

REFINITIV

DELTA REPORT

10-Q

IBTX - INDEPENDENT BANK GROUP, I

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 3970

 CHANGES 395

 DELETIONS 489

 ADDITIONS 3086

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended **September 30, 2023** **March 31, 2024**.

or

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)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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 such shorter periods 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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	(Do not check if a smaller reporting 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 pursuant to Section 13(a) of the Exchange Act.

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

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, Par Value \$0.01 Per Share – **41,283,178** **41,379,492** shares as of **October 20, 2023** **April 19, 2024**.

INDEPENDENT BANK GROUP, INC. AND SUBSIDIARIES

Form 10-Q

September 30, 2023 March 31, 2024

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PART I

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Independent Bank Group, Inc. and Subsidiaries

Consolidated Balance Sheets

September 30, 2023 March 31, 2024 (unaudited) and December 31, 2022 December 31, 2023

(Dollars in thousands, except share information)

Assets	Assets	December		Assets	2024	2023	December 31,
		September 30,	31,				
Cash and due from banks	Cash and due from banks	\$ 92,921	\$ 134,183				

Interest-bearing deposits in other banks	Interest-bearing deposits in other banks	618,788	520,139
Cash and cash equivalents	Cash and cash equivalents	711,709	654,322
Cash and cash equivalents			
Cash and cash equivalents			
Certificates of deposit held in other banks	Certificates of deposit held in other banks	248	496
Securities available for sale, at fair value	Securities available for sale, at fair value	1,545,904	1,691,784
Securities held to maturity, net of allowance for credit losses of \$0 and \$0, respectively		205,689	207,059
Loans held for sale (includes \$10,499 and \$10,612 carried at fair value, respectively)		18,068	11,310
Loans, net of allowance for credit losses of \$148,249 and \$148,787, respectively		14,075,155	13,760,576
Securities held to maturity, net of allowance for credit losses of \$0 and \$0, respectively, fair value of \$166,736 and \$170,997, respectively			
Loans held for sale (includes \$12,372 and \$12,016 carried at fair value, respectively)			
Loans, net of allowance for credit losses of \$148,437 and \$151,861, respectively			
Premises and equipment, net	Premises and equipment, net	355,533	355,368
Other real estate owned	Other real estate owned	22,505	23,900
Federal Home Loan Bank (FHLB) of Dallas stock and other restricted stock	Federal Home Loan Bank (FHLB) of Dallas stock and other restricted stock	25,496	23,436
Bank-owned life insurance (BOLI)	Bank-owned life insurance (BOLI)	243,980	240,448
Deferred tax asset	Deferred tax asset	106,658	78,669
Goodwill	Goodwill	994,021	994,021
Other intangible assets, net	Other intangible assets, net	53,666	62,999
Other assets	Other assets	161,240	154,026
Total assets	Total assets	\$ 18,519,872	\$ 18,258,414
Liabilities and Stockholders' Equity			
Liabilities and Stockholders' Equity			
Deposits:	Deposits:		
Deposits:			
Deposits:			
Noninterest-bearing			

Noninterest-bearing			
Noninterest-bearing	Noninterest-bearing	\$ 3,703,784	\$ 4,736,830
Interest-bearing	Interest-bearing	11,637,185	10,384,587
Total deposits	Total deposits	15,340,969	15,121,417
FHLB advances	FHLB advances	275,000	300,000
Other borrowings	Other borrowings	271,666	267,066
Other borrowings			
Other borrowings			
Junior subordinated debentures			
Junior subordinated debentures			
Junior subordinated debentures	Junior subordinated debentures	54,568	54,419
Other liabilities	Other liabilities	245,571	130,129
Total liabilities	Total liabilities	16,187,774	15,873,031
Commitments and contingencies	Commitments and contingencies	—	—
Stockholders' equity:	Stockholders' equity:		
Preferred stock (0 and 0 shares outstanding, respectively)	Preferred stock (0 and 0 shares outstanding, respectively)	—	—
Common stock (41,284,003 and 41,190,677 shares outstanding, respectively)		413	412
Preferred stock (0 and 0 shares outstanding, respectively)			
Preferred stock (0 and 0 shares outstanding, respectively)			
Common stock (41,377,745 and 41,281,919 shares outstanding, respectively)			
Additional paid-in capital	Additional paid-in capital	1,964,764	1,959,193
Retained earnings	Retained earnings	617,673	638,354
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(250,752)	(212,576)
Accumulated other comprehensive loss			
Accumulated other comprehensive loss			
Total stockholders' equity	Total stockholders' equity	2,332,098	2,385,383
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 18,519,872	\$ 18,258,414

See Notes to Consolidated Financial Statements

Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Income (Loss)

Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)

(Dollars in thousands, except per share information)

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	2024
	2024
	2024

Interest income:

Interest income:

Interest income:

Interest and fees on loans
Interest and fees on loans
Interest and fees on loans
Interest on taxable securities
Interest on taxable securities
Interest on taxable securities
Interest on nontaxable securities
Interest on nontaxable securities
Interest on nontaxable securities
Interest on interest-bearing deposits and other
Interest on interest-bearing deposits and other
Interest on interest-bearing deposits and other

Total interest income

Total interest income

Total interest income

Interest expense:

Interest expense:

Interest expense:

Interest on deposits
Interest on deposits
Interest on deposits
Interest on FHLB advances
Interest on FHLB advances
Interest on FHLB advances
Interest on other borrowings
Interest on other borrowings
Interest on other borrowings
Interest on junior subordinated debentures
Interest on junior subordinated debentures
Interest on junior subordinated debentures

Total interest expense

Total interest expense

Total interest expense

Net interest income

Net interest income

Net interest income

Provision for credit losses
Provision for credit losses
Provision for credit losses

Net interest income after provision for credit losses

Net interest income after provision for credit losses

Net interest income after provision for credit losses**Noninterest income:****Noninterest income:****Noninterest income:**

Service charges on deposit accounts

Service charges on deposit accounts

Service charges on deposit accounts

Investment management fees

Investment management fees

Investment management fees

Mortgage banking revenue

Mortgage banking revenue

Mortgage banking revenue

Mortgage warehouse purchase program fees

Mortgage warehouse purchase program fees

Mortgage warehouse purchase program fees

Gain on sale of loans

Gain on sale of loans

Gain on sale of loans

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest income:				
Interest and fees on loans	\$ 202,725	\$ 160,160	\$ 580,631	\$ 427,765
Interest on taxable securities	7,674	8,306	23,323	24,908
Interest on nontaxable securities	2,558	2,655	7,747	7,729
Interest on interest-bearing deposits and other	9,787	2,566	27,513	4,846
Total interest income	222,744	173,687	639,214	465,248
Interest expense:				
Interest on deposits	102,600	21,586	243,005	35,306
Interest on FHLB advances	6,054	443	29,903	786
Interest on other borrowings	3,808	3,635	12,248	10,986
Interest on junior subordinated debentures	1,233	749	3,480	1,749
Total interest expense	113,695	26,413	288,636	48,827
Net interest income	109,049	147,274	350,578	416,421
Provision for credit losses	340	3,100	650	1,657
Net interest income after provision for credit losses	108,709	144,174	349,928	414,764
Noninterest income:				
Service charges on deposit accounts	3,568	3,194	10,436	8,996
Investment management fees	2,470	2,156	7,215	6,998
Mortgage banking revenue	1,774	2,179	5,646	7,695
Mortgage warehouse purchase program fees	555	596	1,414	2,285
Loss on sale of loans	(7)	—	(14)	(1,501)
Gain on sale of other real estate				
Gain on sale of other real estate				
Gain on sale of other real estate				
(Loss) gain on sale and disposal of premises and equipment	(56)	(101)	345	(310)
Gain on sale and disposal of premises and equipment				
Gain on sale and disposal of premises and equipment				

Gain on sale and disposal of premises and equipment					
Increase in cash surrender value of BOLI					
Increase in cash surrender value of BOLI					
Increase in cash surrender value of BOLI	Increase in cash surrender value of BOLI	1,465	1,350	4,252	3,987
Other	Other	3,877	4,103	11,201	12,089
Other					
Other					
Total noninterest income					
Total noninterest income					
Total noninterest income	Total noninterest income	13,646	13,477	40,495	40,239
Noninterest expense:	Noninterest expense:				
Noninterest expense:					
Noninterest expense:					
Salaries and employee benefits	Salaries and employee benefits				
Salaries and employee benefits					
Salaries and employee benefits	Salaries and employee benefits	43,618	54,152	136,833	154,837
Occupancy	Occupancy	12,408	11,493	35,607	31,526
Occupancy					
Occupancy					
Communications and technology	Communications and technology				
Communications and technology					
Communications and technology	Communications and technology	6,916	6,545	21,202	18,276
FDIC assessment	FDIC assessment	3,653	1,749	10,171	4,831
FDIC assessment					
FDIC assessment					
Advertising and public relations	Advertising and public relations				
Advertising and public relations					
Advertising and public relations	Advertising and public relations	587	424	2,195	1,583
Other real estate owned (income) expenses, net		(253)	133	(482)	199
Advertising and public relations					
Advertising and public relations					
Other real estate owned expenses (income), net					
Other real estate owned expenses (income), net					
Other real estate owned expenses (income), net					
Impairment of other real estate					
Impairment of other real estate					
Impairment of other real estate	Impairment of other real estate	—	—	2,200	—
Amortization of other intangible assets	Amortization of other intangible assets				
Amortization of other intangible assets					
Amortization of other intangible assets	Amortization of other intangible assets	3,111	3,117	9,333	9,380
Amortization of other intangible assets					
Amortization of other intangible assets					
Litigation settlement	Litigation settlement	—	—	102,500	—
Litigation settlement					
Litigation settlement					
Professional fees					
Professional fees					
Professional fees	Professional fees	1,262	3,457	6,112	10,990
Other	Other	10,032	10,663	30,748	28,493

Other				
Other				
Total noninterest expense	Total noninterest expense	81,334	91,733	356,419
Income before taxes		41,021	65,918	34,004
Income tax expense		8,246	13,481	5,662
Net income		<u>\$ 32,775</u>	<u>\$ 52,437</u>	<u>\$ 28,342</u>
Basic earnings per share		<u>\$ 0.79</u>	<u>\$ 1.27</u>	<u>\$ 0.69</u>
Diluted earnings per share		<u>\$ 0.79</u>	<u>\$ 1.27</u>	<u>\$ 0.69</u>
Total noninterest expense				260,115
Total noninterest expense				194,888
Income (loss) before taxes				39,351
Income (loss) before taxes				155,537
Income (loss) before taxes				3.71
Income tax expense (benefit)				
Income tax expense (benefit)				
Income tax expense (benefit)				
Net income (loss)				
Net income (loss)				
Net income (loss)				
Basic earnings (loss) per share				
Basic earnings (loss) per share				
Basic earnings (loss) per share				
Diluted earnings (loss) per share				
Diluted earnings (loss) per share				
Diluted earnings (loss) per share				

See Notes to Consolidated Financial Statements

Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 32,775	\$ 52,437	\$ 28,342	\$ 155,537
Other comprehensive loss before tax:				
<u>Unrealized losses on securities:</u>				
Unrealized losses arising during the period, excluding the change attributable to available for sale securities reclassified to held to maturity	(47,756)	(58,857)	(47,994)	(267,832)
Tax effect	(10,029)	(12,360)	(10,079)	(56,245)
Unrealized losses arising during the period, net of tax, excluding the change attributable to available for sale securities reclassified to held to maturity	(37,727)	(46,497)	(37,915)	(211,587)
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities	(5)	(6)	(15)	(16)
Tax effect	(1)	(1)	(3)	(3)
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities, net of tax	(4)	(5)	(12)	(13)
Change in unrealized losses on securities, net of tax	(37,731)	(46,502)	(37,927)	(211,600)
<u>Unrealized losses on derivative financial instruments:</u>				
Unrealized holding losses arising during the period	(1,720)	(4,068)	(3,347)	(11,088)
Tax effect	(361)	(854)	(703)	(2,328)

Unrealized losses arising during the period, net of tax	(1,359)	(3,214)	(2,644)	(8,760)
Reclassification of amount of losses recognized into income	1,113	321	3,032	78
Tax effect	234	67	637	16
Reclassification of amount of losses recognized into income, net of tax	879	254	2,395	62
Change in unrealized losses on derivative financial instruments	(480)	(2,960)	(249)	(8,698)
Other comprehensive loss, net of tax	(38,211)	(49,462)	(38,176)	(220,298)
Comprehensive (loss) income	\$ (5,436)	\$ 2,975	\$ (9,834)	\$ (64,761)

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ 24,150	\$ (37,510)
Other comprehensive (loss) income before tax:		
<u>Unrealized (losses) gains on securities:</u>		
Unrealized (losses) gains arising during the period	(13,942)	20,771
Tax effect	(2,928)	4,362
Unrealized (losses) gains arising during the period, net of tax	(11,014)	16,409
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities	(5)	(5)
Tax effect	(1)	(1)
Change in net unamortized gains on available for sale securities reclassified into held to maturity securities, net of tax	(4)	(4)
Change in unrealized (losses) gains on securities, net of tax	(11,018)	16,405
<u>Unrealized (losses) gains on derivative financial instruments:</u>		
Unrealized holding (losses) gains arising during the period	(1,966)	940
Tax effect	(413)	197
Unrealized (losses) gains arising during the period, net of tax	(1,553)	743
Reclassification of amount of losses recognized into income	1,122	894
Tax effect	236	188
Reclassification of amount of losses recognized into income, net of tax	886	706
Change in unrealized (losses) gains on derivative financial instruments	(667)	1,449
Other comprehensive (loss) income, net of tax	(11,685)	17,854
Comprehensive income (loss)	\$ 12,465	\$ (19,656)

See Notes to Consolidated Financial Statements

Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Three Months Ended **September 30, 2023** **March 31, 2024** and **2022** **2023** (unaudited)

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

	Preferred Stock \$0.01 Par	Common Stock \$0.01 Par Value		Accumulated Other Comprehensive (Loss)				
		Value 10 million shares authorized	100 million shares authorized		Additional Paid in Capital	Retained Earnings	Income	Total
			Shares	Amount				
Three Months Ended								
Balance, June 30, 2023	\$ —	41,279,460	\$ 413	\$ 1,964,341	\$ 600,829	\$ (212,541)	\$ 2,353,042	
Net income	—	—	—	—	32,775	—	32,775	
Other comprehensive loss, net of tax	—	—	—	—	—	(38,211)	(38,211)	
Common stock repurchased	—	(11,476)	—	—	(418)	—	(418)	

Restricted stock forfeited	—	(1,123)	—	—	—	—	—	—					
Restricted stock granted	—	17,142	—	—	—	—	—	—					
Stock based compensation expense	—	—	—	—	423	—	—	423					
Cash dividends (\$0.38 per share)	—	—	—	—	(15,513)	—	—	(15,513)					
Balance, September 30, 2023	\$	—	41,284,003	\$	413	\$	1,964,764	\$	617,673	\$	(250,752)	\$	2,332,098
Three Months Ended													
Balance, June 30, 2022	\$	—	41,156,261	\$	412	\$	1,951,317	\$	578,201	\$	(165,595)	\$	2,364,335
Net income	—	—	—	—	—	—	52,437	—	—	—	—	52,437	
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(49,462)	(49,462)	(49,462)		
Common stock repurchased	—	(15,311)	—	—	—	(1,054)	—	—	—	—	(1,054)		
Restricted stock forfeited	—	(2,755)	—	—	—	—	—	—	—	—	—		
Restricted stock granted	—	26,811	—	—	—	—	—	—	—	—	—		
Stock based compensation expense	—	—	—	—	3,779	—	—	—	—	—	3,779		
Cash dividends (\$0.38 per share)	—	—	—	—	—	(15,695)	—	—	—	—	(15,695)		
Balance, September 30, 2022	\$	—	41,165,006	\$	412	\$	1,955,096	\$	613,889	\$	(215,057)	\$	2,354,340

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Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Continued)

Nine Months Ended September 30, 2023 and 2022 (unaudited)

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

	Preferred Stock \$0.01 Par	Preferred Stock \$0.01 Par	Common Stock \$0.01 Par Value	Additional Paid in Capital
Value 10 million shares authorized				
	Shares			
	Shares			
	Shares			
Three Months Ended				
Three Months Ended				
Three Months Ended				
Balance, December 31, 2023				
Balance, December 31, 2023				
Balance, December 31, 2023				
	Preferred Stock \$0.01 Par	Common Stock \$0.01 Par Value	Accumulated Other Comprehensive (Loss) Income	Accumulated Other Comprehensive (Loss) Income
Net income			Additional	
	Value 10 million shares authorized	100 million shares authorized	Paid in Capital	Retained Earnings
	authorized Shares	Amount	Additional	Retained Earnings
			Paid in Capital	Total
Nine Months Ended				
Balance, December 31, 2023	†	11,100,677	†	† 6,025,620

Balance, December 31, 2022	\$ —	41,190,077	\$ 412			\$ 2,385,383
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Net income						
Net income	Net income	—	—	—	—	28,342
Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	—	—	—	—	(38,176)
Common stock repurchased	Common stock repurchased	—	(38,739)	—	—	(2,057)
Restricted stock forfeited	—	(4,844)	—	—	—	—
Restricted stock granted	—	136,909	1	(1)	—	—
Stock based compensation expense	—	—	—	5,572	—	5,572
Cash dividends (\$1.14 per share)	—	—	—	—	(46,966)	(46,966)
Balance, September 30, 2023	\$ —	41,284,003	\$ 413	\$ 1,964,764	\$ 617,673	\$ (250,752) \$ 2,332,098
Nine Months Ended						
Balance, December 31, 2021	\$ —	42,756,234	\$ 428	\$ 1,945,497	\$ 625,484	\$ 5,241 \$ 2,576,650
Net income	—	—	—	—	155,537	— 155,537
Other comprehensive loss, net of tax	—	—	—	—	—	(220,298) (220,298)
Common stock repurchased						
Common stock repurchased	Common stock repurchased	—	(1,695,022)	(17)	—	(119,148)
Restricted stock forfeited	Restricted stock forfeited	—	(7,301)	—	—	—
Restricted stock granted	Restricted stock granted	—	111,095	1	(1)	—
Stock based compensation expense	Stock based compensation expense	—	—	—	9,600	— 9,600
Cash dividends (\$1.14 per share)	—	—	—	—	(47,984)	(47,984)
Balance, September 30, 2022	\$ —	41,165,006	\$ 412	\$ 1,955,096	\$ 613,889	\$ (215,057) \$ 2,354,340
Cash dividends (\$0.38 per share)	—	—	—	—	—	—
Cash dividends (\$0.38 per share)	—	—	—	—	—	—
Cash dividends (\$0.38 per share)	—	—	—	—	—	—
Balance, March 31, 2024	\$ —	41,190,077	\$ 412	\$ 1,964,764	\$ 617,673	\$ (250,752) \$ 2,332,098
Three Months Ended						
Three Months Ended	\$ —	41,190,077	\$ 412	\$ 1,964,764	\$ 617,673	\$ (250,752) \$ 2,332,098
Three Months Ended	\$ —	41,190,077	\$ 412	\$ 1,964,764	\$ 617,673	\$ (250,752) \$ 2,332,098
Balance, December 31, 2022	\$ —	41,190,077	\$ 412	\$ 1,964,764	\$ 617,673	\$ (250,752) \$ 2,332,098
Net loss	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	—
Restricted	—	—	—	—	—	—

stock forfeited
Restricted stock granted
Stock based compensation expense
Stock based compensation expense
Stock based compensation expense
Cash dividends (\$0.38 per share)
Cash dividends (\$0.38 per share)
Cash dividends (\$0.38 per share)
Balance, March 31, 2023

See Notes to Consolidated Financial Statements

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Independent Bank Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)
(Dollars in thousands)

		Nine Months Ended September 30,			
		2023	2022		
		Three Months Ended March 31,		Three Months Ended March 31,	
		2024	2024	2023	
Cash flows from operating activities:	Cash flows from operating activities:				
Net income		\$ 28,342	\$ 155,537		
Net income (loss)					
Net income (loss)					
Net income (loss)					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense					
Depreciation expense					
Depreciation expense	Depreciation expense	13,629	10,674		
Accretion income recognized on loans	Accretion income recognized on loans	(3,013)	(8,825)		
Amortization of other intangibles assets	Amortization of other intangibles assets	9,333	9,380		

Amortization of premium on securities, net	Amortization of premium on securities, net	5,512	5,467
Amortization of discount and origination costs on borrowings	Amortization of discount and origination costs on borrowings	999	670
Stock based compensation expense	Stock based compensation expense	5,572	9,600
Excess tax expense (benefit) on restricted stock vested		216	(673)
Excess tax expense on restricted stock vested			
FHLB stock dividends	FHLB stock dividends	(2,296)	(125)
(Gain) loss on sale and disposal of premises and equipment		(345)	310
Loss on sale of loans		14	1,501
Gain on sale and disposal of premises and equipment			
Gain on sale and disposal of premises and equipment			
Gain on sale and disposal of premises and equipment			
Gain on sale of loans			
Gain on sale of other real estate owned			
Gain on sale of other real estate owned			
Gain on sale of other real estate owned			
Impairment of other real estate	Impairment of other real estate	2,200	—
Impairment of other real estate			
Impairment of other assets	Impairment of other assets	955	1,156
Deferred tax (benefit) expense		(17,841)	2,720
Deferred tax expense (benefit)			
Provision for credit losses	Provision for credit losses	650	1,657
Increase in cash surrender value of BOLI	Increase in cash surrender value of BOLI	(4,252)	(3,987)
Excess benefit claim on BOLI	Excess benefit claim on BOLI	(522)	(784)

Net gain on mortgage loans held for sale	Net gain on mortgage loans held for sale	(3,725)	(3,480)
Originations of loans held for sale	Originations of loans held for sale	(208,360)	(237,105)
Proceeds from sale of loans held for sale	Proceeds from sale of loans held for sale	205,327	250,736
Net change in other assets	Net change in other assets	(682)	(19,050)
Net change in other liabilities	Net change in other liabilities	88,839	(26,751)
Net cash provided by operating activities	Net cash provided by operating activities	<u>120,552</u>	<u>148,628</u>
Cash flows from investing activities:	Cash flows from investing activities:		
Investment securities available for sale:	Investment securities available for sale:		
Investment securities available for sale:	Investment securities available for sale:		
Proceeds from maturities, calls and paydowns	Proceeds from maturities, calls and paydowns		
Proceeds from maturities, calls and paydowns	Proceeds from maturities, calls and paydowns		
Proceeds from maturities, calls and paydowns	Proceeds from maturities, calls and paydowns	102,747	7,167,979
Purchases	Purchases	(9,018)	(7,281,181)
Investment securities held to maturity:	Investment securities held to maturity:		
Purchases	Purchases	—	(91,065)
Proceeds from maturities of certificates of deposit held in other banks	Proceeds from maturities of certificates of deposit held in other banks	248	2,501
Proceeds from benefit claim of BOLI	Proceeds from benefit claim of BOLI		
Proceeds from benefit claim of BOLI	Proceeds from benefit claim of BOLI	1,242	1,344
Purchases of FHLB stock and other restricted stock	Purchases of FHLB stock and other restricted stock	(79,084)	(830)
Purchases of FHLB stock and other restricted stock	Purchases of FHLB stock and other restricted stock		
Purchases of FHLB stock and other restricted stock	Purchases of FHLB stock and other restricted stock		

Proceeds from redemptions of FHLB stock and other restricted stock	Proceeds from redemptions of FHLB stock and other restricted stock	79,320	3,167
Proceeds from sale of loans	Proceeds from sale of loans	4,188	19,333
Net loans originated held for investment	(166,699)	(1,669,267)	
Net loans paid (originated) held for investment			
Originations of mortgage warehouse purchase loans	Originations of mortgage warehouse purchase loans	(8,510,472)	(11,284,831)
Proceeds from pay-offs of mortgage warehouse purchase loans	Proceeds from pay-offs of mortgage warehouse purchase loans	8,380,269	11,664,635
Additions to premises and equipment	Additions to premises and equipment	(15,812)	(45,969)
Proceeds from sale of premises and equipment	Proceeds from sale of premises and equipment	681	174
Proceeds from sale of other real estate owned			
Net cash provided by (used in) investing activities			
Net cash used in investing activities		(212,390)	(1,514,010)
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			

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Independent Bank Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,		
	2023	2022	
	Three Months Ended March 31,		Three Months Ended March 31,
	2024	2024	2023
Cash flows from financing activities:	Cash flows from financing activities:		
Cash flows from financing activities:			

Cash flows from financing activities:			
Net decrease in demand deposits, money market and savings accounts	Net decrease in demand deposits, money market and savings accounts	(2,284,130)	(608,272)
Net increase in time deposits		2,503,682	15,372
Net decrease in demand deposits, money market and savings accounts			
Net decrease in demand deposits, money market and savings accounts			
Net (decrease) increase in time deposits			
Proceeds from FHLB advances	Proceeds from FHLB advances	12,595,000	275,000
Repayments of FHLB advances	Repayments of FHLB advances	(12,620,000)	(225,000)
Proceeds from other borrowings			
Proceeds from other borrowings			
Proceeds from other borrowings	Proceeds from other borrowings	100,000	111,000
Repayments of other borrowings	Repayments of other borrowings	(96,250)	(128,000)
Repurchase of common stock	Repurchase of common stock	(2,057)	(119,165)
Repurchase of common stock			
Repurchase of common stock			
Dividends paid	Dividends paid	(47,020)	(47,838)
Net cash provided by (used in) financing activities		149,225	(726,903)
Dividends paid			
Dividends paid			
Net cash (used in) provided by financing activities			
Net change in cash and cash equivalents	Net change in cash and cash equivalents	57,387	(2,092,285)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	654,322	2,608,444
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 711,709	\$ 516,159

See Notes to Consolidated Financial Statements

Independent Bank Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (unaudited)
(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.

