHIBIT C REVOLVING CREDIT NOTE**

\$[ ] \_\_, 20\_\_

FOR VALUE RECEIVED, INDEPENDENT BANK GROUP, INC., a Texas corporation and a registered bank holding company (the "Borrower"), hereby promises to pay to the order of [LENDER], [TYPE OF ENTITY] ("Lender"), at its main office in [ ], [ ] or at such other place as the holder hereof may from time to time in writing designate, in lawful money of the United States of America, the principal sum of [ ] Dollars (\$[ ]), or so much thereof as has been advanced and remains outstanding pursuant to Section 2.1 of the Credit Agreement by and between the Borrower and Lender dated as of the date hereof (as the same may be amended, modified, supplemented, extended or restated from time to time, the "Credit Agreement"). The Borrower also promises to pay all accrued interest on the unpaid principal amount of each Revolving Loan payable at such rates and at such times as provided in the Credit Agreement, and shall pay all other costs, charges and fees due thereunder, all as provided in the Credit Agreement. This Revolving Credit Note (as the same may be amended, modified, supplemented, extended or restated from time to time, this "Note") shall bear interest on the unpaid principal balance before maturity (whether upon demand, acceleration or otherwise) at the rates set forth in the Credit Agreement. Capitalized terms not defined in this Note shall have the meanings ascribed thereto in the Credit Agreement.

Subject to the provisions of the Credit Agreement with respect to acceleration, prepayment or loan limitations, all unpaid principal with respect to each Revolving Loan, together with accrued interest and all other costs, charges and fees, shall be due and payable in full on the Termination Date for the Revolving Loans.

This Note evidences indebtedness incurred under, and is entitled to the benefits of and is subject to, the Credit Agreement, together with all future amendments, modifications, waivers, supplements and replacements thereof, to which Credit Agreement reference is made for a statement of the terms and provisions applicable to this Note, including those governing payment and acceleration of this Note. Payment and performance of this Note are secured pursuant to a Negative Pledge Agreement, and reference is made thereto and to the Credit Agreement for a statement of terms and provisions thereof. In the event of any conflict between the terms of this Note and the Credit Agreement, the Credit Agreement shall control.

Subject to the Credit Agreement, the Borrower may, from time to time and without premium or penalty, borrow, prepay and reborrow all loans evidenced by this Note in whole or in part, pursuant to the terms of the Credit Agreement.

The Borrower hereby agrees to pay such costs incurred by Lender, including reasonable attorneys' fees and legal expenses, as are specified in the Credit Agreement.

This Note is issued in and shall be governed by the laws of the State of New York.

~~4891-7239-46577~~

C-1 [4889-9803-56174](#)

---

No delay or omission on the part of Lender in exercising any right hereunder shall operate as a waiver of such right or of any other remedy under this Note. A waiver on any one occasion shall not be construed as a waiver of any such right or remedy on a future occasion.

All makers, endorsers, sureties, guarantors and other accommodation parties hereby waive presentment for payment, protest, notice of demand, notice of dishonor and notice of nonpayment and consent, without affecting their liability hereunder, to any and all extensions, renewals, substitutions and alterations of any of the terms of this Note and to the release of or failure by Lender to exercise any rights against any party liable for or any property securing payment of this Note.

INDEPENDENT BANK GROUP, INC.

By: \_\_\_ Name: \_\_\_ Title: \_\_\_

~~4891-7239-465717~~

C-2 [4889-9803-561714](#)

---

**EXHIBIT D**  
**FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: ☐
2. Assignee: ☐[and is an Affiliate/ Approved Fund of [identify Lender}]
3. Borrower(s): ☐
4. Administrative Agent: U.S. Bank National Association
5. Credit Agreement: The \$100,000,000 Credit Agreement dated as of January 17, 2019 among the Borrower, the Lenders party thereto, and U.S. Bank National Association, as Administrative Agent.

