

Independent Bank Group, Inc.
Form S-4/A
February 21, 2017
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As filed with the Securities and Exchange Commission on February 21, 2017

Registration No. 333-215644

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

Amendment No. 1
to
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INDEPENDENT BANK GROUP, INC.
(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	6022 (Primary Standard Industrial Classification Code Number) 1600 Redbud Boulevard, Suite 400 McKinney, Texas 75069-3257 (972) 562-9004	13-4219346 (I.R.S. Employer Identification Number)
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(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Mr. David R. Brooks
Chairman and Chief Executive Officer
1600 Redbud Boulevard, Suite 400
McKinney, Texas 75069-3257
(972) 562-9004

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Joseph A. Hoffman, Esq. Dudley W. Murrey, Esq. Andrews Kurth Kenyon LLP 1717 Main Street, Suite 3700 Dallas, Texas 75201 (214) 659-4593	Mark Haynie, Esq. Haynie Rake Repass & Klimko, P.C. 14643 Dallas Parkway, Suite 550 Dallas, Texas 75254 (972) 716-1855	Chet A. Fenimore, Esq. Fenimore, Kay, Harrison & Ford, LLP 812 San Antonio Street, Suite 600 Austin, Texas 78701 (512) 583-5900
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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

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

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

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

Large accelerated filer

Nonaccelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

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CARLILE BANCSHARES, INC.

201 Main Street, Suite 1320

Fort Worth, Texas 76102

March 2, 2017

Dear Shareholder:

We cordially invite you to attend a special meeting of the shareholders of Carlile Bancshares, Inc. to be held on March 30, 2017, at 2:00 p.m., Central Time, at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102.

At the special meeting, the holders of shares of the voting common stock of Carlile Bancshares, Inc. will be voting on the reorganization agreement providing for the acquisition of Carlile Bancshares, Inc. by Independent Bank Group, Inc. through a merger transaction.

I have enclosed a notice of the special meeting and a joint proxy statement/prospectus of Carlile and Independent Bank Group. I encourage you to review these materials carefully and to contact us if you have any questions prior to the meeting.

As the materials describe, the holders of shares of the voting common stock of Carlile Bancshares, Inc. are requested to complete and mail the enclosed proxy card to us in the enclosed postage paid envelope whether or not you plan to attend the meeting. The proxy can be rescinded at the meeting or any time before the meeting if you so choose.

We appreciate your support of Carlile Bancshares and Northstar Bank and look forward to seeing you at the meeting.

Sincerely,

Tom C. Nichols

Chairman of the Board and Chief Executive
Officer

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The information in this joint proxy statement/prospectus is not complete and may be changed. Independent Bank Group, Inc. may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and Independent Bank Group, Inc. is not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 21, 2017

CARLILE BANCSHARES, INC.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

You are invited to attend a special meeting of shareholders of Carlile Bancshares, Inc., or Carlile, on March 30, 2017, at 2:00 p.m., Central Time, at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102. At this special meeting, holders of record of shares of Carlile voting common stock will be asked to vote on the approval of a reorganization agreement, which provides for the acquisition of Carlile by Independent Bank Group, Inc., or Independent, through certain merger transactions. Holders of record of Carlile voting common stock will also be asked to vote on a proposal to adjourn the special meeting to a later date if the Carlile board of directors determines such an adjournment is in the Carlile shareholders' best interest.

If the reorganization agreement and the merger contemplated thereby are approved by the holders of the Carlile voting common stock and the merger is completed, each outstanding share of Carlile common stock will be converted into a fraction of a share of Independent common stock, which fraction will be equal to the Carlile Share Exchange Ratio. The Carlile Share Exchange Ratio will be determined by means of the following formula:

Carlile Share Exchange Ratio =
$$\frac{\text{Shareholder Value} \div \text{outstanding number of shares of Carlile common stock}}{\text{Average Stock Price}}$$

Average Stock Price

The Average Stock Price is the average of the daily volume-weighted average sales price for a share of Independent common stock for the 20 trading days ending on and including the third trading day preceding the closing date of the merger, and the Shareholder Value is an amount to be obtained (i) by dividing \$434 million (which represents the agreed upon value of Carlile and is subject to a dollar-per-dollar downward adjustment if Carlile's adjusted tangible equity is less than \$200 million) by \$47.40, (ii) multiplying that resulting quotient by the Average Stock Price and (iii) deducting from that resulting product the aggregate amount paid to cash out and cancel the Carlile stock options in connection with the merger. See The Merger Treatment of Shares of Carlile Common Stock beginning on page 75 for more information.

Carlile has the right to terminate the reorganization agreement if the Average Stock Price is less than \$40.29 *and* the percentage decrease in the Average Stock Price is 15% more than the decline in the NASDAQ Bank Index, from and excluding November 4, 2016, through and including the third trading date prior to the closing date of the merger, Independent may prevent such termination by increasing the merger consideration through adjustment to the Carlile Share Exchange Ratio. Carlile shareholders will receive only whole shares of Independent common stock. Cash will be paid for any fraction of a share issuable in exchange for all of a Carlile shareholder's shares of Carlile common stock. Independent's common stock is listed on the NASDAQ Global Select Market under the symbol IBTX.

Options to acquire shares of Carlile common stock outstanding and unexercised immediately prior to the effective time of the merger will be automatically cashed out based on the value of the aggregate number of shares of Independent common stock to be issued in the merger as determined by certain factors. See *The Merger Treatment of Shares of Carlile Stock Options* beginning on page .

If the merger occurs and the Average Stock Price were to be \$66.70 (the closing price for a share of Independent common stock on February 16, 2017), the aggregate number of outstanding shares of Carlile common stock at the time of the merger remains unchanged from the 35,064,719 shares that are now outstanding, the Carlile adjusted tangible equity equals or exceeds \$200 million on the determination date and none of the 2,504,726 options to acquire Carlile common stock now outstanding are exercised prior to the merger, each of the then outstanding shares of Carlile common stock would be converted into 0.2517 share of Independent common stock which, based on the foregoing assumption and the assumption that the value of a share of Independent common stock is \$66.70, represents a value of \$16.79 per share of Carlile common stock, and all of the outstanding shares of Carlile would be exchanged for an aggregate of 8,825,790 shares of Independent common stock. In addition, each option would be automatically cashed out for an amount that, based on the foregoing assumptions, would equal \$16.79 per underlying share of Carlile common stock *minus* the particular exercise price for the option that is cashed out. For further explanation regarding the number of shares of Carlile common stock that will be issued and outstanding on the merger's effective date, how Carlile's adjusted tangible equity will be calculated, the effect on the merger consideration if such adjusted tangible equity is less than \$200 million on the determination date, and other estimates, see *The Merger*, beginning on page 75 of this joint proxy statement/prospectus.

The vote of every holder of Carlile voting common stock is very important. Whether you plan to attend the special meeting, if you hold shares of Carlile voting common stock, please vote by completing and mailing the enclosed proxy card in the return envelope provided to you. We cannot complete the merger unless holders of at least two-thirds of the issued and outstanding shares of Carlile voting common stock vote to approve the reorganization agreement. Based on our reasons for the merger described in the accompanying joint proxy statement/prospectus, our board of directors believes that the transaction is fair, from a financial point of view, to and in the best interests of, the Carlile shareholders. **Accordingly, our board of directors unanimously recommends that you vote FOR approval of the reorganization agreement and, if necessary, adjournment of the Carlile special meeting.**

Tom C. Nichols
Chairman of the Board and Chief Executive
Officer
Carlile Bancshares, Inc.

An investment in Independent common stock in connection with the merger involves risks. See Risk Factors beginning on page 54.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities that Independent is offering through this document are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This joint proxy statement/prospectus dated _____, 2017, was mailed to Carlile shareholders on March 2, 2017.

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The information in this joint proxy statement/prospectus is not complete and may be changed. Independent Bank Group, Inc. may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and Independent Bank Group, Inc. is not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 21, 2017

INDEPENDENT BANK GROUP, INC.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

You are invited to attend a special meeting of shareholders of Independent Bank Group, Inc., or Independent, on March 30, 2017, at 3:30 p.m. Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069. At this special meeting, you will be asked to vote on the approval of a reorganization agreement that provides for our acquisition of Carlile Bancshares, Inc., or Carlile, through certain merger transactions. You will also be asked to approve the issuance of shares of Independent common stock to the Carlile shareholders in the merger that will in number and voting power exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to the issuance of the shares of Independent common stock in the merger and to vote on the election of three nominees mutually agreed to by Independent and Carlile and nominated by the Independent board of directors to stand for election in accordance with the reorganization agreement as directors of Independent to fill vacancies on the Independent board of directors. You will also be asked to vote on a proposal to adjourn the special meeting to a later date if our board of directors determines such an adjournment is in the Independent shareholders' best interest. If the reorganization agreement and the issuance of the shares of Independent common stock in the merger are approved and the merger is completed, assuming the average of the daily volume-weighted average sales price for a share of Independent common stock on the Nasdaq Global Select Market for the twenty trading days ending on and including the third trading date prior to the closing date of the merger were to be \$66.70 (which price was the closing price for a share of Independent common stock on February 16, 2017), the number of outstanding shares of Carlile common stock does not change after the date of this joint proxy statement/prospectus and Carlile has at least \$200 million of adjusted tangible equity (as calculated in accordance with the terms of the reorganization agreement), Independent estimates that it will issue an aggregate of 8,825,790 shares of Independent common stock in exchange for the outstanding shares of Carlile common stock, which would be approximately 31.8% of the shares of Independent common stock outstanding immediately after the merger is complete, and Independent will pay approximately \$22.1 million in cash to the holders of the then outstanding options to purchase Carlile common stock to cashout those options. Independent common stock is listed on the Nasdaq Global Select Market under the symbol IBTX. Please see The Merger Terms of the Merger, beginning on page 76 of this joint proxy statement/prospectus.

Your vote is important. Whether you plan to attend the special meeting, please vote by completing and mailing the enclosed proxy card in the return envelope provided to you or by following the instructions to vote via the Internet or by telephone as indicated on the proxy card. We cannot complete the merger unless we obtain the necessary regulatory approvals and the holders of at least two-thirds of the outstanding shares of Independent common stock

approve the reorganization agreement, the holders of a majority of the votes cast on the proposal vote to approve the issuance of the shares of Independent common stock in the merger, and at least a plurality of the votes cast on the election of directors vote to elect the three nominees named in the accompanying joint proxy statement/prospectus who have been nominated by our board of directors. Based on our reasons for the merger described in the accompanying joint proxy statement/prospectus, our board of directors believes that the transaction is fair from a financial point of view to Independent. **Accordingly, our board of directors unanimously recommends that you vote FOR approval of the reorganization agreement, the issuance of shares of Independent common stock to Carlisle shareholders in the merger that will exceed in number and voting power 20% of the numbers and voting power of our outstanding shares of common stock, the election of the nominees for election as directors of Independent named in this joint proxy statement/prospectus and, if necessary, the adjournment of the Independent special meeting.**

David R. Brooks

Chairman of the Board and Chief Executive Officer

Independent Bank Group, Inc.

The completion of the proposed merger and the issuance of shares of Independent common stock in connection with the merger involves certain risks. See Risk Factors beginning on page 54.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities that Independent is offering through this document are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This joint proxy statement/prospectus dated _____, 2017, was mailed to Independent shareholders on March 2, 2017.

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HOW TO OBTAIN ADDITIONAL INFORMATION

Certain business and financial information about Independent included in documents filed with the SEC has not been included in or incorporated by reference in this document. This information is described on page 234 under "Where You Can Find More Information." You can obtain free copies of this information by writing or calling:

Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

Attention: Michelle S. Hickox

Executive Vice President and Chief Financial Officer

(972) 562-9004

To obtain timely delivery of the documents before the special meeting of shareholders of Independent or Carlile, you must request the information by March 15, 2017.

In addition, if Independent shareholders have specific questions about the merger or the Independent special meeting, need additional copies of this joint proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation for the Independent special meeting, they may contact Jan Webb, Independent's Corporate Secretary, at the following address or by calling the following telephone number:

Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

(972) 562-9004

If Carlile shareholders have specific questions about the merger or the Carlile special meeting, need additional copies of this joint proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation for the Carlile special meeting, they may contact Mindy Hegi, Carlile's Chief Financial Officer, at the following address or by calling the following telephone number:

Carlile Bancshares, Inc.

201 Main Street, Suite 1320

Fort Worth, Texas 76102

(817) 877-4440

Carlile does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act and, accordingly, does not file documents or reports with the SEC.

PLEASE NOTE

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

This joint proxy statement/prospectus has been prepared as of February , 2017. There may be changes in the affairs of Carlile or Independent after that date, that are not reflected in this document.

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Carlile Bancshares, Inc.
201 Main Street, Suite 1320
Fort Worth, Texas 76102
(817) 877-4440

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the holders of Carlile common stock:

A special meeting of holders of Carlile common stock will be held on March 30, 2017, at 2:00 p.m., Central Time, at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, or the reorganization agreement, dated as of November 21, 2016, by and between Independent Bank Group, Inc., or Independent, and Carlile Bancshares, Inc., or Carlile, pursuant to which Carlile will merge with and into Independent, all on and subject to the terms and conditions contained therein, and the merger described therein; and
2. To consider and vote upon any proposal to adjourn the special meeting to a later date or dates if the board of directors of Carlile determines such an adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the reorganization agreement.

No other business may be conducted at the special meeting.

All holders of Carlile common stock of record as of 5:00 p.m. on February 17, 2017, will be entitled to notice of the Carlile special meeting. However, only holders of Carlile voting common stock of record as of 5:00 p.m. on February 17, 2017 will be entitled to vote at the Carlile special meeting and any adjournments thereof. The special meeting may be adjourned from time to time upon approval of holders of Carlile voting common stock without any notice other than by announcement at the meeting of the adjournment thereof, and any and all business for which notice is hereby given may be transacted at such adjourned meeting.

Holders of Carlile voting common stock have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of Carlile voting common stock under applicable provisions of the Texas Business Organizations Code, or TBOC. In order for a holder of Carlile voting common stock to perfect his or her right to dissent, such holder must carefully follow the procedure set forth in the TBOC. A copy of the applicable statutory provisions of the TBOC is included as Appendix D to the accompanying joint proxy statement/prospectus and a summary of these provisions can be found under the caption The Merger Dissenters Rights of Carlile Shareholders, beginning on page 130 of the joint proxy statement/prospectus. The merger may not be completed if the holders of more than 5% of the outstanding shares of Carlile common stock exercise dissenters rights.

If you have any questions concerning the merger or the joint proxy statement/prospectus, would like additional copies of the joint proxy statement/prospectus, need a proxy card or need help voting your shares of Carlile common stock, please contact Mindy Hegi, Carlile's Chief Financial Officer, at (817) 877-4440.

By Order of the Board of Directors,

Tom C. Nichols

Chairman of the Board and Chief Executive Officer

Fort Worth, Texas

March 2, 2017

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The board of directors of Carlile unanimously recommends that holders of record of Carlile voting common stock entitled to vote at the Carlile special meeting vote FOR the proposals to approve the reorganization agreement and the merger and any adjournment of the Carlile special meeting if such adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Carlile special meeting to constitute a quorum or to approve the reorganization agreement.

Your Vote is Very Important

A proxy card is enclosed. Whether or not you plan to attend the Carlile special meeting, if you are a holder of shares of Carlile voting common stock please vote by completing, signing and dating the proxy card and promptly mailing it in the enclosed envelope. You may revoke your proxy in the manner described in the joint proxy statement/prospectus at any time before it is exercised. If you are a holder of shares of Carlile voting common stock and attend the Carlile special meeting, you may vote in person if you desire, even if you have previously returned your proxy card.

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Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

(972) 562-9004

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the shareholders of Independent:

A special meeting of shareholders of Independent will be held on March 30, 2017, at 3:30 p.m. Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney Texas 75069-3257, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization, or the reorganization agreement, dated as of November 21, 2016, by and between Independent Bank Group, Inc., or Independent, and Carlile Bancshares, Inc., or Carlile, pursuant to which Carlile will merge with and into Independent, all on and subject to the terms and conditions contained therein, and the merger described therein;
2. To consider and vote upon a proposal to approve the issuance of shares of Independent common stock to Carlile shareholders in the merger that in number and voting power will exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to the issuance of the shares of Independent common stock in the merger;
3. To consider and vote upon a proposal to elect the following three nominees as directors of Independent to fill vacancies on the Independent board of directors:

Tom C. Nichols, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2017;

Mark K. Gormley, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2018; and

Christopher M. Doody, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2019.

The election of these nominees is subject to, and will only become effective upon, the merger's completion; and

4. To consider and vote upon any proposal to adjourn the special meeting to a later date or dates, if the board of directors of Independent determines such an adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the special meeting to constitute a quorum or to approve the first three proposals listed above.

No other business may be conducted at the special meeting.

Only shareholders of Independent of record as of 5:00 p.m. on February 21, 2017, will be entitled to notice of and to vote at the special meeting and any adjournments thereof. The special meeting may be adjourned from time to time upon approval of Independent's shareholders without any notice other than by announcement at the meeting of the adjournment thereof, and any and all business for which notice is hereby given may be transacted at such adjourned meeting.

If you have any questions concerning the merger or the joint proxy statement/prospectus, would like additional copies of the joint proxy statement/prospectus or need help voting your shares of Independent common stock, please contact Jan Webb, Independent's Corporate Secretary, at (972) 562-9004.

By Order of the Board of Directors,

David R. Brooks

Chairman of the Board, President and Chief Executive Officer

McKinney, Texas

March 2, 2017

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The board of directors of Independent unanimously recommends that you vote FOR the proposals to approve the reorganization agreement and the merger, the issuance of shares of Independent common stock, the election of the named director nominees for Independent director, and the adjournment of the Independent special meeting if necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Independent special meeting to constitute a quorum or to approve the other proposals.

Your Vote is Very Important

A proxy card is enclosed. Whether or not you plan to attend the Independent special meeting, please vote by completing, signing and dating the proxy card and promptly mailing it in the enclosed envelope or via the Internet or by telephone pursuant to the instructions provided on the enclosed proxy card. You may revoke your proxy in the manner described in the joint proxy statement/prospectus at any time before it is exercised. If you attend the Independent special meeting, you may vote in person if you desire, even if you have previously returned your proxy card or submitted your vote via the Internet or by telephone.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS

*The following are some questions that you may have regarding the Agreement and Plan of Reorganization, or the reorganization agreement, dated as of November 21, 2016, by and between Independent Bank Group, Inc., or Independent, and Carlile Bancshares, Inc., or Carlile, and the special meetings, and brief answers to those questions. Independent and Carlile advise you to read carefully the remainder of this joint proxy statement/prospectus because the information contained in this section does not provide all of the information that might be important to you with respect to the merger and the special meetings. Additional important information is also referred to under the caption *Where You Can Find More Information* beginning on page 234.*

Q. Why am I receiving this joint proxy statement/prospectus?

A: Carlile shareholders: Carlile is sending these materials to the holders of record of shares of Carlile voting common stock as of 5:00 p.m. on February 17, 2017 in accordance with the requirements of the Texas Business Organizations Code, the TBOC, and the federal securities law and to help the holders of record of shares of Carlile voting common stock decide how to vote their shares of Carlile voting common stock with respect to the proposal to approve the reorganization agreement and the merger and other matters to be considered at the Carlile special meeting and to solicit their proxies in respect of the Carlile special meeting. Shareholders of record of shares of Carlile nonvoting common stock have been sent these materials to ensure compliance with the federal securities laws.

Independent shareholders: Independent is sending these materials to its shareholders to help them decide how to vote their shares of Independent common stock with respect to the proposal to approve the reorganization agreement and other matters to be considered at the Independent special meeting and to solicit their proxies in respect of the Independent special meeting.

This document constitutes both a proxy statement of Carlile and Independent and a prospectus of Independent. It is a joint proxy statement because the boards of directors of Carlile and Independent are soliciting proxies from their respective shareholders using this document. It is a prospectus because Independent is offering shares of its common stock to Carlile shareholders as the merger consideration to be provided to holders of Carlile common stock in the merger.

Q: What are Carlile shareholders being asked to vote upon?

A: Carlile is proposing to be acquired by Independent through certain merger transactions. As part of the overall transaction, the holders of Carlile voting common stock are being asked to consider and vote on the following two proposals:

Carlile Proposal One: to approve the reorganization agreement, pursuant to which Carlile will merge with and into Independent, with Independent being the surviving entity following the merger, which transaction is referred to herein as the merger and is further described in the section entitled *The Merger* beginning on page 75; and

Carlile Proposal Two: to approve the adjournment of the Carlile special meeting to a later date or dates if the board of directors of Carlile determines it is necessary to permit solicitation of additional proxies if there are not sufficient

votes at the time of the Carlile special meeting to constitute a quorum or to approve the reorganization agreement.

No other business may be conducted at the Carlile special meeting.

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Q: What are Independent shareholders being asked to vote upon?

A: Independent is proposing to acquire Carlile through the merger. As part of the overall transaction, the shareholders of Independent are being asked to consider and vote on the following four proposals:

Independent Proposal One: to approve the reorganization agreement, pursuant to which Carlile will merge with and into Independent, with Independent being the surviving entity following the merger, as is further described in the section entitled "The Merger" beginning on page 75;

Independent Proposal Two: to approve the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger that in number and voting power will exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to the issuance of the shares of Independent common stock in the merger, which is further described in the section entitled "Independent Proposal Two-Issuance of Independent Common Stock" beginning on page 134;

Independent Proposal Three: to elect each of the following three director nominees who are persons mutually agreed to by Carlile and Independent pursuant to the reorganization agreement, or the named director nominees, and whose directorships will only become effective upon consummation of the merger, and whose business experience and qualifications are further described in the section entitled "Independent Proposal Three Election of Directors" beginning on page 135, to fill vacancies on the Independent board of directors:

Tom C. Nichols, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2017;

Mark K. Gormley, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2018; and

Christopher M. Doody, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2019; and

Independent Proposal Four: to approve the adjournment of the Independent special meeting to a later date or dates, if the board of directors of Independent determines it is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Independent special meeting to constitute a quorum or to approve the first three proposals listed above.

No other business may be conducted at the Independent special meeting.

Q: What will happen in the merger?

A: In the merger, Carlile will be merged with and into Independent, with Independent being the surviving entity. At the effective time of the merger, Carlile will cease to exist. Immediately following the merger, Northstar Bank will be merged with and into Independent Bank, with Independent Bank being

the surviving bank. Northstar Bank will cease to exist after the bank merger occurs. Northstar Bank is a commercial bank headquartered in Denton, Texas, and is a wholly owned subsidiary of Carlile. Independent Bank is a commercial bank headquartered in McKinney, Texas, and is a wholly owned subsidiary of Independent. Upon the merger of Carlile with and into Independent, the then outstanding shares of Carlile common stock and the then outstanding and unexercised options to purchase shares of Carlile common stock will be converted into the right to receive the consideration described below. For ease of reference: (i) the merger of Carlile with and into Independent is referred to in this joint proxy statement/prospectus as the merger and (ii) the merger of Northstar Bank with and into Independent Bank is referred to in this joint proxy statement/prospectus as the bank merger.

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Q: What is the aggregate amount of consideration that Independent will pay in the merger?

A: The merger consideration will consist of:

shares of Independent common stock to be issued in exchange for the shares of Carlile common stock outstanding immediately prior to the merger's effective time; and

cash to be paid in an automatic cashout of all options to purchase Carlile common stock outstanding and unexercised immediately prior to the merger's effective time, or the Carlile stock options.

The number of shares to be issued to the Carlile shareholders by Independent and the amount to be paid to cashout the Carlile stock options in connection with the merger will be determined by means of formulas set forth in the reorganization agreement. Those formulas use, among other factors, the average of the daily volume-weighted average sales price of the Independent common stock on the Nasdaq Global Select Market over a certain period to determine the fraction of a share of Independent common stock for which a share of Carlile common stock will be exchanged in the merger and the amount of cash that will be paid to cash out the Carlile stock options. If such average stock price and the value of a share of Independent common stock at the merger's effective time were to be \$66.70 (the closing price for a share of Independent common stock on February 16, 2017), the number of shares of Carlile common stock outstanding were to remain unchanged after the date of this joint proxy statement/prospectus, and Carlile has adjusted tangible equity, which will be calculated in accordance with the terms of the reorganization agreement, or the adjusted tangible equity, of at least \$200 million on the fifth business day prior to the closing date of the merger, or the tangible equity determination date, the aggregate number of shares of Independent common stock to be exchanged for the outstanding shares of Carlile common stock and the aggregate amount of cash to be paid to cashout the outstanding and unexercised Carlile stock options would be valued at approximately \$610.8 million. However, as a consequence of not knowing the exact fraction of a share of Independent common stock that will be exchanged for each share of Carlile common stock in connection with the merger and because the price per share of Independent common stock will fluctuate between now and the effective date of the merger, the holders of Carlile common stock will not know the exact value of the Independent common stock they will receive in the merger until the merger's effective date.

Q: How will the per share merger consideration be calculated?

A: Upon the merger becoming effective, each share of Carlile common stock will be converted into a fraction of a share of Independent common stock, rounded to the nearest ten-thousandth of a share, determined by means of a formula that uses the following factors:

the Average Stock Price, which will be the average of the daily volume-weighted average sales price for a share of Independent common stock for the twenty trading days ending on and including the third trading day preceding the closing date of the merger;

the Gross Share Number, which will equal the quotient of (a) \$434,000,000, subject to adjustment as provided in the reorganization agreement, *divided by* (b) \$47.40;

the Deal Value, which will equal the product of (a) the Gross Share Number *multiplied by* (b) the Average Stock Price; and

the Shareholder Value, which will equal (a) the Deal Value *minus* (b) the aggregate amount of cash to be paid by Independent to effectuate the automatic cashout of the Carlile stock options in connection with the merger.

The Carlile Share Exchange Ratio will be equal to the quotient of (a) the quotient of (i) the Shareholder Value, *divided by* (ii) the number of shares of Carlile common stock outstanding immediately prior to the effective time of the merger, *divided by* (b) the Average Stock Price. The exact Carlile Share Exchange Ratio will depend on the Average Stock Price, any adjustment being made in computing the Gross Share Number if the

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adjusted tangible equity of Carlile is less than \$200 million on the tangible equity determination date, and the number of shares of Carlile common stock outstanding immediately prior to the merger's effective time, which number may increase as a result of the exercise of options to acquire such stock.

As noted, the per share merger consideration is dependent in part upon the number of shares of Carlile common stock outstanding at the effective time of the merger. Carlile currently estimates that if none of the Carlile stock options are exercised, 35,064,719 shares of Carlile voting and non-voting common stock will be issued and outstanding, and options to purchase 2,504,706 shares of Carlile common stock will be outstanding and unexercised prior to completion of the merger. The reorganization agreement provides for the cashout of stock options that are outstanding and unexercised in connection with the merger. Carlile also estimates that if all options to purchase Carlile common stock outstanding at the date of this joint proxy statement/prospectus were to be exercised prior to the merger, 37,569,445 shares of Carlile voting and non-voting common stock would be issued and outstanding immediately prior to the effective time of the merger. For more detail on these estimates, please see "The Merger - Estimated Number of Shares of Carlile Common Stock to be Issued and Outstanding on the Closing Date" beginning on page 78.

Q: What consideration will Carlile's shareholders receive for each share of Carlile common stock as a result of the merger?

A: If the necessary shareholder and regulatory approvals are obtained and the merger is completed, assuming the Average Stock Price were \$66.70 (the closing price for a share of Independent common stock on February 16, 2017), 35,064,719 shares of Carlile voting and non-voting common stock are outstanding immediately prior to the merger (which is expected to be the case if, as anticipated, no Carlile stock options are exercised after the date of this joint proxy statement/prospectus), the adjusted tangible equity of Carlile is at least \$200 million at the tangible equity determination date and the payments to the holders of the outstanding Carlile stock options were an aggregate of approximately \$22.1 million, each share of Carlile common stock then outstanding would be exchanged for 0.2517 of a share of Independent common stock and all outstanding shares of Carlile common stock would be exchanged for an aggregate of 8,825,790 shares of Independent common stock. Independent's common stock is listed on the NASDAQ Global Select Market under the symbol IBTX. Based on the assumptions set forth above and the closing price of Independent's common stock as of February 16, 2017 of \$66.70 per share, we estimate Carlile shareholders would receive merger consideration with a value of \$16.79 for each share of Carlile common stock they hold immediately prior to the effective time of the merger and with an aggregate value of \$610.8 million. The aggregate value of the shares of Independent common stock to be issued to the Carlile shareholders in connection with the merger and the value of the fraction of a share of Independent common stock to be issued in exchange for each share of Carlile common stock in connection with the merger will increase or decrease between the date hereof and the effective time of the merger depending on a number of factors, including fluctuations in the market price of Independent common stock and the number of shares Carlile common stock outstanding immediately prior to the merger's effective time.

For further explanation of how the Carlile's adjusted tangible equity will be calculated, the effect on the merger consideration to be paid if Carlile's adjusted tangible equity is less than \$200 million on the tangible equity determination date, the number of shares of Carlile common stock that will be issued and outstanding immediately prior to the merger's effective time, and other estimates, please refer to "The Merger" beginning on page 75 of this joint proxy statement/prospectus.

Q: What consideration will holders of outstanding Carlile stock options receive in the merger?

A: The Carlile stock options will be automatically cashed out pursuant to the Carlile Bancshares, Inc. Amended and Restated 2015 Equity Incentive Plan, or the Carlile Equity Incentive Plan, in connection with the merger. As a result of the automatic cashout, Independent will pay to the holder of each Carlile stock option

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outstanding and unexercised at the effective time of the merger an amount of cash to be determined by means of a formula, which formula uses certain factors, including the Closing Date Fair Market Value of the option and the option's exercise price, to determine the amount to be paid to cash out each Carlile stock option. The Closing Date Fair Market Value of an option will be equal to the quotient of (a) the sum of (I) the aggregate number of shares of Independent common stock into which the shares of Carlile common stock will be converted in the merger *multiplied by* the Average Stock Price, *plus* (II) the aggregate amount of cash distributed by Carlile to its shareholders after the execution of the reorganization agreement and before the effective time of the merger (as permitted by the reorganization agreement) that is not a return of capital to its shareholders *plus* (III) the aggregate exercise price payable to exercise the Carlile stock options *divided by* (b) the sum of (X) the number of shares of Carlile common stock outstanding immediately prior to the merger's effective time *plus* (Y) the number of shares of Carlile common stock underlying the Carlile stock options outstanding and unexercised immediately prior to the effective time of the merger, *plus* (Z) 190,000 shares, representing the shares of Carlile common stock underlying certain options to purchase Carlile common stock that were cancelled in December 2016 in exchange for certain cash payments. Based on the assumptions discussed in the immediately preceding question, the amount of the aggregate payments to the holders of the Carlile stock options would be \$22.1 million (which includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of certain options to purchase Carlile common stock). See *The Merger Treatment of Carlile Stock Options* beginning on page 76 for additional information regarding the cashout of the Carlile stock options and the calculation of the amount to be paid by Independent to cash out the Carlile stock options in connection with the merger.

Q: Are there any circumstances where the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio could be adjusted downward?

A: Yes. The \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio will be adjusted downward if the adjusted tangible equity of Carlile is less than \$200 million on the tangible equity determination date.

Pursuant to the terms of the reorganization agreement, the adjusted tangible equity of Carlile will be determined from Carlile's financial statements prepared in accordance with generally accepted accounting principles, consistently applied, or GAAP, adjusted as provided for below. Any unrealized gains or losses in investment securities and the amount paid in December 2016 by Carlile to cash out options to purchase Carlile common stock then held by certain Carlile executive officers will also be excluded from the calculation of adjusted tangible equity. The amount paid by Independent to cash out the Carlile stock options in connection with the merger will not affect Carlile's adjusted tangible equity or otherwise affect the calculation of the Carlile Share Exchange Ratio.

As of December 31, 2016, the estimated tangible equity of Carlile (calculated in accordance with GAAP) was \$209.2 million. For purposes of determining the Carlile Share Exchange Ratio, that amount of Carlile's adjusted tangible equity will be increased by the amount of the consolidated net income of Carlile or decreased by the amount of the consolidated net loss of Carlile from January 1, 2017 through the tangible equity determination date and reduced by the amount of certain costs and expenses to be incurred by Carlile in connection with the merger. Carlile currently estimates that it will have consolidated net income of between \$5.0 million and \$5.8 million from January 1, 2017 through March 24, 2017, which would be the tangible equity determination date assuming that the closing date of the merger will be March 31, 2017 and the effective date of the merger will be April 1, 2017.

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The table set forth below shows the range of estimates for the amounts that will affect the calculation of Carlile's adjusted tangible equity, assuming the closing of the merger occurs on March 31, 2017:

	Low Range	High Range
	(in thousands)	
Estimated tangible equity of Carlile as of December 31, 2016	\$ 209,177	\$ 209,177
Estimated consolidated net income of Carlile for the period from January 1, 2017 through March 24, 2017	5,030	5,760
Estimated tax savings on stock option cash out	2,615	3,678
Estimated costs and expenses of Carlile and Northstar Bank related to the merger, on an after tax equivalent basis, and other deductions contemplated by the reorganization agreement	(14,055)	(13,493)
Estimated adjusted tangible equity of Carlile as of March 24, 2017	\$ 202,767	\$ 205,122

If Carlile achieves the estimates in the range set forth above, Carlile's adjusted tangible equity as of the closing date would be greater than \$200 million, and, thus, the agreed amount used to calculate the Carlile Share Exchange Ratio would not be adjusted downward. No upward adjustment of such agreed amount used to determine the Carlile Share Exchange Ratio and, thus, to calculate the fraction of a share of Independent common stock to be issued in exchange for a share of Carlile common stock in the merger, will be made as a result of Carlile adjusted tangible equity exceeding \$200 million at the tangible equity determination date.

These amounts in the table above are only estimates and are based upon several assumptions, many of which are beyond the control of Carlile and Northstar Bank. Accordingly, the actual amount of Carlile's adjusted tangible equity at the tangible equity determination date may vary from these estimated amounts. Carlile will not resolicit proxies from holders of its common stock in the event that Carlile adjusted tangible equity is below \$200 million on the tangible equity determination date and the agreed amount used to determine the Carlile Share Exchange Ratio is adjusted downward as Carlile has no right to do so under the reorganization agreement. For more information regarding how the Carlile adjusted tangible equity will be calculated and how Carlile has estimated what that amount will be on or about April 1, 2017, the anticipated effective date of the merger, please see "The Merger Possible Downward Adjustment to the \$434 million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio" beginning on page 78.

Q: Are there other financial aspects to the transactions contemplated by the reorganization agreement of which shareholders of Independent and Carlile should be aware of?

A: Under the terms of the reorganization agreement, Carlile may make cash distributions to its shareholders of up to an aggregate of \$55,250,000 after the date of the reorganization agreement and prior to the effective time of the merger, a portion of which may be in the form of a return of capital to the Carlile shareholders. In addition, if the closing of the merger does not occur on or before June 30, 2017, the amount of cash distributions Carlile may make under the reorganization agreement will be increased by an amount equal to the consolidated net income of Carlile from June 1, 2017 through the tangible equity determination date for the adjusted tangible equity of

Carlile. Carlile made cash distributions of \$52,600,000 to its shareholders in December 2016 as a return of capital to the Carlile shareholders. Depending on the adjusted tangible equity of Carlile at the tangible equity determination date, Carlile may make additional cash distributions that, together with the December 2016 distributions, do not exceed the upper limit on such distributions. All such cash distributions made after December 31, 2016 will reduce the amount of adjusted tangible equity of Carlile as of December 31, 2016 as disclosed above.

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Q: Will the holders of Carlile common stock know, at the time of or prior to the Carlile special meeting, the exact fraction of a share of Independent common stock or the value of such fraction of a share they will receive for each share of Carlile common stock they hold?

A: No. Because of the possibility of a downward adjustment to the agreed amount to be used to calculate the Carlile Share Exchange Ratio, the uncertainty in the number of shares of Carlile common stock that will be outstanding immediately prior to the effective time of the merger, the Average Stock Price and the amount to be paid to the option holders in the merger, Carlile shareholders will not know the exact fraction of a share of Independent common stock that Carlile shareholders will receive for each share of Carlile common stock (including the shares of Carlile common stock issued upon the exercise of outstanding options to purchase Carlile common stock prior to closing, if any) held by holders of Carlile common stock immediately prior to the effective time of the merger when the Carlile shareholders vote on the reorganization agreement. As a consequence of not knowing the exact fraction of a share of Independent common stock that will be exchanged for each share of Carlile common stock in connection with the merger and because the price per share of Independent common stock will fluctuate between now and the effective date of the merger, the holders of Carlile common stock will not know, at the time of or prior to the Carlile special meeting, the value of the Independent common stock they will receive in the merger.

Q: Will the Independent shareholders know prior to the Independent special meeting the exact aggregate number of shares of Independent common stock that will be issued to the Carlile shareholders in the merger?

A: For the reasons discussed in the answer to the immediately preceding question, the Independent shareholders will not know the exact aggregate number of shares of Independent common stock that will be issued in the merger at the time they vote on the proposals to be considered at the Independent special meeting. As a result and although Independent anticipates that the aggregate number of shares of Independent common stock to be issued to the Carlile shareholders in the merger will be approximately 46.6% of, and have voting power of approximately 46.6% of the voting power of, the shares of Independent common stock that will be outstanding immediately prior to the issuance of the shares of Independent common stock to the Carlile shareholders in the merger, the Independent shareholders will not know the exact percentage of, or the exact percentage of the voting power of, such shares of Independent common stock at the time of the Independent special meeting. Independent anticipates that the aggregate number of shares of Independent common stock to be issued to the Carlile shareholders in connection with the merger will be approximately 31.8% of the shares of Independent common stock to be issued and outstanding immediately following the issuance of the shares of Independent common stock in connection with the merger.

Q: Do Carlile shareholders have a choice of the form of consideration that they will receive in the merger?

A: No. In accordance with the reorganization agreement, each share of Carlile common stock (including shares of Carlile common stock issued upon the exercise of outstanding options to purchase Carlile common stock prior to closing, if any) will be exchanged for a fraction of a share of Independent common stock.

Q. Will Independent shareholders receive any consideration as a result of the merger?

A: No. Whether or not the merger is completed, Independent shareholders will retain the Independent common stock that they currently own. They will not receive any merger consideration, whether cash or any additional shares of Independent common stock in the merger. If the merger is consummated, the issuance of the shares of Independent common stock to the Carlile shareholders in the merger will result in the existing Independent shareholders' ownership interest in and voting power with respect to Independent being diluted.

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Q: When do you expect the merger to be completed?

A: We are working to complete the merger on April 1, 2017, although delays could occur.

Q: Are there any risks I should consider in deciding whether I will vote for the reorganization agreement and the merger and, if I am an Independent shareholder, the other proposals to be considered at the Independent special meeting?

A: Yes. Set forth under the heading of Risk Factors, beginning on page 54, are a number of risk factors that you should consider carefully.

Q: When and where will the special shareholders meetings be held?

A: Carlile shareholders: The Carlile special shareholders meeting is scheduled to take place at 2:00 p.m., Central Time, on March 30, 2017, at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102.

Independent shareholders: The Independent special shareholders meeting is scheduled to take place at 3:30 p.m., Central Time, on March 30, 2017, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069.

Q: Who is entitled to vote at the special meeting?

A: Carlile shareholders: The holders of record of Carlile voting common stock, as of 5:00 p.m. on February 17, 2017, which is the date that Carlile's board of directors has fixed as the record date for the Carlile special meeting, or the Carlile record date, are entitled to vote at the Carlile special meeting. Holders of Carlile voting common stock will vote as separate class. Holders of shares of Carlile nonvoting common stock will not be entitled to any vote with respect to any of the proposals to be voted on at the Carlile special meeting, whether as a separate class or otherwise.

Independent shareholders: The holders of record of Independent common stock, as of 5:00 p.m. on February 21, 2017, which is the date that Independent's board of directors has fixed as the record date for the Independent special meeting, are entitled to vote at the Independent special meeting.

Q: What are my choices when voting?

A: With respect to each of the proposals, holders of common stock entitled to vote may vote for, against or abstain from voting on the proposals in question presented at either the Carlile special meeting or the Independent special meeting, as the case may be.

Q: Why are the Independent shareholders voting to approve the reorganization agreement and the merger and to separately approve the issuance of the shares of Independent common stock in exchange for the shares of Carlile common stock in the merger?

A: Independent's common stock is listed on the Nasdaq Global Select Market and, therefore, is subject to the rules of The NASDAQ Stock Market LLC for companies with equity securities listed for trading on that exchange. One of those rules requires that a listed company's shareholders must approve any issuance of securities of the listed company in an acquisition of stock or assets of another company if the shares to be issued (i) are or will be equal to or in excess of 20% of the shares of common stock of the listed company outstanding immediately prior to the issuance of such new shares or (ii) will have voting power that is or will be equal to or in excess of the voting power of the listed company in effect immediately prior to the

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issuance of such new shares. The shares of Independent common stock to be issued in the merger are expected to exceed in number and voting power 20% of the number and voting power of the shares of Independent common stock that will be outstanding immediately prior to the issuance of those shares in the merger. Independent does not expect to have other voting securities outstanding at any time prior to the closing of the merger. As a result and in view of the SEC's position regarding bundling proposals to be voted on at meetings of shareholders, Independent will have its shareholders vote on the issuance of the shares of Independent common stock in the merger separately from voting on the reorganization agreement. If either of the proposals mentioned above does not receive the requisite affirmative vote from the Independent shareholders, the merger will not be consummated.

Q: What votes are required for approval of the reorganization agreement and the merger?

A: Carlile shareholders: Approval of the reorganization agreement and the merger by Carlile shareholders requires the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Carlile voting common stock entitled to vote at the Carlile special meeting on the proposal to approve the reorganization agreement and the merger, or at least 18,301,578 shares of Carlile voting common stock if no other shares of Carlile voting common stock are issued.

Independent shareholders: Approval of the reorganization agreement and the merger by Independent shareholders requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of Independent common stock or at least 12,613,066 shares of Independent common stock if no other shares of Independent common stock are issued.

Q: What votes are required to adjourn the special meeting?

A: Carlile shareholders: Adjournment of the Carlile special meeting requires the approval of the holders of a majority of the issued and outstanding shares of Carlile voting common stock entitled to vote and present or represented by proxy at the Carlile special meeting.

Independent shareholders: To adjourn the Independent special meeting, the affirmative vote of a majority of votes cast on such proposal at the meeting is required.

Q: What vote is required to approve the issuance of shares of Independent common stock that will exceed in number and voting power 20% of the number and voting power of outstanding shares of Independent common stock?

A: Such issuance must be approved by the affirmative vote of a majority of the total votes cast by the shareholders of Independent entitled to vote on such proposal at the Independent special meeting.

Q: What vote is required to elect the three named director nominees for election as directors of Independent at the Independent special meeting?

A: Election of the three named director nominees as directors of Independent requires the affirmative vote of the holders of a plurality of all votes cast by holders of shares entitled to vote on such election of directors at the Independent special meeting.

Q: How does the board of directors of Carlile recommend that I vote at the special meeting?

A: The board of directors of Carlile unanimously recommends that Carlile shareholders vote their shares as follows:
Carlile Proposal One: FOR the approval of the reorganization agreement and the merger; and

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Carlile Proposal Two: FOR the adjournment of the Carlile special meeting to a later date or dates if the board of directors of Carlile determines it is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Carlile special meeting to constitute a quorum or to approve the reorganization agreement and the merger.

Q: How does the board of directors of Independent recommend that I vote at the Independent special meeting?

A: The board of directors of Independent unanimously recommends that Independent shareholders vote their shares as follows:

Independent Proposal One: FOR the approval of the reorganization agreement and the merger;

Independent Proposal Two: FOR the approval of the issuance of shares of Independent common stock to the Carlile shareholders as merger consideration under the reorganization agreement that in number and voting power will exceed 20% of the number and voting power of the shares of Independent common stock that will be outstanding immediately prior to the issuance of the shares of Independent common stock in the merger;

Independent Proposal Three: FOR the election of each of Tom C. Nichols, Mark K. Gormley and Christopher M. Doody as directors of Independent to fill the vacancies on the Independent board of directors, with the election of such directors being subject to the merger's completion; and

Independent Proposal Four: FOR the adjournment of the Independent special meeting to a later date or dates if the board of directors of Independent determines it is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Independent special meeting to constitute a quorum or to approve the first three proposals listed above.

Q: Do I have any rights to avoid participating in the merger?

A: Holders of Carlile Voting Common Stock: Each holder of Carlile voting common stock has the right to dissent from the merger and seek payment of the appraised fair value of his or her shares of Carlile voting common stock in cash. In order for a shareholder of Carlile to perfect his or her right to dissent, such shareholder must:

deliver to Carlile a written objection to the merger prior to the Carlile special meeting that states that such shareholder will exercise his or her right to dissent if the reorganization agreement and the merger are approved and the merger is completed;

vote his or her shares of Carlile voting common stock against approval of the reorganization agreement and the merger at the Carlile special meeting;

not later than the 20th day after Independent sends such shareholder notice that the merger was completed, deliver to Independent a written demand for payment of the fair value of his or her shares of Carlile voting common stock that states the number and class of shares of Carlile capital stock the shareholder owns (i.e., that states that he or she owns a particular number of the shares of Carlile voting common stock), his or her estimate of the fair value of such shares and an address to which a notice relating to the dissent and appraisal procedures may be sent; and

not later than the 20th day after he or she makes that demand, submit to Independent the certificates representing his or her shares of Carlile voting common stock.

The steps that a holder of Carlile voting common stock must follow to perfect his or her right of dissent are described in greater detail under the caption The Merger Dissenters Rights of Carlile Shareholders

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starting on page 130, and this discussion is qualified by that description and by the text of the provisions of the TBOC relating to rights of dissent set forth in Appendix D hereto. The appraised fair value of any number of shares of Carlile voting common stock may be more or less than the value of the shares of the Independent common stock that would be issued in exchange for that number of shares of Carlile voting common stock in the merger. If the holders of more than 5% of the outstanding shares of Carlile common stock (including the outstanding shares of Carlile nonvoting common stock) dissent from the merger, Independent has the right to terminate the reorganization agreement and to not consummate the merger.

Holders of Carlile Nonvoting Common Stock: The holders of Carlile nonvoting common stock are **not** entitled to appraisal rights or dissenters' rights in connection with the merger under Texas law or under the governing documents of Carlile with respect to their shares of Carlile nonvoting common stock.

Independent shareholders: No. The shareholders of Independent are not entitled to appraisal rights or dissenters' rights in connection with the merger under Texas law or under the governing documents of Independent.

Q: What happens if I transfer my shares after the record date for the special meetings?

A: Holders of Carlile Voting Common Stock: The record date for the Carlile special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of Carlile voting common stock after the record date, but prior to the effective time of the merger, you will retain the right to vote at the Carlile special meeting, but the right to receive the merger consideration will transfer with the shares of Carlile voting common stock.

Holders of Carlile Nonvoting Common Stock: If you hold shares of Carlile nonvoting common stock of record and transfer those shares after the record date for the Carlile special meeting, but prior to the effective time of the merger, you may still attend the special meeting, but the right to receive merger consideration will transfer with the shares of Carlile nonvoting common stock you transfer.

Independent shareholders: The record date for the Independent special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of Independent common stock after the applicable record date, but prior to the merger's completion, you will retain the right to vote at the Independent special meeting.

Q: What do I need to do now?

A: Holders of Carlile Voting Common Stock: After you have thoroughly read and considered the information contained in this joint proxy statement/prospectus, you simply need to vote your shares of Carlile voting common stock at the Carlile special meeting. The process for voting your shares depends on how your shares are held. Generally you may hold shares as the record holder (that is, in your own name) or in street name (that is, through a nominee, such as a broker or a bank). If you hold shares in street name, you are considered the beneficial owner of those shares.

If you are a record holder, you may vote by proxy or you may attend the Carlile special meeting and vote in person the shares of Carlile voting common stock you are entitled to vote at the Carlile special meeting. If you are a record holder on the record date for the Carlile special meeting and want to vote your shares of Carlile voting common stock

by proxy, simply indicate on the proxy card(s) applicable to your shares of Carlile common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed envelope as soon as possible, but in any event no later than the time necessary for your proxy card to be actually received by Carlile prior to the vote at the Carlile special meeting.

Your proxy card must be received by Carlile by no later than the time the polls close for voting at the Carlile special meeting for your vote to be counted at the Carlile special meeting.

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Voting your shares by proxy will enable your shares of Carlile voting common stock to be represented and voted at the Carlile special meeting if you do not attend the special meeting and vote your shares in person.

Holders of Carlile Nonvoting Common Stock: There are no actions that holders of Carlile nonvoting common stock need to take with respect to the Carlile special meeting.

Independent shareholders: After you have thoroughly read and considered the information contained in this joint proxy statement/prospectus, you simply need to vote your shares of Independent common stock at the Independent special meeting. The process for voting your shares depends on how your shares are held. Generally you may hold shares as the record holder (that is, in your own name) or in street name (that is, through a nominee, such as a broker or a bank). If you hold shares in street name, you are considered the beneficial owner of those shares.

If you are a record holder on the record date for the Independent special meeting, you may vote by proxy or you may attend the Independent special meeting and vote in person. If you are a record holder and want to vote your shares by proxy, you have three ways to vote:

simply indicate on the proxy card(s) applicable to your Independent common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed postage-paid envelope as soon as possible, but in any event no later than the time necessary for your proxy card to be actually received by Independent prior to the vote at the Independent special meeting;

call 1 (866) 883-3382 using a touch-tone telephone and follow the instructions provided on the call; or

go to the website www.proxypush.com/ibtX and follow the instructions for Internet voting on that website. Your proxy card must be received by Independent by no later than the time the polls close for voting at the Independent special meeting for your vote to be counted at the meeting. Please note that telephone and Internet voting will close at 11:59 p.m. Central Time, on March 29, 2017.

Voting your shares by proxy will enable your shares of Independent common stock to be represented and voted at the Independent special meeting if you do not attend the Independent special meeting and vote your shares in person.

Q: If my shares of voting common stock are held in street name by my broker, will my broker vote my shares for me?

A: If your broker has not provided to you a proxy that allows you to vote your shares of voting common stock that it holds for you, your broker may vote your shares of voting common stock on the reorganization agreement and the merger proposal and, in the case of shares of Independent common stock, the proposals regarding the issuance of shares of Independent common stock to the Carlile shareholders in connection with the merger and the election of the three named director nominees as directors of Independent only if you provide instructions to your broker on how to vote. You should instruct your broker how to vote your shares of voting common stock, following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted,

which will have the same effect as a vote against the proposal to approve the reorganization agreement and the merger.

Q: How will my shares be voted if I return a signed and dated proxy card, but don't specify how my shares will be voted?

A: Holders of Carlile Voting Common Stock: The shares to which such proxy card relates will be voted FOR approval of the reorganization agreement and the merger and FOR any adjournments of the meeting that the board of directors of Carlile deems necessary.

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Independent shareholders: The shares to which such proxy card relates will be voted FOR approval of the reorganization agreement and the merger, FOR approval of the issuance of shares of Independent common stock to the Carlile shareholders in connection with the merger, FOR election of each of the three named director nominees for election as directors of Independent to fill the vacancies on the Independent board of directors, and FOR any adjournments of the meeting that the board of directors of Independent deems necessary.

Q: Can I attend the special meeting and vote in person?

A: Carlile shareholders: Yes. All Carlile shareholders are invited to attend the Carlile special meeting. However, only holders of record of Carlile voting common stock on the record date for the Carlile special meeting can vote, whether in person or by proxy, at the Carlile special meeting.

Independent shareholders: Yes. All Independent shareholders are invited to attend the Independent special meeting. Shareholders of record on the record date for the Independent special meeting can vote in person at the Independent special meeting.

If your shares of Independent or Carlile are held in street name, then you are not the shareholder of record. In order for you to vote the shares that you beneficially own and that are held in street name in person at the special meeting, you must bring a legal proxy from the broker, bank or other nominee that was the record holder of your shares held in street name as of 5:00 p.m. on February 21, 2017, confirming that you were the beneficial owner of those shares as of 5:00 p.m. on February 21, 2017, stating the number of shares of which you were the beneficial owner that were held for your benefit at that time by that broker, bank or other nominee and appointing you as the record holder's proxy to vote the shares covered by that proxy at the special meeting.

Q: May I change my vote after I have submitted my proxy card?

A: Carlile shareholders: Yes. If a Carlile shareholder is a holder of record of shares of Carlile voting common stock, he or she may change his or her vote prior to such time that the proxy card for any such holder of Carlile voting common stock must be received by:

delivering to Carlile prior to such time a written notice of revocation addressed to: Ms. Mindy Hegi, Chief Financial Officer, Carlile Bancshares, Inc., 201 Main Street, Suite 1320, Fort Worth, Texas 76102;

completing, signing and returning to Ms. Mindy Hegi, the Chief Financial Officer of Carlile, at the address appearing above prior to such time a new proxy card dated with a later date than the date with which your original proxy card was dated, in which case any earlier proxy will be revoked automatically; or

attending the Carlile special meeting and voting in person by ballot, in which case any earlier proxy will be revoked. However, simply attending the Carlile special meeting without voting on a proposal by ballot will not revoke your proxy previously provided.

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If your shares are held in street name and you desire to change any voting instructions you have previously given to the record holder of the shares of which you are the beneficial owner, you should contact the broker, bank or other nominee holding your shares in street name in order to direct a change in the manner your shares will be voted.

Independent shareholders: Yes. Regardless of the method used to cast a vote, if an Independent shareholder is a holder of record, he or she may change his or her vote by:

delivering to Independent prior to the Independent special meeting a written notice of revocation addressed to: Jan Webb, Corporate Secretary, 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069-3257;

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completing, signing and returning a new proxy card dated with a later date than the date on your original proxy card prior to such time that the proxy card for any such holder of Independent common stock must be received, in which, any earlier proxy will be revoked automatically;

logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so, and following the instructions indicated on the proxy card prior to 11:59 p.m. on March 29, 2017; or

attending the Independent special meeting and voting in person, in which case any earlier proxy will be revoked. However, simply attending the Independent special meeting without voting on a proposal will not revoke your proxy previously provided as to that proposal.

If your shares are held in street name and you desire to change any voting instructions you have previously given to the record holder of the shares of which you are the beneficial owner, you should contact the broker, bank or other nominee holding your shares in street name in order to direct a change in the manner your shares will be voted.

Q: What happens if I abstain from voting or fail to instruct my broker to vote?

A: Carlile shareholders: If you are a record holder of Carlile voting common stock and you abstain from voting or if you hold your shares of Carlile voting common stock in street name and you instruct your broker to abstain from voting such shares or fail to instruct your broker to vote your shares and the broker submits a proxy, referred to as a broker nonvote, then the abstention or broker nonvote of shares of Carlile voting common stock will be counted towards a quorum at the Carlile special meeting, but such shares will have the same effect as a vote against the proposal to approve the reorganization agreement and the merger and the proposal to adjourn the special meeting, if necessary.

Independent shareholders: If you are a record holder of Independent common stock and you abstain from voting or if you hold your shares of Independent common stock in street name and you instruct your broker to abstain from voting on the proposals or you fail to instruct your broker to vote your shares even if the broker submits a proxy, referred to as a broker nonvote, then the abstention or broker nonvote of shares of Independent common stock will be counted towards a quorum at the Independent special meeting, but such shares will have the same effect as a vote against the proposal to approve the reorganization agreement and the merger. Abstentions and broker nonvotes will have no effect on the proposals to regarding the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger, to elect the three nominees for election as directors of Independent named in this joint proxy statement/prospectus to fill the vacancies on the Independent board of directors, or to adjourn the Independent special meeting, if necessary.

Q: Should Carlile shareholders send in their stock certificates now?

A: No. As soon as practical after the effective time, with the intent for that to be no later than five business days after the effective time of the merger, Wells Fargo Shareowner Services, Independent's exchange agent, will send the

Carlile shareholders written instructions for exchanging their stock certificates. Carlile shareholders should not send their Carlile stock certificates with their proxy card.

Q: Who can help answer my questions?

A: Carlile shareholders: If you have additional questions about the merger, you should contact Ms. Mindy Hegi, Chief Financial Officer, Carlile Bancshares, Inc., 201 Main Street, Suite 1320 Fort Worth, Texas 76102, telephone (817) 877-4400.

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Independent shareholders: If you have additional questions about the merger, you should contact Jan Webb, Corporate Secretary, Independent Bank Group, Inc., 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069, telephone (972) 562-9004.