The consolidated interim financial statements are unaudited, but include all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments were of a normal and recurring nature. These financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. The consolidated balance sheet at **December 31, 2022** **December 31, 2023** has been derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

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.

Goodwill assessment: The Company's policy is to test goodwill for impairment annually on December 31 or on an interim basis if an event triggering impairment may have occurred. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, **the economic uncertainty and continued market volatility resulting from the rising interest rate environment and the recent banking crisis resulted in a decrease** **decline** in the Company's stock price and market capitalization. Management believed such decrease was a triggering indicator requiring an interim goodwill impairment quantitative analysis for second quarter 2023. Based on an analysis performed, the Company's estimated fair value to a market participant as of June 30, 2023, exceeded its carrying amount resulting in no impairment charge for the period. During the third quarter 2023, management evaluated current conditions and concluded there have been no significant changes in the economic environment or future projections **since the annual goodwill impairment test performed as of December 31, 2023** and therefore, believes that there **has been** **is no further decline in the Company's fair value** **impairment as of September 30, 2023** **March 31, 2024**. Management will continue to evaluate the economic conditions at future reporting periods for applicable changes.

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

Subsequent events: Companies are required to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued. They must recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial statement preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. The Company has evaluated subsequent events through the date of filing these financial statements with the SEC and noted no subsequent events requiring financial statement recognition or disclosure, except as disclosed in Note 13. **Subsequent Events.**

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 **three** **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**. 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.

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Three Months Ended March 31,					
Three Months Ended March 31,					
Three Months Ended March 31,					
2024					
2024					
2024					
Basic earnings per share:	Basic earnings per share:				
Net income		\$ 32,775	\$ 52,437	\$ 28,342	\$ 155,537
Basic earnings per share:					
Net income (loss)					
Net income (loss)					
Net income (loss)					
Less:					
Less:					
Less:	Less:				
Undistributed earnings (loss) allocated to participating securities	Undistributed earnings (loss) allocated to participating securities	31	277	(43)	843
Undistributed earnings (loss) allocated to participating securities					
Undistributed earnings (loss) allocated to participating securities					
Dividends paid on participating securities	Dividends paid on participating securities	29	118	110	374
Net income available to common shareholders		\$ 32,715	\$ 52,042	\$ 28,275	\$ 154,320
Dividends paid on participating securities					
Dividends paid on participating securities					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Weighted average basic shares outstanding	Weighted average basic shares outstanding				
Weighted average basic shares outstanding		41,209,088	40,856,786	41,166,274	41,557,304
Basic earnings per share		\$ 0.79	\$ 1.27	\$ 0.69	\$ 3.71
Weighted average basic shares outstanding					
Weighted average basic shares outstanding					
Basic earnings (loss) per share					
Basic earnings (loss) per share					
Basic earnings (loss) per share					
Diluted earnings per share:	Diluted earnings per share:				
Net income available to common shareholders		\$ 32,715	\$ 52,042	\$ 28,275	\$ 154,320

Diluted earnings per share:					
Diluted earnings per share:					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Net income (loss) available to common shareholders					
Total weighted average basic shares outstanding	Total weighted average basic shares outstanding	41,209,088	40,856,786	41,166,274	41,557,304
Total weighted average basic shares outstanding					
Total weighted average basic shares outstanding					
Add dilutive performance stock units					
Add dilutive performance stock units					
Add dilutive performance stock units	Add dilutive performance stock units	96,070	86,404	91,025	80,521
Total weighted average diluted shares outstanding	Total weighted average diluted shares outstanding	41,305,158	40,943,190	41,257,299	41,637,825
Diluted earnings per share	\$ 0.79	\$ 1.27	\$ 0.69	\$ 3.71	
Total weighted average diluted shares outstanding					
Total weighted average diluted shares outstanding					
Diluted earnings (loss) per share					
Diluted earnings (loss) per share					
Diluted earnings (loss) per share					
Anti-dilutive participating securities	Anti-dilutive participating securities	18,639	100,019	36,484	125,664
Anti-dilutive participating securities					
Anti-dilutive participating securities					

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

Note 2. 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:

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	2024
	2024
	2024
Cash transactions:	
Cash transactions:	
Cash transactions:	

Interest expense paid			
Interest expense paid			
Interest expense paid			
Income taxes paid			
Income taxes paid			
Income taxes paid			
Noncash transactions:			
Noncash transactions:			
Noncash transactions:			
Deferred dividend equivalents			
Deferred dividend equivalents			
Deferred dividend equivalents			
		Nine Months Ended September 30,	
		2023	2022
Cash transactions:			
Interest expense paid	\$ 263,694	\$ 50,154	
Income taxes paid	\$ 18,781	\$ 33,638	
Noncash transactions:			
Deferred dividend equivalents	\$ (54)	\$ 146	
Transfer of loans to other real estate owned	\$ —	\$ 23,900	
Transfer of securities available for sale to held to maturity	\$ —	\$ 117,583	
Right-of-use assets obtained in exchange for lease liabilities			
Right-of-use assets obtained in exchange for lease liabilities			
Right-of-use assets obtained in exchange for lease liabilities	\$ 6,625	\$ 4,011	
Loans purchased, not yet settled	\$ 19,095	\$ 5,898	
Transfer of bank premises to other real estate	\$ 805	\$ —	
Loans purchased, not yet settled			
Loans purchased, not yet settled			

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

Note 3. 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

	Amortized Cost ⁽¹⁾	Gross		Fair Value
		Amortized Cost ⁽¹⁾	Unrealized Gains	
Amortized Cost ⁽¹⁾				

<u>Securities</u>	<u>Securities</u>								
<u>Available for</u>	<u>Available for</u>								
<u>Sale</u>	<u>Sale</u>								
September 30, 2023									
March 31, 2024									
March 31, 2024									
March 31, 2024									
U.S. treasuries									
U.S. treasuries									
U.S. treasuries	U.S. treasuries	\$ 236,068	\$ —	\$ (19,600)	\$ 216,468				
Government agency securities	Government agency securities	467,813	—	(93,721)	374,092				
Obligations of state and municipal subdivisions	Obligations of state and municipal subdivisions	246,890	17	(22,205)	224,702				
Corporate bonds	Corporate bonds	43,000	—	(7,563)	35,437				
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	858,269	—	(163,564)	694,705				
Other securities	Other securities	500	—	—	500				
	\$	\$ 1,852,540	\$ 17	\$ (306,653)	\$ 1,545,904				
December 31, 2022									
December 31, 2023									
December 31, 2023									
U.S. treasuries									
U.S. treasuries									
U.S. treasuries	U.S. treasuries	\$ 259,675	\$ —	\$ (20,265)	\$ 239,410				
Government agency securities	Government agency securities	468,994	—	(84,479)	384,515				
Obligations of state and municipal subdivisions	Obligations of state and municipal subdivisions	264,419	106	(13,294)	251,231				
Corporate bonds	Corporate bonds	43,000	—	(5,795)	37,205				
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	913,388	9	(134,924)	778,473				

Other securities	Other securities	950	—	—	950
		\$ 1,950,426	\$ 115	\$(258,757)	\$ 1,691,784
\$					
Securities Held to Maturity					
to Maturity					
September 30, 2023					
Securities Held to Maturity					
Securities Held to Maturity					
March 31, 2024					
March 31, 2024					
March 31, 2024					
Obligations of state and municipal subdivisions					
Obligations of state and municipal subdivisions					
Obligations of state and municipal subdivisions	Obligations of state and municipal subdivisions	\$ 205,689	\$ —	\$ (57,188)	\$ 148,501
December 31, 2022					
December 31, 2023					
December 31, 2023					
December 31, 2023	Obligations of state and municipal subdivisions	\$ 207,059	\$ —	\$ (44,820)	\$ 162,239
Obligations of state and municipal subdivisions					
Obligations of state and municipal subdivisions					

(a) Excludes accrued interest receivable of \$6,610 \$6,381 and \$7,702 \$7,129 on available for sale and \$915 \$868 and \$2,697 \$2,365 on held to maturity securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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.

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

The amortized cost and estimated fair value of securities at September 30, 2023 March 31, 2024, 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.

	September 30, 2023			
	Available for Sale		Held to Maturity	
	Amortized Cost (1)	Fair Value	Amortized Cost (1)	Fair Value
Due in one year or less	\$ 79,113	\$ 77,754	\$ —	\$ —
Due from one year to five years	322,219	294,567	—	—

Due from five to ten years	440,774	358,011	—	—
Thereafter	152,165	120,867	205,689	148,501
	994,271	851,199	205,689	148,501
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	858,269	694,705	—	—
	<u>\$ 1,852,540</u>	<u>\$ 1,545,904</u>	<u>\$ 205,689</u>	<u>\$ 148,501</u>

(a) Excludes accrued interest receivable of \$6,610 on available for sale and \$915 on held to maturity securities at September 30, 2023, that is recorded in other assets on the accompanying consolidated balance sheets.

	March 31, 2024			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 86,451	\$ 85,299	\$ —	\$ —
Due from one year to five years	329,293	304,189	—	—
Due from five to ten years	396,148	336,614	—	—
Thereafter	145,953	124,002	204,776	166,736
	957,845	850,104	204,776	166,736
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	821,295	693,143	—	—
	<u>\$ 1,779,140</u>	<u>\$ 1,543,247</u>	<u>\$ 204,776</u>	<u>\$ 166,736</u>

Securities with a fair value of approximately \$863,921 \$1,048,925 and \$1,168,006 \$950,604 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged primarily to secure deposits.

There were no sales of securities during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

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 March 31, 2024 and December 31, 2023, are summarized as follows for available for sale securities:

Description of Securities	Less Than 12 Months		Greater Than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated	Unrealized
					Fair Value	Losses
Securities Available for Sale						
March 31, 2024						
U.S. treasuries	\$ —	\$ —	\$ 198,549	\$ (14,346)	\$ 198,549	\$ (14,346)
Government agency securities	—	—	392,411	(75,283)	392,411	(75,283)
Obligations of state and municipal subdivisions	30,135	(158)	176,063	(11,148)	206,198	(11,306)
Corporate bonds	—	—	33,158	(6,842)	33,158	(6,842)
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	8,684	(330)	684,026	(127,826)	692,710	(128,156)
	<u>\$ 38,819</u>	<u>\$ (488)</u>	<u>\$ 1,484,207</u>	<u>\$ (235,445)</u>	<u>\$ 1,523,026</u>	<u>\$ (235,933)</u>
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>

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

The number of securities, 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 September 30, 2023 and December 31, 2022, are summarized as follows:

Description of Securities	Less Than 12 Months			Greater Than 12 Months			Total	
	Number of Securities	Estimated Fair Value	Unrealized Losses	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Securities Available for Sale								
September 30, 2023								
U.S. treasuries	—	\$ —	\$ —	33	\$ 216,468	\$ (19,600)	\$ 216,468	\$ (19,600)
Government agency securities	—	\$ —	\$ —	74	\$ 374,092	\$ (93,721)	\$ 374,092	\$ (93,721)
Obligations of state and municipal subdivisions	116	\$ 75,008	\$ (2,689)	236	\$ 147,528	\$ (19,516)	\$ 222,536	\$ (22,205)
Corporate bonds	—	\$ —	\$ —	11	\$ 32,437	\$ (7,563)	\$ 32,437	\$ (7,563)
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	4	\$ 8,602	\$ (910)	348	\$ 686,103	\$ (162,654)	\$ 694,705	\$ (163,564)
	120	\$ 83,610	\$ (3,599)	702	\$ 1,456,628	\$ (303,054)	\$ 1,540,238	\$ (306,653)
December 31, 2022								
U.S. treasuries	13	\$ 106,849	\$ (3,923)	23	\$ 132,561	\$ (16,342)	\$ 239,410	\$ (20,265)
Government agency securities	13	\$ 63,451	\$ (7,533)	62	\$ 321,064	\$ (76,946)	\$ 384,515	\$ (84,479)
Obligations of state and municipal subdivisions	339	\$ 209,395	\$ (9,068)	9	\$ 17,034	\$ (4,226)	\$ 226,429	\$ (13,294)
Corporate bonds	8	\$ 23,584	\$ (4,416)	3	\$ 10,621	\$ (1,379)	\$ 34,205	\$ (5,795)
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	226	\$ 266,756	\$ (25,377)	129	\$ 511,207	\$ (109,547)	\$ 777,963	\$ (134,924)
	599	\$ 670,035	\$ (50,317)	226	\$ 992,487	\$ (208,440)	\$ 1,662,522	\$ (258,757)
Securities Held to Maturity								
September 30, 2023								
Obligations of state and municipal subdivisions	1	\$ 6,687	\$ (365)	42	\$ 141,814	\$ (56,823)	\$ 148,501	\$ (57,188)
December 31, 2022								
Obligations of state and municipal subdivisions	22	\$ 98,475	\$ (21,210)	21	\$ 63,764	\$ (23,610)	\$ 162,239	\$ (44,820)

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 **September 30, 2023** **March 31, 2024**, 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 **September 30, 2023** **March 31, 2024**.

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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 and 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. A significant portion 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 March 31, 2024, all of the Company's held to maturity securities were

rated AAA/Aaa by Moody's and/or insured. Standard & Poor's bond rating services. Furthermore, as of September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024.

Note 4. Loans, Net and Allowance for Credit Losses on Loans

Loans, net, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, consisted of the following:

		December			
		September 30,	31,		
		2023	2022		
		March		March 31,	December 31,
		31,		2024	2023
		2024			
Commercial	Commercial	\$ 2,208,032	\$ 2,240,959		
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	442,302	312,099		
Real estate:	Real estate:				
Commercial					
Commercial					
Commercial	Commercial	8,088,783	7,817,447		
Commercial construction, land and land development	Commercial construction, land and land development	1,156,877	1,231,071		
Residential	Residential	1,634,896	1,592,859		
Single-family interim construction	Single-family interim construction	491,051	508,839		
Agricultural	Agricultural	121,883	124,422		
Consumer	Consumer	79,580	81,667		
Total loans (1)	Total loans (1)	14,223,404	13,909,363		
Allowance for credit losses	Allowance for credit losses	(148,249)	(148,787)		
Total loans, net (1)	Total loans, net (1)	\$ 14,075,155	\$13,760,576		

(1) Excludes accrued interest receivable of \$50,835 \$55,293 and \$48,815 \$54,563 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, that is recorded in other assets on the accompanying consolidated balance sheets.

Loans with carrying amounts of \$7,990,175 \$8,221,272 and \$7,246,087 \$8,109,607 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to secure Federal Home Loan Bank borrowing capacity and Federal Reserve Bank discount window borrowing capacity.

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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.

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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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were approximately **\$613,887** **\$641,328** and **\$574,698**, **\$621,883**, 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.

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, 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 **September 30, 2023** **March 31, 2024**, the portfolio consisted of approximately **22%** **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.

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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.

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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 **September 30, 2023** **March 31, 2024**, loans in the **Colorado North Texas** region represented about **27%** **35%** of the total **portfolio**, **portfolio**, followed by the **Colorado Front Range** region at about 27%, 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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, 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 either of the following applies: management has a reasonable expectation that a restructuring will be executed with an individual borrower, or the extension or renewal options are included in the borrower contract and are not unconditionally cancellable by the Company.

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.

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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. **Substantially all** **The majority** of the Company's individually evaluated loans are measured at the fair value of the collateral.

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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.

Following unprecedented declines caused by the pandemic and volatile energy prices, the Texas economy, specifically in the Company's lending areas of north, central and southeast Texas, continued to expand at a modest pace through the third quarter of 2023, while the Colorado economy remained stable. Solid growth was seen in the nonfinancial services sector, while retail sales were flat and activity in the manufacturing, energy and financial services sectors declined. Housing demand was mixed and agricultural conditions depressed. Consumer spending continued to expand at a moderate pace, with robust leisure travel offset somewhat by tepid retail sales growth. The U.S. banking system is strong and resilient. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring and inflation. Outlooks were fairly stable, though uncertainty persists around continuing impact of higher interest rates. The implications for the U.S. economy are highly uncertain, and the war in Ukraine and related events as well as the unprecedented attacks in Israel by Palestinian militant group Hamas have created additional upward pressure on inflation and are weighing on economic activity and may have far-reaching impacts on energy and food markets, global trade and geopolitical relationships. Inflation remains elevated, reflecting supply and demand imbalances, higher food and energy prices and broader price pressures. The risk of loss associated with all segments of the portfolio could increase due to these factors.

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.

During the second quarter 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.

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The following is a summary of the activity in the allowance for credit losses on loans by class for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

Balance at end of period	Balance at end of period	\$ 33,634	\$ 60,623	\$ 29,778	\$ 6,227	\$ 16,755	\$ 818	\$ 414	\$ 148,249
Nine months ended September 30, 2023									
Three months ended March 31, 2023									
Three months ended March 31, 2023									
Three months ended March 31, 2023									
Balance at beginning of period									
Balance at beginning of period	Balance at beginning of period	\$ 54,037	\$ 61,078	\$ 17,696	\$ 3,450	\$ 11,817	\$ 207	\$ 502	\$ 148,787
Provision for credit losses	Provision for credit losses	(20,731)	(455)	13,167	2,777	4,938	612	(79)	229
Charge-offs	Charge-offs	(593)	—	(1,196)	—	—	(6)	(9)	(1,804)
Recoveries	Recoveries	921	—	111	—	—	5	—	1,037
Balance at end of period	Balance at end of period	\$ 33,634	\$ 60,623	\$ 29,778	\$ 6,227	\$ 16,755	\$ 818	\$ 414	\$ 148,249
Three months ended September 30, 2022									
Balance at beginning of period									
Balance at beginning of period	\$ 53,303	\$ 53,846	\$ 24,186	\$ 3,114	\$ 9,225	\$ 105	\$ 391	\$ 144,170	
Provision for credit losses	(2,307)	6,565	(1,921)	(329)	1,471	37	4	3,520	
Charge-offs	(273)	(1,187)	—	—	—	—	—	(1,460)	
Recoveries	84	—	—	81	—	—	—	165	
Balance at end of period	\$ 50,807	\$ 59,224	\$ 22,265	\$ 2,866	\$ 10,696	\$ 142	\$ 395	\$ 146,395	
Nine months ended September 30, 2022									
Balance at beginning of period									
Balance at beginning of period	\$ 49,747	\$ 65,110	\$ 23,861	\$ 2,192	\$ 7,222	\$ 106	\$ 468	\$ 148,706	
Provision for credit losses	1,345	(1,727)	(1,596)	599	3,474	36	(63)	2,068	
Charge-offs	(726)	(4,159)	—	(6)	—	—	(10)	(4,901)	
Recoveries	441	—	—	81	—	—	—	522	
Balance at end of period	\$ 50,807	\$ 59,224	\$ 22,265	\$ 2,866	\$ 10,696	\$ 142	\$ 395	\$ 146,395	

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.

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 March 31, 2024 and December 31, 2023:

	March 31, 2024				December 31, 2023			
	Loan Balance		Specific Allocations		Loan Balance		Specific Allocations	
	\$		\$		\$		\$	
Commercial	\$	27,523	\$	12,971	\$	21,534	\$	11,662
Commercial real estate		26,922		3,425		25,672		3,567
Commercial construction, land and land development		—		—		—		—
Residential real estate		844		—		—		—
Single-family interim construction		—		—		—		—
Agricultural		75		19		75		19
Consumer		—		—		—		—
	\$	55,364	\$	16,415	\$	47,281	\$	15,248

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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 September 30, 2023 and December 31, 2022:

	September 30, 2023			December 31, 2022		
	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations	Loan Balance	Specific Allocations
Commercial	\$ 20,638	\$ 11,845	\$ 21,981	\$ 8,378		
Commercial real estate	12,419	1,325	12,303	1,209		
Commercial construction, land and land development	—	—	—	—		
Residential real estate	—	—	—	—		
Single-family interim construction	189	60	189	43		
Agricultural	—	—	—	—		
Consumer	—	—	—	—		
	\$ 33,246	\$ 13,230	\$ 34,473	\$ 9,630		

Nonperforming loans by loan class at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are summarized as follows:

	Commercial							Construction, Land and Residential Family							Single-Family												
	Commercial			Land		Residential		Family		Commercial			Land		Residential		Family		Commercial			Land		Real		Interim	
	Commercial	Real Estate	Development	Land	Estate	Construction	Agricultural	Consumer	Total	Commercial	Real Estate	Development	Estate	Construction	Agricultural	Consumer	Total	Commercial	Real Estate	Development	Estate	Construction	Agricultural				
<u>September 30, 2023</u>																											
<u>March 31, 2024</u>																											
Nonaccrual loans ⁽¹⁾																											
Nonaccrual loans ⁽¹⁾																											
Nonaccrual loans ⁽¹⁾	Nonaccrual loans ⁽¹⁾	\$ 21,197	\$ 13,361	\$ 11	\$ 1,573	\$ 189	\$ —	\$ 6	\$ 36,337																		
Loans past due 90 days and still accruing	Loans past due 90 days and still accruing	252	396	1,120	320	—	—	—	2,088																		
Total nonperforming loans ⁽²⁾		\$ 21,449	\$ 13,757	\$ 1,131	\$ 1,893	\$ 189	\$ —	\$ 6	\$ 38,425																		
<u>December 31, 2022</u>																											
Total nonperforming loans																											
<u>December 31, 2023</u>																											
Nonaccrual loans ⁽¹⁾																											
Nonaccrual loans ⁽¹⁾																											
Nonaccrual loans ⁽¹⁾	Nonaccrual loans ⁽¹⁾	\$ 22,565	\$ 13,393	\$ 15	\$ 1,582	\$ 189	\$ —	\$ 8	\$ 37,752																		
Loans past due 90 days and still accruing	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	Total						
nonperforming	nonperforming						
loans	loans	\$ 22,570	\$ 14,828	\$ 15	\$ 2,479	\$ 189	\$ 8
							\$ 40,089

(i) There are ~~\$22~~ \$1,379 and ~~\$125~~ \$14 in loans on nonaccrual without an allowance for credit loss as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Additionally, no interest income was recognized on nonaccrual loans. No significant amounts of accrued interest was reversed during the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**.