<sup>2</sup> Select as applicable.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders <sup>3</sup>	Amount of Commitment/Loans Assigned <sup>4</sup>	Percentage Assigned of Commitment/Loans <sup>5</sup>
Revolving Loans <sup>6</sup>	\$[ ]	\$[ ]	[ ]%
[ ]	\$[ ]	\$[ ]	[ ]%
[ ]	\$[ ]	\$[ ]	[ ]%

7. Trade Date: [ ]<sup>7</sup>

Effective Date: [ ], 20[ ] [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE ADMINISTRATIVE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR  
[NAME OF ASSIGNOR]

By: \_\_\_\_  
Title:

ASSIGNEE  
[NAME OF ASSIGNEE]

By: \_\_\_\_  
Title:

<sup>3</sup> Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

<sup>4</sup> Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

<sup>5</sup> Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

<sup>6</sup> Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Commitment," "Term Loan Commitment," etc.).

<sup>7</sup> Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

[Consented to and]<sup>8</sup> Accepted:

U.S. BANK NATIONAL ASSOCIATION, as  
Administrative Agent

By:\_\_\_ Title:

[Consented to:]<sup>9</sup>

[NAME OF RELEVANT PARTY]

By:\_\_\_ Title:

<sup>8</sup> To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

<sup>9</sup> To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

## **EXHIBIT E COMPLIANCE CERTIFICATE**

To: U.S. Bank National Association, as Administrative Agent Date: \_\_, 20\_\_

Re: INDEPENDENT BANK GROUP, INC.

**Subject Period:** \_\_ended \_\_, 20\_\_

This Compliance Certificate (the "Certificate") is delivered pursuant to Section 6.3(d) of the Credit Agreement dated as of January 17, 2019 (as amended, restated, modified, supplemented or extended from time to time, the "Credit Agreement"), among Independent Bank Group, Inc. (the "Borrower"), the Lenders, and U.S. Bank National Association, as Administrative Agent (the "Administrative Agent"). Capitalized terms used herein shall have the meanings ascribed to such terms in the Credit Agreement unless otherwise defined in this Certificate.

The undersigned hereby certifies to the Administrative Agent for the benefit of the Lenders that on the date of this Certificate:

1. The undersigned is the chief financial officer of the Borrower;
2. Those financial statements described in Sections **[6.3(a)][6.3(b)]**, 6.3(c) and 6.3(f) and posted by the Borrower and/or its Subsidiaries, as applicable, to EDGAR and/or the website of the applicable Regulatory Authority for the **[Fiscal Quarter][Fiscal Year]** ending as of the last day of such **[Fiscal Quarter][Fiscal Year]** were prepared in accordance with generally accepted accounting principles and present fairly in all Material respects the Borrower's and its Subsidiaries' consolidated financial condition and results of operations as of the last day of such **[Fiscal Quarter][Fiscal Year]**;
3. Each of the representations and warranties contained in Article V of the Credit Agreement is true, correct and complete in all Material respects, except (a) to the extent that any such representation or warranty refers to a specific date, or (b) to the extent that the facts on which it is based have changed by transactions or conditions permitted by the Credit Agreement, or (c) for the changes, if any, described on the attached Annex A;
4. Based upon a review of the activities of the Borrower and its Subsidiaries during the subject period made under the supervision of the undersigned officer, the Borrower and each of its Subsidiaries has observed, performed and fulfilled each and every covenant and condition in the Credit Agreement and the Related Documents other than those, if any, described on the attached Annex A;
5. No Default or Event of Default exists under the Credit Agreement other than those, if any, described on the attached Annex A; and

~~4891-7239-465717~~

E-1 [4889-9803-561714](#)

---

6. The Borrower's compliance with the financial covenants set forth in the Credit Agreement is accurately calculated on the attached Annex B and the detail to evidence such calculation is attached thereto.

By: \_\_

Its: \_\_

~~4891-7239-465717~~

E-2 [4889-9803-561714](#)

---

**ANNEX A TO**  
**COMPLIANCE CERTIFICATE**

A. Describe any exceptions from the Borrower's or any of its Subsidiaries' compliance with representations, warranties and/or obligations under the Credit Agreement. (If none, so state.)

B. Describe any exceptions from the Borrower's or any of its Subsidiaries' compliance with each and every covenant and condition in the Credit Agreement and the Related Documents. (If none, so state.)