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SUMMARY

*This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you regarding the merger and related matters. Independent and Carlile urge you to carefully read this entire document and the other information that is referred to in this joint proxy statement/prospectus or contained in the reports and documents incorporated by reference in this joint proxy statement/prospectus. These documents will give you a more complete description of the items for consideration at the special meeting. For more information about Independent and Carlile, see *Where You Can Find More Information* on page 234. Independent has included page references in this summary to direct you to other places in this joint proxy statement/prospectus where you can find a more complete description of the topics that Independent has summarized.*

The Companies

Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

(972) 562-9004

www.ibtx.com

Independent, a Texas corporation, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, or the BHC Act. Through Independent Bank, its wholly owned subsidiary bank, which is a Texas state bank, Independent provides a wide range of relationship driven, commercial banking products and services. Independent currently operates a total of 41 full-service banking centers in the Dallas/North Texas metropolitan area, including McKinney, Dallas, Plano and Sherman/Denison, the greater Austin, Texas, area, including Austin and Waco, and the Houston, Texas metropolitan area. As of September 30, 2016, on a consolidated basis, Independent had total assets of \$5.7 billion, total loans of \$4.3 billion, total deposits of \$4.4 billion and shareholders' equity of \$643 million.

Independent's common stock is traded on the NASDAQ Global Select Market under the symbol IBTX.

Carlile Bancshares, Inc.

201 Main Street, Suite 1320

Fort Worth, Texas 76201

817-877-4440

www.carlilebancshares.com

Carlile Bancshares, Inc., a Texas corporation, is a bank holding company registered under the BHC Act. Carlile conducts its banking operations through its wholly owned subsidiary, Northstar Bank, a Texas banking association,

that operates 24 full service banking locations in Texas and 18 full service banking locations in Colorado. As of September 30, 2016, Carlile, on a consolidated basis, reported total assets of \$2.3 billion, total loans of \$1.5 billion, total deposits of \$1.9 billion and total equity capital of \$383 million.

Proposed Merger

The reorganization agreement is attached to this joint proxy statement/prospectus as Appendix A. Please read the entire reorganization agreement. It is the legal document that governs the merger.

Terms of the Merger (page 75)

The reorganization agreement provides for Independent to acquire all of the issued and outstanding securities of Carlile through the merger of Carlile with and into Independent, with Independent being the

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surviving corporation following the merger. If the shareholders of Carlile and Independent approve the reorganization agreement at the special meetings, and if the required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are satisfied or are waived by the party entitled to do so, Independent and Carlile anticipate that the merger will be completed on April 1, 2017, although delays could occur.

Independent is the sole shareholder of Independent Bank, and Carlile is the sole shareholder of Northstar Bank. Upon the merger's completion, both Independent Bank and Northstar Bank will be wholly owned subsidiaries of Independent. Pursuant to the reorganization agreement, immediately following the merger's completion, Northstar Bank will merge with and into Independent Bank, with Independent Bank being the surviving bank following the bank merger.

The merger will be accounted for as an acquisition of Carlile and Northstar Bank by Independent and Independent Bank under the acquisition method of accounting in accordance with the Financial Accounting Standard Board's Accounting Standard Codification Topic 805, Business Combinations.

Treatment of Shares of Carlile Common Stock (page 75)

As a result of the merger, holders of Carlile voting common stock and Carlile nonvoting common stock will be entitled to receive whole shares of Independent common stock in exchange for their shares of Carlile voting common stock and Carlile nonvoting common stock. The fraction of a share of Independent common stock to be issued in exchange for a share of Carlile voting common stock and for a share of Carlile nonvoting common stock will be the same. Independent will pay cash in lieu of issuing fractional shares. After the merger, the Carlile shareholders will no longer be owners of Carlile common stock. As a result of the merger, certificates of Carlile common stock will represent only the right to receive the merger consideration pursuant to the reorganization agreement. Carlile will cease to exist following the merger's completion.

If the shareholders of Carlile and Independent approve the reorganization agreement and the merger, the Independent shareholders approve the issuance of shares of Independent common stock in the merger, the necessary regulatory approvals of the merger are received, and the merger is completed, assuming the Average Stock Price were \$66.70 (the closing price for a share of Independent common stock on February 16, 2017), 35,064,719 shares of Carlile voting and non-voting common stock are outstanding immediately prior to the merger (which assumes that none of the outstanding options to acquire Carlile common stock are exercised after the date of this joint proxy statement/prospectus), Carlile has adjusted tangible equity of at least \$200 million on the tangible equity determination date, and the aggregate payment to cash out the holders of the Carlile stock options were approximately \$22.1 million (which includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of certain options to purchase Carlile common stock), each of the shares of Carlile common stock then outstanding would be exchanged for 0.2517 of a share of Independent common stock and all of those outstanding shares of Carlile common stock would be exchanged for an aggregate of 8,825,790 shares of Independent common stock. For more detail on this estimate, please see "The Merger - Estimated Number of Shares of Carlile Common Stock to be Issued and Outstanding on the Closing Date" on page 78.

Treatment of Carlile Stock Options (page 76)

Pursuant to the terms of the reorganization agreement and the Carlile Equity Incentive Plan, the administrator of that plan will unilaterally provide for the vesting of each outstanding and unvested option to acquire shares of Carlile common stock not fully vested and immediately exercisable as of the fifth business day prior to the closing date of the merger. All of the outstanding options to acquire shares of Carlile common stock will then no longer be subject to forfeiture and will be immediately exercisable. Each such option that is not exercised prior to the effective time of the

merger will be automatically cashed out under the terms of the Carlile Equity Incentive Plan and the holder of each cashed out Carlile stock option will have the right to receive a cash

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payment in an amount equal to the difference between (X) the quotient of (a) the sum of (I) the aggregate number of shares of Independent common stock into which the shares of Carlile common stock will be converted in the merger *multiplied by* the Average Stock Price, *plus* (II) an amount equal to any cash distribution by Carlile to its shareholders as permitted by the reorganization agreement that is not a return of capital to its shareholders *plus* (III) the aggregate exercise price payable to exercise the Carlile stock options *divided by* (b) the sum of (i) the number of shares of Carlile common stock outstanding immediately prior to the merger's effective time *plus* (ii) the number of shares of Carlile common stock underlying the Carlile stock options outstanding and unexercised at the effective time of the merger *plus* (iii) 190,000 shares, representing the shares of Carlile common stock underlying the Carlile stock options that were cancelled in December 2016 *minus* (Y) the exercise price of such Carlile stock option. Such amount will be paid to the option holders within five business days following the closing date of the merger.

In connection with certain tax planning matters being conducted by Carlile, in December 2016, Carlile cancelled options to purchase an aggregate of 190,000 shares of Carlile voting common stock that were previously held by certain executive officers of Carlile in exchange for aggregate cash consideration of approximately \$1.6 million. In an effort to ensure that these executive officers ultimately receive the same consideration upon the cancellation of their options that other Carlile option holders will receive from Independent following consummation of the merger, the executive officers and Independent agreed to a true-up mechanism whereby: (i) in the event that the cash amount paid to cancel each option is less than the Per Option Share Price (as defined in the reorganization agreement), Independent would make an additional cash payment to the executive officers equal to the amount of the deficiency multiplied by the number of their options cancelled in December 2016; and (ii) in the event that the cash amount paid to cancel each option is greater than the Per Option Share Price, the aggregate Option Holder Payment (as defined in the reorganization agreement) to which the executive officers will be entitled to receive from Independent upon consummation of the merger would be reduced, on a dollar-for-dollar basis, by the amount of the excess multiplied by the number of their options cancelled in December 2016. As a result of this true-up procedure, the executive officers who have received a cash payment in exchange for the cancellation of a portion of their stock options in December 2016 will receive the same net cash amount in exchange for those cancelled stock options as will be received by all other Carlile option holders upon the consummation of the merger. In addition, each of Carlile and Independent further clarified their intent that the cash payments made to the executive officers in exchange for the cancellation of a portion of their options to purchase Carlile common stock will be disregarded from the calculation of the adjusted tangible equity of Carlile so as to ensure that such payments do not otherwise affect the Carlile Share Exchange Ratio or the amount of any pre-closing distribution by Carlile as permitted by the reorganization agreement.

Estimated Number of Shares of Carlile Common Stock to be Issued and Outstanding on the Closing Date (page 78)

The amount of per share merger consideration to be received by the Carlile shareholders is dependent, among other factors, upon the number of shares of Carlile common stock issued and outstanding immediately prior to the effective time of the merger. As of February 17, 2017, the record date for the Carlile special meeting, 35,064,719 shares of Carlile voting and non-voting common stock were issued and outstanding, including 27,452,367 shares of Carlile voting common stock, and options to purchase 2,504,726 shares of Carlile common stock were outstanding and unexercised. Carlile anticipates that none of those stock options will be exercised prior to the merger's effective time. However, if all of the currently outstanding options to purchase Carlile common stock are exercised, 37,569,445 shares of Carlile voting and non-voting common stock would be issued and outstanding immediately prior to the effective time of the merger. For more detail on these estimates, please see *The Merger Estimated Number of Shares of Carlile Common Stock to be Issued and Outstanding on the Closing Date* on page 78. The shares of Carlile common stock outstanding at the tangible equity determination date will include all shares of restricted stock of Carlile common stock currently outstanding. Pursuant to the

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terms of the reorganization agreement and the provisions of the Carlile Equity Incentive Plan, the administrator of that plan will unilaterally provide for the vesting of each outstanding and unvested share of restricted Carlile stock as of the fifth business day prior to the closing date of the merger. Upon such vesting, such restricted stock will no longer be subject to forfeiture or to the restrictions imposed by the provisions of the Carlile Equity Incentive Plan or any award agreement. Such shares will be exchanged for shares of Independent common stock in the merger on the same basis as all other shares of Carlile common stock outstanding immediately prior to the effective time of the merger.

Possible Downward Adjustment to the \$434 Million Amount to be Used in the Calculation of the Carlile Share Exchange Ratio (page 78)

The agreed amount to be used in the calculation of the Carlile Share Exchange Ratio and, therefore, to determine the fraction of a share of Independent common stock to be exchanged for each share of Carlile common stock in the merger and to calculate the amount of cash to be paid in the cashout of the Carlile stock options is \$434 million, which is the agreed value of all of the outstanding shares of Carlile common stock and all of the outstanding and unexercised Carlile stock options. This agreed amount will be adjusted downward if the adjusted tangible equity of Carlile is less than \$200 million on the fifth business day prior to the merger's closing date. Specifically, if on that date Carlile's adjusted tangible equity is less than \$200 million, the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio would be reduced by an amount equal to the difference between \$200 million *minus* the actual Carlile adjusted tangible equity as of such date.

Pursuant to the terms of the reorganization agreement, the adjusted tangible equity of Carlile will be determined from Carlile's financial statements prepared in accordance with GAAP, adjusted as provided for below. Any unrealized gains or losses in investment securities held by Carlile and the amount paid by Carlile in December 2016 to cash out a portion of the options to purchase shares of Carlile common stock then held by certain executive officers of Carlile will be excluded from the calculation of Carlile's adjusted tangible equity.

As of December 31, 2016, the estimated tangible equity of Carlile (calculated in accordance with GAAP) was \$209.2 million. For purposes of determining the Carlile Share Exchange Ratio, that amount of Carlile's adjusted tangible equity will be increased by the amount of the consolidated net income of Carlile or decreased by the amount of the consolidated net loss of Carlile from January 1, 2017 through the tangible equity determination date and reduced by the amount of certain costs and expenses to be incurred by Carlile in connection with the merger. Carlile currently estimates that it will have consolidated net income of between \$5.0 million and \$5.8 million from January 1, 2017 through March 24, 2017, which date would be the tangible equity determination date assuming that the closing date of the merger will be March 31, 2017 and the effective date of the merger will be April 1, 2017.

The table set forth below shows the range of estimates for the amounts that will affect the calculation of Carlile's adjusted tangible equity, assuming the closing of the merger occurs on March 31, 2017:

	Low	High
	(in thousands)	
Estimated tangible equity of Carlile as of December 31, 2016	\$ 209,177	\$ 209,177
Estimated consolidated net income of Carlile for the period from January 1, 2017 through March 24, 2017	5,030	5,760
Estimated tax savings on stock option cash out	2,615	3,678
Estimated costs and expenses of Carlile and Northstar Bank related to the merger, on an after tax equivalent basis, and other deductions contemplated by the reorganization	(14,055)	(13,493)

agreement

Estimated adjusted tangible equity of Carlile as of March 24, 2017	\$ 202,767	\$ 205,122
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If Carlile achieves the estimates in the range set forth above, Carlile's adjusted tangible equity as of the closing date would be greater than \$200 million, and, thus, the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio would not be adjusted downward. No upward adjustment of the amount used to determine the Carlile Share Exchange Ratio and, thus, to calculate the fraction of a share of Independent common stock to be issued in exchange for a share of Carlile common stock in the merger, will be made as a result of Carlile adjusted tangible equity exceeding \$200 million at the date of calculation.

The amounts shown in the table above are only estimates and are based upon several assumptions, many of which are beyond the control of Carlile and Northstar Bank. Accordingly, the actual amount of Carlile's adjusted tangible equity on the tangible equity determination date may vary from either of the estimated amounts of adjusted tangible equity shown in the table above. Carlile will not resolicit proxies from holders of its common stock in the event that Carlile adjusted tangible equity is below \$200 million on the tangible equity determination date and the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio is adjusted downward as Carlile has no right to do so under the reorganization agreement. For more information regarding how the Carlile adjusted tangible equity will be calculated and how Carlile has estimated what that amount will be on or about March 24, 2017, the anticipated tangible equity determination date, please see *The Merger Possible Downward Adjustment to the \$434 Million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio* beginning on page 78.

Value of Merger Consideration to be Received (page 81)

The following tables illustrate the effect that the amount of the Average Stock Price will have on the amount and value of the consideration that will be received by the Carlile shareholders and the holders of the Carlile stock options in the merger. The exact fraction of a share of Independent common stock that will be exchanged for each share of Carlile common stock outstanding immediately prior to the effective time of the merger, the aggregate number of shares of Independent common stock that will be issued as merger consideration and the aggregate amount of cash that will be paid to cash out the Carlile stock options (including the cash paid to cancel 190,000 options to purchase shares of Carlile common stock in December 2016) if the merger is consummated will depend in part on the Average Stock Price (calculated as described in, and used in the formula for calculating the Carlile Share Exchange Ratio described in, the *The Merger Treatment of Shares of Carlile Common Stock* beginning on page 75). At the effective time of the merger, the value of such a fraction of a share of Independent common stock and of the aggregate number of shares of Independent common stock to be issued in the merger and the value of the aggregate merger consideration to be received by the Carlile shareholders and the holders of the Carlile stock options in the merger will depend on the market price of a share of Independent common stock at the effective time of the merger.

The amounts in each of the tables below have been calculated based on the assumed Average Stock Prices shown in such tables, and assuming 35,064,719 shares of Carlile voting and non-voting common stock will be outstanding immediately prior to the merger's effective time, no Carlile stock options will be exercised prior to closing of the merger and the market price of a share of Independent common stock at the effective time of the merger will be equal to the assumed Average Stock Price used to calculate the various amounts and values shown in such tables. Table I assumes that Carlile will have adjusted tangible equity of \$200 million (as calculated in accordance with the terms of the reorganization agreement) on the tangible equity determination date; Table II assumes that Carlile will have adjusted tangible equity of \$195 million on the tangible equity determination date.

The actual Average Stock Price, determined as provided in the reorganization agreement, may be materially less or more than any of the assumed Average Stock Prices in each of the tables below and the price at which a share of Independent common stock is trading in the market at the effective time of the merger may be materially less or more than the assumed Average Stock Price used for determining the value of the merger consideration shown in each of the tables below. As a result, the actual amounts and values of the merger consideration

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received by the Carlile shareholders and the holders of Carlile stock options in the merger may differ materially from any of the amounts and values set forth in either or both of the following tables.

Table I

Assumed Average Stock Price	Fraction of Independent Share to be Exchanged for each Carlile Share ⁽³⁾	Value of Such Fraction of Independent Share	Aggregate Number of Independent Shares To be Issued as Merger Consideration	Value of Aggregate Number of Independent Shares to be Issued as Merger Consideration	Aggregate Cash Payments to be Made to Option Holders ⁽⁴⁾	Aggregate Merger Consideration
\$66.70 ⁽¹⁾	0.2517	\$ 16.79	8,825,790	\$ 588,680,178	\$ 22,139,057	\$ 610,819,235
\$65.00	0.2519	16.37	8,832,803	574,132,177	21,028,223	595,160,399
\$60.00	0.2527	15.16	8,860,854	531,651,269	17,761,063	549,412,332
\$55.00	0.2536	13.95	8,892,413	489,082,701	14,493,903	503,576,603
\$50.00	0.2547	12.74	8,930,984	446,549,196	11,226,743	457,775,939
\$47.40 ⁽²⁾	0.2554	12.11	8,955,529	424,492,086	9,527,820	434,019,905

- (1) The closing price of a share of Independent common stock on February 16, 2017.
- (2) The closing price of a share of Independent common stock on November 4, 2016, which will be used in the formula to calculate the Carlile Share Exchange Ratio.
- (3) Determined using the formula used to calculate the Carlile Share Exchange Ratio. See "The Merger Treatment of Shares of Carlile Common Stock" beginning on page 75 for more detailed information regarding the calculation of such ratio.
- (4) Determined using the formula described under "The Merger Treatment of Carlile Stock Options" beginning on page 76. Includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock and the related true-up mechanism.

Table II

Assumed Average Stock Price	Fraction of Independent Share per Carlile Share ⁽³⁾	Value of Fraction of Independent Share	Aggregate Number of Independent Shares To be Issued as Merger Consideration	Value of Aggregate Number of Independent Shares to be Issued as Merger Consideration	Aggregate Cash Payments to be Made to Option Holders ⁽⁴⁾	Aggregate Merger Consideration
\$66.70 ⁽¹⁾	0.2489	\$ 16.60	8,727,609	\$ 582,131,491	\$ 21,447,820	\$ 603,579,310
\$65.00	0.2492	16.20	8,738,128	567,978,318	20,349,783	588,328,101
\$60.00	0.2500	15.00	8,766,180	525,970,785	17,120,263	543,091,048

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\$55.00	0.2509	13.80	8,797,738	483,875,590	13,890,743	497,766,333
\$50.00	0.2520	12.60	8,836,309	441,815,459	10,661,223	452,476,682
\$47.40 ⁽²⁾	0.2527	11.98	8,860,854	420,004,503	8,981,873	428,986,376

- (1) The closing price of a share of Independent common stock on February 16, 2017.
- (2) The closing price of a share of Independent common stock on November 4, 2016, which will be used in the formula to calculate the Carlile Share Exchange Ratio.
- (3) Determined using the formula used to calculate the Carlile Share Exchange Ratio. See *The Merger Treatment of Shares of Carlile Common Stock* beginning on page 75 for more detailed information regarding the calculation of such ratio.
- (4) Determined using the formula described under *The Merger Treatment of Carlile Stock Options* beginning on page 76. Includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock and the related true-up mechanism.

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The value of the total merger consideration and the per share merger consideration will increase or decrease based upon fluctuations in the market price of Independent common stock occurring prior to the closing of the merger.

Other Financial Aspects of the Merger (Page 83)

Under the terms of the reorganization agreement, Carlile may make cash distributions to its shareholders of up to an aggregate of \$55,250,000 after the date of the reorganization agreement and prior to the effective time of the merger, a portion of which may be in the form of a return of capital to the Carlile shareholders. In addition, if the closing of the merger does not occur on or before June 30, 2017, the amount of cash distributions Carlile may make under the reorganization agreement will be increased by an amount equal to the consolidated net income of Carlile from July 1, 2017 through the tangible equity determination date for the adjusted tangible equity of Carlile. Carlile made cash distributions of \$52,600,000 to its shareholders in December 2016 as a return of capital to the Carlile shareholders. Depending on the adjusted tangible equity of Carlile at the tangible equity determination date, Carlile may make additional cash distributions that, together with the December 2016 distributions, do not exceed the upper limit on such distributions. All such cash distributions made after December 31, 2016 will reduce the amount of adjusted tangible equity of Carlile.

Material U.S. Federal Income Tax Consequences (page 126)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, as amended, or the Code, for U.S. federal income tax purposes, and the closing is conditioned upon the receipt by Independent of an opinion from Andrews Kurth Kenyon LLP, special counsel to Independent, and the receipt by Carlile of an opinion from Fenimore, Kay, Harrison & Ford, LLP, counsel to Carlile, to the effect that the merger so qualifies. This summary of U.S. federal income tax consequences assumes that the merger will be consummated as described in the reorganization agreement and this joint proxy statement/prospectus and that Independent and Carlile will not waive the opinion condition described in The Merger Material U.S. Federal Income Tax Consequences of the Merger Tax Opinions. If the merger qualifies as such a reorganization, the material U.S. federal income tax consequences of the merger to a U.S. holder of Carlile common stock will generally be as follows: a holder of Carlile common stock will not recognize gain or loss as a result of the surrender of shares of Carlile common stock solely in exchange for shares of Independent common stock pursuant to the merger, except with respect to cash received instead of a fractional share of Independent common stock. A holder of Carlile common stock who receives cash instead of a fractional share of Independent common stock will be treated as having received the fractional share in the merger and then as having exchanged the fractional share for cash. This holder of Carlile common stock will generally recognize gain or loss equal to the difference between the holder's adjusted tax basis in the Carlile common stock allocable to the fractional share and the amount of cash received.

For further information, please refer to The Merger Material U.S. Federal Income Tax Consequences of the Merger. The U.S. federal income tax consequences described above may not apply to all holders of Carlile common stock. The tax consequences to a holder of Carlile common stock will depend on his or her individual situation. Accordingly, we strongly urge holders of Carlile common stock to consult their tax advisors for a full understanding of the particular tax consequences of the merger to them.

Fairness Opinion of Financial Advisor to Independent (page 89)

Stephens, Inc., or Stephens, has delivered a written opinion to the board of directors of Independent that, as of the date of the reorganization agreement, based upon and subject to certain matters stated in the opinion, the consideration to be paid in the merger by Independent is fair, from a financial point of view, to Independent. This opinion is attached to this joint proxy statement/prospectus as Appendix B. The opinion of Stephens is not a recommendation to any

Independent shareholder as to how to vote on the proposals to approve the reorganization agreement, the merger or the issuance of Independent common stock to the shareholders of Carlile in the merger.

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You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Stephens in providing its opinion.

Fairness Opinion of Financial Advisor to Carlile (page 95)

Sandler O'Neill & Partners, L.P., or Sandler O'Neill, has delivered a written opinion, dated November 21, 2016, to the board of directors of Carlile to the effect that, as of the date of the opinion, based upon and subject to certain matters stated in the opinion, the aggregate merger consideration was fair to the holders of Carlile common stock, collectively as a group, from a financial point of view. This opinion is attached to this joint proxy statement/prospectus as Appendix C. The opinion of Sandler O'Neill is not a recommendation to any Carlile shareholder as to how to vote on the proposal to approve the reorganization agreement and the merger. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Sandler O'Neill in providing its opinion.

Independent Plans to Continue Payment of Quarterly Dividends (page 220)

Independent paid a cash dividend of \$0.08 per share to its shareholders in each of the first three quarters of 2016 and a cash dividend of \$0.10 per share in the fourth quarter of 2016. Independent intends to continue paying quarterly cash dividends in the first quarter of 2017 and following the merger.

Ownership of Independent After the Merger (page 134)

Although the exact number of shares of Independent common stock that would be issued upon consummation of the merger cannot be determined at the date of this joint proxy statement/prospectus, based on 18,919,598 shares of Independent common stock outstanding as of February 21, 2017, 35,064,719 shares of Carlile voting and non voting common stock outstanding as of February 17, 2017, and assuming no options to purchase Carlile common stock are exercised prior to the effective time of the merger, an Average Stock Price of \$66.70 (the closing stock price of Independent common stock on February 16, 2017), and that Carlile has adjusted tangible equity of at least \$200 million on the tangible equity determination date, Independent estimates it would issue a total of 8,825,790 shares of Independent common stock to the shareholders of Carlile in connection with the merger. In that circumstance, the former Carlile shareholders would own approximately 31.8% of the shares of Independent common stock that would be outstanding immediately after such shares are issued in connection with the merger. Such ownership percentage will be reduced by any future issuances of shares of Independent common stock.

Market Prices of Independent Common Stock (page 220)

Shares of Independent common stock are listed for trading on the NASDAQ Global Select Market under the symbol IBTX. On November 18, 2016, the last trading day before the merger was announced, Independent common stock closed at \$53.95 per share. On February 16, 2017, Independent common stock closed at \$66.70 per share. The market price of Independent common stock will fluctuate prior to the merger. You should obtain the most recent closing price for Independent common stock on the NASDAQ Global Select Market prior to deciding how to vote. Shares of Carlile are not traded on any national securities exchange or on an established public trading market and no quotations of any market price exists for Carlile shares.

Carlile Special Meeting (page 70)

The special meeting of shareholders of Carlile will be held on March 30, 2017, at 2:00 p.m. Central Time, at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102. At the Carlile special meeting, holders of shares

of Carlile voting common stock will be asked to consider and vote on the following:

a proposal to approve the reorganization agreement, which provides for Independent to acquire Carlile through the merger, and to approve the merger; and

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a proposal to adjourn the Carlile special meeting to a later date or dates if the board of directors of Carlile determines such adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Carlile special meeting to constitute a quorum or to approve the reorganization agreement and the merger.

Independent Special Meeting (page 63)

The special meeting of shareholders of Independent will be held on March 30, 2017, at 3:30 p.m., Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069. At the Independent special meeting, Independent's shareholders will be asked to consider and vote on the following:

a proposal to approve the reorganization agreement, which provides for Independent to acquire Carlile through the merger, and to approve the merger;

a proposal to approve the issuance of shares of Independent common stock to the Carlile shareholders as merger consideration under the reorganization agreement that in number and voting power would equal or exceed 20% of the number and voting power of the shares of Independent common stock to be outstanding immediately prior to the issuance of such shares of Independent common stock in connection with the merger;

a proposal to elect as directors of Independent each of Tom C. Nichols, Mark K. Gormley and Christopher M. Doody, who have been nominated by the Independent board of directors to stand for election as directors of Independent pursuant to the terms of the reorganization agreement and to fill the vacancies on Independent's board of directors, subject to and conditioned upon the merger's completion; and

a proposal to adjourn the Independent special meeting to a later date or dates if the board of directors of Independent determines such adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Independent special meeting to constitute a quorum or to approve the first three proposals listed above.

Carlile Record Date Set at February 17, 2017; Two-Thirds Shareholder Vote Required to Approve the Reorganization Agreement and the Merger (page 70)

You may vote on the proposals to come before special meeting of Carlile shareholders if you owned shares of Carlile voting common stock of record as of 5:00 p.m. on February 17, 2017. You can cast one vote for each share of Carlile voting common stock that you owned of record at that time. As of February 17, 2017, there were 27,452,367 shares of Carlile voting common stock outstanding.

Approval of the reorganization agreement and the merger requires the affirmative vote of the holders of at least two-thirds of the shares of Carlile voting common stock outstanding and entitled to vote as of 5:00 p.m. on the record date. If a holder of Carlile voting common stock fails to vote, it will have the effect of a vote against the reorganization agreement and the merger. The affirmative vote of a majority of the issued and outstanding shares of Carlile voting common stock entitled to vote at the Carlile special meeting and that is present in person or by proxy at the Carlile special meeting is required to approve the adjournment of the Carlile special meeting.

A holder of Carlile voting common stock may vote his or her shares of Carlile voting common stock by attending the special meeting and voting in person or by completing and mailing the enclosed proxy card. If you are the record holder of such shares, you can revoke your proxy at any time before the vote is taken at the Carlile special meeting by sending a written notice revoking the proxy or submitting a later-dated proxy to Ms. Mindy Hegi, Chief Financial Officer of Carlile, which notice or later dated proxy must be received no later than immediately prior to the vote at the Carlile special meeting. You may also revoke your proxy by voting in person

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at the Carlile special meeting. If your shares of Carlile voting common stock are held in street name and you desire to change any voting instructions you have previously given to the record holder of such shares of Carlile voting common stock of which you are the beneficial owner, you should contact the broker, bank or other nominee holding such shares in street name in order to direct a change in the manner your shares of Carlile voting common stock will be voted. See The Carlile Special Meeting Voting of Proxies by Holders of Record, Attending the Meeting; Voting in Person and Revocation of Proxies.

Independent Record Date Set at February 21, 2017; Two-Thirds Shareholder Vote Required to Approve the Reorganization Agreement and the Merger (page 63)

You may vote at the special meeting of Independent shareholders if you owned Independent common stock of record as of 5:00 p.m. on February 21, 2017. You can cast one vote for each share of Independent common stock you owned of record at that time. As of February 21, 2017, there were 18,919,598 shares of Independent common stock outstanding.

Approval of the reorganization agreement and the merger requires the affirmative vote of the holders of at least two-thirds of the shares of Independent common stock outstanding and entitled to vote as of 5:00 p.m. on the Independent record date. If holders of Independent common stock fail to vote, it will have the effect of a vote against the reorganization agreement and the merger. Approval of the issuance of the shares of Independent common stock to be issued to holders of Carlile common stock in connection with the merger, which shares of Independent common stock will, in number and voting power, exceed 20% of the number and voting power of the shares of Independent common stock to be outstanding immediately prior to the effective time of the merger, requires the affirmative vote of a majority of votes cast by holders of Independent common stock entitled to vote at the Independent special meeting. Election of the three named director nominees as directors of Independent to fill the vacancies on the Independent board of directors requires an affirmative vote of at least a plurality of all votes cast at the Independent special meeting. The affirmative vote of a majority of the votes cast on any proposal to adjourn the Independent special meeting is required to approve the adjournment of the Independent special meeting.

You may vote your shares of Independent common stock by attending the special meeting and voting in person, by completing and mailing the enclosed proxy card or by following the instructions to vote via the Internet or by telephone as indicated on the proxy card and elsewhere in this joint proxy statement/prospectus. If you are the record holder of your shares, you can revoke your proxy at any time before the vote is taken at the Independent special meeting by sending a written notice revoking the proxy or submitting a later dated proxy to the Corporate Secretary of Independent, which must be received no later than immediately prior to the vote at the Independent special meeting. You may also revoke your proxy by voting in person at the Independent special meeting. If your shares of Independent common stock are held in street name and you desire to change any voting instructions you have previously given to the record holder of the shares of which you are the beneficial owner, you should contact the broker, bank or other nominee holding your shares in street name in order to direct a change in the manner your shares will be voted. See The Independent Special Meeting Voting of Proxies by Holders of Record, Attending the Meeting; Voting in Person and Revocation of Proxies.

Carlile's Reasons for the Merger and Recommendation of Carlile's Board of Directors (page 86)

Based on the reasons discussed elsewhere in this joint proxy statement/prospectus, the board of directors of Carlile believes that the merger is fair, from a financial point of view to, and in the best interests of, the shareholders of Carlile and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement and the merger. For a discussion of the circumstances surrounding the merger and the factors considered by Carlile's board of directors in approving the reorganization agreement, see pages 84 and 87.

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Certain Shareholders of Carlile are Expected to Vote Their Shares of Carlile Voting Common Stock For Approval of the Reorganization Agreement (page 126)

The directors of Carlile and certain entities that they represent have entered into an agreement to vote the shares of Carlile voting common stock that they control in favor of approval of the reorganization agreement and the merger and in the manner most favorable to the consummation of the merger and the transactions contemplated by the reorganization agreement; provided, however, that the Carlile shareholders who entered into the voting and lockup agreement would be permitted to vote to accept a superior proposal to acquire Carlile (as defined) of the reorganization agreement). As of the Carlile record date, 17,069,700 shares of Carlile voting common stock, or 62.2% of the 27,452,367 shares of Carlile voting common stock then outstanding and entitled to vote at the Carlile special meeting, were bound by the voting and lockup agreement.

Independent s Reasons for the Merger and Recommendations of Independent s Board of Directors (page 87)

Based on the reasons discussed elsewhere in this joint proxy statement/prospectus, the board of directors of Independent believes that the merger is fair from a financial point of view to Independent and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement and the merger, FOR the proposal to approve the issuance of shares of Independent common stock in connection with the merger that will exceed in number and voting power exceed 20% of the number and voting power of the shares of Independent common stock to be outstanding immediately prior to such issuance, and FOR the election of the nominees named in this joint proxy statement/prospectus for election as directors of Independent. For a discussion of the circumstances surrounding the merger and the factors considered by Independent s board of directors in approving the reorganization agreement, see pages 84 and 87.

Effective Time of the Merger (page 108)

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Texas Secretary of State. If Carlile and Independent shareholders approve the reorganization agreement and the merger at the special meetings, and if all necessary regulatory approvals are obtained and the other conditions to the parties respective obligations to effect the merger are satisfied or are waived by the party entitled to do so, Independent anticipates that the merger will be completed and effective on April 1, 2017, although delays in the completion of the merger could occur.

Carlile and Independent cannot assure you that the necessary shareholder and regulatory approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied. See Risk Factors Risks Related to the Merger The merger of Independent and Carlile may not be completed.

Exchange of Carlile Stock Certificates (page 107)

After the effective time of the merger, the Carlile shareholders will receive a letter and instructions from Wells Fargo Shareowner Services, acting as Independent s exchange and transfer agent, or the exchange agent, describing the procedures for surrendering their stock certificates representing shares of Carlile common stock in exchange for shares of Independent common stock. The shares of Independent common stock issuable in exchange for the shares of Carlile common stock will be issued solely in uncertificated book-entry form and a holder s shares of Independent common stock will be reflected in the shareholder s account established in the Direct Registration System by Independent s stock transfer agent. As soon as practicable after the effective time of the merger, with the intent for that to be within five business days of the effective time of the merger, Independent will cause the exchange agent to mail to each record holder of Carlile common stock the letter and instructions for exchange. Please do not send Carlile or

Independent any of your Carlisle stock certificates until

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you receive these instructions. Carlile stock certificates delivered to the exchange agent without a properly completed letter of transmittal will be rejected and returned for corrective action.

Conditions to Completion of the Merger (page 113)

The completion of the merger depends on a number of conditions being satisfied. These include, among others:

approval by holders of the Carlile voting common stock and holders of Independent common stock of the reorganization agreement and the transactions contemplated thereby by the requisite vote under the Carlile certificate of formation or the Independent certificate of formation, as the case may be, and applicable law;

receipt of all approvals and consents required by applicable law from all applicable governmental authorities in connection with the reorganization agreement, any other agreement contemplated thereby and the consummation of the transactions contemplated by the reorganization agreement and such other agreements and all applicable waiting periods will have expired as to Independent only, which approvals and consents do not impose any material requirement upon Independent or its subsidiaries that are reasonably unacceptable to Independent;

the registration statement of which this joint proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under federal or applicable state securities laws relating to the issuance or trading of the Independent common stock to be issued have been received;

the shares of Independent common stock to be issued to Carlile shareholders being authorized for listing on the NASDAQ Global Select Market and such approval is not withdrawn or revoked;

no action shall have been taken, and no statute, rule, regulation or order shall have been promulgated, enacted, entered, enforced or deemed applicable to the reorganization agreement, or the transactions contemplated hereby, by any governmental authority, including by means of the entry of a preliminary or permanent injunction, that would (i) make the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby, illegal, invalid or unenforceable, (ii) as to Independent only, require the divestiture of a material portion of the assets of Carlile, (iii) impose material limits on the ability of any party to consummate the transactions contemplated by the reorganization agreement, (iv) as to Independent only, otherwise result in a material adverse change to Carlile, any Carlile subsidiary, Independent or Independent Bank or (v) could reasonably be expected to subject Independent, Carlile, or any of their respective subsidiaries, or any of their respective officers, directors, shareholders or employees, to criminal or civil liability upon the consummation of the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby;

the other party's representations and warranties contained in the reorganization agreement being true and correct in all material respects as of the date of the reorganization agreement as of the date of the closing;

the performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement to be performed or complied with before or at the closing of the merger; and

receipt by each party of all documents required to be delivered by the other party on or before the closing date, all in form and substance reasonably satisfactory to the receiving party.

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In addition to the conditions listed above, Carlile's obligations to complete the merger is subject to the satisfaction of the following conditions:

approval of the issuance of the shares of Independent common stock to the Carlile shareholders in connection with the merger and the election of the three nominees named in this joint proxy statement/prospectus for election as directors of Independent by the requisite vote under the Independent certificate of formation and applicable law;

Independent's delivery of the merger consideration to Wells Fargo Shareowner Services, as exchange agent;

no material adverse change (as defined in the reorganization agreement) shall have occurred as to Independent since June 30, 2016;

the Independent shareholders shall have elected all of the named director nominees to fill the three vacancies on the Independent board of directors and Independent shall have entered into mutually acceptable nominee agreements with respect to each named director nominee; and

the receipt by Carlile of an opinion from Fenimore, Kay, Harrison & Ford, LLP to the effect that for U.S. federal income tax purposes (i) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (ii) each of Independent and Carlile will be a party to such reorganization within the meaning of Section 368(b) of the Code.

In addition to the conditions listed above, Independent's obligation to complete the merger is subject to the satisfaction of the following conditions:

the adjusted tangible equity of Carlile, as of the closing date of the merger, excluding the effect of the aggregate option holder payment on adjusted tangible equity of Carlile, must not be less than \$195 million;

Northstar Bank's allowance for loan and lease losses as of the closing date must be at least equal to \$15.675 million;

no material adverse change (as defined in the reorganization agreement) shall have occurred as to Carlile or any subsidiary of Carlile since June 30, 2016;

all Carlile employee plans must be terminated in accordance with their respective terms and all applicable laws and regulations and the affected participants must have been notified of such terminations;

Carlile and each applicable Carlile subsidiary must have paid or accrued for the amounts and liabilities owed under the employment contracts as set forth in the reorganization agreement;

holders of no more than 5% of the capital stock of Carlile shall have demanded or exercised their statutory dissenters' rights under the TBOC;

all material consents and approvals from all nongovernmental third parties which are required to be obtained under the terms of any contract, agreement or instrument to which Carlile is a party shall have been obtained;

the receipt by Independent of an opinion from Andrews Kurth Kenyon LLP to the effect that, for U.S. federal income tax purposes, (i) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (ii) each of Independent and Carlile will be a party to such reorganization within the meaning of Section 368(b) of the Code; and with respect to the bank merger, that (i) the bank merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (ii) each of Independent Bank and Northstar Bank will be a party to such reorganization within the meaning of Section 368(b) of the Code; and

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the Carlile board of directors must have adopted resolutions providing for the termination and cancellation, and the administrator shall have taken all action required under the Carlile Equity Incentive Plan to effectuate the automatic cashout, of all options to purchase Carlile common stock outstanding and unexercised immediately prior to the closing date.

Additionally, the completion of the merger depends on the effectiveness of the following agreements, which agreements will not become effective until the effective time of the merger:

employment agreements among Independent, Independent Bank and each of Messrs. Tony Clark, Mark White and Stacy Curtis;

separation agreements between Independent and each of Messrs. Tom C. Nichols and Don E. Cosby and Ms. Mindy Hegi, which agreements provide for the payment of severance benefits and continued insurance coverage as provided for under their respective employment agreements with Carlile, and affirm the survival of the confidentiality, noncompetition and nonsolicitation obligations of such persons under their employment agreements;

releases from each of the directors and certain officers of Carlile and Northstar Bank, releasing Carlile and Northstar Bank and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions;

support agreements from each of the directors of Carlile and Northstar Bank, agreeing to support, and not compete with, the business of Independent Bank following the closing of the merger; and

resignations from each of the directors of Carlile and each Carlile subsidiary, resigning from the board of directors of Carlile and each Carlile subsidiary.

Any condition to the completion of the merger other than the required shareholder and regulatory approval and the absence of an order prohibiting the merger, may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition. A party to the reorganization agreement could choose to complete the merger even though a condition has not been satisfied, as long as permitted by applicable law. Neither Independent nor Carlile can be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals Required for the Merger (page 130)

The acquisition of Carlile by Independent requires the approval of the Board of Governors of the Federal Reserve System, or Federal Reserve. In addition, the bank merger requires the approval of the Federal Deposit Insurance Corporation, or the FDIC, and the Texas Department of Banking, or TDB. On December 30, 2016, Independent, Independent Bank and Northstar Bank filed applications with the Federal Reserve, the FDIC and the TDB to obtain approval of the merger and the bank merger. Independent expects to obtain all necessary regulatory approvals, although Independent cannot be certain if or when Independent will obtain them.

Amendment or Waiver of the Reorganization Agreement (page 121)

Independent and Carlile may amend the reorganization agreement and each party may waive its right to require the other party to adhere to any term or satisfy any condition of the reorganization agreement in accordance with the terms of the reorganization agreement. However, the merger consideration to be received by the shareholders of Carlile pursuant to the terms of the reorganization agreement may not be decreased after shareholder approval of the reorganization agreement without the further approval each of the Carlile and Independent shareholders.

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No Solicitation (page 112)

Pursuant to the reorganization agreement, Carlile agreed that it will not, and that it will cause each Carlile subsidiary and their respective employees, directors, officers, financial advisors or agents of Carlile and Northstar Bank not to, propose to, solicit, knowingly encourage, initiate or participate in any negotiations or discussions with any third party with respect to any proposal that could reasonably be expected to lead to an acquisition proposal as described in the reorganization agreement, disclose to any third party any information concerning the business, properties, books or records of it in connection with any acquisition proposal, or cooperate with any third party to make any acquisition proposal. Promptly upon receipt of any unsolicited offer, Carlile will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that Carlile has complied with the foregoing restrictions, if after the date of the reorganization agreement but prior to the closing of the merger, Carlile receives a bona fide, unsolicited written acquisition proposal, it may engage in negotiations and discussions with, and furnish any information and other access to, any person making such acquisition proposal if, and only if, Carlile's board of directors determines in good faith, after consultation with outside legal and financial advisors, that such acquisition proposal is, or is reasonably, capable of becoming more favorable to Carlile's shareholders from a financial point of view than the merger with Independent and the failure of Carlile's board of directors to furnish such information or access or enter into such discussions or negotiations would reasonably be expected to be a violation of its fiduciary duties to the shareholders of Carlile and Carlile obtains an appropriately executed confidentiality agreement from such third party.

Termination of the Reorganization Agreement (page 121)

Independent and Carlile can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either Independent or Carlile may decide, without the consent of the other, to terminate the reorganization agreement if:

the conditions to each party's obligations to close have not been satisfied on or before June 30, 2017, provided that if the conditions precedent have not been satisfied because approval of the reorganization agreement or any other agreement contemplated by it from any regulatory agency whose approval is required has not been received and such delay in the receipt of regulatory approval is not the result of a public comment or protest made in connection with an application for regulatory approval, then either Carlile or Independent can unilaterally extend the June 30, 2017 deadline by up to 30 days by providing written notice, and further provided that, if regulatory approval has not been received and such delay in the receipt of regulatory approval is the result of a protest, then the closing date deadline shall automatically be extended to December 31, 2017 without action by either party;

the required regulatory approvals have not been obtained; or

the merger is not approved by the shareholders of Independent and Carlile at their special meetings or the adjournment thereof.

Carlile may terminate the reorganization agreement, without the consent of Independent, if:

Independent breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Carlile;

at any time prior to the closing date in order to enter concurrently with such termination into an acquisition agreement or similar agreement with respect to a superior proposal, that has been received and considered by Carlile and the Carlile board in accordance with all of the requirements of the reorganization agreement;

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there has been any material adverse change, since June 30, 2016, in the assets, properties, liabilities, reserves, business, or financial condition or results of operation of Independent; or

at any time following the third trading day prior to the date of closing of the merger, (i) the number obtained by *dividing* (a) the Average Stock Price, by (b) \$47.40, or the IBG Ratio, shall be less than 0.85, **and** (ii) the IBG Ratio is less than the number obtained by *dividing* (x) the average of the closing prices of the NASDAQ Bank Index for the 20 consecutive full trading days ending on and including the trading day prior to the third trading day prior to the closing date of the merger by (y) the closing price of the NASDAQ Bank Index on November 4, 2016, and subtracting 0.15 from the quotient. If Carlile elects to exercise its termination right pursuant to this section, it must give written notice to Independent. Following the receipt of notice, Independent has the right, but not the obligation, to increase the consideration to be received by the Carlile shareholders under the reorganization agreement by adjusting the Carlile Share Exchange Ratio to a number *equal to* the quotient of (A) the product of the (i) product of \$47.40 *multiplied by* .90 *multiplied by* (ii) the Carlile Share Exchange Ratio, *divided by* (B) the Average Stock Price. Independent will give prompt written notice to Carlile of such election and the revised Carlile Share Exchange Ratio, in which case no termination will occur and reorganization agreement will remain in effect.

In addition, Independent may terminate the reorganization agreement, without the consent of Carlile, if:

Carlile breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Independent;

the Carlile board has (i) recommended to the holders of Carlile common stock that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Carlile common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the Carlile shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that Carlile intends to accept a superior proposal;

any of the following have occurred with respect to environmental matters regarding Carlile: (i) the factual substance of any representations and warranties of Carlile in the reorganization agreement is not materially true and accurate, (ii) the results of any environmental inspection or other environmental survey by Independent are disapproved by Independent because such inspection or survey identifies a material or potential material violation of applicable environmental laws, (iii) Carlile refuses to allow such inspection or survey in a manner that Independent reasonably considers necessary, (iv) such inspection or survey identifies an event, condition or circumstance that would or potentially could reasonably be expected to require a material remedial or cleanup action or result in a material adverse change in the assets, properties, business or financial condition of Carlile, (v) such inspection or survey reveals the presence of any underground or above ground storage tank in, on or under any real property owned or leased by Carlile or any Carlile subsidiary that is not shown to be in material compliance with all applicable environmental laws, or that has had a release of petroleum or some other hazardous material that has not been cleaned up to the satisfaction of the relevant governmental authority or any other party with a right to compel such cleanup or (vi) such inspection or survey identifies the presence of any asbestos-containing material in, on or under any real

property owned or leased by Carlile or any Carlile subsidiary, the removal of which could reasonably be expected to result in a material adverse change in the assets, properties, business or financial condition of Carlile, subject, in the case of each of the foregoing, to notice and the right of Carlile to satisfactorily correct any such matter; or

there has been any material adverse change, since June 30, 2016, in the assets, properties, liabilities, reserves, business, financial condition or results of operation of Carlile or any Carlile subsidiary.

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Termination Fee (page 123)

To compensate Independent for entering into the reorganization agreement, taking actions to consummate the transactions contemplated by the reorganization agreement and incurring the related costs and expenses and other losses and expense, including foregoing the pursuit of other opportunities, the reorganization agreement provides that Carlile has agreed to pay to Independent a termination fee of \$10 million, which shall be Independent's sole remedy if the reorganization agreement is terminated:

by Carlile because it receives an alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement, taking into account any adjustment made by Independent to the merger consideration, provided that Independent is not in material breach of the reorganization agreement;

by either Independent or Carlile if the Carlile shareholders do not approve the reorganization agreement and the merger by the requisite vote at their respective special meetings or any adjournment thereof and either (i) at the time of such disapproval, there exists an acquisition proposal with respect to Carlile other than that of Independent that has not been withdrawn prior to the special meeting or (ii) within 12 months of the termination of the reorganization agreement, Carlile enters into a definitive agreement with any third party with respect to any acquisition proposal; or

by Independent if the Carlile board has (i) recommended to the Carlile shareholders that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Carlile common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the Carlile shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that Carlile intends to accept a superior proposal.

Except with respect to termination fees and expenses, as discussed above, in the event of the termination of the reorganization agreement without breach by any party, the reorganization agreement will be void and have no effect, without liability on the part of any party or the directors, officers or shareholders of any party, except as specifically contemplated in the reorganization agreement.

Some of the Directors and Officers of Carlile Have Financial Interests in the Merger that Differ from Your Interests (page 123)

Some of the directors and officers of Carlile have interests in the merger that differ from, or are in addition to, their interests as shareholders of Carlile. These interests include:

Employment Agreements with Independent Bank. Independent and Independent Bank have entered into two-year employment agreements with each of Messrs. Tony Clark, Mark White and Stacy Curtis, who are currently executive officers and employees of Northstar Bank, to be effective, if at all, upon completion of the merger, that include noncompetition and nonsolicitation obligations to Independent Bank. Pursuant to these agreements, these individuals will become officers and employees of Independent Bank and will be entitled to receive annual salaries in the range of \$250,000 to \$285,000, annual incentive bonuses based

upon attainment of pre-established performance goals of Independent Bank or upon the profitability of Independent Bank's mortgage operations, grants of restricted shares of Independent common stock in the range of 5,000 to 6,000 shares, and certain additional incidental benefits from Independent Bank during the term of such person's employment with Independent Bank.

Separation Agreements with Independent. In August of 2010, Carlile entered into employment agreements with each of Messrs. Tom C. Nichols and Don E. Cosby and Ms. Mindy Hegi, each of whom is an executive officer of Carlile. The employment agreements provide for the payment of severance benefits and continued insurance coverage for the executive in the event the employment

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agreement is terminated by Carlile without cause or by the executive with good reason (as such terms are defined in the employment agreements). In connection with the merger, Independent has decided to not employ Mr. Nichols, Mr. Cosby or Ms. Hegi, although Mr. Nichols is nominated for election as a director of Independent at the Independent special meeting and will be appointed as a director of Independent Bank if the merger is completed. In conjunction with the termination of their employment following completion of the merger, each of Mr. Nichols, Mr. Cosby and Ms. Hegi entered into separation agreements with Independent contemporaneously with the execution of the reorganization agreement, which agreements will become effective only if the merger is completed. The separation agreements confirm the obligation of Independent, as successor to Carlile in the merger, with respect to the payment of the severance benefits and the continued insurance coverage as provided for under their respective employment agreements with Carlile. The severance agreement also affirms the survival of the confidentiality, noncompetition and nonsolicitation obligations of these executive officers of Carlile under their employment agreements. The reorganization agreement provides that it is a condition to the closing of the merger that the separation agreements be in effect at closing. The aggregate amount of severance payments to be made to these three Carlile executive officers is \$6,285,200. Those payments will reduce the adjusted tangible equity of Carlile for purposes of calculating the merger consideration payable to Carlile shareholders.

Change in Control Payments. In addition, each of Carlile and Northstar Bank is a party to preexisting change in control agreements or employment agreements with certain of their respective officers, which provide, among other things, for change in control payments to be made in connection with the completion of the merger. Under the terms of the reorganization agreement, these change in control payments must be paid or properly accrued for by Carlile for purposes of calculating its adjusted tangible equity. The total aggregate change in control payments that are expected to be paid to such individuals as a result of the completion of the merger is \$4.1 million.

Support Agreements. Independent has entered into separate support agreements with each of the directors of Carlile and Northstar Bank, specifically, Messrs. Rick J. Calhoun, Robert W. Gentry, Mark K. Gormley, Kent R. Hance, Curtis F. Harrell, Mark G. Merlo, H. Gil Moutray, Craig R. Stapleton, Ben Stribling, David Tanner and John M. Tye, III, all of whom are directors of Carlile, and Ms. Myra Crownover and Messrs. Kent Key, Brook Mahoney, James Mansfield, Dana L. Rasic, Richard Smith and Robert J. Widmer, all of whom are directors of Northstar Bank, to be effective, if at all, upon completion of the merger. Each of those agreements provides, among other things, that such director agrees to use reasonable efforts to refrain from harming the goodwill and customer and client relationships of Independent Bank, as well as limited confidentiality, noncompetition and nonsolicitation obligations following the closing date.

Indemnification. The directors and officers of Carlile will receive indemnification from Independent for a period of four years after completion of the merger to the same extent and subject to the conditions set forth in the certificate of formation and bylaws of Carlile and continued director and officer liability coverage for a period of four years after completion of the merger. Any amounts paid by Northstar Bank to purchase continued director and officer liability coverage will reduce Carlile's adjusted tangible equity for purposes of calculating the merger consideration payable to Carlile shareholders. See Possible Downward Adjustment to the \$434 Million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio.

Cashout of Certain Outstanding Stock Options. Certain officers of Carlile and Northstar Bank hold options to purchase an aggregate of 2,504,726 shares of Carlile voting common stock. To the extent one or more of those persons do not exercise those options prior to the merger's effective time, they will receive cash in connection with the cashout of those stock options that are outstanding and unexercised at the merger's effective time. Any such payments made to those persons in respect of their options to purchase Carlile common stock will reduce the number of shares of Independent

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common stock to be issued in exchange for each share of Carlile common stock in the merger and, thus, reduce the merger consideration received by the Carlile shareholders in the merger.

Restrictions on Resale Under the Voting and Lockup Agreements (page 129)

The voting and lockup agreements between the directors of Carlile and certain entities that they represent and Independent provide that such individuals and entities may not transfer 94% of the shares of Independent common stock they receive in exchange for their shares of Carlile common stock in connection with the merger prior to the first anniversary of the effective date of the merger without the prior consent of Independent. However, such persons may, without such consent, make bona fide gifts of such shares of Independent common stock, make certain transfers of such shares for estate or charitable planning purposes or transfer such shares to one or more of their affiliates or to trusts or other entities that they control.

Comparison of Rights of Shareholders of Carlile and Independent (page 227)

Carlile is a Texas corporation that is a registered bank holding company, and the rights of shareholders of Carlile are governed by Texas law and Carlile's certificate of formation and bylaws. Independent is a Texas corporation that is a registered bank holding company, and the rights of Independent's shareholders are governed by Texas law and Independent's certificate of formation and bylaws. Upon completion of the merger, shareholders of Carlile common stock will become shareholders of Independent and their rights as shareholders of Independent will be governed by Independent's certificate of formation and bylaws, in addition to Texas law. Independent's certificate of formation and bylaws will not be amended in the merger, but could be later restated, amended or, with respect to the bylaws, repealed.

Dissenters' Rights of the Holders of Carlile Voting Common Stock (page 130)

The holders of Carlile voting common stock have the right under Texas law to dissent from the merger and have the appraised fair value of their shares of Carlile voting common stock as of the date immediately preceding the effective date of the merger paid to them in cash. The appraised fair value of any particular number of shares of Carlile voting common stock as of such date may be more or less than the value of the shares of Independent common stock that a holder of that particular number of shares of Carlile voting common stock would be issued in connection with the merger in exchange for that particular number of shares of Carlile voting common stock.

The holders of Carlile nonvoting common stock are not entitled to appraisal rights or dissenters' rights in connection with the merger under Texas law or under the governing documents of Carlile with respect to their shares of Carlile nonvoting common stock.

Persons having beneficial interests in Carlile voting common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to take the actions required under Texas law to exercise their dissenter's rights.

In order to dissent, the holder of Carlile voting common stock must carefully follow the requirements of the TBOC, including providing Carlile, prior to the Carlile special meeting, with a written objection to the merger that states that he or she will exercise his or her right to dissent with respect to his or her shares of Carlile voting common stock if the holders of the Carlile voting common stock approve the reorganization agreement and the merger and the merger is completed. These steps for perfecting the right of dissent are summarized under the caption "Dissenters' Rights of Carlile Shareholders" on page 130. The provisions of the TBOC pertaining to dissenters' rights are attached to this joint proxy statement/prospectus as Appendix D and the summaries of those provisions in this joint proxy statement/prospectus should be read in conjunction with, and are qualified in their entirety by, those provisions of the

TBOC.

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If you intend to exercise dissenters' rights as to shares of Carlile voting common stock that you hold, you should read the provisions of the TBOC governing dissenters' rights carefully and consult with your own legal counsel. Each holder of Carlile voting common stock should also remember that if he or she returns a signed proxy card, but fails to provide instructions on that proxy card as to how his or her shares of Carlile voting common stock are to be voted against the approval of the reorganization agreement and the merger, such Carlile shareholder's shares of Carlile voting common stock will be considered to have voted in favor of the reorganization agreement and the merger. **In that event, such Carlile shareholder will not be able to assert dissenters' rights as to his or her shares of Carlile voting common stock.**

If the Carlile shareholders approve the reorganization agreement, a holder of Carlile voting common stock who (i) delivers to the president and the secretary of Carlile a written objection to the merger prior to the Carlile special meeting that states that such holder will exercise his or her right to dissent if the reorganization agreement and the merger are approved and the merger is completed and includes an address for notice of the effectiveness of the merger, (ii) votes his or her shares of Carlile voting common stock against approval of the reorganization agreement and the merger at the Carlile special meeting, (iii) not later than the 20th day after Independent sends such holder notice that the merger was completed, delivers to the president and secretary of Independent a written demand for payment of the fair value of his or her shares of Carlile voting common stock, which demand he or she holds shares of Carlile voting common stock and states the number of shares of Carlile voting common stock such holder owns, his or her estimate of the fair value of such shares and an address to which a notice relating to the dissent and appraisal procedures may be sent, and (iv) not later than the 20th day after he or she makes that demand for payment, submits to Independent the certificates representing his or her shares of Carlile voting common stock will be entitled under the TBOC to receive the appraised fair value of his or her shares of Carlile voting common stock as of the date immediately prior to the effective time of the merger.

Nomination of Directors (page 135)

Independent's board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms. Independent's board of directors currently has a total of twelve (12) seats, three of which are vacant as a result of resignations of directors. The nomination of the named director nominees to each fill one of the Class I, Class II and Class III positions on the Independent board of directors, whose directorships will only become effective upon consummation of the merger, and the submission of the named director nominees to the Independent shareholders for election are all obligations of Independent under the terms of the reorganization agreement and Independent and Carlile mutually agreed as to the persons who are the named directors nominees. See Independent Proposal Three Election of Directors beginning on page 135.