(ii) With the adoption of ASU 2022-02, effective January 1, 2023, TDR accounting has been eliminated. **2023**.

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.

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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 three and nine months ended **September 30, 2023** **March 31, 2024**, the Company did not provide any modifications under these circumstances to borrowers experiencing financial difficulty.

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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 **September 30, 2023** **March 31, 2024** and as of **December 31, 2022** **December 31, 2023**:

		Loans						Total Loans	
		Loans		90 Days or More Past Due		Total Past Due Loans			
		30-89 Days Past Due	90 Days Past Due	90 Days Past Due	Total Past Due Loans	90 Days Past Due	Total Past Due Loans		
September 30, 2023									
Commercial	\$ 543	\$ 5,330	\$ 5,873	\$ 2,202,159	\$ 2,208,032				
Mortgage warehouse purchase loans	—	—	—	442,302	442,302				
Commercial real estate	12,278	12,815	25,093	8,063,690	8,088,783				
Commercial construction, land and land development	294	1,120	1,414	1,155,463	1,156,877				
Residential real estate	1,235	645	1,880	1,633,016	1,634,896				
Single-family interim construction	919	189	1,108	489,943	491,051				
Agricultural	37	—	37	121,846	121,883				
Consumer	116	4	120	79,460	79,580				
	\$ 15,422	\$ 20,103	\$ 35,525	\$ 14,187,879	\$ 14,223,404				
December 31, 2022									
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
	\$ 21,834	\$ 7,621	\$ 29,455	\$ 13,879,908	\$ 13,909,363

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

	Loans						
	30-89 Days		90 Days or More		Total Past Due Loans		
	Commercial	Mortgage warehouse purchase loans	Commercial real estate	Commercial construction, land and land development	Residential real estate	Single-family interim construction	
March 31, 2024							
Commercial	\$ 1,979	\$ 7,771	\$ 9,750	\$ 2,184,554	\$ 2,194,304		
Mortgage warehouse purchase loans	—	—	—	554,616	554,616		
Commercial real estate	9,556	13,883	23,439	8,332,964	8,356,403		
Commercial construction, land and land development	2,851	—	2,851	1,166,704	1,169,555		
Residential real estate	10,889	2,607	13,496	1,676,508	1,690,004		
Single-family interim construction	3,845	—	3,845	456,723	460,568		
Agricultural	36	75	111	111,959	112,070		
Consumer	133	3	136	76,237	76,373		
	\$ 29,289	\$ 24,339	\$ 53,628	\$ 14,560,265	\$ 14,613,893		
December 31, 2023							
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		
	\$ 18,315	\$ 19,676	\$ 37,991	\$ 14,672,551	\$ 14,710,542		

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.

Independent Bank Group, Inc. and Subsidiaries

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

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 **September 30, 2023** **March 31, 2024** and **December 31, 2022**.

December 31, 2023:

September 30, 2023	Term Loans by Year of Origination or Renewal						Revolving Loans	Revolving Converted Loans	Converted to Term Loans	Total									
	2023	2022	2021	2020	2019	Prior													
Term Loans by Year of Origination or Renewal																			
Term Loans by Year of Origination or Renewal																			
Term Loans by Year of Origination or Renewal																			
Term Loans by Year of Origination or Renewal																			
March 31, 2024																			
March 31, 2024																			
March 31, 2024																			
Commercial		Commercial																	
Pass																			
Pass																			
Pass	Pass	\$165,982	\$239,581	\$306,149	\$91,368	\$103,445	\$168,927	\$1,011,202	\$ 654	\$2,087,308									
Pass/Watch	Pass/Watch	193	8,562	10,223	129	95	9,485	15,943	—	44,630									
Special Mention	Special Mention	206	—	14,417	89	3,032	207	5,885	1,151	24,987									
Substandard	Substandard	7,501	7,934	20,885	326	2,753	1,018	7,074	3,616	51,107									
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—									
Loss	Loss	—	—	—	—	—	—	—	—	—									
Total commercial	Total commercial	\$173,882	\$256,077	\$351,674	\$91,912	\$109,325	\$179,637	\$1,040,104	\$ 5,421	\$2,208,032									
Current period gross write-offs	Current period gross write-offs	\$ 285	\$ —	\$ 272	\$ 5	\$ 4	\$ 27	\$ —	\$ —	\$ 593									
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans																		
Mortgage warehouse purchase loans																			
Mortgage warehouse purchase loans																			
Pass																			
Pass																			
Pass	Pass	\$442,302	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 442,302									
Pass/Watch	Pass/Watch	—	—	—	—	—	—	—	—	—									
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—									
Substandard	Substandard	—	—	—	—	—	—	—	—	—									
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—									
Loss	Loss	—	—	—	—	—	—	—	—	—									
Total mortgage warehouse purchase loans	Total mortgage warehouse purchase loans	\$442,302	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 442,302									
Current period gross write-offs	Current period gross write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —									
Commercial real estate	Commercial real estate																		
Commercial real estate																			

Commercial real estate	
Pass	
Pass	
Pass	
Pass/Watch	
Special	
Mention	
Substandard	
Doubtful	
Loss	
Total commercial real estate	
Current period gross	
write-offs	

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

Notes to Consolidated Financial Statements (unaudited)
(Dollars in thousands, except for share and per share information)

Term Loans by Year of Origination or Renewal											Revolving Loans	
											Revolving Converted	
											Revolving	Converted
September 30, 2023	2023	2022	2021	2020	2019	Prior	Loans	Converted	to Term	Converted	Loans	Total
Commercial real estate												
Term Loans by Year of Origination or Renewal											Revolving	
											Loans	
											Converted	
											to Term	
											Loans	
March 31, 2024												
March 31, 2024												
March 31, 2024												
Commercial construction, land and land development												
Pass	Pass	\$670,557	\$2,606,179	\$1,933,507	\$928,564	\$556,398	\$858,411	\$ 67,205		\$ 4,239	\$ 7,625,060	
Pass/Watch		16,468	65,784	55,831	44,754	20,893	59,370	1		—	263,101	
Special Mention		10,664	33,000	21,079	4,333	12,508	6,916	—		351	88,851	
Substandard		12,778	28,727	54,656	4,798	3,698	7,114	—		—	111,771	
Doubtful		—	—	—	—	—	—	—		—	—	
Loss		—	—	—	—	—	—	—		—	—	
Total commercial real estate		\$710,467	\$2,733,690	\$2,065,073	\$982,449	\$593,497	\$931,811	\$ 67,206		\$ 4,590	\$ 8,088,783	
Current period gross write-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Commercial construction, land and land development												
Pass												
Pass	Pass	\$297,204	\$ 447,008	\$ 244,936	\$ 72,496	\$ 7,031	\$ 15,607	\$ 13,329		\$ 75	\$ 1,097,686	

Pass/Watch	Pass/Watch	11,294	14,018	34	7,151	—	61	1	—	32,559
Special	Special									
Mention	Mention	4,853	—	21,278	464	—	—	—	—	26,595
Substandard	Substandard	—	26	—	—	—	11	—	—	37
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Loss	Loss	—	—	—	—	—	—	—	—	—
Total commercial	Total commercial									
construction, land	construction, land									
and land	and land									
development	development	\$313,351	\$ 461,052	\$ 266,248	\$ 80,111	\$ 7,031	\$ 15,679	\$ 13,330	\$ 75	\$1,156,877
Current	Current									
period gross	period gross									
write-offs	write-offs	\$ —	\$ —	\$ 1,196	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,196
Residential real	Residential real									
estate	estate									
Residential real estate	Residential real estate									
Residential real estate	Residential real estate									
Pass	Pass									
Pass	Pass									
Pass	Pass	\$133,726	\$ 509,169	\$ 367,164	\$ 222,789	\$ 141,320	\$ 180,665	\$ 64,676	\$ 236	\$1,619,745
Pass/Watch	Pass/Watch	—	363	840	2,919	1,690	1,936	85	—	7,833
Special	Special									
Mention	Mention	—	—	—	—	1,075	1,028	—	265	2,368
Substandard	Substandard	472	675	18	506	216	3,015	48	—	4,950
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Loss	Loss	—	—	—	—	—	—	—	—	—
Total residential	Total residential									
real estate	real estate	\$134,198	\$ 510,207	\$ 368,022	\$ 226,214	\$ 144,301	\$ 186,644	\$ 64,809	\$ 501	\$1,634,896
Current	Current									
period gross	period gross									
write-offs	write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Single-family	Single-family									
interim	interim									
construction	construction									
Single-family interim construction	Single-family interim construction									
Single-family interim construction	Single-family interim construction									
Pass	Pass									
Pass	Pass									
Pass	Pass	\$215,748	\$ 188,763	\$ 25,203	\$ —	\$ —	\$ —	\$ 57,693	\$ —	\$ 487,407
Pass/Watch	Pass/Watch	2,535	919	—	—	—	—	1	—	3,455
Special	Special									
Mention	Mention	—	—	—	—	—	—	—	—	—
Substandard	Substandard	—	—	189	—	—	—	—	—	189
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—
Loss	Loss	—	—	—	—	—	—	—	—	—
Total single-family	Total single-family									
interim	interim									
construction	construction	\$218,283	\$ 189,682	\$ 25,392	\$ —	\$ —	\$ —	\$ 57,694	\$ —	\$ 491,051
Current	Current									
period gross	period gross									
write-offs	write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Agricultural	Agricultural									
Agricultural	Agricultural									
Agricultural	Agricultural									

Pass
Pass
Pass
Pass/Watch
Special
Mention
Substandard
Doubtful
Loss
Total agricultural
Current period gross write-offs

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

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

September 30, 2023	Term Loans by Year of Origination or Renewal						Revolving Loans			Converted to Term Loans	
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Converted to Term	Revolving Loans	Total	
Agricultural											
Term Loans by Year of Origination or Renewal											
Term Loans by Year of Origination or Renewal											
Term Loans by Year of Origination or Renewal											
March 31, 2024											
March 31, 2024											
March 31, 2024											
Consumer											
Pass	Pass	\$ 14,127	\$ 46,282	\$ 22,843	\$ 11,776	\$ 3,529	\$ 11,730	\$ 9,302	\$ —	\$ 119,589	
Pass/Watch		—	2,275	—	—	—	—	—	—	2,275	
Special Mention		—	—	—	—	—	—	—	—	—	
Substandard		—	—	—	—	—	19	—	—	19	
Doubtful		—	—	—	—	—	—	—	—	—	
Loss		—	—	—	—	—	—	—	—	—	
Total agricultural		\$ 14,127	\$ 48,557	\$ 22,843	\$ 11,776	\$ 3,529	\$ 11,749	\$ 9,302	\$ —	\$ 121,883	
Current period gross write-offs		\$ —	\$ 5	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6	
Consumer											
Pass	Pass	\$ 5,416	\$ 4,082	\$ 1,623	\$ 8,313	\$ 1,320	\$ 175	\$ 56,323	\$ 99	\$ 77,351	
Pass/Watch	Pass/Watch	—	306	1,917	—	—	—	—	—	2,223	
Special Mention	Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	Substandard	—	—	2	—	—	4	—	—	6	
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	

LOSS	LOSS	—	—	—	—	—	—	—	—	—	—
Total consumer	Total consumer	\$ 5,416	\$ 4,388	\$ 3,542	\$ 8,313	\$ 1,320	\$ 179	\$ 56,323	\$ 99	\$ 79,580	

Current	Current	—	—	—	—	—	—	—	—	—	—
period gross	period gross	—	—	—	—	—	—	—	—	—	—
write-offs	write-offs	\$ —	\$ 9	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9	
Total loans	Total loans	—	—	—	—	—	—	—	—	—	—
Total loans	Total loans	—	—	—	—	—	—	—	—	—	—
Pass	Pass	—	—	—	—	—	—	—	—	—	—
Pass	Pass	\$ 1,945,062	\$ 4,041,064	\$ 2,901,425	\$ 1,335,306	\$ 813,043	\$ 1,235,515	\$ 1,279,730	\$ 5,303	\$ 13,556,448	
Pass/Watch	Pass/Watch	30,490	92,227	68,845	54,953	22,678	70,852	16,031	—	356,076	
Special	Special	—	—	—	—	—	—	—	—	—	—
Mention	Mention	15,723	33,000	56,774	4,886	16,615	8,151	5,885	1,767	142,801	
Substandard	Substandard	20,751	37,362	75,750	5,630	6,667	11,181	7,122	3,616	168,079	
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	Loss	—	—	—	—	—	—	—	—	—	—
Total loans	Total loans	\$ 2,012,026	\$ 4,203,653	\$ 3,102,794	\$ 1,400,775	\$ 859,003	\$ 1,325,699	\$ 1,308,768	\$ 10,686	\$ 14,223,404	
Current	Current	—	—	—	—	—	—	—	—	—	—
period gross	period gross	—	—	—	—	—	—	—	—	—	—
write-offs	write-offs	\$ 285	\$ 14	\$ 1,469	\$ 5	\$ 4	\$ 27	\$ —	\$ —	\$ 1,804	

Term Loans by Year of Origination or Renewal										Revolving	Loans	Converted		
										Revolving	Loans	Converted		
December 31, 2022	2022	2021	2020	2019	2018	Prior	Loans	Loans	Loans	Total	Converted	Revolving	to Term	
Term Loans by Year of Origination or Renewal														
Term Loans by Year of Origination or Renewal														
Term Loans by Year of Origination or Renewal														
Term Loans by Year of Origination or Renewal														
December 31, 2023														
December 31, 2023														
December 31, 2023														
Commercial	Commercial	—	—	—	—	—	—	—	—	—	2023	2022	2021	
Pass	Pass	—	—	—	—	—	—	—	—	—	2020	2019	Prior	
Pass	Pass	\$ 297,800	\$ 347,801	\$ 126,390	\$ 112,887	\$ 51,623	\$ 153,435	\$ 1,031,483	\$ 1,173	\$ 2,122,592	Total			
Pass/Watch	Pass/Watch	8	14,790	155	188	1,812	7,934	8,216	5,907	39,010				
Special	Special	—	—	—	—	—	—	—	—	—				
Mention	Mention	234	4,821	101	1,485	—	144	8,646	20	15,451				
Substandard	Substandard	394	35,950	398	9,191	55	7,037	10,840	41	63,906				
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—				
Loss	Loss	—	—	—	—	—	—	—	—	—				
Total commercial	Total commercial	\$ 298,436	\$ 403,362	\$ 127,044	\$ 123,751	\$ 53,490	\$ 168,550	\$ 1,059,185	\$ 7,141	\$ 2,240,959				
Current	Current	—	—	—	—	—	—	—	—	—				
period gross	period gross	—	—	—	—	—	—	—	—	—				
write-offs	write-offs	—	—	—	—	—	—	—	—	—				
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	—	—	—	—	—	—	—	—	—				
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	—	—	—	—	—	—	—	—	—				

Mortgage warehouse purchase loans
Pass
Pass
Pass/Watch
Special
Mention
Substandard
Doubtful
Loss
Total mortgage warehouse purchase loans
Current period gross write-offs

Independent Bank Group, Inc. and Subsidiaries
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(Dollars in thousands, except for share and per share information)

December 31, 2022	Term Loans by Year of Origination or Renewal						Revolving Loans			Converted to Term Loans			Total
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Converted to Term Loans	Revolving Loans	Converted to Term Loans	Revolving Loans	Converted to Term Loans	
Mortgage warehouse purchase loans													
Term Loans by Year of Origination or Renewal													
Term Loans by Year of Origination or Renewal													
December 31, 2023													
December 31, 2023													
December 31, 2023													
Commercial real estate													
Pass	Pass	\$ 312,099	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 312,099	Total	
Pass/Watch		—	—	—	—	—	—	—	—	—	—		
Special Mention		—	—	—	—	—	—	—	—	—	—		
Substandard		—	—	—	—	—	—	—	—	—	—		
Doubtful		—	—	—	—	—	—	—	—	—	—		
Loss		—	—	—	—	—	—	—	—	—	—		
Total mortgage warehouse purchase loans													
Commercial real estate													
Pass													

Pass												
Pass	Pass	\$ 2,652,298	\$ 1,980,631	\$ 998,910	\$ 617,664	\$ 448,758	\$ 640,275	\$ 59,184	\$ 9,222	\$ 7,406,942		
Pass/Watch	Pass/Watch	90,313	25,954	33,664	18,678	53,469	25,831	—	—	247,909		
Special Mention	Special Mention	10,180	41,193	—	10,870	8,722	10,735	—	26	81,726		
Substandard	Substandard	3,513	40,001	8,574	3,178	8,268	17,336	—	—	80,870		
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—		
Loss	Loss	—	—	—	—	—	—	—	—	—		
Total commercial real estate	Total commercial real estate	\$ 2,756,304	\$ 2,087,779	\$ 1,041,148	\$ 650,390	\$ 519,217	\$ 694,177	\$ 59,184	\$ 9,248	\$ 7,817,447		
Current period gross write-offs												
Commercial construction, land and land development	Commercial construction, land and land development											
Commercial construction, land and land development	Commercial construction, land and land development											
Pass												
Pass												
Pass	Pass	\$ 553,376	\$ 465,272	\$ 126,704	\$ 10,477	\$ 23,073	\$ 12,188	\$ 12,705	\$ 4,018	\$ 1,207,813		
Pass/Watch	Pass/Watch	8,036	43	10,297	—	—	72	—	—	18,448		
Special Mention	Special Mention	1,313	674	—	—	—	—	—	—	1,987		
Substandard	Substandard	28	2,771	—	10	—	14	—	—	2,823		
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—		
Loss	Loss	—	—	—	—	—	—	—	—	—		
Total commercial construction, land and land development	Total commercial construction, land and land development	\$ 562,753	\$ 468,760	\$ 137,001	\$ 10,487	\$ 23,073	\$ 12,274	\$ 12,705	\$ 4,018	\$ 1,231,071		
Current period gross write-offs												
Residential real estate	Residential real estate											
Residential real estate	Residential real estate											
Pass												
Pass												
Pass	Pass	\$ 525,631	\$ 379,789	\$ 220,077	\$ 155,460	\$ 79,437	\$ 154,875	\$ 59,332	\$ 1,238	\$ 1,575,839		
Pass/Watch	Pass/Watch	373	918	642	1,743	76	3,312	302	—	7,366		
Special Mention	Special Mention	2,267	—	—	700	227	1,224	126	—	4,544		
Substandard	Substandard	708	455	538	219	—	2,997	193	—	5,110		
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—		
Loss	Loss	—	—	—	—	—	—	—	—	—		
Total residential real estate	Total residential real estate	\$ 528,979	\$ 381,162	\$ 221,257	\$ 158,122	\$ 79,740	\$ 162,408	\$ 59,953	\$ 1,238	\$ 1,592,859		
Current period gross write-offs												
Single-family interim	Single-family interim construction											

construction															
Single-family interim construction															
Single-family interim construction															
Pass															
Pass															
Pass	Pass	\$ 351,031	\$ 105,573	\$ 18,885	\$ —	\$ 241	\$ —	\$ 16,447	\$ —	\$ 492,177					
Pass/Watch	Pass/Watch	16,471	—	—	—	—	—	2	—	16,473					
Special	Special														
Mention	Mention	—	—	—	—	—	—	—	—	—					
Substandard	Substandard	—	189	—	—	—	—	—	—	189					
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—					
Loss	Loss	—	—	—	—	—	—	—	—	—					
Total single-family	Total single-family														
interim	interim														
construction	construction	\$ 367,502	\$ 105,762	\$ 18,885	\$ —	\$ 241	\$ —	\$ 16,449	\$ —	\$ 508,839					
Current	period gross														
period gross															
write-offs															

Independent Bank Group, Inc. and Subsidiaries

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

December 31, 2022	Term Loans by Year of Origination or Renewal						Revolving Loans Converted				Revolving Loans Converted				Revolving Loans Converted			
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans	to Term	Revolving Loans	Revolving Loans	to Term	Revolving Loans	Revolving Loans	to Term	Revolving Loans	Revolving Loans	to Term
Term Loans by Year of Origination or Renewal																		
Term Loans by Year of Origination or Renewal																		
Term Loans by Year of Origination or Renewal																		
Term Loans by Year of Origination or Renewal																		
December 31, 2023																		
December 31, 2023																		
December 31, 2023																		
Agricultural	Agricultural																	
Pass	Pass																	
Pass	Pass																	
Pass	Pass	\$ 52,525	\$ 24,743	\$ 13,875	\$ 3,705	\$ 5,847	\$ 8,872	\$ 10,588	\$ —	\$ 120,155								
Pass/Watch	Pass/Watch	2,700	—	—	—	—	—	1,547	—	4,247								
Special	Special																	
Mention	Mention	—	—	—	—	—	—	—	—	—								
Substandard	Substandard	—	—	—	—	—	20	—	—	20								
Doubtful	Doubtful	—	—	—	—	—	—	—	—	—								
Loss	Loss	—	—	—	—	—	—	—	—	—								
Total agricultural	Total agricultural	\$ 55,225	\$ 24,743	\$ 13,875	\$ 3,705	\$ 5,847	\$ 8,892	\$ 12,135	\$ —	\$ 124,422								
Current	period gross																	
period gross																		
write-offs																		

Consumer	Consumer	
Consumer		
Consumer		
Pass		
Pass		
Pass	Pass \$ 7,715 \$ 4,909 \$ 7,959 \$ 1,576 \$ 300 \$ 81 \$ 59,113 \$ — \$ 81,653	
Pass/Watch	Pass/Watch — — — — — — — — — —	
Special	Special	
Mention	Mention — — — — — — — — — —	
Substandard	Substandard — 4 — — — 10 — — — 14	
Doubtful	Doubtful — — — — — — — — — —	
Loss	Loss — — — — — — — — — —	
Total consumer	Total consumer \$ 7,715 \$ 4,913 \$ 7,959 \$ 1,576 \$ 300 \$ 91 \$ 59,113 \$ — \$ 81,667	
Current period gross write-offs		
Total loans	Total loans	
Total loans		
Pass		
Pass		
Pass	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	Pass/Watch 117,901 41,705 44,758 20,609 55,357 37,149 10,067 5,907 333,453	
Special	Special	
Mention	Mention 13,994 46,688 101 13,055 8,949 12,103 8,772 46 103,708	
Substandard	Substandard 4,643 79,370 9,510 12,598 8,323 27,414 11,033 41 152,932	
Doubtful	Doubtful — — — — — — — — — —	
Loss	Loss — — — — — — — — — —	
Total loans	Total loans \$ 4,889,013 \$ 3,476,481 \$ 1,567,169 \$ 948,031 \$ 681,908 \$ 1,046,392 \$ 1,278,724 \$ 21,645 \$ 13,909,363	
Current period gross write-offs		

Note 5. Federal Home Loan Bank Advances and Other Borrowings

At September 30, 2023 March 31, 2024, the Company has had no advances from the FHLB of Dallas under note payable arrangements that mature in October 2023. Interest payments on these notes are made monthly. The weighted average interest rate of all notes was 5.49% and 2.42% at September 30, 2023 and December 31, 2022, respectively. arrangements. The balances outstanding on these advances were \$275,000 \$350,000 at December 31, 2023.