C. Describe any Defaults or Events of Default under the Credit Agreement, if any. (If none, so state.)

~~4891-7239-465717~~

E-3 [4889-9803-561714](#)

---



**ANNEX B TO**  
**COMPLIANCE CERTIFICATE FINANCIAL COVENANT**

**CALCULATIONS**

<b>Section 6.9(a) Loan Loss Reserves to Non-Performing Loans Ratio of the Consolidated Bank Subsidiaries</b>	
(a) Loan Loss Reserves	
(b) Non-Performing Loans	
(c) Ratio of (a) to (b)	
Minimum required under Section 6.9(a)	Not less than <del>80</del> <u>100</u> %.
<b>Section 6.9(b) Maximum Texas Ratio of the Consolidated Bank Subsidiaries</b>	
(a) Non-Performing Asset Amount	
(b) Total Equity Capital of the Borrower and its Consolidated Subsidiaries	
(c) Loan Loss Reserves	
(d) Disallowed Good Will and Other Intangible Assets	
(e) Sum of (b) through (d)	
(f) Ratio of (a) to (e)	
Maximum permitted under Section 6.9(b)	Not more than <del>15</del> <u>12</u> %.
<b>Section 6.9(c) Total Risk-Based Capital Ratio of the Consolidated Bank Subsidiaries</b>	
Total Risk-Based Capital Ratio of the Consolidated Bank Subsidiaries	
Minimum required under Section 6.9(c)	Must be equal to or greater than

~~4891-7239-465717~~

E-4 [4889-9803-561714](#)

	10.50%.
<b>Section 6.9(d) Minimum Return on Average Assets of the Consolidated Bank Subsidiaries</b>	
(a) Net Income	
(b) Average Total Daily Assets	
(c) Ratio of (a) to (b)	
Minimum required under Section 6.9(d)	At least equal to <del>0.90</del> 0.50%.
<b>Section 6.9(e) <del>Minimum Liquid Assets of the Borrower</del>[Reserved]</b>	
<del>Total Liquid Assets</del>	
<del>Minimum required under Section 6.9(e)</del>	<del>At least equal to \$5,000,000.</del>
<b>Section 6.9(f) Total Risk-Based Capital Ratio of the Borrower and Consolidated Subsidiaries</b>	
Total Risk-Based Capital Ratio of the Borrower and its Consolidated Subsidiaries	
Minimum required under Section 6.9(f)	Must be equal to or greater than 10.75%.
<b>Section 6.9(g) Capitalization of Each Bank Subsidiary</b>	
Capital maintained by Bank Subsidiary	
Minimum capital required for such Bank Subsidiary to be classified as a "Well Capitalized" institution	
Minimum required under Section 6.9(g)	Must be equal to or greater than minimum capital required for such Bank Subsidiary to be classified as a "Well Capitalized" institution

**EXHIBIT F**  
**NOTICE OF AUTHORIZED BORROWERS**

[Company Letterhead]

NOTICE OF AUTHORIZED BORROWERS

U.S. Bank Agency Services 800  
Nicollet Mall  
Minneapolis, MN 55402-7020  
Fax 612-303-3851

Please be advised that the following individuals are authorized to request advances, principal reductions or fixed rate contracts (e.g. LIBOR Loans) under the credit facility referenced in the Credit Agreement dated as of January 17, 2019.

	Name	Title
1.	___	___
2.	___	___
3.	___	___
4.	___	___
5.	___	___

DATED: \_\_\_ Independent Bank Group, Inc.:

By: \_\_\_

Title:\_\_\_

**ACCOUNT**      **EXHIBIT G AUTHORITY TO DEBIT**

[Company Letterhead]

[Insert Date]

U.S. Bank Agency Services 800  
Nicollet Mall  
Minneapolis, MN 55402-7020  
Fax 612-303-3851

RE: Independent Bank Group, Inc. Credit Agreement dated January 17, 2019 ("Credit Agreement")

Dear U.S. Bank,

Please accept this as authorization to debit our account number [xxxx-xxxx-xxxx] for any and all payments due under the above referenced Credit Agreement.