Table of Contents**CERTAIN FINANCIAL INFORMATION REGARDING INDEPENDENT AND CARLILE****Selected Financial Information of Independent**

The following selected historical consolidated financial information of Independent as of and for the nine months ended September 30, 2016 and 2015, has been derived from Independent's unaudited consolidated financial statements as of and for the nine months ended September 30, 2016 and 2015, incorporated by reference in this joint proxy statement/prospectus. The following selected consolidated financial information of Independent as of and for the years ended December 31, 2015, 2014 and 2013, has been derived from Independent's audited consolidated financial statements incorporated by reference in this joint proxy statement/prospectus, and the selected consolidated financial information as of and for the years ended December 31, 2012 and 2011, has been derived from Independent's audited consolidated financial statements not appearing or incorporated by reference in this joint proxy statement/prospectus.

You should read the following financial information relating to Independent in conjunction with other information contained in this joint proxy statement/prospectus, including consolidated financial statements of Independent and related accompanying notes appearing in Independent's Annual Report on Form 10-K most recently filed with the SEC and in the Quarterly Reports on Form 10-Q of Independent filed with the SEC after that Annual Report on Form 10-K was filed, if any, and in any Current Report on Form 8-K of Independent containing consolidated financial statements of Independent that was filed with the SEC after such Annual Report on Form 10-K, each of which reports is incorporated by reference in this joint proxy statement/prospectus. Independent's historical results for any prior period are not necessarily indicative of results to be expected in any future period, and Independent's historical results for the nine months ended September 30, 2016, are not necessarily indicative of its results to be expected for all of 2016. Independent has consummated several acquisitions in recent fiscal periods. The results and other financial information of those acquired operations are not included in the table below for the periods or dates prior to their respective acquisition dates and, therefore, the results for these prior periods are not comparable in all respects and may not be predictive of Independent's future results. In addition, the selected financial information in the table immediately below does not include, on any basis, the results or financial condition of Carlile for any period or as of any date.

	As of and for the Nine Months Ended		As of and for the Year Ended December 31,				
	September 30, 2016	2015	2015	2014	2013	2012	2011
<i>(dollars in thousands except per share)</i>	(unaudited)						
Selected Income Statement Data							
Interest income	\$ 156,145	\$ 126,613	\$ 174,027	\$ 140,132	\$ 87,214	\$ 71,890	\$ 59,639
Interest expense	18,865	14,666	19,929	15,987	12,281	13,337	13,358
Net interest income	137,280	111,947	154,098	124,145	74,933	58,553	46,281
Provision for loan losses	7,243	7,261	9,231	5,359	3,822	3,184	1,650
Net interest income after provision for loan losses	130,037	104,686	144,867	118,786	71,111	55,369	44,631
Noninterest income	14,331	11,874	16,128	13,624	11,021	9,168	7,708
Noninterest expense	86,429	74,671	103,198	88,512	57,671	47,160	38,639
Income tax expense	19,174	13,664	19,011	14,920	4,661	n/a	n/a
Net income	38,765	28,225	38,786	28,978	19,800	17,377	13,700
Pro forma net income ⁽¹⁾ (unaudited)	n/a	n/a	n/a	n/a	16,174	12,147	9,357

Per Share Data (Common Stock)⁽²⁾

Earnings:														
Basic	\$	2.10	\$	1.64	\$	2.23	\$	1.86	\$	1.78	\$	2.23	\$	2.00
Diluted ⁽³⁾		2.09		1.63		2.21		1.85		1.77		2.23		2.00
Pro forma earnings: ⁽¹⁾ (unaudited)														
Basic		n/a		n/a		n/a		n/a		1.45		1.56		1.37
Diluted ⁽³⁾		n/a		n/a		n/a		n/a		1.44		1.56		1.37
Dividends ⁽⁴⁾		0.24		0.24		0.32		0.24		0.77		1.12		0.89
Book value ⁽⁵⁾		34.79		31.81		32.79		30.35		18.96		15.06		12.55
Tangible book value ⁽⁶⁾		20.03		17.72		17.85		16.15		15.89		11.19		10.53

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	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
<i>(dollars in thousands except per share)</i>							
	(unaudited)						
Selected Period End Balance Sheet Data							
Total assets	\$ 5,667,195	\$ 4,478,339	\$ 5,055,000	\$ 4,132,639	\$ 2,163,984	\$ 1,740,060	\$ 1,254,377
Cash and cash equivalents	589,600	353,950	293,279	324,047	93,054	102,290	56,654
Securities available for sale	267,860	200,188	273,463	206,062	194,038	113,355	93,991
Total loans (gross)	4,367,787	3,535,493	4,001,704	3,205,537	1,726,543	1,378,676	988,671
Allowance for loan losses	29,575	25,088	27,043	18,552	13,960	11,478	9,060
Noninterest-bearing deposits	1,143,479	884,272	1,071,656	818,022	302,756	259,664	168,849
Interest-bearing deposits	3,273,014	2,649,768	2,956,623	2,431,576	1,407,563	1,131,076	861,635
Borrowings (other than junior subordinated debentures)	577,974	334,485	371,283	306,147	195,214	201,118	118,086
Junior subordinated debentures ⁽⁷⁾	18,147	18,147	18,147	18,147	18,147	18,147	14,538
Series A preferred stock		23,938	23,938	23,938			
Total stockholders equity	643,253	568,257	603,371	540,851	233,722	124,510	85,997
Selected Performance Metrics⁽⁸⁾							
Return on average assets ⁽⁹⁾	0.96%	0.89%	0.88%	0.87%	1.04%	1.17%	1.16%
Return on average equity ⁽⁹⁾	8.25	7.04	6.83	6.65	9.90	16.54	17.36
Pro forma return on average assets ⁽¹⁾⁽⁹⁾ (unaudited)	n/a	n/a	n/a	n/a	0.85	0.82	0.79
Pro forma return on average equity ⁽¹⁾⁽⁹⁾ (unaudited)	n/a	n/a	n/a	n/a	8.09	11.56	11.86
Net interest margin ⁽¹⁰⁾	3.89	4.08	4.05	4.19	4.30	4.40	4.42
Efficiency ratio ⁽¹¹⁾	57.01	60.31	60.62	64.25	67.10	69.64	71.57

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Dividend payout ratio ⁽¹²⁾	11.43	14.63	14.35	12.90	14.20	11.89	13.26
Credit Quality Ratios							
Nonperforming assets to total assets	0.23%	0.34%	0.36%	0.36%	0.58%	1.59%	2.85%
Nonperforming loans to total loans ⁽¹³⁾	0.26	0.33	0.37	0.32	0.53	0.81	1.14
Allowance for loan losses to nonperforming loans ⁽¹³⁾	264.42	214.21	181.99	183.43	152.93	104.02	80.32
Allowance for loan losses to total loans	0.68	0.71	0.68	0.58	0.81	0.83	0.92
Net charge-offs to average loans outstanding (unaudited) ⁽⁸⁾	0.15	0.03	0.02	0.03	0.09	0.06	0.11
Capital Ratios							
Common equity Tier 1 Capital to risk-weighted assets ⁽¹⁴⁾	7.92%	8.26%	7.94%	n/a	n/a	n/a	n/a
Tier 1 capital to average assets	7.46	8.67	8.28	8.15%	10.71%	6.45%	6.89%
Tier 1 capital to risk-weighted assets ⁽¹⁴⁾	8.29	9.37	8.92	9.83	12.64	8.22	8.59
Total capital to risk-weighted assets ⁽¹⁴⁾	11.24	11.86	11.14	12.59	13.83	10.51	11.19
Total stockholders equity to total assets	11.35	12.69	11.94	13.09	10.80	7.16	6.86
Tangible common equity to tangible assets ⁽¹⁵⁾	6.86	7.15	6.87	7.07	9.21	5.42	5.81

(1) Prior to April 1, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation under the provisions of Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, and, as a result, Independent did not pay U.S. federal income taxes and has not been required to make any provision or recognize any liability for federal income tax in its consolidated financial statements for any period ending on or before March 31, 2013. As of April 1, 2013, Independent terminated its S corporation election and commenced being subject to federal income taxation as a C corporation. Independent has calculated its pro forma net income, pro forma earnings per share on a basic and diluted basis, pro forma return on average assets and pro forma return on average equity for each period presented by calculating a pro forma provision for federal income taxes using an assumed annual effective federal income tax rate of 33.9%, 30.1% and 31.7% for the years ended December 31, 2013, 2012 and 2011, respectively, and adjusting its historical net income for each period presented to give effect to the pro forma provision for federal income taxes for such period.

- (2) The per share amounts and the weighted-average shares outstanding for each of the periods shown have been adjusted to give effect to the 3.2-for-one split of the shares of Independent's common stock that was effective as of February 22, 2013.
- (3) Independent calculates its diluted earnings per share for each period shown as its net income divided by the weighted-average number of its common shares outstanding during the relevant period adjusted for the dilutive effect of its outstanding warrants to purchase shares of common stock. Earnings per share on a basic and diluted basis and pro forma earnings per share on a basic and diluted basis were calculated using the following outstanding share amounts, which includes participating shares (those shares with dividend rights):

	For the Nine Months Ended September 30,		2015	For the Year Ended December 31,			
	2016	2015		2014	2013	2012	2011
Weighted average shares outstanding basic	18,463,952	17,104,641	17,321,513	15,208,544	10,921,777	7,626,205	6,668,534
Weighted average shares outstanding diluted	18,542,612	17,189,802	17,406,108	15,306,998	10,990,245	7,649,366	6,675,078

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- (4) Dividends declared for the years ended December 31, 2013, 2012 and 2011 include quarterly cash distributions paid to its shareholders as to the three months ended March 31, 2013 and the years ended December 31, 2012 and 2011 to provide them with funds to pay their federal income tax liabilities incurred as a result of the pass-through of its net taxable income for such periods to its shareholders as holders of shares in an S corporation for federal income tax purposes. The aggregate amounts of such cash distributions relating to the payment of tax liabilities were \$0.52 per share, \$0.85 per share and \$0.63 per share for the years ended December 31, 2013, 2012 and 2011, respectively.
- (5) Book value per share equals its total common stockholders' equity (excludes preferred stock) as of the date presented divided by the number of shares of its common stock outstanding as of the date presented. The number of shares of its common stock outstanding as of September 30, 2016 and 2015, was 18,488,628 and 17,111,394, respectively, and as of December 31, 2015, 2014, 2013, 2012 and 2011 was 18,399,194 shares, 17,032,669 shares, 12,330,158 shares, 8,269,707 shares and 6,850,293 shares, respectively.
- (6) Independent calculates tangible book value per share as of the end of a period as total common stockholders' book value (excluding preferred stock) less goodwill and other intangible assets at the end of the relevant period divided by the outstanding number of shares of its common stock at the end of that period. Tangible book value is a non-GAAP financial measure, and, as Independent calculates tangible book value, the most directly comparable GAAP financial measure is total stockholders' equity. Independent believes that the presentation of tangible book value per share provides useful information to investors regarding its financial condition because, as do its management, banking regulators, many financial analysts and other investors, you can use the tangible book value in conjunction with more traditional bank capital ratios to assess its capital adequacy without the effect of its goodwill and other intangible assets and compare its capital adequacy with the capital adequacy of other banking organizations with significant amounts of goodwill and/or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisition. A reconciliation of tangible book value to total stockholders' equity is presented below.
- (7) Each of five wholly owned, but nonconsolidated, subsidiaries of Independent Bank Group holds a series of its junior subordinated debentures purchased by the subsidiary in connection with, and paid for with the proceeds of, the issuance of trust preferred securities by that subsidiary. Independent has guaranteed the payment of the amounts payable under each of those issues of trust preferred securities.
- (8) The values for the selected performance metrics and for the net charge-offs to average loans outstanding ratio presented for the nine months ended September 30, 2016 and 2015, other than the dividend payout ratio, are annualized.
- (9) Independent has calculated its return on average assets and return on average equity for a period by dividing net income for that period by its average assets and average equity, as the case may be, for that period. Independent has calculated its pro forma return on average assets and pro forma return on average equity for a period by calculating its pro forma net income for that period as described in note 1 above and dividing that by its average assets and average equity, as the case may be, for that period. Independent calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total stockholders' equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period. Independent calculates its return on average common equity by excluding the preferred stock dividends to derive our net income available to common stockholders and excluding the average balance of our Series A preferred stock from the total average equity to derive its common average equity. Independent calculates its return on average common equity by excluding the preferred stock dividends to derive its net income available to common stockholders and excluding the average balance of our Series A preferred stock from the total average equity to derive its common average equity.
- (10) Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.
- (11) Efficiency ratio for a period represents noninterest expenses for that period divided by the sum of net interest income and noninterest income for that period.

- (12) Independent calculates dividend payout ratio for each period presented as the dividends paid per share for such period (excluding cash distributions made to shareholders in connection with tax liabilities as described in note (4) above) divided by its basic earnings per share for such period.
- (13) Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest, and accruing loans modified under troubled debt restructurings.
- (14) Prior to 2015, Independent calculated its risk-weighted assets using the standardized method of the Basel II Framework, as implemented by the Federal Reserve and the FDIC. Beginning January 1, 2015, Independent calculated its risk-weighted assets using the Basel III Framework. The common equity tier 1 capital to risk-weighted assets ratio was a new ratio required under the Basel III Framework, effective January 1, 2015. This ratio is not applicable for periods prior to January 1, 2015. Independent calculates common equity as of the end of the period as total stockholders' equity less the preferred stock at period end.
- (15) Independent calculates tangible common equity as of the end of a period as total common stockholders' equity (excluding preferred stock) less goodwill and other intangible assets as of the end of the period and calculate tangible assets as of the end of a period as total assets less goodwill and other intangible assets as of the end of the period. Tangible common equity to tangible assets is a non-GAAP financial measure, and as Independent calculates tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total stockholders' equity to total assets. Independent believes that the presentation of tangible common equity to tangible assets provides useful information to investors regarding its financial condition because, as do its management, banking regulators, many financial analysts and other investors, you can use the tangible common equity in conjunction with more traditional bank capital ratios to assess its capital adequacy without the effect of its goodwill and core deposit intangibles and compare its capital adequacy with the capital adequacy of other banking organizations with significant amounts of goodwill and/or core deposit intangibles. A reconciliation of the ratios of tangible common equity to tangible assets to the ratios of total stockholders' equity to total assets is presented below.

Table of Contents**Reconciliations of Non-GAAP Financial Measures**

The following information reconciles: (i) Independent's tangible book value per common share, a non-GAAP financial measure, as of the dates presented to Independent's book value per common share, a financial measure calculated and presented in accordance with GAAP, as of the dates presented; and (ii) its ratio of tangible common equity to tangible assets, a non-GAAP financial measure, as of the dates presented to Independent's ratios of total common equity to total assets, a financial measure calculated and presented in accordance with GAAP, as of the dates presented.

	September 30		December 31				
	2016	2015	2015	2014	2013	2012	2011
	(unaudited)						
<i>(dollars in thousands except per share)</i>							
Tangible Common Equity							
Total common equity	\$ 643,253	\$ 544,319	\$ 603,371	\$ 516,913	\$ 233,772	\$ 124,510	\$ 85,997
Adjustments:							
Goodwill	(258,319)	(229,818)	(258,643)	(229,457)	(34,704)	(28,742)	(11,222)
Core deposit intangibles	(14,669)	(11,353)	(16,357)	(12,455)	(3,148)	(3,251)	(2,664)
Tangible Common Equity	\$ 370,265	\$ 303,148	\$ 328,371	\$ 275,001	\$ 195,920	\$ 92,517	\$ 72,111
Common shares outstanding	18,488,628	17,111,394	18,399,194	17,032,669	12,330,158	8,269,707	6,850,293
Book value per common share	\$ 34.79	\$ 31.81	\$ 32.79	\$ 30.35	\$ 18.96	\$ 15.06	\$ 12.55
Tangible book value per common share	20.03	17.42	17.85	16.15	15.89	11.19	10.53
Tangible Assets	\$ 5,667,195	\$ 4,478,339	\$ 5,055,000	\$ 4,132,639	\$ 2,163,984	\$ 1,740,060	\$ 1,254,377

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Total assets GAAP							
Adjustments:							
Goodwill	(258,319)	(229,818)	(258,643)	(229,457)	(34,704)	(28,742)	(11,222)
Core deposit intangibles	(14,669)	(11,353)	(16,357)	(12,455)	(3,148)	(3,251)	(2,664)
Tangible Assets	\$ 5,394,207	\$ 4,237,168	\$ 4,780,000	\$ 3,890,727	\$ 2,126,132	\$ 1,708,067	\$ 1,240,491
Total common equity to total assets	11.35%	12.15%	11.94%	12.51%	10.80%	7.16%	6.86%
Tangible common equity to tangible assets	6.86	7.15	6.87	7.07	9.21	5.42	5.81

Table of Contents**Selected Financial Information of Carlile**

The following selected historical consolidated financial information of Carlile as of and for the nine months ended September 30, 2016 and 2015, has been derived from Carlile's unaudited financial statements, which Carlile's management believes reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of and for the periods ended on such dates, regulatory filings made by Carlile, and from other information provided by Carlile. The following selected historical consolidated financial information of Carlile as of and for each of the five years ended December 31, 2015, has been derived from Carlile's audited financial statements, regulatory filings made by Carlile, and from other information provided by Carlile. You should read the following selected financial information relating to Carlile in conjunction with other information appearing elsewhere in this prospectus or incorporated by reference herein, including the information set forth under Carlile Management's Discussion and Analysis of Carlile's Financial Condition and Results of Operations beginning on page 178 and the consolidated financial statements of Carlile and related accompanying notes appearing after page 236 hereof.

	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
	(unaudited)						
<i>(dollars in thousands except per share)</i>							
Selected Income Statement Data							
Interest income	\$ 65,352	\$ 65,081	\$ 86,255	\$ 80,989	\$ 75,254	\$ 32,439	\$ 10,476
Interest expense	3,849	3,390	4,538	4,947	6,172	3,109	795
Net interest income	61,503	61,691	81,717	76,042	69,082	29,330	9,681
Provision for loan losses	1,546	1,803	2,218	4,222	9,135	2,672	2,314
Net interest income after provision for loan losses	59,957	59,888	79,499	71,820	59,947	26,658	7,367
Noninterest income	21,420	20,627	25,869	24,657	22,711	8,741	(131)
Noninterest expense	57,496	56,888	75,084	76,459	75,989	34,601	10,007
Net income	17,294	16,561	22,287	13,885	3,450	5,530	(2,771)
Per Share Data (Common Stock)⁽¹⁾							
Earnings:							
Basic ⁽¹⁾	\$ 0.48	\$ 0.47	\$ 0.62	\$ 0.43	\$ 0.20	\$ 0.44	\$ (0.68)
Diluted	0.48	0.47	0.62	0.43	0.20	0.44	(0.68)
Dividends	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Book value ⁽²⁾	10.92	11.28	11.38	10.75	10.26	10.15	9.13

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Tangible book value ⁽³⁾	7.42	7.75	7.85	7.18	7.84	7.17	6.80
Selected Period End Balance Sheet Data							
Total assets	\$ 2,320,317	2,316,328	\$ 2,341,230	\$ 2,389,778	\$ 1,791,779	\$ 1,988,986	\$ 305,312
Cash and cash equivalents	114,853	224,969	250,246	195,348	242,266	383,291	76,112
Securities available for sale	369,219	408,948	405,722	428,512	247,879	210,659	61,089
Total loans (gross)	1,530,836	1,399,977	1,390,535	1,443,869	1,039,019	1,086,225	129,859
Allowance for loan losses	(15,675)	(14,308)	(14,479)	(12,780)	(10,110)	(3,365)	(1,578)
Goodwill and core deposit intangible	125,755	127,522	127,051	128,936	76,625	89,798	13,581
Other real estate owned	7,092	9,983	8,862	17,387	27,104	29,806	4,480
Noninterest-bearing deposits	652,286	622,202	638,092	615,899	371,863	351,859	84,753
Interest-bearing deposits	1,219,727	1,248,526	1,255,788	1,348,926	1,103,922	1,228,203	162,073
FHLB advances	21,300	0	0	0	0	0	0
Total shareholders equity	382,768	394,898	398,282	376,083	270,053	267,086	48,577
Total equity	382,768	399,411	402,885	380,318	274,526	273,617	48,577
Selected Performance Metrics⁽⁴⁾							
Return on average assets ⁽⁵⁾	1.00%	0.96%	0.94%	0.69%	0.28%	0.73%	(1.50)%
Return on average equity ⁽⁵⁾	5.94	5.77	5.54	4.08	1.92	5.13	(2.54)
Net interest margin ⁽⁶⁾	4.23	4.15	4.11	4.74	4.46	4.49	5.85
Efficiency ratio ⁽⁷⁾	69.35	69.11	69.80	75.97	82.78	90.89	102.20

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	As of and for the Nine Months Ended September 30, 2016 2015 (unaudited)		As of and for the Year Ended December 31, 2015 2014 2013 2012 2011				
	<i>(dollars in thousands except per share)</i>						
Credit Quality Ratios							
Nonperforming assets to total assets	0.91%	0.84%	0.89%	1.05%	1.82%	1.60%	1.77%
Nonperforming loans to total loans ⁽⁸⁾	0.91	0.93	0.86	0.54	0.54	0.18	0.67
Allowance for loan losses to nonperforming loans ⁽⁸⁾	112.59	110.23	121.19	165.29	181.54	168.17	182.01
Allowance for loan losses to total loans	1.02	1.02	1.04	0.89	0.97	0.31	1.22
Net charge-offs to average loans outstanding	0.03	0.05	0.04	0.14	0.24	0.25	0.83
Capital Ratios							
Common equity Tier 1 capital to risk-weighted assets							
Tier 1 capital to average assets	12.19%	12.80%	13.16%	11.19%	11.59%	11.24%	11.79%
Tier 1 capital to risk-weighted assets ⁽⁹⁾	14.82	16.53	16.73	15.93	16.35	16.21	21.96
Total capital to risk-weighted assets ⁽⁹⁾	15.70	17.39	18.36	16.74	17.19	16.48	22.87
Tangible equity to tangible assets ⁽²⁾	11.85	12.57	12.60	11.28	12.17	10.19	12.33

(1) Carlile calculates its diluted earnings per share for each period shown as its net income divided by the weighted-average number of its common shares outstanding during the relevant period adjusted for the dilutive effect of outstanding options to purchase shares of its common stock. Earnings per share on a basic and diluted basis were calculated using the following outstanding share amounts:

	As of September 30, 2016 2015		As of December 31, 2015 2014 2013 2012 2011				
	Weighted average shares outstanding basic	35,051,650	34,995,590	34,995,704	30,357,224	26,313,997	12,451,136
Weighted average shares outstanding diluted	35,405,412	35,280,166	35,278,116	30,633,921	26,426,600	12,451,136	4,029,994

(2) Book value per share equals Carlile's total shareholders' equity as of the date presented divided by the number of Carlile common shares outstanding as of the date presented. The number of Carlile common shares outstanding as

of September 30, 2016 and 2015, was 35,064,719 and 34,995,044, respectively, and as of December 31, 2015, 2014, 2013, 2012 and 2011 was 34,996,044 shares, 34,995,044 shares, 26,313,997 shares, 26,313,997 shares and 5,318,953 shares, respectively.

- (3) Carlile calculates tangible book value per share as of the end of any period as total shareholders' equity less goodwill and other intangible assets (net of any related deferred tax assets and liabilities) as of the end of the relevant period divided by the outstanding number of shares of its common stock at the end of that period. Tangible book value is a non-GAAP financial measure, and, as Carlile calculates tangible book value, the most directly comparable GAAP financial measure is total shareholders' equity. Carlile calculates tangible assets as of the end of any period as total assets less goodwill and other intangible assets (net of any related deferred tax assets and liabilities) as of the end of the relevant period. Tangible assets is a non-GAAP financial measure, and, as Carlile calculates tangible assets, the most directly comparable GAAP financial measure is tangible assets. Carlile calculates tangible common equity as of the end of any period as total shareholders' equity less goodwill and other intangible assets (net of any related deferred tax assets and liabilities) as of the end of the relevant period divided by total assets less good will and other intangible assets (net of any related deferred tax assets and liabilities) at the end of that period. The ratio of tangible common equity to tangible assets is a non-GAAP financial measure, and, as Carlile calculates this ratio, the most directly comparable GAAP financial measure is total shareholders' equity to total assets. Carlile's management believes that these non-GAAP financial measures are important information to be provided to you because, as do its management, banking regulators, many financial analysts and other investors, you can use the tangible book value per common share and the ratio of tangible common equity to tangible assets in conjunction with more traditional bank capital ratios to assess Carlile's capital adequacy without the effect of its goodwill and other intangible assets (net of any related deferred tax assets and liabilities) and compare its capital adequacy with the capital adequacy of other banking organizations with significant amounts of goodwill and/or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions.

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The following table presents, as of the dates set forth below, Carlile's total assets, tangible assets, total common equity, total shareholders' equity and tangible common equity and presents reconciliations of Carlile's tangible book value per common share to its book value per common share and of its ratio of tangible common equity to tangible assets to its ratio of total shareholders' equity to total assets:

	As of September 30,		As of December 31,				
	2016	2015	2015	2014	2013	2012	2011
<i>(dollars in thousands except per share data)</i>							
Tangible Assets	\$	\$	\$	\$	\$	\$	\$
Total Assets	2,320,317	2,316,328	2,341,230	2,389,778	1,791,779	1,988,986	305,312
Adjustments							
Goodwill, net	117,021	117,124	117,092	117,243	59,181	73,012	10,947
Core deposit intangibles, net	5,271	6,659	6,309	7,703	5,032	6,054	1,529
Tangible assets	\$ 2,198,025	\$ 2,192,545	\$ 2,217,829	\$ 2,264,832	\$ 1,727,566	\$ 1,909,920	\$ 292,836
Tangible Common Equity							
Total shareholders equity	\$ 382,768	\$ 394,898	\$ 398,282	\$ 376,083	\$ 270,053	\$ 267,086	\$ 48,577
Adjustments:							
Goodwill, net	117,021	117,124	117,092	117,243	59,181	73,012	10,947
Core deposit intangibles, net	5,271	6,659	6,309	7,703	5,032	6,054	1,529
Tangible common equity	\$ 260,476	\$ 271,115	\$ 274,881	\$ 251,137	\$ 205,840	\$ 188,020	\$ 36,101
Common shares outstanding ^(a)	35,064,719	34,995,044	34,996,044	34,995,044	26,313,997	26,313,997	5,318,953
Book value per common share	\$ 10.92	\$ 11.28	\$ 11.38	\$ 10.75	\$ 10.26	\$ 10.15	\$ 9.13
Tangible book value per common share	7.43	7.75	7.85	7.18	7.82	7.15	6.79
	16.50%	17.24%	17.21%	15.91%	15.32%	13.76%	15.91%

Total equity to total assets							
Tangible common equity to tangible assets	11.85	12.37	12.39	11.09	11.92	9.84	12.33

(a) Carlile calculates the common shares outstanding as set forth in note (2) above.

- (4) The values for the selected performance metrics presented for the nine months ended September 30, 2016 and 2015, are annualized.
- (5) Carlile has calculated its return on average assets and return on average equity for a period by dividing net income for that period by its average assets and average equity, as the case may be, for that period. Carlile calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total shareholder's equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period.
- (6) Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.
- (7) Efficiency ratio for a period represents noninterest expenses for that period divided by the sum of net interest income and noninterest income for that period, excluding realized gains or losses from sales of investment securities for that period.
- (8) Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest, and accruing loans modified under troubled debt restructurings.
- (9) Carlile calculates its risk-weighted assets using the standardized method of the Basel III Framework, as implemented by the FDIC.

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Unaudited Pro Forma Combined Financial Information

Independent has prepared the unaudited pro forma consolidated income statements appearing below to present on a pro forma basis the consolidated income statements of Independent assuming that the acquisition of Carlile was consummated on January 1, 2015, and to provide information with respect to the pro forma consolidated results of operations that Independent would have had for the year ended December 31, 2015, and the nine months ended September 30, 2016, had the merger with Carlile been consummated on January 1, 2015. The merger of Independent and Carlile will be accounted for as an acquisition of Carlile and Northstar Bank by Independent and Independent Bank under the acquisition method of accounting in accordance with the Financial Accounting Standard Board's Accounting Standard Codification Topic 805, Business Combinations. The unaudited pro forma combined financial statements of Independent and the other pro forma combined financial information appearing below have been prepared using the acquisition method of accounting. Such unaudited pro forma combined financial statements and other unaudited pro forma combined financial information are not necessarily indicative of the results that might have occurred had the merger taken place on January 1, 2015, for statement of income purposes and on September 30, 2016, for balance sheet purposes, and is not intended to be a projection of future results. Historical results for any prior period are not necessarily indicative of results to be expected in any future period, and historical results for the nine months ended September 30, 2016, are not necessarily indicative of its results to be expected for all of 2016. Future results may differ materially from the results reflected because of various factors, including those discussed in the section entitled Risk Factors beginning on page 54 and appearing under the caption Risk Factors in Independent's most recently filed Annual Report on Form 10-K, which is incorporated by reference in this joint proxy statement/prospectus, and the factors discussed under the caption Cautionary Note Regarding Forward-Looking Statements appearing elsewhere in this joint proxy statement/prospectus.

The selected unaudited pro forma combined income statement data for the nine months ended September 30, 2016, and the year ended December 31, 2015, appearing below gives effect to the merger as if the merger had been completed on January 1, 2015 and includes the 400,000 shares of Independent common stock issued and sold by Independent for cash in the aggregate net amount of \$19,950,000 (after underwriting discounts) on November 29, 2016, as well as 8,825,790 shares of Independent common stock assumed to be issued in the merger.

Table of Contents**Pro Forma Consolidated Income Statement****(Unaudited)****Nine Months Ended September 30, 2016**

	Independent	Carlile	Pro Forma Adjustments	Pro Forma Independent with Carlile
<i>(dollars in thousands except per share)</i>				
Interest income				
Interest and fees on loans	\$ 151,522	\$ 58,717	\$ 3,563 ^(a)	\$ 213,802
Interest on securities	3,356	5,865		9,221
Interest on other	1,267	770		2,037
Total interest income	156,145	65,352	3,563	225,060
Interest expense				
Interest on deposits	11,623	3,216		14,839
Interest on other borrowings	7,242	633		7,875
Total interest expense	18,865	3,849		22,714
Net interest income	137,280	61,503	3,563	202,346
Provision for loan losses	7,243	1,546		8,789
Net interest income after provision	130,037	59,957	3,563	193,557
Noninterest income				
Service charges	5,287	3,095		8,382
Mortgage fee income	5,319	10,075		15,394
Gain on sale of assets	93	1,102		1,195
Other	3,632	7,148		10,780
Total noninterest income	14,331	21,420		35,751
Noninterest expense				
Salaries and employee benefits	51,644	33,075		84,719
Occupancy	12,119	7,369		19,488
Merger expenses	732	550		1,282
Other	21,934	16,502	557 ^(b)	38,993
Total noninterest expense	86,429	57,496	557	144,482
Income before taxes	57,939	23,881	3,006	84,826
Income tax expense	19,174	6,587	1,052 ^(c)	26,813
Net income	38,765	17,294	1,954	58,013
Net income attributable to noncontrolling interest		(315)		(315)

Net income to shareholders	\$	38,765	\$	16,979	\$	1,954	\$	57,698
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Pro Forma Combined Per Share Data (Common Stock)⁽¹⁾

Earnings:								
Basic	\$	2.10			\$	2.08		
Diluted ⁽²⁾		2.09				2.08		
Dividends		0.24				0.24		
Book value ⁽³⁾		34.79				45.01		
Tangible book value ⁽⁴⁾		20.03				20.11		
Weighted average shares outstanding: ⁽²⁾								
Basic		18,463,952				27,689,742		
Diluted		18,542,612				27,768,401		

Pro forma adjustments:

- (a) Adjustment to interest income for accretion on Carlisle acquired loans based on expected fair market value adjustment to such loans.
- (b) Expected amortization of additional core deposit intangible of \$7.4 million is based on a 10 year life using the straight-line amortization method.
- (c) Tax adjustment related to other pro forma adjustments is calculated at a 35% rate.

Table of Contents**Pro Forma Consolidated Income Statement**

	Year Ended December 31, 2015			
	Independent	Carlile	Pro Forma Adjustments	Pro Forma Independent with Carlile
<i>(dollars in thousands except per share)</i>				
Interest income				
Interest and fees on loans	\$ 169,504	\$ 76,985	\$ 4,750 ^(a)	\$ 251,239
Interest on securities	3,951	8,409		12,360
Interest on other	572	861		1,433
Total interest income	174,027	86,255	4,750	265,032
Interest expense				
Interest on deposits	12,024	3,799		15,823
Interest on other borrowings	7,905	739		8,644
Total interest expense	19,929	4,538		24,467
Net interest income	154,098	81,717	4,750	240,565
Provision for loan losses	9,231	2,218		11,449
Net interest income after provision	144,867	79,499	4,750	229,116
Noninterest income				
Service charges	6,898	4,487		11,385
Mortgage fee income	5,269	10,956		16,225
Gain on sale of assets	540			540
Other	3,421	10,426		13,847
Total noninterest income	16,128	25,869		41,997
Noninterest expense				
Salaries and employee benefits	60,541	42,940		103,481
Occupancy	16,058	10,178		26,236
Merger expenses	1,420	66		1,486
Other	25,179	21,900	743 ^(b)	47,822
Total noninterest expense	103,198	75,084	743	179,025
Income before taxes	57,797	30,284	4,007	92,088
Income tax expense	19,011	7,997	1,402 ^(c)	28,410
Net income	38,786	22,287	2,605	63,678
Net income attributable to noncontrolling interest		(627)		(627)

Net income	\$	38,786	\$	21,660	\$	2,605	\$	63,051
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**Pro Forma Combined Per Share Data
(Common Stock)⁽¹⁾**

Earnings:								
Basic	\$	2.23			\$	2.38		
Diluted ⁽²⁾		2.21				2.37		
Dividends		0.32				0.32		
Book value ⁽³⁾		32.79				43.72		
Tangible book value ⁽⁴⁾		17.85				18.65		
Weighted average shares outstanding: ⁽²⁾								
Basic		17,321,513				26,547,303		
Diluted		17,406,108				26,631,898		

Pro forma adjustments:

- (a) Adjustment to interest income for accretion on Carlisle acquired loans based on expected fair market value adjustment to such loans.

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(b) Expected amortization of additional core deposit intangible of \$7.4 million is based on a 10 year life using the straight-line amortization method.

(c) Tax adjustment related to other pro forma adjustments is calculated at a 35% rate.

Footnotes to Pro Forma Consolidated Income Statements

(1) The per share amounts and the weighted average shares outstanding for each of the periods shown have been adjusted to give effect to the 400,000 shares of our common stock sold on November 29, 2016 and the assumed issuance of a total of 8,825,790 shares of Independent common stock to Carlile's shareholders in the merger, effective as of January 1, 2015.

(2) The pro forma combined diluted earnings per share for each period presented are calculated as the pro forma combined net income for the relevant period divided by the weighted average number of Independent's common shares outstanding during that period adjusted for the dilutive effect of outstanding warrants to purchase shares of Independent common stock, adjusted to give effect to the 400,000 shares of Independent common stock sold on November 29, 2016 and adjusted for the assumed issuance of a total of 8,825,790 shares of Independent common stock to Carlile's shareholders in the merger, effective as of January 1, 2015. See Note 1 to Independent's consolidated financial statements appearing in Independent's most recently filed Annual Report on Form 10-K, which is incorporated by reference in this prospectus, for more information regarding the dilutive effect of Independent's outstanding warrants and regarding certain nonvested shares of common stock, the effect of which is anti-dilutive. The pro forma combined earnings per share on a basic and diluted basis were calculated using the following outstanding share amounts:

	Independent		Pro Forma with Carlile	
	As of September 30, 2016 (unaudited)	As of December 31, 2015 (unaudited)	As of September 30, 2016 (unaudited)	As of December 31, 2015 (unaudited)
Weighted average shares outstanding basic	18,463,952	17,321,513	27,689,742	26,547,303
Weighted average shares outstanding diluted	18,542,612	17,406,108	27,768,401	26,631,898

(3) Book value per share equals the pro forma combined total stockholders' equity as of the date presented divided by the number of shares of Independent common stock outstanding as of the date presented adjusted to give effect to the issuance of 400,000 shares of Independent common stock issued and sold on November 29, 2016, and the assumed issuance of 8,825,790 shares of Independent common stock to Carlile's shareholders in the merger, effective as of January 1, 2015. The pro forma number of shares of Independent common stock outstanding as of September 30, 2016, and December 31, 2015, was 27,714,418 and 27,624,984 shares, respectively.

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(4) As discussed above in Note (6) to the tabular presentation in Certain Financial Information Regarding Independent and Carlile Selected Financial Information of Independent on page 36, tangible book value per common share is a non-GAAP financial measure. Independent's management believes that such information is important information to be provided to you because, as do its management, banking regulators, many financial analysts and other investors, you can use the tangible book value per common share in conjunction with more traditional bank capital ratios to assess, on a pro forma basis, the combined companies' capital adequacy without the effect of goodwill and other intangible assets and compare that capital adequacy with the capital adequacy of other banking organizations with significant amounts of goodwill and/or other intangible assets. Book value per common share is the most directly comparable financial measure calculated in accordance with GAAP. The following table presents, as of the dates set forth below, on a pro forma combined basis, the total stockholders' equity and tangible common equity of the combined companies and presents a reconciliation of the pro forma combined tangible book value per common share compared to the pro forma combined book value per common share:

	Independent ^(a)		Pro Forma with Carlile ^(a)	
	As of September 30, 2016 (unaudited)	As of December 31, 2015 (unaudited)	As of September 30, 2016 (unaudited)	As of December 31, 2015 (unaudited)
<i>(dollars in thousands except per share data)</i>				
Tangible common equity				
Total common stockholders' equity	\$ 643,253	\$ 603,371	\$ 1,247,543	\$ 1,207,661
Adjustments:				
Goodwill	(258,319)	(258,643)	(660,033)	(660,357)
Core deposit intangibles	(14,669)	(16,357)	(30,292)	(31,980)
Tangible common equity	\$ 370,265	\$ 328,371	\$ 557,218	\$ 515,324
Common shares outstanding ^(b)	18,488,628	18,399,194	27,714,418	27,624,984
Book value per common share	\$ 34.79	\$ 32.79	\$ 45.01	\$ 43.72
Tangible book value per common share	20.03	17.85	20.11	18.65

(a) Pro forma balance sheet includes adjustments to record acquired assets and liabilities at estimated fair value as of the dates presented. These estimates of the fair values of the acquired assets and liabilities for inclusion in Independent's consolidated financial statements as of dates on or after the effective date of the merger will be adjusted once final third party valuations are performed as of the actual effective time of the merger.

(b) The pro forma number of common shares outstanding are calculated as set forth in note (5) above. Independent has prepared the unaudited pro forma consolidated balance sheet appearing below to present on a pro forma basis the consolidated balance sheet of Independent assuming that the acquisition of Carlile was consummated on September 30, 2016, and to provide information with respect to the pro forma consolidated the financial condition that Independent would have had as of that date had the merger with Carlile been consummated on such date. When preparing the unaudited pro forma consolidated balance sheet appearing below, to determine the number of shares of Independent common stock that would be issued to the Carlile shareholders in the merger, Independent has assumed that its average daily volume-weighted stock price for the twenty trading days ending with and including the third trading day prior to the closing of the merger was its closing stock price on February 16, 2017, which was \$66.70. Based on that assumed stock price, an aggregate of 8,825,790 shares of Independent common stock would have been issued to the Carlile shareholders in the merger.

The unaudited pro forma combined balance sheet information as of September 30, 2016, appearing below gives effect to the merger as if the merger was completed on September 30, 2016. You should read this information in conjunction with the other information contained or incorporated by reference in this joint proxy statement/prospectus including

Selected Financial Information of Independent, Selected Financial Information of Carlile, and Carlile's consolidated financial statements, related notes and Carlile management's discussion and analysis of Carlile's financial condition and results of operations appearing elsewhere in this joint proxy statement/prospectus and the consolidated financial statements of Independent, the related accompanying

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notes and Independent management's discussion and analysis of Independent's financial condition and results of operations that are incorporated by reference in this joint proxy statement/prospectus as described above and under the caption "Incorporation of Certain Documents by Reference" below.

Pro Forma Consolidated Balance Sheet**(unaudited)**

<i>(dollars in thousands)</i>	Independent As of September 30, 2016	Carlile As of September 30, 2016	Purchase Accounting Adjustment		Pro Forma Independent with Carlile Consolidated As of September 30, 2016
			Debits	Credits	
Assets:					
Cash and cash equivalents	\$ 589,600	\$ 114,853	\$ 19,950 ^(h)	\$ 83,492 ^{(f)(i)(j)}	\$ 640,911
Certificates of deposit held in other banks		13,525			13,525
Securities available for sale	267,860	369,219			637,079
Loans held for sale	7,097	16,853			23,950
Loans (gross)	4,358,792	1,530,836		19,000 ^(a)	5,870,628
Allowance for loan losses	(29,575)	(15,675)	15,675 ^(b)		(29,575)
Premises and equipment, net	89,928	62,286	2,633 ^(c)		154,847
Other real estate	2,083	7,092			9,175
Goodwill	258,319	117,564	284,150 ^(e)		660,033
Core deposit intangible, net	14,669	8,191	7,432 ^(d)		30,292
Deferred tax asset	5,349	14,300		5,826 ^(g)	13,823
Other assets	103,073	81,273			184,346
Total Assets	\$ 5,667,195	\$ 2,320,317	\$ 329,840	\$ 108,318	\$ 8,209,034
Liabilities and Stockholders					
Equity					
Deposits:					
Noninterest bearing	\$ 1,143,479	\$ 652,286	\$	\$	\$ 1,795,765
Interest bearing	3,273,014	1,219,727			4,492,741
Total deposits	4,416,493	1,872,013			6,288,506
FHLB advances	470,765	21,300			492,065
Repurchase agreements		20,572			20,572
Other borrowings	107,209				107,209
Junior subordinated debentures ⁽¹⁾	18,147	12,342			30,489
Other liabilities	11,328	11,322			22,650

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Total Liabilities	5,023,942	1,937,549			6,961,491
Stockholders' equity:					
Total Stockholders' Equity	643,253	382,768	382,768 ^(f)	604,290 ^{(h)(i)(j)}	1,247,543
Total Liabilities and Stockholders' Equity	\$ 5,667,195	\$ 2,320,317	\$ 382,768	\$ 604,290	\$ 8,209,034

Pro forma adjustments

- (a) Estimated fair market value adjustment on the acquired loan portfolio.
- (b) Eliminate Carlisle's allowance for loan loss.
- (c) Estimated fair market value adjustment on premises acquired.
- (d) Estimated core deposit intangible at 1% of the acquired non time deposits.
- (e) Record goodwill for amount of consideration and liabilities assumed over fair value of the assets received.

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- (f) Eliminate Carlile capital accounts. Assumes Carlile distributes permitted dividend of up to \$55.25 million on September 30, 2016 and has \$200 million in adjusted tangible equity (as calculated pursuant to the reorganization agreement) after transaction expenses.
- (g) Estimated fair market value adjustment on acquired deferred assets and record tax effect of purchase accounting adjustments at 35%.
- (h) Record sale of 400,000 shares of Independent Bank Group's common stock, net of cost.
- (i) Record transaction expenses at 1% of the aggregate merger consideration.
- (j) Issue approximately 8,825,790 shares of our common stock (assuming an Average Stock Price of \$66.70 per share) to former Carlile shareholders and pay \$22.1 million in cash to Carlile option holders for a total consideration of \$610.8 million. The estimated fair values of the assets acquired and liabilities assumed in the merger are as follows:

<i>(dollars in thousands)</i>	
Assets of acquired bank:	
Cash and cash equivalents	\$ 57,840
Certificates of deposit held in other banks	13,525
Securities available for sale	369,219
Loans	1,528,689
Premises and equipment	64,919
Core deposit intangible	15,623
Goodwill	401,714
Other real estate	7,092
Deferred tax asset	8,474
Other assets	81,273
Total assets acquired	2,548,368
Liabilities of acquired bank:	
Deposits	\$ 1,872,013
FHLB advances	21,300
Junior subordinated debentures	12,342
Other liabilities	31,894
Total liabilities assumed	1,937,549
Net assets acquired	\$ 610,819
Common stock issued	\$ 588,680
Cash paid	22,139
Total purchase price	\$ 610,819

Fair value estimates for loans, deposits, premises and the core deposit intangible are subject to adjustment upon receipt of third party appraisals.

Comparative Historical and Unaudited Pro Forma Per Share Financial Data

The following table presents: (1) historical per share information for Independent; (2) historical per share information for Carlile; (3) pro forma per share information of the combined company after giving effect to the merger; and (4) equivalent pro forma per share information for Carlile.

The combined company pro forma per share information was derived by combining information from the historical financial information presented above under Selected Financial Information of Independent, Selected Financial Information of Carlile and Selected Unaudited Pro Forma Combined Financial

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Information. You should read this table together with the financial information discussed under those headings and the consolidated financial statements of Independent and the consolidated financial statements of Carlile incorporated by reference in this joint proxy statement/prospectus. You should not rely on the pro forma per share information as being necessarily indicative of actual results had the merger been effective on January 1, 2015, for purposes of net income per share data, and September 30, 2016, for purposes of book value per share data.

The information appearing in the column captioned **Combined Pro Forma** in the table below was prepared assuming that 8,825,790 shares of Independent common stock were issued to the shareholders of Carlile in the merger as of January 1, 2015, for purposes of net income per share data, and September 30, 2016, for purposes of book value per share data. The information appearing in the column captioned **Per Equivalent Carlile Share** was obtained by multiplying the pro forma amounts by 0.2517, the assumed Carlile Share Exchange Ratio at which shares of Independent common stock will be exchanged for a share of Carlile common stock in connection with the merger. Such assumed Carlile Share Exchange Ratio has been calculated based on the assumption that 35,064,719 shares of Carlile voting and non-voting common stock were outstanding on the date indicated, which is the expected number of shares to be outstanding at the effective time of the merger (assuming that none of the outstanding options to purchase shares of Carlile common stock will be exercised for cash prior to the effective time of the merger). The exact number of shares of Carlile common stock issued and outstanding immediately prior to the effective time of the merger cannot be determined with complete precision because Independent and Carlile cannot know whether the holders of options to purchase shares of Carlile common stock will elect to exercise those options into shares of Carlile common stock prior to the effective time of the merger and to what extent, if any, there will be an adjusted tangible equity adjustment if the adjusted tangible equity of Carlile is less than \$200 million on the effective date of the merger.

	Independent (unaudited)	Carlile (unaudited)	Combined Pro Forma (unaudited)	Per Equivalent Carlile Share (unaudited)
Book value per share⁽¹⁾:				
At September 30, 2016	\$ 34.79	\$ 10.92	\$ 45.01	\$ 11.33
Cash dividends declared per share:				
Nine months ended September 30, 2016	\$ 0.24	\$ 1.00	\$ 0.24	\$ 0.06
Year ended December 31, 2015	0.32	0.00	0.32	0.08
Basic net income per share:				
Nine months ended September 30, 2016	\$ 2.10	\$ 0.48	\$ 2.08	\$ 0.52
Year ended December 31, 2015	2.23	0.62	2.38	0.60
Diluted net income per share:				
Nine months ended September 30, 2016	\$ 2.09	\$ 0.48	\$ 2.08	\$ 0.52
Year ended December 31, 2015	2.21	0.61	2.37	0.60

- (1) The pro forma combined book value per share of Independent common stock is based upon the pro forma combined common stockholders' equity for Independent and Carlile as of September 30, 2016, divided by total pro forma common shares of Independent issued and outstanding as of that date assuming the merger was effective as of September 30, 2016, and 9,225,790 shares of the Independent common stock in the aggregate were issued in connection with the merger (including the 400,000 shares of Independent common stock issued and sold on November 29, 2016 and the assumed issuance of 8,825,790 shares of Independent common stock in

connection with the merger) as of September 30, 2016.

Table of Contents**Historical Consolidated Financial Statements of Independent and Carlile**

Independent's consolidated financial statements as of and for three years ended December 31, 2015, the related accompanying notes thereto, the report of RSM US LLP, Independent's registered independent public accounting firm, with respect to their audit of those consolidated financial statements, and Independent's management's discussion and analysis of financial condition and results of operations relating to such consolidated financial statements appear in our Annual Report on Form 10-K for the year ended December 31, 2015. Independent's condensed consolidated financial statements as of and for the nine months ended September 30, 2016 and 2015, the related accompanying notes thereto and Independent management's discussion and analysis of Independent's financial condition and results of operations relating to such condensed consolidated financial statements are included in Independent's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016. You may review those reports, which are incorporated by reference in this joint proxy statement/prospectus as described under "Incorporation of Certain Documents by Reference," and obtain copies of those reports as described below in "Where You Can Find More Information."

Carlile is not required to file periodic and other reports with the SEC under the Securities Exchange Act of 1934, as amended, or Exchange Act. The consolidated financial statements of Carlile as of December 31, 2015 and 2014, and each the three years ended December 31, 2015, and the related accompanying notes thereto, the report of Crowe Horwath LLP, independent auditors of Carlile, with respect to their audit of those consolidated financial statements of Carlile, and the unaudited consolidated financial statements of Carlile as of and for the three and nine months ended September 30, 2016 and 2015, and the accompanying notes thereto appear following page 236. In addition, Carlile management's discussions and analyses of Carlile's financial condition and results of operations relating to the dates and periods covered by such consolidated financial statements and condensed consolidated financial statements appear beginning on page 178.

We urge you to review the historical financial statements, the related accompanying notes thereto and the related management's discussions and analyses of financial condition and results of operations described above and incorporated by reference into this joint proxy statement/prospectus, as well as the selected financial information and pro forma financial statements appearing above, when considering how to vote on each proposal on which you are asked to vote as a shareholder of Carlile or Independent.

Comparative Stock Prices

The following table shows (1) the market values of Independent common stock at the close of business on November 18, 2016, the business day prior to the announcement of the proposed merger, and as of the most recent date practicable preceding the date of this joint proxy statement/prospectus and (2) the equivalent pro forma value of a share of Carlile common stock at such dates based on the value of the consideration to be received in the merger with respect to each share. Historical market value information regarding Carlile common stock is not provided because there is no active trading market for Carlile common stock.

	Independent Common Stock⁽¹⁾	Equivalent Pro Forma Per Share of Carlile Common Stock⁽²⁾
November 18, 2016	\$ 53.95	\$ 13.70
February 16, 2017	66.70	16.79

- (1) Represents the closing price of Independent common stock on the NASDAQ Global Select Market on the date indicated.
- (2) Equivalent pro forma market value per share of Carlile common stock represents the historical market value per share of Independent common stock multiplied by, as to November 18, 2016, an assumed Carlile Share

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Exchange Ratio of 0.2539 of a share of Independent Common stock for each share of Carlile common stock (which ratio is based on the closing price of \$53.95 per share of Independent common stock on November 18, 2016) and, as to February 16, 2017, an assumed Carlile Share Exchange Ratio of 0.2517 share of Independent common stock (which ratio is based on the closing price of \$66.70 per share of Independent common stock on February 16, 2017) for each share of Carlile common stock and assumes an adjusted tangible equity of Carlile (calculated in accordance with the reorganization agreement) of at least \$200 million. Such assumed ratio was calculated based on the assumption that 35,064,709 shares of Carlile voting and non-voting common stock were outstanding on the date indicated, which is the expected number of shares to be outstanding at the effective time of the merger and \$22.1 million in the aggregate was paid to cashout the Carlile stock options (which includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of certain options to purchase Carlile common stock).

For an explanation of how the Carlile adjusted tangible equity will be calculated, the effect on the purchase price if adjusted tangible equity is less than \$200 million on the effective date, the calculation of the number of shares of Carlile common stock that will be issued and outstanding on the effective date, and other estimates, please refer to The Merger, beginning on page 75 of this joint proxy statement/prospectus.

Dividends

Dividend Payments

As approved by Independent's board of directors, Independent declared and paid a \$0.08 per share dividend to holders of Independent common stock in each fiscal quarter of 2015 and the first three fiscal quarters of 2016 and a \$0.10 per share dividend paid in the fourth fiscal quarter of 2016. Independent intends to continue to pay regularly quarterly cash dividends on its common stock in the first fiscal quarter of 2017 and following the merger, when, as and if declared by Independent's board of directors out of funds legally available for that purpose and subject to regulatory restrictions. No dividends payable in the future have been declared by Independent's board of directors.

Independent's dividend policy may change with respect to the payment of dividends as a return on investment, and Independent's board of directors may change or eliminate the payment of future dividends at its discretion, without notice to Independent's shareholders. There can be no assurance that Independent will continue to pay dividends in the future. Future dividends on Independent common stock will depend upon its earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, Independent's ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by the board of directors of Independent.

Dividend Restrictions; Source of Strength

Under the terms of its junior subordinated debentures issued in connection with the issuance of trust preferred securities by subsidiaries of Independent, Independent is not permitted to pay any dividends on its common stock if it is in default on any payments required to be made on the junior subordinated debentures.

Independent is regarded as a legal entity separate and distinct from Independent Bank. The principal source of Independent's revenues is dividends received from Independent Bank. Texas state law places limitations on the amount that state banks may pay in dividends, which Independent Bank must adhere to when paying dividends to Independent. The Federal Reserve has issued a policy statement that provides that a bank holding company should not pay dividends unless (a) its net income over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends, (b) the prospective rate of earnings retention appears to be consistent

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with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries and (c) the bank holding company will continue to meet minimum required capital adequacy ratios. Accordingly, Independent should not pay cash dividends that exceed its net income in any year or that can only be funded in ways that weaken its financial strength, including by borrowing money to pay dividends. Regulatory authorities could impose administratively stricter limitations on the ability of Independent Bank to pay dividends to Independent if such limits were deemed appropriate to preserve certain capital adequacy requirements.

Under Federal Reserve policy, bank holding companies have historically been required to act as a source of financial and managerial strength to each of its banking subsidiaries, and the Dodd-Frank Wall Street Reform and Consumer Protection Act codified this policy as a statutory requirement. Under this requirement, Independent is expected to commit resources to support Independent Bank, including at times when Independent may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. A bank holding company, in certain circumstances, could be required to guarantee the capital restoration plan of an undercapitalized banking subsidiary.

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

Additionally, under the credit agreement between Independent and U.S. Bank National Association, or U.S. Bank, Independent cannot make any dividend payments without the prior written consent of U.S. Bank; provided, however, that, so long as no default under the credit agreement has occurred and is continuing, or will occur as a result of any such dividend, Independent may pay dividends and distributions to its shareholders as permitted by applicable governmental laws and regulations.

Recent Developments

On January 25, 2017, Independent announced its results of operations for the fourth quarter and year ended December 31, 2016. Independent had net income available to common shareholders of \$14.8 million, or \$0.79 per diluted share, for the quarter and of \$53.5 million, or \$2.88 per diluted share, for the year. Its net interest income was \$46.5 million for the quarter and \$183.8 million for 2016, its net interest margin was 3.59% for the quarter and 3.81% for 2016 and its yield on interest-earning assets was 4.16% for the quarter and 4.36% for the year. The total noninterest expenses of Independent were \$27.4 million for the quarter and \$113.8 million for the year. Independent had a provision for loan losses of \$2.2 million for the quarter and \$9.4 million for the year. At December 31, 2016, its allowance for loan losses totaled \$31.6 million and total nonperforming assets were \$19.8 million. Independent's nonperforming assets to total assets ratio was 0.34% at the end of 2016. At December 31, 2016, Independent had loans held for investment, net allowance for loan losses, of \$4.5 billion, total assets of \$5.9 billion, total deposits of \$4.6 billion, total interest-bearing deposits of \$3.5 billion, and total liabilities of \$5.2 billion. At December 31, 2016, Independent's Tier 1 common equity was \$409.6 million, its estimated Tier 1 common equity to risk-weighted assets ratio was 8.2% and its book value was \$35.63 per common share.

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RISK FACTORS

An investment by Carlile's shareholders in Independent common stock as a result of the exchange of shares of Independent common stock for shares of Carlile common stock in the merger involves certain risks. Similarly, a decision on the part of Independent shareholders to approve the merger and the issuance of shares of Independent common stock in connection with that merger also involves risks for the shareholders of Independent, who will continue to hold their shares of Independent common stock after the merger. Certain material risks and uncertainties connected with the merger and ownership of Independent common stock are discussed below. In addition, Independent discusses certain other material risks connected with the ownership of Independent common stock and with Independent's business under the caption "Risk Factors" appearing in Independent's Annual Report on Form 10-K most recently filed with the SEC and may include additional or updated disclosures of such material risks in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that it files with the Commission after the date of this joint proxy statement/prospectus, each of which reports is or will be incorporated by reference in this joint proxy statement/prospectus.