Other borrowings totaled \$496,975 and \$300,000 \$271,821 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The advances are secured by \$21,973 of FHLB stock owned by During first quarter 2024, the Company repaid the outstanding FHLB advances and a blanket lien on certain loans along with specific listed loans for an aggregate available carrying value borrowed two short-term advances from the Federal Reserve's Bank Term Funding Program (BTFP) that mature in January and February 2025. The weighted average interest rate of \$6,654,177 the advances was 5.04% at September 30, 2023 March 31, 2024. The Company had remaining credit available under the FHLB advance program of \$4,924,806 balance outstanding on BTFP advances included in other borrowings was \$225,000 at September 30, 2023 March 31, 2024.

At September 30, 2023, the Company had \$1,443,300 in undisbursed advance commitments (letters of credit) with the FHLB. As of September 30, 2023, these commitments mature on various dates from October 2023 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 September 30, 2023, there were no disbursements against the advance commitments.

Independent Bank Group, Inc. and Subsidiaries Notes to Consolidated Financial Statements (unaudited)

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

Note 6. Other Borrowings

Other borrowings totaled \$271,666 and \$267,066 at September 30, 2023 and December 31, 2022, respectively.

On March 31, 2023, the Company redeemed \$30,000 of its outstanding 5.00% fixed-to-floating rate subordinated debentures due December 31, 2027.

There were \$33,750 borrowings outstanding as of September 30, 2023 and no borrowings outstanding as of December 31, 2022 against the Company's revolving line of credit.

Note 7. 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the approximate amounts of these financial instruments were as follows:

	September 30, 2023	December 31, 2022		
	March 31, 2024		March 31, 2024	December 31, 2023
Commitments to extend credit	Commitments to extend credit	\$ 2,917,204	\$ 3,291,409	
Standby letters of credit	Standby letters of credit	29,046	24,135	
		\$ 2,946,250	\$ 3,315,544	
		\$		

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.

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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.

Independent Bank Group, Inc. and Subsidiaries

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Three Months Ended March 31,				
Three Months Ended March 31,				
Three Months Ended March 31,				
2024				
2024				
2024				
Balance at beginning of period				
Balance at beginning of period				
Balance at beginning of period	\$ 4,907	\$ 4,731	\$ 3,944	\$ 4,722
Provision for off-balance sheet credit exposure	(542)	(420)	421	(411)
Provision for off-balance sheet credit exposure				
Provision for off-balance sheet credit exposure				
Balance at end of period	\$ 4,365	\$ 4,311	\$ 4,365	\$ 4,311
Balance at end of period				
Balance at end of period				

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 ~~which is expected to be paid~~ was recognized in fourth quarter 2023 or first quarter 2024, is recognized as litigation settlement expense included in noninterest expense on the accompanying income statement as well as along with \$2,500 in related legal and other fees associated with the litigation and settlement 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 8.7. Income Taxes

Income tax expense (benefit) for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** was as follows:

	Three Months Ended March 31,
Three Months Ended March 31,	
Three Months Ended March 31,	
2024	

	2024		2024		Three Months Ended September 30,		Nine Months Ended September 30,		
Income tax expense (benefit) for the period									
		2023		2022		2023		2022	
Income tax expense (benefit) for the period									
Income tax expense for the period	\$	8,246	\$	13,481	\$	5,662	\$	39,351	
Income tax expense (benefit) for the period									
Effective tax rate	Effective tax rate	20.1	%	20.5	%	16.7	%	20.2	%
Effective tax rate									
Effective tax rate									

The effective tax rates for 2023 2024 and 2022 2023 differ from the statutory federal tax rate of 21% largely due to tax exempt interest income earned on certain investment securities and loans, the nontaxable earnings on bank owned life insurance, nondeductible compensation, and state income tax. In addition, the effective rate for the nine three months ended September 30, 2023 March 31, 2023 is lower higher due to the Company being in a net loss position related to the litigation settlement that occurred in first quarter 2023 settlement.

Independent Bank Group, Inc. and Subsidiaries

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

Note 9.8. 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.

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. See below and Note 10, *Derivative Financial Instruments*, for additional information.

Independent Bank Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

(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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** by level within the ASC Topic 820 fair value measurement hierarchy:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Significant	Other	Significant
		Assets/ Liabilities	Identical Assets	Observable Unobservable
		Measured at	(Level 1)	Inputs
		Fair Value	(Level 2)	(Level 3)
<u>September 30, 2023</u>				
		Fair Value Measurements at Reporting Date Using		
		Assets/ Liabilities	Assets/ Liabilities	Quoted Prices in Active Markets for Significant
		Measured at	Identical Assets	Other
		Fair Value	(Level 1)	Significant
				Unobservable Inputs (Level 3)
<u>March 31, 2024</u>				
Assets:		Fair Value Measurements at Reporting Date Using		
Assets:		Assets/ Liabilities	Assets/ Liabilities	Quoted Prices in Active Markets for Significant
Assets:		Measured at	Identical Assets	Other
Assets:		Fair Value	(Level 1)	Significant
Assets:				Unobservable Inputs (Level 3)
Assets:				
Investment securities available for sale:		Assets:		
Investment securities available for sale:		Investment securities available for sale:		
U.S. treasuries				
U.S. treasuries		U.S. treasuries	\$ 216,468	\$ — \$ 216,468 \$ —
Government agency securities		Government agency securities	374,092	— 374,092 —
Obligations of state and municipal subdivisions		Obligations of state and municipal subdivisions	224,702	— 224,702 —
Corporate bonds		Corporate bonds	35,437	— 35,437 —
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA		Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	694,705	— 694,705 —
Other securities		Other securities	500	— 500 —

Loans held for sale, fair value option elected (1)	Loans held for sale, fair value option elected (1)	10,499	—	10,499	—
Derivative financial instruments:	Derivative financial instruments:				
Interest rate lock commitments	Interest rate lock commitments				
Forward mortgage-backed securities trades	Forward mortgage-backed securities trades	71	—	71	—
Commercial loan interest rate swaps:					
Loan customer counterparty					
Loan customer counterparty					
Loan customer counterparty					
Financial institution counterparty	Financial institution counterparty	14,331	—	14,331	—
Liabilities:	Liabilities:				
Derivative financial instruments:	Derivative financial instruments:				
Interest rate swaps - cash flow hedge	Interest rate swaps - cash flow hedge	11,583	—	11,583	—
Interest rate swaps - cash flow hedge	Interest rate swaps - cash flow hedge				
Interest rate lock commitments					
Forward mortgage-backed securities trades		13	—	13	—
Loan customer counterparty		14,176	—	14,176	—

December 31, 2022				
December 31, 2023				
December 31, 2023				
December 31, 2023				
Assets:				
Assets:				
Assets:	Assets:			
Investment securities available for sale:	Investment securities available for sale:			
Investment securities available for sale:				
Investment securities available for sale:				
U.S. treasuries				
U.S. treasuries				
U.S. treasuries	U.S. treasuries	\$ 239,410	\$ —	\$ 239,410
Government agency securities	Government agency securities	384,515	—	384,515
Obligations of state and municipal subdivisions	Obligations of state and municipal subdivisions	251,231	—	251,231
Corporate bonds	Corporate bonds	37,205	—	37,205
Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	Mortgage-backed securities guaranteed by FHLMC, FNMA and GNMA	778,473	—	778,473
Other securities	Other securities	950	—	950
Loans held for sale, fair value option elected (1)	Loans held for sale, fair value option elected (1)	10,612	—	10,612
Derivative financial instruments:	Derivative financial instruments:			
Interest rate lock commitments	Interest rate lock commitments			
Interest rate lock commitments				
Forward mortgage-backed securities trades	Forward mortgage-backed securities trades	98	—	98
Commercial loan interest rate swaps:				
Loan customer counterparty				

Financial institution counterparty	Financial institution counterparty	13,968	—	13,968	—
Liabilities:					
Derivative financial instruments:	Derivative financial instruments:				
Interest rate swaps - cash flow hedge					
Interest rate lock commitments	Interest rate swaps - cash flow hedge	11,283	—	11,283	—
Interest rate swaps - cash flow hedge					
Forward mortgage-backed securities trades	Forward mortgage-backed securities trades	11	—	11	—
Forward mortgage-backed securities trades					
Commercial loan interest rate swaps:	Commercial loan interest rate swaps:				
Loan customer counterparty	Loan customer counterparty	13,788	—	13,788	—
Loan customer counterparty					
Financial institution counterparty	Financial institution counterparty				

(b) At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, loans held for sale for which the fair value option was elected had an aggregate outstanding principal balance of **\$10,272** **\$12,205** and **\$10,330**, **\$11,747**, 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 **September 30, 2023** **March 31, 2024**.

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(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 [10](#) [9](#), Derivative Financial Instruments, for more information.

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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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, for which a nonrecurring change in fair value has been recorded:

	Fair Value		Significant Other	Period Ended	
	Measurements at	Reporting Date Using			
Assets					
Measured					
at Fair					
Value					
Assets					
Measured					
at Fair					
Value					
Assets					
Measured					
at Fair					
Value					
March 31, 2024					
Assets:					

Assets:							
Assets:							
Individually evaluated loans							
Individually evaluated loans							
Individually evaluated loans							
Fair Value Measurements at Reporting Date Using							
<u>December 31, 2023</u>							
		Quoted Prices in Active Markets					
		for Significant Period					
	Assets	Identical	Other	Significant	Period Ended		
	Measured at Fair Value	Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total (Gains) Losses		
<u>September 30, 2023</u>							
<u>December 31, 2023</u>							
<u>December 31, 2023</u>							
Assets:							
Assets:							
Assets:	Assets:						
Individually evaluated loans	Individually evaluated loans	\$ 5,359	\$ —	\$ —	\$ 5,359	\$ 3,552	
Other real estate owned		22,505	—	—	22,505	3,037	
<u>December 31, 2022</u>							
Assets:							
Individually evaluated loans							
Individually evaluated loans	Individually evaluated loans	\$ 8,527	\$ —	\$ —	\$ 8,527	\$ 3,505	
Other real estate owned	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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, all mortgage loans held for sale not recorded under the fair value option were recorded at cost.

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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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

		Fair Value Measurements at Reporting Date Using						
		Quoted Prices in Active Markets for Identical Assets						
		Carrying Amount	Estimated Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)		
<u>September 30, 2023</u>								
		Fair Value Measurements at Reporting Date Using					Fair Value Measurements at Reporting Date Using	
		Carrying Amount	Estimated Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets	Significant for Other Significant Identical Observable Unobservable
<u>March 31, 2024</u>							Carrying Amount	Estimated Fair Value Assets (Level 1) Inputs (Level 2) Inputs (Level 3)
Financial assets:		Financial assets:						
Financial assets:		Financial assets:						
Financial assets:		Financial assets:						
Cash and cash equivalents		Cash and cash equivalents						
Cash and cash equivalents		711,709	\$ 711,709	\$ 711,709	\$ —	\$ —	Quoted Prices in Active Markets for Identical Assets	Significant for Other Significant Identical Observable Unobservable
Certificates of deposit held in other banks		248	241	—	241	—	Certificates of deposit held in other banks	Significant for Other Significant Identical Observable Unobservable
Investment securities held to maturity							Investment securities held to maturity	Significant for Other Significant Identical Observable Unobservable
Investment securities held to maturity							Investment securities held to maturity	Significant for Other Significant Identical Observable Unobservable
Investment securities held to maturity		205,689	148,501	—	148,501	—	Investment securities held to maturity	Significant for Other Significant Identical Observable Unobservable
Loans held for sale, at cost		7,569	7,734	—	7,734	—	Loans held for sale, at cost	Significant for Other Significant Identical Observable Unobservable
Loans, net		14,075,155	13,824,742	—	—	13,824,742	Loans, net	Significant for Other Significant Identical Observable Unobservable

FHLB of Dallas stock and other restricted stock	FHLB of Dallas stock and other restricted stock	25,496	25,496	—	25,496	—
Accrued interest receivable	Accrued interest receivable	58,780	58,780	—	58,780	—
Financial liabilities:	Financial liabilities:					
Deposits	Deposits	15,340,969	15,296,064	—	15,296,064	—
Deposits	Deposits					
Accrued interest payable	Accrued interest payable	34,546	34,546	—	34,546	—
FHLB advances		275,000	275,014	—	275,014	—
Other borrowings	Other borrowings					
Other borrowings	Other borrowings	271,666	253,625	—	253,625	—
Junior subordinated debentures	Junior subordinated debentures	54,568	58,789	—	58,789	—
Off-balance sheet assets (liabilities):	Off-balance sheet assets (liabilities):					
Commitments to extend credit	Commitments to extend credit	—	—	—	—	—
Commitments to extend credit	Commitments to extend credit					
Standby letters of credit	Standby letters of credit	—	—	—	—	—
December 31, 2022						
December 31, 2023						
Financial assets:	Financial assets:					
Financial assets:	Financial assets:					
Financial assets:	Cash and cash equivalents					
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	\$ 654,322	\$ 654,322	\$ 654,322	\$ —	—
Certificates of deposit held in other banks	Certificates of deposit held in other banks	496	486	—	486	—
Investment securities held to maturity	Investment securities held to maturity	207,059	162,239	—	162,239	—
Loans held for sale, at cost	Loans held for sale, at cost	698	710	—	710	—

Loans, net	Loans, net	13,760,576	13,450,582	—	—	13,450,582
FHLB of Dallas stock and other restricted stock	FHLB of Dallas stock and other restricted stock	23,436	23,436	—	23,436	—
Accrued interest receivable	Accrued interest receivable	59,214	59,214	—	59,214	—
Financial liabilities:	Financial liabilities:					
Deposits	Deposits	15,121,417	15,063,025	—	15,063,025	—
Deposits						
Deposits						
Accrued interest payable	Accrued interest payable	9,604	9,604	—	9,604	—
FHLB advances	FHLB advances	300,000	246,519	—	246,519	—
Other borrowings	Other borrowings	267,066	258,800	—	258,800	—
Other borrowings						
Other borrowings						
Junior subordinated debentures	Junior subordinated debentures	54,419	53,969	—	53,969	—
Off-balance sheet assets (liabilities):	Off-balance sheet assets (liabilities):					
Commitments to extend credit	Commitments to extend credit	—	—	—	—	—
Commitments to extend credit						
Commitments to extend credit						
Standby letters of credit	Standby letters of credit	—	—	—	—	—

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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.

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Note 10.9. 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 three and nine months ended **September 30, 2023** **March 31, 2024**.

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 related to derivatives was \$1,359 and \$2,644, \$1,553, 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 \$879 and \$2,395, \$886, net of tax, during and for the three and nine months ended **September 30, 2023**, respectively. **March 31, 2024**. Amounts of **losses** **gains** recognized in accumulated other comprehensive income related to derivatives was \$3,214 and \$8,760, \$743, 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 \$254 and \$62, \$706, net of tax, during and for the three and nine months ended **September 30, 2022**, respectively. **March 31, 2023**. During the next twelve months, the Company estimates that \$4,320 \$3,934 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.

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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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
September 30, 2023			
Derivatives designated as hedging instruments:			
Interest rate swaps - cash flow hedge	\$ 100,000	\$ —	\$ 11,583
Derivatives not designated as hedging instruments:			
Interest rate lock commitments	20,111	353	—
Forward mortgage-backed securities trades	21,000	71	13
Commercial loan interest rate swaps:			
Loan customer counterparty	202,915	—	\$ 14,176
Financial institution counterparty	202,915	14,331	—
December 31, 2022			
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			
	September 30, 2023		December 31, 2022	
	Received	Paid	Received	Paid
Loan customer counterparty	4.53 %	7.86 %	4.12 %	6.72 %

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Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
------------------------------	-----------------------------	---------------------------------

<u>March 31, 2024</u>					
Derivatives designated as hedging instruments:					
Interest rate swaps - cash flow hedge	\$	100,000	\$	—	\$ 9,095
Derivatives not designated as hedging instruments:					
Interest rate lock commitments		23,327		570	1
Forward mortgage-backed securities trades		17,000		7	36
Commercial loan interest rate swaps:					
Loan customer counterparty		199,102		44	10,439
Financial institution counterparty		199,102		10,506	58

The credit exposure related to interest rate swaps is limited to the net favorable value of all swaps by each counterparty, which was approximately \$14,331 \$10,550 and \$13,968 \$9,699 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, cash of \$11,462 \$10,515 and \$10,394 \$10,242, respectively, and securities of \$449 \$433 and \$509 \$444, respectively, were pledged as collateral for these derivatives, respectively, and counterparties had deposited \$3,550 \$2,400 of cash with the Company as of September 30, 2023 March 31, 2024.

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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 **September 30, 2023** both **March 31, 2024** and **December 31, 2023**. 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 **\$8,877** **\$8,734** and **\$8,805** at **September 30, 2023**, **March 31, 2024** and **December 31, 2023**, 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 (loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 is as follows:

Derivatives designated as hedging instruments								
Derivatives designated as hedging instruments								
Derivatives designated as hedging instruments	Derivatives designated as hedging instruments							
Interest rate swaps - cash flow hedges	Interest rate swaps - cash flow hedges	Interest and fees on loans	\$ (1,119)	\$ (326)	\$ (3,048)	\$ (93)		
Interest rate swaps - cash flow hedges								
Interest rate swaps - cash flow hedges								
Derivatives not designated as hedging instruments								
Derivatives not designated as hedging instruments								
Derivatives not designated as hedging instruments	Derivatives not designated as hedging instruments							
Interest rate lock commitments	Interest rate lock commitments	Mortgage banking revenue	5	(544)	65	(957)		
Interest rate lock commitments								
Interest rate lock commitments								
Forward mortgage-backed securities trades	Forward mortgage-backed securities trades	Mortgage banking revenue	(33)	470	(29)	458		
Forward mortgage-backed securities trades								
Forward mortgage-backed securities trades								

Note 11, 10. 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 ~~September 30, 2023~~ ~~March 31, 2024~~, there were **1,365,752** **1,272,010** shares remaining available for grant for future awards.

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Shares issued under these plans are restricted stock awards and performance stock units at target award level. stock. Restricted stock awarded to employees 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.

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Restricted Stock Awards

The following table summarizes the activity in nonvested restricted stock awards for the nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

				Weighted Average Grant Date	Weighted Average Grant Date		
Restricted Stock Awards	Restricted Stock Awards	Number of Shares	Date Fair Value	Number of Shares	Fair Value		
Nonvested shares, December 31, 2023							
Granted during the period							
Granted during the period							
Granted during the period							
Vested during the period							
Forfeited during the period							
Nonvested shares, March 31, 2024							
Nonvested shares, December 31, 2022							
Nonvested shares, December 31, 2022							
Nonvested shares, December 31, 2022	Nonvested shares, December 31, 2022	309,015	\$ 60.12				
Granted during the period	Granted during the period	136,909	56.99				
Vested during the period		(144,677)	58.64				

Forfeited during the period	(4,844)	62.81
Nonvested shares, September 30, 2023	296,403	\$ 59.36
Nonvested shares, December 31, 2021	363,551	\$ 53.14
Granted during the period		
Granted during the period	111,095	72.55
Vested during the period	(161,936)	53.83
Forfeited during the period	(7,301)	55.06
Nonvested shares, September 30, 2022	305,409	\$ 59.79
Nonvested shares, March 31, 2023		

Compensation expense related to these awards is recorded based on the fair value of the award at the date of grant and totaled \$2,112 \$2,118 and \$6,176 \$1,959 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$2,610 and \$7,178 for the three and nine months ended September 30, 2022, 2023, respectively.

Compensation expense is recorded in salaries and employee benefits in the accompanying consolidated statements of income, income (loss). At September 30, 2023 March 31, 2024, future compensation expense is estimated to be \$12,982 \$14,107 and will be recognized over a remaining weighted average period of 2.06 2.18 years.

The fair value of common stock awards that vested during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was \$7,497 \$3,786 and \$11,822 \$5,605, respectively. The Company has recorded \$120 \$313 and \$216 \$85 in excess tax expense on vested restricted stock to income tax expense for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$321 and \$673 in excess tax benefit for the three and nine months ended September 30, 2022, 2023, respectively.

There were no modifications of stock agreements during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 that resulted in significant additional incremental compensation costs.

At September 30, 2023 March 31, 2024, the future vesting schedule of the nonvested restricted stock awards is as follows:

	Number of Shares
First year	151,166 169,390
Second year	80,278 98,760
Third year	56,411 54,723
Fourth year	8,548 875
Total nonvested shares	<u>296,403 323,748</u>

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Performance Stock Units

Performance stock units represent shares potentially issuable in the future. For awards granted prior to 2024, 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. For awards granted in 2024, the number of shares issued is based upon two equally weighted measures 1) the Company's cumulative adjusted diluted earnings per share over the performance period, as defined by the Company, and 2) its relative total shareholder return over the award's performance period as compared to an identified peer group. 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.

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The following table summarizes the activity in nonvested performance stock units at target award level for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022: 2023:**

Performance- Based Restricted Stock Units	Performance- Based Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value	Performance-Based Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested shares, December 31, 2023						
Granted during the period						
Forfeited during the period						
Forfeited during the period						
Forfeited during the period						
Nonvested shares, March 31, 2024						
Nonvested shares, December 31, 2022						
Nonvested shares, December 31, 2022						
Nonvested shares, December 31, 2022	Nonvested shares, December 31, 2022	140,240	\$ 49.20			
Granted during the period	Granted during the period	37,938	60.21			
Nonvested shares, September 30, 2023		178,178	\$ 51.55			
Nonvested shares, March 31, 2023						
Nonvested shares, December 31, 2021		114,498	\$ 43.93			
Granted during the period		20,742	73.94			

Nonvested shares, March 31, 2023	
Nonvested shares, September 30, 2022	<u>135,240</u> \$ 48.53
Nonvested shares, March 31, 2023	

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 **\$(1,689)** **\$488** and **\$(604)** **\$486** for the three and nine months ended **September 30, 2023**, **March 31, 2024** and **\$1,169** and **\$2,422** for the three and nine months ended **September 30, 2022**, **2023**, respectively. As of **September 30, 2023** **March 31, 2024**, the unrecognized compensation expense is estimated to be **\$3,160**, **\$3,871**. The remaining performance period over which the expense will be recognized is **2.06** **2.20** years.

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Note 12.11. 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 permissible three year transition option and to phase in the day one effects to capital. The deferral has been applied in to capital ratios presented below. below through December 31, 2023.

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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company and the Bank meet all capital adequacy requirements to which they are subject, including the capital buffer requirement.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, 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.

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The following table presents actual and required capital ratios under Basel III Capital Rules for the Company and Bank as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. 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.

		Minimum Capital						
		Required Plus Capital		Required To Be Considered Well Capitalized ⁽¹⁾				
		Actual	Conservation Buffer	Amount	Ratio	Amount	Ratio	
<u>September 30, 2023</u>								
<u>Actual</u>								
<u>March 31, 2024</u>								
Total capital to risk weighted assets: Total capital to risk weighted assets: Consolidated Consolidated Consolidated Bank Tier 1 capital to risk weighted assets: Tier 1 capital to risk weighted assets: Consolidated Consolidated Bank Common equity tier 1 to risk weighted assets: Common equity tier 1 to risk weighted assets: Consolidated Consolidated Bank Tier 1 capital to average assets: Tier 1 capital to average assets: Consolidated Consolidated Bank <u>December 31, 2022</u> <u>December 31, 2023</u> <u>December 31, 2023</u>								
<u>Actual</u>								
Total capital to risk weighted assets: Total capital to risk weighted assets: Consolidated Consolidated Consolidated Bank Tier 1 capital to risk weighted assets: Tier 1 capital to risk weighted assets: Consolidated Consolidated Bank Common equity tier 1 to risk weighted assets: Common equity tier 1 to risk weighted assets: Consolidated Consolidated Bank Tier 1 capital to average assets: Tier 1 capital to average assets: Consolidated Consolidated Bank <u>December 31, 2022</u> <u>December 31, 2023</u> <u>December 31, 2023</u>								
<u>Actual</u>								

Consolidated	Consolidated	1,637,191	10.45	1,332,291	8.50	940,441	6.00
Consolidated							
Consolidated							
Bank	Bank	1,896,702	12.10	1,331,858	8.50	1,253,513	8.00
Common equity tier 1 to risk weighted assets:	Common equity tier 1 assets:						
Consolidated							
Consolidated							
Consolidated	Consolidated	1,581,591	10.09	1,097,181	7.00	N/A	N/A
Bank	Bank	1,896,702	12.10	1,096,824	7.00	1,018,479	6.50
Tier 1 capital to average assets:	Tier 1 capital to average assets:						
Consolidated	Consolidated	1,637,191	9.49	690,309	4.00	N/A	N/A
Consolidated							
Consolidated							
Bank	Bank	1,896,702	10.99	690,130	4.00	862,663	5.00

⁽¹⁾ "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.