Sincerely,

Independent Group Bank, Inc.

By: [Authorized Signer on Account]

Title: \_\_\_\_

Date: \_\_\_\_

## INDEPENDENT BANK GROUP, INC.

## LIST OF SUBSIDIARIES

	Name	State of Incorporation
Parent:	Independent Bank Group, Inc.	Texas
Banking Subsidiary:	Independent Bank	Texas
Nonbanking Subsidiaries:	Carlile Capital, LLC	Texas
	IBG Real Estate Holdings II, Inc.	Texas
	IBG Aircraft Company III	Texas
	Preston Grand, Inc.	Texas
	McKinney Avenue Holdings, Inc.	Texas
	Private Capital Management, LLC	Colorado
	IB Trust I	Delaware
	IB Trust II	Delaware
	IB Trust III	Delaware
	IB Centex Trust I	Delaware
	Community Group Statutory Trust I	Delaware
	Northstar Statutory Trust II	Delaware
	Northstar Statutory Trust III	Delaware
	Cenbank Statutory Trust III	Delaware
	Guaranty Capital Trust III	Delaware

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in Registration Statement (No. 333-272553) on Form S-3 pertaining to a shelf registration statement, Registration Statement (No. 333-265270) on Form S-8 pertaining to the 2022 Equity Incentive Plan of Independent Bank Group, Inc., Registration Statement (No. 333-251511) on Form S-8 pertaining to the 2013 Equity Incentive Plan of Independent Bank Group, Inc. and Registration Statement (No. 333-275824) on Form S-8, as amended, pertaining to the Independent Financial 401(k) Profit Sharing Plan of our reports dated February 20, 2024, relating to the consolidated financial statements, and the effectiveness of internal control over financial reporting of Independent Bank Group, Inc., appearing in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K of Independent Bank Group, Inc. for the year ended December 31, 2023.

/s/ RSM US LLP

Dallas, Texas

February 20, 2024

## CERTIFICATION OF CHIEF EXECUTIVE OFFER

I, David R. Brooks, certify that:

1. I have reviewed this Annual Report on Form 10-K (the "Report") of Independent Bank Group, Inc. (the "registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - (d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2024

/s/ David R. Brooks

David R. Brooks  
Chairman and Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul B. Langdale, certify that:

1. I have reviewed this Annual Report on Form 10-K (the "Report") of Independent Bank Group, Inc. (the "registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information related to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2024

/s/ Paul B. Langdale

Paul B. Langdale

Executive Vice President and Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350 (AS ADOPTED  
PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Independent Bank Group, Inc. (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Brooks, Chairman and Chief Executive Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of February 20, 2024.

/s/ David R. Brooks

---

David R. Brooks  
Chairman and Chief Executive Officer

[A signed original of this written statement required by Section 906 has been provided to Independent Bank Group, Inc. and will be retained by Independent Bank Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350 (AS ADOPTED  
PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Independent Bank Group, Inc. (the "Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul B. Langdale, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of February 20, 2024.

/s/ Paul B. Langdale

---

Paul B. Langdale

Executive Vice President and Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to Independent Bank Group, Inc. and will be retained by Independent Bank Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

**INDEPENDENT BANK GROUP, INC. COMPENSATION RECOVERY POLICY**

1. **Purpose.** This Policy sets forth the terms on which the Company may recover erroneously awarded compensation to its executive officers. This Policy is intended to comply with Section 10D of the Exchange Act and Nasdaq Listing Rule 5608.
  2. **Definitions.** Unless the context otherwise requires, the following terms used in this Policy shall have the following meanings:
    - (a) **"Board"** means the Board of Directors of the Company.
    - (b) **"Committee"** means the Compensation Committee of the Board.
    - (c) **"Company"** means Independent Bank Group, Inc.
    - (d) **"Effective Date"** means October 2, 2023.
    - (e) **"Exchange"** means the Nasdaq Stock Market.
    - (f) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
    - (g) **"erroneously awarded compensation"** has the meaning set forth in Section 3(c).
    - (h) **"executive officer"** means any executive officer of the Company within the meaning of Rule 10D-1 promulgated under the Exchange Act and Nasdaq Listing Rule 5608. An "executive officer" for purposes of this Policy includes at a minimum executive officers identified pursuant to Item 401(b) of SEC Regulation S-K.
    - (i) **"financial reporting measures"** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures.
    - (j) **"incentive-based compensation"** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure.
    - (k) **"Policy"** means this Independent Bank Group, Inc. Compensation Recovery Policy, as in effect from time to time.
    - (l) **"received"** has the following meaning: incentive-based compensation is deemed received in the Company's fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.
    - (m) **"SEC"** means the U.S. Securities and Exchange Commission.
-