Holders of Carlile voting common stock and holders of Independent common stock should carefully read and consider all of these risks and all other information contained in this joint proxy statement/prospectus, including the discussions of risk factors included in the documents incorporated by reference in this joint proxy statement/prospectus, in deciding whether to vote for approval of the various proposals for which they may vote at the special meeting of the Carlile shareholders or the special meeting of the Independent shareholder described herein. If any of the risks described in this joint proxy statement/prospectus or those documents incorporated by reference herein result in effects on Independent or Independent Bank, the value of Independent common stock that you, as an existing Independent shareholder, currently hold or that you, as an existing Carlile shareholder, would hold upon consummation of the merger could decline significantly, and the current holders of Independent common stock and/or the holders of Carlile common stock could lose all or part of their respective investments in the Independent common stock.

Risks Related to the Merger

The merger of Independent and Carlile may not be completed.

Completion of the merger of Independent and Carlile is subject to regulatory approval, which approval may not be obtained. If Independent is not successful in obtaining the required regulatory approval, the merger will not be completed. Even if such regulatory approval is received, the timing of that regulatory approval and any conditions imposed by the regulatory approval could result in certain closing conditions of the merger not being satisfied.

The shareholders of Independent and Carlile should bear in mind that regulatory approval reflects only the view that the merger does not contravene applicable competitive standards imposed by law, and that the merger is consistent with regulatory policies relating to safety and soundness. Further, regulatory approval is not an opinion that the proposed merger is favorable to the shareholders of either party to the merger from a financial point of view or that the regulatory authority granting such approval has considered the adequacy of the terms of the merger. Regulatory approval is not an endorsement or recommendation of the merger.

The consummation of the merger is also subject to other conditions precedent as set forth in the reorganization agreement. Those conditions precedent include the approval of the merger by Independent's shareholders and the holders of Carlile's voting common stock, Carlile having minimum adjusted tangible equity capital (as calculated in accordance with the reorganization agreement) of \$195 million, Northstar Bank maintaining a minimum allowance for loan losses of approximately \$16 million, there being no material adverse change in the condition of Carlile or

Northstar Bank, on the one hand, or Independent, on the other hand, and the holders of not more than 5% of the outstanding shares of Carlisle's common stock exercising their statutory dissenters' rights with respect to the merger. If a condition to either party's obligation to consummate the merger is not satisfied, that party may be able to terminate the reorganization agreement and, in such case, the transaction would not be consummated.

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Carlile and Northstar Bank will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Carlile and Northstar Bank and, consequently, on Independent and Independent Bank. Uncertainties surrounding the merger may impair the ability of one or more of Independent, Independent Bank, Carlile and Northstar Bank to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with either of the banks to seek to change their existing business relationships with such bank. In addition, the reorganization agreement restricts Carlile and Northstar Bank from taking other specified actions until the merger occurs without Independent's consent. These restrictions may prevent Carlile or Northstar Bank from pursuing attractive business opportunities that may arise prior to the merger's completion.

Integrating Northstar Bank into Independent Bank's operations may be more difficult, costly or time-consuming than Independent expects.

Independent Bank and Northstar Bank have operated and, until the merger is completed, will continue to operate, independently. Accordingly, the process of integrating Northstar Bank's operations into Independent Bank's operations could result in the disruption of operations, the loss of Northstar Bank customers and employees and make it more difficult to achieve the intended benefits of the merger. Inconsistencies between the standards, controls, procedures and policies of Independent Bank and those of Northstar Bank could adversely affect Independent Bank's ability to maintain relationships with current customers and employees of Northstar Bank if and when the merger is completed.

As with any merger of banking institutions, business disruptions may occur that may cause Independent Bank to lose customers or may cause Northstar Bank's customers to withdraw their deposits from Northstar Bank prior to the merger's consummation and from Independent Bank thereafter. The realization of the anticipated benefits of the merger may depend in large part on Independent's ability to integrate Northstar Bank's operations into Independent Bank's operations, and to address differences in business models and cultures. If Independent is unable to integrate the operations of Carlile and Northstar Bank into Independent's and Independent Bank's operations successfully and on a timely basis, some or all of the expected benefits of the merger may not be realized. Difficulties encountered with respect to such matters could result in an adverse effect on the financial condition, results of operations, capital, liquidity or cash flows of Independent Bank and Independent.

Independent is entering the Fort Worth/Tarrant County and Colorado financial markets for the first time and Independent's failure to achieve the post-merger results it desires in those markets could materially adversely affect its operations, results of operations, liquidity or cash flows.

Upon the consummation of Independent's merger with Carlile and the merger of Northstar Bank into Independent Bank, Independent would be entering the Fort Worth/Tarrant County and Colorado financial markets for the first time. Independent has no experience with operations in those markets, and, as a result, would initially rely on the management team at Northstar Bank to provide guidance regarding operating in those new geographic markets. Should Independent be unable to retain the services of these employees after the mergers or should those employees be unable to provide the necessary support and guidance to Independent necessary for it to operate successfully in the new market, Independent may not achieve the results it desires from the merger and may be unable to realize all planned operating efficiencies as a result of the merger of Independent Bank's and Northstar Bank's operations. Moreover, to the extent that operating in either of those markets presents difficulties that Independent has not anticipated or does not anticipate in planning for the integration of the operations of Northstar Bank into those of Independent Bank, that integration may be more difficult, costly or time-consuming than Independent anticipates the integration to be and could require that Independent devote more management time and more resources to that

integration than now expected. To the extent Independent is unable to successfully integrate the Northstar Bank operations in the Fort Worth/Tarrant County and Colorado markets into Independent's operations, Independent may be unable to retain the current customers of Northstar Bank in those

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new markets, their deposits and their other banking business to the degree now expected and the anticipated benefits of the acquisition of Carlile to Independent and its shareholders would not be as substantial as anticipated. Any unsuccessful or materially inadequate integration of those operations could materially adversely affect Independent's financial condition, results of operations, liquidity and cash flows.

Independent may fail to realize the cost savings anticipated from the merger.

Although Independent anticipates that it would realize certain cost savings as to the operations of Carlile and Northstar Bank and otherwise from the merger if and when the operations of Carlile and Northstar Bank are fully integrated into Independent's and Independent Bank's operations, it is possible that Independent may not realize all of the cost savings that Independent has estimated it can realize from the merger. For example, for a variety of reasons, Independent may be required to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced as a result of the merger. Independent's realization of the estimated cost savings also will depend on Independent's ability to combine the operations of Independent and Independent Bank with the operations of Carlile and Northstar Bank in a manner that permits those cost savings to be realized. If Independent is not able to integrate the operations of Carlile and Northstar Bank into Independent's and Independent Bank's operations successfully and to reduce the combined costs of conducting the integration operations of the two banks, the anticipated cost savings may not be fully realized, if at all, or may take longer to realize than expected. Independent's failure to realize those cost savings could materially adversely affect Independent's financial condition, results of operations, capital, liquidity or cash flows.

The completion of Independent's merger with Carlile would result in the immediate dilution of Independent's existing shareholders' ownership percentages in Independent's common stock and their voting power, which could adversely affect the market for Independent's common stock.

The merger of Carlile with and into Independent would result in the issuance of a substantial number of additional shares of Independent's common stock. That issuance would result in the immediate dilution of the percentage ownership and voting power of the existing holders of Independent's common stock. Although Independent believes that the merger will be accretive to all of Independent's shareholders, factors associated with the consummation of the merger of Carlile with and into Independent, such as those discussed above, could adversely affect the market for Independent's common stock.

The fairness opinions obtained by the board of directors of each of Carlile and Independent from their financial advisors in connection with their company's entry into the reorganization agreement will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Sandler O'Neill, Carlile's financial advisor in connection with the proposed merger, and Stephens, Independent's financial advisor in connection with the proposed merger, have delivered to the respective boards of directors of Carlile and Independent their opinions on November 21, 2016. The opinions of the financial advisors, which are based upon and subject to the factors and assumptions set forth therein, speak only as of such dates and are necessarily based on economic, market, regulatory and other conditions as in effect on, and the information made available to the financial advisors, as of the date of those opinions. Events occurring after the date of the opinions could materially affect the factors used in preparing the opinions and result in actual results differing materially from such assumptions. As a result, a conclusion similar to that of each opinion might not be reached considering the subsequent events. Any such events, or other factors on which the opinions are based, may materially alter or affect the relative values of Independent and Carlile.

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Risks Related to Carlile Shareholders Interests if the Merger is Consummated

The adjusted tangible equity of Carlile could be an amount that results in a reduction in the Carlile Share Exchange Ratio and that could affect Independent's obligation to consummate the merger.

The Carlile Share Exchange Ratio, which will determine fraction of a share of Independent common stock to be issued in exchange for each outstanding share of Carlile common stock upon consummation of the merger, will be reduced if Carlile's adjusted tangible equity, as calculated pursuant to the reorganization agreement, is less than \$200 million as of the tangible equity determination date. If, on the fifth business day prior to the closing date of the merger, Carlile's adjusted tangible equity is less than \$200 million, the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio and, therefore, the fraction of a share of Independent common stock for which an outstanding share of Carlile common stock will be exchanged in the merger, will be reduced dollar for dollar by the difference between (x) \$200 million minus (y) Carlile's adjusted tangible equity as of the tangible equity determination date. Moreover, Independent's obligation to consummate the merger is conditioned upon Carlile having adjusted tangible equity, as calculated pursuant to the reorganization agreement and as described herein, of at least \$195 million as of the closing date. For a more detailed explanation of how the adjusted tangible equity of Carlile will be calculated, please see "The Merger Possible Downward Adjustment in the \$434 Million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio," beginning on page 78.

Independent could elect to complete the merger transaction even if the Carlile adjusted tangible equity is less than \$195 million on the fifth business day prior to the closing of the merger.

In the event that Carlile does not have adjusted tangible equity equal to or greater than \$195 million on the fifth business day prior to the closing of the merger, Independent has the right to elect either to terminate the transaction without completing the merger or completing the merger regardless of Carlile's adjusted tangible equity at that time. Carlile does not have the right to terminate the merger in the event the amount of its adjusted tangible equity is below \$195 million under the terms of the reorganization agreement at that time. The result is that once the holders of Carlile common stock have approved the reorganization agreement and the merger, Independent can require Carlile to complete the merger even if Carlile adjusted tangible equity is below \$195 million, in which case the number of shares of Independent common stock to be issued in conversion of the outstanding shares of Carlile common stock upon the consummation of the merger could be significantly reduced.

Neither Independent nor Carlile intends to resolicit proxies from their shareholders in the event that Carlile's adjusted tangible equity is less than \$195 million on the closing date.

If the Carlile adjusted tangible equity is below \$195 million, Independent's board of directors intends to exercise its independent judgment in determining whether to complete the merger or to terminate the reorganization agreement. Independent will not resolicit proxies from the holders of Independent common stock, some of whom may not have approved the reorganization agreement and the merger if they had known, at the time of the Independent special meeting, that the Carlile adjusted tangible equity would be less than \$195 million prior to the merger's completion.

Carlile does not have a corresponding contractual right to choose not to complete the merger should its adjusted tangible equity fall below \$195 million, even though such an event will result in the reduction in the number of shares of Independent common stock for which the outstanding shares of Carlile common stock will be exchanged in the merger, which reduction could be by a substantial number of shares. In such event, the decision whether to complete the merger will rest solely with Independent. Without the right to decline to complete the merger, there would be no practical advantage for Carlile to resolicit proxies from its shareholders under these circumstances. In determining whether to approve the reorganization agreement and the merger, the holders of Carlile common stock should consider

that each of their shares of Carlile common stock will be converted into a smaller fraction of a share of Independent common stock in the merger if the Carlile adjusted tangible equity is less than \$195 million at the time of the closing of the merger.

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Carlile shareholders will not know the exact fraction of a share of Independent common stock they will receive for each share of Carlile common stock they own when they vote on approving the reorganization agreement and the merger.

For reasons discussed above and because the fraction of a share of Independent common stock for which a share of Carlile common stock will be exchanged at the closing of the merger will depend in part on the Average Stock Price, when the Carlile shareholders vote on approving the reorganization agreement and the merger of Carlile with and into Independent, they will not know the exact fraction of a share of Independent common stock for which each of their outstanding shares of Carlile common stock will be exchanged in the merger and the exact number of shares of Independent common stock they will receive in the merger as consideration for their shares of Carlile common stock and must make their decision regarding how to vote with respect to the approval of the reorganization agreement and the merger without that information.

The value of the shares of Independent common stock to be received by the Carlile shareholders in the merger is dependent upon the market price of Independent's common stock, which is subject to fluctuation and may decline over time thus reducing the economic benefits to be received by holders of Carlile common stock upon completion of the merger.

In instances in this joint proxy statement/prospectus, Independent has valued the Independent common stock to be issued in the merger to the holders of Carlile common stock based on the closing price of Independent's common stock as of February 16, 2017, which was \$66.70 a share. However, the value of each share of Independent common stock is subject to fluctuations in the marketplace, resulting in the possibility that its value could decrease between the date of this joint proxy statement/prospectus and the date of the Carlile special meeting when holders of Carlile common stock will be asked to approve the reorganization agreement and the merger, as well as between the date of that special meeting and the date of the closing of the merger. If the reorganization agreement and the merger are approved at the Carlile special meeting, there is the possibility that the value of the Independent common stock could decline materially prior to the issuance of the Independent common stock to the holders of Carlile common stock upon the completion of the merger and thereafter.

Carlile shareholders will have a reduced ownership and voting interest in Independent after the merger than they now have in Carlile and will exercise less influence over Independent's management than they now exercise over Carlile's management.

Carlile's shareholders currently have the right to vote in the election of the board of directors of Carlile and on other matters affecting Carlile. The merger will transfer control of the operations of Carlile to Independent and to the shareholders of Independent. When the merger occurs, each Carlile shareholder will become a shareholder of Independent with a percentage ownership of Independent much smaller than such shareholder's percentage ownership of Carlile immediately prior to the merger. Because of this occurrence, Carlile shareholders will have less influence on the management and policies of Independent than they now have on the management and policies of Carlile.

The shares of Independent common stock to be received by Carlile shareholders as a result of the merger will have different rights than the shares of Carlile common stock and in some cases may be less favorable.

The rights associated with Carlile voting common stock and with the Carlile nonvoting common stock are different from the rights associated with Independent common stock. In some cases, the rights associated with the Independent common stock may be less favorable to shareholders than those associated with the Carlile voting common stock or the Carlile nonvoting common stock. For example, holders of Carlile voting common stock currently elect each member of their board of directors at each annual meeting of the Carlile shareholders. Upon consummation of the

merger, the holders of Carlile common stock will hold Independent common stock that provides that the members of only one of three classes of directors are elected at each annual meeting of Independent shareholders, which could have an anti-takeover effect and may delay, discourage or prevent an

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attempted acquisition or change in control of Independent. See Comparison of Rights of Shareholders of Carlile and Independent on page 227 for a more detailed description of the shareholder rights of each of Independent and Carlile.

The dissenters' rights appraisal process relating to shares of the Carlile voting common stock is uncertain.

Holders of Carlile voting common stock may or may not be entitled to receive more than the amount provided for in the reorganization agreement for their shares of Carlile voting common stock if they elect to exercise their right to dissent from the proposed merger, depending on the appraisal of the fair value of the Carlile voting common stock pursuant to the dissenting shareholder procedures under the TBOC. See The Merger Dissenters' Rights of Carlile Shareholders on page 130 and Appendix D. For this reason, the amount of cash that such shareholders might be entitled to receive should they elect to exercise their right to dissent to the merger may be more or less than the value of the merger consideration to be paid pursuant to the reorganization agreement. In addition, it is a condition in the reorganization agreement that the holders of not more than 5% of the outstanding shares of Carlile common stock shall have exercised their statutory dissenters' rights under the TBOC. The number of shares of Carlile common stock for which holders will exercise dissenters' rights under the TBOC is not known and therefore there is no assurance of this closing condition being satisfied.

The holders of a significant number of shares of Carlile voting common stock have agreed to vote to approve the reorganization agreement.

The directors of Carlile and certain entities they represent have entered into a voting and lockup agreement with Independent pursuant to which they have agreed to vote the shares of Carlile voting common stock they own to approve the reorganization agreement. Those persons own an aggregate of 17,069,700 shares of Carlile voting common stock, or 62.2% of the 27,452,367 shares of Carlile voting common stock that were outstanding on the date of this joint proxy statement/prospectus. If no other shares of Carlile voting common stock were to be outstanding on the record date for the Carlile special meeting, the holders of only an additional 1,456,528 shares or 5.3% of the Carlile voting common stock would have to vote to approve the reorganization agreement in order for the merger of Carlile with and into Independent to be approved by the Carlile shareholders. In the circumstances, only a small percentage of the Carlile shareholders who are not affiliates of Carlile need to vote to approve the reorganization agreement in order for the reorganization agreement and, thus, the merger to be approved. Consequently, management of Carlile believes that it is highly likely that the reorganization agreement will be approved by the Carlile shareholders.

Some of the directors and officers of Carlile may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the reorganization agreement.

The interests of some of the directors and officers of Carlile may be different from those of Carlile shareholders. The directors and certain officers of Carlile are or will be participants in arrangements relating to, or that are affected by the merger that are different from, or in addition to, those of Carlile shareholders including, without limitation, their receipt of change in control payments, in connection with the merger. These interests are described in more detail in the section of this joint proxy statement/prospectus entitled The Merger Financial Interests of Directors and Officers of Carlile in the Merger beginning on page 123. Further, directors of Carlile and certain entities they represent have entered into an agreement to vote the shares of Carlile voting common stock that they control in favor of approval of the reorganization agreement and the merger and in the manner most favorable to the consummation of the merger and the transactions contemplated by the reorganization agreement, or voting and lockup agreement; provided, however, that the Carlile shareholders who entered into the voting and lockup agreement would be permitted to vote to accept a superior proposal to acquire Carlile (as defined in the reorganization agreement). As of the Carlile record date, 17,069,700 shares of Carlile voting common stock, or 62.2% of the 27,452,367 shares of Carlile voting common stock

then outstanding and entitled to vote at the Carlile special meeting, were bound by the voting and lockup agreement.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this joint proxy statement/prospectus that are not statements of historical fact constitute 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. These forward-looking statements include information about possible or assumed future results of operations of Independent after the merger is completed as well as information about the merger, including Independent's future revenues, income, expenses, provision for taxes, effective tax rate, earnings per share and cash flows, Independent's future capital expenditures and dividends, Independent's future financial condition and changes therein, including changes in Independent's loan portfolio and allowance for loan losses, Independent's future capital structure or changes therein, the plan and objectives of management for future operations, Independent's future or proposed acquisitions, the future or expected effect of acquisitions on Independent's operations, results of operations and financial condition, Independent's 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, intended, objective, plan, projected, projection, will affect, will be, will continue, will decrease, 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 Independent make are based on Independent'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. Many possible events or factors could affect the future financial results and performance of each of Independent and Carlisle before the merger or Independent after the merger, 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:

Independent's ability continue to sustain its current internal growth rate or total growth rate or total growth rate;

changes in geo-political, business and economic events, occurrences and conditions, including changes in rates of inflation or deflation, nationally, regionally and in Independent's target markets, particularly in Texas and, if the merger is consummated, Colorado;

Independent's dependence on its management team, including its Chief Executive Officer, David R. Brooks, and Independent's ability to attract, motivate and retain qualified personnel;

the concentration of business within the geographic areas of operation in Texas and, if the merger is consummated, Colorado;

changes in the asset quality and higher levels of nonperforming loans and loan charge-offs;

deposit attrition, changes in operating costs, customer loss and business disruption before and after Independent's acquisition of other financial institutions by Independent if it is consummated, as well as other acquisitions by Independent, including difficulties in maintaining relationships with employees;

the effects of the combination of the operations of financial institutions Independent acquires with the operations of Independent and the operations of Independent 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 Independent expects;

the quality of the assets of financial institutions and companies that Independent acquires being different than Independent determine in our due diligence investigation in connection with the acquisition of such financial institutions and any inadequacy of loan loss reserves relating to, and exposure to unrecoverable losses on, loans acquired;

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concentration of the loan portfolio of Independent, before and after the completion of its acquisition of financial institutions, including Carlile and Northstar Bank, in commercial and residential real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;

concentration of the loan portfolio of Independent Bank, before and after the completion of Independent's acquisition 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 Independent 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 presenting acceptable investment risks;

inaccuracy of the assumptions and estimates that the managements of Independent and financial institutions that Independent acquires make in establishing reserves for probable loan losses and other estimates;

the liquidity of, and changes in the amounts and sources of liquidity available to, Independent, before and after its acquisition of any financial institutions that it acquires;

material increases or decreases in the amount of deposits held by Independent Bank or other financial institutions that Independent acquires;

regulatory requirements to maintain higher minimum capital levels;

Independent's access to the debt and equity markets and its overall cost of funding its operations;

changes in market interest rates that affect the pricing of the loans and deposits of each of Independent Bank and the financial institutions that Independent acquires and the net interest income of each of Independent Bank and the financial institutions that Independent acquires;

changes in the cost of deposits to Independent Bank;

fluctuations in the market value and liquidity of the securities each of Independent Bank;

the development of products and services that appeal to Independent's customers and consumer demand in general for Independent Bank's products and services;

effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;

changes in economic and market conditions that affect the amount and value of the assets of Independent Bank and financial institutions it acquires;

the institution and outcome of, and costs associated with, litigation and other legal proceedings against one or more of Independent, Independent Bank, and financial institutions it acquires or to which any of such entities is subject;

the failure of Carlisle's or Independent's shareholders to approve the reorganization agreement;

the ability of Independent and Carlisle to obtain the required regulatory approvals of the merger and the bank merger on the proposed terms and schedule;

the ability of Independent to continue to identify acquisition targets and successfully acquire desirable financial institutions to sustain its growth, to expand its presence in its markets and to enter new markets;

the occurrence of market conditions adversely affecting the financial industry generally;

the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by regulators, and changes in federal governmental policies, including as a result of initiatives of the administration of President Donald J. Trump;

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changes in accounting policies, practices and auditing standards adopted by regulatory agencies, the Financial Accounting Standards Board, the SEC and 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, acts of terrorism (including cyber-attacks) or other catastrophic events, including storms, droughts, tornadoes and flooding, that may affect general economic conditions;

an increase in the rate of personal or commercial customer bankruptcies;

technology-related changes are harder to make or are more expensive than expected;

attacks on the security of, and breaches of, Independent or Independent Bank's digital information systems the costs Independent or Independent Bank incurs to provide security against such attacks and any costs and liability Independent or Independent Bank incurs in connection with any breach of those systems; and

the other factors that are described or referenced above under the caption "Risk Factors" and in Part I, Item 1A. of Independent's most recently filed Annual Report on Form 10-K under the caption "Risk Factors."

For other factors, risks and uncertainties that could cause actual results to differ materially from estimates contained in forward-looking statements, please read the "Risk Factors" section of this joint proxy statement/prospectus.

Independent and Carlisle urge you to consider all of these risks, uncertainties and other factors carefully in evaluating all such forward-looking statements made in this joint proxy statement/prospectus. As a result of these and other matters, including changes in facts, 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 joint proxy statement/prospectus or made by Independent in any report, filing, document or information incorporated by reference in this joint proxy statement/prospectus, speaks only as of the date on which it is made. Neither Independent nor Carlisle undertakes any 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. We believe that these assumptions or bases have been chosen in good faith and that they are reasonable. However, we caution 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, we caution you not to place undue reliance on the forward-looking statements contained in this proxy statement/prospectus or incorporated by reference herein.

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GENERAL INFORMATION

This document constitutes a joint proxy statement/prospectus of Carlile and Independent and is being furnished to all record holders of Carlile common stock on the record date and all record holders of Independent common stock on the record date in connection with the solicitation of proxies by the boards of directors of Carlile and Independent to be used at the special meetings of shareholders of Carlile and Independent, each to be held on March 30, 2017.

One of the purposes of the special meetings is to consider and vote to approve the reorganization agreement, which provides for, among other things, the merger of Carlile with and into Independent, with Independent being the surviving entity, followed by the merger of Northstar Bank with and into Independent Bank, with Independent Bank being the surviving bank. This document also constitutes a prospectus relating to the offer and sale of Independent common stock to be issued in connection with the merger to holders of Carlile common stock (including holders of stock options to purchase Carlile common stock that are exercised prior to the consummation of the merger).

Independent has supplied all of the information contained herein relating to Independent and Independent Bank, and Carlile has supplied all of the information contained herein relating to Carlile and Northstar Bank.

THE INDEPENDENT SPECIAL MEETING

This joint proxy statement/prospectus is being provided to the Independent shareholders as part of a solicitation of proxies by the Independent board of directors for use at the Independent special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment thereof. This joint proxy statement/prospectus provides Independent shareholders with information they need to know to be able to vote or instruct their vote to be cast at the Independent special meeting.

Date, Time and Place

The special meeting of Independent shareholders will be held on March 30, 2017, at 3:30 p.m. Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069-3257.

Purpose of the Independent Special Meeting

At the Independent special meeting, Independent shareholders will be asked to consider and vote on the following:

Independent Proposal One: to approve the reorganization agreement and the merger;

Independent Proposal Two: to approve the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger that will in number and voting power exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to the issuance of such new shares;

Independent Proposal Three: to elect each of the following three named director nominees, whose directorships will only become effective upon consummation of the merger, and whose business experience and qualifications are further described in the section entitled Independent Proposal Three Election of Directors Election of Named Director Nominees beginning on page 135, to fill the three vacancies on the Independent board of directors:

Tom C. Nichols, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2017;

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Mark K. Gormley, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2018; and

Christopher M. Doody, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2019.

Independent Proposal Four: to approve the adjournment of the Independent special meeting to a later date or dates, if the board of directors of Independent determines it is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Independent special meeting to approve the first three proposals listed above.

Completion of the merger is conditioned on, among other things, the approval of the reorganization agreement and the merger, approval of the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger and the election of the named director nominees to fill the vacancies on the Independent board of directors.

Recommendation of the Independent Board of Directors

On January 19, 2017, Independent's Corporate Governance and Nominating Committee recommended Tom C. Nichols, Mark K. Gormley and Christopher M. Doody as nominees to fill the vacancies on the Independent board of directors. On January 19, 2017, the Independent board of directors nominated each of Messrs. Nichols, Gormley and Doody, as nominees for election by the Independent shareholders at the Independent special meeting to fill the vacancies on the Independent board of directors, whose directorships will only become effective upon the consummation of the merger and proposed each of these nominees for election.

At a special meeting held on November 21, 2016, the Independent board of directors unanimously determined that the merger and the other transactions contemplated by the reorganization agreement, including the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger, are in the best interests of Independent and its shareholders.

Accordingly, the Independent board of directors unanimously recommends that Independent shareholders vote as follows:

FOR Independent Proposal One approving the reorganization agreement and the merger;

FOR Independent Proposal Two approving the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger that will exceed in number and voting power 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to the issuance of such new shares;

FOR Independent Proposal Three electing each of the named director nominees, whose directorships will only become effective upon consummation of the merger, to fill the three vacancies on the Independent board of directors; and

FOR Independent Proposal Four approving the adjournment of the Independent special meeting, if necessary, to permit solicitation of additional proxies.

Independent shareholders should carefully read this joint proxy statement/prospectus, including any documents incorporated by reference, and the Appendices in their entirety, for more detailed information concerning the merger and the transactions contemplated by the reorganization agreement.

Independent Record Date; Shareholders Entitled to Vote

The record date for the Independent special meeting is February 21, 2017, or the Independent record date. Only record holders of shares of Independent common stock at 5:00 p.m. Central Time, or the close of business,

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on the Independent record date are entitled to notice of, and to vote at, the Independent special meeting or any adjournment thereof. At the close of business on the Independent record date, the only outstanding voting securities of Independent were shares of common stock, and 18,919,598 shares of Independent common stock were issued and outstanding.

Each share of Independent common stock outstanding on the Independent record date is entitled to one vote on each proposal.

Voting by Independent s Directors and Executive Officers and a Significant Shareholder of Independent

At the close of business on the record date for the Independent special meeting, Independent directors and executive officers and their respective affiliates were entitled to vote 1,933,332 shares of Independent common stock or approximately 10.2% of the shares of Independent common stock outstanding on that date. In addition, Mr. Vincent J. Viola, who is the largest shareholder of Independent and the father of Mr. Michael T. Viola, a director of Independent, owned 4,538,383 shares of Independent common stock, or approximately 23.9% of the shares of Independent common stock outstanding, as of the close of business on the record date for the Independent special meeting. We currently expect that Independent directors and executive officers and their affiliates, as well as Mr. Vincent J. Viola, will vote their shares in favor of all of the Independent proposals.

Quorum and Adjournment

No business may be transacted at the Independent special meeting unless a quorum is present. Shareholders who hold shares representing at least a majority of the shares outstanding and entitled to vote at the Independent special meeting must be present in person or represented by proxy to constitute a quorum, but the holders of at least two-thirds of the shares of Independent common stock outstanding and entitled to vote at the Independent special meeting must be present, in person or by proxy, at the special meeting in order for the necessary vote to be able to take action on the merger proposal. Specifically, the affirmative vote of at least two-thirds of the outstanding Independent common stock is required to approve the reorganization agreement and the merger. As a result, if shares representing at least two-thirds of the shares of Independent common stock outstanding on the close of business on the Independent record date are not present at the Independent special meeting, the presence of a quorum will still not permit the merger to be approved at the Independent special meeting.

If a quorum is not present, or if fewer shares than are required to approve the reorganization agreement and the merger, the issuance of shares of Independent common stock in the merger or the election of the named director nominees as directors of Independent are voted in favor of the reorganization agreement and the merger, then the Independent special meeting may be adjourned to allow for the solicitation of additional proxies provided that such proposal to adjourn the Independent special meeting is approved by a majority vote of the votes cast at the Independent special meeting by the holders of shares of Independent common stock entitled to vote at the Independent special meeting and present in person or represented by proxy at that meeting.

No notice of an adjourned Independent meeting need be given unless the adjournment is for more than 30 days or after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each Independent shareholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

All shares of Independent common stock represented at the Independent special meeting, including shares that are represented but that vote to abstain and broker nonvotes, will be treated as present for purposes of determining the presence or absence of a quorum.

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Required Vote

The required votes to approve the Independent proposals are as follows:

Independent Proposal One approving the reorganization agreement and the merger requires the affirmative vote of at least two-thirds of the issued and outstanding shares of Independent common stock entitled to vote at the Independent special meeting. Failures to vote, broker nonvotes and abstentions will have the same effect as a vote against this proposal.

Independent Proposal Two approving of the issuance of the shares of Independent common stock to Carlile shareholders in connection with the merger that will, in number and voting power, exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to such issuance requires the approval of a majority of the votes cast on this proposal at the Independent special meeting, assuming a quorum is present at the Independent special meeting. Failures to vote, broker nonvotes and abstentions will have no effect on the vote for the proposal.

Independent Proposal Three electing each of the named director nominees as directors of Independent, whose directorships will only become effective upon consummation of the merger, to fill the three vacancies on the Independent board of directors requires the approval of a plurality of the votes cast on this proposal at the Independent special meeting, assuming a quorum is present at the Independent special meeting. Failures to vote, broker nonvotes and abstentions will have no effect on the vote for the proposal.

Independent Proposal Four approving the adjournment of the Independent special meeting, if necessary, to permit solicitation of additional proxies requires the approval of a majority of the votes cast on this proposal at the Independent special meeting, regardless of whether or not there is a quorum present at the Independent special meeting. Failures to vote, broker nonvotes and abstentions will have no effect on the vote for the proposal.

Voting of Proxies by Holders of Record

If you were a record holder of Independent common stock at the close of business on the record date of the Independent special meeting, a proxy card is enclosed for your use. Independent requests that you vote your shares as promptly as possible by doing one of the following:

simply indicate on the proxy card applicable to your Independent common stock how you want to vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed, postage-paid envelope as soon as possible, but in any event no later than the time necessary for your proxy card to be actually received by Independent immediately prior to the vote at the Independent special meeting;

call 1 (866) 888-3382 using a touch-tone telephone and follow the instructions for telephone voting provided on the call; or

Go to the website www.proxypush.com/ibtx and follow the instructions at that website.

Any proxy cards must be returned to Wells Fargo Shareowner Services as soon as possible, but in any event, no later than immediately prior to the vote at the Independent special meeting. Internet and telephone voting is available until

11:59 p.m. Central Time, on March 29, 2017.

When the accompanying proxy card is properly executed, dated and returned, the shares of Independent common stock represented by it will be voted at the Independent special meeting or any adjournment thereof in accordance with the instructions contained in the proxy card. Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy card is returned without an indication as to how the shares of Independent common stock represented are to be voted with regard to a particular proposal, the Independent common stock represented by

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the proxy will be voted in accordance with the recommendation of the Independent board of directors and, therefore such shares will be voted:

FOR Independent Proposal One approving the reorganization agreement and the merger;

FOR Independent Proposal Two approving the issuance of shares of Independent common stock to Carlile shareholders in connection with the merger that will, in number and voting power, exceed 20% of the number and voting power of the shares of Independent common stock outstanding immediately prior to such issuance;

FOR Independent Proposal Three electing each of the named director nominees as directors of Independent, whose directorships will only become effective upon consummation of the merger, to fill the vacant seats on the Independent board of directors; and

FOR Independent Proposal Four approving the adjournment of the Independent special meeting, if necessary, to permit solicitation of additional proxies.

As of the date hereof, the Independent board of directors has no knowledge of any business that will be presented for consideration at the Independent special meeting and that would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in Independent's Notice of Special Meeting of Shareholders.

No other matters can be brought up or voted on at the Independent special meeting.

Your vote is important. Accordingly, if you were a record holder of Independent common stock at the close of business on the record date of the Independent special meeting, please sign and return the enclosed proxy card or vote via the Internet or telephone whether or not you plan to attend the Independent special meeting in person. Proxies submitted through the specified Internet website or by phone must be received by 11:59 p.m. Central Time, on March 29, 2017.

Attending the Meeting; Voting in Person

Only record holders of Independent common stock on the record date, their duly appointed proxies and invited guests may attend the Independent special meeting. All attendees must present government-issued photo identification (such as a driver's license or passport) for admittance. The additional items, if any, that attendees must bring to gain admittance to the Independent special meeting depend on whether they are shareholders of record, beneficial owners, or proxy holders.

An Independent shareholder who holds shares directly registered in such shareholder's name with Independent's transfer agent, Wells Fargo Shareowner Services, and who desires to attend the Independent special meeting in person should bring government-issued photo identification.

A shareholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to in this joint proxy statement/prospectus as a beneficial owner) who desires to attend the Independent special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner's shares or a brokerage account statement or the voting instruction form provided by the broker.

A person who holds a validly executed proxy entitling such person to vote on behalf of a record owner of Independent shares who desires to attend the Independent special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the Independent shareholder, and proof of the signing shareholder's record ownership as of the record date.

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No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the Independent special meeting may prevent Independent shareholders from being admitted to the Independent special meeting.

Revocation of Proxies

An Independent shareholder may revoke a previously provided proxy at any time before such time that the proxy card for any such holder of Independent common stock must be received in connection with the Independent special meeting by taking any of the following four actions:

delivering written notice of revocation to Jan Webb, Corporate Secretary, Independent Bank Group, Inc., 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069;

delivering a proxy card bearing a later date than the proxy that such shareholder desires to revoke;

logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card; or

attending the Independent special meeting and voting in person.

Merely attending the Independent special meeting will not, by itself, revoke your proxy; you must cast a subsequent vote at the Independent special meeting by using a ballot provided at the Independent special meeting for that purpose. Your last valid vote that Independent receives before or at the Independent special meeting is the vote that will be counted.

If you hold your shares in street name through a bank or broker, you must contact such bank or broker if you desire to revoke your proxy.

Tabulation of Votes

Independent has appointed Wells Fargo Shareowner Services to serve as the Inspector of Election for the Independent special meeting. Wells Fargo Shareowner Services will independently tabulate affirmative votes, negative votes and abstentions.

Solicitation of Proxies

Independent's board of directors is soliciting proxies for the Independent special meeting from the Independent shareholders. In accordance with the reorganization agreement, Independent will pay the costs it incurs in soliciting proxies from its shareholders, including the cost of mailing this joint proxy statement/prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Independent's officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

Independent will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Independent common stock. Independent may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

Abstentions and shares held of record by a broker or nominee that are voted on any matter are included in determining whether a quorum exists at the special meeting. Brokers that are members of the NYSE or The NASDAQ Stock Market LLC, as holders of record, are permitted to vote on certain routine matters in their discretion, but not on nonroutine matters. The proposals to approve the reorganization agreement, the issuance of the shares of Independent common stock in the merger and the election of each of the three named director

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nominees to serve as directors of Independent are nonroutine matters. Accordingly, if a shareholder holds shares in street name and does not provide voting instructions to his or her bank, broker or nominee that is a member of NYSE or The NASDAQ Stock Market LLC, those shares will not be voted on that proposal at the Independent special meeting unless you receive a proxy from that broker that will allow you to vote the shares you beneficially own and that are held by that broker. Abstentions and broker nonvotes act as votes against the proposal to approve the reorganization agreement and the merger, but will have no effect on the proposal to approve the issuance of the shares of Independent common stock in the merger, to elect additional directors or to adjourn the Independent special meeting.

Adjournments

Any adjournment of the Independent special meeting may be made from time to time if the approval of the holders of a majority of the votes cast at the Independent special meeting is obtained, whether or not a quorum exists at the Independent special meeting, without further notice of the adjournment other than by an announcement made at the Independent special meeting unless a new record date for the adjourned meeting is fixed. If a quorum is not present at the Independent special meeting then the Independent special meeting may be adjourned to solicit additional proxies by a majority vote of the holders of Independent common stock, present in person or by proxy at the Independent special meeting. If a quorum is present at the Independent special meeting but there are not sufficient votes to obtain the necessary shareholder approvals, then Independent shareholders may be asked to approve an adjournment of the meeting to permit the solicitation of additional proxies.

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THE CARLILE SPECIAL MEETING

This joint proxy statement/prospectus is being provided to the holders of Carlile common stock as part of a solicitation of proxies by the Carlile board of directors for use at the Carlile special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment thereof. This joint proxy statement/prospectus provides the holders of Carlile voting common stock with information they need to know to be able to vote or instruct their vote to be cast at the Carlile special meeting.

Date, Time and Place

The special meeting of holders of Carlile common stock will be held at the City Club of Fort Worth, 301 Commerce Street, Fort Worth, Texas 76102., on March 30, 2017, at 2:00 p.m. Central Time.

Purpose of the Carlile Special Meeting

At the Carlile special meeting, the holders of shares of Carlile voting common stock will be asked to consider and vote on the following:

Carlile Proposal One: to approve the reorganization agreement and the merger; and

Carlile Proposal Two: to approve the adjournment of the Carlile special meeting to a later date or dates, if the board of directors of Carlile determines it is necessary, among other things, to permit solicitation of additional proxies if there are not sufficient votes at the time of the Carlile special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on, among other things, the approval of the reorganization agreement, the merger and the other transactions contemplated by the reorganization agreement.

Recommendation of the Carlile Board of Directors

On November 21, 2016, the Carlile board of directors unanimously determined that the merger and the other transactions contemplated by the reorganization agreement are in the best interests of Carlile and its shareholders and it approved the reorganization agreement, the merger and the other transactions contemplated by the reorganization agreement.

Accordingly, the Carlile board of directors unanimously recommends that Carlile shareholders vote as follows:

FOR Carlile Proposal One approving the reorganization agreement and the merger; and

FOR Carlile Proposal Two approving the adjournment of the Carlile special meeting if necessary to permit solicitation of additional proxies.

Holders of Carlile common stock should carefully read this joint proxy statement/prospectus, including any documents incorporated by reference, and the Appendices in their entirety for more detailed information concerning the merger and the transactions contemplated by the reorganization agreement.

Carlile Record Date; Shareholders Entitled to Vote

The record date for the Carlile special meeting is February 17, 2017, or the Carlile record date. Only record holders of shares of Carlile common stock at 5:00 p.m. Central Time, or the close of business, on the Carlile record date are entitled to notice of the Carlile special meeting. **However, only holders of Carlile voting common stock are entitled to vote at the Carlile special meeting or any adjournment thereof.** At the close of business on the Carlile record date, the only outstanding securities of Carlile with a right to vote on the proposals

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were shares of Carlile voting common stock, with 27,452,367 shares of Carlile voting common stock being issued and outstanding at that time. Each share of Carlile voting common stock outstanding on the Carlile record date is entitled to one vote on each proposal. Holders of at least two-thirds of the outstanding shares of Carlile voting common stock must vote in favor of the reorganization agreement and the merger in order to permit consummation of the merger.

Voting by Carlile s Directors and Executive Officers

At the close of business on the record date for the Carlile special meeting, Carlile directors and executive officers and their affiliates were entitled to vote 4,424,900 shares of Carlile voting common stock, or 16.1% of the shares of Carlile voting common stock outstanding on that date. Carlile currently expects that its directors and executive officers and their affiliates, many of whom have entered into a voting and lockup agreement in respect of their shares, will vote their shares of Carlile voting common stock in favor of both of the Carlile proposals. A total of 17,069,700 shares of Carlile voting common stock, or 62.2% of the 27,452,367 shares of Carlile voting common stock outstanding on the date of this joint proxy statement/prospectus, were subject to such voting and lockup agreements.

Shares of Carlile Subject to the Voting and Lockup Agreement

Directors and certain officers of Carlile have entered into an agreement to vote the shares of Carlile voting common stock that they control in favor of approval of the reorganization agreement and the merger and in the manner most favorable to the consummation of the merger and the transactions contemplated by the reorganization agreement. However, Carlile shareholders who entered into voting and lockup agreements would be permitted to vote to accept any superior proposal to acquire Carlile (as defined in the reorganization agreement). As of the Carlile record date, 17,069,700 shares of Carlile voting common stock, or 62.2% of the 27,452,367 shares of Carlile voting common stock then outstanding and entitled to vote at the Carlile special meeting, are bound by the voting and lockup agreement.

Quorum and Adjournment

No business may be transacted at the Carlile special meeting unless a quorum is present. Shareholders who hold shares representing at least a majority of each class of the shares entitled to vote at the Carlile special meeting must be present in person or represented by proxy to constitute a quorum, but the holders of at least two-thirds of the shares of Carlile voting common stock entitled to vote at the Carlile special meeting must be present, in person or by proxy, at the Carlile special meeting in order for the necessary vote to be able to take action on the merger proposal. The affirmative vote of the holders of at least two-thirds of the outstanding Carlile voting common stock is required to approve the reorganization agreement and the merger. As a result, if shares representing at least two-thirds of the shares of Carlile voting common stock outstanding on the close of business on the Carlile record date are not present at the Carlile special meeting, the presence of a quorum will still not permit the merger to be approved at the Carlile special meeting.

If a quorum is not present, or if fewer shares than are required to approve the reorganization agreement and the merger are voted in favor of the proposal to approve the reorganization agreement and the merger, then the Carlile special meeting may be adjourned to allow for the solicitation of additional proxies provided that such proposal to adjourn the Carlile special meeting is approved by the holders of a majority of the shares of Carlile voting common stock who are entitled to vote at the Carlile special meeting and are present or represented by proxy at the Carlile special meeting.

No notice of an adjourned Carlile special meeting need be given unless, after the adjournment, a new record date is fixed for the adjourned Carlile special meeting, in which case a notice of the adjourned Carlile special meeting shall be given to each Carlile shareholder of record entitled to vote at the Carlile special meeting. At any adjourned Carlile special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening

of the Carlile special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned Carlile special meeting.

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All shares of Carlile voting common stock represented at the Carlile special meeting, including shares of Carlile voting common stock that are represented but that vote to abstain and broker nonvotes, will be treated as present for purposes of determining the presence or absence of a quorum.

Required Vote

The required votes to approve the Carlile proposals are as follows:

Carlile Proposal One: approving the reorganization agreement and the merger requires the affirmative vote of at least two-thirds of the issued and outstanding shares of Carlile voting common stock entitled to vote at the Carlile special meeting. Failures to vote, broker nonvotes and abstentions will have the same effect as a vote against this proposal. Please note that only the shares of Carlile voting common stock are entitled to be voted at the Carlile special meeting.

Carlile Proposal Two: approving the adjournment of the Carlile special meeting, if necessary, to allow for the solicitation of additional proxies requires the affirmative vote of at least a majority of the issued and outstanding shares of Carlile voting common stock and present or represented by proxy at the Carlile special meeting, regardless of whether there is a quorum present at the Carlile special meeting. Failures to vote, broker nonvotes and abstentions will have the same effect as a vote against the proposal. Please note that only the shares of Carlile voting common stock are entitled to be voted at the Carlile special meeting.

Voting of Proxies by Holders of Record of Carlile Voting Common Stock

If you were a record holder of Carlile voting common stock at the close of business on the Carlile record date, a proxy card is enclosed for your use. Carlile requests that you vote your shares as promptly as possible by submitting your Carlile proxy card by mail using the enclosed return envelope. When the accompanying proxy card is properly executed, dated and returned, the shares of Carlile voting common stock represented by it will be voted at the Carlile special meeting or any adjournment thereof in accordance with the instructions contained in the proxy card.

If a proxy card is returned without an indication as to how the shares of Carlile voting common stock represented by it are to be voted with regard to a particular proposal, the shares of Carlile voting common stock represented by the proxy will be voted in accordance with the recommendation of the Carlile board of directors and, therefore, such shares will be voted:

FOR Carlile Proposal One approving the reorganization agreement and the merger; and

FOR Carlile Proposal Two approving the adjournment of the Carlile special meeting if necessary to permit solicitation of additional proxies.

At the date hereof, the Carlile board of directors has no knowledge of any business that will be presented for consideration at the Carlile special meeting and that would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in the Carlile Notice of Special Meeting of Shareholders.

No other matter can be brought up or voted upon at the Carlile special meeting.

Your vote is important. Accordingly, if you were a record holder of Carlile voting common stock on the record date of the Carlile special meeting, please sign and return the enclosed proxy card whether or not you plan to attend the Carlile special meeting in person.

Attending the Meeting; Voting in Person

Only record holders of Carlile voting common stock and Carlile nonvoting common stock on the record date, the persons duly appointed as proxies to vote shares of Carlile voting common stock, and invited guests

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may attend the Carlile special meeting. Only the holders of record of shares of the Carlile voting common stock as of the record date for the Carlile special meeting will be entitled to vote at the meeting. Such persons may not, however, vote any shares of Carlile nonvoting common stock they may hold at such record date at the Carlile special meeting. All attendees must present government-issued photo identification (such as a driver's license or passport) for admittance. The additional items, if any, that attendees must bring to gain admittance to the Carlile special meeting depend on whether they are shareholders of record or proxy holders.

A shareholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to in this joint proxy statement/prospectus as a beneficial owner) who desires to attend the Carlile special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner's shares, a brokerage account statement or the voting instruction form provided by the broker.

A person who holds a validly executed proxy entitling such person to vote on behalf of a record owner of shares of Carlile voting common stock who desires to attend the Carlile special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the Carlile shareholder of record, and proof of the signing shareholder's record ownership of shares of Carlile voting common stock as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the Carlile special meeting may prevent Carlile shareholders from being admitted to the Carlile special meeting.

Revocation of Proxies

A Carlile shareholder entitled to vote at the Carlile special meeting may revoke a previously provided proxy at any time before such time that the proxy card for any such holders of Carlile voting common stock must be received at the Carlile special meeting by taking any of the following three actions:

delivering written notice of revocation to Mindy Hegi, Chief Financial Officer, Carlile Bancshares, Inc., 201 Main Street, Suite 1320, Fort Worth, Texas 76102;

delivering a proxy card bearing a later date than the date of the proxy that such shareholder desires to revoke;
or

attending the Carlile special meeting and voting in person.

Merely attending the Carlile special meeting will not, by itself, revoke your proxy; a holder of Carlile voting common stock must cast a subsequent vote at the Carlile special meeting using a ballot provided at the Carlile special meeting for that purpose. The last valid vote that Carlile receives before or at the Carlile special meeting is the vote that will be counted.

If you hold your shares in street name through a bank or broker, you must contact such bank or broker if you desire to revoke your proxy.

Tabulation of Votes

Carlile has appointed Mindy Hegi to serve as the Inspector of Election for the Carlile special meeting. The Inspector of Election will independently tabulate affirmative votes, negative votes and abstentions.

Solicitation of Proxies

The Carlile board of directors is soliciting proxies for the Carlile special meeting from holders of shares of Carlile voting common stock entitled to vote at such special meeting. In accordance with the reorganization

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agreement, Carlile will pay its own cost of soliciting proxies from its shareholders, including the cost of mailing this joint proxy statement/prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Carlile's officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

Carlile will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Carlile voting common stock. Carlile may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

Abstentions and shares of Carlile voting common stock held of record by a broker or nominee that are voted on any matter are included in determining whether a quorum exists at the Carlile special meeting. Brokers that are members of the NYSE or NASDAQ Global Select Market, as holders of record, are permitted to vote on certain routine matters in their discretion, but not on nonroutine matters. The proposal to approve the reorganization agreement and the merger is a nonroutine matter. Accordingly, if a holder of shares of Carlile voting common stock holds such shares in street name and does not provide voting instructions to his or her bank, broker or nominee that is a member of NYSE or NASDAQ Global Select Market, those shares will not be voted on the proposal to approve the reorganization agreement and the merger at the Carlile special meeting unless you receive a proxy from that broker that will allow you to vote the shares you beneficially own and that are held by that broker.

Adjournments

Any adjournment of the Carlile special meeting may be made from time to time if the proposal to adjourn the meeting is approved by the affirmative vote of at least a majority of the issued and outstanding shares of Carlile voting common stock entitled to vote and present or represented by proxy at the Carlile special meeting, whether or not a quorum exists at the Carlile special meeting. Such adjournment may be made without further notice other than by an announcement made at the Carlile special meeting, unless a new record date for the adjourned special meeting is fixed. If a quorum is not present at the Carlile special meeting or if a quorum is present at the Carlile special meeting but there are not sufficient votes at the time of the Carlile special meeting to approve the proposals, then Carlile shareholders may be asked to vote on a proposal to adjourn the Carlile special meeting so as to permit solicitation of additional proxies.

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INDEPENDENT AND CARLILE PROPOSAL ONE

The shareholders of Independent and the shareholders of Carlile holding shares of Carlile voting common stock will each be voting upon a proposal to approve the reorganization agreement and the merger. Information about the merger and the reorganization agreement is presented below under **The Merger** and elsewhere in this joint proxy statement/prospectus

THE MERGER

The following information describes the material aspects of the merger. A copy of the reorganization agreement is included as **Appendix A** to this joint proxy statement/prospectus and is incorporated herein by reference. The description of the material aspects of the merger appearing below is qualified in its entirety by the terms of the reorganization agreement. You are urged to read each of the Appendices to this joint proxy statement/prospectus in its entirety.

Terms of the Merger

The reorganization agreement provides for Independent to acquire all of the issued and outstanding securities of Carlile through a merger of Carlile with and into Independent, with Independent being the surviving corporation following the merger. If the shareholders of Carlile and Independent approve the reorganization agreement at the special meetings, and if the required regulatory approvals are obtained and the other conditions to the parties obligations to effect the merger are satisfied or are waived by the party entitled to do so, Independent and Carlile anticipate that the merger will be completed on April 1, 2017, although delays in the completion of the merger could occur.

Independent is the sole shareholder of Independent Bank, a Texas banking association, and Carlile is the sole shareholder of Northstar Bank, a Texas banking association. Upon the effectiveness of the merger, both Independent Bank and Northstar Bank will be wholly owned subsidiaries of Independent. Pursuant to the reorganization agreement, immediately following the effectiveness of the merger, Northstar Bank will merge with and into Independent Bank, with Independent Bank being the surviving bank following the bank merger.

Treatment of Shares of Carlile Common Stock

As a result of the merger, holders of Carlile common stock will be entitled to receive whole shares of Independent common stock in exchange for their shares of Carlile common stock, with cash paid in lieu of any fractional share, and will no longer be owners of Carlile common stock. Upon completion of the merger, certificates representing shares of Carlile common stock immediately prior to the merger's completion will represent only the right to receive the shares of Independent common stock and payment for any fractional share of Independent common stock in accordance with the terms of the reorganization agreement. Carlile will cease to exist following the completion of the merger.

Each share of Carlile common stock will be exchanged for a fraction of a share of Independent common stock, which fraction will be equal to the Carlile Share Exchange Ratio. That fraction will be expressed as a decimal number that will be rounded to the nearest ten-thousandth. Only whole shares of Independent common stock will be issued, with Carlile shareholders to receive cash in lieu of any fractional share otherwise issuable to a Carlile shareholder, as discussed below under **Cash in Lieu of Fractional Shares**.

The Carlile Share Exchange Ratio will be determined by means of a formula that uses the following factors:

the Average Stock Price, which will be the average of the daily volume-weighted average sales price for a share of Independent common stock for the twenty trading days ending on and including the third trading day preceding the closing date of the merger;

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the Gross Share Number, which will equal the quotient of (a) \$434,000,000, subject to adjustment as provided in the reorganization agreement, *divided by* (b) \$47.40;

the Deal Value, which will equal the product of (a) the Gross Share Number multiplied by (b) the Average Stock Price; and

the Shareholder Value, which will equal (a) the Deal Value *minus* (b) the aggregate amount of cash (i) to be paid by Independent to effectuate the automatic cashout of the Carlile stock options in connection with the merger and (ii) paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock.

The formula in which those factors will be used provides that the Carlile Share Exchange Ratio will be equal to the quotient of (a) the quotient of (i) the Shareholder Value, *divided by* (ii) the number of shares of Carlile common stock outstanding immediately prior to the effective time of the merger, *divided by* (b) the Average Stock Price. Expressed as a mathematical equation, the formula is:

$$\text{Carlile Share Exchange Ratio} = \frac{(\text{Shareholder Value} \div \text{outstanding shares of Carlile common stock})}{\text{Average Stock Price}}$$

The exact fraction of a share of Independent common stock into which a share of Carlile is converted will depend on the Average Stock Price, the amount of any adjustment made in computing the Gross Share Number if the adjusted tangible equity of Carlile is less than \$200 million on the tangible equity determination date, the number of shares of Carlile common stock outstanding immediately prior to the effective time of the merger, which number may increase as a result of the exercise prior to the effective time of the merger of any of the options to purchase shares of Carlile common stock outstanding on the date of this joint proxy statement/prospectus, and the sum of the aggregate amount of cash to be paid to the holders of the Carlile stock options by Independent plus the aggregate amount of cash that was paid by Carlile in December 2016 in consideration for the cancellation of a portion of the options to purchase shares of Carlile common stock that were then held by certain executive officers of Carlile.

If the necessary shareholder and regulatory approvals are obtained and the merger is completed, assuming the Average Stock Price were \$66.70 (the closing price for a share of Independent common stock on February 16, 2017), that 35,064,719 shares of Carlile voting and non-voting common stock are outstanding immediately prior to the merger (which would mean that none of the options to acquire Carlile common stock outstanding on the date of this joint proxy statement/prospectus would be exercised after such date), the adjusted tangible equity of Carlile is at least \$200 million at the tangible equity determination date and the payments to the holders of the outstanding Carlile stock options were an aggregate of \$22.1 million in the aggregate (which includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock), each share of Carlile common stock then outstanding would be exchanged for 0.2517 of a share of Independent common stock and all outstanding shares of Carlile common stock would be exchanged for an aggregate of 8,825,790 shares of Independent common stock.

Treatment of Carlile Stock Options

Pursuant to the terms of the reorganization agreement and the provisions of the Carlile Equity Incentive Plan, the administrator of that plan will unilaterally provide for the vesting of each outstanding and unvested option to acquire

shares of Carlile common stock not fully vested and immediately exercisable as of the fifth business day prior to the closing of the merger. All of the outstanding options to acquire shares of Carlile common stock will then no longer be subject to forfeiture and will be immediately exercisable. Each such Carlile stock option that is outstanding and not exercised immediately prior to the effective time of the merger will be automatically cashed out under the terms of the Carlile Equity Incentive Plan and the holder of each cashed out Carlile stock option will have the right to receive a cash payment for such cashed out option. The amount of such

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payment for each particular Carlile stock option will be determined pursuant to a formula set forth in the reorganization agreement that will use the following factors:

the Option Shares, which are the shares of Carlile common stock underlying that particular Carlile stock option;

the Per Share Option Price, which will be the difference between (i) the Closing Date Fair Market Value *minus* (ii) the per share exercise price applicable to that particular Carlile stock option as scheduled in the reorganization agreement;

the Closing Date Fair Market Value which will be the quotient of:

the sum of (I) the aggregate number of shares of Independent common stock into which the shares of Carlile common stock will be converted in the merger (calculated by using a Shareholder Value equal to the Deal Value determined as described above) *multiplied by* the Average Stock Price, *plus* (II) an amount equal to the aggregate amount of the cash distributions actually made by Carlile to its shareholders in accordance with the reorganization agreement that are not a return of capital to the Carlile shareholders *plus* (III) the aggregate exercise price payable to exercise all of the Carlile stock options outstanding and unexercised immediately prior to the effective time of the merger *divided by*

the sum of (i) the number of shares of Carlile common stock issued and outstanding immediately prior to the merger's effective time *plus* (ii) the number of shares of Carlile common stock underlying the Carlile stock options outstanding and unexercised immediately prior to the effective time of the merger *plus* (iii) 190,000 shares, which represent the shares of Carlile common stock underlying the options to purchase shares of Carlile common stock that were cancelled in December 2016 in exchange for cash payments.