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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 The Company is currently not under a stock repurchase program for the repurchase of up to \$125,000 of common stock through December 31, 2023. There were no shares repurchased under the prior 2023 Plan during the three and nine months ended September 30, 2023 March 31, 2023. Under the prior plan, the Company repurchased 1,651,236 shares at a total cost of \$115,966 during the nine months ended September 30, 2022. There were no shares repurchased during the three months ended September 30, 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 11,476 and 38,739 24,354 shares at a total cost of \$418 and \$2,057 \$1,129 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and 15,311 and 43,786 26,777 shares at a total cost of \$1,054 and \$3,199 \$1,617 for the three and nine months ended September 30, 2022, respectively, March 31, 2023 and were not included under the repurchase program.

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Note 13. Subsequent Events

Declaration of Dividends

On October 19, 2023 April 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 November 2, 2023 May 2, 2024. The dividend will be paid on November 16, 2023 May 16, 2024.

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

Cautionary Note Regarding Forward Looking Statements

The Quarterly Report on Form 10-Q, 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 (loss) 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;
- 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 **including COVID-19**, 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, including 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;
- 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 Company's Annual Report on Form 10-K filed with the SEC on **February 21, 2023** **February 20, 2024**, under the caption "Risk Factors". 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 filing or made by us in any report, prospectus, document or information incorporated by reference in this filing, 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 filing or incorporated by reference herein.

Overview

This Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations analyzes the major elements of the Company's financial condition and results of operation as reflected in the interim consolidated financial statements and accompanying notes appearing in this Quarterly Report on Form 10-Q. This section should be read in conjunction with the Company's interim consolidated financial statements and accompanying notes included elsewhere in this report and with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

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.

As of **September 30, 2023** **March 31, 2024**, the Company operated **91** **92** full service banking locations in north, central and southeast Texas regions, and along the Colorado Front Range region, with **60** **61** Texas locations and 31 Colorado locations.

The Company's headquarters are located at 7777 Henneman Way, McKinney, Texas 75070 and its telephone number is (972) 562-9004. The Company's website address is www.ifinancial.com. Information contained on the Company's website is not incorporated by reference into this Quarterly Report on Form 10-Q and is not part of this or any other report.

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 **non-interest** **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, **acquisition expenses**, provisions for credit losses and the Company's assessment for FDIC deposit insurance.

Recent Developments

Stanford Litigation

As more fully discussed in **Part II, Item 1. 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 nine months ended September 30, 2023, reducing net income by \$80.1 million or \$1.94 per diluted share.

Recent Banking Crisis

In light of recent events in the banking sector, including recent bank failures, continuing interest rate hikes and recessionary concerns, 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 at September 30, 2023. The Company maintains the ability to access considerable sources of contingent liquidity at the Federal Home Loan Bank and the Federal Reserve Bank. Management considers the Company's current liquidity position to be adequate to meet both short-term and long-term liquidity needs. Refer to the section **Liquidity Management** for additional information.
- Capital remains strong, with ratios of the Company, and its subsidiary bank, well above the standards to be considered well-capitalized under regulatory requirements. Refer to **Note 12. Regulatory Matters**, included elsewhere in this report for additional details.
- Asset quality remains solid, with a non-performing asset ratio of 0.33% of total assets as of September 30, 2023 and net charge-offs of 0.01% and 0.01% annualized for the three and nine month periods, respectively, 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 the remainder of 2023 is uncertain and cannot be predicted.

Discussion and Analysis of Results of Operations for the Three and Nine Months Ended **September 30, 2023** **March 31, 2024** and **2022**

The following discussion and analysis of the Company's results of operations compares the operations for the three and nine months ended **September 30, 2023** **March 31, 2024** with the three and nine months ended **September 30, 2022** **March 31, 2023**. The results of operations for the three and nine months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results of operations that may be expected for all of the year ending **December 31, 2023** **December 31, 2024**.

Results of Operations

For the three months ended **September 30, 2023** **March 31, 2024**, the Company had a net income of \$32.8 million \$24.2 million (\$0.79 \$0.58 per common share on a diluted basis) compared with \$52.4 million net loss of \$37.5 million (\$1.27 (0.91) per common share on a diluted basis) for the three months ended **September 30, 2022** **March 31, 2023**. The Company posted annualized returns on average equity of 5.51% 4.05% and 8.66% (6.39%), returns on average assets of 0.70% 0.51% and 1.16% (0.83)% and efficiency ratios of 63.75% 73.68% and 55.13% 132.41% for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively. The efficiency ratio is calculated by dividing total noninterest expense (which excludes the provision for credit losses and the amortization of other intangible assets) by net interest income plus noninterest income.

For the nine months ended **September 30, 2023**, net income was \$28.3 million (\$0.69 per common share on a diluted basis) compared with net income of \$155.5 million (\$3.71 per common share on a diluted basis) for the nine months ended **September 30, 2022**. The Company posted annualized returns on average equity of 1.60% and 8.42%, returns on average assets of 0.21% and 1.15% and efficiency ratios of 88.75% and 54.91% for the nine months ended **September 30, 2023** and **2022**, respectively.

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.

Net interest income was \$109.0 million \$103.0 million for the three months ended **September 30, 2023** **March 31, 2024**, a decrease of \$38.2 million \$24.9 million, or 26.0% 19.5%, from \$147.3 million \$127.9 million for the three months ended **September 30, 2022** **March 31, 2023**. This The decrease in net interest income was primarily driven by the increased funding costs on our deposit products and including an increase of \$25.4 million in interest expense paid on increased average brokered deposits of \$1.8 billion, as well as FHLB advances as a result of the continued and other borrowings 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. The decrease also reflects lower acquired loan accretion earned for the year over year period. Average interest-earning assets increased \$616.6 million \$734.2 million or 3.8% 4.5%, to \$16.7 billion \$17.1 billion for the three months ended **September 30, 2023** **March 31, 2024** compared to \$16.0 billion \$16.4 billion for the three months ended **September 30, 2022** **March 31, 2023**. The increase is primarily due to higher average loan balances, which increased approximately \$579.1 million \$681.9 million, due to organic growth primarily occurring during the second half of 2023 and increases in interest-bearing cash balances of approximately \$258.0 million \$151.7 million, offset by decreases in average securities of \$220.4 million \$99.4 million. The yield on average interest-earning assets increased 101 55 basis points from 4.30% 4.98% for the three months ended **September 30, 2022** **March 31, 2023** to 5.31% 5.53% for the three months ended **September 30, 2023** **March 31, 2024**. The increase in asset yield from the prior year is primarily a result of increases in the Fed Funds rate and also due to the organic loan growth for the year over year period. The average cost of interest-bearing liabilities increased 270 148 basis points to 3.72% 4.11% for the three months ended **September 30, 2023** **March 31, 2024** compared to 1.02% 2.63% for the three months ended **September 30, 2022** **March 31, 2023**. The increase is reflective of higher funding costs, primarily on deposit products, and including the increase in brokered deposits interest expense as mentioned above, as well as FHLB advances and other short-term borrowings as a result of Fed Funds rate increases but also due to promotional campaigns on certificate of deposit products. increases. Also contributing was the shift from non-interest bearing deposits into interest-bearing products during the year over year period. The aforementioned changes resulted in an 104 75 basis point decrease in the net interest margin for the three months ended **September 30, 2023** **March 31, 2024**, at 2.60% 2.42% compared to 3.64% 3.17% for the three months ended **September 30, 2022** **March 31, 2023**. The decrease was primarily due to increased funding costs on deposits, FHLB advances and other short-term advances borrowings resulting from continued Fed rate increases over the year, offset to a lesser extent, by higher earnings on loans due both to organic growth and rate increases and organic loan growth for the year over year period as well as higher earnings on interest-bearing cash balances due to rate increases.

Net interest income was \$350.6 million for the nine months ended **September 30, 2023**, a decrease of \$65.8 million, or 15.8%, from \$416.4 million for the nine months ended **September 30, 2022**. The decrease was primarily driven by the increased funding costs on our deposit products and FHLB advances as a result of the continued Fed rate increases offset to a lesser extent by increased earnings on interest-earning assets, primarily loans and interest-bearing cash but also due to the shift in mix of interest-earning assets from interest-bearing cash to loans for the year over year period. The decrease also reflects lower acquired loan accretion earned for the year over year period. Average interest-earning assets increased \$494.0 million or 3.1%, to \$16.6 billion for the nine months ended **September 30, 2023** compared to \$16.1 billion for the nine months ended **September 30, 2022**. The increase was driven by increases in average loan balances of \$1.1 billion due to organic growth, offset by decreased average interest-bearing cash balances of \$343.2 million and average securities balances of \$234.1 million. The average yield on interest-earning assets increased 128 basis points from 3.86% for the nine months ended **September 30, 2022** to 5.14% for the nine months ended **September 30, 2023** while the average rate paid on interest-bearing liabilities increased 263 basis points from 0.63% for the nine months ended **September 30, 2022** to 3.26% for the nine months ended **September 30, 2023**. The net interest margin for the nine months ended **September 30, 2023** decreased 63 basis points to 2.82% compared to 3.45% for the nine months ended **September 30, 2022** due primarily to increased funding costs on deposits and short-term advances resulting from continued Fed rate increases over the year, offset to a lesser extent by higher earnings on loans due to organic growth and rate increases and higher earnings on interest-bearing cash balances due to rate increases.

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 three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances.

		Three Months Ended September 30,											
		2023			2022								
		Three Months Ended March 31,											
		2024											
(dollars in thousands)	(dollars in thousands)	Average Outstanding Balance	Interest	Yield/Rate ⁽⁴⁾	Average Outstanding Balance	Interest	Yield/Rate ⁽⁴⁾	(dollars in thousands)	Average Outstanding Balance	Interest	Yield/Rate ⁽⁴⁾		
Interest-earning assets:	Interest-earning assets:												
Loans ⁽¹⁾													
Loans ⁽¹⁾													
Loans ⁽¹⁾	Loans ⁽¹⁾	\$14,118,264	\$202,725	5.70 %	\$13,539,196	\$160,160	4.69 %	\$14,613,613	\$215,511	5.93	5.93		
Taxable securities	Taxable securities	1,411,578	7,674	2.16	1,603,668	8,306	2.05						
Nontaxable securities	Nontaxable securities	410,391	2,558	2.47	438,728	2,655	2.40						
Interest-bearing deposits and other	Interest-bearing deposits and other	716,271	9,787	5.42	458,276	2,566	2.22						
Total interest-earning assets	Total interest-earning assets	16,656,504	222,744	5.31	16,039,868	173,687	4.30						
Noninterest-earning assets	Noninterest-earning assets	1,864,096			1,853,204								
Total assets	Total assets	\$18,520,600			\$17,893,072								
Total assets	Total assets												
Interest-bearing liabilities:	Interest-bearing liabilities:												
Interest-bearing liabilities:	Interest-bearing liabilities:												
Checking accounts	Checking accounts												
Checking accounts	Checking accounts	\$ 5,596,274	\$ 47,657	3.38 %	\$ 5,906,102	\$ 12,296	0.83 %	\$ 5,547,926	\$ 49,899	3.62	3.62		
Savings accounts	Savings accounts	590,577	90	0.06	795,401	98	0.05						
Money market accounts	Money market accounts	1,565,181	15,200	3.85	2,181,812	6,770	1.23						
Certificates of deposit	Certificates of deposit	3,566,496	39,653	4.41	976,105	2,422	0.98						
Total deposits	Total deposits	11,318,528	102,600	3.60	9,859,420	21,586	0.87						
FHLB advances	FHLB advances	463,967	6,054	5.18	102,717	443	1.71						
Other borrowings - short-term	Other borrowings - short-term	41,087	738	7.13	17,809	171	3.81						

Other borrowings - long-term	Other borrowings - long-term	237,862	3,070	5.12	266,832	3,464	5.15
Junior subordinated debentures	Junior subordinated debentures	54,550	1,233	8.97	54,352	749	5.47
Total interest-bearing liabilities	Total interest-bearing liabilities	12,115,994	113,695	3.72	10,301,130	26,413	1.02
Noninterest-bearing checking accounts		3,798,091			5,081,649		
Noninterest-bearing demand accounts							
Noninterest-bearing liabilities							
Noninterest-bearing liabilities	Noninterest-bearing liabilities	246,340			108,749		
Stockholders' equity	Stockholders' equity	2,360,175			2,401,544		
Stockholders' equity							
Stockholders' equity							
Total liabilities and equity							
Total liabilities and equity							
Total liabilities and equity	Total liabilities and equity	\$18,520,600			\$17,893,072		
Net interest income	Net interest income		\$109,049			\$147,274	
Net interest income							
Net interest income							
Interest rate spread							
Interest rate spread	Interest rate spread			1.59 %		3.28 %	
Net interest margin (2)	Net interest margin (2)			2.60		3.64	
Net interest income and margin (tax equivalent basis) (3)	Net interest income and margin (tax equivalent basis) (3)		\$110,077	2.62	\$148,454	3.67	
Average interest-earning assets to interest-bearing liabilities	Average interest-earning assets to interest-bearing liabilities						
Average interest-earning assets to interest-bearing liabilities				137.48		155.71	

(dollars in thousands)	Nine Months Ended September 30,					
	2023			2022		
	Average Outstanding Balance	Interest	Yield/Rate (4)	Average Outstanding Balance	Interest	Yield/Rate (4)
Interest-earning assets:						
Loans (1)	\$ 14,026,604	\$ 580,631	5.53 %	\$ 12,955,318	\$ 427,765	4.41 %
Taxable securities	1,444,280	23,323	2.16	1,665,264	24,908	2.00
Nontaxable securities	417,459	7,747	2.48	430,586	7,729	2.40
Interest-bearing deposits and other	724,787	27,513	5.08	1,067,991	4,846	0.61
Total interest-earning assets	16,613,130	639,214	5.14	16,119,159	465,248	3.86
Noninterest-earning assets	1,855,135			1,894,972		
Total assets	<u>\$ 18,468,265</u>			<u>\$ 18,014,131</u>		
Interest-bearing liabilities:						
Checking accounts	\$ 5,836,196	\$ 128,493	2.94 %	\$ 6,007,021	\$ 19,965	0.44 %
Savings accounts	652,067	263	0.05	791,052	289	0.05
Money market accounts	1,587,340	38,646	3.26	2,196,900	11,182	0.68
Certificates of deposit	2,604,697	75,603	3.88	942,288	3,870	0.55
Total deposits	10,680,300	243,005	3.04	9,937,261	35,306	0.48
FHLB advances	817,436	29,903	4.89	128,114	786	0.82
Other borrowings - short-term	40,196	2,082	6.93	21,282	593	3.73
Other borrowings - long-term	247,258	10,166	5.50	266,659	10,393	5.21
Junior subordinated debentures	54,501	3,480	8.54	54,303	1,749	4.31
Total interest-bearing liabilities	11,839,691	288,636	3.26	10,407,619	48,827	0.63
Noninterest-bearing checking accounts	4,058,686			5,028,921		
Noninterest-bearing liabilities	203,021			107,414		
Stockholders' equity	2,366,867			2,470,177		
Total liabilities and equity	<u>\$ 18,468,265</u>			<u>\$ 18,014,131</u>		
Net interest income		\$ 350,578			<u>\$ 416,421</u>	
Interest rate spread			1.88 %			3.23 %
Net interest margin (2)			2.82			3.45
Net interest income and margin (tax equivalent basis) (3)	<u>\$ 353,680</u>	2.85		<u>\$ 419,788</u>		3.48
Average interest-earning assets to interest-bearing liabilities		140.32				154.88

(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%.

(4) Yield and rates for the three and nine month periods are annualized.

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 (subtracted) 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.

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Provision for credit losses related to:					
Provision for credit losses related to:					
Provision for credit losses related to:	Provision for credit losses related to:				
Loans	Loans	\$ 882	\$ 3,520	\$ 229	\$ 2,068
Loans					
Loans					
Held to maturity securities					
Held to maturity securities					
Held to maturity securities	Held to maturity securities	—	—	—	—
Off-balance sheet credit exposures	Off-balance sheet credit exposures	(542)	(420)	421	(411)
Off-balance sheet credit exposures					
Off-balance sheet credit exposures					
Total provision for credit losses	Total provision for credit losses	\$ 340	\$ 3,100	\$ 650	\$ 1,657
Total provision for credit losses					
Total provision for credit losses					

Provision expense (reversal) for loans is generally reflective of organic loan growth or decline as well as charge-offs or specific reserves taken during the respective period. Provision expense (reversal) is also impacted by the economic outlook and changes in macroeconomic variables. The negative provision expense recorded for the three and nine months ended September 30, 2023 and 2022 primarily relates to March 31, 2024 reflects decreases in the loan growth for the respective periods portfolio in addition to changes an improved economic forecast, while the negative provision recorded for the three months ended March 31, 2023 primarily reflects improvement in the macroeconomic variables related to the economic outlook over the periods risk-rated loans.

As fully discussed in Note 3, **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 or insured and highly rated by bond rating services. Therefore, there was no provision for credit losses on held to maturity securities recorded during the respective periods.

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 three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and the period-over-period variations in such categories of noninterest income:

Three Months Ended March 31,

	Three Months Ended March 31,		Three Months Ended March 31,			
(dollars in thousands)	2023	2022	2023 v. 2022	2023	2022	2023 v. 2022
Noninterest Income						
Service charges on deposit accounts	\$ 3,568	\$ 3,194	\$ 374	11.7 %	\$ 10,436	\$ 8,996
Investment management fees	2,470	2,156	314	14.6	7,215	6,998
Mortgage banking revenue	1,774	2,179	(405)	(18.6)	5,646	7,695
Mortgage warehouse purchase program fees	555	596	(41)	(6.9)	1,414	2,285
Mortgage warehouse purchase program fees	(7)	—	(7)	N/M	(14)	(1,501)
Gain on sale of loans						
Gain on sale of loans						
Gain on sale of loans						
Noninterest Income						
Service charges on deposit accounts	\$ 3,568	\$ 3,194	\$ 374	11.7 %	\$ 10,436	\$ 8,996
Investment management fees	2,470	2,156	314	14.6	7,215	6,998
Mortgage banking revenue	1,774	2,179	(405)	(18.6)	5,646	7,695
Mortgage warehouse purchase program fees	555	596	(41)	(6.9)	1,414	2,285
Loss on sale of loans	(7)	—	(7)	N/M	(14)	(1,501)
Gain on sale of other real estate						
Gain on sale of other real estate						
Gain on sale of other real estate						
(Loss) gain on sale and disposal of premises and equipment	(56)	(101)	45	(44.6)	345	(310)
Gain on sale and disposal of premises and equipment						

Gain on sale and disposal of premises and equipment									
Gain on sale and disposal of premises and equipment									
Increase in cash surrender value of BOLI									
Increase in cash surrender value of BOLI									
Increase in cash surrender value of BOLI	Increase in cash surrender value of BOLI	1,465	1,350	115	8.5	4,252	3,987	265	6.6
Other	Other	3,877	4,103	(226)	(5.5)	11,201	12,089	(888)	(7.3)
Other									
Other									
Total noninterest income	Total noninterest income	\$ 13,646	\$ 13,477	\$ 169	1.3 %	\$ 40,495	\$ 40,239	\$ 256	0.6 %
Total noninterest income									
Total noninterest income									

N/M - not meaningful

Total noninterest income increased \$169 \$116 thousand, or 1.3% and \$256 thousand, or 0.6% 0.9% for the three and nine months ended September 30, 2023 March 31, 2024 over same periods period in 2022, 2023. Significant changes in the components of noninterest income are discussed below.

Service charges on deposits. Service charges on deposits increased \$374 thousand, or 11.7% and \$1.4 million, or 16.0% for the three and nine months ended September 30, 2023 as compared to the same periods in 2022, respectively. The increase was primarily due to higher account analysis charges on our commercial treasury products.

Mortgage banking revenue. Mortgage banking revenue decreased \$405 thousand, or 18.6% and \$2.0 million, or 26.6% for the three and nine months ended September 30, 2023 as compared to the same periods in 2022, respectively. The decrease was primarily market driven due to interest rate increases, resulting in decreased demand and lower volumes. Mortgage banking revenue also reflected a fair value loss of \$6 thousand and fair value gain of \$182 thousand on derivative hedging instruments for the three and nine months ended September 30, 2023, respectively, compared to fair value gains of \$61 thousand and \$1.6 million for the same periods in 2022, respectively.

Mortgage warehouse purchase program fees. Mortgage warehouse purchase program fees decreased \$41 increased \$216 thousand, or 6.9% and \$871 thousand, or 38.1% 66.7% for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in 2022, respectively, 2023. The decrease increase was primarily market driven with lower volumes due to mortgage loan rate increases over increased volumes and improved margins, compared to the year prior year period.

Loss on sale of loans. Other noninterest income. The Company recognized a \$1.5 million loss on sale of loans Other noninterest income decreased \$923 thousand, or 24.7% for the three months ended March 31, 2024 as compared to the same period in 2022 2023. Other noninterest income was elevated in the prior year quarter primarily due to one commercial real estate loan, which was sold at a discount. \$318 thousand BOLI benefit claim as well as other increases in various types of miscellaneous income.

Noninterest Expense

The following table sets forth the major components of noninterest expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and the period-over-period variations in such categories of noninterest expense:

Three Months Ended September 30,	Variance	Nine Months Ended September 30,	Variance
Three Months Ended March 31,			
Three Months Ended March 31,			
Three Months Ended March 31,			
(dollars in thousands)			
(dollars in thousands)			

(dollars in thousands)	(dollars in thousands)	2023	2022	2023 v. 2022		2023	2022	2023 v. 2022	
Noninterest Expense	Noninterest Expense								
Noninterest Expense	Noninterest Expense								
Salaries and employee benefits	Salaries and employee benefits	\$ 43,618	\$ 54,152	\$ (10,534)	(19.5) %	\$ 136,833	\$ 154,837	\$ (18,004)	(11.6) %
Occupancy	Occupancy	12,408	11,493	915	8.0	35,607	31,526	4,081	12.9
Occupancy	Occupancy								
Communications and technology	Communications and technology	6,916	6,545	371	5.7	21,202	18,276	2,926	16.0
FDIC assessment	FDIC assessment	3,653	1,749	1,904	108.9	10,171	4,831	5,340	110.5
FDIC assessment	FDIC assessment								
Advertising and public relations	Advertising and public relations	587	424	163	38.4	2,195	1,583	612	38.7
Other real estate owned (income) expenses, net		(253)	133	(386)	N/M	(482)	199	(681)	N/M
Advertising and public relations									
Other real estate owned expenses (income), net									
Other real estate owned expenses (income), net									
Other real estate owned expenses (income), net									
Impairment of other real estate									
Impairment of other real estate									
Impairment of other real estate									
Impairment of other real estate		—	—	—	N/M	2,200	—	2,200	N/M
Amortization of other intangible assets	Amortization of other intangible assets	3,111	3,117	(6)	(0.2)	9,333	9,380	(47)	(0.5)
Amortization of other intangible assets									
Amortization of other intangible assets									
Litigation settlement	Litigation settlement	—	—	—	N/M	102,500	—	102,500	N/M
Litigation settlement									
Litigation settlement									
Professional fees	Professional fees	1,262	3,457	(2,195)	(63.5)	6,112	10,990	(4,878)	(44.4)
Other	Other	10,032	10,663	(631)	(5.9)	30,748	28,493	2,255	7.9
Other									
Other									
Total noninterest expense	Total noninterest expense	\$ 81,334	\$ 91,733	\$ (10,399)	(11.3) %	\$ 356,419	\$ 260,115	\$ 96,304	37.0 %

Total noninterest expense
Total noninterest expense

N/M - not meaningful

Noninterest expense decreased **\$10.4 million** **\$100.9 million**, or **11.3%** and increased **\$96.3 million**, or **37.0%** **53.3%** for the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024** as compared to the same periods period in **2022**, **2023**. The significant change in the components of noninterest expense is discussed below.