3. **Recovery of Erroneously Awarded Compensation.** The Company shall recover reasonably promptly the amount of erroneously awarded compensation in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

(a) **Scope of Policy.** This Policy shall apply to all incentive-based compensation received on or after the Effective Date by a person:

- (i) After beginning service as an executive officer;
- (ii) Who served as an executive officer at any time during the performance period for that incentive-based compensation;
- (iii) While the Company has a class of securities listed on a national securities exchange or a national securities association; and
- (iv) During the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in the first paragraph of this Section 3. In addition to these last three completed fiscal years, this Policy shall apply to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

(b) **Date of Accounting Restatement.** The date that the Company is required to prepare an accounting restatement as described in the first paragraph of this Section 3 is the earlier to occur of:

- (i) the date on which the Board, a committee thereof or the Company's officer(s) authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described in the first paragraph of this Section 3; and
  - (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an accounting restatement as described in the first paragraph of this Section 3.
-

- (c) **Amount Subject to Recovery.** The amount of incentive-based compensation subject to this Policy (“erroneously awarded compensation”) is the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts, and shall be computed without regard to any taxes paid. For incentive-based compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (i) the amount shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the incentive-based compensation was received; and (ii) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.
- (d) **Impracticability of Recovery.** The Company shall recover erroneously awarded compensation in compliance with this Policy except to the extent that the conditions of clauses (i), (ii) or (iii) below are met, and the Committee (or in the absence thereof, a majority of the independent directors serving on the Board) has made a determination that recovery would be impracticable.
- (i) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange.
  - (ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and shall provide such opinion to the Exchange.
  - (iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
- (e) **Prohibition on Indemnification.** The Company shall not indemnify any current or former executive officer against the loss of erroneously awarded compensation.
-

- (f) **Method of Recovery.** The Committee shall determine, in its sole and exclusive discretion, the method or methods for recovering any erroneously awarded compensation, which methods need not be the same, or applied in the same manner, to each executive officer, provided that any such method shall provide for reasonably prompt recovery and otherwise comply with any requirements of the Exchange.

4. **Disclosure.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Federal securities laws, including the disclosure required by the applicable rules of the SEC. Without limiting the generality of the foregoing, the Company shall file the disclosures set forth below.

- (a) **Publication of this Policy.** The Company shall file a copy of this Policy as an exhibit to its annual report on Form 10-K.
- (b) **Annual Report Check Mark.** The Company shall indicate by check mark on the cover page to its annual report on Form 10-K: (i) whether the financial statements of the Company included in the filing reflect the correction of an error to previously issued financial statements; and (ii) whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation pursuant to this Policy.
- (c) **Disclosure of Action to Recover Erroneously Awarded Compensation** The Company shall make the disclosures set forth below in proxy or information statements that call for disclosure pursuant to Item 402 of SEC Regulation S-K and its annual report on Form 10-K.
  - (i) If at any time during or after the last completed fiscal year the Company was required to prepare an accounting restatement that required recovery of erroneously awarded compensation pursuant to this Policy, or there was an outstanding balance as of the end of the last completed fiscal year of erroneously awarded compensation to be recovered from the application of this Policy to a prior restatement, the Company shall provide the following information:
    - (1) For each restatement:
      - (A) The date on which the Company was required to prepare an accounting restatement;
      - (B) The aggregate dollar amount of erroneously awarded compensation attributable to such accounting restatement, including an analysis of how the amount was calculated;
      - (C) If the financial reporting measure related to a stock price or total shareholder return metric, the estimates that were used in determining the erroneously awarded compensation attributable to such accounting restatement and an explanation of the methodology used for such estimates;