Each holder of a Carlile stock option outstanding and unexercised immediately prior to the effective time of the merger will be entitled to receive an amount of cash equal to the product of (i) Per Option Share Price for each particular Carlile stock option he or she holds that is outstanding and unexercised immediately prior to the effective time of the merger *multiplied by* (ii) the total number of Option Shares underlying that particular Carlile stock option. Such amount will be paid to the option holders within five business days following the closing date of the merger.

In connection with certain tax planning matters being conducted by Carlile, in December 2016, Carlile terminated and cancelled options to purchase an aggregate of 190,000 shares of Carlile voting common stock that were previously held by certain executive officers of Carlile in exchange for aggregate cash consideration of \$1.6 million. In an effort to ensure that these executive officers ultimately receive the same consideration for the cancellation of their options that other Carlile option holders will receive from Independent following consummation of the merger, the executive officers and Independent agreed to a true-up mechanism whereby: (i) in the event that the cash amount paid by Carlile in December 2016, to cancel each option is less than the Per Option Share Price, Independent would make an additional cash payment to the executive officers equal to the amount of the deficiency multiplied by the number of shares of Carlile common stock underlying such cancelled options; and (ii) in the event that the cash amount paid to cancel each option is greater than the Per Option Share Price, the aggregate payment that the executive officers will be

entitled to receive from Independent upon consummation of the merger would be reduced, on a dollar-for-dollar basis, by the amount of the excess multiplied by the number of shares of Carlile common stock underlying such cancelled options. As a result of this true-up procedure, if the exercise price of each of the options cancelled in December 2016 and all of the Carlile stock options cashed out in connection with the merger were the same, the executive officers who have received a cash payment in exchange for the cancellation of a portion of their stock options in December 2016 will have received the same net cash amount for their cancelled stock options as will be received by all other Carlile option holders upon the consummation of the merger. In addition, each of Carlile and Independent further clarified their intent that the cash payments made to the executive officers in exchange for the cancellation of a portion of their options will be disregarded for purposes of the calculation of Carlile's adjusted tangible equity as of the tangible equity

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determination date so as to ensure that such payments do not otherwise affect the Carlile Share Exchange Ratio or the amount of the pre-closing distributions by Carlile as permitted by the reorganization agreement.

As of February 17, 2017, the record date for the Carlile special meeting, there were outstanding and unexercised options to purchase 2,504,726 shares of Carlile common stock granted under the Carlile Equity Incentive Plan (some of which by their terms will not vest until after the date of the Carlile special meeting). If all of these options remain outstanding and unexercised at the effective time of the merger, based on the assumptions appearing in Tables I and II below under the caption Value of Total Merger Consideration to Be Received, the aggregate cash payment made to cash out the Carlile stock options in the merger would be approximately \$22.1 million. This amount includes the \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of the options to purchase 190,000 shares of Carlile common stock discussed above and a true-up adjustment for the stock options of an aggregate of \$210,000 in the favor of the former optionholders in accordance with the true-up mechanism described above. Pursuant to the terms of the reorganization agreement, Carlile is prohibited from granting any additional options to purchase Carlile common stock prior to the closing date.

Estimated Number of Shares of Carlile Common Stock to be Issued and Outstanding on the Closing Date

The amount of per share merger consideration to be received by the Carlile shareholders is dependent, among other factors, upon the number of shares of Carlile common stock issued and outstanding immediately prior to the effective time of the merger. As of February 17, 2017:

35,064,719 shares of Carlile voting and non-voting common stock were issued and outstanding; and

options to purchase 2,504,726 shares of Carlile voting common stock were outstanding and unexercised. While Carlile anticipates that none of the options to purchase shares of its common stock now outstanding will be exercised prior to the merger's effective time, if all outstanding stock options are exercised, then it is expected that there would be 37,569,445 shares of Carlile voting and non-voting common stock issued and outstanding immediately prior to the effective time of the merger.

The shares of Carlile common stock outstanding at the time of the tangible equity determination date will include all shares of restricted stock of Carlile common stock currently outstanding. Pursuant to the terms of the reorganization agreement and the provisions of the Carlile Equity Incentive Plan, the administrator of that plan will unilaterally provide for the vesting of each outstanding and unvested share of restricted Carlile stock as of the fifth business day prior to the closing date of the merger. Upon such vesting, such restricted stock will no longer be subject to forfeiture or to the restrictions imposed by the provisions of the Carlile Equity Incentive Plan or any award agreement. Such shares will be exchanged for shares of Independent common stock in the merger on the same basis as all other shares of Carlile common stock issued and outstanding immediately prior to the effective time of the merger.

Carlile has agreed that, prior to the closing of the merger or the termination of the reorganization agreement, Carlile will not issue any additional shares of its capital stock or additional securities or rights, such as options to purchase Carlile common stock, that could result in the issuance of additional shares of its capital stock except pursuant to the Carlile stock options outstanding at the date of the reorganization agreement.

Possible Downward Adjustment to the \$434 Million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio

The agreed amount to be used in the calculation of the Carlile Share Exchange Ratio and, therefore, the fraction of a share of Independent common stock to be exchanged for each share of Carlile common stock in the merger and to calculate the amount of cash to be paid in the cashout of the Carlile stock options is \$434 million,

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which is the agreed value of all of the outstanding shares of Carlile common stock and all of the outstanding and unexercised Carlile stock options. This \$434 million agreed amount will be adjusted downward if the adjusted tangible equity of Carlile calculated in accordance with the terms of the reorganization agreement on the fifth business day prior to the closing date of the merger, which we refer to herein as the tangible equity determination date, is less than \$200 million. Specifically, if on the tangible equity determination date, Carlile's adjusted tangible equity is less than \$200 million, the \$434 million amount used in the calculation of the Carlile Share Exchange Ratio would be reduced by an amount equal to the difference between \$200 million *minus* the actual Carlile adjusted tangible equity as of such date.

Pursuant to the terms of the reorganization agreement, the adjusted tangible equity of Carlile will be determined from Carlile's financial statements prepared in accordance with GAAP (adjusted as provided for below) as of the fifth business day prior to the closing date of the merger. Any unrealized gains or losses in investment securities and amounts paid by Carlile in December 2016 to cash out the Carlile stock options then held by certain executive officers of Carlile will also be excluded from the calculation of adjusted tangible equity.

The calculation of Carlile's adjusted tangible equity for purposes of calculating the merger consideration to be received by the Carlile shareholders in, and by the Carlile stock option holders in connection with, the merger will include a deduction for the costs and expenses of Carlile and Northstar Bank listed below, on an after tax basis, which are currently estimated to range, in the aggregate, between approximately \$13.5 million and \$14.1 million:

all professional fees incurred by Carlile and any Carlile subsidiary in connection with transactions contemplated by the reorganization agreement, which would include any investment banking fees, legal fees and accounting fees and similar costs and expenses;

any costs or fees (including forfeited prepaid expenses) associated with the termination and de-conversion of material contracts of Carlile and any Carlile subsidiary, including their respective data processing and other information technology contracts, as scheduled in the reorganization agreement;

all payments owed under the employment agreements, change-in control agreements, salary arrangements, continuation arrangements, deferred compensation arrangements, severance plans, or similar arrangements by Carlile or one of its subsidiaries and all other payments, if any, made to director, officers and employees of Carlile or a subsidiary of Carlile related to the consummation of the merger;

the premium for four (4) years of director and officer insurance tail coverage required by the reorganization agreement; and

the portion of the payroll and income tax owed by Carlile resulting from the cashout of the Carlile stock options on a net settlement basis.

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The tangible equity of Carlile (calculated in accordance with GAAP and the terms of the reorganization agreement) as of December 31, 2016, was estimated to be \$209.2 million. The amount of adjusted tangible equity will be increased by the amount of the consolidated net income of Carlile or decreased by the amount of the consolidated net loss of Carlile through the fifth business day prior to the merger's effective date. Management of Carlile estimates that Carlile will have net income of between \$5.0 million and \$5.8 million from January 1, 2017, through March 24, 2017. The table set forth below shows the range of Carlile's estimates for the amounts that will affect the calculation of the Carlile adjusted tangible equity, assuming the closing of the merger occurs on March 31, 2017 and the merger has an effective date of April 1, 2017:

The table set forth below shows the range of estimates for the amounts that will affect the calculation of the Carlile adjusted tangible equity, assuming the closing of the merger on March 31, 2017:

	Low Range	High Range
	(in thousands)	
Estimated tangible equity of Carlile as of December 31, 2016 prior to deductions required by reorganization agreement	\$ 209,177	\$ 209,177
Estimated consolidated net income of Carlile for the period from January 1, 2017 through March 24, 2017	5,030	5,760
Estimated tax savings on stock option cash out	2,615	3,678
Estimated professional fees the transactions contemplated by the reorganization agreement, including investment banking, legal and accounting fees and similar costs and expenses	(3,357)	(3,292)
Estimated costs and fees associated with termination and de-conversion of material contracts	(2,615)	(2,310)
Estimated payments owed under employment contracts and other payments to be made to directors, officers and employees of Carlile and Northstar Bank relating to the consummation of the merger	(7,505)	(7,408)
Estimated premiums for director and officer insurance tail coverage (for 4 year period)	(423)	(358)
Estimated payroll and income tax to be owed by Carlile resulting from the cashout of the Carlile stock options on a net settlement basis	(155)	(125)
Estimated total costs and expenses	(14,055)	(13,493)
Estimated adjusted tangible equity of Carlile as of March 24, 2017	\$ 202,767	\$ 205,122

The amounts shown in the table above are only estimates and are based upon several assumptions, many of which are beyond the control of Carlile and Northstar Bank. Accordingly, the actual amount of Carlile's adjusted tangible equity at March 24, 2017, may vary from these estimated amounts shown in the table above. Carlile will not resolicit proxies from holders of its common stock in the event that Carlile adjusted tangible equity is below \$200 million on the tangible equity determination date and the \$434 million agreed amount used in the calculation of the Carlile Share Exchange Ratio is adjusted downward as Carlile has no right to do so under the reorganization agreement.

Carlile will provide Independent with a preliminary calculation of adjusted tangible equity at least three business days before the closing date. If Independent disagrees with such calculation of adjusted tangible equity, Carlile and Independent will meet to resolve any such disagreement. If the parties cannot resolve any such disagreement, then an

independent accounting firm mutually agreed to by Carlile and Independent will resolve any such disagreement, which resolution will be final and binding upon both parties.

If Carlile has consolidated net income for the period from January 1, 2017, through March 24, 2017, and the actual costs and expenses of the type described in the table above are within the range set forth in the table above, Carlile's adjusted tangible equity as of the closing date would be greater than \$200 million, and, thus, there

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would be no deduction from the agreed amount of \$434 million to be used in calculating the Carlile Share Exchange Ratio and the amount of the payments to cash out the Carlile stock options.

Should the adjusted tangible equity be \$195 million, then the \$434 million amount to be used to calculate the Carlile Share Exchange Ratio would be reduced by \$5 million (the difference between \$200 million and \$195 million) to \$429 million. That reduction would reduce the Carlile Share Exchange Ratio and, thus, the fraction of a share of Independent common stock to be exchanged for a share of Carlile common stock in the merger, the aggregate number of shares of Independent common stock to be exchanged for all of the outstanding shares of Carlile common stock in the merger and the per Carlile stock option and aggregate payments made to cash out the Carlile stock options.

No upward adjustment of the \$434 million agreed amount to be used in the calculation of the Carlile Share Exchange Ratio will be made if the adjusted tangible equity of Carlile exceeds \$200 million on the tangible equity determination date. As a result, the per share consideration and the aggregate consideration to be received by the Carlile shareholders in the merger will not be increased as a consequence of the adjusted tangible equity of Carlile being in excess of \$200 million on the determination date.

Independent's obligation to consummate the merger is conditioned upon Carlile having a adjusted tangible equity (calculated pursuant to the reorganization agreement and after the deductions described above) of at least \$195 million as of the closing date. Should the Carlile adjusted tangible equity be less than \$195 million, then Independent may, in its sole discretion refuse to close the transactions and consummate the merger, or Independent may elect to proceed with the transactions and consummate the merger, in which case the \$434 million amount of used in the calculation of the Carlile Share Exchange Ratio would be subject to a deduction equal to \$200 million minus the calculated adjusted tangible equity of Carlile at the tangible equity determination date, which would further reduce the aggregate number of shares of Independent common stock to be issued in the merger and the aggregate payments to cash out the Carlile stock options. If the Carlile adjusted tangible equity is below \$195 million at the tangible equity determination date, Independent's board of directors intends to exercise its independent judgment in determining whether to complete the merger or to terminate the reorganization agreement. In making this determination, the Independent board of directors will exercise its fiduciary duties, including fulfilling its duty to review the reasons why the Carlile adjusted tangible equity was lower than \$195 million, whether that lower valuation negatively impacts the benefits that Independent hoped to achieve as a result of the merger, whether the corresponding reduced number of shares of Independent common stock to be issued in the merger and amount of cash to be paid to cash out the Carlile stock options in such event off-sets any potential negative consequences of moving ahead with the merger, and the Independent board of directors will consult with its legal and financial advisors in evaluating whether it would be in the best interest of the Independent shareholders to complete the merger in light of all the relevant facts and circumstances surrounding the lower adjusted tangible equity of Carlile.

Neither Independent nor Carlile will resolicit proxies from their shareholders in the event that the Carlile adjusted tangible equity is below \$195 million and Independent elects to complete the merger. Please refer to the risk factor,

Neither Independent nor Carlile intends to resolicit proxies from their shareholders in the event that Carlile's adjusted tangible equity is less than \$195 million on the closing date, on page 57.

Value of Merger Consideration to be Received

The following tables illustrate the effect that the amount of the Average Stock Price will have on the amount and value of the consideration that will be received by the Carlile shareholders and the holders of the Carlile stock options in the merger. The exact fraction of a share of Independent common stock that will be exchanged for each share of Carlile common stock outstanding immediately prior to the effective time of the merger, the aggregate number of shares of Independent common stock that will be issued as merger consideration and the aggregate amount of cash

that will be paid to cash out the Carlile stock options (including the cash paid to cancel 190,000 options to purchase shares of Carlile common stock in December 2016) if the merger is consummated

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will depend in part on the Average Stock Price (calculated as described in, and used in the formula for calculating the Carlile Share Exchange Ratio described in, the The Merger Treatment of Shares of Carlile Common Stock beginning on page 75). At the effective time of the merger, the value of such a fraction of a share of Independent common stock and of the aggregate number of shares of Independent common stock to be issued in the merger and the value of the aggregate merger consideration to be received by the Carlile shareholders and the holders of the Carlile stock options in the merger will depend on the market price of a share of Independent common stock at the effective time of the merger.

The amounts in each of the tables below have been calculated based on the assumed Average Stock Prices shown in such tables, and assuming 35,064,719 shares of Carlile voting and non-voting common stock will be outstanding immediately prior to the merger's effective time, no Carlile stock options will be exercised prior to closing of the merger and the market price of a share of Independent common stock at the effective time of the merger will be equal to the assumed Average Stock Price used to calculate the various amounts and values shown in such tables. Table I assumes that Carlile will have adjusted tangible equity of \$200 million (as calculated in accordance with the terms of the reorganization agreement) on the tangible equity determination date; Table II assumes that Carlile will have adjusted tangible equity of \$195 million on the tangible equity determination date.

The actual Average Stock Price, determined as provided in the reorganization agreement, may be materially less or more than any of the assumed Average Stock Prices in each of the tables below and the price at which a share of Independent common stock is trading in the market at the effective time of the merger may be materially less or more than the assumed Average Stock Price used for determining the value of the merger consideration shown in each of the tables below. As a result, the actual amounts and values of the merger consideration received by the Carlile shareholders and the holders of Carlile stock options in the merger may differ materially from any of the amounts and values set forth in either or both of the following tables.

Table I

Assumed Average Stock Price	Fraction of Independent Share to be Exchanged for each Carlile Share ⁽³⁾	Value of Such Fraction of Independent Share	Aggregate Number of Independent Shares To be Issued as Merger Consideration	Value of		
				Aggregate Number of Independent Shares to be Issued as Merger Consideration	Aggregate Cash Payments to be Made to Option Holders ⁽⁴⁾	Aggregate Merger Consideration
\$66.70 ⁽¹⁾	0.2517	\$ 16.79	8,825,790	\$ 588,680,178	\$ 22,139,057	\$ 610,819,235
\$65.00	0.2519	16.37	8,832,803	574,132,177	21,028,223	595,160,399
\$60.00	0.2527	15.16	8,860,854	531,651,269	17,761,063	549,412,332
\$55.00	0.2536	13.95	8,892,413	489,082,701	14,493,903	503,576,603
\$50.00	0.2547	12.74	8,930,984	446,549,196	11,226,743	457,775,939
\$47.40 ⁽²⁾	0.2554	12.11	8,955,529	424,492,086	9,527,820	434,019,905

- (1) The closing price of a share of Independent common stock on February 16, 2017.
- (2) The closing price of a share of Independent common stock on November 4, 2016, which will be used in the formula to calculate the Carlile Share Exchange Ratio.
- (3) Determined using the formula used to calculate the Carlile Share Exchange Ratio. See *The Merger Treatment of Shares of Carlile Common Stock* beginning on page 75 for more detailed information regarding the calculation of such ratio.
- (4) Determined using the formula described under *The Merger Treatment of Carlile Stock Options* beginning on page 76. Includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock and the related true-up mechanism.

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Assumed Average Stock Price	Fraction of Independent Share per Carlile Share ⁽³⁾	Value of Fraction of Independent Share	Value of			
			Aggregate Number of Independent Shares To be Issued as Merger Consideration	Aggregate Number of Independent Shares to be Issued as Merger Consideration	Aggregate Cash Payments to be Made to Option Holders ⁽⁴⁾	Aggregate Merger Consideration
\$66.70 ⁽¹⁾	0.2489	\$ 16.60	8,727,609	\$ 582,131,491	\$ 21,447,820	\$ 603,579,310
\$65.00	0.2492	16.20	8,738,128	567,978,318	20,349,783	588,328,101
\$60.00	0.2500	15.00	8,766,180	525,970,785	17,120,263	543,091,048
\$55.00	0.2509	13.80	8,797,738	483,875,590	13,890,743	497,766,333
\$50.00	0.2520	12.60	8,836,309	441,815,459	10,661,223	452,476,682
\$47.40 ⁽²⁾	0.2527	11.98	8,860,854	420,004,503	8,981,873	428,986,376

- (1) The closing price of a share of Independent common stock on February 16, 2017.
- (2) The closing price of a share of Independent common stock on November 4, 2016, which will be used in the formula to calculate the Carlile Share Exchange Ratio.
- (3) Determined using the formula used to calculate the Carlile Share Exchange Ratio. See *The Merger Treatment of Shares of Carlile Common Stock* beginning on page 75 for more detailed information regarding the calculation of such ratio.
- (4) Determined using the formula described under *The Merger Treatment of Carlile Stock Options* beginning on page 76. Includes \$1.6 million paid by Carlile in December 2016 in connection with the cancellation of options to purchase 190,000 shares of Carlile common stock and the related true-up mechanism.

The value of the total merger consideration and the per share merger consideration will increase or decrease based upon fluctuations in the market price of Independent common stock occurring prior to the closing of the merger.

Cash in Lieu of Fractional Shares

No fractional shares of Independent common stock will be issued in the merger. Rather, if a Carlile shareholder would be entitled to receive in exchange for his or her shares of Carlile common stock a total number of shares of Independent common stock including a fraction of such a share, Independent will pay that Carlile shareholder cash in lieu of issuing that fractional share of Independent common stock. Such payment will be in an amount equal to the product of a share of Independent common stock that would otherwise be issuable to the Carlile shareholders multiplied by the Average Stock Price and will not accrue interest. The market price of shares of Independent common stock will fluctuate from the date of this joint proxy statement/prospectus to the date of completion of the merger, and any such fluctuations will impact the amount of cash paid for fractional shares. See *The Merger Treatment of Shares of Carlile Common Stock* above for an estimate of the fraction of a share of Independent common stock to be issued in exchange for each share of Carlile common stock in the merger.

Other Financial Aspects of the Merger

Under the terms of the reorganization agreement, Carlile may make cash distributions to its shareholders of up to an aggregate of \$55,250,000 after the date of the reorganization agreement and prior to the effective time of the merger, a portion of which cash distributions may be in the form of a return of capital to the Carlile shareholders. In addition, if the closing of the merger does not occur on or before June 30, 2017, the amount of cash distributions Carlile may make under the reorganization agreement will be increased by an amount equal to the consolidated net income of Carlile from June 1, 2017, through the tangible equity determination date for the adjusted tangible equity of Carlile, calculated in accordance with the terms of the reorganization agreement. Carlile made cash distributions of \$52,600,000 to its shareholders in December 2016 as a return of capital to the

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Carlile shareholders. Depending on the adjusted tangible equity of Carlile at the tangible equity determination date, Carlile may make additional cash distributions that, together with the December 2016 distributions, do not exceed the upper limit on such distributions. If the merger is completed before June 30, 2017, the additional amount of cash that Carlile may distribute to its shareholders prior to the completion of the merger would be \$2,650,000. All such cash distributions made after December 31, 2016 will reduce the amount of adjusted tangible equity of Carlile as of December 31, 2016 as set forth in the table above.

Treatment of Shares of Independent Common Stock

Each share of Independent common stock outstanding immediately prior to the effective time of the merger shall remain issued and outstanding as one share of Independent common stock as Independent is the corporation surviving the merger.

Background of the Merger

In connection with the ongoing consideration and evaluation of its long-term strategic alternatives and prospects, Carlile's board of directors and executive management team have considered and regularly reviewed the strategic direction and business objectives of its consolidated organization as part of their continuous efforts to enhance value to its shareholders and other constituencies. This strategic planning exercise generally included an evaluation of the merits and drawbacks of (i) continuing to operate as an independent institution, (ii) continued expansion through the strategic acquisition of other institutions and branch offices, and (iii) entering into a strategic merger with another financial institution. These considerations have focused on, among other things, prospects and developments in the regulatory environment, in the economy generally and in financial markets, for financial institutions generally and Carlile, in particular, as well as conditions and ongoing consolidation in the financial services industry. In furtherance of these objectives, Carlile has evaluated and completed a number of strategic acquisitions of other financial institutions and other ancillary business entities. In addition, Carlile has periodically received inquiries from potential acquirers and other merger partners in the industry.

As a result of an ongoing desire to provide shareholder liquidity and a perceived recent improvement in market pricing for larger community bank franchises in Texas, in September 2015, Tom C. Nichols, Carlile's Chairman of the Board, appointed an ad hoc committee of the board of directors, consisting of Messrs. Tom C. Nichols, Don E. Cosby, Mark K. Gormley, David A. Tanner, Christopher M. Doody and Robert W. Gentry, to evaluate potential strategic opportunities involving Carlile, including potential acquisitions by Carlile of other institutions and branch offices, mergers of equals and the prospect of merging Carlile into a larger institution.

During the fourth quarter of 2015 and first half of 2016, Carlile's executive management team attended in-person meetings and participated in conference telephone calls with representatives for 8 to 10 banking organizations, including Independent, regarding a potential business combination with Carlile. Carlile entered into confidentiality agreements with eight of the banking organizations, including a mutual confidentiality and nondisclosure agreement with Independent on July 22, 2016. Carlile's ad hoc committee was updated by the executive management team from time to time on these discussions.

To further advance Carlile's strategic growth objectives, on June 29, 2016, Carlile's executive management team met with representatives of Sandler O'Neill to discuss potential acquisition opportunities and to identify potential strategic merger partners.

In August of 2016, Carlile's board held a retreat to discuss and evaluate the findings and preliminary recommendations of the ad hoc committee and the executive management team with respect to potential transactions and merger

partners.

Following the board retreat, and after several additional preliminary meetings and discussions between Carlile's executive management and representatives of Sandler O'Neill, on August 29, 2016, Carlile formally

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engaged Sandler O'Neill to act as its financial advisor and to explore a possible business combination transaction with four specifically identified institutions, one of which was Independent, which Carlile's board believed had the greatest strategic interest in Carlile and could best enhance Carlile shareholder value based on the previous discussions with these institutions and Carlile's financial analyses of their capacity to fund a strategic transaction with Carlile.

In accordance with the directives of Carlile's board, representatives of Sandler O'Neill and Carlile's executive management team had ongoing discussions with representatives of all four institutions to gauge their level of interest in a potential transaction with Carlile. While all four of the institutions had an interest in a potential acquisition of, or combination with Carlile, two of the institutions never made proposals that included the potential terms for a transaction. Independent and a second institution (hereafter referred to as Bank A) indicated a desire to provide transaction proposals.

In early September, 2016, Independent provided Carlile with an oral indication of interest. This proposal provided for total consideration of \$481.25 million, which consisted of \$400.0 million of Independent common stock and \$81.25 million in a preclosing cash distribution by Carlile to its shareholders. Around the same time, Bank A orally indicated to representatives of Sandler O'Neill that Bank A would be interested in acquiring Carlile in an all-stock transaction with consideration within a range of \$400 - \$425 million.

To review Independent's oral indication of interest and Bank A's oral acquisition proposal, Carlile's ad hoc committee and Sandler O'Neill participated in conference telephone calls on September 8 and 29, 2016.

After meeting with the ad hoc committee, Carlile's executive management team prepared updated financial projections and expected cost savings expenses. These were provided to Independent pursuant to the mutual confidentiality and nondisclosure agreement with Independent.

On September 23, 2016, Carlile and Bank A entered into a mutual nondisclosure agreement, and Bank A was provided with the confidential projections consistent with those provided to Independent. In late September, Bank A reconfirmed to representatives of Sandler O'Neill its oral indication of interest, which provided for Carlile shareholders to receive total consideration in the form of Bank A common stock in an amount ranging between \$400 - \$425 million.

On September 30, 2016, Carlile received a nonbinding written expression of interest from Independent, which confirmed the terms Independent orally indicated earlier in the month.

From September 30, 2016 to October 10, 2016, Carlile and Independent negotiated terms of the nonbinding written expression of interest. On October 10, 2016, after consideration of Independent's offer and the status of the negotiations, Carlile's board of directors decided to pursue Independent's proposal as set forth in the nonbinding written expression of interest and Independent and Carlile entered into a standstill agreement on that date, which was effective through November 30, 2016.

Following execution of the standstill agreement, the parties established virtual electronic data rooms to facilitate due diligence investigation. Over the next several weeks, Carlile and Independent worked to complete their respective due diligence investigations.

Carlile received the first draft of the reorganization agreement from Independent on October 25, 2016 and the parties negotiated the financial terms of the transaction and the reorganization agreement until the reorganization agreement was executed on November 21, 2016. As part of that process, Independent and Carlile continued negotiating the financial terms of the proposed transaction. Carlile's ad hoc committee and Sandler O'Neill participated in conference

telephone calls on November 7 and 9, 2016 regarding Independent's revised proposal and additional negotiations with Independent. As a result of these negotiations, the parties agreed on aggregate merger consideration value of \$434.0 million based on \$47.40 per share of Independent common

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stock, which was approximately the average of the daily volume-weighted average sales price per share of Independent common stock for the twenty consecutive trading days during November 2016. In addition, the parties agreed that Carlile would be permitted to make pre-closing distributions of up to \$55,250,000, provided that Carlile delivered adjusted tangible equity (as defined in accordance with the terms of the reorganization agreement) of at least \$200 million at closing. Furthermore, the parties agreed that Carlile's outstanding stock options would be cancelled and paid in cash at closing.

On November 17, 2016, Carlile's board of directors met to consider and discuss the terms of the reorganization agreement and the merger. At this meeting, Sandler O'Neill reviewed financial aspects of the transaction and discussed on a preliminary basis the fairness opinion to be delivered by Sander O'Neill prior to execution of the reorganization agreement. At that meeting, Carlile's board of directors unanimously approved the reorganization agreement, subject to the delivery of the fairness opinion from Sandler O'Neill, and authorized Carlile to finalize the terms of the reorganization agreement.

After Carlile and Independent finalized the terms of the reorganization agreement, on November 21, 2016, Sandler O'Neill delivered its opinion, dated November 21, 2016, to Carlile's board of directors, to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O'Neill as set forth in its opinion, the aggregate merger consideration was fair, from a financial point of view, to the holders of Carlile common stock, collectively as a group.

The Independent board of directors separately approved the reorganization agreement on November 21, 2016.

On November 21, 2016, Carlile and Independent entered into the reorganization agreement and Independent issued a press release announcing the proposed merger.

Recommendation of Carlile's Board and Its Reasons for the Merger

Carlile's board of directors has unanimously approved the reorganization agreement and unanimously recommends that the Carlile shareholders vote FOR approval of the reorganization agreement and the merger.

Carlile's board of directors has determined that the merger is fair to, and in the best interests of, Carlile's shareholders. In approving the reorganization agreement, Carlile's board of directors consulted with Sandler O'Neill with respect to the financial aspects of the merger and with its outside legal counsel as to its legal duties and the terms of the reorganization agreement. In arriving at its determination, Carlile's board also considered a number of factors, including the following:

Carlile's board of directors' familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of Carlile;

the current and prospective environment in which Carlile operates, including national, regional and local economic conditions, the competitive environment for banks, thrifts and other financial institutions generally and the increased regulatory burdens on financial institutions generally and the trend toward consolidation in the banking industry and in the financial services industry;

the results that Carlile could expect to obtain if it continued to operate independently, and the likely benefits to shareholders of that course of action, as compared with the value of the merger consideration offered by Independent;

that shareholders of Carlile will receive the merger consideration in shares of Independent common stock, which is publicly traded on the NASDAQ Global Select Market;

the financial presentation of Sandler O'Neill and the opinion of Sandler O'Neill dated November 21, 2016, to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and

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qualifications set forth in the opinion, the aggregate merger consideration to be received by the holders of Carlile common stock was fair to such holders, collectively as a group, from a financial point of view (see Merger Fairness Opinion of Financial Advisor to Carlile, beginning on page 95);

the treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code with respect to Carlile stock exchanged for Independent stock;

the ability of Independent to pay the aggregate merger consideration without a financing contingency and without the need to obtain financing to close the transaction;

the ability of Independent to receive the requisite regulatory approvals in a timely manner;

the terms and conditions of the reorganization agreement, including the parties' respective representations, warranties, covenants and other agreements, the conditions to closing, including a provision that permits Carlile's board of directors, in the exercise of its fiduciary duties, under certain conditions, to furnish information to a third party that has submitted an unsolicited proposal to acquire Carlile;

that under the reorganization agreement Carlile could not solicit competing proposals for the acquisition of Carlile;

the merger with a larger holding company would provide the opportunity to realize economies of scale, increase efficiencies of operations and enhance the development of new products and services;

the agreement of Independent to honor certain existing employee benefits;

that some of Carlile's directors and executive officers have other financial interests in the merger in addition to their interests as Carlile shareholders, including financial interests that are the result of existing compensation arrangements with Carlile and/or prospective compensation arrangements with Independent and the manner in which such interests would be affected by the merger;

the Carlile stock options will be cashed out pursuant to the Carlile Equity Incentive Plan and as contemplated by the reorganization agreement; and

the requirement that Carlile conduct its business in the ordinary course and other restrictions on the conduct of Carlile's business before completion of the merger, which may delay or prevent Carlile from undertaking business opportunities that may arise before completion of the merger.

The reasons set out above for the merger are not intended to be exhaustive but do include all material factors considered by Carlile's board of directors in approving the merger. In reaching its determination, the Carlile board of

directors did not assign any relative or specific weights to different factors, and individual directors may have given different weights to different factors. Based on the reasons stated, the board believed that the merger was in the best interest of Carlile's shareholders, and therefore the board of directors of Carlile unanimously approved the reorganization agreement and the merger. In addition, all members of Carlile's board of directors have entered into voting and lockup agreements requiring them to vote the shares of Carlile common stock over which they have voting authority in favor of the reorganization agreement.

CARLILE'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT HOLDERS OF CARLILE COMMON STOCK VOTE FOR THE REORGANIZATION AGREEMENT AND THE MERGER.

Recommendation of Independent's Board and its Reasons for the Merger

One of Independent's key strategies is growth through strategic acquisitions. To execute this strategy, Independent routinely identifies market areas and evaluates opportunities to acquire financial institutions in those market areas.

Independent had previously identified the Fort Worth and Tarrant County markets as an area into which Independent should expand. Further, although Independent has banking centers located in Denton County, it does

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not have a presence in the City of Denton. After extensive review of the banking organizations located in the Fort Worth, Tarrant and Denton, Texas, markets and meetings and discussions with organizations with operations in these markets and Independent's financial advisors, management of Independent identified Carlile as a top tier banking organization with which Independent could partner to support its entry into the Fort Worth and Tarrant County market and to expand its presence in the Denton County market. In addition, while not previously identified as a target market of Independent, the acquisition of Carlile also provides Independent with an entry into the Colorado banking market with locations on the Front Range of the Rocky Mountains, along the dynamic Interstate Highway 25 corridor between Denver and Colorado Springs, Colorado.

As discussed above under the heading Background of the Merger, Independent and Carlile went through a detailed process of initial discussions, meetings among various members of each organization's management, thorough due diligence, and extensive negotiation of the reorganization agreement. The Strategic Planning Committee of Independent's board of directors initially provided oversight for this process in the second quarter of 2016 and the Independent board of directors began consideration of the potential acquisition during the third quarter of 2016. The Independent board of directors continued consideration of the proposed acquisition at its meeting in October 2016. After the diligence process had been completed and negotiation of the reorganization agreement had been finalized, the Independent board of directors met on November 21, 2016, to fully review and discuss the proposed transaction. At that meeting, the Independent board of directors consulted with Stephens with respect to the financial aspects of the transaction and with its outside legal counsel as to its legal rights and obligations under the reorganization agreement. Following these presentations and discussion at the meeting, the Independent board of directors determined that the proposed transaction was in the best interests of Independent. In arriving at its determination, the Independent board of directors considered a variety of factors, including the following:

information regarding the financial condition, operations, competitive position, and future prospects of Carlile;

information regarding the Fort Worth/Tarrant County and Denton, Texas and Colorado banking markets, including local economic conditions and prospects, as well as the competitive environment and the position of Carlile in those markets;

the results of management's due diligence review of Carlile and Northstar Bank;

the anticipated impact of the proposed acquisition on Independent's financial condition, capital, results of operation, cash flows and liquidity and that the proposed acquisition is anticipated to be accretive to Independent's earnings per share and tangible book value and to improve Independent's capital ratios;

the terms of the proposed acquisition, including the amount and form of the merger consideration;

the impact of the issuance of 8,825,790 shares of Independent common stock pursuant to the merger on Independent's ownership structure, including that, pursuant to the requirements of the NASDAQ Global Select Market, the merger and the issuance of shares in connection with the merger would be subject to the

approval of Independent Bank's shareholders;

the representations, warranties, covenants and conditions to closing set forth in the reorganization agreement, including the obligation of Carlisle to deliver a minimum amount of adjusted tangible equity at closing and to cause the cashout of the Carlisle stock options in connection with the merger;

the impact on the Independent Bank board of directors of the inclusion of the three named director nominees;

the ability to retain the key members of the Northstar Bank management team through the execution of employment agreements;

the compatibility of Northstar Bank's management with Independent Bank's management;

the strength of the Carlisle asset quality metrics and the similarity of the Carlisle credit culture to Independent Bank's credit culture;

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the opportunities for future growth in the Fort Worth/Tarrant County and Denton, Texas, market areas and the Colorado market;

the potential to realize cost savings through the integration of the operations of Carlile;

Independent's track record of assimilating the operations of acquired banks and the strength of Independent's management and infrastructure to successfully complete the integration process;

that Independent's management had previously met with the Federal Reserve, the Texas Department of Banking, and the FDIC and received a positive initial reaction to the proposed transaction;

the valuation for both Carlile and Independent as well as the financial and other effects that the merger would have on Independent's shareholders, including the potential effect on the market price of Independent's common stock; and

the financial presentation of Stephens and the opinion of Stephens that the merger consideration to be paid by Independent is fair, from a financial point of view, to Independent.

INDEPENDENT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT HOLDERS OF INDEPENDENT COMMON STOCK VOTE FOR THE REORGANIZATION AGREEMENT AND THE MERGER.

Fairness Opinion of Financial Advisor to Independent

On October 31, 2016, Independent engaged Stephens to act as financial adviser to Independent in connection with the acquisition of Carlile. As part of the engagement, Stephens was asked to assess the fairness to Independent, from a financial point of view, of the merger consideration to be paid by Independent in the acquisition. Independent engaged Stephens because it is a nationally recognized investment banking firm with offices throughout the United States and has substantial experience in transactions similar to the merger. As part of its investment banking business, Stephens is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. As specialists in the securities of banking companies, Stephens has experience in, and knowledge of, the valuation of banking enterprises.

As part of its engagement, at the request of Independent, representatives of Stephens attended meetings of the board of directors of Independent in which the board of directors evaluated the proposed merger, including, among others, a meeting of the board of directors held on November 21, 2016. At this meeting, the board of directors requested and received reports, discussion and commentary from its advisors, management and members regarding the proposed merger. As one of Independent's advisors at that meeting, Stephens reviewed the financial aspects of the proposed transaction and rendered its opinion that, as of such date and based upon and subject to the factors and assumptions referenced in its opinion letter, the consideration to be paid in the merger was fair, from a financial point of view, to Independent. The board of directors of Independent, after considering advice, reports, discussion and commentary from its advisors, management and members, approved the reorganization agreement and the merger at this meeting.

The full text of Stephens' s written opinion, dated November 21, 2016, is attached as Appendix B to this document and incorporated herein by reference. Independent' s shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Stephens. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

Stephens' s opinion speaks only as of its date, and Stephens has undertaken no obligation to update or revise its opinion. The opinion was directed to the board of directors of Independent and addresses only

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the fairness, from a financial point of view, of the consideration to be paid in the merger by Independent. It does not address the underlying business decision to proceed with the merger. The opinion does not constitute a recommendation to any shareholder of Independent as to how the shareholder should vote or act with respect to the merger or any related matter. Independent and Carlile determined the merger consideration through the negotiation process.

In rendering its opinion, Stephens, among other things:

reviewed the reorganization agreement dated November 21, 2016;

reviewed certain publicly available financial and business information of Carlile, Independent and their respective affiliates that Stephens deemed to be relevant;

reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities, liquidity and prospects of Carlile and Independent;

reviewed materials detailing the merger prepared by or on behalf of Carlile, Independent and their respective affiliates;

conducted conversations with members of senior management and representatives of Carlile and Independent regarding the matters described above, as well as their respective businesses and prospects before and after giving effect to the merger;

compared certain financial metrics of Carlile to other selected banks that Stephens deemed to be relevant;

analyzed the merger consideration relative to other transactions that Stephens deemed to be relevant to its analysis of the merger;

analyzed the merger consideration relative to the tangible book value of Carlile as of September 30, 2016;

analyzed the merger consideration offered relative to the last twelve months net income of Carlile as well as to the estimated net income for the fiscal years ending December 31, 2017 and 2018;

analyzed the merger consideration offered relative to the premium paid on tangible common equity divided by the core deposits (core deposits defined as total deposits less time deposits greater than \$100,000);

analyzed the projected pro forma impact of the merger on certain projected balance sheet ratios, capital ratios, and earnings per share of Independent;

reviewed the overall environment for investments in depository institutions in the United States; and

conducted such other financial studies, analyses and investigations and took into account such other matters as it deemed appropriate for purposes of its opinion, including its assessment of general economic, market and monetary conditions.

Stephens' s opinion was necessarily based upon conditions as they existed and could be evaluated on the date of the opinion and the information made available to Stephens through the date of the opinion. In conducting its review and arriving at its opinion, Stephens relied upon the accuracy and completeness of all of the financial and other information provided to it or otherwise publicly available. Stephens did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. Stephens relied upon management of Independent and Carlile as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and basis therefore) provided to Stephens. Stephens assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such managements. Stephens is not an expert in the independent

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verification of the adequacy of allowances for loan and lease losses and has assumed, with Independent's consent, that the aggregate allowance for loan and lease losses for Independent and Carlile was adequate to cover such losses. Stephens did not make or obtain any evaluation or appraisal of the assets or liabilities of Independent, Carlile or their respective affiliates, nor did it examine any individual credit files. Stephens was not asked to and did not undertake any independent verification of any such information, and Stephens did not assume any responsibility or liability for the accuracy and completeness thereof.

The projections furnished to Stephens and used in its analysis were prepared by the senior management teams of Independent and Carlile, respectively. Neither Independent nor Carlile publicly discloses internal management projections of the type provided to Stephens in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, Stephens assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the reorganization agreement, without material waiver or modification;

the representations and warranties of each party in the reorganization agreement and in all related documents and instruments referred to in the reorganization agreement are true and correct;

each party to the reorganization agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers;

there has been no material change in the assets, liabilities, financial condition, results of operations, business or prospects of Carlile or Independent since either the date of the last financial statements made available to Stephens and the date of the reorganization agreement, and that no legal, political, economic, regulatory or other development has occurred that will adversely impact Carlile or Independent;

all required governmental, regulatory, shareholder and third party approvals have been or will be received in a timely manner and without any conditions or requirements that would have a material adverse effect on the contemplated benefits of the merger to the Company; and

the merger will be accounted in accordance with the acquisition method of accounting under GAAP. Stephens's opinion is limited to whether the consideration to be paid in the merger by Independent is fair from a financial point of view to Independent. Stephens was not asked to, and it did not, offer any opinion as to the terms of the reorganization agreement or the form of the merger or any aspect of the merger, other than the fairness, from a

financial point of view, of the consideration to be paid by Independent in the merger. The opinion did not address, and Stephens expressed no view or opinion with respect to, the relative merits or effect of the merger as compared to any other strategic alternatives or business strategies or combinations that may be or may have been available to or contemplated by Independent or its board of directors. Moreover, Stephens did not express an opinion as to the fairness of the amount or nature of any compensation payable to or to be received by any officers, directors or employees of any of the parties to the merger relative to the aggregate consideration. Additionally, the opinion was not an expression of an opinion as to the price at which shares of Independent common stock would trade at the time of issuance to shareholders of Carlile under the reorganization agreement or the prices at which Independent's or Carlile's common stock may trade at any time.

In performing its analyses, Stephens made numerous assumptions with respect to general business, economic, market, industry and financial conditions and other matters, which were beyond the control of Stephens, Independent and Carlile. Any estimates contained in the analyses performed by Stephens were not

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necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities did not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the Stephens opinion was one factor among many factors taken into consideration by the board of directors of Independent in making its determination to approve the reorganization agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the board of directors of Independent with respect to the fairness of the consideration.

The following is a summary of the material analyses performed by Stephens and presented by it to the board of directors of Independent on November 21, 2016, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the Stephens opinion or the presentation made by Stephens to the board of directors of Independent, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Stephens did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of the analyses and factors considered. The financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses. Accordingly, Stephens' analyses and the summary of its analyses must be considered as a whole, and selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion.

Summary of Proposal. Under the terms of the reorganization agreement, and based on Independent's closing stock price of \$53.95 on November 18, 2016, the most recent closing stock price prior the delivery of Stephens' opinion, the issued and outstanding shares of common stock of Carlile, other than certain shares specified in the reorganization agreement, would be converted into the right to receive an aggregate 8,902,932 shares of common stock of Independent subject to certain adjustments, and the options of Carlile would be cancelled in exchange for approximately \$13.7 million in cash.

Implied Valuation. Using publicly available information, Stephens compared certain performance metrics of Carlile to selected groups of financial institutions deemed relevant by Stephens. Transaction multiples for the merger were derived from an aggregate transaction value of \$494.0 million.

Carlile's peer group consisted of the following selected publicly traded bank holding companies headquartered in Texas with assets less than \$6.0 billion:

Independent Bank Group, Inc.

Southside Bancshares, Inc.

Allegiance Bancshares, Inc.

Veritex Holdings, Inc.

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To perform this analysis, Stephens used financial information as of and for the twelve months ended September 30, 2016. Market price information was as of November 18, 2016. Stephens' analysis showed the following concerning Carlile and its peer group's minimum, median, and maximum performance metrics:

	Carlile Peer Multiples					Carlile Implied Valuation (\$ in millions)					
	Price/		Core			Price/		Core			
	TBM	LTM	2017	2018	Deposit	TBM	LTM	2017	2018	Deposit	
	EPS	EPS	EPS	EPS	Premium	EPS	EPS	EPS	EPS	Premium	
	(%)	(x)	(x) ⁽¹⁾	(x) ⁽¹⁾	(x)	(\$)	(\$)	(\$)	(\$)	(\$)	
Maximum	269	20.2	17.5	17.1	21.2	Maximum	548.4	446.1	435.6	469.5	561.0
Median	229	19.5	16.4	14.1	14.4	Median	465.9	431.0	407.7	386.4	445.5
Minimum	168	18.8	15.9	13.9	11.2	Minimum	341.8	416.0	394.1	383.1	391.8
Independent/Carlile	243	22.4	19.9	18.0	17.3						

(1) Based on First Call consensus estimates.

No company used as a comparison in the above analysis is identical to Carlile, Independent or the proposed transaction. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Comparable Transaction Analysis. Stephens reviewed publicly available information related to recent bank acquisition transactions involving targets headquartered in Texas with an aggregate announced deal value between \$200 million and \$600 million, and targets with nonperforming assets to total assets of less than three percent at the time of the transaction announcement. The transactions included in this group were:

Buyer	Seller
Southside Bancshares, Inc.	OmniAmerican Bancorp, Inc.
ViewPoint Financial Group, Inc.	LegacyTexas Group, Inc.
East West Bancorp, Inc.	MetroCorp Bancshares, Inc.
Cullen/Frost Bankers, Inc.	WNB Bancshares, Inc.
Prosperity Bancshares, Inc.	FVNB Corporation

Transaction multiples for the merger were derived from an aggregate transaction value of \$494.0 million. Using the comparable transactions, Stephens derived and compared, among other things, the implied deal value paid for the acquired company to:

tangible equity of the acquired company based on the most recent publicly available financial statements prior to announcement, adjusted for an expected one-time transaction dividend of approximately \$52.5 million;

the last twelve months net income of the acquired company based on the most recent publicly available financial statements prior to announcement; and

the premium paid on tangible common equity divided by the core deposits (core deposits defined as total deposits less time deposits greater than \$100,000) of the acquired company based on the most recent publicly available financial statements prior to announcement.

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As illustrated in the following table, Stephens compared the proposed transaction ratios to the minimum, median and maximum transaction ratios of the selected comparable transactions.

	Carlile Comparable Transaction Multiples			Carlile Implied Valuation (\$ in millions)			
	Price/			Price/			
	TBV	LTM	Core	TBV	LTM	Core	
(%)	EPS	Deposit	(\$)	EPS	Deposit	(\$)	
	(x)	Premium	(x)				
Maximum	284	23.6	15.7	Maximum	578.4	521.7	467.1
Median	239	17.4	13.2	Median	485.8	383.8	426.2
Minimum	147	12.8	11.9	Minimum	299.5	282.4	403.1
Independent / Carlile	243	22.4	17.3				

No company or transaction used as a comparison in the above analysis is identical to Carlile, Independent or the proposed transaction. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Discounted Cash Flow Analysis. Stephens performed a discounted cash flow analysis to estimate a range of present values of after-tax cash flows that Carlile could contribute to Independent through 2022, standalone as well as including estimated cost savings of 35% of Carlile projected noninterest expense. In performing this analysis, Stephens relied on guidance from Independent management to derive projected after-tax cash flows for fiscal years 2017-2022. Stephens assumed that Carlile would maintain a tangible common equity to tangible asset ratio of 8.0% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for Carlile. The analysis assumed discount rates ranging from 11.0% to 13.0% and terminal multiples ranging from 14.0 times to 16.0 times fiscal year 2022 forecasted earnings. On a standalone basis, this analysis resulted in a range of values of Carlile from \$419.7 million to \$501.2 million. Including estimated cost savings of 35% of Carlile projected noninterest expense, this analysis resulted in a range of values of Carlile from \$617.6 million to \$737.1 million. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be effective to determine the actual current or expected future values of Carlile.

Financial Impact Analysis. Stephens performed pro forma merger analyses that combined projected income statement and balance sheet information of Independent and Carlile. Analytic assumptions obtained from management of Independent regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger could have on certain projected financial results of Independent. In the course of this analysis, Stephens used earnings estimates for Independent and Carlile for 2016-2022 provided by management of each institution. This analysis indicated that the merger is expected to be accretive to Independent's estimated earnings per share in 2017, excluding estimated one-time buyer transaction costs, and accretive to Independent's estimated earnings per share in 2018. The analysis also indicated that following the merger the pro forma entity would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by Independent following the merger will likely vary from the projected results, and the variations may be material.

Relationships. In the ordinary course of its business as a broker-dealer, Stephens may, from time to time, purchase securities from, and sell securities to Independent, Carlile or their respective affiliates. Stephens may also from time to time have a long or short position in, and buy or sell, debt or equity securities of Independent or its affiliates for its

own account and for the accounts of its customers.

Stephens has acted exclusively for the board of directors of Independent in rendering its opinion in connection with the merger and will receive a fee from Independent for its services. Stephens was paid a fee of

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\$300,000 upon advising the board of directors of Independent that it was prepared to render the fairness opinion, regardless of the conclusions set forth in the opinion. Stephens has consented to the inclusion of its opinion in the registration statement of which this joint proxy statement/prospectus is a part. Upon the successful closing of the merger, Stephens is also entitled to an additional fee of \$2,200,000 for its financial advisory services to Independent and the Board. In addition, Independent has agreed to reimburse Stephens for reasonable and customary out-of-pocket expenses and disbursements, including fees and reasonable expenses of counsel, and to indemnify Stephens against certain liabilities, including liabilities under the federal securities laws. In addition, Stephens served as the sole placement agent for the \$21 million private investment in public equity transaction completed principally for the purpose of raising capital in anticipation of the completion of the merger and was paid a fee of \$1,050,000 for its investment banking services in connection with that transaction. In addition to the services provided to Independent in connection with the merger, within the past two years Stephens has provided investment banking and financial advisory services to Independent in connection with Independent's merger with Grand Bank, and in connection with Independent's issuance of \$45 million of subordinated debentures. For these investment banking and financial advisory services, Stephens received fees of appropriate \$650,000 in the aggregate from Independent. Stephens has not provided investment banking and financial advisory services to Carlile in the past two years.

Fairness Opinion of Financial Advisor to Carlile

Carlile retained Sandler O'Neill to act as financial advisor to Carlile's board of directors in connection with Carlile's consideration of a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the reorganization agreement. On November 21, 2016, prior to Carlile's execution of the reorganization agreement, Sandler O'Neill provided to Carlile's board of directors its opinion dated November 21, 2016, to the effect that, as of such date, the aggregate merger consideration to be received by holders of Carlile common stock in the merger was fair to the holders of Carlile common stock, collectively as a group, from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Appendix C to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Carlile common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to Carlile's board of directors in connection with its consideration of the reorganization agreement and the merger and does not constitute a recommendation to any shareholder of Carlile as to how any such shareholder should vote at any meeting of shareholders called to consider and vote upon the approval of the reorganization agreement and the merger. Sandler O'Neill's opinion was directed only to the fairness, from a financial point of view, of the aggregate merger consideration to the holders of Carlile common stock, collectively as a group and without regard to any differences between Carlile voting common stock and Carlile nonvoting common stock, and does not address the underlying business decision of Carlile to engage in the merger, the form or structure of the merger or any other transactions contemplated in the reorganization agreement (including any adjustments to the consideration in the merger pursuant to the reorganization agreement), the relative merits of the merger as compared to any other alternative transactions or business strategies that might exist for Carlile or the effect of any other transaction in which Carlile might engage. Sandler O'Neill did not express any opinion as to the fairness

of the amount or nature of the compensation to be received in the merger by any officer, director or employee of Carlile or

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Independent, or any class of such persons, if any, relative to the compensation to be received in the merger by any other shareholder, including the aggregate merger consideration to be received by the holders of Carlile common stock. Sandler O'Neill's opinion was approved by its fairness opinion committee.

In connection with its opinion, Sandler O'Neill reviewed and considered, among other things:

a draft of the reorganization agreement, dated November 20, 2016;

certain financial statements and other historical financial information of Carlile that Sandler O'Neill deemed relevant;

certain publicly available financial statements and other historical financial information of Independent that Sandler O'Neill deemed relevant;

certain internal financial projections for Carlile for the years ending December 31, 2016 through December 31, 2019 and estimated annual long-term asset and earnings per share growth rates and dividend assumptions for Carlile, as provided by the senior management of Carlile;

publicly available consensus mean analyst estimates for Independent for the years ending December 31, 2016, December 31, 2017 and December 31, 2018, as well as estimated annual long-term asset and earnings per share growth rates and dividend assumptions for Independent, as provided by or discussed with the senior management of Independent;

the pro forma financial impact of the merger on Independent based on certain assumptions relating to purchase accounting adjustments, cost savings and transaction expenses, as provided by the senior management of Independent;

the publicly reported historical price and trading activity for Independent common stock, including a comparison of certain stock market information for Independent common stock and certain stock indices as well as publicly available information for certain other similar companies, the securities of which are publicly traded;

a comparison of certain financial information for Carlile and Independent with similar institutions for which information is publicly available;

the financial terms of certain recent business combinations in the bank and thrift industry on a nationwide basis, to the extent publicly available;

the current market environment generally and the banking environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O Neill considered relevant.

Sandler O Neill also discussed with certain members of the senior management of Carlile the business, financial condition, results of operations and prospects of Carlile and held similar discussions with certain members of the senior management of Independent regarding the business, financial condition, results of operations and prospects of Independent.

In performing its review, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by Sandler O Neill from public sources, that was provided to Sandler O Neill by Carlile or Independent or their respective representatives or that was otherwise reviewed by Sandler O Neill, and Sandler O Neill assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Sandler O Neill relied on the assurances of the respective managements of Carlile and Independent that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O Neill was not asked to and did not undertake an independent verification of any of such information and Sandler O Neill did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O Neill did not make an

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independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Carlile or Independent or any of their respective subsidiaries, nor was Sandler O'Neill furnished with any such evaluations or appraisals. Sandler O'Neill rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of Carlile or Independent. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Carlile or Independent, or of the combined entity after the merger, and Sandler O'Neill did not review any individual credit files relating to Carlile or Independent. Sandler O'Neill assumed, with Carlile's consent, that the respective allowances for loan losses for both Carlile and Independent are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O'Neill used certain internal financial projections for Carlile for the years ending December 31, 2016 through December 31, 2019 and estimated annual long-term asset and earnings per share growth rates and dividend assumptions for Carlile, as provided by the senior management of Carlile, as well as publicly available consensus mean analyst estimates for Independent for the years ending December 31, 2016, December 31, 2017 and December 31, 2018 and estimated annual long-term asset and earnings per share growth rates and dividend assumptions, as provided by or discussed with the senior management of Independent. Sandler O'Neill also received and used in its pro forma analyses certain assumptions relating to purchase accounting adjustments, cost savings and transaction expenses, as provided by the senior management of Independent. With respect to the foregoing information, the respective senior managements of Carlile and Independent confirmed to Sandler O'Neill that such information reflected (or, in the case of the publicly available consensus mean analyst estimates referred to above, were consistent with) the best currently available estimates and judgments of those respective senior managements as to the future financial performance of Carlile and Independent, respectively, and the other matters covered thereby, and Sandler O'Neill assumed that the future financial performance reflected in such information would be achieved. Sandler O'Neill expressed no opinion as to such information or the assumptions on which such information was based. Sandler O'Neill also assumed that there had been no material change in the respective assets, financial condition, results of operations, business or prospects of Carlile or Independent since the date of the most recent financial statements made available to Sandler O'Neill. Sandler O'Neill assumed in all respects material to its analysis that Carlile and Independent would remain as going concerns for all periods relevant to its analysis.

Sandler O'Neill assumed that the aggregate merger consideration actually received by the holders of Carlile common stock in the merger would not differ from the aggregate merger consideration that Sandler O'Neill assumed in any respect that would be material to Sandler O'Neill's analysis or its opinion. Sandler O'Neill also assumed, with Carlile's consent, that (i) each of the parties to the reorganization agreement would comply in all material respects with all material terms and conditions of the reorganization agreement and all related agreements, that all of the representations and warranties contained in such agreements were true and correct in all material respects, that each of the parties to such agreements would perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements were not and would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Carlile, Independent or the merger or any related transaction, (iii) the merger and any related transactions (including, without limitation, the payment of shareholder dividends by Carlile prior to the closing of the merger as projected by the management of Carlile) would be consummated in accordance with the terms of the reorganization agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements, and (iv) the merger would qualify as a tax-free reorganization for federal income tax purposes. Finally, with Carlile's consent, Sandler O'Neill relied upon the advice that Carlile received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the reorganization agreement. Sandler O'Neill expressed no opinion as to any such matters.