Salaries and employee benefits. Salaries and employee benefits decreased **\$10.5 million** increased **\$1.1 million**, or **19.5%** and **\$18.0 million**, or **11.6%** **2.3%** for the three and nine months ended September 30, 2023 compared to the same periods in 2022, respectively. The decrease for the three and nine month periods was primarily due to **\$5.3 million** and **\$10.4 million**, respectively, in lower combined salaries and bonus expenses due to the fourth quarter 2022 reduction-in-force and overall strategic efforts to reduce costs, as well as lower contract labor costs of **\$1.4 million** and **\$3.5 million**, respectively, and lower mortgage commissions and incentives of **\$324 thousand** and **\$1.8 million**, respectively, due to lower volumes year over year. In addition, the three and nine months ended September 30, 2023 also reflect lower stock grant amortization of **\$2.2 million** related to performance-based executive compensation as compared to the same periods in 2022, while employee insurance expense was also **\$1.1 million** lower for the nine month period ended **September 30, 2023** **March 31, 2024** compared to the same period in 2022 due to lower claims. Furthermore, the three and nine months ended September 30, 2022 reflects **\$3.2 million** and **\$4.2 million**, respectively in severance and accelerated stock amortization expense, primarily relating to the separation of two executive officers in 2022. Offsetting these decreases, deferred salaries expense, which reduces overall expense, was **\$519 thousand** and **\$4.4 million** lower compared the prior year periods, respectively, due to lower loan origination activity during 2023, as well as a **\$1.0 million** economic development incentive grant related to job growth that was recorded in third quarter 2022 as a reduction to salaries expense.

Occupancy. Occupancy increased **\$915 thousand**, or **8.0%** and **\$4.1 million**, or **12.9%** 2023. The increase for the three and nine months ended September 30, 2023 compared to the same periods in 2022, respectively. The increase month period was primarily due to **\$1.3 million** higher depreciation combined salaries, bonus, employee insurance, payroll taxes and property tax expense related to the opening of the second phase of the Company's headquarters campus in second quarter 2022.

Communications and technology. Communications and technology increased **\$371 thousand**, or **5.7%** and **\$2.9 million**, or **16.0%** for the three and nine months ended September 30, 2023 **401(k)** expenses compared to the same periods prior year quarter offset by **\$560 thousand** in 2022, respectively. The increase was primarily due to higher software expense related to various technology improvements, lower contract labor costs.

FDIC assessment. FDIC assessment increased **\$1.9 million** **\$3.4 million**, or **108.9%** and **\$5.3 million**, or **110.5%** **126.5%** for the three and nine months ended **September 30, 2023**, **March 31, 2024** compared to the same periods period in 2022, respectively, 2023. The increase was due to the increase an additional special assessment of **\$2.1 million** accrued in the FDIC assessment rate which took effect in first quarter 2024 assessed to recover uninsured deposit losses due to 2023 bank failures, as well as an increase increases in the liquidity stress rate.

Impairment of other real estate. The Company recognized a **\$1.0 million** impairment on one other real estate property during the second quarter of 2023 and a **\$1.2 million** impairment on another other real estate property during the first quarter of 2023, compared quarterly assessment's component rates related to none liquidity for the same periods in 2022, year over year period.

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, **2014**.

Professional fees. Professional fees decreased **\$2.2 million** **\$1.3 million**, or **63.5%** and **\$4.9 million**, or **44.4%** **41.0%** for the three and nine months ended **September 30, 2023**, **March 31, 2024** compared to the same periods period in 2022, respectively, 2023. The decrease was due primarily to lower consulting fees of **\$814 thousand** and **\$1.9 million** due to less active projects.

Other noninterest expense. Other noninterest expense decreased **\$2.3 million**, or **19.9%** for the three months ended March 31, 2024 compared to the same period in 2023. The decrease for the three month period was primarily due to the decrease of **\$673 thousand** in loan related expenses as well as **\$1.0 million** and **\$2.4 million** lower legal fees for an **\$802 thousand** asset impairment charge in the three and nine month periods, respectively, prior year, compared to none in the current year.

Income Tax Expense

Income tax expense was **\$8.2 million** and **\$5.7 million** **\$6.5 million** for the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024** compared to income tax expense benefit of **\$13.5 million** and **\$39.4 million** **\$11.3 million** for the same periods period in 2022, respectively, 2023. The effective tax rates were **20.1%** and **16.7%** **21.2%** for the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024** compared to **20.5%** and **20.2%** **23.1%** for the same periods period in 2022, respectively, 2023. The

lower higher effective rate for nine three months ended September 30, 2023 is due March 31, 2023 reflects the Company's loss position for the period related to the settlement of the Stanford litigation in first quarter 2023.

Discussion and Analysis of Financial Condition

The following discussion and analysis summarizes the financial condition of the Company as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and details certain changes between those periods.

Assets

The Company's total assets increased decreased by \$261.5 million \$163.7 million, or 1.4% 0.9%, to \$18.5 billion \$18.9 billion as of September 30, 2023 March 31, 2024 from \$18.3 billion \$19.0 billion at December 31, 2022 December 31, 2023. The increase decrease is due primarily to organic loan growth decreases in loans, available for sale securities and FHLB and other restricted stock during the period.

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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	(dollars in thousands)	September 30, 2023		December 31, 2022		(dollars in thousands)	March 31, 2024		December 31, 2023		
		% of		% of							
		Amount	Total	Amount	Total		Amount	% of Total	Amount	% of Total	
Amount											
Commercial	Commercial	\$2,208,032	15.5 %	\$2,240,959	16.1 %	Commercial	\$ 2,194,304	15.0	\$ 2,266,851	15.4 %	
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	442,302	3.1	312,099	2.2						
Real estate:	Real estate:										
Commercial	Commercial										
Commercial	Commercial	8,088,783	56.8	7,817,447	56.2						
Commercial construction, land and land development	construction, land and land development	1,156,877	8.1	1,231,071	8.8						
Residential	Residential										
(1)	(1)	1,652,964	11.6	1,604,169	11.5						
Single-family interim construction	Single-family interim construction	491,051	3.4	508,839	3.7						
Agricultural	Agricultural	121,883	0.9	124,422	0.9						
Consumer	Consumer	79,580	0.6	81,667	0.6						
Total gross loans	Total gross loans	14,241,472	100.0 %	13,920,673	100.0 %	Total gross loans	\$ 14,635,192	100.0	\$ 14,726,962	100.0	

(1) Includes loans held for sale of \$18.1 million \$21.3 million and \$11.3 million \$16.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's loan portfolio, before the allowance for credit losses, totaled \$14.2 billion \$14.6 billion and \$13.9 billion \$14.7 billion, respectively, which is an increase decrease of 2.3% 0.6% between the two periods. Loans held for investment, excluding mortgage warehouse purchase loans and loans held for sale, and PPP loans, increased \$186.3 million decreased \$101.3 million, or 1.8% 2.9% annualized for the nine three month period. See Note 4. Loans, Net and Allowance for Credit Losses on Loans for more details on the Company's loan portfolio.

Commercial real estate (CRE) loans Concentration. The commercial real estate loan portfolio has historically been the Company's largest category of loans, representing 57.1% and 56.3% of the total portfolio as of March 31, 2024 and December 31, 2023, respectively. Non-Owner Occupied CRE represents \$6.6 billion, or 78.6% of total CRE and 44.9% of the total portfolio, and \$6.5 billion, or 78.7% of total CRE and 44.3% of the total portfolio, as of March 31, 2024 and December 31, 2023, respectively. The Company expects that commercial real estate loans will continue to be a significant portion of the Company's total loan portfolio.

Commercial real estate loans are subject to a varying degree of risk associated with changing general economic conditions. The Company employs heightened risk management practices that address key elements, including 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 commercial real estate lending.

Despite the Company's concentration in CRE, 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 CRE portfolio is subject to risk exposure limits by individual asset classes as well as geographic collateral locations outside of our market areas. We regularly identify and assess concentration levels through ongoing reporting to our Board of Directors as well as committees at both the Board and Management levels. Credit underwriting standards are periodically reviewed and adjusted based upon observations from our ongoing monitoring of economic conditions in major real estate markets in which we lend. In response to the current dynamic interest rate environment and recent increases in the benchmark rates that determine loan pricing, the Company has enhanced its stress testing and loan review activities to mitigate interest rate reset risk with a specific emphasis on borrowers' abilities to absorb the impact of higher interest loan rates.

The following table summarizes CRE concentration by property type and owner occupied and non-owner occupied as a percentage of total commercial real estate loans as of March 31, 2024 and December 31, 2023:

	CRE Concentration by Property Type		Percentage of Total CRE Concentration	
	Amount	Percent of Total	Owner Occupied	Non-Owner Occupied
March 31, 2024				
Retail	\$ 2,524,047	30.2 %	1.7 %	28.5 %
Office and Office Warehouse	1,558,529	18.7	5.1	13.6
Multifamily	1,037,604	12.4	—	12.4
Industrial	975,295	11.7	2.2	9.5
Healthcare	379,559	4.5	1.8	2.7
Hotel/Motel	379,131	4.6	—	4.6
Convenience Store	313,411	3.8	2.4	1.4
Daycare/School	220,986	2.6	2.2	0.4
Restaurant	168,134	2.0	1.2	0.8
RV & Mobile Home Parks	127,270	1.5	—	1.5
Church	121,058	1.4	1.4	—
Mini Storage	124,077	1.5	—	1.5
Dealerships	81,723	1.0	0.9	0.1
Mixed Use (Non-Retail)	20,209	0.2	—	0.2
Miscellaneous	325,370	3.9	2.5	1.4
Total commercial real estate loans	\$ 8,356,403	100.0 %	21.4 %	78.6 %
December 31, 2023				
Retail	\$ 2,522,945	30.4 %	1.6 %	28.8 %
Office and Office Warehouse	1,537,632	18.5	5.1	13.4
Multifamily	1,013,767	12.2	—	12.2
Industrial	953,190	11.5	2.2	9.3
Healthcare	379,666	4.6	1.8	2.8
Hotel/Motel	374,895	4.5	—	4.5
Convenience Store	293,771	3.5	2.3	1.2
Daycare/School	221,791	2.7	2.2	0.5
Restaurant	157,258	1.9	1.1	0.8

RV & Mobile Home Parks	145,825	1.8	—	1.8
Church	124,834	1.5	1.5	—
Mini Storage	108,935	1.3	—	1.3
Dealerships	84,687	1.0	0.9	0.1
Mixed Use (Non-Retail)	56,031	0.7	—	0.7
Miscellaneous	313,897	3.9	2.6	1.3
Total commercial real estate loans	\$ 8,289,124	100.0 %	21.3 %	78.7 %

The following table summarizes the CRE concentration by geographic region in which the loans were originated as a percentage of total commercial real estate loans as of March 31, 2024 and December 31, 2023:

Geographic Region	March 31, 2024		December 31, 2023	
	\$	1,856,558	22.2 %	\$ 1,841,683
North Texas	\$ 919,375	11.0	\$ 895,708	10.8
Houston	2,821,731	33.8	2,799,345	33.8
Colorado Front Range	2,758,739	33.0	2,752,388	33.2
Total commercial real estate loans	\$ 8,356,403	100.0 %	\$ 8,289,124	100.0 %

Additional information related to the granularity in the commercial real estate portfolio is presented in the table below as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Average loan amount	\$1.9 million	\$1.9 million
Number of loans > \$5 million	407	395
Largest loan in the portfolio	\$33.1 million	\$33.1 million

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 and nonperforming loans, as including nonaccrual loans or and loans past due 90 days or more and still accruing interest, 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, and collateral dependent loans and loan modifications to borrowers experiencing financial difficulty is presented in Note 4 - Loans, Net and Allowance for Credit Losses on Loans.

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)	(dollars in thousands)	September 30, December 31,		(dollars in thousands)	March 31, 2024	December 31, 2023
		2023	2022			
Nonaccrual loans	Nonaccrual loans					
Commercial	Commercial	\$ 21,197	\$ 22,565			
Commercial						
Commercial						

Commercial real estate	Commercial real estate	13,361	13,393
Commercial construction, land and land development	Commercial construction, land and land development	11	15
Residential real estate	Residential real estate	1,573	1,582
Single-family interim construction	Single-family interim construction	189	189
Agricultural			
Consumer	Consumer	6	8
Total nonaccrual loans ⁽¹⁾		36,337	37,752
Total nonaccrual loans			
Total loans	Total loans		
delinquent 90 days or more and still accruing	delinquent 90 days or more and still accruing	2,088	843
Total troubled debt restructurings, not included in nonaccrual loans ⁽¹⁾		—	1,494
Total nonperforming loans ⁽¹⁾		38,425	40,089
Total nonperforming loans			
Total other real estate owned and other repossessed assets	Total other real estate owned and other repossessed assets	22,619	24,020
Total nonperforming assets	Total nonperforming assets	\$ 61,044	\$ 64,109
Total allowance for credit losses on loans	Total allowance for credit losses on loans	\$ 148,249	\$ 148,787
Total loans held for investment ⁽²⁾		\$13,781,102	\$13,597,264
Total allowance for credit losses on loans			
Total allowance for credit losses on loans			
Total loans held for investment ⁽¹⁾			
Total assets	Total assets	\$18,519,872	\$18,258,414
Credit Ratios	Credit Ratios		
Credit Ratios			
Ratio of nonperforming loans to total loans held for investment	Ratio of nonperforming loans to total loans held for investment	0.28 %	0.29 %
Ratio of nonperforming loans to total loans held for investment	Ratio of nonperforming loans to total loans held for investment	0.40	0.37

Ratio of nonperforming assets to total assets	Ratio of nonperforming assets to total assets	0.33	0.35
Ratio of nonaccrual loans to total loans held for investment	Ratio of nonaccrual loans to total loans held for investment	0.26	0.28
Ratio of allowance for credit losses on loans to total loans held for investment	Ratio of allowance for credit losses on loans to total loans held for investment	1.08	1.09
Ratio of allowance for credit losses on loans to nonaccrual loans	Ratio of allowance for credit losses on loans to nonaccrual loans	407.98	394.12
Ratio of allowance for credit losses on loans to total nonperforming loans	Ratio of allowance for credit losses on loans to total nonperforming loans	385.81	371.14

(a) 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.

(b) Excluding mortgage warehouse purchase loans of \$442.3 million \$554.6 million and \$312.1 million \$549.7 million and loans held for sale of \$18.1 million \$21.3 million and \$11.3 million \$16.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Nonaccrual loans decreased increased to \$36.3 million \$55.6 million as of September 30, 2023 March 31, 2024 from \$37.8 million \$50.3 million as of December 31, 2022 December 31, 2023. The decrease increase in nonaccrual loans was primarily due to net paydowns during the period.

Loans past due 90 days addition of two commercial loan relationships totaling \$2.9 million and still accruing increased to \$2.1 million as of September 30, 2023 from \$843 thousand as of December 31, 2022. The increase was primarily due to a \$1.1 million construction loan that was in the process of renewal, \$1.5 million commercial real estate loan.

Other real estate owned and other repossessed assets decreased from \$24.0 million \$9.6 million as of December 31, 2022 December 31, 2023 to \$22.6 million \$8.8 million as of September 30, 2023 March 31, 2024 due to \$2.2 million in write-downs on two properties offset by the addition sale of an \$805 thousand branch facility which was closed and moved to other real estate, estate property during the period.

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 4. 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:

		September 30, 2023		December 31, 2022				March 31, 2024		March 31, 2024		December 31, 2023	
(dollars in thousands)	(dollars in thousands)	% of Total	% of Total	(dollars in thousands)	(dollars in thousands)	Amount	% of Total Loans ⁽¹⁾	Amount	% of Total Loans ⁽¹⁾	Amount	% of Total	Amount	% of Total Loans ⁽¹⁾
Commercial loans	Commercial loans	\$ 33,634	15.5 %	\$ 54,037	16.1 %	Commercial loans	\$ 35,286	15.0	15.0 %	\$ 34,793	15.4	15.4 %	
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	—	3.1	—	2.2								
Real estate:	Real estate:												
Commercial real estate	Commercial real estate												
Commercial real estate	Commercial real estate	60,623	56.8	61,078	56.2								
Construction, land and land development	Construction, land and land development	29,778	8.1	17,696	8.8								
Residential real estate	Residential real estate	6,227	11.6	3,450	11.5								
Single-family interim construction	Single-family interim construction	16,755	3.4	11,817	3.7								
Agricultural	Agricultural	818	0.9	207	0.9								
Consumer	Consumer	414	0.6	502	0.6								
Total allowance for credit losses	Total allowance for credit losses	\$148,249	100.0 %	\$148,787	100.0 %	Total allowance for credit losses	\$148,437	100.0	100.0 %	\$151,861	100.0	100.0 %	

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

As of September 30, 2023 March 31, 2024, the allowance for credit losses on loans amounted to \$148.2 million \$148.4 million, or 1.08% 1.06%, of total loans held for investment, excluding mortgage warehouse purchase loans, compared with \$148.8 million \$151.9 million, or 1.09% 1.07%, as of December 31, 2022 December 31, 2023.

As of September 30, 2023 March 31, 2024, the Company had specific credit loss allocations of \$13.2 million \$16.4 million on individually evaluated loans totaling \$33.2 million \$55.4 million, compared with specific credit loss allocations of \$9.6 million \$15.2 million on individually evaluated loans totaling \$34.5 million \$47.3 million as of December 31, 2022 December 31, 2023.

During The majority of the second quarter 2023, the Company updated increase in individually evaluated loans and performed a recalibration of its specific 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 allocations was due to the qualitative factor model to address the volatility addition of past dues three commercial loan relationships totaling \$5.9 million with specific credit loss allocation of \$1.4 million, a commercial real estate loan totaling \$1.5 million 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 real estate loan pools into various sub pools to better correlate their utilization rates, totaling \$844 thousand.

The factors driving significant changes in credit loss allocations by segment for the nine three months ended September 30, 2023 March 31, 2024 are discussed below.

The allowance allocated to commercial loans real estate totaled \$33.6 million \$65.8 million, or 1.5% 0.8% of total commercial real estate loans as of September 30, 2023 March 31, 2024, compared to \$54.0 million \$60.1 million, or 2.4% 0.7% of commercial real estate loans as of December 31, 2022 December 31, 2023. The allowance for credit losses

decreased \$20.4 million increased \$5.7 million, or 37.8% for 9.5% over the period. Modeled expected credit losses decreased \$14.0 million increased \$2.9 million, while qualitative factors related and other qualitative adjustments increased \$2.9 million. The increase in modeled losses was primarily driven by changes to commercial loans decreased \$9.9 million due to model changes applied during the second quarter, most notably the change to consolidate energy loans for modeling purposes into the commercial real estate (CRE) Index and the increase in loans within this portfolio and by expanding the MEVs used for this portfolio segment. The decrease increase in qualitative factors was due to improvement in elevated risk-grade credits and past due loans and classified loans. Specific allocations for commercial real estate loans that were evaluated for expected credit losses on an individual basis increased \$3.5 million decreased \$142 thousand from \$8.4 million \$3.6 million at December 31, 2022 December 31, 2023 to \$11.8 million \$3.4 million at September 30, 2023 March 31, 2024. The increase in specific allocations for commercial loans was primarily related to the increase in specific allocation of \$3.5 million on a commercial loan relationship.

The allowance allocated to construction, land and land development loans totaled \$29.8 million \$24.9 million, or 2.6% 2.1% of total construction, land and land development loans as of September 30, 2023 March 31, 2024, compared to \$17.7 million \$31.5 million, or 1.4% 2.6% of construction, land and land development loans as of December 31, 2022 December 31, 2023. The allowance for credit losses increased \$12.1 million decreased \$6.6 million, or 68.3% 20.9% for the period despite a period. The decrease of \$74.2 million in the construction, land and land development portfolio. Modeled was due solely to modeled expected credit losses increased \$12.0 million while qualitative factors related to this segment increased \$67 thousand. The increase of \$6.6 million resulting from improvements in modeled losses was due housing and family income indices used in the calculation in addition to the new MEVs utilized to more closely align with the risks within decrease in loan balances in this portfolio as well as a declining economic forecast over the nine month period segment. 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 December 31, 2023 or September 30, 2023.

The allowance allocated to residential real estate loans totaled \$6.2 million, or 0.4% of total residential real estate loans as of September 30, 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 \$2.8 million, or 80.5% for the period. Modeled expected credit losses increased \$1.1 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 second quarter. 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 September 30, 2023 March 31, 2024.

The allowance allocated to single-family interim construction loans totaled \$16.8 million \$14.1 million, or 3.4% 3.1% of total single-family interim construction loans as of September 30, 2023 March 31, 2024, compared to \$11.8 million \$17.4 million, or 2.3% 3.4% of single-family interim construction loans as of December 31, 2022 December 31, 2023. The allowance for credit losses increased \$4.9 million decreased \$3.3 million, or 41.8% 19.0% for the period. Modeled period due to decreased modeled expected credit losses increased \$4.9 million while qualitative factors related to single-family interim construction loans increased \$30 thousand. The increase losses. The decrease in modeled losses was due primarily related to the new MEVs utilized improvements in housing and family income indices used 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 calculation. There were no specific allocations for single-family interim construction loans that were evaluated for expected credit losses on an individual basis increased \$17 thousand from \$43 thousand at December 31, 2022 to \$60 thousand at September 30, 2023 December 31, 2023 or March 31, 2024.

Refer to Note 4 - Loans, Net and Allowance for Credit Losses on Loans, in the notes to the consolidated financial statements included elsewhere in this report for additional details of the allowance for credit losses on loans.