---

- (D) The aggregate dollar amount of erroneously awarded compensation that remains outstanding at the end of the last completed fiscal year; and
  - (E) If the aggregate dollar amount of erroneously awarded compensation has not yet been determined, disclosure of this fact, an explanation of the reason(s) and disclosure the information required in the foregoing clauses (B) through (D) in the next filing that is required to include disclosure pursuant to Item 402 of SEC Regulation S-K;
- (2) If recovery would be impracticable pursuant to Section 3(d), for each current and former named executive officer and for all other current and former executive officers as a group, disclose the amount of recovery forgone and a brief description of the reason the Company decided in each case not to pursue recovery; and
  - (3) For each current and former named executive officer from whom, as of the end of the last completed fiscal year, erroneously awarded compensation had been outstanding for 180 days or longer since the date the Company determined the amount the individual owed, disclose the dollar amount of outstanding erroneously awarded compensation due from each such individual.
- (ii) If at any time during or after its last completed fiscal year the Company was required to prepare an accounting restatement, and the Company concluded that recovery of erroneously awarded compensation was not required pursuant to this Policy, a brief explanation of why application of this Policy resulted in this conclusion.

## 5. **Administration.**

- (a) **Effective Date.** This Policy shall take effect on the Effective Date.
  - (b) **Authority of Committee.** This Policy shall be administered and interpreted by the Committee in accordance with Nasdaq Listing Rule 5608, Section 10D of the Exchange Act and other applicable Federal securities laws and regulations. Except as limited by applicable law, and subject to the provisions of this Policy, the Committee shall have full power, authority and sole and exclusive discretion to construe, interpret and administer this Policy, and to delegate its authority pursuant to this Policy. In addition, the Committee shall have full and exclusive power to adopt such rules, regulations and guidelines for carrying out this Policy and to amend this Policy, in each case, as it may deem necessary or proper. Subject to Section 3(d), this Policy also may be administered by the Board, and references in this Policy to the "Committee" shall be understood to refer to the full Board.
-

- (c) **Decisions Binding.** In making any determination or in taking or not taking any action under this Policy, the Committee may obtain and rely on the advice of experts, including employees of, and professional advisors to, the Company. Any action taken by, or inaction of, the Committee or its delegates relating to or pursuant to this Policy shall be within the absolute discretion of the Committee or its delegates. Such action or inaction of the Committee or its delegates shall be conclusive and binding on the Company and any current or former executive officer affected by such action or inaction.
- (d) **Policy Not Exclusive.** Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery, recoupment, forfeiture or offset that may be available to the Company pursuant to the terms of any other applicable Company policy (including the Company's Clawback Policy, dated January 19, 2023, as in effect from time to time), compensation or benefit plan, agreement or arrangement or other agreement or applicable law; provided, however, that there shall be no duplication of recovery of the same compensation.

\* \* \* \* \*

---



**INDEPENDENT BANK GROUP, INC. COMPENSATION RECOVERY  
POLICY**

**ACKNOWLEDGEMENT FORM**

By signing below, I, the undersigned, acknowledge and agree as follows:

1. I have received and reviewed a copy of the Independent Bank Group, Inc. Compensation Recovery Policy (as it may be amended, restated, supplemented or otherwise modified from time to time, the "**Policy**");
2. I am bound by, subject to, and shall comply with, all terms and conditions of the Policy, both during and after my period of employment or service with the Company and its affiliates;
3. In the event of any conflict between the Policy and the terms of any employment or other agreement to which I am a party, or any compensation or benefit plan, program or arrangement in which I participate, the terms of the Policy shall govern; and
4. If it is determined by the Committee (as defined in the Policy) that any amounts granted, awarded, paid or provided to me should be forfeited or reimbursed to the Company or its affiliates, I shall promptly take any action necessary to effectuate such forfeiture and/or reimbursement.

---

Signature

---

Print Name

---

Date