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Sandler O'Neill's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of the opinion. Events occurring after the date thereof could materially affect Sandler O'Neill's opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Sandler O'Neill expressed no opinion as to the trading values of Carlile common stock or Independent common stock at any time or what the value of the shares of Independent common stock would be once they are actually received by the holders of Carlile common stock.

In rendering its opinion, Sandler O'Neill performed a variety of financial analyses. The summary below is not a complete description of the analyses underlying Sandler O'Neill's opinion or the presentation made by Sandler O'Neill to Carlile's board of directors, but is a summary of all material analyses performed and presented by Sandler O'Neill. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Carlile or Independent and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Carlile and Independent and the companies to which they are being compared. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O'Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, Sandler O'Neill made its determination as to the fairness of the aggregate merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which are beyond the control of Carlile, Independent and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to Carlile's board of directors at its November 21, 2016 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Carlile common stock or the prices at which Carlile common stock or Independent common stock may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by Carlile's board of directors in making its determination to approve the reorganization agreement and should not be viewed as determinative of the aggregate merger consideration or the decision of Carlile's board of directors or management with respect to the fairness of the merger. The type and amount of consideration payable in the merger were determined through negotiation between Carlile and Independent.

Summary of Aggregate Merger Consideration and Implied Transaction Metrics. Sandler O'Neill reviewed the financial terms of the proposed merger. Based on an assumption that the aggregate merger consideration to the holders of Carlisle common stock would be 8,902,932 shares of Independent common stock and using the closing price of Independent common stock on November 18, 2016 of \$53.95 per share for

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deriving an implied value for the Independent common stock issuable in the merger and deriving an implied Aggregate Option Holder Payment, Sandler O'Neill calculated an aggregate implied transaction value of \$494 million. Based upon historical financial information for Carlile as of or for the last twelve months (LTM) ended September 30, 2016 and projected financial information for 2016 and 2017 as provided by the senior management of Carlile, Sandler O'Neill calculated the following implied transaction metrics:

Transaction Value / Last Twelve Months Earnings:	21.8x
Transaction Value / 2016E Earnings:	22.1x
Transaction Value / 2017E Earnings:	19.3x
Transaction Value / September 30, 2016 Book Value:	125%
Transaction Value / September 30, 2016 Tangible Book:	187%
Transaction Value / Adjusted Tangible Book: ¹	236%
Tangible Book Premium / Core Deposits: ²	13.3%
Adjusted Tangible Book Premium ¹ / Core Deposits: ²	16.5%

- (1) Adjusted for Return of Capital Distribution by Carlile prior to the closing of the transaction.
(2) Calculated as transaction value less tangible common equity, as a percentage of core deposits (defined as total deposits less time deposits with balances over \$100,000).

Stock Trading History. Sandler O'Neill reviewed the historical stock price performance of Independent common stock for the year-to-date period ended and the three-year period ended November 18, 2016. Sandler O'Neill then compared the relationship between the stock price performance of the Independent common stock to movements in the Independent Peer Group (as described below) as well as certain stock indices.

Independent Year-to-Date Stock Price Performance

	January 1, 2016	Year-to-Date (through November 18, 2016)
Independent	100%	168.6%
Independent Peer Group	100%	144.1%
NASDAQ Bank Index	100%	124.5%
S&P 500 Index	100%	106.7%

Independent Three-Year Stock Price Performance

	November 18, 2013	Three-Years Ended November 18, 2016
Independent	100%	131.4%
Independent Peer Group	100%	149.6%
NASDAQ Bank Index	100%	143.7%
S&P 500 Index	100%	121.8%

Comparable Company Analyses. Sandler O'Neill used publicly available information to compare selected financial information for Carlile with a group of financial institutions, including Independent, selected by Sandler O'Neill (the Carlile Peer Group). The Carlile Peer Group consisted of major exchange traded banks and thrifts headquartered in the Southwest with assets between \$1 billion and \$6 billion that had been profitable over the

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last 12 months and had an average weekly volume as a percent of shares outstanding greater than 0.75%, excluding announced merger targets. The Carlile Peer Group consisted of the following companies:

Allegiance Bancshares, Inc.	National Bank Holdings Corporation
CoBiz Financial Inc.	People's Utah Bancorp
Guaranty Bancorp	Southside Bancshares, Inc.
Home Bancorp, Inc.	Southwest Bancorp, Inc.
Independent Bank Group, Inc.	Triumph Bancorp, Inc.
MidSouth Bancorp, Inc.	Veritex Holdings, Inc.

The analysis compared financial information for Carlile as of or for the twelve months ended September 30, 2016 with the corresponding publicly available data for the Carlile Peer Group as of or for the twelve months ended September 30, 2016. The analysis also included certain other information of the Carlile Peer Group based on pricing data as of November 18, 2016. The table below sets forth the data for Carlile and the high, low, median and mean data for the Carlile Peer Group.

Carlile Comparable Company Analysis

	Carlile	Carlile Peer Group Median	Carlile Peer Group Mean	Carlile Peer Group High	Carlile Peer Group Low
Total assets (in millions)	\$ 2,325	\$ 2,522	\$ 3,039	\$ 5,667	\$ 1,269
Loans/Deposits	82.5%	91.9%	88.7%	101.0%	69.3%
Nonperforming assets ⁽¹⁾ /Total assets	1.37%	0.97%	1.09%	3.24%	0.18%
Tangible common equity/Tangible assets	11.70%	9.09%	9.30%	13.58%	6.81%
Leverage Ratio	12.19%	10.37%	10.76%	13.93%	7.46%
Total RBC Ratio	15.70%	14.64%	14.85%	20.04%	11.24%
CRE/Total RBC	175.3%	202.8%	219.3%	417.9%	106.3%
Last Twelve Months Return on average assets	0.97%	0.95%	0.89%	1.40%	0.35%
Last Twelve Months Return on average tangible common equity	9.0%	10.3%	9.7%	14.5%	3.7%
Last Twelve Months Net interest margin	4.13%	3.86%	4.10%	6.09%	3.35%
Last Twelve Months Efficiency ratio	67.7%	60.2%	62.1%	72.0%	53.8%
Price/Tangible book value		176%	185%	269%	94%
Price/Last Twelve Months Earnings per share ⁽²⁾		19.6x	19.7x	26.1x	14.9x
Price/ 2016E Earnings per share ^{(2),(3)}		18.3x	18.6x	24.9x	14.7x
Price/ 2017E Earnings per share ⁽³⁾		16.4x	16.8x	24.9x	13.3x

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Current Dividend Yield	1.4%	1.3%	3.3%	0.0%
Average weekly volume/Shares outstanding	1.23%	1.49%	3.73%	0.86%
Market value (in millions)	\$ 407	\$ 509	\$ 996	\$ 122

(1) Nonperforming assets defined as nonaccrual loans, and leases, real estate owned and repossessed assets.

(2) Excludes multiples of one financial institution which were either negative or greater than 40x.

(3) Based on publicly available consensus median analyst estimates.

Sandler O'Neill used publicly available information to perform a similar analysis for Independent and a group of financial institutions selected by Sandler O'Neill (the Independent Peer Group). The Independent Peer Group consisted of major exchange traded banks and thrifts headquartered in the Southwest with assets between \$3 billion and \$10 billion that had been profitable over the last 12 months and had an average weekly volume as

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a percent of shares outstanding greater than 0.75%, excluding announced merger targets. The Independent Peer Group consisted of the following companies:

BancFirst Corporation	LegacyTexas Financial Group, Inc.
CoBiz Financial Inc.	National Bank Holdings Corporation
First Financial Bankshares, Inc.	Southside Bancshares, Inc.
Guaranty Bancorp	

The analysis compared financial information for Independent provided by Independent as of or for the twelve months ended September 30, 2016 with the corresponding publicly available data for the Independent Peer Group as of or for the twelve months ended September 30, 2016, with pricing data as of November 18, 2016. The analysis also compared market price to 2016 earnings per share and market price to 2017 earnings per share multiples of Independent and the Independent Peer Group. The table below sets forth the data for Independent and the high, low, median and mean data for the Independent Peer Group:

Independent Comparable Company Analysis

	Independent	Independent Peer Group Median	Independent Peer Group Mean	Independent Peer Group High	Independent Peer Group Low
Total assets (in millions)	\$ 5,667	\$ 5,465	\$ 5,540	\$ 8,440	\$ 3,346
Loans/Deposits	98.7%	73.8%	82.6%	116.0%	63.8%
Nonperforming assets ⁽¹⁾ /Total assets	0.23%	0.65%	0.73%	1.14%	0.29%
Tangible common equity/Tangible assets	6.86%	8.53%	9.06%	11.09%	7.00%
Leverage Ratio	7.46%	10.10%	10.10%	12.40%	8.55%
Total RBC Ratio	11.24%	15.06%	15.20%	18.28%	11.41%
CRE/Total RBC	417.9%	192.8%	191.5%	302.8%	90.0%
Last Twelve Months Return on average assets	0.94%	0.97%	0.99%	1.57%	0.35%
Last Twelve Months Return on average tangible common equity	14.5%	11.5%	11.4%	15.0%	3.7%
Last Twelve Months Net interest margin	3.91%	3.66%	3.65%	4.12%	3.27%
Last Twelve Months Efficiency ratio	55.2%	59.7%	59.0%	69.0%	48.9%
Price/Tangible book value	269%	214%	246%	410%	148%
Price/Last Twelve Months Earnings per share ⁽²⁾	20.2x	20.2x	21.4x	28.7x	19.3x
	17.7x	18.8x	20.3x	28.7x	17.9x

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Price/ 2016E Earnings per share^{(2),(3)}

Price/ 2017E Earnings per share ⁽³⁾	15.9x	17.6x	19.5x	27.1x	14.8x
Current Dividend Yield	0.7%	1.6%	1.7%	2.7%	1.0%
Average weekly volume/Shares outstanding	1.78%	1.68%	1.92%	3.73%	0.85%
Market value (in millions)	\$ 996	\$ 990	\$ 1,294	\$ 2,976	\$ 568

- (1) Nonperforming assets defined as nonaccrual loans, and leases, real estate owned and repossessed assets.
- (2) Excludes multiples of one financial institution which were either negative or greater than 40x.
- (3) Based on publicly available consensus median analyst estimates except, in the case of Independent, for which 2016 and 2017 earnings projections were based on publicly available consensus mean analyst estimates.

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Analysis of Selected Merger Transactions. Sandler O Neill reviewed a group of selected merger and acquisition transactions involving U.S. banks and thrifts (the Precedent Transactions). The Precedent Transactions group consisted of transactions announced from January 1, 2015 to November 18, 2016 with target total assets between \$1.5 billion and \$3.0 billion and Nonperforming assets/Total assets less than 3.0%. The Precedent Transactions group was composed of the following transactions:

Acquiror	Target
Community Bank System, Inc.	Merchants Bancshares, Inc.
First Midwest Bancorp, Inc.	Standard Bancshares, Inc.
People's United Financial, Inc.	Suffolk Bancorp
South State Corporation	Southeastern Bank Financial Corporation
Bar Harbor Bankshares	Lake Sunapee Bank Group
WesBanco, Inc.	Your Community Bankshares, Inc.
Mechanics Bank	California Republic Bancorp
OceanFirst Financial Corp.	Cape Bancorp, Inc.
First Busey Corporation	Pulaski Financial Corp.
Capital Bank Financial Corp.	CommunityOne Bancorp
MB Financial, Inc.	American Chartered Bancorp, Inc.
Bank of the Ozarks, Inc.	C1 Financial, Inc.
Yadkin Financial Corporation	NewBridge Bancorp
Western Alliance Bancorporation	Bridge Capital Holdings

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O Neill reviewed the following transaction metrics: transaction price to last-twelve-months earnings per share, transaction price to forward year estimated earnings per share (for the nine transactions in which such information was publicly available), transaction price to tangible book value per share, and tangible book premium to core deposits. Sandler O Neill compared the indicated transaction multiples for the merger to the high, low, mean and median multiples of the Precedent Transactions group.

	Carlile/ Independent	Precedent Transactions Median	Precedent Transactions Mean	Precedent Transactions High	Precedent Transactions Low
Transaction price/Last Twelve Months earnings per share:	21.8x	17.8x	18.2x	28.4x	2.1x
Transaction price/Estimated forward year earnings per share:	22.1x	19.5x	20.6x	32.0x	13.7x
Transaction price/Tangible book value per share:	187%/36% ⁽¹⁾	191%	182%	222%	131%
Core deposit premium:	13.3%/6.5% ⁽¹⁾	11.2%	10.7%	18.3%	5.2%

(1) Adjusted for Return of Capital Distribution by Carlile prior to the closing of the transaction.

Net Present Value Analyses. Sandler O Neill performed an analysis that estimated the aggregate net present value of Carlile common stock assuming Carlile performed in accordance with financial projections for the years ending December 31, 2016 through December 31, 2019 and estimated annual long-term asset and earnings growth rates and

dividend assumptions for Carlile, as provided by the senior management of Carlile. To approximate the terminal value of Carlile common stock at December 31, 2020, Sandler O'Neill applied price to 2020 aggregate earnings multiples ranging from 16.0x to 21.0x and price to December 31, 2020 aggregate tangible book value multiples ranging from 165% to 215%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Carlile common stock. As illustrated in the following tables, the analysis indicated an imputed range of values of Carlile common stock in the aggregate of \$356,278,000 to \$554,447,000 when applying multiples of earnings and \$354,322,000 to \$547,624,000 when applying multiples of tangible book value.

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Discount

Rate	16.0x	17.0x	18.0x	19.0x	20.0x	21.0x
9.0%	\$ 434,891	\$ 458,802	\$ 482,713	\$ 506,624	\$ 530,535	\$ 554,447
10.0%	\$ 420,207	\$ 443,208	\$ 466,209	\$ 489,210	\$ 512,210	\$ 535,211
11.0%	\$ 406,204	\$ 428,337	\$ 450,469	\$ 472,602	\$ 494,735	\$ 516,868
12.0%	\$ 392,843	\$ 414,148	\$ 435,453	\$ 456,758	\$ 478,064	\$ 499,369
13.0%	\$ 380,090	\$ 400,605	\$ 421,120	\$ 441,636	\$ 462,151	\$ 482,666
14.0%	\$ 367,912	\$ 387,673	\$ 407,434	\$ 427,196	\$ 446,957	\$ 466,718
15.0%	\$ 356,278	\$ 375,319	\$ 394,361	\$ 413,402	\$ 432,443	\$ 451,484

Note: Dollar amounts in thousands.

Aggregate Tangible Book Value Multiples

Discount

Rate	165%	175%	185%	195%	205%	215%
9.0%	\$ 432,435	\$ 455,473	\$ 478,511	\$ 501,548	\$ 524,586	\$ 547,624
10.0%	\$ 417,845	\$ 440,005	\$ 462,166	\$ 484,327	\$ 506,487	\$ 528,648
11.0%	\$ 403,930	\$ 425,255	\$ 446,579	\$ 467,904	\$ 489,228	\$ 510,553
12.0%	\$ 390,654	\$ 411,181	\$ 431,708	\$ 452,235	\$ 472,762	\$ 493,289
13.0%	\$ 377,983	\$ 397,749	\$ 417,515	\$ 437,281	\$ 457,046	\$ 476,812
14.0%	\$ 365,882	\$ 384,922	\$ 403,961	\$ 423,001	\$ 442,040	\$ 461,080
15.0%	\$ 354,322	\$ 372,668	\$ 391,014	\$ 409,360	\$ 427,705	\$ 446,051

Note: Dollar amounts in thousands.

Sandler O'Neill also considered and discussed with the Carlile board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming Carlile's net income varied from 15% above projections to 15% below projections. This analysis resulted in the following range of values for Carlile common stock in the aggregate, applying the price to 2020 aggregate earnings multiples range of 16.0x to 21.0x referred to above and a discount rate of 12.63%.

Aggregate Earnings Multiples

Annual Budget

Variance	16.0x	17.0x	18.0x	19.0x	20.0x	21.0x
(15.0%)	\$334,812	\$352,494	\$370,177	\$387,860	\$405,543	\$423,226
(10.0%)	\$351,454	\$370,177	\$388,900	\$407,623	\$426,346	\$445,069
(5.0%)	\$368,097	\$387,860	\$407,623	\$427,386	\$447,150	\$466,913
0.0%	\$384,740	\$405,543	\$426,346	\$447,150	\$467,953	\$488,756
5.0%	\$401,382	\$423,226	\$445,069	\$466,913	\$488,756	\$510,600

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10.0%	\$418,025	\$440,909	\$463,792	\$486,676	\$509,559	\$532,443
15.0%	\$434,668	\$458,591	\$482,515	\$506,439	\$530,363	\$554,287

Note: Dollar amounts in thousands.

Sandler O Neill also performed an analysis that estimated the net present value per share of Independent common stock assuming that Independent performed in accordance with publicly available consensus mean analyst estimates for Independent for the years ending December 31, 2016, December 31, 2017 and

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December 31, 2018, as well as estimated long-term annual earnings growth rate and dividend assumptions as provided by the senior management of Independent. The analyst estimates for Independent were adjusted for the share impact of Independent's private placement announced concurrently with the merger. To approximate the terminal value of Independent common stock at December 31, 2020, Sandler O'Neill applied price to 2020 earnings per share multiples ranging from 17.0x to 22.0x and price to December 31, 2020 tangible book value per share multiples ranging from 200% to 250%. The terminal values were then discounted to present values using different discount rates ranging from 8.0% to 13.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Independent common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Independent common stock of \$49.09 to \$76.41 when applying multiples of earnings per share and \$44.56 to \$66.98 when applying multiples of tangible book value per share.

Earnings Per Share Multiples

Discount

Rate	17.0x	18.0x	19.0x	20.0x	21.0x	22.0x
8.0%	\$ 59.38	\$ 62.79	\$ 66.19	\$ 69.60	\$ 73.00	\$ 76.41
9.0%	\$ 57.12	\$ 60.40	\$ 63.67	\$ 66.94	\$ 70.22	\$ 73.49
10.0%	\$ 54.97	\$ 58.12	\$ 61.27	\$ 64.42	\$ 67.57	\$ 70.72
11.0%	\$ 52.92	\$ 55.95	\$ 58.98	\$ 62.01	\$ 65.04	\$ 68.07
12.0%	\$ 50.96	\$ 53.88	\$ 56.79	\$ 59.71	\$ 62.63	\$ 65.54
13.0%	\$ 49.09	\$ 51.90	\$ 54.71	\$ 57.52	\$ 60.33	\$ 63.14

Tangible Book Value Per Share Multiples

Discount

Rate	200%	210%	220%	230%	240%	250%
8.0%	\$ 53.88	\$ 56.50	\$ 59.12	\$ 61.74	\$ 64.36	\$ 66.98
9.0%	\$ 51.84	\$ 54.35	\$ 56.87	\$ 59.39	\$ 61.91	\$ 64.43
10.0%	\$ 49.89	\$ 52.31	\$ 54.73	\$ 57.15	\$ 59.57	\$ 62.00
11.0%	\$ 48.02	\$ 50.36	\$ 52.69	\$ 55.02	\$ 57.35	\$ 59.68
12.0%	\$ 46.25	\$ 48.49	\$ 50.74	\$ 52.98	\$ 55.22	\$ 57.47
13.0%	\$ 44.56	\$ 46.72	\$ 48.88	\$ 51.04	\$ 53.20	\$ 55.36

Sandler O'Neill also considered and discussed with the Carlisle board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming Independent's net income varied from 15% above estimates to 15% below estimates. This analysis resulted in the following range of per share values for Independent common stock, applying the price to 2020 earnings per share multiples range of 17.0x to 22.0x referred to above and a discount rate of 9.51%.

Earnings Per Share Multiples

Annual Budget	17.0x	18.0x	19.0x	20.0x	21.0x	22.0x

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Variance

(15.0%)	\$ 47.83	\$ 50.56	\$ 53.29	\$ 56.01	\$ 58.74	\$ 61.47
(10.0%)	\$ 50.56	\$ 53.45	\$ 56.34	\$ 59.22	\$ 62.11	\$ 65.00
(5.0%)	\$ 53.29	\$ 56.34	\$ 59.38	\$ 62.43	\$ 65.48	\$ 68.53
0.0%	\$ 56.01	\$ 59.22	\$ 62.43	\$ 65.64	\$ 68.85	\$ 72.06
5.0%	\$ 58.74	\$ 62.11	\$ 65.48	\$ 68.85	\$ 72.22	\$ 75.59
10.0%	\$ 61.47	\$ 65.00	\$ 68.53	\$ 72.06	\$ 75.59	\$ 79.13
15.0%	\$ 64.20	\$ 67.89	\$ 71.58	\$ 75.27	\$ 78.96	\$ 82.66

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Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the merger closes at the end of the first calendar quarter of 2017. In performing this analysis, Sandler O'Neill utilized the following information: (i) financial projections for Carlile for the years ending December 31, 2016 through December 31, 2019 and estimated annual long-term asset and earnings per share growth rates as provided by senior management of Carlile; (ii) publicly available consensus mean analyst estimates for Independent for the years ending December 31, 2016, December 31, 2017 and December 31, 2018 as well as estimated annual long-term asset and earnings per share growth rates and dividend assumptions as provided by the senior management of Independent; and (iii) certain assumptions relating to purchase accounting adjustments, cost savings, transaction expenses and Independent's private placement announced concurrently with the merger, as provided by the senior management of Independent. The analysis indicated that the merger could be accretive to Independent's estimated earnings per share (excluding one-time transaction costs and expenses) in the years ending December 31, 2017, December 31, 2018, December 31, 2019 and December 31, 2020, approximately neutral to Independent's estimated tangible book value per share at closing and accretive to Independent's estimated tangible book value per share at December 31, 2017, December 31, 2018, December 31, 2019 and December 31, 2020.

In connection with this analysis, Sandler O'Neill considered and discussed with the Carlile board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

Sandler O'Neill's Relationship. Sandler O'Neill has acted as financial advisor to Carlile in connection with the merger and will receive a fee for such services in an amount equal to 1.1% of the aggregate purchase price, a substantial portion of which fee is contingent upon the closing of the merger. Sandler O'Neill also received a \$500,000 fee upon rendering its fairness opinion to the Carlile board of directors, which opinion fee will be credited in full towards the transaction fee which will become payable to Sandler O'Neill on the day of closing of the merger. Carlile has also agreed to indemnify Sandler O'Neill against certain claims and liabilities arising out of its engagement and to reimburse Sandler O'Neill for certain of its out-of-pocket expenses incurred in connection with its engagement.

Except for services provided in connection with Carlile's exploration of a possible business combination with four specifically identified institutions, one of which was Independent, commencing on August 29, 2016 and in connection with the merger. Sandler O'Neill has not provided investment banking services to Carlile in the two years preceding the date of its opinion. Sandler O'Neill has been previously engaged by Independent to provide investment banking services to Independent, and, in the two years preceding the date of Sandler O'Neill's opinion, received fees of approximately \$400,000 in the aggregate from Independent for those investment banking services. Sandler O'Neill was engaged to provide certain financial advisory services to Independent in 2015, and also acted as a book-running manager of an underwritten public offering of Independent subordinated notes made by Independent in 2016, and an underwritten public offering of shares of Independent common stock by certain directors and officers of Independent in 2016. In the ordinary course of Sandler O'Neill's business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to Carlile and its affiliates. Sandler O'Neill may also actively trade the equity and debt securities of Independent and its affiliates for its own account and for the accounts of its customers.

Certain Unaudited Prospective Financial Information of Carlile

Carlisle does not as a matter of course make public projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the inherent uncertainty of the assumptions and estimates

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underlying such projections. However, Carlile is including in this document certain unaudited prospective financial information that was made available to Independent's financial advisor in connection with the merger. The inclusion of this information should not be regarded as an indication that any of Carlile, Independent, Stephens or Sandler O'Neill or any of their respective representatives considered, or now considers, the information to be necessarily predictive of actual future results.

This information, which was prepared by management of Carlile, was prepared solely for internal use and is subjective in many respects. The unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to the business of Carlile, all of which are difficult to predict and many of which are beyond the control of Carlile. The unaudited prospective financial information reflects assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. Carlile can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. In addition, because the unaudited prospective financial information covers multiple years, the information by its nature becomes less predictive with each successive year. Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to the business of Carlile, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or policies. For other categories of factors that could cause actual results to differ from those projected results disclosed below, please see the section entitled "Cautionary Note Regarding Forward-Looking Statements" beginning on page 60 of this joint proxy statement/prospectus.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in the historical GAAP financial statements of Carlile. Neither Carlile's independent accountants, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information shown below, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. Carlile can give no assurance that, had the unaudited prospective financial information been prepared as of the date of this joint proxy statement/prospectus, similar estimates and assumptions would be used. Carlile does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited prospective financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions. The unaudited prospective financial information does not take into account the possible financial and other effects on either Independent or Carlile, as applicable, of the merger and does not attempt to predict or suggest future results of the combined company. The unaudited prospective financial information does not give effect to the impact of negotiating or executing the reorganization agreement, the expenses that may be incurred in connection with the merger, the effect of any business or strategic decision or action that has been or will be taken as a result of the reorganization agreement having been executed, or the effect on Carlile of any business or strategic decisions or actions that would likely have been taken if the reorganization agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited prospective financial information does not

take into account the effect on Carlile of any possible failure of the merger to occur. None of Independent, Carlile, Stephens or Sandler O'Neill or their respective affiliates, officers, directors, advisors or other representatives has

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made, makes or is authorized in the future to make any representation to any shareholder of Carlile or Independent, or any other person, regarding Carlile's actual performance compared to the information contained in the unaudited prospective financial information or that the projected results will be achieved. The inclusion of the unaudited prospective financial information should not be deemed an admission or representation by Carlile or Independent that it is viewed as material information of Carlile, particularly in light of the inherent risks and uncertainties associated with such unaudited prospective financial information of Carlile, which represents forecasts. The summary of the unaudited prospective financial information included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but is being provided solely because it was made available to Independent's financial advisor in connection with the merger.

In light of the foregoing, and considering that the special meeting of shareholders of Carlile will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, shareholders of Carlile are cautioned not to place unwarranted reliance on such information in connection with their consideration of the merger.

The following table presents selected unaudited prospective financial data of Carlile for the years ending December 31, 2017, 2018, and 2019.

<i>Income Statement Highlights (\$M)</i>	Projected Periods Ending		
	December 31, 2017	December 31, 2018	December 31, 2019
Net Interest Income	\$ 85.9	\$ 90.8	\$ 97.5
Provision for Loan Losses	2.5	2.7	2.9
Total Noninterest Income	27.7	28.0	28.4
Total Noninterest Expense	75.6	76.8	78.2
Net Income before Taxes	\$ 35.5	\$ 39.3	\$ 44.8
Tax Provision	\$ 10.7	\$ 11.8	\$ 13.5
<i>Effective Tax Rate</i>	30.1%	30.0%	30.1%
Net Income	\$ 24.8	\$ 27.5	\$ 31.3
Net Income Available for Carlile Common Stock	\$ 24.8	\$ 27.5	\$ 31.3

Exchange of Carlile Stock Certificates

If you are a holder of Carlile common stock, as soon as practicable, with the intent to be within five business days after the effective time of the merger, Independent's transfer and exchange agent, Wells Fargo Shareowner Services, will mail a letter of transmittal and instructions to you for use in surrendering your Carlile stock certificates. When you properly surrender your Carlile stock certificates or provide other satisfactory evidence of ownership, and return the letter of transmittal duly executed and completed in accordance with its instructions, Wells Fargo Shareowner Services will promptly cancel the surrendered stock certificates and deliver to you a notice required under the TBOC specifying, among other things, the number of shares of Independent common stock, which shall be solely in uncertificated book-entry form credited to the account of the holder of record as established in the Direct Registration System, and cash for fractional shares, if any, to which you are entitled under the reorganization agreement. No

Independent stock certificates will be issued with respect to the Independent common stock to be issued under the reorganization agreement.

You should not send in your certificates until you receive the letter of transmittal and instructions.

At the effective time of the merger, and until surrendered as described above, other than shares of Carlile common stock subject to the exercise of dissenters' rights, each outstanding Carlile stock certificate will be

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deemed for all purposes to represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement, without interest thereon. With respect to any Carlile stock certificate that has been lost, stolen or destroyed, Independent will pay the merger consideration attributable to such Carlile stock certificates, upon receipt of a surety bond or other adequate indemnity, as required in accordance with Independent's standard policy, and receipt of evidence reasonably satisfactory to Independent of ownership of the shares in question. After the effective time of the merger, Carlile's transfer books will be closed and no transfer of the shares of Carlile stock outstanding immediately prior to the effective time of the merger will be permitted on Independent's stock transfer books.

To the extent permitted by law, you will be entitled to vote after the effective time of the merger, at any special meeting of Independent's shareholders the number of whole shares of Independent common stock into which your shares of Carlile common stock are converted as a result of the merger, regardless of whether you have surrendered your Carlile stock certificates to the exchange agent. Whenever Independent declares a dividend or other distribution on Independent common stock which has a record date after the effective time of the merger, the declaration will include dividends or other distributions on all shares of Independent common stock issued pursuant to the reorganization agreement. However, no dividend or other distribution payable to the holders of record of Independent common stock will be delivered to you until you surrender your Carlile stock certificates. Wells Fargo Shareowner Services, as Independent's transfer and exchange agent, will deliver to holders of Carlile stock a notice required under the TBOC specifying, among other things, the number of shares of Independent common stock which shall be in uncertificated book-entry only form, and your share of the cash portion of the merger consideration, any cash in lieu of any fractional share of Independent common stock to which holders of Carlile common stock would otherwise be entitled and any undelivered dividends, without interest.

Effective Time of the Merger

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Secretary of State of Texas regarding the merger of Carlile and Independent and which will be designated in the certificate of merger as the last day of the month in which all required approvals were obtained and all waiting periods satisfied. It is anticipated that the bank merger will be completed on the same day. If the shareholders of Carlile and Independent approve the reorganization agreement at their respective special meetings, and if all required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are satisfied or waived by the party entitled to do so, Independent anticipates that the merger will be completed on April 1, 2017, although delays could occur.

Independent cannot assure you that the necessary shareholder and regulatory approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied.

Conduct of Business Pending Effective Time

From the date of the reorganization agreement to and including the closing date, Carlile has agreed to and has agreed to cause the Carlile subsidiaries to:

maintain its corporate existence in good standing;

maintain the general character of its business and conduct its business in its ordinary and usual manner;

extend credit only in accordance with existing lending policies and practices;

use commercially reasonable efforts to preserve its business organization intact; retain the services of its present employees, officers, directors and agents; retain its present customers, depositors, suppliers and correspondent banks; and preserve its goodwill and the goodwill of its suppliers, customers and others having business relationships with it;

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maintain all offices, machinery, equipment, materials, supplies, inventories, vehicles and other properties owned, leased or used by it (whether under its control or the control of others) in good operating repair and condition, ordinary wear and tear excepted;

comply in all material respects with all laws, regulations, ordinances, codes, orders, licenses and permits applicable to its properties and operations, where such noncompliance could be reasonably expected to cause a material adverse change;

timely file all tax returns required to be filed by it and promptly pay all taxes, assessments, governmental charges, duties, penalties, interest and fines that become due and payable, except those being contested in good faith by appropriate proceedings;

withhold from each payment made to each of its employees the amount of all taxes (including federal income taxes, FICA taxes and state and local income and wage taxes) required to be withheld therefrom and pay the same to the proper governmental authority;

continue to follow and implement policies, procedures and practices regarding the identification, monitoring, classification and treatment of all assets in substantially the same manner as it has in the past;

account for all transactions in accordance with generally accepted accounting principles (unless otherwise instructed by regulatory accounting principles, in which instance account for such transaction in accordance with regulatory accounting principles) specifically, without limitation, paying or accruing for by the calculation date all liabilities, obligations, costs and expenses owed or incurred by Carlile or any Carlile subsidiary on or before such date;

perform all of its material obligations under contracts, leases and documents relating to or affecting its assets, properties and business, except such obligations as it may in good faith reasonably dispute;

maintain and keep in full force and effect, in all material respects, presently existing insurance coverage and give all notices and present all claims under all insurance policies in due and timely fashion;

timely file all reports required to be filed with governmental authorities and observe and conform, in all material respects, to all applicable laws, rules, regulations, ordinances, codes, orders, licenses and permits, except those being contested in good faith by appropriate proceedings;

From the date of the reorganization agreement through the earlier of the effective time of the merger or the termination of the reorganization agreement, Carlile has agreed not to, and has agreed to cause the Carlile subsidiaries not to, without the prior written consent of Independent:

introduce any new material method of management or operation;

intentionally take any action that could reasonably be anticipated to result in a material adverse change to its financial condition, assets, properties, liabilities, reserves, business or results of operations;

take or fail to take any action that could reasonably be expected to cause its representations and warranties made in the reorganization agreement (other than the representations related to making any capital expenditures or capital additions or betterments in excess of an aggregate of \$100,000 or altering any of the material terms of any loan to any single borrower and his related interests in excess of the principal amount of \$2,500,000, each since June 30, 2016) to be inaccurate in any material respect at the effective time of the merger or preclude Carlile from making such representations and warranties at the effective time of the bank merger;

declare, set aside or pay any dividend or other distribution with respect to its capital stock other than the payment of dividends from Northstar Bank to Carlile and the payment of distributions by Carlile to the Carlile shareholders that may total up to \$55,250,000;

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enter into, alter, amend, renew or extend any material contract or commitment that would result in an obligation of Carlile to make payments in excess of \$100,000, except for loans and extensions of credit in the ordinary course of business;

mortgage, pledge or subject to lien, charge, security interest or any other encumbrance or restriction any of its properties, business or assets, tangible or intangible, except in the ordinary course of business and consistent with past practices;

cause or allow the loss of insurance coverage, unless replaced with coverage that is substantially similar (in amount and insurer) to that in effect as of the date of the reorganization agreement;

incur any indebtedness, obligation or liability, whether absolute or contingent, other than the receipt of deposits and trade debt or except in the ordinary course of business and consistent with prudent banking practices or in connection with the transactions contemplated by the reorganization agreement or any of the agreements or documents contemplated therein;

discharge or satisfy any lien or pay any obligation or liability, whether absolute or contingent, due or to become due, except in the ordinary course of business and consistent with past practices;

issue, reserve for issuance, grant, sell or authorize the issuance of any shares of its capital stock or other securities or subscriptions, options, warrants, calls, rights or commitments of any kind relating to the issuance thereto, except to the extent any commitment to do so is outstanding as of the date of the reorganization agreement;

amend or otherwise change its articles of association or bylaws;

sell, transfer, lease to others or otherwise dispose of any material amount of its assets or properties, discount or arrange for a payoff of a charged off or deficiency credit, cancel or compromise any material debt or claim, or waive or release any right or claim other than in the ordinary course of business and consistent with past practices, provided that any such transaction involving amounts in excess of \$500,000 shall be deemed to not be in the ordinary course of business;

enter into any material transaction other than in the ordinary course of business;

except with respect to the collection of checks and other negotiable instruments or otherwise in the ordinary course of the business and consistent with past practices, enter into or give any promise, assurance or guarantee of the payment, discharge or fulfillment of any undertaking or promise made by any other third person, firm or corporation;

sell or knowingly dispose of, or otherwise divest itself of the ownership, possession, custody or control, of any corporate books or records of any nature that, in accordance with sound business practice, normally are retained for a period of time after their use, creation or receipt, except at the end of the normal retention period;

except for salary increases and the accrual for annual bonuses in the ordinary course of business and consistent with past practices, and the payment of employee bonuses in connection with the completion of the merger (all of which shall be included as a deduction in the calculation of adjusted tangible equity) (i) make any material change in the rate of compensation, commission, bonus or other direct or indirect remuneration payable, (ii) pay, agree to, or orally promise to pay, conditionally or otherwise, any additional bonus or extra compensation, pension, severance or vacation pay, to or for the benefit of any of its shareholders, directors, officers or employees or (iii) enter into any employment or consulting contract (other than as contemplated by the reorganization agreement) or other agreement with any director, officer or employee or adopt, amend in any material respect or terminate (other than termination of any employee benefit plans contemplated by the reorganization agreement) any pension, employee welfare, retirement, stock purchase, stock option, stock appreciation rights, termination, severance, income protection, golden parachute, savings or profit-sharing plan (including trust agreements and insurance contracts embodying such plans), any deferred compensation or collective bargaining agreement, any group insurance contract (except as contemplated by the reorganization

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agreement) or any other incentive, welfare or employee benefit plan or agreement maintained by it for the benefit of its directors, employees or former employees;

engage in any transaction with any of its affiliates, except in the ordinary course of business and consistent with past practices;

acquire any capital stock or other equity securities or acquire any equity or ownership interest in any bank, corporation, partnership or other entity, except (i) through settlement of indebtedness, foreclosure or the exercise of creditors' remedies or (ii) in a fiduciary capacity, the ownership of which does not expose it to any liability from the business, operations or liabilities of such person;

except as contemplated by the reorganization agreement, terminate, cancel or surrender any contract, lease or other agreement, or unreasonably permit any damage, destruction or loss which, in any case or in the aggregate, may reasonably be expected to result in a material adverse change to its financial condition, assets, properties, liabilities, reserves, business or results of operations;

dispose of, permit to lapse, transfer or grant any rights under, or knowingly breach or infringe upon, any United States or foreign license or proprietary right or materially modify any existing rights with respect thereto, except in the ordinary course of business and consistent with past practices;

make any capital expenditures, capital additions or betterments except in the ordinary course of business consistent with past practices;

hire or employ any new officer or hire or employ any new nonofficer employee, other than to replace nonofficer employees;

make any, or acquiesce with any, change in accounting methods, principles or material practices, except as required by generally accepted accounting principles or regulatory accounting principles, including, without limitation, making any reverse provision for loan losses or other similar entry or accounting method that would reduce the allowance for loan and lease losses of Carlile;

pay a rate on deposits at Carlile materially higher than is consistent with the ordinary course of business and consistent with past practices;

make any new loan except in compliance with Carlile's existing policies and procedures and consistent with past practices;

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renew, extend the maturity of, or alter the material terms of, any loan except in compliance with Carlile's existing policies and procedures and consistent with past practices;

renew, extend the maturity of, or alter any of, the material terms of any loan classified as substandard and doubtful ;

sell (provided, however, that payment at maturity or prepayment is not deemed a sale) investment securities or purchase investment securities, other than U.S. Treasuries with a maturity of two years or less; or

redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock.

For a complete description of such restrictions on the conduct of the business of Carlile and the Carlile subsidiaries, Independent refers you to the reorganization agreement, which is attached as [Appendix A](#) to this joint proxy statement/prospectus.

From the date of the reorganization agreement through the effective time of the merger, Independent has agreed to and has agreed to cause Independent Bank to:

maintain its corporate existence in good standing;

maintain the general character of its business and conduct its business in its ordinary and usual manner;

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extend credit only in accordance with existing lending policies and practices; and

use commercially reasonable efforts to preserve its business organization intact; retain the services of its present employees, officers, directors and agents; retain its present customers, depositors, suppliers and correspondent banks; and preserve its goodwill and the goodwill of its suppliers, customers and others having business relationships with it.

No Solicitation

Carlile agreed that it will not, and that it will cause each Carlile subsidiary and their respective employees, directors, officers, financial advisors and agents not to:

solicit, knowingly encourage, initiate or participate in any negotiations or discussions with any third party with respect to any proposal that could reasonably be expected to lead to an acquisition proposal, whether by acquisition, business combination, purchase of securities or assets or otherwise;

disclose to any third party any information concerning the business, properties, books or records of Carlile or any Carlile subsidiary in connection with any acquisition proposal, other than as provided in the reorganization agreement or as required by applicable law; or

cooperate with any third party to make any acquisition proposal, other than the sale by Carlile or any Carlile subsidiary of assets in the ordinary course of business consistent with past practices.

Promptly upon receipt of any unsolicited offer, Carlile will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that Carlile has complied with the restrictions set forth above, if, after the date of the reorganization agreement and before the closing date, Carlile receives a bona fide, unsolicited written acquisition proposal, it may engage in negotiations and discussions with, and furnish any information and other access to, any person making such acquisition proposal if, and only if, the board of directors of Carlile determines in good faith, after consultation with outside legal and financial advisors, that (i) such acquisition proposal is or is reasonably capable of becoming a superior proposal and (ii) the failure of the Carlile board of directors to furnish such information or access or enter into such discussions or negotiations would reasonably be expected to be a violation of its fiduciary duties to the shareholders of Carlile; but before furnishing any material nonpublic information, Carlile must receive from the person making such acquisition proposal an executed confidentiality agreement with terms at least as restrictive in all material respects on such person as the mutual confidentiality and nondisclosure agreement entered into with Independent. In such case, Carlile is required to:

promptly notify Independent of the receipt of such acquisition proposal or any request for nonpublic information relating to Carlile or for access to its properties, books or records by any person that has made, or may be considering making, an acquisition proposal;

communicate the material terms of such acquisition proposal to Independent, including as they may change upon any modification or amendment to the terms thereof; and

keep Independent reasonably apprised of the status of and other matters relating to any such acquisition proposal on a timely basis.

An acquisition proposal means a written offer or proposal from a party other than Independent that contains a fixed price per share or a mathematically ascertainable formula for calculating a price per share for the Carlile common stock, regarding any of the following (other than transactions contemplated by the reorganization agreement) involving Carlile: (i) any merger, reorganization, consolidation, share exchange, recapitalization, business combination, liquidation, dissolution or other similar transaction involving any sale, lease, exchange, mortgage, pledge, transfer or other disposition of all or substantially all of the assets or equity securities or deposits of Carlile, in a single transaction or series of related transactions, which could reasonably

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be expected to impede, interfere with, prevent or materially delay the completion of the merger; or (ii) any tender offer or exchange offer for 50% or more of the outstanding shares of Carlile common stock or the filing of a registration statement in connection therewith. A superior proposal means a bona fide acquisition proposal made by a party other than Independent that the Carlile board determines in its good faith judgment, after consultation with its outside counsel and its independent financial advisor (i) is or would result in a transaction that if consummated would be more favorable to Carlile's shareholders from a financial point of view than the merger, taking into account all of the terms and conditions of such proposal and of the reorganization agreement (including any proposal by Independent to amend the terms of the reorganization agreement) and (ii) is capable of being, and is reasonably likely to be, consummated on the terms so proposed taking into account all financial, regulatory, legal and other aspects of such proposal.

Conditions to Completion of the Merger

The reorganization agreement contains a number of conditions to the obligations of Independent and Carlile to complete the merger that must be satisfied as of the closing date, including, but not limited to, the following:

approval by holders of the Carlile voting common stock and holders of Independent common stock of the reorganization agreement and the transactions contemplated thereby by the requisite vote under the Carlile certificate of formation or the Independent certificate of formation, as the case may be, and applicable law;

receipt of all approvals and consents required by applicable law from all applicable governmental authorities in connection with the reorganization agreement, any other agreement contemplated thereby and the consummation of the transactions contemplated by the reorganization agreement and such other agreements and all applicable waiting periods will have expired as to Independent only, which approvals and consents do not impose any material requirement upon Independent or its subsidiaries that are reasonably unacceptable to Independent;

the registration statement of which this joint proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under federal or applicable state securities laws relating to the issuance or trading of the Independent common stock to be issued have been received;

the shares of Independent common stock to be issued to Carlile shareholders being authorized for listing on the NASDAQ Global Select Market and such approval is not withdrawn or revoked;

no action shall have been taken, and no statute, rule, regulation or order shall have been promulgated, enacted, entered, enforced or deemed applicable to the reorganization agreement, or the transactions contemplated hereby, by any governmental authority, including by means of the entry of a preliminary or permanent injunction, that would (i) make the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby, illegal, invalid or unenforceable, (ii) as to Independent only, require the divestiture of a material portion of the assets of Carlile, (iii) impose material

limits on the ability of any party to consummate the transactions contemplated by the reorganization agreement, (iv) as to Independent only, otherwise result in a material adverse change to Carlile, any Carlile subsidiary, Independent or Independent Bank or (v) could reasonably be expected to subject Independent, Carlile, or any of their respective subsidiaries, or any of their respective officers, directors, shareholders or employees, to criminal or civil liability upon the consummation of the reorganization agreement or any other agreement contemplated thereby, or the transactions contemplated thereby;

the other party's representations and warranties contained in the reorganization agreement being true and correct in all material respects as of the date of the reorganization agreement as of the date of the closing;

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the performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement to be performed or complied with before or at the closing of the merger; and

receipt by each party of all documents required to be delivered by the other party on or before the closing date, all in form and substance reasonably satisfactory to the receiving party.

In addition to the conditions listed above, Carlile's obligations to complete the merger is subject to the satisfaction of the following conditions:

approval of the issuance of the shares of Independent common stock to the Carlile shareholders in connection with the merger by the requisite vote under the Independent certificate of formation and applicable law;

Independent's delivery of the merger consideration to Wells Fargo Shareowner Services, as exchange agent;

no material adverse change (as defined in the reorganization agreement) shall have occurred as to Independent since June 30, 2016;

the Independent shareholders shall have elected all of the named director nominees to fill the three vacant director seats and Independent shall have entered into mutually acceptable nominee agreements with respect to each named director nominee; and

the receipt by Carlile of an opinion from Fenimore, Kay, Harrison & Ford, LLP to the effect that for U.S. federal income tax purposes (i) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (ii) each of Independent and Carlile will be a party to such reorganization within the meaning of Section 368(b) of the Code.

In addition to the conditions listed above, Independent's obligation to complete the merger is subject to the satisfaction of the following conditions:

the adjusted tangible equity of Carlile, as of the closing date of the merger, excluding the effect of the aggregate option holder payment on adjusted tangible equity of Carlile, must not be less than \$195 million;

Northstar Bank's allowance for loan and lease losses as of the closing date must be at least equal to \$15.675 million;

no material adverse change (as defined in the reorganization agreement) shall have occurred as to Carlile or any subsidiary of Carlile since June 30, 2016;

all Carlile employee plans must be terminated in accordance with their respective terms and all applicable laws and regulations and the affected participants must have been notified of such terminations;

Carlile and each applicable Carlile subsidiary must have paid or accrued for the amounts and liabilities owed under the employment contracts as set forth in the reorganization agreement;

holders of no more than 5% of the capital stock of Carlile shall have demanded or exercised their statutory dissenters' rights under the TBOC;

all material consents and approvals from all nongovernmental third parties which are required to be obtained under the terms of any contract, agreement or instrument to which Carlile is a party shall have been obtained;

the receipt by Independent of an opinion from Andrews Kurth Kenyon LLP to the effect that, for U.S. federal income tax purposes, (i) the merger will be treated as a reorganization within the meaning of

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Section 368(a) of the Code, and (ii) each of Independent and Carlile will be a party to such reorganization within the meaning of Section 368(b) of the Code; and with respect to the bank merger, that (i) the bank merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (ii) each of Independent Bank and Northstar Bank will be a party to such reorganization within the meaning of Section 368(b) of the Code; and

the Carlile board of directors must have adopted resolutions providing for the termination and cancellation, and the administrator shall have taken all action required under the Carlile award plan to effectuate the automatic cashout, of all options outstanding and unexercised immediately prior to the closing date.

Any condition to the completion of the merger, except the required shareholder and regulatory or governmental approvals, and the absence of an order or ruling prohibiting the merger, may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition.

Additional Agreements

In addition to the agreements described above, each party agreed in the reorganization agreement to take certain other actions, including but not limited to the following:

use commercially reasonable efforts to cause the consummation of the transactions contemplated by the reorganization agreement in accordance with its terms and conditions;

promptly notify the other party in writing of any litigation, or of any claim, controversy or contingent liability that might reasonably be expected to become the subject of litigation, against such party or affecting any of its properties, if such litigation or potential litigation is reasonably likely, in the event of an unfavorable outcome, to result in a material adverse change to such party;

promptly notify the other party of any legal action, suit or proceeding or judicial, administrative or governmental investigation, pending or, to the best knowledge of such party, threatened against such party, or any Carlile subsidiary in the case of Carlile, or Independent Bank in the case of Independent, that (i) questions or would reasonably be expected to question the validity of the reorganization agreement or the agreements contemplated thereby, or any actions taken or to be taken by such party, or any Carlile subsidiary in the case of Carlile, pursuant thereto or (ii) seeks to enjoin or otherwise restrain the transactions contemplated by the reorganization agreement;

promptly notify the other party in writing if any change occurred or was threatened (or any development occurred or was threatened involving a prospective change) in the business, financial condition or operations of such party, or any Carlile subsidiary in the case of Carlile, or Independent Bank in the case of Independent, that has resulted in or would reasonably be expected to result in a material adverse change;

that the confidential information provided by the other party would be used solely for the purpose of reviewing and evaluating the transactions contemplated by the reorganization agreement and any other

agreement contemplated thereby, and that such confidential information would be kept confidential by such party;

that it would not make, issue or release, or cause to be made, issued or released, any announcement, statement, press release, acknowledgment or other public disclosure of the existence, terms, conditions or status of the reorganization agreement or the transactions contemplated thereby without the prior written consent of the other party; and

provide to the other party, at least three business days prior to the closing of the merger supplemental disclosure schedules pursuant to the reorganization agreement reflecting any material changes between the date of the reorganization agreement and the closing date.

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Carlile agreed in the reorganization agreement to take certain other actions, including, but not limited to the following:

use commercially reasonable efforts to obtain all consents and approvals from third parties required in connection with the consummation of the transactions contemplated by the reorganization agreement, and to cooperate in all commercially reasonable respects with Independent to obtain all such approvals and consents required of such other party;

to the extent permitted by law, use its commercially reasonable efforts to provide Independent all information concerning Carlile that is required for inclusion in this joint proxy statement/prospectus, or any other application, filing, statement or document to be made or filed with any regulatory or governmental authority in connection with the merger and the other transactions contemplated by the reorganization agreement and to promptly inform Independent if Carlile becomes aware that any information provided or cross referenced contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and to take the necessary steps to correct such information;

promptly notify Independent in writing if it becomes aware of any fact or condition that makes untrue, or shows to have been untrue, in any material respect, any material written information furnished to Independent by Carlile or any representation or warranty made in or pursuant to the reorganization agreement or that results in Carlile's failure to comply with any covenant, condition or agreement contained in the reorganization agreement;

afford Independent's officers, directors, employees, attorneys, accountants, investment bankers and authorized representatives access during regular business hours to the books, contracts, commitments, personnel and records of Carlile and each Carlile subsidiary, and furnish during such period such other information concerning Carlile and each Carlile subsidiary as Independent may reasonably request;

cause Northstar Bank to maintain its allowance for loan and lease losses at a level consistent with Northstar Bank's historical methodology and in compliance with generally accepted accounting principles and regulatory accounting principles, and at a minimum, maintain its allowance at a level equal to at least \$15,675,000; provided that if the allowance is less than \$15,675,000 on the fifth business day preceding the closing date of the merger, Northstar Bank shall take or cause to be taken all action necessary to increase the allowance to an amount equal to \$15,675,000 as of the closing date;

terminate, and cause each Carlile subsidiary to terminate, subject to compliance with applicable law, all employee benefit plans of Carlile or any Carlile subsidiary;

accrue for or make the payments required, and cause each Carlile subsidiary to accrue for or make the payments required, pursuant to the employment contracts set forth in the reorganization agreement, and use commercially reasonable efforts to obtain a release from each officer with respect to their agreement;

make available to Independent a list of the Carlile s shareholders and their addresses, a list showing all transfers of Carlile common stock, a list showing the grant and exercise of options, and such other information as Independent may reasonably request regarding both the ownership and prior transfers of the Carlile common stock and options;

consistent with generally accepted accounting principles, regulatory accounting principles and applicable banking laws and regulations, to make such accounting entries as Independent may reasonably request in order to conform the accounting records of Carlile to the accounting policies and practices of Independent;

purchase before closing of the merger an extended reporting period for four years under its existing directors and officers liability insurance policy for purposes of covering actions occurring prior to the effective time of the merger;

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use its commercially reasonable efforts to obtain releases signed by, and receipt of resignations from, each of the directors and executive officers of Carlile and each Carlile subsidiary releasing Carlile and each Carlile subsidiary and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions, and resigning from the board of Carlile and each Carlile subsidiary, as applicable;

use its commercially reasonable efforts to cause each outside director of Carlile and Northstar Bank to execute and deliver to Independent a director support agreement providing for the continuing support of Independent Bank by the outside directors;

that Independent, at its sole cost and expense, shall have the right to the same extent that Carlile has the right to, upon written notice to Carlile, inspect any real property leased or owned by Carlile or any Carlile subsidiary, including conducting asbestos surveys and sampling, environmental assessments and investigations, and other environmental surveys and analysis, and to conduct further investigation if deemed desirable by Independent and upon reasonable written notice to Carlile and subject to Carlile's right to place reasonable time and place restrictions on any such further investigation, and further subject to Independent's obligation to make available to Carlile the results and reports of any such investigation or survey;

use commercially reasonable efforts, including but not limited to notifying appropriate parties and negotiating in good faith a reasonable settlement, to ensure that the data processing contracts and contracts related to the provision of any other electronic banking services, if the merger occurs, be terminated after the consummation of the merger on a date mutually agreed upon by Independent and Carlile; and shall use reasonable efforts and cooperate with Independent to facilitate a smooth conversion of data processing, item processing, network and related hardware and software, telephone systems, telecommunications, data communications and other technologies, including participating in conversion planning, design, mapping and testing activities before the closing date of the merger;

use commercially reasonable efforts to cause the executive officers identified in the reorganization agreement to execute and deliver to Independent an employment agreement providing for their continued employment with Independent Bank following the merger;

reasonably cooperate with Independent to permit Independent, upon completion of the merger, to assume expressly the obligations of Carlile under indentures with its special purpose trust subsidiaries, Northstar Statutory Trust II and Northstar Statutory Trust III, but in no event will Carlile or its counsel be required to deliver opinions or certificates except as the trustees of the trusts may reasonably require with respect to the establishment and status of the trust and Carlile's performance of its obligations before, and not in connection with, the assumption of the obligations by Independent;

provide Independent the opportunity to participate in the defense or settlement of any stockholder litigation against Carlile and/or its directors relating to the merger and other transactions contemplated by the reorganization agreement, and no such settlement shall be agreed to without the prior written consent of Independent;

use commercially reasonable efforts to cause the executive officers of Carlile identified in the reorganization agreement to execute and deliver a separation agreement providing for the separation of their employment with Carlile as of the closing date of the merger; and

Carlile and each Carlile subsidiary will not make any payment or provide any benefit to any officer, director or employee of Carlile or any Carlile subsidiary, or any of their affiliates who is a disqualified individual (as defined in Treasury Regulation Section 1.280G-1) under any employment, severance, or termination agreement, other compensation arrangement or benefit plan currently in effect if such payment or benefit would be an excess parachute payment (as defined in Section 280G(b)(1) of the Internal Revenue Code of 1986) solely as a result of the transactions contemplated by the reorganization agreement or if the payment or benefit would result in the excise tax of Section 4999 of the Internal Revenue Code of 1986 being imposed on any such person.