Additional information related to net charge-offs (recoveries) by loan type is presented in the table below for the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Ratio of Annualized Net Charge-offs to Average Loans			Ratio of Annualized Net Charge-offs to Average Loans
	Net Charge-offs (Recoveries)	Average Loans	to Average Loans	
September 30, 2023				
Net Charge-offs (Recoveries)				
March 31, 2024				
Commercial				
Commercial				
Commercial	Commercial \$ (328) \$ 2,205,811 (0.02) % \$ 11			\$ 2,235,157 — — %

Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	—	379,482	—
Real estate:	Real estate:			
Commercial				
Commercial				
Commercial	Commercial	—	7,948,829	—
Commercial construction, land and land development	Commercial construction, land and land development	—	1,170,315	0.12
Residential	Residential	—	1,627,403	—
Single-family interim construction	Single-family interim construction	—	491,849	—
Agricultural	Agricultural	1	121,380	—
Consumer	Consumer	9	81,535	0.01
Total	Total	\$ 767	\$ 14,026,604	0.01 %
			\$ 14,613,613	— — %

September 30, 2022

March 31, 2023

March 31, 2023

March 31, 2023

Commercial

Commercial

Commercial	Commercial	\$ 285	\$ 2,068,431	0.02 %	\$ 20	\$ 2,209,237	—	— %
Mortgage warehouse purchase loans	Mortgage warehouse purchase loans	—	472,660	—				
Real estate:	Real estate:							
Commercial								
Commercial								
Commercial	Commercial	4,159	7,137,383	0.08				
Commercial construction, land and land development	Commercial construction, land and land development	—	1,209,862	—				
Residential	Residential	(75)	1,437,437	(0.01)				
Single-family interim construction	Single-family interim construction	—	434,108	—				
Agricultural	Agricultural	—	114,705	—				
Consumer	Consumer	10	80,732	0.02				
Total	Total	\$ 4,379	\$ 12,955,318	0.05 %	\$ 1,216	\$ 13,931,726	0.04	0.04 %

For the nine three months ended September 30, 2023 March 31, 2024, net charge-offs totaled \$767 \$40 thousand, which is 0.01% 0.00% (annualized) of the Company's average loans outstanding during the period, compared to net charge-offs of \$4.4 million \$1.2 million, or 0.05% 0.04% (annualized) of average loans for the nine three months ended September 30, 2022 March 31, 2023. The majority of the 2023 charge-offs was due to one net charge-off of a construction loan totaling \$1.1 million and two commercial loan charge-offs totaling \$518 thousand offset by a recovery of \$773 thousand on a commercial loan charged off in the prior year. The majority of the charge-offs in 2022 was due to two charge-offs recorded at the foreclosure of two commercial real estate properties totaling \$3.5 million \$1.2 million.

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 7.6, 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. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the allowance for credit losses on off-balance sheet credit exposures was **\$4.4 million** **\$4.1 million** and **\$3.9 million**, respectively.

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 3. Securities for more details on the Company's security portfolio.

The fair value of the Company's available for sale securities decreased **\$145.9 million** **\$50.5 million**, or **8.6%** **3.2%**, to **\$1.5 billion** at **September 30, 2023** **March 31, 2024** from **\$1.7 billion** **\$1.6 billion** at **December 31, 2022** **December 31, 2023**. The decrease was primarily due to net paydowns, maturities and calls during the year. The amortized cost of held to maturity securities decreased **\$1.4 million**, **\$456 thousand**, or **0.7%** **0.2%**, to **\$205.7 million** **\$204.8 million** as of **September 30, 2023** **March 31, 2024** from **\$207.1 million** **\$205.2 million** as of **December 31, 2022** **December 31, 2023**.

Total securities represented **9.5%** **9.3%** and **10.4%** **9.5%** of the Company's total assets at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

There were no sales of securities during the three and nine months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**.

Certain investment securities are valued at less than their amortized cost. At **September 30, 2023** **March 31, 2024**, 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 **September 30, 2023** **March 31, 2024**. Refer to Note 3. Securities for more information on the Company's analysis of credit losses on securities available for sale and held to maturity.

Federal Home Loan Bank (FHLB) of Dallas and Other Restricted Stock

FHLB and other restricted stock decreased \$23.4 million, or 67.1%, to \$11.5 million as of March 31, 2024 from \$34.9 million as of December 31, 2023. The decrease was due to lower stock holdings resulting from the reduction in FHLB advances during the period.

Liabilities

The Company's total liabilities increased \$314.7 million decreased \$161.9 million, or 2.0% 1.0%, to **\$16.2 billion** **\$16.5 billion** at **September 30, 2023** **March 31, 2024** from **\$15.9 billion** at **December 31, 2022** due to the changes detailed \$16.6 billion as of December 31, 2023 with significant components discussed below.

Deposits

Total deposits increased \$219.6 million decreased \$51.3 million, or 1.5% 0.3%, to **\$15.3 billion** **\$15.7 billion** as of March 31, 2024 and December 31, 2023. A shift from non-interest bearing deposits to interest-bearing deposits continued during the three months ended March 31, 2024. Brokered deposits decreased slightly to \$2.4 billion at **September 30, 2023** from **\$15.1 billion** **March 31, 2024** compared to \$2.5 billion at **December 31, 2022** **December 31, 2023**. The increase in deposit balances over the period was primarily due to increases in brokered deposits. Estimated uninsured deposits, excluding public funds deposits, totaled \$4.6 billion, or 29.9% 29.1% of total deposits as of **September 30, 2023** **March 31, 2024**.

FHLB Advances

FHLB advances decreased **\$25.0 million** **\$350.0 million**, or **8.3%** **100.0%**, to **\$275.0 million** **zero** at **September 30, 2023** **March 31, 2024** from **\$300.0 million** **\$350.0 million** at **December 31, 2022** **December 31, 2023**. The decrease was due to net reductions in improved liquidity position and replacing short-term FHLB advances due to increased brokered deposits with BTFP advances as a lower cost alternative.

Other Borrowings

Other borrowings increased **\$4.6 million** **\$225.2 million**, or **1.7%** **82.8%**, to **\$271.7 million** **\$497.0 million** at **September 30, 2023** **March 31, 2024** from **\$267.1 million** **\$271.8 million** at **December 31, 2022** **December 31, 2023**. The increase is mainly due to \$33.8 million outstanding on \$225.0 million in advances from the Company's unsecured line of credit offset by the \$30.0 million redemption of subordinated debentures during the first quarter.

Other Liabilities

Other liabilities increased \$115.4 million, or 88.7%, BTFP as a lower cost alternative to \$245.6 million at September 30, 2023 from \$130.1 million at December 31, 2022. The increase is due to primarily to the accrual of the \$100.0 million litigation settlement as discussed elsewhere in this report. FHLB advances.

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 stockholders' equity was \$2.3 billion \$2.4 billion at September 30, 2023 March 31, 2024, a decrease of approximately \$53.3 million \$1.8 million from December 31, 2022 December 31, 2023. The net decrease was a result of a decrease an increase of \$38.2 million \$11.7 million in other comprehensive income, losses, common stock repurchased of \$2.1 million \$1.1 million and dividends of \$47.0 million \$15.7 million offset by net income of \$28.3 million \$24.2 million and stock based compensation of \$5.6 million \$2.6 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 12, 11, 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. No shares have been repurchased under the 2023 Plan through October 20, 2023.

See Part II, Item 2 - Unregistered Sales of Equity and Use of Proceeds, in this report for additional information.

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 ability to acquire additional national market non-core deposits, the issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities, borrowings through the Federal Reserve's discount window and newly established the Bank Term Funding Program through the program's expiration date and the issuance of equity securities.

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. In addition to deposits, the Company utilizes FHLB advances either as a short-term funding source or a longer-term funding source and to manage the Company's interest rate risk on the Company's loan portfolio. FHLB advances can be particularly attractive as a longer-term funding source to balance interest rate sensitivity and reduce interest rate risk.

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. As of September 30, 2023, needed from time to time, the Company had established federal funds lines may engage in wholesale funding through brokered deposits to enhance its liquidity position. To avoid concentrations with any one broker, brokered deposits can be accessed from a variety of credit with 10 unaffiliated banks totaling \$445.0 million with no borrowings against the lines at that time. Two of the lines totaling \$65.0 million have stated maturity dates on September 30, and December 27, 2023 and the remaining lines have no stated maturity dates and the lenders may terminate the lines at any time without notice. The Company also participates in an exchange that provides direct overnight borrowings with other brokers acting as intermediaries, typically larger money-center financial institutions with a as well as broker networks including Certificate of Deposit Account Registry Service (CDARS), IntraFi Cash Service (ICS) & Total Bank Solutions (TBS) among other sources. 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. During first quarter 2024, wholesale brokered funding decreased slightly as core deposits have begun to stabilize.

The following table summarizes the Company's short-term borrowing capacity capacities net of \$699.0 million with none balances outstanding as of September 30, 2023. The Company has an unsecured line of credit totaling \$100.0 million with an unrelated commercial bank with \$33.8 million borrowings against the line as of September 30, 2023. As of October 23, 2023, borrowings outstanding on the line of credit remained at \$33.8 million. March 31, 2024 (in thousands):

Based on the values of stock, securities, and loans pledged as collateral, as of September 30, 2023, the Company had additional borrowing capacity with the FHLB of \$4.9 billion. In addition, the Company maintains a secured line of credit through the Federal Reserve Bank discount window with availability to borrow \$1.1 billion at September 30, 2023. Also starting 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. The BTFP is a one year program ending March 11, 2024 and the Company can borrow any time during the term and can repay the obligation at any time without penalty. Although the Company does not plan to access the BTFP, additional liquidity of \$126.0 million was available as of September 30, 2023 based on the par-value of qualifying securities.

Unsecured fed funds lines available from commercial banks	\$	405,000
American Financial Exchange (overnight borrowings)	\$	684,000
Unused borrowing capacity from FHLB	\$	5,403,552
Unused borrowing capacity under Fed Discount window	\$	1,273,109
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. These include payments related to (a) time deposits with stated maturity dates, (b) short and long term borrowings, (c) operating leases and (d) commitments to extend credit and standby letters of credit.

As discussed elsewhere in this report, the Company's Annual Report of Form 10-K, 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 in fourth quarter 2023 or first quarter 2024. agreement. Refer to Part II. Item 1. Legal Proceedings for more information.

Other than the matter noted above and 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, 2022 December 31, 2023.

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.

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 As described in detail in the notes to the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K, accounting policies 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) provision expense (reversal) reported in the income statement as a component of provisions provision for credit loss. Under the new 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 complex 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 4. [Loans, Net and Allowance for Credit Losses on Loans](#) and Note 7. [6. 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 **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the economic uncertainty and continued 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 an interim **has concluded** there have been no significant changes since the annual goodwill impairment quantitative assessment which resulted in **test performed as of December 31, 2023** and therefore, believes that there is no impairment charges. as of **March 31, 2024**. 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.

ITEM 3. 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 and a neutral interest rate risk position while maximizing net income and preserving adequate levels of liquidity and capital. The **Board Risk Oversight Committee** of the Board of Directors has oversight of the asset and liability management function, which is managed by **ALCO** under the **Company's** direction of the **Company's** Treasurer. **The ALCO**, which members **include the Treasurer, meets with the Company's** Chief Financial Officer and **other senior executive** management, **team** **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 **group** **management subcommittee** also reviews the liquidity, deposit mix, loan mix and investment positions of the Company.

The **Company's** **Company's** management and the Board of Directors are responsible for employing risk management policies that monitor and limit the **Company's** **Company's** exposure to interest rate risk. Interest rate risk is measured using net interest income simulations, **gap analyses** 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**, **shocks**, are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin.

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** **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** **Company's** asset liability management model indicated that it was in a liability sensitive position in terms of its income simulation as of **September 30, 2023** **March 31, 2024**. 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 **September 30, 2023** **March 31, 2024**:

Hypothetical Shift in Interest Rates (in bps)	Hypothetical Shift in Interest (in bps)	Projected Net Interest Income	% Change	Hypothetical Shift in Interest Rates (in bps)	% Change in Projected Net Interest Income
			Shift in Interest Rates (in bps)		
200	200	(6.14)%		200	(8.97)%
100	100	(2.58)		100	(3.81)
(100)	(100)	1.66		(100)	3.31

The Company's model indicates that its projected balance sheet at September 30, 2023 has shifted to as of March 31, 2024 remains in a liability sensitive position in comparison to an asset sensitive balance sheet as of December 31, 2022. The shift was primarily due compared to the increase in short-term brokered funding that was added to increase the Company's on-balance sheet liquidity in response to market events December 31, 2023 balance sheet. Loan demand during the period but also due quarter was funded with growth in traditional, core deposit products. This core deposit growth, coupled with a contraction in average loan balances, allowed for the reduction of short term wholesale funding, which reduced sensitivity levels from December 31, 2023. Customers continue to slowing prepayments on loans seek to capture yields during a time of heightened interest rates which has affected non-maturity deposit product composition. Additionally, growth in time deposits, primarily in 6-to-13-month maturities, have continued to keep term funding levels relatively short. The Company has strategically positioned the year.

duration of its liabilities to remain 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 period-end year-end is held consistent. Additionally, the forecast takes into consideration the future maturities and contractual interest rate repricing over the relevant twelve month 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 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q was performed under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

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.

Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. 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 business continued operations of the Company or the Bank.

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 was 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 1A. RISK FACTORS

In evaluating an investment in the Company's common stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, and in the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Share 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 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, which provides There is no share repurchase program active

for the repurchase of up to \$125.0 million of common stock through December 31, 2023. No shares were repurchased by the Company during the nine months ended September 30, 2023. 2024.

The following table summarizes the Company's repurchase activity during the three and nine months ended September 30, 2023 March 31, 2024:

	Total Number of Shares Purchased (1)	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
July 2023	10,916	36.09	—	125,000
August 2023	366	44.58	—	125,000
September 2023	194	39.79	—	125,000
Total third quarter 2023	11,476	36.43	—	125,000
Total 2023 year-to-date	38,739	\$ 53.09	—	\$ 125,000

	Total Number of Shares Purchased (1)	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)
January 2024	6,642	\$ 51.27	—	\$ —
February 2024	17,712	44.52	—	—
March 2024	—	—	—	—
Total first quarter 2024	24,354	\$ 46.36	—	\$ —
Total 2024 year-to-date	24,354	\$ 46.36	—	\$ —

(1) Includes 38,739 All 24,354 shares 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2023 March 31, 2024.

ITEM 6. EXHIBITS

The following documents are filed as exhibits to this Quarterly Report on Form 10-Q:

Exhibit 10.1(a)10.1*	Form of Change in Control Waiver and Seventh Amendment to Credit Agreement between Independent Bank Group, Inc. and US Bank National Association, dated July 24, 2023, between the Company and certain Executive Officers (incorporated by reference to Exhibit 10.1(a) to the Company's Current Report on Form 10-Q dated July 25, 2023) February 16, 2024.
Exhibit 10.1(b)10.2*	Amended Schedule Form of Executive Officers who have executed a Change in Control Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1(b) to the Company's Current Report on Form 10-Q dated July 25, 2023)
Exhibit 31.1*	Chief Executive Officer Section 302 Certification
Exhibit 31.2*	Chief Financial Officer Section 302 Certification
Exhibit 32.1**	Chief Executive Officer Section 906 Certification
Exhibit 32.2**	Chief Financial Officer Section 906 Certification
Exhibit 101.INS *	XBRL Instance Document-the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH *	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 is formatted as Inline XBRL and contained within Inline XBRL Instance Document in Exhibit 101.

* Filed herewith.

** Furnished herewith (such certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference)

Signatures

Pursuant to the requirements 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.

Independent Bank Group, Inc.

Date: [October 24, 2023](#) [April 23, 2024](#)

By: /s/ David R. Brooks

David R. Brooks
Chairman and Chief Executive Officer

Date: [April 23, 2024](#)

By: /s/ Paul B. Langdale

Paul B. Langdale
Executive Vice President
Chief Financial Officer

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:

1

4858-1164-07376

Execution Version

(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 \$33,750,000 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

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~~SeventhAmendment to Credit Agreement
Dated ~~March~~February16, 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

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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**.

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"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.

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"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 Installation 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:

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- (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

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(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.

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"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.

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"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.

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"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 *[1], 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) 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 memberbank 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 SOFRRate" means the greater of (i) zero percent (0.0%) and (ii) the one-month ~~BSBY~~Term SOFRRate 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 SOFRRate ~~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 SOFRRate 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 SOFRRate shall be the ~~BSBY~~one-month Term SOFRRate 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](#)

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"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

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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

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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~~first 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 wheresoever 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

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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).

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"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 ~~the, 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.

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"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 ~~1615, 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

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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

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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

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. 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

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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

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

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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

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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

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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

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(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) impose 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).

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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~~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.

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(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

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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.

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(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) (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.

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(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;

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(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.

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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

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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

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. 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.

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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

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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

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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

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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);

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(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 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

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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.

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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.

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(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 ~~0.900.50%~~; 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

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. 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

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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

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. 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

DEFUALTS

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

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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

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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

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. 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

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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

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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

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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):

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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

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. 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

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. 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.

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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

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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

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. 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.

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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

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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.

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(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.

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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 Hickey, Amy Feagin~~, Executive Vice President & ~~Chief Financial Officer~~ Treasurer, Telephone: 972-562- 9004; Email: michelle.hickey@ibgroup.com; amy.feagin@ibgroup.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@usbk.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

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*

~~#091-7239-465774
4889-9803-56174~~

SCHEDULE 1
Commitments

Lender:	Commitment:	Total Commitment:
U.S. BANK NATIONAL ASSOCIATION	\$100,000,000	\$100,000,000
TOTAL COMMITMENTS	\$100,000,000	\$100,000,000

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4889-9803-56174~~

SCHEDULE 5.1
Subsidiaries

IBG Subsidiaries:

1. Independent Bank
2. Carlile Capital, LLC

~~#091-7239-465774
4889-9803-56174~~

SCHEDULE 5.12

Other Names

None

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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.

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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

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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]

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4891-7239-46577
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:

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4889-9803-56174

EXHIBIT BLOAN 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:

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[4891-7239-4657-7](#)
[4889-9803-5617-4](#)

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: \$1
- C. Loan Period: 1 month

¹ 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.

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[4889-9803-5617-4](#)

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.

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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:

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[4889-9803-56174](#)

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]²]
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.

² Select as applicable.

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[4889-9803-5617-4](#)

6. Assigned Interest:

October
Date: 24, 2023

By: *Is/*
Paul B.
Langdale

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders ³	Amount of Commitment/Loans Assigned ⁴	Percentage Assigned of Commitment/Loans ⁵
Revolving Loans ⁶	\$[]	\$[]	[]%
[]	\$[]	\$[]	[]%
[]	\$[]	\$[]	[]%

7. Trade Date: []⁷

Effective Date: []⁸, 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:

³ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁴ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁵ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

⁶ 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.).

⁷ Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

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4881-7230-46577
4889-9803-561714

[Consented to and] ⁸ Accepted:

U.S. BANK NATIONAL ASSOCIATION, as
Administrative Agent

By: Title:

[Consented to:]⁹

[NAME OF RELEVANT PARTY]

By: Title:

⁸ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
⁹ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

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~~4889-9803-56174~~

EXHIBIT ECOMPLIANCE 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

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~~4889-9803-56174~~

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:

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4889-9803-56174

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.)

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ANNEX B TO
COMPLIANCE CERTIFICATE FINANCIAL COVENANT CALCULATIONS

Section 6.9(a) Loan Loss Reserves to Non-Performing Loans Ratio of the Consolidated Bank Subsidiaries	
(a) Loan Loss Reserves	
(b) Non-Performing Loans	
(c) Ratio of (a) to (b)	
Minimum required under Section 6.9(a)	Not less than 80 <ins>100</ins> %.
Section 6.9(b) Maximum Texas Ratio of the Consolidated Bank Subsidiaries	
(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 45 <ins>12</ins> %.
Section 6.9(c) Total Risk-Based Capital Ratio of the Consolidated Bank Subsidiaries	
Total Risk-Based Capital Ratio of the Consolidated Bank Subsidiaries	
Minimum required under Section 6.9(c)	Must be equal to or greater than

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	10.50%.
Section 6.9(d) Minimum Return on Average Assets of the Consolidated Bank Subsidiaries	
(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 0.90 0.50%.
Section 6.9(e) Minimum Liquid Assets of the Borrower <u>[Reserved]</u>	
Total Liquid Assets	
Minimum required under Section 6.9(e)	At least equal to \$5,000,000.
Section 6.9(f) Total Risk-Based Capital Ratio of the Borrower and Consolidated Subsidiaries	
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%.
Section 6.9(g) Capitalization of Each Bank Subsidiary	
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

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Paul B.
Langdale

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[4889-9803-561714](#)

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:

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~~4889-9803-561714~~

EXHIBIT GAUTHORITY TO DEBIT ACCOUNT

[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:

G-1

**INDEPENDENT BANK GROUP, INC.
2022 EQUITY INCENTIVE PLAN**

PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

1. Agreement to Grant Restricted Stock Units. This agreement (the "Restricted Stock Agreement") has been electronically delivered to you ("Participant") by Independent Bank Group, Inc., a Texas corporation (the "Company") through an online award acceptance portal selected by the Company (the "Portal"). Subject to the conditions described in the Restricted Stock Agreement and in the Independent Bank Group, Inc. 2022 Equity Incentive Plan (the "Plan"), the Company hereby agrees to grant Participant all rights, title and interest in the record and beneficial ownership of the number of shares of common stock, \$0.01 par value per share, of the Company ("Common Stock") reflected in the "Grant Details" of the Portal (the "Restricted Stock"). The award of Restricted Stock shall be approved by the Compensation Committee of the Company's Board of Directors ("Committee") and be effective as of _____ (the "Grant Date"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan, the terms of which are incorporated herein by reference.

2. Vesting.

(a) **Vesting Schedule.** Subject to the satisfaction of the terms and conditions set forth in the Plan and this Restricted Stock Unit Agreement, Participant shall vest in the Restricted Stock Units based on the satisfaction of the performance goals set forth on Exhibit A, provided the Participant is employed by the Company and/or one of its Subsidiaries on the date that the Committee certifies the level of performance.

(b) **Change in Control.** Upon the consummation of a Change in Control, any of the Restricted Stock Units held by Participant that are then unvested and not previously forfeited at the time of such Change in Control shall be treated in accordance with Section 8 of the Plan.

(c) **Termination of Employment Due to Death or Disability.** All unvested Restricted Stock Units shall immediately vest, with the performance goals set forth on Exhibit A deemed satisfied at the target level, upon a termination of Participant's employment due to the death or Disability, subject to Participant's (or Participant's estate's or guardian's) execution and non-revocation of a release of claims in a form provided by the Company within 60 days following Participant's termination of employment (or any longer period required by applicable law).

(d) **Termination of Employment for Good Reason or Without Cause.** All unvested Restricted Stock Units shall remain eligible to vest subject to the satisfaction of the performance goals set forth on Exhibit A following a termination of employment by the Participant for Good Reason, or by the Company not for Cause, in each case, subject to Participant's execution and non-revocation of a release of claims in a form provided by the Company within 60 days following Participant's termination of employment (or any longer period required by applicable law). Participant's termination of employment shall not be deemed to be for Good Reason unless (i) Participant has notified the Company in writing describing the occurrence of one or more Good Reason events within ninety (90) days after Participant first becomes aware of such occurrence (or should have become aware of such occurrence), (ii) the Company fails to cure such Good Reason event within thirty (30) days after its receipt of such written notice and (iii) the termination of employment occurs within thirty (30) days following such failure to cure. If the performance goals are deemed satisfied in connection with a Change in Control pursuant to Section 8(a)(iii) of the Plan, any unvested Restricted Stock Units determined to be earned shall vest on (A) if Participant's termination of employment under the circumstances described in this Section 2(d) occurs prior to the Change in Control, effective as of the Change in Control or (B) if Participant's termination of employment under the circumstances described in this Section 2(d) occurs following the Change in Control, effective as of Participant's termination of employment.

(e) **Forfeited Restricted Stock Units.** For the sake of clarity, references to Restricted Stock Units do not include any previously forfeited Restricted Stock Units.

3. Forfeiture. Except as provided in Section 2(c) or 2(d) in the event of Participant's termination of employment by the Company or by Participant for any other reason whatsoever, the unvested portion of the Restricted Stock Units held by Participant at that time shall immediately be forfeited and canceled.