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Independent agreed in the reorganization agreement to take certain other actions, including, but not limited to the following:

prepare and file a registration statement with the SEC with respect to the shares of Independent common stock to be issued pursuant to the reorganization agreement, and use its reasonable best efforts to cause the registration statement to become and remain effective; Independent further agreed that none of the information supplied or to be supplied by it for inclusion in (i) the registration statement will, at the time the registration statement and any amendment or supplement thereto becomes effective, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the joint proxy statement/prospectus and any amendment or supplement thereto will, at the date(s) of mailing to Carlile shareholders and at the time of the special meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and Independent will take the necessary steps to correct such information and promptly inform Carlile;

file all documents required to be filed to have the shares of the Independent common stock to be issued pursuant to the reorganization agreement included for listing on the NASDAQ Global Select Market and use its commercially reasonable efforts to effect said listing;

prepare all documentation, to effect all filings and to use its commercially reasonable best efforts to obtain all permits, consents, approvals and authorizations of all third parties and federal or state bank regulatory or governmental authority necessary to consummate the merger and the transactions contemplated by the reorganization agreement;

at the special meeting of the board of Independent to include as a proposal to elect at least three individuals who are directors of Carlile mutually determined by Independent and Carlile to the board of directors of Independent, provided that if the number of nominees to be nominated for election to satisfy the conditions of the reorganization agreement does not constitute at least 25% of the total number of Independent directors following the election of the named director nominees, then the number of nominees to be nominated pursuant to the agreement of Independent and Carlile and in accordance with the reorganization agreement shall be increased such that the total number of such nominees will constitute not less than 25% of the total number of Independent directors following election of such nominees; to nominate one of the named director nominees to be elected as a Class I director whose term ends in 2017, one of the named director nominees to be elected as a Class II director whose term ends in 2018, and one of the named director nominees to be elected as a Class III director whose term ends in 2019; to include the Class I nominee in Independent's proxy statement, and recommend that the Independent shareholders elect the Class I nominee to the board of directors at the 2017 annual meeting of Independent shareholders; if the number of nominees nominated pursuant to the agreement of Independent and Carlile and in accordance with the reorganization agreement will exceed three individuals, to allocate such additional nominees as necessary to satisfy the conditions of the reorganization agreement as evenly as possible among the classes of the Independent board of directors, beginning with the class that has the longest remaining term as of the closing of the merger; and to cause Independent Bank to elect all of the nominees nominated pursuant to the agreement of Independent and Carlile and in accordance with the reorganization agreement nominated to the Independent Bank board of

directors. Notwithstanding the foregoing, Independent's obligation to nominate and recommend, as the case may be, a nominee to satisfy the conditions of the reorganization agreement is subject to such nominee's compliance with Independent's or Independent Bank's, as the case may be, governance and ethics policies in place from time to time, and that at least two of such nominees qualify as an independent director as defined by applicable rules for the NASDAQ Global Select Market.

for a period of four years from the effective time of the merger to indemnify, defend and hold harmless each person entitled to indemnification from Carlile or any Carlile subsidiary against all liabilities arising out of actions or omissions occurring at or prior to the effective time of the merger;

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to the extent permitted by applicable law, upon reasonable notice from Carlile, afford and cause each of its subsidiaries to afford Carlile's employees and officers and authorized representatives reasonable access to the properties, books and records of Independent and its subsidiaries during normal business hours and furnish Carlile with such additional financial and operating data and other information as to the business and properties of Independent as Carlile may reasonably request from time to time; and

for a period of two years after the effective time of the merger (or such shorter period of time as may be applicable for affiliates of Carlile to sell shares of Independent common stock in accordance with Rule 145 of the Securities Act), to use its commercially reasonable efforts to file in a timely manner all reports with the Securities and Exchange Commission, or SEC, required to be filed by it pursuant to Section 13 and Section 15(d) of the Exchange Act (other than current reports on Form 8-K) and submit electronically and post on its corporate website, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

Representations and Warranties of Carlile and Independent

In the reorganization agreement, Carlile has made representations and warranties to Independent, and Independent has made representations and warranties to Carlile. The more significant of these relate to (among other things):

corporate organization and existence;

authority and power to execute the reorganization agreement and the bank merger agreement and to complete the transactions contemplated by the reorganization agreement and the bank merger agreement;

the absence of conflicts between the execution of the reorganization agreement and completion of the transactions contemplated by the reorganization agreement and the parties' charter documents, applicable law and certain other agreements;

capitalization;

compliance with applicable laws and regulatory filings, including tax filings;

the accuracy of their financial statements and reports;

pending or threatened litigation and other proceedings;

the absence of certain changes and events; and

the absence of undisclosed liabilities.

Carlile also has made additional representations and warranties to Independent with respect to (among other things):

its ownership of each Carlile subsidiary, including Northstar Bank;

its investments;

its loan portfolio and reserve for loan losses;

the existence of indebtedness, certain loan agreements and related matters;

title and conditions of personal property assets;

its compliance with regulatory and environmental laws;

its compliance with tax laws, payment of taxes and filing of tax returns;

the existence of certain contracts and commitments and contractual relationships;

actions taken by regulatory authorities and its ability to receive required regulatory approval;

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its insurance coverage and fidelity bonds;

its employment relations;

its employees, compensation and benefits plans;

its deferred compensation and salary continuation arrangements, including no excess parachute payments;

its related person transactions;

its absence of certain business practices;

the absence of guarantees;

its data processing agreements;

its deposit accounts;

its loan practices and compliance with financial institution laws, rules and regulations;

its ownership and use of intellectual property rights;

completeness of its books and records;

its compliance with zoning and related laws;

dissenting shareholders;

business combination restrictions;

the receipt of a fairness opinion by its board of directors;

its performance of its fiduciary responsibilities as trustee, custodian, guardian or escrow agent;

its derivative contracts;

its internal controls;

indemnification obligations; and

the organization and qualification of its special purpose trust subsidiaries.

Independent has also made additional representations and warranties to Carlile with respect to (among other things):

its ownership of Independent Bank;

the well capitalized status of Independent and Independent Bank as defined by federal regulations as of the date of the reorganization agreement, its Community Reinvestment Act rating of satisfactory, lack of awareness of any fact or circumstance regarding Independent or any Independent subsidiary that would reasonably be likely to materially impede or delay Independent's ability to obtain all requisite regulatory approvals necessary to consummate the merger in a timely manner;

its independent public accounting firm's view on its financial statements and accounting procedures;

the timeliness and completeness of its tax filings;

the accuracy and completeness of the listed representations and warranties; and

its compliance with its SEC reporting obligations and the accuracy of such reports.

For detailed information concerning these representations and warranties, reference is made to the reorganization agreement included as [Appendix A](#) to this joint proxy statement/prospectus.

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The reorganization agreement contains representations and warranties that Carlile and Independent made to and solely for the benefit of each other. These representations and warranties are subject to materiality standards, which may differ from what may be viewed as material by investors and shareholders, and, in certain cases, were used for the purpose of allocating risk among the parties rather than establishing matters as facts. The assertions embodied in those representations and warranties also are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with signing the reorganization agreement. Although neither Carlile nor Independent believes that the disclosure schedules contain information that the federal securities laws require to be publicly disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached reorganization agreement.

Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they were only made as of the date of the reorganization agreement and are modified in important part by the underlying disclosure schedules. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the reorganization agreement, which subsequent information may or may not be fully reflected in this joint proxy statement/prospectus or in Independent's public disclosures.

Amendment or Waiver of the Reorganization Agreement

No termination, cancellation, modification, amendment, deletion, addition or other change in the reorganization agreement, or any provision thereof, or waiver of any right or remedy therein provided, is effective for any purpose unless specifically set forth in a writing signed by the party or parties to be bound thereby. The waiver of any right or remedy in respect to any occurrence or event on one occasion is not deemed a waiver of such right or remedy in respect to such occurrence or event on any other occasion.

Termination of the Reorganization Agreement

Independent and Carlile can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either Independent or Carlile may decide, without the consent of the other, to terminate the reorganization agreement if:

the conditions to each party's obligations to close have not been satisfied on or before June 30, 2017, provided that if the conditions precedent have not been satisfied because approval of the reorganization agreement or any other agreement contemplated by it from any regulatory agency whose approval is required has not been received and such delay in the receipt of regulatory approval is not the result of a public comment or protest made in connection with an application for regulatory approval, then either Carlile or Independent can unilaterally extend the June 30, 2017 deadline by up to 30 days by providing written notice, and further provided that, if regulatory approval has not been received and such delay in the receipt of regulatory approval is the result of a protest, then the closing date deadline shall automatically be extended to December 31, 2017 without action by either party;

the required regulatory approvals have not been obtained; or

if the merger is not approved by the shareholders of Independent and Carlile at their special meetings or the adjournment thereof.

Carlile may terminate the reorganization agreement, without the consent of Independent, if:

Independent breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Carlile;

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at any time prior to the closing date in order to enter concurrently with such termination into an acquisition agreement or similar agreement with respect to a superior proposal, that has been received and considered by Carlile and the Carlile board in accordance with all of the requirements of the reorganization agreement;

there has been any material adverse change, since June 30, 2016, in the assets, properties, business or financial condition of Independent; or

if at any time following the third trading day prior to the date of closing of the merger, (i) the number obtained by dividing (a) the average of the daily volume-weighted average sales price per share of Independent common stock on the NASDAQ Global Select Market for the 20 consecutive days ending on and including the third trading day preceding the date of closing of the merger, as reported by Bloomberg, by (b) \$47.40 shall be less than 0.85, and (ii) the ratio in (i) is less than the number obtained by dividing (x) the average of the closing prices of the NASDAQ Bank Index for the 20 consecutive full trading days ending on and including the trading day prior to the third trading day prior to closing by (y) the closing price of the NASDAQ Bank Index on November 4, 2016, and subtracting 0.15 from the quotient. If Carlile elects to exercise its termination right pursuant to this section, it must give written notice to Independent. Following the receipt of notice, Independent will have the option to increase the consideration to be received by the Carlile shareholders under the reorganization agreement by adjusting the share exchange ratio. Independent will give prompt written notice to Carlile of such election and the revised share exchange ratio, in which case no termination will occur and reorganization agreement will remain in effect.

In addition, Independent may terminate the reorganization agreement, without the consent of Carlile, if:

Carlile breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the reorganization agreement or any other agreement contemplated by the reorganization agreement, and such failure has not been cured within a period of 30 calendar days after written notice from Independent;

the Carlile board has (i) recommended to the holders of Carlile common stock that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Carlile common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the Carlile shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that Carlile intends to accept a superior proposal;

any of the following have occurred with respect to environmental matters regarding Carlile: (i) the factual substance of any representations and warranties of Carlile in the reorganization agreement is not materially true and accurate, (ii) the results of any environmental inspection or other environmental survey by Independent are disapproved by Independent because such inspection or survey identifies a material or potential material violation of applicable environmental laws, (iii) Carlile refuses to allow such inspection or survey in a manner that Independent reasonably considers necessary, (iv) such inspection or survey identifies an event, condition or circumstance that would or potentially could reasonably be expected to require a material remedial or cleanup action costing in excess of \$250,000 or result in a material adverse change in the assets, properties, business or financial condition of Carlile, (v) such inspection or survey reveals the

presence of any underground or above ground storage tank in, on or under any real property owned or leased by Carlile or any Carlile subsidiary that is not shown to be in material compliance with all applicable environmental laws, or that has had a release of petroleum or some other hazardous material that has not been cleaned up to the satisfaction of the relevant governmental authority or any other party with a right to compel such cleanup or (vi) such inspection or survey identifies the presence of any asbestos-containing material in, on or under any real property owned or leased by Carlile or any Carlile subsidiary, the removal of which could reasonably be expected to result in a material adverse change in the assets, properties, business or financial

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condition of Carlile, subject, in the case of each of the foregoing, to notice and the right of Carlile to satisfactorily correct any such matter; or

there has been any material adverse change, since June 30, 2016, in the assets, properties, business or financial condition of Carlile or any Carlile subsidiary.

Termination Fee

To compensate Independent for entering into the reorganization agreement, taking actions to consummate the transactions contemplated by the reorganization agreement and incurring the related costs and expenses and other losses and expense, including foregoing the pursuit of other opportunities, the reorganization agreement provides that Carlile has agreed to pay to Independent a termination fee of \$10 million, which shall be Independent's sole remedy, if the reorganization agreement is terminated:

by Carlile because it receives an alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the reorganization agreement, taking into account any adjustment made by Independent to the merger consideration, provided that Independent is not in material breach of the reorganization agreement;

by either Independent or Carlile if the Carlile shareholders do not approve the reorganization agreement and the merger by the requisite vote at their respective special meetings or any adjournment thereof and either (i) at the time of such disapproval, there exists an acquisition proposal with respect to Carlile other than that of Independent that has not been withdrawn prior to the special meeting or (ii) within 12 months of the termination of the reorganization agreement, Carlile enters into a definitive agreement with any third party with respect to any acquisition proposal; or

by Independent if the Carlile board has (i) recommended to the Carlile shareholders that they tender their shares in a tender or exchange offer commenced by an unaffiliated third party for more than 15% of the outstanding Carlile common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the Carlile shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that Carlile intends to accept a superior proposal.

Except with respect to termination fees and expenses, as discussed above, in the event of the termination of the reorganization agreement without breach by any party, the reorganization agreement will be void and have no effect, without liability on the part of any party or the directors, officers or shareholders of any party, except as specifically contemplated in the reorganization agreement.

Financial Interests of Directors and Officers of Carlile in the Merger

In considering the recommendation of the board of directors of Carlile to vote for the proposal to approve the reorganization agreement, Carlile shareholders should be aware that certain directors and officers of Carlile have interests in the merger that are in addition to, or different from, their interests as shareholders of Carlile. The board of Carlile was aware of these interests and considered them in approving the reorganization agreement. These interests include:

Employment Agreements with Independent Bank. Independent and Independent Bank have entered into two-year employment agreements with each of Messrs. Tony Clark, Mark White and Stacy Curtis, who are currently executive officers and employees of Northstar Bank, to be effective, if at all, upon completion of the merger, that include noncompetition and nonsolicitation obligations to Independent Bank. Pursuant to these agreements, these individuals will become officers and employees of Independent Bank and will be entitled to receive annual salaries in the range of \$250,000 to \$285,000, annual incentive bonuses based upon attainment of pre-established performance goals of Independent Bank or upon the profitability of Independent Bank's mortgage operations, grants of restricted shares of Independent common stock in the range of 5,000 to 6,000 shares, and certain additional incidental benefits from Independent Bank during the term of such person's employment with

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Independent Bank. These agreements do not have change of control or severance provisions. If the employees are terminated other than for cause, the employee will receive his salary and annual incentive bonus through the remainder of the term.

Separation Agreements with Independent. In August of 2010, Carlile entered into employment agreements with each of Messrs. Tom C. Nichols and Don E. Cosby and Ms. Mindy Hegi, each of whom is and executive officer of Carlile. The employment agreements provide for the payment of severance benefits and continued insurance coverage for the executive in the event the employment agreement is terminated by Carlile without cause or by the executive with good reason (as such terms are defined in the employment agreements). In connection with the merger, Independent has decided to not employ Mr. Nichols, Mr. Cosby or Ms. Hegi, although Mr. Nichols will be appointed to the boards of directors of Independent and Independent Bank. In conjunction with the termination of their employment following completion of the merger, each of Mr. Nichols, Mr. Cosby and Ms. Hegi entered into separation agreements with Independent contemporaneously with the execution of the reorganization agreement, which agreements will become effective only if the merger is completed. The separation agreements confirm the obligation of Independent, as successor to Carlile in the merger, with respect to the payment of the severance benefits and the continued insurance coverage as provided for under their respective employment agreements with Carlile. The severance agreement also affirms the survival of the confidentiality, noncompetition and nonsolicitation obligations of these executive officers of Carlile under their employment agreements. The reorganization agreement provides that it is a condition to the closing of the merger that the separation agreements be in effect at closing. The aggregate amount of severance payments to be made to these three Carlile executive officers is \$6,285,200. Those payments will reduce the adjusted tangible equity of Carlile for purposes of calculating the merger consideration payable to Carlile shareholders.

Change in Control Payments. In addition, each of Carlile and Northstar Bank is a party to preexisting change in control agreements or employment agreements with certain of their respective officers, which provide, among other things, for change in control payments to be made in connection with the completion of the merger. Under the terms of the reorganization agreement, these change in control payments must be paid or properly accrued for by Carlile for purposes of calculating its adjusted tangible equity. The total aggregate change in control payments that are expected to be paid to such individuals as a result of the completion of the merger is \$4.1 million.

Support Agreements. Independent has entered into separate support agreements with each of the directors of Carlile and Northstar Bank, specifically, Messrs. Rick J. Calhoun, Robert W. Gentry, Mark K. Gormley, Kent R. Hance, Curtis F. Harrell, Mark G. Merlo, H. Gil Moutray, Craig R. Stapleton, Ben Stribling, David Tanner and John M. Tye, III, all of whom are directors of Carlile, and Ms. Myra Crownover and Messrs. Kent Key, Brook Mahoney, James Mansfield, Dana L. Rasic, Richard Smith and Robert J. Widmer, all of whom are directors of Northstar Bank, to be effective, if at all, upon completion of the merger. Each of those agreements provides, among other things, that such director agrees to use reasonable efforts to refrain from harming the goodwill and customer and client relationships of Independent Bank, as well as limited confidentiality, noncompetition and nonsolicitation obligations following the closing date.

Indemnification. The directors and officers of Carlile will receive indemnification from Independent for a period of four years after completion of the merger to the same extent and subject to the conditions set forth in the certificate of formation and bylaws of Carlile and continued director and officer liability coverage for a period of four years after completion of the merger. Any amounts paid by Northstar Bank to purchase continued director and officer liability coverage will reduce Carlile's adjusted tangible equity for purposes of calculating the merger consideration payable to Carlile shareholders. See Possible Downward Adjustment to the \$434 Million Agreed Amount to be Used in the Calculation of the Carlile Share Exchange Ratio.

Cashout of Certain Outstanding Stock Options. Certain officers of Carlile and Northstar Bank hold options to purchase an aggregate of 2,504,726 shares of Carlile voting common stock. To the extent one or more of those persons do not exercise those options prior to the merger's effective time, they will receive cash in connection

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with the cashout of those stock options that are outstanding and unexercised at the merger's effective time. Any such payments made to those persons in respect of their options to purchase Carlile common stock will reduce the number of shares of Independent common stock to be issued in exchange for each share of Carlile common stock in the merger and, thus, reduce the merger consideration received by the Carlile shareholders in the merger.

Certain Compensation Related to the Transactions

The following table sets forth information regarding the compensation for Carlile's named executive officers (as identified in accordance with SEC regulations) based on the proposed transactions, assuming that the proposed transactions were completed on February 21, 2017, and each of the named executive officers are terminated without cause on the same day, or on the next business day following the completion of the merger, as applicable.

Compensation Related to the Transaction Contemplated by the Reorganization Agreement Carlile

Name	Cash⁽¹⁾	Perquisites/ Benefits⁽²⁾	Total
Tom C. Nichols	\$ 2,700,000 ⁽³⁾	\$ 9,900	\$ 2,709,900
Don E. Cosby	2,268,000 ⁽⁴⁾	9,900	2,277,900
Mindy Hegi	1,317,200 ⁽⁵⁾	9,600	1,326,800

- (1) Amounts represents a single-trigger lump-sum cash payment, which must be paid to the executive as soon as administratively possible following the termination of the executive's employment as outlined in his or her agreement, but in no event, later than 10 business days after the execution of separation and release agreements, calculated in accordance with such executive's employment agreement.
- (2) Amounts represent the benefit received by the executive from continued participation in Independent's medical insurance plan for a period of one year
- (3) Mr. Nichols's employment agreement with Carlile provides for a lump sum payment upon the termination of his employment as outlined in his employment agreement equal to three times 125% of the sum of (i) his annual base salary in effect at the time of the termination and (ii) the greater of the bonus paid to him for the previous year or the maximum bonus that would be paid under his bonus award methodology for the year in which the termination occurred.
- (4) Mr. Cosby's employment agreement with Carlile provides for a lump sum payment upon the termination of his employment as outlined in his employment agreement equal to three times 125% of the sum of (i) his annual base salary in effect at the time of the termination and (ii) the greater of the bonus paid to him for the previous year or the maximum bonus that would be paid under his bonus award methodology for the year in which the termination occurred.
- (5) Ms. Hegi's employment agreement with Carlile provides for a lump sum payment upon the termination of her employment as outlined in her employment agreement equal to three times 125% of the sum of (i) her annual base salary in effect at the time of the termination and (ii) the greater of the bonus paid to her for the previous year or the maximum bonus that would be paid under her bonus award methodology for the year in which the termination occurred.

The tabular disclosure set forth above (i) assumes that each of the listed Carlile named executive officers is terminated without cause or resigns for good reason in connection with the proposed transactions under circumstances that entitle such individual to severance payments and benefits under his or her employment as of February 21, 2017 (the latest practicable date, determined pursuant to Item 402(t) of Regulation S-K). Upon the assumed termination, Independent

or Carlile, as the case may be, would make payments in the tabular disclosure set forth above in a lump-sum or monthly as the case may be to the named executive officer. Any such payment is conditional upon the named executive officer signing an agreement that will include noncompetition and nonsolicitation provisions.

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Voting and Lockup Agreement

The directors and of Carlile and their related entities have entered into an agreement to vote the shares of Carlile common stock that they control in favor of approval of the reorganization agreement and the merger and in the manner most favorable to the consummation of the merger and the transactions contemplated by the reorganization agreement; provided, however, that the Carlile shareholders who entered into the voting and lockup agreement would be permitted to vote to accept a superior proposal, if any, under the terms of the reorganization agreement, referred to in this joint proxy statement/prospectus as the voting and lockup agreement. As of the Carlile record date, 17,069,700 shares of Carlile voting common stock, or approximately 62.2% of the 27,452,367 shares of the Carlile voting common stock then outstanding and entitled to vote at the special meeting, were bound by the voting and lockup agreement. See The Merger Restrictions on Resales of Independent Common Stock Received in the Merger for a discussion of the lockup provisions of such agreements.

NASDAQ Global Select Market Listing

Independent has agreed to file all documents required to be filed to have the shares of Independent common stock to be issued pursuant to the reorganization agreement approved for listing on the NASDAQ Global Select Market and to use its commercially reasonable efforts to effect such listing. The obligations of the parties to complete the merger are subject to such shares having been authorized for listing on the NASDAQ Global Select Market.

Material U.S. Federal Income Tax Consequences of the Merger

For ease of reference, the merger of Carlile with and into Independent is referred to in this joint proxy statement/prospectus as the merger.

The following discussion addresses the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Carlile common stock. The discussion is based on the Internal Revenue Code of 1986, as amended, referred to as the Code, Treasury regulations, administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations, and is the opinion of Andrews Kurth Kenyon LLP and Fenimore, Kay, Harrison & Ford, LLP insofar as it sets forth specific legal conclusions under U.S. federal income tax law.

This discussion applies only to U.S. holders (as defined below) that hold their Carlile common stock as a capital asset within the meaning of Section 1221 of the Code, each of which we refer to in this document as a holder. Further, this discussion does not address all aspects of U.S. federal taxation that may be relevant to a particular stockholder in light of its personal circumstances or to stockholders subject to special treatment under U.S. federal income tax laws, including:

banks or trusts,

tax-exempt organizations,

insurance companies,

dealers in securities or foreign currency,

traders in securities who elect to apply a mark-to-market method of accounting,

pass-through entities and investors in such entities,

foreign persons,

U.S. expatriates,

regulated investment companies and real estate investment trusts,

broker-dealers,

holders liable for the alternative minimum tax,

holders that have a functional currency other than the U.S. dollar,

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holders who received their Carlile common stock through the exercise of employee stock options, through a tax-qualified retirement plan or otherwise as compensation, and

holders who hold Carlile common stock as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

For purposes of this discussion, a U.S. holder is a beneficial owner of Carlile common stock who is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any of its political subdivisions; (iii) an estate that is subject to U.S. federal income tax on its income regardless of its source; or (iv) a trust (A) if a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) that was in existence on August 29, 1996 and has made a valid election to be treated as a United States person for U.S. federal income tax purposes.

This discussion does not address the tax treatment of partnerships (or entities or arrangements that are treated as partnerships for U.S. federal income tax purposes) or persons that hold their Carlile common stock through partnerships or other pass-through entities for U.S. federal income tax purposes. If a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds shares of Carlile common stock, the U.S. federal income tax treatment of a partner in such partnership will depend upon the status of the partner and the activities of the partnership. We urge such partners and partnerships to consult their own tax advisors regarding the particular tax consequences of the merger to them.

We urge each holder of Carlile common stock to consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

Tax Opinions

The obligations of the parties to complete the merger are conditioned on, among other things, the receipt by Independent and Carlile of opinions from Andrews Kurth Kenyon LLP and Fenimore, Kay, Harrison & Ford, LLP, respectively, each dated the closing date of the merger, that for U.S. federal income tax purposes the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. The conditions relating to receipt of the opinions may be waived by both Independent and Carlile. Neither Independent nor Carlile currently intends to waive the conditions related to the receipt of the opinions. However, if these conditions were waived, Carlile would resolicit the approval of its shareholders prior to completing the merger. In addition, the obligation of each of Andrews Kurth Kenyon LLP and Fenimore, Kay, Harrison & Ford, LLP to deliver such opinions is conditioned on the merger satisfying the continuity of proprietary interest requirement. That requirement generally will be satisfied if the aggregate value of the Independent stock constitutes at least 42% of the aggregate value of the aggregate merger consideration at the time the merger becomes effective. The opinions will be based on certain facts, representations, covenants and assumptions, including representations of Independent and Carlile.

If any of the representations or assumptions upon which such opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected. These opinions are not binding on the Internal Revenue Service or the courts, and neither Independent nor Carlile intends to request a ruling from the Internal Revenue Service regarding the U.S. federal income tax consequences of the merger. Therefore, while the

merger is conditioned upon the delivery by tax counsel to each of Independent and Carlisle of its opinion that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, no assurance can be given that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of those set forth below.

Table of Contents*U.S. Federal Income Tax Consequences of the Merger Generally*

The following discussion regarding the U.S. federal income tax consequences of the merger is the opinion of Andrews Kurth Kenyon LLP and Fenimore, Kay, Harrison & Ford, LLP insofar as it sets forth specific legal conclusions under U.S. federal income tax law and assumes that the merger will be consummated as described in the reorganization agreement and this joint proxy statement/prospectus and Independent and Carlile will not waive the opinion condition described above in Tax Opinions. The merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provisions of Section 368(a) of the Code and as a consequence the merger will have the following U.S. federal income tax consequences.

If, pursuant to the merger, a holder of Carlile common stock exchanges all of the shares of Carlile common stock actually owned by it for Independent common stock, the holder will not recognize gain or loss, except with respect to cash received instead of a fractional share of Independent common stock (discussed below under Cash Received Instead of a Fractional Share). The aggregate adjusted tax basis of Independent common stock received (including fractional shares deemed received and redeemed as described below) by a holder that exchanges its shares of Carlile common stock for Independent common stock pursuant to the merger will be equal to the aggregate adjusted tax basis of the shares of Carlile common stock surrendered for Independent common stock. The holding period of the Independent common stock (including fractional shares deemed received and redeemed as described below) will include the holding period of the shares of Carlile common stock surrendered.

Cash Received Instead of a Fractional Share

A holder of Carlile common stock who receives cash instead of a fractional share of Independent common stock will be treated as having received such fractional share and then as having received such cash in redemption of the fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the holder's aggregate adjusted tax basis of the shares of Carlile common stock surrendered which is allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of Carlile common stock is more than one year at the effective time of the merger. Long-term capital gains of noncorporate taxpayers are subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Dissenters

Upon the proper exercise of dissenters' rights, a holder of Carlile common stock will exchange all of the shares of Carlile common stock actually owned by that holder solely for cash and that holder will recognize gain or loss equal to the difference between the amount of cash received and its adjusted tax basis in the shares of Carlile common stock surrendered, which gain or loss will be long-term capital gain or loss if the holder's holding period with respect to the Carlile common stock surrendered is more than one year. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. We urge holders to consult their tax advisors regarding the manner in which cash should be allocated among different blocks of Carlile common stock. Long-term capital gains of noncorporate taxpayers are subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations. Although the law is unclear, if the holder constructively owns shares of Carlile common stock that are exchanged for shares of Independent common stock in the merger or otherwise owns shares of Independent common stock actually or constructively after the merger, the consequences to that holder may be that all or a portion of the consideration is treated as a dividend, and the amount of consideration, if any, treated as a dividend may not be limited to the amount of that holder's gain. In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the

exchange reduces the holder's deemed percentage stock ownership of Independent. These rules are complex and dependent upon the specific factual circumstances particular to each holder. Consequently, we urge each holder that may be subject to these rules to consult its tax advisor as to the application of these rules to the particular facts relevant to such holder.

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Certain Tax Reporting Rules

Under applicable Treasury regulations, significant holders of Carlile stock will be required to comply with certain reporting requirements. A Carlile stockholder should be viewed as a significant holder if, immediately before the merger, such holder held 5% or more, by vote or value, of the total outstanding Carlile common stock. Significant holders generally will be required to file a statement with the holder's U.S. federal income tax return for the taxable year that includes the consummation of the merger. That statement must set forth the holder's adjusted tax basis in, and the fair market value of, the shares of Carlile common stock surrendered pursuant to the merger (both as determined immediately before the surrender of shares), the date of the merger, and the name and employer identification number of Independent and Carlile, and the holder will be required to retain permanent records of these facts. We urge each holder of Carlile common stock to consult its tax advisor as to whether such holder may be treated as a significant holder.

Information Reporting and Backup Withholding

Payments of cash pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the recipient provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and will be allowed as a refund or credit against such holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

This discussion of certain material U.S. federal income tax consequences is not tax advice. We urge holders of Carlile common stock to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Accounting Treatment

The merger will be accounted for under the acquisition method of accounting under accounting principles generally accepted in the United States of America. Under this method, Carlile's assets and liabilities as of the date of the merger will be recorded at their respective fair values. Any difference between the purchase price for Carlile and the fair value of the identifiable net assets acquired (including intangibles) will be recorded as goodwill. In accordance with ASC Topic 805, Business Combinations, the goodwill resulting from the merger will not be amortized to expense, but instead will be reviewed for impairment at least annually and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. Core deposit and other intangibles with definite useful lives recorded by Independent in connection with the merger will be amortized to expense in accordance with such rules. The consolidated financial statements of Independent issued after the merger will reflect the results attributable to the acquired operations of Carlile beginning on the date of completion of the merger.

Restrictions on Resales of Independent Common Stock Received in the Merger

The shares of Independent common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended, except for shares of Independent common stock issued to any Carlile shareholder who may be deemed to be an affiliate of Independent after completion of the merger. Affiliates generally are defined as persons or entities who control, are controlled by or are under common control with Independent at or after the effective time of the merger and generally include executive officers, directors and beneficial owners of 10% or more of the common stock of Independent. Former Carlile shareholders who are not

affiliates of Independent after the merger's completion may sell their shares of Independent common stock received in the merger at any time.

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Former Carlile shareholders who become affiliates of Independent after completion of the merger will be subject to the volume and sale limitations of Rule 144 under the Securities Act of 1933, as amended, until they are no longer affiliates of Independent. This joint proxy statement/prospectus does not cover resales of Independent common stock received by any person upon completion of the merger, and no person is authorized to make any use of or rely on this joint proxy statement/prospectus in connection with or to effect any resale of Independent shares.

The directors of Carlile and certain entities that they represent that have agreed in voting and lockup agreements they entered into with Independent and Carlile that they will not sell or otherwise transfer 94% of the shares of Independent common stock they receive in exchange for their shares of Carlile common stock in connection with the merger prior to the first anniversary of the effective date of the merger without the prior consent of Independent. However, such persons may make, without Independent's consent, bona fide gifts of such shares of Independent common stock, make certain transfers of such shares for estate or charitable planning purposes or transfer such shares to one or more of their affiliates or to trusts or other entities they control.

Regulatory Approvals Required for the Merger

The acquisition of Carlile by Independent requires the approval of the Federal Reserve. The bank merger requires the approval of the FDIC and the TDB. Independent filed an application with the Federal Reserve, and Independent Bank and Northstar Bank filed applications with the FDIC and TDB for applicable regulatory approval on December 30, 2016.

Independent expects to receive all necessary regulatory approvals. You should note that the approval of any notice or application merely implies satisfaction of regulatory criteria for approval, and does not include review of the merger from the standpoint of the adequacy of the consideration to be received by, or fairness to, shareholders. Regulatory approval does not constitute an endorsement or recommendation of the proposed merger.

Independent cannot assure you as to whether or when the requisite regulatory approvals will be obtained, and, if obtained, Independent cannot assure you as to the date of receipt of any of these approvals, the terms thereof or the absence of any litigation challenging them. Independent and Carlile are not aware of any other material governmental approvals or actions that are required prior to the parties' completion of the merger.

Dissenters' Rights of Carlile Shareholders

General. If you hold one or more shares of Carlile voting common stock, you are entitled to dissenters' rights under Texas law and have the right to dissent from the merger and have the appraised fair value of your shares of Carlile voting common stock as of the date immediately prior to the effective date of the merger paid to you in cash. The appraised fair value of any particular number of shares of Carlile voting common stock may be more or less than the value of the shares of Independent common stock that a holder of that particular number of shares of Carlile voting common stock would be issued in the merger in exchange for that particular number of shares of Carlile voting common stock. If you are contemplating exercising your right to dissent, we urge you to read carefully the provisions of Chapter 10, Subchapter H of the TBOC, which are attached to this joint proxy statement/prospectus as Appendix D and which qualify in all respects the following discussion of those provisions, and consult with your legal counsel before electing or attempting to exercise these rights. The following discussion describes the steps you must take if you want to exercise your right to dissent. You should read this summary and the full text of the law carefully. In this description of the dissenters' rights of the Carlile shareholders, references to the merger are to the merger of Carlile and Independent.

The holders of Carlile nonvoting common stock are not entitled to appraisal rights or dissenters' rights in connection with the merger under Texas law or under the governing documents of Carlile with respect to their shares of Carlile nonvoting common stock.

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How to Exercise and Perfect Your Right to Dissent. To be eligible to exercise your right to dissent to the merger:

you must, prior to the Carlile special meeting, provide Carlile with a written objection to the merger that states that your right to dissent will be exercised if the reorganization agreement are approved and the merger is completed and that provides an address to which a notice of effectiveness of the merger should be delivered or mailed to you if the merger is completed;

you must vote your shares of Carlile voting common stock against approval of the reorganization agreement at the Carlile special meeting in person or by proxy;

you must, not later than the 20th day after Independent (which will be the ultimate the successor to Carlile) sends you notice that the merger was completed, deliver to Independent a written demand for payment of the fair value of the shares of Carlile voting common stock that you own shares of Carlile voting common stock and the number of shares of Carlile voting common stock that you own, your estimate of the fair value of such shares of Carlile voting common stock and an address to which a notice relating to the dissent and appraisal procedures may be sent; and

you must, not later than the 20th day after you make your demand for payment to Independent as described above, submit your certificates representing your shares of Carlile voting common stock to Independent.

If you intend to exercise your right to dissent from the merger, prior to the special meeting you must send the notice of objection to Carlile, addressed to:

Carlile Bancshares, Inc.

201 Main Street, Suite 1320

Fort Worth, Texas 76102

Attention: President and Secretary

If you fail (i) to send the written objection to the merger in the proper form prior to the Carlile special meeting, (ii) to vote your shares of Carlile voting common stock at the Carlile special meeting against the approval of the merger and the reorganization agreement or (iii) to submit your demand for payment in the proper form on a timely basis, you will lose your right to dissent from the merger. If you fail to submit to Independent on a timely basis the certificates representing the shares of Carlile voting common stock that you hold after you have submitted the demand for payment as described above, Independent will have the option to terminate your right of dissent as to your shares of Carlile voting common stock. In any instance of a termination or loss of your right of dissent, you will instead receive the merger consideration. If you comply with items (i) and (ii) above and the merger is completed, Independent will send you a written notice advising you that the merger has been completed. Independent Bank must deliver this notice to you within ten days after the merger is completed.

Your Demand for Payment. If the merger is completed, you have provided your written objection to the merger to Carlile in a timely manner and in proper form and you have voted against the reorganization agreement at the special

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meeting as described above and you desire to receive the fair value of your shares of Carlile voting common stock in cash, you must, within 20 days of the date on which Independent sends to you the notice of the effectiveness of the merger, give Independent a written demand for payment of the fair value of your shares of Carlile voting common stock. The fair value of your shares of Carlile voting common stock will be the value of the shares on the day immediately preceding the merger, excluding any appreciation or depreciation in anticipation of the merger. After the merger is completed, your written demand and any notice sent to Independent must be addressed to:

Independent Bank Group, Inc.

1600 Redbud Boulevard, Suite 400

McKinney, Texas 75069-3257

Attention: President and Secretary

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Your written demand must include a demand for payment for your shares of Carlile voting common stock for which rights of dissent and appraisal are sought and must state the number of shares and class of Carlile voting common stock that you own and your estimate of the fair value of your shares of Carlile voting common stock and an address to which a notice relating to the dissent and appraisal procedures may be sent. This written demand must be delivered to Independent within 20 days of the date on which Independent sends to you the notice of the effectiveness of the merger. If your written demand for payment in proper form is not received by Independent within that 20 day period, you will be bound by the merger and you will not be entitled to receive a cash payment representing the fair value of your shares of Carlile voting common stock. Instead, you will receive shares of Independent common stock and cash as the merger consideration set forth in the reorganization agreement.

Delivery of Stock Certificates. If you have satisfied the requirements for the exercise of your right to dissent described above, including the delivery of the written demand for payment to Independent as described above, you must, not later than the 20th day after you make your written demand for payment to Independent, submit to Independent your certificate or certificates representing the shares of Carlile voting common stock that you own. You may submit those certificates with your demand for payment if you prefer. In accordance with the provisions of the TBOC, Independent will note on each such certificate that you have demanded payment of the fair value of the shares of Carlile voting common stock that were represented by such certificate under the provisions of the TBOC relating to the rights of dissenting owners. After making those notations on those certificates, Independent will return each such certificate to you at your request. If you fail to submit all of the certificates representing the shares of Carlile voting common stock for which you have exercised the right of dissent in a timely fashion, Independent will have the right to terminate your rights of dissent and appraisal with respect to all of your shares of Carlile common stock unless a court, for good cause shown, directs Independent not to terminate those rights.

Independent's Actions Upon Receipt of Your Demand for Payment. Within 20 days after Independent receives your written demand for payment and your estimate of the fair value of your shares of Carlile voting common stock submitted as described above, Independent must send you written notice stating whether or not it accepts your estimate of the fair value of your shares.

If Independent accepts your estimate, Independent will notify you that it will pay the amount of your estimated fair value within 90 days after the effective date of the merger. Independent will make this payment to you only if you have surrendered the share certificates representing your shares of Carlile voting common stock duly endorsed for transfer, to Independent.

If Independent does not accept your estimate, Independent will notify you of this fact and will make an offer of an alternative estimate of the fair value of your shares of Carlile voting common stock that it is willing to pay you within 120 days after the effective date of the merger, which you may accept within 90 days after the effective date of the merger or decline.

Payment of the Fair Value of Your Shares of Carlile Voting Common Stock upon Agreement of an Estimate. If you and Independent have reached an agreement on the fair value of your shares of Carlile voting common stock within 90 days after the effective date of the merger, Independent must pay you the agreed amount within 120 days after the effective date of the merger, provided that you have surrendered the share certificates representing your shares of Carlile voting common stock duly endorsed for transfer, to Independent.

Commencement of Legal Proceedings if a Demand for Payment Remains Unsettled. If you and Independent have not reached an agreement as to the fair market value of your shares of Carlile common stock within 90 days after the effective date of the merger, you or Independent may, within 60 days after the expiration of the 90 day period, commence proceedings in Collin County, Texas, asking the court to determine the fair value of your shares of Carlile

voting common stock. The court will determine if you have complied with the provisions of the TBOC regarding their right of dissent and if you have become entitled to receive payment for your shares of

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Carlile voting common stock. The court will appoint one or more qualified persons to act as appraisers to determine the fair value of your shares in the manner prescribed by the TBOC. The appraisers will determine the fair value of your shares and will report this value to the court. Once the appraisers' report is filed with the court, you will receive a notice from the court indicating that the report has been filed. You will be responsible for obtaining a copy of the report from the court. If you or Independent objects to the report or any part of it, the court will hold a hearing to determine the fair value of your shares of Carlile voting common stock. Both you and Independent may address the court about the report. The court will determine the fair value of your shares and direct Independent to pay that amount, plus interest, which will begin to accrue 91 days after the merger is completed. The court may require you to share in the court costs relating to the matter to the extent the court deems it fair and equitable that you do so.

Rights as a Shareholder. If you have made a written demand on Independent for payment of the fair value of your shares of Carlile voting common stock, you will not thereafter be entitled to vote or exercise any other rights as a shareholder of Independent, but will only have the right to receive payment for your shares as described herein and the right to maintain an appropriate action to obtain relief on the ground that the merger would be or was fraudulent. In the absence of fraud in the transaction, your right under the dissent provisions described herein is the exclusive remedy for the recovery of the value of your shares of Carlile voting common stock or money damages with respect to the merger.

Withdrawal of Demand. If you have made a written demand on Independent for payment of the fair value of your Carlile voting common stock, you may withdraw such demand at any time before payment for your shares has been made or before a petition has been filed with a court for determination of the fair value of your shares. If you withdraw your demand or are otherwise unsuccessful in asserting your dissenters' rights, you will be bound by the merger and you will have the same rights to receive of the merger consideration with respect to your shares of Carlile voting common stock as you would have had if you had not made a demand for payment as to those shares, as well as to participate to the appropriate extent in any dividends or distributions on the shares of Independent common stock that may have been paid to Independent shareholders after the effective date of the merger. Such rights will, however, be subject to any change in or adjustment to those shares made because of an action taken after the date your demand for payment.

Beneficial Owners. Persons who beneficially own shares of Carlile voting common stock that are held of record in the name of another person, such as a broker, bank, trustee or other nominee, and who wish to have the right of dissent exercised as to those shares must act promptly to cause the record holder of those shares to take the actions required under Texas law to exercise the dissenters' rights with respect to those shares. Only the persons in whose names shares of Carlile voting common stock are registered on the share transfer records of Carlile may exercise the right of dissent and appraisal discussed above.

U.S. Federal Income Tax Consequences. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 126 for a discussion on how the federal income tax consequences of your action will change if you elect to dissent from the merger.

You should remember that if you return a signed proxy card, but fail to provide instructions as to how your shares of Carlile voting common stock are to be voted, you will be considered to have voted in favor of the reorganization agreement and you will not be able to assert dissenters' rights. You should also remember that if you otherwise vote at the special meeting in favor of the reorganization agreement, you will not be able to assert dissenters' rights.

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INDEPENDENT PROPOSAL TWO ISSUANCE OF INDEPENDENT COMMON STOCK

As discussed previously in this joint proxy statement/prospectus, Independent is asking its shareholders to approve the proposal to issue shares of Independent common stock to the Carlile shareholders in connection with the merger that (i) will, in number, exceed 20% of the number of shares of Independent common stock outstanding immediately prior to the issuance of the new shares of Independent common stock in the merger and (ii) have in the aggregate, voting power that will exceed 20% of the voting power of the Independent common stock outstanding immediately prior to the issuance of the new shares of Independent common stock in the merger. For a summary of and detailed information regarding this proposal, see the information about the merger, the reorganization agreement and the issuance of shares of Independent common stock in connection with the merger elsewhere in this joint proxy statement/prospectus, including the information set forth in the section entitled "The Merger" beginning on page 75. You are urged to read carefully this joint proxy statement/prospectus and the reorganization agreement included as Appendix A in their entirety before voting on this proposal.

The rules of the Nasdaq Stock Market, LLC governing companies with equity securities listed on the NASDAQ Global Select Market require Independent to obtain shareholder approval of the issuance of shares of its common stock in a transaction involving the acquisition of the stock or assets of another company that will be equal to or in excess of 20% of the number of shares of Independent common stock outstanding immediately prior to that issuance or will have voting power that will be equal to or in excess of 20% of the voting power of all of Independent's voting securities outstanding immediately prior to such issuance. As of February 21, 2017, the record date for the Independent special meeting, Independent had 18,919,598 shares of common stock outstanding, and it is currently estimated that Independent will issue approximately 8,825,790 new shares of Independent common stock in connection with the merger. At the date of this joint proxy statement/prospectus, Independent has no voting equity securities outstanding other than the shares of Independent common stock and does not expect to issue any other voting securities prior to the effective time of the merger. Based on Independent's expectation that a maximum of 8,825,790 shares of Independent common stock could be issued to the Carlile shareholders in the merger (which assumes that none of the outstanding Carlile stock options will be exercised), such shares of Independent common stock would equal approximately 46.6% of the 18,919,598 shares of Independent common stock that were outstanding on February 21, 2017. Independent anticipates that the aggregate number of shares of Independent common stock to be issued to the Carlile shareholders in connection with the merger will be approximately 31.8% of the shares of Independent common stock to be issued and outstanding immediately after the issuance of such shares of Independent common stock in connection with the merger.

Pursuant to the reorganization agreement, approval of the proposal to issue shares of Independent common stock pursuant to the reorganization agreement as contemplated by this Independent Proposal Two is a condition to the closing of the merger. If this proposal is not approved, the merger will not be completed.

The affirmative vote of a majority of the shares of Independent common stock voted at the special meeting on Proposal Two will be required to approve the issuance of Independent common stock in connection with the merger of Carlile with and into Independent that will exceed in number and voting power 20% of the number and voting power of the Independent common stock to be outstanding immediately prior to such issuance as contemplated by Independent Proposal Two.

The Independent board of directors recommends that Independent shareholders vote FOR Independent Proposal Two to approve the issuance of shares of Independent common stock in connection with the merger that will exceed in number and voting power 20% of the number and voting power of the Independent common stock to be outstanding immediately prior to such issuance.

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INDEPENDENT PROPOSAL THREE ELECTION OF DIRECTORS

Changes to Independent's Board of Directors

There have been certain changes to Independent's board of directors since Independent's annual meeting in May 2016. These changes have created three vacancies on the Independent board of directors.

Specifically, M. Brian Aynesworth resigned from his position as a Class III director effective January 18, 2017 in connection with his rejoining Independent Bank as Executive Vice President - Senior Credit Officer. Mr. Aynesworth previously served as an officer of Independent Bank and resigned from that position in February 2013, in connection with Independent's initial public offering. Mr. Aynesworth has been appointed as Executive Vice President - Senior Credit Officer of Independent Bank to enhance Independent Bank's lending and credit administration team in the Austin/Central Texas region. He will also join the Independent Bank board of directors. Jack Radke resigned from his position as a Class I director effective January 18, 2017. Mr. Radke's term as a Class I director was to expire at the Independent annual meeting of shareholders in May 2017, and his resignation facilitates the recomposition of the Independent board of directors as part of the Carlile transaction. Mr. Radke will join the Independent Bank board of directors. Finally, Torry Berntsen resigned from his position as an officer and Class I director in October 2016 to pursue new career opportunities.

These resignations have created two vacancies in the Class I directors and one vacancy in the Class III directors. As a result, there was an uneven distribution among the director classes. To correct this uneven distribution, Class II directors Daniel W. Brooks and Craig E. Holmes resigned as Class II directors effective January 18, 2017. Effective January 19, 2017, Mr. Brooks and Mr. Holmes were appointed by the Independent board of directors to fill the two Class I vacancies for a term that will expire at the annual meeting of shareholders in 2017.

As a result of these changes, there are nine directors of Independent with three members in each of the three director classes, and there are three vacancies on the Independent board of directors. The reorganization agreement provides that Independent will submit the Carlile nominees to its shareholders for election. The election of such individuals is an express condition to the completion of the merger. If the Carlile nominees are elected as proposed, there will be twelve members of the Independent board of directors with four members of each class of directors. The Carlile nominees will represent 25% of the total number of directors of Independent.

Election of Named Director Nominees

On January 19, 2017, the Corporate Governance and Nominating Committee of the Independent board of directors recommended for nomination the following three individuals for election to the Independent board of directors. On January 19, 2017, the Independent board of directors approved, nominated and recommended the named director nominees for election as directors of Independent by the Independent shareholders, with such directorships only becoming effective upon consummation of the merger, to serve in the respective Independent director classes set forth below:

Tom C. Nichols, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2017;

Mark K. Gormley, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2018; and

Christopher M. Doody, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2019.

Under the terms of the reorganization agreement, Independent has also agreed to nominate Mr. Tom C. Nichols for election to the Independent board of directors at the 2017 annual meeting of Independent shareholders and recommend that the Independent shareholders vote to elect Tom C. Nichols to the board of directors of Independent at the 2017 Independent annual shareholders meeting.

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It is intended that the persons named in the accompanying proxy, unless otherwise directed, will vote for the election of such named director nominees at the Independent special meeting to fill three vacancies on the Independent board of directors. Each of the named director nominees has indicated his willingness to serve as a member of the board of directors, if elected. However, in the event any named director nominee becomes unavailable for election to the Independent board for any reason not presently known or contemplated, the proxy holders will be vested with discretionary authority in such instance to vote the enclosed proxy for such substitute as the board designates.

Name of Nominee	Age	Position(s)	Director Since
Tom C. Nichols ^{(1)*}	69	Chairman of the Board and Chief Executive Officer of Carlile	New candidate
Mark K. Gormley ^{(2)*}	58	Director of Carlile and Partner of Lee Equity Partners, LLC	New candidate
Christopher M. Doody ^{(3)*}	43	Principal and President of Stone Point Capital, LLC and a Principal of certain Trident Funds	New candidate

* Would be an Independent Director (as defined by Nasdaq Stock Market Rule 5605(a)(2)) of Independent if elected.

- (1) Upon election, in connection with consummation of the merger, such individual to be appointed as a member of the Strategic Planning Committee of the Independent board of directors.
- (2) Upon election, in connection with consummation of the merger, such individual to be appointed as a member of the Audit Committee of the Independent board of directors.
- (3) Upon election, in connection with consummation of the merger, such individual to be appointed as a member of the Corporate Governance and Nominating Committee of the Independent board of directors.

The following is a brief discussion of the business and banking background and experience of each of the named director nominees:

Tom C. Nichols. Mr. Nichols is Chairman of the Board and Chief Executive Officer of Carlile. Mr. Nichols has acquired, managed and sold banking organizations and other financial services companies for over 30 years.

Mr. Nichols began his banking career in 1969 as a bank examiner with the FDIC. From 1973 – 1978, he served in various banking capacities in Oklahoma, New Mexico and Texas. In 1978, Mr. Nichols joined Gerald J. Ford (Ford Bank Group) and from 1978 – 1994, was involved in buying and operating numerous banks in Texas and New Mexico. Mr. Nichols served Ford Bank Group as the President and Chief Operating Officer and later, Chairman, President and CEO of Ford's lead bank, First National Bank of Lubbock. In 1993, Ford Bank Group merged with United New Mexico Financial Corporation forming First United Bank Group, at which time Mr. Nichols served as President and Chief Operating Officer. The Norwest Corporation acquired First United Bank Group in 1994 and Mr. Nichols served as Regional President of Norwest Bank Texas, N.A. from 1994 to 1995.

In 1996, Mr. Nichols formed State National Bancshares, Inc. (SNBI) and chartered its subsidiary, State National Bank, a de novo national banking association originally chartered in Lubbock, Texas. He recruited a number of other senior officers formerly with Ford Bank Group and United New Mexico to form the management team. From 1996 – 2005, SNBI completed 9 acquisitions and grew from a de novo in 1996 to assets of over \$1.7 billion at the time of its acquisition by BBVA on January 3, 2007.

Mr. Nichols served as a member of the Board and Audit Committee of United New Mexico Financial Corporation from 1985 – 1988. He served as a Board member of the Texas Higher Education Coordinating Board and Chairman of the campus Planning Committee from 1992 – 1998. Mr. Nichols also served as a Director and member of the Audit

Committee and Compensation Committees of BBVA-Compass USA from 2007 – 2009. Since 2005, Mr. Nichols has served as a Director and member of the Audit Committee and Compensation Committees of First Acceptance Corporation (FAC-NYSE).

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Mr. Nichols holds a B.S. in Economics from Abilene Christian University. He is a resident of Colleyville, Texas.

The particular experience, qualifications, attributes and skills of Mr. Nichols that led the Independent Board of Directors to conclude that he should serve as a director of Independent were Mr. Nichols' significant experience with the operations of a bank holding company, including, among other things, with the acquisition of other bank holding companies, banks and other financial institutions, as well as the day-to-day operations of bank holdings companies and his familiarity with the operations of Carlile.

Mark K. Gormley. Mr. Gormley is a director of Carlile. Mr. Gormley is a Partner at Lee Equity Partners, LLC. Prior to co-founding the firm in 2006, Mr. Gormley was a Partner at Capital Z Financial Services Partners (CZFS), a leading financial services private equity firm, where he played a leading role in the operations and investment activities of the \$1.85 billion fund. Mr. Gormley co-founded the firm in 1998 and shared responsibility for the oversight of all of the firm's investment and monitoring activities. Prior to joining CZFS in 1998, Mr. Gormley served as a Managing Director at Donaldson, Lufkin & Jenrette (DLJ), specializing in the insurance and asset management industries. While at DLJ, Mr. Gormley worked on corporate finance and merger and acquisition assignments, as well as on principal related activities on behalf of DLJ Merchant Banking. Prior to joining DLJ in 1989, he was a founding member of the Insurance Investment Banking Group at Merrill Lynch in 1985.

Mr. Gormley serves or has served as a director of numerous public and private companies, including MidCap Financial, Universal American, Captive Resources, SKOPOS Financial, Edelman Financial, Permanent General, NewStar Financial, British Marine Holdings, Catlin Group and NACOLAH Holdings, among others.

Mr. Gormley received a B.S.B.A. cum laude in Finance and Economics from the University of Denver and an M.B.A. from New York University. He is a resident of New York, New York.

The particular experience, qualifications, attributes and skills of Mr. Gormley that led the Independent Board of Directors to conclude that he should serve as a director of Independent were Mr. Gormley's significant experience with the operations of Carlile gained by him as a director of Carlile and his experience as a director of other financial institutions.

Christopher M. Doody. Mr. Christopher M. Doody serves as Principal and Vice President at Stone Point Capital, L.L.C., a private equity firm focused primarily on the financial services industry. Prior to the formation of Stone Point Capital in 2005, he served as a Vice President at MMC Capital Corporation, Inc., which he joined in 1998. He served at BofA Merrill Lynch & Co., Inc., where he was an Analyst in the Financial Institutions Investment Banking Group from 1995 to 1998. Mr. Doody serves on the Boards of Directors listed below as a representative of Stone Point:

Grandpoint Capital, Inc. (Los Angeles): 2010 to Present

Director of the Grandpoint bank holding company, not the underlying bank.

Standard Bancshares, Inc. (Hickory Hills, IL): 2013 to Present

Director of the Standard bank holding company, not the underlying bank.

Standard has announced a sale to First Midwest Bancorp, Inc. That transaction is expected to close in early January, 2017. Upon closing of the merger, Mr. Doody will no longer be a director at Standard.

Alostar Bank of Commerce (Birmingham, AL): 2011 to Present

HCBF Holding Company, Inc. (Fort Pierce, FL): 2011 to Present

Director of the HCBF bank holding company, not the underlying bank.

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In addition, Mr. Doody serves on the boards of NXT Capital (Chicago, IL) and Preston Hollow Capital (Dallas, TX). Both NXT and Preston Hollow are nonbank commercial finance companies in which Stone Point has a sizeable investment.

Mr. Doody holds an M.B.A. from the Columbia University Graduate School of Business and a B.A. in Economics from Middlebury College. He is a resident of New York, New York.

The particular experience, qualifications, attributes and skills of Mr. Doody that led the Independent Board of Directors to conclude that he should serve as a director of Independent were Mr. Doody's experience gained by him as a director of several bank holding companies and his experience with financial services companies as a principal of a private equity firm focused primarily on the financial services industry.

Shareholder Approval

The affirmative vote of a plurality of the shares of Independent common stock outstanding present in person or by proxy at the Independent special meeting is required for the election of each of the named director nominees for director.

The Independent board recommends a vote FOR the election of each of the named director nominees.

Independent Board Composition

The size of Independent's board of directors currently is set at twelve directors, of which there are nine directors currently serving, with three vacant seats.

The nomination of the individual named director nominees identified in this joint proxy statement/prospectus to fill the vacancies on the Independent board of directors, and the submission of the named director nominees to the Independent shareholders for election are all obligations of Independent under the terms of the reorganization agreement. The number of directors may be changed only by resolution of the board of directors within the range set forth in Independent's certificate of formation (unless Independent's shareholders act to amend the authorized number of directors designated in Independent's certificate of formation). The board of directors may increase the number of directors by two and fill these vacancies until the next annual meeting of shareholders. As discussed in greater detail below, the board of directors has affirmatively determined that seven of its current nine directors qualify as independent directors based upon the rules of the NASDAQ Global Select Market and the SEC. Moreover, the Independent Board of directors has affirmatively determined that the director nominees will qualify as independent directors of Independent based upon the rules of the NASDAQ Global Select Market and the SEC if the named director nominees are elected as directors of Independent. In addition, the Independent board of directors has affirmatively determined that Mr. Gormley will be an independent director of Independent under the enhanced independence rules applicable to members of audit committees of board of directors of companies with securities listed on the NASDAQ Stock Market Rules and the SEC's rules.

If each of the named director nominees is elected to the Independent board of directors, ten out of the total of twelve directors of Independent would qualify as independent under Rule 5605(a)(2) of the NASDAQ Stock Market Rules and each of the members of the Audit Committee and the Compensation Committee of the Independent board of directors will be independent under all applicable rules regarding such independence.

Election and Classification of Directors

In accordance with the terms of Independent's amended and restated certificate of formation, Independent's board of directors is divided into three classes, Class I, Class II and Class III, with each class serving a staggered three-year term. As a result of the resignations of Messrs. M. Brian Aynesworth III, Torry J. Berntsen and Jack M. Radke as directors of Independent, the size of the classes of directors on the Independent board had become

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unbalanced and would continue be so if the named directors nominees were elected to the various classes of directors as required by the reorganization agreement. To rebalance the size of the classes of directors, on January 18, 2017, Messrs. Daniel W. Brooks and Craig E. Holmes resigned as directors of Independent, and, as permitted by the bylaws of Independent, on January 19, 2017 the remaining members of the Independent board of directors appointed Mr. Daniel W. Brooks and Mr. Holmes to be Class I directors of Independent to serve in that capacity for a term to expire at the annual meeting of shareholders to be held in 2017. After such actions, the nine serving directors of Independent were members of the classes of directors as follows:

the Class I directors are Daniel W. Brooks, Craig E. Holmes and G. Stacy Smith, and their term will expire at the annual meeting of shareholders to be held in 2017;

the Class II directors are William E. Fair, Donald L. Poarch and Michael T. Viola, and their term will expire at the annual meeting of shareholders to be held in 2018;

the Class III directors are David R. Brooks, Douglas A. Cifu and J. Webb Jennings, III, and their term will expire at the annual meeting of shareholders to be held in 2019; and

If elected at the Independent special meeting, Tom C. Nichols, Mark K. Gormley and Christopher M. Doody would serve as Class I, Class II, and Class III directors, respectively, with Tom C. Nichols being recommended by the Independent board of directors for election to the board of directors at the 2017 annual meeting of Independent shareholders.