4. Issuance and Transferability.

(a) **Issuance of Common Stock.** Within 60 days following the vesting of any Restricted Stock Unit in accordance with Section 2, the Company shall issue to Participant one Share for each vested Restricted Stock Unit. To the extent a Restricted Stock Unit does not vest in accordance with the provisions of this Agreement, such Restricted Stock Unit shall be forfeited and no Shares shall be issued with respect to such forfeited Restricted Stock Unit.

(b) **Prohibition on Transfer.** The Restricted Stock Units shall not be transferable. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Participant. Any purported assignment, alienation, pledge, attachment, sale, transfer or other encumbrance of the Restricted Stock Units, regardless of by whom initiated or attempted, shall be void and unenforceable against the Company. If, notwithstanding the foregoing, an assignment, alienation, pledge, attachment, sale, transfer or other encumbrance of the Restricted Stock Units is effected by operation of law, court order or otherwise, the affected Restricted Stock Units shall remain subject to the risk of forfeiture, vesting requirement and all other terms and conditions of this Restricted Stock Unit Agreement. In the case of Participant's death or Disability, Participant's vested rights under this Restricted Stock Unit Agreement (if any) may be exercised and enforced by Participant's guardian or legal representative.

5. Dividend Equivalents. In the event that the Company declares a cash dividend on its Common Stock having a record date on or after the Grant Date and prior to the date the vested Restricted Stock Units are settled, subject to any reservations, conditions or restrictions set forth in this Restricted Stock Unit Agreement and/or the Plan, Participant shall be entitled to Dividend Equivalents equal to the per Share cash dividend(s) multiplied by the number of Shares earned and payable under the Restricted Stock Units granted to Participant under this Restricted Stock Unit Agreement, if any. Such Dividend Equivalents shall be accrued on Participant's behalf and paid in cash to Participant at the same time, and otherwise under the same terms and conditions (including satisfaction of all vesting requirements) as apply to the corresponding Restricted Stock Units. In the event of the forfeiture of the Restricted Stock Units granted under this Restricted Stock Unit Agreement, the Participant shall have no further rights with respect to the corresponding Dividend Equivalents.

6. Reorganization of the Company. The existence of this Restricted Stock Unit Agreement shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; any merger or consolidation of the Company; any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Restricted Stock Units or the rights thereof; the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

7. Certain Restrictions. By executing this Restricted Stock Unit Agreement, Participant acknowledges that he will enter into such written representations, warranties and agreements and execute such documents as the Company may reasonably request in order to comply with the securities law or any other applicable laws, rules or regulations, or with this Restricted Stock Unit Agreement or the terms of the Plan.

8. Amendment and Termination. This Restricted Stock Unit Agreement or the Plan may be amended or terminated in accordance with the terms of the Plan.

9. Taxes and Withholdings.

(a) **Tax Consequences.** The vesting and/or sale of all or any portion of the Restricted Stock Units may trigger tax liability. Participant agrees that he shall be solely responsible for any such tax liability. Participant is encouraged to contact his tax advisor to discuss any tax implications which may arise in connection with the Restricted Stock Units.

(b) **Withholding.** Participant acknowledges that the settlement of Restricted Stock Units and any accrued Dividend Equivalents granted pursuant to this Restricted Stock Unit Agreement may result in federal, state or local tax withholding obligations. Participant understands and acknowledges that the Company will not issue Shares or make any payment of accrued Dividend Equivalents until it is satisfied that appropriate arrangements have been made to satisfy any tax obligation under this Restricted Stock Unit Agreement or the Plan and agrees to make appropriate arrangements suitable to the Company for satisfaction of all tax withholding obligations. Further, Participant hereby agrees and grants to the Company the right to withhold from any payments or amounts of compensation, payable in cash, shares or otherwise, in order to meet any tax withholding obligations under this Restricted Stock Unit Agreement or the Plan. As such, if the Company requests that Participant take any action required to effect any action described in this Section 9 and to satisfy the tax withholding obligation pursuant to this Restricted Stock Unit Agreement and the Plan, Participant hereby agrees to promptly take any such action.

(c) **Section 409A.** For purposes of Section 409A of the Code ("Section 409A"), it is intended that amounts payable pursuant to this Restricted Stock Unit Agreement qualify for the short-term deferral exception under Treas. Reg. Section 1.409A-1(b)(4) or any successor thereto, and all provisions of this Award Agreement shall be construed and interpreted in a manner consistent with such exception. In the event that it is determined that any amounts payable pursuant to this Restricted Stock Unit Agreement do not qualify for the short-term deferral exception under Treas. Reg. Section 1.409A-1(b)(4) or any successor thereto, it is intended that the provisions of this Restricted Stock Unit Agreement comply with Section 409A, and all provisions of this Restricted Stock Unit Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A and any similar state or local law. Except as permitted under Section 409A, any amounts payable hereunder that constitute "nonqualified deferred compensation" (within the meaning of Section 409A) may not be reduced by, or offset against, any amount owing by Participant to the Company or any of its affiliates. To the extent required by Section 409A, any amounts payable hereunder that constitute nonqualified deferred compensation payable or provided to Participant upon a termination of employment or Change in Control, as applicable, shall only be paid or provided to Participant upon Participant's separation from service (within the meaning of Section 409A) or an event described in Section 409A(a)(2)(v) of the Code, respectively. Notwithstanding any other provision of this Restricted Stock Unit Agreement to the contrary, if Participant is a "specified employee" (within the meaning of Section 409A, as determined in accordance with the methodology established by the Company), amounts that constitute nonqualified deferred compensation that otherwise would be payable by reason of Participant's separation from service during the six-month period immediately following such separation from service shall instead be paid or provided on the first business day following the date that is six months following Participant's separation from service or any earlier date permitted by Section 409A. If Participant dies following the separation from service and prior to the payment of any amounts delayed on account of Section 409A, such amounts shall be paid to the personal representative of Participant's estate within 30 days following the date of Participant's death.

10. No Guarantee of Tax Consequences. The Company, Board and Committee make no commitment or guarantee to Participant that any federal, state or local tax treatment will apply or be available to any person eligible for benefits under this Restricted Stock Unit Agreement and assumes no liability whatsoever for the tax consequences to Participant.

11. Confidentiality.

(a) **Confidential Information in General.** The Participant has and will have access to and participate in the development of or be acquainted with confidential or proprietary information and trade secrets related to the business of the Company and its subsidiaries and affiliates (the "Companies"), including but not limited to (i) business plans, operating plans, marketing plans, bid strategies, bid proposals, financial reports, operating data, budgets, wage and salary rates, pricing strategies and information, terms of agreements with suppliers or customers and others, customer lists and customer information, credit files, software programs, reports, correspondence, tapes, discs, tangible property and specifications owned by or used in Company's business, operating strengths and weaknesses of the Companies' officers, directors, employees, agents, suppliers and customers, (ii) information pertaining to future developments such as, but not limited to, research and development, future marketing, products, distribution, delivery or merchandising plans or ideas, and potential new distribution or business locations, and (iii) other tangible and intangible property, which are used in the business and operations of the Companies but not made publicly available (the "Trade Secrets & Confidential Information"); provided that the term Trade Secrets & Confidential Information shall not include information that is available or known to persons or entities outside of the Company otherwise than as a result of a breach of a confidentiality agreement. By this Restricted Stock Unit Agreement, the Participant agrees that he or she is being provided with access to Trade Secrets & Confidential Information to which he or she has not previously had access.

(b) **Assignment.** The Participant hereby assigns to the Company, in consideration of his employment, all Trade Secrets & Confidential Information that may be developed by the Participant at any time during the term of this Restricted Stock Unit Agreement, whether or not made or conceived during working hours, alone or with others, which related, directly or indirectly, to businesses or proposed businesses of the Companies, and the Participant agrees that all such Trade Secrets & Confidential Information shall be the exclusive property of the Companies. The Participant shall establish and maintain written records of all such Trade Secrets & Confidential Information with respect to inventions or similar intellectual property for the benefit of the Companies and shall execute and deliver to the Companies any specific assignments or other documents appropriate to vest title in such Trade Secrets & Confidential Information in the Companies or to obtain for the Companies legal protection for such Trade Secrets & Confidential Information. Notwithstanding anything to the contrary in this paragraph, the Participant shall be entitled to retain possession of any daily journal which the Participant may make reflecting the Participant's personal log and notes. The Participant will furnish a copy of any retained daily journal to the Company as requested.

(c) **Nondisclosure.** The Participant shall not disclose, use or make known for his or another's benefit any Trade Secrets & Confidential Information of the Companies or use such Confidential Information in any way except in the best interests of the Companies in the performance of the Participant's duties under this Restricted Stock Unit Agreement.

12. Return of Company's Property. Immediately upon termination of the Participant's employment with the Company, the Participant shall deliver to the Company all Trade Secrets & Confidential Information, documents, correspondence, notebooks, reports, computer programs, names of full-time and part-time employees and consultants, and all

other materials and copies thereof (including computer discs and other electronic media) relating in any way to the business of the Company in any way obtained by the Participant during the period of his employment with the Company. Immediately upon termination of the Participant's employment with the Company, the Participant shall deliver to the Company all tangible property of Company in the possession of the Participant, including without limitation, telephones, facsimile machines, computers, leased automobiles and credit cards. The obligations of the Participant under this Section 12 shall survive the termination of the Participant's employment and the expiration or termination of this Restricted Stock Unit Agreement.

13. Trade Secret protection – Noncompetition and Nonsolicitation.

(a) **Noncompete.** In consideration for (i) the grant to the Participant by the Company, (ii) the provision of Trade Secrets & Confidential Information, and (iii) the execution of this Restricted Stock Unit Agreement by the Company, and ancillary to the otherwise enforceable agreements in this Restricted Stock Unit Agreement (including Section 1 of this Restricted Stock Unit Agreement), for a period of [twenty-four (24) months, eighteen (18) months, three (3) months]¹ following the termination of the Participant's employment with the Companies for any reason (the "Noncompetition Period") and for the protection of the referenced Trade Secrets, the Participant will not, directly or indirectly, without the written consent of the Board of Directors of the Company, own, manage, operate, control, be employed by in the same or in a similar manner to which he or she is employed by the Companies, consult with or participate in or be connected with any entity owning or having financial interest in, whether direct or indirect, a business entity which is in the same line or lines of business as and competes with the Business of the Companies (as defined below), if such business has a branch or other office of any kind located within fifteen (15) miles of any branch or office of the Companies, which the parties stipulate is a reasonable geographic area because of the scope of the Companies' operations and the Participant's employment with the Company. For purposes of this Section 13(a), each of the following activities, without limitation, shall be deemed to constitute proscribed activities during the Noncompetition Period: to engage in, work with, have an interest in (other than interests of less than 1% in companies with securities traded on a nationally recognized stock exchange or interdealer quotation system), advise, consult, manage, operate, lend money to (other than interests of less than 1% in companies with securities traded on a nationally recognized stock exchange or interdealer quotation system), guarantee the debts or obligations of, or permit one's name or any part thereof to be used in connection with an enterprise or endeavor, either individually, in partnership or in conjunction with any person or persons, firm, association, company or corporation, whether as principal, director, agent, shareholder, partner, employee, consultant or in any other manner whatsoever. The Participant may not avoid the purpose and intent of this Section 13(a) by engaging in conduct within the geographically limited area from a remote location through means such as telecommunications, written correspondence, computer generated or assisted communications, or other similar methods. "Business of the Companies" shall mean the commercial banking business conducted by the Companies as of the date of this Restricted Stock Unit Agreement.

(b) **Nonsolicitation.** In consideration for (i) the grant to the Participant by the Company, (ii) the provision of Trade Secrets & Confidential Information, and (iii) the execution of this Restricted Stock Agreement by the Company, and ancillary to the otherwise enforceable agreements in this Restricted Stock Agreement (including Section 1 of this Restricted Stock Agreement) for a period of one (1) year following the date of termination (the "Nonsolicitation Period") and for the protection of the referenced Trade Secrets, the Participant will not, directly or indirectly, (a) solicit for employment, or advise or recommend any entity to employ or solicit for employment, any person who is, or at any time during the Noncompetition Period was, an employee of the Company, or (b) solicit the banking business of, or conduct any banking business with, any Restricted Customer of the Company. For purposes of this Restricted Stock Unit Agreement, "Restricted Customer" means any individual, corporation, limited liability company, association, partnership, estate, trust, or any other entity or organization to which the Companies marketed, attempted to or actually promoted or provided products or services to at any time during the one (1) year immediately prior to the Participant's last day of employment, and with respect to which the Participant has participated in any efforts related to the marketing, negotiation or provision of products or services, had contact with or supervised employees who had contact with, or received Confidential Information about, within the one (1) year immediately prior to Participant's last day of employment. This Section 13(b) is geographically limited to wherever any Restricted Customer can be found or is available for solicitation or to do business with, which the parties stipulate is a reasonable geographic area because of the scope of the Companies' operations and the Participant's employment with

¹ To ensure their continued service with the Company, the award agreements for Mr. David Brooks and Mr. Daniel Brooks provide for non-competition periods of 24 months and 18 months, respectively. The non-competition period for all other executives under the award agreement is 3 months.

the Company. The Participant may not avoid the purpose and intent of this Section 13(b) by engaging in conduct within the geographically limited area from a remote location through means such as telecommunications, written correspondence, computer generated or assisted communications, or other similar methods.

(c) **Reasonable and Necessary.** The Participant agrees that the above covenants are reasonable and necessary agreements for the protection of the business interests and Trade Secrets & Confidential Information covered in the fully enforceable, ancillary agreements set forth in this Restricted Stock Unit Agreement.

(d) **Ongoing Trade Secret and Confidential Information Protections.** Nothing within this Section shall be construed to waive any of Participant's post-employment obligations related to the ongoing requirements to protect and preserve the Company's Trade Secret and Confidential Information after the expiration of the restrictive covenants.

14. Continuing Obligations. Participant's obligation to comply with any term of this Restricted Stock Agreement, including Section 11, which shall continue in perpetuity, and Section 13, which shall continue for the durations as set forth therein, shall (i) survive the termination of Participant's employment (for whatever reason, whether voluntarily or involuntarily); and/or (ii) the expiration or termination of this Restricted Stock Agreement.

15. Severability. In the event that any provision of this Restricted Stock Unit Agreement is, becomes or is deemed to be illegal, invalid, or unenforceable for any reason, or would disqualify the Plan or this Restricted Stock Unit Agreement under any law deemed applicable by the Board or the Committee, such provision shall be construed or deemed amended as necessary to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Board or the Committee, materially altering the intent of the Plan or this Restricted Stock Unit Agreement, such provision shall be stricken as to such jurisdiction, the Participant or this Restricted Stock Unit Agreement, and the remainder of this Restricted Stock Unit Agreement shall remain in full force and effect.

16. Remedies. Participant acknowledges that Participant's violation of any of the covenants contained in Section 11 or 13 would cause irreparable damage to the Companies in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Participant agrees that, notwithstanding any provision of this Restricted Stock Unit Agreement to the contrary, in addition to any other damages it is able to show, in the event of Participant's violation of any of the covenants contained in Section 11 or 13, the Companies shall be entitled (without the necessity of showing economic loss or other actual damage) to (i) cancel of any portion of this Award that is unvested as of the date of such violation, (ii) the prompt repayment by Participant of the value of any portion of this Award that has previously vested as of the date of such violation and (iii) injunctive relief (including temporary restraining orders, preliminary injunctions and permanent injunctions), without posting a bond, in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 11 or 13, in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Companies may have for damages under this Restricted Stock Unit Agreement or otherwise, and all such rights shall be unrestricted. The Noncompetition Period and Nonsolicitation Period shall be tolled during (and shall be deemed automatically extended by) any period during which Participant is in violation of the applicable covenants.

17. Terms of the Plan Control. This Restricted Stock Unit Agreement and the underlying Award are made pursuant to the Plan. Notwithstanding anything in this Restricted Stock Unit Agreement to the contrary, the terms of the Plan, as amended from time to time and interpreted and applied by the Committee, shall govern and take precedence.

18. Entire Agreement/Supersedes Previous Agreements/Amendments. This Agreement contains the entire agreement and understanding of Participant and the Company with respect to the Restricted Stock granted herein and supersedes all prior or contemporaneous negotiations, commitments, and agreements, whether oral or in writing with respect to the Restricted Stock granted herein, and all such other negotiations,

commitments, and agreements, whether oral or in writing shall have no further force or effect, and the parties to any such other negotiation, commitment, and agreement, whether oral or in writing, shall have no further rights or obligations thereunder. The Participant and Company expressly disclaim reliance upon any statement or representation made by the other in entering into this Agreement. This Agreement can only be amended in writing executed by both Participant and the Company. For the avoidance of doubt, to the extent Participant has signed prior restricted stock agreements under the 2013 Equity Incentive Plan or the 2022 Equity Incentive Plan, such agreements remain in full force and effect.

19. Governing Law; Venue.

FOR COLORADO OFFICERS AND EMPLOYEES ONLY.

This Restricted Stock Agreement shall be construed in accordance with the limitation to protect trade secrets and (excluding any conflict or choice of law provisions of) the laws of the State of Colorado to the extent federal law does not supersede and preempt Colorado law. Venue for any action to enforce the provisions of this Restricted Stock Agreement shall lie solely in the state and federal district courts located in Denver County, Colorado. The parties hereby submit to the exclusive jurisdiction of the courts of the State

of Colorado located in Denver, Colorado, or the federal courts of the United States located in the United States District Court for the District of Colorado with respect to any dispute relating to this Restricted Stock Agreement or to the transactions contemplated hereby. The parties irrevocably waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the personal and subject matter jurisdiction of such courts to resolve any such dispute or to venue in Denver County, Colorado, including an objection based on *forum non conveniens*.

FOR ALL OTHER OFFICERS AND EMPLOYEES.

This Restricted Stock Unit Agreement shall be construed in accordance with (excluding any conflict or choice of law provisions of) the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law. Venue for any action to enforce the provisions of this Restricted Stock Unit Agreement shall lie solely in the state and federal district courts located in Collin County, Texas. The parties hereby submit to the exclusive jurisdiction of the courts of the State of Texas located in McKinney, Texas, or the federal courts of the United States located in the Northern District of the State of Texas with respect to any dispute relating to this Restricted Stock Unit Agreement or to the transactions contemplated hereby. The parties irrevocably waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the personal and subject matter jurisdiction of such courts to resolve any such dispute or to venue in McKinney, Texas, including an objection based on *forum non conveniens*.

20. Consent to Electronic Delivery; Electronic Signature. Except as otherwise prohibited by law, in lieu of receiving documents in paper format, Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectuses supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which Participant has access, including but not limited to the Portal. Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, including but not limited through the Portal, and agrees that his electronic signature or attestation having the same effect as an electronic signature, is the same as and shall have the same force and effect as, his manual signature.

Executed by Company as of the Grant Date.

INDEPENDENT BANK GROUP, INC.

By: /s/ David R. Brooks
David R. Brooks
Chairman and CEO

Executed as of the date of Participant's electronic acceptance of the Restricted Stock Agreement through the Portal.

PARTICIPANT

By: See Electronic Acceptance in Portal

Exhibit A

The Restricted Stock Units determined to be earned and vested under this Restricted Stock Unit Agreement shall be determined in accordance with this Exhibit A:

- 50% of the Restricted Stock Units shall vest based on EPS (the "EPS Units")
- 50% of the Restricted Stock Units shall vest based on rTSR (the "rTSR Units")

Definitions

"EPS" means the Company's adjusted diluted earnings per share during the Performance Period.

"Peer Group" means the members of the KBW Nasdaq Regional Banking Index as of the first day of the Performance Period.

The Peer Group shall be subject to the following adjustments:

- If during the applicable Performance Period a component company of the Peer Group is acquired, the acquired company shall be removed from the Peer Group for all performance determinations.
- If during the applicable Performance Period a component company of the Peer Group ceases to be a public company by becoming a private company through the "going dark" process, such component company shall be removed from the Peer Group for all performance determinations.
- If during the applicable Performance Period a component company of the Peer Group files a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code or liquidation under Chapter 7 of the U.S. Bankruptcy Code, or if a component company otherwise fails or is seized by regulators, such component company shall be placed at the bottom of the Peer Group.
- If financial information sufficient to determine the performance of a component company of the Peer Group is unavailable, such component company shall be removed from the Peer Group for all periods that such information is unavailable.

"Performance Period" means the period from January 1, 2024 through December 31, 2026.

"rTSR" means the percentile rank of the Company's TSR relative to the TSR of the members of the Peer Group, ranked in descending order, at the end of the Performance Period.

"TSR" means, with respect to the Common Stock and the common stock of each member of the Peer Group, a rate of return reflecting stock price appreciation, plus the reinvestment of dividends in additional shares of stock, from the beginning of the Performance Period through the end of the Performance Period. For purposes of calculating TSR for each of the Company and the members of the Peer Group, the beginning stock price will be based on the average closing stock price for the 20 trading days immediately preceding the first trading day of the Performance Period on the principal stock exchange on which the stock is then traded and the ending stock price will be based on the average closing stock price for the 20 trading days immediately preceding the first trading day following the end of the Performance Period on the principal stock exchange on which the stock then trades.

Performance Goals

EPS Units

The percentage of the EPS Units (and related accrued dividends) that are earned and vest upon the Committee's certification of the performance goals shall be determined as follows:

Executive

Vice

President

	Cumulative EPS	Payout Percentage
Maximum	119% of Target	150%
Target	100% of Target	100%
Threshold	81% of Target	50%
Below Threshold	Less than 81% of Target	0%

If performance is between the levels indicated above, the number of EPS Units that vest shall be determined based on straight-line interpolation between the two nearest vesting levels described above.

rTSR Units

The percentage of the rTSR Units (and related accrued dividends) that are earned and vest upon the Committee's certification of the performance goals shall be determined as follows:

	Chief Financial Officer	Percentile Rank within Peer Group Based on rTSR	Payout Percentage
Maximum	75th percentile or higher	150%	
Target	50th percentile	100%	
Threshold	25th percentile	50%	
Below Threshold	Less than 25th percentile	0%	

If performance is between the levels indicated above, the number of rTSR Units that vest shall be determined based on straight-line interpolation between the two nearest vesting levels described above.

Committee Discretion

The Committee shall, in its sole discretion, determine the extent to which the performance goals are satisfied. The Committee shall certify the satisfaction of the performance goals as soon as reasonably practicable following the end of the Performance Period (and in no event later than June 30, 2026).

The Committee may make adjustments to the performance goals (including for purposes of determining the satisfaction thereof) in recognition of unusual or nonrecurring events (including acquisitions and dispositions of

businesses and assets) affecting the Company, any Related Entity or any business unit, or the financial statements of the Company or any Related Entity, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations, business conditions, external macroeconomic events, other external factors or unforeseen events, or in view of the Committee's assessment of the business strategy of the Company, any Related Entity or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of Participant, and any other circumstances deemed relevant.

I, David R. Brooks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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: **October 24, 2023** April 23, 2024

/s/ David R. Brooks

David R. Brooks
Chairman and Chief Executive Officer

Exhibit 31.2

I, Paul B. Langdale, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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: **October 24, 2023** April 23, 2024

/s/ Paul B. Langdale

Paul B. Langdale
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**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 Quarterly Report of Independent Bank Group, Inc. (the "Company") on Form 10-Q for the period ending **September 30, 2023** March 31, 2024 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 **October 24, 2023** April 23, 2024.

/s/ David R. Brooks

David R. Brooks
Chairman and Chief Executive Officer

Exhibit 32.2

**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 Quarterly Report of Independent Bank Group, Inc. (the "Company") on Form 10-Q for the period ending **September 30, 2023** March 31, 2024 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 **October 24, 2023** April 23, 2024.

/s/ Paul B. Langdale

Paul B. Langdale
Executive Vice President and Chief Financial Officer

DISCLAIMER

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