At each annual meeting of shareholders, or special meeting in lieu thereof, upon the expiration of the term of a class of directors, the successors to such directors will be elected to serve from the time of election and qualification until the third annual meeting following his or her election and the election and qualification of his or her successor. Any additional directorships resulting from an increase in the number of directors (as discussed above) will be distributed by the board of directors among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Independent Board of Director Meetings

The board of directors of Independent (including regularly scheduled and special meetings) met twelve (12) times during the 2016 fiscal year. The Audit Committee met ten (10) times during the 2016 fiscal year. The Compensation Committee met three (3) times during the 2016 fiscal year. The Corporate Governance and Nominating Committee met one (1) time during the 2016 fiscal year. The Strategic Planning Committee met four (4) times during the 2016 fiscal year. During fiscal year 2016, each director participated in at least 75% or more of the aggregate of (i) the total number of meeting of the board of directors (held during the period for which he was a director) and (ii) the total number of meetings of all committees of the board of directors on which he served (during the period that he served).

Shareholder Communications with Present Directors

To communicate with Independent s directors, shareholders should submit their comments to Jan Webb, Corporate Secretary, either by sending written correspondence via mail or courier to Independent Bank Group, Inc., 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069; or via email at jwebb@ibtx.com. Shareholder communications will be sent directly to the specific director or directors of Independent indicated in the

communication or to all of Independent s directors if not specified.

Table of Contents**Executive Officers and Directors**

The following table sets forth the name, age and position with Independent of each of Independent's directors, director nominees and executive officers during the fiscal year 2016. The business address for all of these individuals is 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069-3257.

Name	Age	Position with Independent
David R. Brooks ⁽¹⁾	58	Chairman of the Independent Board, Chief Executive Officer, President and Director
Daniel W. Brooks	56	Vice Chairman, Chief Risk Officer and Director
Brian E. Hobart	51	Vice Chairman and Chief Lending Officer
Michelle S. Hickox	49	Executive Vice President and Chief Financial Officer
James C. White	52	Executive Vice President and Chief Operations Officer
Jan C. Webb	58	Corporate Secretary
Douglas A. Cifu ⁽²⁾	51	Director
William E. Fair ⁽³⁾	54	Director
Craig E. Holmes ⁽⁴⁾	59	Director
J. Webb Jennings, III ⁽⁵⁾	45	Director
Donald L. Poarch ⁽⁶⁾	65	Director
G. Stacy Smith ⁽⁷⁾	48	Director
Michael T. Viola ⁽⁸⁾	30	Director
Tom C. Nichols	69	Director nominee
Mark K. Gormley	58	Director nominee
Christopher M. Doody	43	Director nominee

(1) Member, Strategic Planning Committee

(2) Chairman, Corporate Governance and Nominating Committee

(3) Chairman, Compensation Committee and member of Strategic Planning Committee

(4) Chairman, Audit Committee

(5) Member, Audit Committee and Compensation Committee

(6) Member, Corporate Governance and Nominating Committee

(7) Member, Audit Committee, Compensation Committee and Chairman of Strategic Planning Committee

(8) Member, Corporate Governance and Nominating Committee

The following is a brief discussion of the business and banking background and experience of Independent's current directors and executive officers. The business and banking background and experience of each of the director nominees for election to Independent's board of directors are set forth in the section entitled "Independent Proposal Three Election of Directors" on page 135 above. Other than as described above and below, no director or director nominee has any family relationship, as defined in Item 401 of Regulation S-K, with any other director or with any of Independent's executive officers. All officers of Independent are elected annually by the Independent board and serve at the discretion of the Independent board.

David R. Brooks. David R. Brooks is Chairman of the Independent board, Chief Executive Officer, President and a director of Independent, positions he has held since Independent was formed in 2002. Mr. Brooks began his banking career in the early 1980s with a large regional bank and has been active in community banking since he led the investor group that acquired Independent Bank in 1988. Mr. Brooks has previously served as a board member of the

Independent Bankers Association of Texas. He currently serves on the board of directors of Capital Southwest Corporation and on the Board of Trustees of Houston Baptist University, and previously served as the Chairman of the Board of Noel-Levitz, Inc., a higher education consulting firm, from 2009 to 2014 and as Chief Financial Officer at Baylor University from 2000 to 2004. Mr. Brooks previously served on the McKinney City Council, as President of the Board of Trustees of the McKinney Independent School District, and on the McKinney Economic Development Corporation Board and the McKinney Chamber of Commerce Board. David R. Brooks is the brother of Daniel W. Brooks. Mr. Brooks' qualifications to serve on Independent's board

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of directors include his extensive experience managing and overseeing the operations and growth of Independent and Independent Bank during his tenure as Chairman and Chief Executive Officer of Independent.

Daniel W. Brooks. Daniel W. Brooks is Vice Chairman, Chief Risk Officer and a director of Independent. He has served as Vice Chairman and a director of Independent since 2009 and as Chief Risk Officer of Independent since April 2013. He previously served as President and a director of Independent from 2002 to 2009 and has functioned as Independent's Chief Credit Officer throughout his tenure. Mr. Brooks began his banking career in the early 1980s with a large regional bank and has been active in community banking since the late 1980s. Mr. Brooks has served in numerous leadership roles in the Collin County community, including service as Chairman of the Board for Medical Center of McKinney and on the boards of directors of McKinney Christian Academy and the McKinney Education Foundation. Daniel W. Brooks is the brother of David R. Brooks. Mr. Brooks' qualifications to serve on Independent's board of directors include his extensive experience in the banking industry, and specifically as an executive officer and director of Independent.

Brian E. Hobart. Brian E. Hobart is Vice Chairman and Chief Lending Officer of Independent. From 2009 to 2013, he served as President and as a director of Independent and Independent Bank while also functioning as Independent's Chief Lending Officer. Mr. Hobart was one of the founders of IBG Central Texas and served as its President and as a director from 2004 until it was combined with Independent in 2009. Prior to joining IBG Central Texas, he served as a senior officer of other Waco banks since the early 1990s. Mr. Hobart has served in various volunteer roles over his career with an emphasis on children.

Michelle S. Hickox. Michelle S. Hickox is Executive Vice President and Chief Financial Officer of Independent. Prior to joining Independent in May 2012, Ms. Hickox was an audit partner with McGladrey LLP (now known as RSM US LLP), the fifth largest public accounting firm in the United States. Over her twenty-two year career in public accounting, Ms. Hickox provided audit, financial reporting, internal control assistance and training to community banks and was a designated financial institution specialist within McGladrey LLP. Ms. Hickox is a licensed certified public accountant and is a member of the AICPA, the Texas Society of Certified Public Accountants and the Dallas CPA Society.

James C. White. James C. White is the Executive Vice President and Chief Operations Officer of Independent, joining Independent in April 2016. He has over thirty years' experience in the banking industry and has held a variety of management positions in finance, operations, product development, strategic planning, compliance and information technology. Prior to joining Independent, Mr. White served as Executive Vice President and Chief Operating Officer of Fischer & Company, a global corporate real estate firm that provides consulting, brokerage, and technology solutions to many Fortune 500 companies from July 2015 to April 2016. Prior to Fischer, Mr. White served as Executive Vice President and Chief Operations Officer of Texas Capital Bank from February 2000 to June 2015 where he directed key operational areas and introduced and managed changes which supported growth for that bank. Mr. White holds a bachelor's of science degree from the University of North Texas in business and control systems, and is certified in Six Sigma, a Certified Treasury Professional and a current member of the Association of Financial Professionals.

Jan C. Webb. Jan C. Webb is Corporate Secretary of Independent. Ms. Webb previously served as Executive Vice President and Secretary of Independent and Executive Vice President, Senior Operations Officer and Secretary of Independent Bank from April 2013 to April 2016, and as Executive Vice President, Chief Operations Officer and a director of Independent from May 2012 to April 2013. Prior to May 2012, Ms. Webb served as Executive Vice President, Chief Financial Officer and a director of Independent since it was formed in 2002 and served in various positions, including Executive Vice President and Cashier and as Chief Financial Officer, at Independent Bank since 1988. Ms. Webb has over thirty years of experience in the banking industry, including approximately twenty-eight

years of experience with Independent's management team. She is active in her church, serving on various committees, including the finance committee.

Douglas A. Cifu. Douglas A. Cifu is a member of the board of directors of Independent, joining the board in 2008. Mr. Cifu is the Chief Executive Officer of Virtu Financial LLC, a global electronic market making firm.

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He had previously served as President and Chief Executive Officer of Virtu Financial since 2008 when he co-founded the business with Independent's largest shareholder, Vincent Viola. Mr. Cifu also has served as the President and Chief Operating Officer of Virtu Management LLC since 2008. Prior to the founding of Virtu Financial LLC in 2008, Mr. Cifu was a partner at the international law firm of Paul, Weiss, Rifkind, Wharton & Garrison, LLP, where he served as Deputy Chairman of the Corporate Department, Head of the Private Equity Group and a member of the firm's Management Committee. Mr. Cifu's qualifications to serve on Independent's board of directors include his extensive experience representing and working with publicly traded companies and his experience as a director of Independent.

William E. Fair. William E. Fair is a member of the board of directors of Independent. He joined the board when IBG Central Texas was combined with Independent in 2009, prior to which he served as a director of IBG Central Texas beginning in 2007. Mr. Fair has served as the Chairman and Chief Executive Officer of Home Abstract and Title Company, a title insurance agency located in Waco, Texas, since 1984 and has served on the board of directors of Capstone Mechanical, LLC since 2005. He also serves on the board of trustees of Hillcrest Baptist Medical Center, Scott & White Healthcare, further serving as Chairman of the Board of Development for that organization. Mr. Fair's qualifications to serve on Independent's board of directors include his extensive experience in the real estate industry and his experience as a director of Independent, Independent Bank and IBG Central Texas.

Craig E. Holmes. Craig E. Holmes is a member of the board of directors of Independent, joining the board in February 2013. Mr. Holmes currently serves as the Senior Vice President at Global Power Equipment Group, Inc., an engineering and construction company. He also serves on the board of directors of Hobi International, Inc., a certified IT asset management company, joining the board in August 2009. He previously served as Chief Financial Officer of Goodman Networks Incorporated, a telecommunications services company, from December 2014 to March 2015 and as Chief Financial Officer of Sizmek, Inc., formerly Digital Generation, Inc., a global advertising campaign management company, from October 2012 until December 2014. Mr. Holmes also previously served as Executive Vice President and Chief Financial Officer of Quickoffice, Inc., a mobile software company, from 2011 to 2012, and provided advisory and consulting services to the board of directors and management and led the finance functions for Enfora, Inc., a global manufacturing and software development company, from 2009 to 2011. Prior to 2009, Mr. Holmes held executive positions at several public and private companies. Mr. Holmes was a partner at Arthur Andersen, a national public accounting firm, where he worked from 1982 to 1995. Mr. Holmes holds a Masters and BBA from Texas Tech University. He served on the University of Texas at Dallas School of Management Board of Advisors from January 2003 to December 2009 and the Dallas Summer Musicals Board of Directors from December 2004 to January 2010. Mr. Holmes' qualifications to serve on Independent's board of directors include his extensive experience as chief financial officer of publicly traded companies, and his experience in finance, accounting and executive management.

J. Webb Jennings, III. J. Webb Jennings, III is a member of the board of directors of Independent, joining the board in April 2014 in connection with Independent's acquisition of BOH Holdings, Inc. and its subsidiary, Bank of Houston. Mr. Jennings founded Salt Investment Partners in January 2016 to focus on direct investing in lower, middle-market companies. He previously served as a vice president at Hancock Park Associates, a middle-market private equity firm with offices in Houston, Texas, and Los Angeles, California, from 2007 to 2015. Mr. Jennings served on the Bank of Houston board of directors since that bank was formed in 2005 as well as the BOH Holdings board of directors. He currently serves on the boards of directors of Alloy Merchant Finance, Automation Technology, Inc., and a privately held, diversified investment company. Mr. Jennings also serves on the boards of directors of several Houston based charitable organizations and foundations. Mr. Jennings graduated with a B.A. from The University of Texas and an M.B.A. from Southern Methodist University. Mr. Jennings' qualifications to serve on Independent's board of directors include his extensive business experience in Houston and his experience as a director of BOH Holdings, Bank of Houston, and Independent.

Donald L. Poarch. Donald L. Poarch is a member of the board of directors of Independent, joining the board in April 2014 in connection with Independent's acquisition of BOH Holdings, Inc. and its subsidiary, Bank

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of Houston. Mr. Poarch has been a partner and co-owner of The Sprint Companies since 1976. The Sprint Companies are a diverse group of approximately ten different companies operating throughout the Texas Gulf Coast area. He had been a member of the BOH Holdings board of directors since 2008, and its chairman since 2012, and he was a member of the Bank of Houston's board of directors since 2005, and its chairman since 2012, until the BOH Holdings merger was completed in April 2014. In the past 25+ years, Mr. Poarch has bought, sold and grown more than twenty companies. Mr. Poarch currently serves on the boards of directors for Keep Houston Beautiful and the Houston Clean City Commission. Mr. Poarch attended The University of Texas at Austin and is currently active in various civic and charitable foundations. Mr. Poarch's qualifications to serve on Independent's board of directors include his extensive experience in the Houston business community and his experience as a director of BOH Holdings, Bank of Houston, and Independent.

G. Stacy Smith. G. Stacy Smith is a member of the board of directors of Independent, joining the board in February 2013. Mr. Smith is the Managing Partner of SCW Capital, L.P., a private equity hedge fund focusing on financial and energy sectors, a position he has held since August 2013. Mr. Smith is also co-founder and an active partner in Trinity Investment Group, which invests in private equity, public equity and hard assets. In addition, he serves as an advisor of EAW Energy Partners, an oil and gas minerals acquisition firm. In 1997, Mr. Smith co-founded Walker Smith Capital, a long/short equity hedge fund based in Dallas, Texas, and he served as portfolio manager of that firm for sixteen years. From 1994 through 1996, Mr. Smith was a co-founder and manager of Gryphon Partners, a long/short equity hedge fund focused on small and mid-cap domestic equities. He started his investment career as an energy analyst at Wasserstein Perella & Co., an international investment bank. Mr. Smith is a member of the Salesmanship Club of Dallas, an association of business professionals that supports local charitable organizations. Mr. Smith's qualifications to serve on Independent's board of directors include his extensive experience in overseeing the management of investment firms, his knowledge of the Texas banking market and his experience as a director of Independent.

Michael T. Viola. Michael T. Viola is a member of the board of directors of Independent, joining the board in February 2013. Mr. Viola is an energy and commodities futures trader at Virtu Financial LLC, a global electronic market making firm that employs advanced proprietary technologies to trade on electronically accessible financial exchanges and market centers worldwide that he joined in 2010, serving as an executive assistant and a project manager. Mr. Viola also served on the board of a family-founded nonprofit organization focused on Catholic education initiatives in inner-city communities from 2010 to 2011. Mr. Viola is the son of Independent's largest shareholder, Vincent Viola. Mr. Viola's qualifications to serve on Independent's board of directors include his knowledge of financial markets, his familiarity with Independent given his family's ownership of Independent Bank over the past twenty-seven years, and his experience as a director of Independent.

Independent Board and Committee Matters

Director Independence

Under the rules of the NASDAQ Global Select Market, independent directors must comprise a majority of Independent's board of directors. The rules of the NASDAQ Global Select Market, as well as those of the SEC, also impose several other requirements with respect to the independence of directors.

Independent's board of directors has evaluated the independence of its members based upon the rules of the NASDAQ Global Select Market and the SEC. Applying these standards, the board of directors has affirmatively determined that, with the exception of David R. Brooks and Daniel W. Brooks, each of Independent's directors is an independent director, as defined under the applicable rules. The board of directors determined that each of David R. Brooks and Daniel W. Brooks does not qualify as an independent director because of his position as an executive officer of

Independent or Independent Bank.

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Independent Board Leadership Structure

David R. Brooks currently serves as Independent's Chairman of the Independent board, Chief Executive Officer and President. Mr. Brooks has served as Independent's Chairman of the Independent board and Chief Executive Officer since the inception of Independent in 2002. Mr. Brooks' primary duties are to lead Independent's board of directors in establishing Independent's overall vision and strategic plan and to lead Independent's management in carrying out that plan. While Independent recognizes the inherent conflict of interest that arises when the positions are held by one person, Independent believes that the overall benefit of Mr. Brooks' leadership in these roles outweighs any potential disadvantage of this structure. Independent's lead independent director is Douglas A. Cifu who has served in this role since 2013. As lead independent director, Mr. Cifu serves as a liaison between the Chairman and the independent directors, presides over executive sessions of the independent directors, and consults with the Chairman on major corporate decisions.

Independent has also structured its management team to mitigate the corporate governance risk related to the multiple positions held by David R. Brooks. Daniel W. Brooks, Independent's Vice Chairman and Chief Risk Officer, is responsible for overseeing Independent's credit function, the most important component of Independent's operations. By having other executive officers with separate and distinct roles, Independent believes that it will obtain benefits similar to the benefits of having a separate Chairman and Chief Executive Officer.

Independent Board Committees

In February 2013, Independent's board of directors established standing committees at the Independent level in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and a Strategic Planning Committee.

In the future, Independent's board of directors also may establish such additional committees as it deems appropriate, in accordance with applicable law and regulations and its certificate of formation and bylaws.

Independent Audit Committee

General

The members of Independent's Audit Committee are Craig E. Holmes (Chairman), G. Stacy Smith and J. Webb Jennings III. Independent's board of directors has evaluated the independence of each of the members of the Audit Committee and has affirmatively determined that (i) each of the members meets the definition of an independent director under NASDAQ Global Select Market rules, (ii) each of the members satisfies the additional independence standards under applicable SEC rules for audit committee service and (iii) each of the members has the ability to read and understand fundamental financial statements. In addition, the board of directors has determined that Mr. Holmes also qualifies as a financial expert and has the required financial sophistication due to his experience and background, which NASDAQ Global Select Market rules require at least one such Audit Committee member have.

Independent's Audit Committee has responsibility for, among other things:

selecting and reviewing the performance of Independent's independent auditors and approving, in advance, all engagements and fee arrangements;

reviewing the independence of Independent's independent auditors;

reviewing actions by management on recommendations of the independent auditors and internal auditors;

meeting with management, the internal auditors and the independent auditors to review the effectiveness of Independent's system of internal control and internal audit procedures;

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reviewing Independent's earnings releases and reports filed with the SEC;

reviewing reports of bank regulatory agencies and monitoring management's compliance with recommendations contained in those reports; and

handling such other matters that are specifically delegated to the Audit Committee by Independent's board of directors from time to time.

Independent's Audit Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Audit Committee is available on Independent's website at www.ibtx.com.

Report of the Independent Audit Committee

Explanatory Note regarding the following Report of the Independent Audit Committee: As of the date of this joint proxy statement/prospectus, Independent had not filed with the SEC its Annual Report on Form 10-K for the year ended December 31, 2016, which will contain Independent's consolidated financial statements as of and for the year ended December 31, 2016 and the accompanying notes thereto and the report of RSM US LLP, Independent's independent registered public accounting firm, regarding RSM US LLP's audit of those consolidated financial statements. Independent is not required to file such annual report on Form 10-K with the SEC until March 16, 2017. Independent's consolidated financial statements as of and for the year ended December 31, 2015, are the audited consolidated financial statements of Independent most recently published by Independent and those consolidated financial statements, the accompanying notes thereto and the report of RSM US LLP relating to its audit of those consolidated financial statements appear in Independent's Annual Report on Form 10-K for the year ended December 31, 2015, as filed by Independent with the SEC and which is incorporated by reference in this joint proxy statement/prospectus. Consequently, the report of the Audit Committee of the board of directors of Independent set forth below reports on Independent's Audit Committee's actions with respect to the preparation of the Independent's consolidated financial statements as of and for the year ended December 31, 2015, the audit thereof and Independent's Audit Committee's recommendation that such consolidated financial statements as of and for the year ended December 31, 2015 be included in Independent's Annual Report on Form 10-K for the year ended December 31, 2015.

The Audit Committee oversees Independent's financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in this joint proxy statement/prospectus with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with RSM US LLP (formerly known as McGladrey LLP), the independent registered public accounting firm to Independent, who is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, its judgment as to the quality, not just the acceptability, of Independent's accounting principles, the matters required to be discussed by the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including those matters required to be discussed by Auditing Standard No. 16, Communication with Audit Committees. In addition, the Audit Committee has discussed with RSM US LLP the auditors' independence from management and Independent, including the matters in the written disclosures and the letter from RSM US LLP required by applicable professional and regulatory standards, including those of the Public Company Accounting Oversight Board, and considered the compatibility of nonaudit services with the auditors' independence.

The Audit Committee discussed with RSM US LLP their audit of Independent's 2015 financial statements. The Audit Committee meets with RSM US LLP, with and without management present, to discuss the results of their examinations, their evaluations of Independent's internal controls, and the overall quality of Independent's financial reporting. The Audit Committee held ten (10) meetings during fiscal year 2015.

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The Audit Committee recommended to Independent's board of directors (and the board of directors approved) that the audited financial statements be included in the annual report to shareholders on Form 10-K for the prior fiscal year for filing with the SEC.

Respectfully submitted,

AUDIT COMMITTEE

of the Board of Directors

Craig E. Holmes, Audit Committee Chairman

Jack M. Radke, Audit Committee Member

G. Stacy Smith, Audit Committee Member

Independent Auditors

The Independent Audit Committee has appointed RSM US LLP (formerly known as McGladrey LLP), as Independent's independent accountants to audit the consolidated financial statements of Independent for fiscal 2016. RSM US LLP has been Independent's independent accountants since 2002. RSM US LLP served as Independent's independent accountants for fiscal 2015 and reported on Independent's consolidated financial statements for that year, as well as the effectiveness of Independent's internal controls over financial reporting.

Representatives of RSM US LLP are expected to be in attendance at the Independent special meeting and will be afforded the opportunity to make a statement. The representatives will also be available to respond to appropriate questions.

Fees Paid to Independent Registered Public Accounting Firm

The Independent Audit Committee has reviewed the following audit and nonaudit fees that Independent has paid to RSM US LLP for 2015 and 2016 for purposes of considering whether such fees are compatible with maintaining the auditor's independence. The policy of the Audit Committee is to pre-approve all audit and nonaudit services performed by RSM US LLP before the services are performed, including all of the services described under *Audit Fees*, *Audit Related Fees*, *Tax Fees* and *All Other Fees* below.

Audit Fees. Estimated fees billed for service rendered by RSM US LLP for the reviews of Independent's Quarterly Reports on Form 10-Q, the audit of the consolidated financial statements of Independent and services provided for other SEC filings were \$428,200 and \$316,500 for 2015 and 2016, respectively. Fees totaling \$170,000 for the 2016 audit are expected to be billed in 2017.

Audit-Related Fees. Aggregate fees billed for all audit-related services rendered by RSM US LLP were \$25,000 and \$26,000 for 2015 and 2016, respectively. Such services included an audit of Independent's 401(k) plan.

Tax Fees. Aggregate fees billed for permissible tax services rendered by RSM US LLP consisted of \$6,070 and \$1,850 for 2015 and 2016, respectively. These amounts include tax strategy services, assistance in responding to an

audit of federal income tax returns and local tax compliance services.

All Other Fees. Aggregate fees billed for all other services rendered by RSM US LLP consisted of none and \$53,173 for 2015 and 2016, respectively. Such other services included a Fair Lending review.

Independent Audit Committee Pre-Approval Policy

The Independent Audit Committee has established a policy and related procedures regarding the pre-approval of all audit, audit-related and nonaudit services to be performed by Independent s independent

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auditors. The Audit Committee will approve the maximum aggregate amount of the costs that may be incurred under a general pre-approval of certain audit services. Any proposed audit services for which the cost to Independent would exceed these levels or amounts, or services that have not received general pre-approval, requires specific pre-approval by the Audit Committee.

The term of any general pre-approval is twelve (12) months from the stated date of pre-approval, unless the Audit Committee considers a different period and specifically states otherwise. The Audit Committee annually reviews and pre-approves the services, and the associated cost levels or budgeted amounts, that may be provided by its independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee adds to or subtracts from the list of general pre-approved services from time to time, based on subsequent determinations.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval for audit-related services and other audit services. Unless granted general pre-approval, all audit-related services and other audit services must be specifically pre-approved by the Audit Committee. All nonaudit services must be specifically pre-approved by the Audit Committee. Independent's independent auditor may not be engaged to provide any service that is prohibited by applicable law to be provided to an audit client by an independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. All requests or applications for services to be provided by the independent auditor that do not require specific approval by the Audit Committee will be submitted to the Chief Financial Officer of Independent. The Chief Financial Officer will determine, upon consultation with the chairman of the Audit Committee, whether such services are included within the list of services that have received the general pre-approval of the Audit Committee.

Independent Compensation Committee

The members of Independent's Compensation Committee are currently William E. Fair (Chairman), G. Stacy Smith and J. Webb Jennings, III. Independent's board of directors has evaluated the independence of each of the members of the Compensation Committee and has affirmatively determined that each meets the definition of an independent director under NASDAQ Stock Market rules.

Independent's board of directors has determined that each of the members of the Compensation Committee qualifies as a nonemployee director within the meaning of Rule 16b-3 under the Exchange Act and an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

None of the directors who served on the Compensation Committee at any time during fiscal 2015 were officers or employees of Independent or were former officers or employees of Independent. Further, none of the directors who served on the Compensation Committee at any time during fiscal 2016 has any relationship with Independent requiring disclosure under Certain Relationships and Related Person Transactions below, other than William E. Fair, as described in that section. Finally, no executive officer of Independent serves, or in the past fiscal year has served, as a member of the compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on Independent's Compensation Committee. Independent's Compensation Committee has responsibility for, among other things:

reviewing, monitoring and approving Independent's overall compensation structure, policies and programs (including benefit plans) and assessing whether the compensation structure establishes appropriate incentives

for Independent's executive officers and other employees and meets Independent's corporate objectives;

determining the annual compensation of Independent's named executive officers as noted in Executive Compensation and Other Matters ;

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reviewing the compensation decisions made by Independent's named executive officers with respect to Independent's other executive officers;

overseeing the administration of Independent equity plans and other incentive compensation plans and programs and preparing recommendations and periodic reports to Independent's board of directors relating to these matters; and

handling such other matters that are specifically delegated to the Compensation Committee by Independent's board of directors from time to time.

From time to time, the Compensation Committee may, by resolution of the Compensation Committee, delegate to one or more other committees of the board of directors of Independent separate but concurrent authority, to the extent specified in such resolution, to administer such plans with respect to employees of Independent and its subsidiaries and consultants who are not subject to the short-swing profit restrictions of Section 16(b) of the Exchange Act.

Since 2013, the Compensation Committee has engaged Johnson Associates, Inc. (Johnson Associates) as an independent compensation consultant. Johnson Associates has and continues to advise the Compensation Committee on a variety of matters regarding executive compensation, including compensation levels, incentive awards and plans, and performance awards and plans, and conducts analyses and performance measures when requested by the Compensation Committee. Other than its engagement through the Compensation Committee, Johnson Associates does not perform and has never performed any other services for Independent.

Independent's Compensation Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Compensation Committee is available on Independent's website at www.ibtx.com.

Independent Compensation Committee Interlocks and Insider Participation

During 2016, no executive officer of Independent served as (1) a member of a compensation committee (or other Independent board committee performing equivalent functions or, in the absence of any such committee, the entire Independent board) of another entity, one of whose executive officers served on Independent's Compensation Committee, (2) a director of another entity, one of whose executive officers served on Independent's Compensation Committee or (3) a member of the compensation committee (or other Independent board committee performing equivalent functions or, in the absence of any such committee, the entire Independent board) of another entity, one of whose executive officers served as a director of Independent. In addition, none of the members of the Compensation Committee (a) was an officer or employee of Independent or any of its subsidiaries in 2016, (b) was formerly an officer or employee of Independent or any of its subsidiaries or (c) had any relationship that required disclosure under Certain Relationships and Related Transactions, except as is disclosed under such section for William E. Fair.

Independent Corporate Governance and Nominating Committee

The members of Independent's Corporate Governance and Nominating Committee are Douglas A. Cifu (Chairman), Michael T. Viola and Donald L. Poarch. Independent's board of directors has evaluated the independence of each of the members of the Corporate Governance and Nominating Committee and has affirmatively determined that each meets the definition of an independent director under NASDAQ Global Select Market rules.

Independent's Corporate Governance and Nominating Committee has responsibility for, among other things:

recommending persons to be selected by Independent's board of directors as nominees for election as directors and to fill any vacancies on Independent's board of directors; provided that if this Committee

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is not comprised solely of independent directors under the NASDAQ Global Select Market rules, the Committee shall make its recommendations to the independent members of Independent's board of directors, who, in turn, shall nominate persons to be selected by Independent's board of directors as nominees for election as directors and to fill any vacancies on Independent's board of directors;

monitoring the function of Independent's standing committees and recommending any changes, including the creation or elimination of any committee;

developing, reviewing and monitoring compliance with Independent's corporate governance guidelines;

reviewing and approving all related person transactions for potential conflicts of interest situations on an ongoing basis;

reviewing annually the composition of Independent's board of directors as a whole and making recommendations; and

handling such other matters that are specifically delegated to the Corporate Governance and Nominating Committee by Independent's board of directors from time to time.

Independent's Corporate Governance and Nominating Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Corporate Governance and Nominating Committee is available on Independent's website at www.ibtx.com.

In carrying out its functions, the Corporate Governance and Nominating Committee has developed the following qualification criteria for all potential nominees for election, including incumbent directors, board nominees and shareholder nominees:

integrity and high ethical standards in the nominee's professional life;

sufficient educational and professional experience, business experience or comparable service on other boards of directors to qualify the nominee for service on Independent's board of directors;

evidence of leadership and sound judgment in the nominee's professional life;

whether the nominee is well recognized in the community and has a demonstrated record of service to the community;

a willingness to abide by any published code of conduct or ethics for Independent; and

a willingness and ability to devote sufficient time to carrying out the duties and responsibilities required as a member of Independent's board of directors.

Governance and Nominating Committee evaluates potential nominees for Independent's board of directors to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and determines whether they are independent in accordance with NASDAQ Stock Market rules (to ensure that, at all times, at least a majority of Independent's directors are independent). Although Independent does not have a separate diversity policy, the committee considers the diversity of Independent's directors and nominees in terms of knowledge, experience, skills, expertise and other demographics that may contribute to the board of directors.

Prior to nominating or, if applicable, recommending to the independent members of Independent's board of directors, an existing director for re-election to the board of directors, the Corporate Governance and Nominating Committee will consider and review the following attributes with respect to each existing director:

attendance and performance at meetings of Independent's board of directors and the committees on which such director serves;

length of service on Independent's board of directors;

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experience, skills and contributions that the existing director brings to Independent's board of directors;

independence and any conflicts of interest; and

any significant change in the director's status, including the attributes considered for initial membership on Independent's board of directors.

Director Nominations

Independent's board of directors does not have a policy with respect to the consideration of any director candidates recommended by shareholders. All recommended candidates will be considered by the Corporate Governance and Nominating Committee of the board of directors for nomination.

A notice of a shareholder to make a nomination of a person for election as a director of Independent must be made in writing and received by the Corporate Secretary of Independent (i) in the event of an annual meeting of shareholders, not more than one hundred twenty (120) days and not less than ninety (90) days in advance of the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the annual meeting is called on a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the fifteenth (15) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; or (ii) in the event of a special meeting of shareholders, such notice shall be received by the Corporate Secretary not later than the close of business on the fifteenth (15) day following the day on which notice of the meeting is first mailed to shareholders or public disclosure of the date of the special meeting was made, whichever first occurs.

Every such notice by a shareholder must set forth:

(i) the name and residence address of the shareholder of Independent who intends to make a nomination or bring up any other matter;

(ii) a representation that the shareholder is a holder of Independent's voting stock (indicating the class and number of shares owned) and intends to appear in person or by proxy at the meeting to make the nomination or bring up the matter specified in the notice;

(iii) with respect to notice of an intent to make a nomination for the election of a person as a director of Independent, a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and

(iv) with respect to an intent to make a nomination, such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated by the board of directors of Independent.

At the meeting of shareholders, the Chairman shall declare out of order and disregard any nomination or other matter not presented in accordance with these requirements.

The shareholder must also submit the nominee's consent to be elected and to serve. The board of directors may require any nominee to furnish any other information that may be needed to determine the eligibility and qualifications of the nominee. Any recommendations in proper form received from shareholders will be evaluated in the same manner that potential nominees recommended by directors or management are evaluated.

Independent Strategic Planning Committee

The members of the Strategic Planning Committee are G. Stacy Smith (Chairman) and William E. Fair and David R. Brooks. Independent's board of directors has evaluated the independence of each of the members of the

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Strategic Planning Committee and has affirmatively determined that Mr. Smith and Mr. Fair meet the definition of an independent director under NASDAQ Stock Market rules. Mr. Brooks does not meet the definition of an independent director under the NASDAQ Stock Market rules because he is an executive officer of Independent.

Independent's Strategic Planning Committee has responsibility for, among other things:

establishing plans for the growth of Independent, including organic growth plans and strategic acquisitions;

identifying new market areas;

identifying new management candidates to enhance product and geographic expansion;

identifying acquisition targets and developing plans to pursue acquisitions of such identified targets; and

reviewing capital and financing levels, financial partners, and ensuring continued access to capital and financing.

Independent's Strategic Planning Committee has adopted a written charter, which sets forth the committee's duties and responsibilities. The charter of the Strategic Planning Committee is available on Independent's website at www.ibtx.com.

Code of Conduct; Code of Ethics for Chief Executive Officer and Senior Financial Officers

Independent has a Code of Conduct in place that applies to all of Independent's directors, officers and employees. The Code of Conduct sets forth the standard of conduct that Independent expects all of Independent's directors, officers and employees to follow, including Independent's Chief Executive Officer and Chief Financial Officer. In addition, Independent has a Code of Ethics for the Chief Executive Officer and Senior Financial Officers that applies to each of Independent's senior executive officers, including Independent's Chief Executive Officer and Chief Financial Officer, and sets forth specific standards of conduct and ethics that Independent expects from such individuals in addition to those set forth in the Code of Conduct. Independent's Code of Conduct and Independent's Code of Ethics for the Chief Executive Officer and Senior Financial Officers is available on Independent's website at www.ibtx.com. Independent expects that any amendments to the Code of Conduct or the Code of Ethics for the Chief Executive Officer and Senior Financial Officers, or any waivers of their respective requirements, will be disclosed on Independent's website, as well as any other means required by NASDAQ Global Select Market rules or the SEC.

Corporate Governance Guidelines

Independent has adopted Corporate Governance Guidelines to assist Independent's board of directors in the exercise of its fiduciary duties and responsibilities and to promote the effective functioning of the board of directors and its committees. Independent's Corporate Governance Guidelines are available on Independent's website at www.ibtx.com.

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The individuals who served as Independent's Chief Executive Officer and Chief Financial Officer during 2015, as well as Independent's three other most highly compensated executive officers for 2015, are collectively referred to as Independent's named executive officers. Their compensation for 2016, 2015 and 2014 is discussed below.

Summary Compensation Table

The following table sets forth information regarding the compensation paid to each of Independent's named executive officers for 2016, 2015 and 2014.

Name and Position	Year	Salary⁽¹⁾	Bonus⁽²⁾	Stock Awards⁽³⁾	All Other Compensation⁽⁴⁾	Total
David R. Brooks, Chairman, President ⁽⁵⁾ and Chief Executive Officer	2016	\$ 650,000	\$ 670,000	\$ 307,505	\$ 50,888	\$ 1,678,393
	2015	650,000	335,000	340,095	41,636	1,366,731
	2014	650,000	335,000	300,025	568,511	1,853,536
Michelle S. Hickox, Executive Vice President and Chief Financial Officer	2016	\$ 275,000	\$ 200,000	\$ 81,385	\$ 24,070	\$ 580,455
	2015	265,000	100,000	80,022	12,850	457,872
	2014	250,000	90,000	62,484	12,523	415,007
Daniel W. Brooks, Vice Chairman and Chief Risk Officer	2016	\$ 375,000	\$ 350,000	\$ 99,481	\$ 38,974	\$ 863,455
	2015	375,000	175,000	100,028	34,622	684,650
	2014	350,000	160,000	87,478	303,409	900,887
Brian E. Hobart, Vice Chairman and Chief Lending Officer	2016	\$ 350,000	\$ 330,000	\$ 90,448	\$ 51,390	\$ 821,838
	2015	350,000	165,000	90,041	38,612	643,653
	2014	325,000	150,000	81,229	261,758	817,987
James C. White, Executive Vice President and Chief Operations Officer ⁽⁶⁾	2016	\$ 165,625	\$ 100,000	\$ 417,360	\$ 15,512	\$ 698,497
James D. Stein, former Vice Chairman and Chief Executive Officer-Houston Region ⁽⁷⁾	2016	\$ 133,333	\$	\$ 81,385	\$ 764,020	\$ 978,738
	2015	400,000	170,000	90,041	52,137	712,178
	2014	283,333	170,000	3,465,000	2,034,462	5,952,795

- (1) The amounts shown in this column represent salaries earned during the fiscal year shown.
- (2) The amounts of bonuses for each year shown were cash bonuses earned for that year, but that were paid in the following fiscal year.
- (3) The market values of the outstanding stock awards presented as of December 31, 2016, 2015 and 2014, are based on the market value of Independent's common stock on the date of the grant which was \$29.91 on January 29, 2016, and \$31.21 on January 31, 2015 and \$50.80 on January 31, 2014.
- (4) Includes 401(k) contributions, health and welfare benefits, restricted stock related payments, insurance premiums and certain perquisites and other benefits. Other than certain restricted stock related payments and other compensation to Mr. Stein described in Footnote 7 below, none of these components of All Other Compensation exceeded \$25,000 in any one year.

- (5) Mr. Brooks became President of Independent on October 3, 2016.
- (6) Mr. White joined Independent as Chief Operations Officer effective April 21, 2016 and the salary shown was received for the portion of the year in which he was employed by Independent during 2016. Such salary accrued at a rate of \$265,000 per annum. As a result of Mr. White being an executive officer of Independent for only 2016, only his compensation for 2016 is disclosed herein.
- (7) Mr. Stein ceased to be an executive officer of Independent on April 21, 2016. However, his compensation information is included in this joint proxy statement/prospectus in accordance with SEC rules. Mr. Stein

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joined Independent as Vice Chairman of Independent and Chief Executive Officer-Houston Region in April 2014. He resigned from those positions and terminated his employment with Independent on April 21, 2016. Mr. Stein's salary under such employment agreement accrued at a rate of \$400,000 per annum. The salary shown for 2014 was received for the portion of the year in which he was employed by Independent during 2014. In 2014, Mr. Stein received the stock award shown and a \$2,000,000 cash payment, which is included in All Other Compensation for 2014 pursuant to the employment agreement he entered into upon joining Independent. Pursuant to a separation agreement entered into between Independent and Mr. Stein in connection with his termination of his employment with Independent, Independent continued to pay Mr. Stein's salary for the remainder of 2016 and paid his annual incentive bonus of \$260,000 for 2016, along with certain other benefits (which salary and bonus payments and other benefits are included in All Other Compensation) for 2016. Under such separation agreement, Independent will pay Mr. Stein an amount equal to the pro rata portion of \$400,000 through April 15, 2017.

Narrative Discussion of Summary Compensation Table

General. Independent has compensated Independent's named executive officers through a mix of base salary, cash incentive bonuses, restricted stock grants, and other benefits, including to a limited extent, perquisites. Independent believes the current mix of these compensation elements and the amounts of each element provide Independent's named executive officers with compensation that is reasonable, competitive within Independent's markets, appropriately reflects Independent's performance and their particular contributions to that performance, and takes into account applicable regulatory guidelines and requirements. Each of Independent's named executive officers is also an officer of Independent Bank and has substantial responsibilities in connection with the day-to-day operations of Independent Bank. As a result, each named executive officer devotes a substantial majority of his or her business time to the operations of Independent Bank, and the compensation he or she receives is paid largely to compensate that named executive officer for his or her services to Independent Bank.

Independent does not maintain any defined benefit plan, actuarial benefit plan, supplemental executive retirement plan or deferred compensation plan for Independent's named executive officers or any other employees. Moreover, Independent has no plan, agreement or other arrangement with any of Independent's named executive officers relating to the payments of any amounts upon the retirement of such named executive officer from employment with Independent or any other separation from service with Independent.

Base Salary. The base salaries of Independent's named executive officers are reviewed annually by the Compensation Committee as part of Independent's performance review process as well as upon the promotion of an executive officer to a new position or another change in job responsibility. Following this review, the Compensation Committee makes recommendations to Independent's board of directors, which reviews the recommendation and sets the annual salary. In establishing base salaries for Independent's named executive officers for 2016, the Compensation Committee relied on external market data obtained from outside sources, including Johnson Associates, the Compensation Committee's compensation consultant, and the Independent Bankers Association of Texas and other banking industry trade groups. In addition to considering the information obtained from such sources, the Compensation Committee, has considered:

each named executive officer's scope of responsibility;

each named executive officer's years of experience;

the types and amount of the elements of compensation to be paid to each named executive officer;

Independent's financial performance and performance with respect to other aspects of Independent's operations, such as Independent's growth, asset quality, profitability and other matters, including the status of Independent's relationship with the banking regulatory agencies; and

each named executive officer's individual performance and contributions to Independent's performance, including leadership, team work and community service.

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Cash Bonuses and Stock Awards. Independent typically has paid a cash bonus and made grants of restricted shares of Company common stock under Independent's 2013 Equity Incentive Plan to its named executive officers. The Compensation Committee uses annual incentive cash and stock awards to recognize and reward those named executive officers who contribute meaningfully to Independent's performance for the year. The Compensation Committee has, within its sole discretion, determined whether such cash bonuses will be paid for any year and the amount of any bonus paid as well as determined whether stock awards will be granted for any year and the number of any restricted shares granted. In determining whether to pay annual cash bonuses and make stock awards, the Compensation Committee establishes performance goals for Independent and the executive officer at the beginning of the year and then reviews Independent's and the executive's performance at the end of the year to determine the extent to which the pre-established goals have been obtained. Performance measures used by the Compensation Committee in establishing performance goals have included such factors as:

the overall financial soundness of Independent (asset quality, risk controls, balance sheet/capital management);

Independent's organic loan and growth and growth through strategic acquisitions;

Independent's profitability (earnings growth and operating efficiencies);

the executive's role in Independent's achievement of target percentage increases in growth and profitability;

the executive's role in specific strategic and operational functions, such as successful implementation of Independent's acquisition strategy, overall management of financial reporting, and supervision of Independent's credit function; and

the personal performance of the executive officer and contributions to Independent's performance for the year, including leadership, team work and community service.

The Compensation Committee also reviews external market data in weighting achievement of performance goals and applies market medians to the level of performance in setting the cash and stock awards. The Compensation Committee also establishes performance measures and sets applicable performance targets for each performance measure with respect to performance-based cash incentive and equity incentive awards under the 2015 Performance Award Plan.

Benefits and Perquisites. Independent's named executive officers are eligible to participate in the same benefit plans designed for all of Independent's full-time employees, including health, dental, vision, disability and basic group life insurance coverage. Independent also provides its employees, including its named executive officers, with a 401(k) plan to assist its employees, including its named executive officers, in planning for retirement and securing appropriate levels of income during retirement. The purpose of Independent's employee benefit plans is to help Independent attract and retain quality employees, including executives, by offering benefit plans similar to those typically offered by Independent's competitors. Except as described below, none of the perquisites or benefits paid or provided to any of Independent's named executive officers exceeded \$25,000 in amount for 2016, 2015 or 2014.

Independent Bank Group 401(k) Profit Sharing Plan. The Independent Bank Group 401(k) Profit Sharing Plan, or the 401(k) Plan, is designed to provide retirement benefits to all eligible full-time and part-time employees. The 401(k) Plan provides employees the opportunity to save for retirement on a tax-favored basis. Independent's named executive officers, all of whom were eligible to participate in the 401(k) Plan during 2016, 2015 or 2014, may elect to participate in the 401(k) Plan on the same basis as all other employees. Employees may defer from 1% to 100% of their compensation to the 401(k) Plan up to the applicable IRS limit. Independent matches from 50% to 100% of an employee's annual contribution to the 401(k) Plan, depending on the employee's years of service with Independent, up to a total of 6% per annum of the employee's eligible salary. Independent makes its matching contributions in cash, and that contribution is invested according to the

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employee's current investment allocation. Beginning in 2014, the 401(k) Plan began to permit investments in Company common stock. Independent made contributions to its named executive officers' accounts in the 401(k) plan in 2016, 2015 or 2014 in varying amounts depending on the amounts of the contributions made by the named executive officers to their respective 401(k) Plan accounts.

Health and Welfare Benefits. Independent's named executive officers are eligible to participate in Independent's standard health and welfare benefits program, which offers medical, dental, vision, life, accident and disability coverage to all of its eligible employees. Independent does not provide the named executive officers with any health and welfare benefits that are not generally available to its other employees.

Restricted Stock-related Payments. Under Independent's stock grant plans in effect until April 2013, Independent agreed to pay to the holders of restricted stock granted by Independent a cash amount equal to 25% of the then fair market value of any shares vesting within thirty days after those shares vest. Independent pays that amount to provide the holder of vested shares a source of funds to pay the federal income taxes due with respect to compensation income recognized upon the vesting of the shares. In 2014, Independent's named executive officers who received such payments in excess of \$25,000 and the aggregate amount of such payments were David R. Brooks, \$535,315 and Daniel W. Brooks, \$271,218. In 2015, no such payments in excess of \$25,000 were paid to Independent's named executive officers. In 2016, the Company paid \$30,210 related to payroll taxes on restricted stock vesting for James D. Stein.

Insurance Premiums. Independent Bank maintains bank-owned life insurance policies with respect to each of Independent's named executive officers. Although Independent Bank is the named beneficiary of each of those policies, Independent has agreed with each of those named executive officers that if the officer dies while employed by Independent Bank, Independent will pay such named executive officer's estate an amount equal to the amount of that officer's salary for the year in which his or her death occurs out of the benefits Independent Bank receives under such policy.

Perquisites and Other Compensation. Independent previously provided certain of its named executive officers with a limited number of perquisites that Independent believed were reasonable and consistent with Independent's overall compensation program to better enable Independent to attract and retain superior employees for key positions. Independent's board of directors had periodically reviewed the levels of perquisites and other personal benefits provided to named executive officers. Based on this periodic review, perquisites were awarded or adjusted on an individual basis. The perquisites received by Independent's named executive officers in 2013 included automobile allowances and country club memberships. Independent discontinued awarding such perquisites to its named executive officers in July 2013, except that Independent continues to pay country club membership dues for Mr. Hobart, who was not a named executive officer prior to 2016.

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The following table provides information regarding outstanding unvested stock awards held by the named executive officers as of December 31, 2016. The then outstanding stock awards were shares of restricted stock subject to forfeiture provisions that expire on the fifth anniversary of the date of grant (for awards made in connection with Independent's initial public offering in 2013) or the third anniversary of the date of the grant (for awards made in subsequent years unrelated to Independent's initial public offering) so long as the holder of the shares remains employed by Independent or Independent Bank on that date.

Name	Stock Awards as of December 31, 2016	
	Number of Shares of Stock that have not Vested⁽¹⁾	Market Value of Shares of Stock that have not Vested⁽²⁾
David R. Brooks	29,755	1,856,712
Michelle S. Hickox	11,241	701,438
Daniel W. Brooks	14,357	895,877
Brian E. Hobart	13,161	821,246
James C. White	12,000	748,800
James D. Stein	20,645	1,288,248

- (1) The following table shows the dates on which the shares of restricted stock shown in the table above vest, i.e., the date on which the forfeiture provisions expire as to the shares of restricted stock held by each of Independent's named executive officers:

Name	Vesting Dates	Number of Shares to Vest
David R. Brooks	January 31, 2017	9,028
	April 8, 2017	5,120
	January 31, 2018	7,060
	April 8, 2018	5,120
	January 31, 2019	3,427
Michelle S. Hickox	January 31, 2017	2,172
	April 8, 2017	1,600
	May 1, 2017	3,200
	January 31, 2018	1,762
	April 8, 2018	1,600
	January 31, 2019	907
Daniel W. Brooks	January 1, 2017	3,200

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	January 31, 2017	2,750
	April 8, 2017	2,560
	January 31, 2018	2,178
	April 8, 2018	2,560
	January 31, 2019	1,109
Brian E. Hobart	January 1, 2017	3,200
	January 31, 2017	2,503
	April 8, 2017	2,240
	January 31, 2018	1,970
	April 8, 2018	2,240
	January 31, 2019	1,008

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Name	Vesting Dates	Number of Shares to Vest
James C. White	May 16, 2017	2,400
	May 16, 2018	2,400
	May 16, 2019	2,400
	May 16, 2020	2,400
	May 16, 2021	2,400
James D. Stein ^(a)	January 15, 2017	10,000
	April 15, 2017	10,645

- (a) Such shares of restricted stock to vest on such dates in accordance with the terms of Mr. Stein's separation agreement with Independent.
- (2) The market values for the outstanding stock awards presented as of December 31, 2016, are based on a fair market value of Independent's common stock of \$62.40 per share as of December 31, 2016, which was the closing sale price of Independent's common stock on the NASDAQ Global Select Market on such date.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2016, regarding Independent's equity compensation plans under which Independent's equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders		N/A	310,394 ⁽¹⁾
Equity compensation plans not approved by security holders		N/A	

- (1) Shares of Company common stock issuable pursuant to the 2013 Equity Incentive Plan.

Director Compensation

The following table sets forth information regarding 2016 compensation for those of Independent's directors during 2016 who were not named executive officers of Independent for 2016:

Name	Total
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	Fees Earned or Paid in Cash	Stock Awards⁽¹⁾	All Other Compensation⁽²⁾	
M. Brian Aynesworth ⁽³⁾	\$ 35,000	\$ 27,128	\$ 12,000	\$ 74,128
Douglas A. Cifu	35,000	27,128		62,128
William E. Fair	35,000	27,128		62,128
Craig E. Holmes	40,000	27,128		67,128
J. Webb Jennings, III	30,000	27,128		57,128
Donald L. Poarch	30,000	27,128		57,128
Jack M. Radke ⁽³⁾	30,000	27,128		57,128
G. Stacy Smith	30,000	27,128		57,128
Michael T. Viola	30,000	27,128		57,128

(1) Reflects awards granted for service in 2016.

(2) Reflects fees received for service on the Independent Bank loan committee.

(3) Resigned from the Independent board of directors in January 2017.

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During 2016, each of Independent's nonmanagement directors received a cash retainer of \$30,000 and an award of shares of restricted stock under the 2013 Equity Incentive Plan with a market value of \$27,128, for their service as a director. In addition, the chairman of the Audit Committee of Independent's board of directors received an additional cash retainer of \$10,000 and the chairmen of Independent's Compensation Committee, Corporate Governance and Nominating Committee and Strategic Planning Committee received an additional cash retainer of \$5,000 for their service in those roles. Independent's directors were reimbursed for the reasonable out-of-pocket expenses they incur in connection with their service as directors, including travel costs to attend the meetings of the board of directors and committees. Independent's directors who were also Independent's named executive officers did not receive fees or other compensation for their service as directors of Independent. M. Brian Aynesworth received \$1,000 per meeting for serving on Independent Bank's Loan Committee.

Mr. David R. Brooks and Mr. Daniel W. Brooks, who are directors and executive officers of Independent, do not receive any compensation in their capacity as directors of Independent.

Chief Executive Officer Compensation

The compensation that Independent paid David R. Brooks, Independent's Chairman and Chief Executive Officer, was reviewed and determined by the Compensation Committee. The compensation paid reflects the Compensation Committee's view of Mr. Brooks' continuing contribution to the success of Independent's operations. That compensation, including Mr. Brooks' salary for 2016 and his cash bonus and equity awards for 2016, are intended to compensate Mr. Brooks for his successful leadership of Independent and Independent Bank and management of their operations, as reflected by Independent's growth in assets, deposits and net income, the expansion of Independent's markets, and the maintenance of Independent's strong asset quality and credit culture despite volatile economic conditions during 2016.

Agreements and Arrangements with Named Executive Officers

Independent does not have employment agreements with any of Independent's named executive officers other than Mr. James C. White, an Executive Vice President and Chief Operations Officer of Independent. The other named executive officers of Independent identified herein (other than Mr. James D. Stein, who is no longer employed by Independent) are employees at will of Independent. The compensation that Independent pays to its named executive officers other than Mr. White is determined at the discretion of Independent's board of directors based upon the Compensation Committee's recommendation.

Mr. White's employment agreement with Independent is for an indefinite term and may be terminated by either party at any time on thirty days' prior written notice. The agreement provides for Mr. White to receive a salary of \$265,000 per annum and to be eligible to receive an annual incentive bonus if he and Independent attain pre-established performance goals for the year in question. The annual bonus amount will be determined by Independent's board of directors based on its review of the extent to which the annual performance goals have been attained. The target amount of the annual bonus is approximately 50% of Mr. White's annual base salary, with any bonus paid being payable 65% in cash and 35% in restricted shares of Independent common stock that will vest if Mr. White remains employed by Independent for three years after the restricted shares are awarded. Mr. White's employment agreement also provided for the grant of 12,000 restricted shares of Independent common stock to Mr. White that will vest if Mr. White remains employed by Independent for five years after their grant.

In connection with the issuance of the shares of restricted stock Independent issued to Independent's executive officers and certain senior officers of Independent Bank pursuant to the 2013 Equity Incentive Plan, Independent requires that each recipient of an award enter into an award agreement that includes noncompetition and nonsolicitation covenants.

Each such agreement provides that the award recipient will not compete with Independent for a specified period following the termination of his or her employment with Independent or

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Independent Bank. Competition for such purposes is defined to include such person acting as an officer, director, manager or employee of, or a consultant to, any bank holding company, bank or other financial institution conducting banking operations in Independent's market areas in the State of Texas. The periods for which such competition is prohibited is two years for David R. Brooks, one year for each of Daniel W. Brooks, Michelle S. Hickox, Brian E. Hobart and James C. White and three months for those award recipients who are senior officers of Independent Bank. The various award recipients also agree not to solicit other employees or customers of Independent or Independent Bank. The nonsolicitation period for Independent's executive officers is one year following the termination of their employment with Independent or Independent Bank. The nonsolicitation period for officers of Independent Bank is set by the Compensation Committee for each officer and ranges from three months to one year following termination of employment. In addition, Independent Bank has entered into a separation agreement with Mr. Stein, which continues the confidentiality, noncompetition and nonsolicitation covenants that were in his employment agreement. See Independent Executive Compensation and Other Matters Summary Compensation Table above for information regarding such separation agreement with Mr. Stein.

On July 26, 2016, Independent, entered into Change in Control Agreements (the Change in Control Agreements) with David R. Brooks, Chairman, President and Chief Executive Officer, Daniel W. Brooks, Vice Chairman and Chief Risk Officer, Brian E. Hobart, Vice Chairman and Chief Lending Officer, and Michelle S. Hickox, Executive Vice President and Chief Financial Officer (each individually, the Executive). Each of the Change in Control Agreements provides, among other things, that if, within twelve months following the occurrence of a Change in Control of Independent (as defined in Independent's 2013 Equity Incentive Plan (the Plan)), (a) Independent terminates the Executive's employment without Cause (as defined in the applicable Change in Control Agreement) or the Executive terminates his or her employment for Good Reason (as defined in the applicable Change in Control Agreement) and (b) the Executive signs and allows to become effective a general release of all known and unknown claims, in favor of Independent and its affiliates, then (i) the Executive will be entitled to a lump sum cash payment in an amount equal to three times the sum, for David R. Brooks, or two times the sum, for Daniel W. Brooks, Brian E. Hobart and Michelle S. Hickox, of (x) the Executive's current annual base salary, plus (y) the Executive's target total annual bonus for the year of termination, (ii) all of Executive's unvested grants of restricted stock will become vested and will no longer be subject to restriction or forfeiture, and (iii) Executive shall continue to be a participant in the Independent Bank Survivor Benefit Plan such that, upon Executive's death and provided certain thresholds are met, Independent will pay to the Executive's beneficiary, as a survivor benefit, a single lump sum cash payment equal to the Executive's annual base salary in effect on the date of the termination of the Executive's employment. Each of the Change in Control Agreements provides further that the amount of payments and benefits payable to the Executive is subject to reduction to the extent necessary to ensure that such amount does not constitute a parachute payment as defined in Section 280G of the Internal Revenue Code of 1986, as amended. In addition, on April 21, 2016, Independent entered into an employment agreement with James C. White, Executive Vice President and Chief Operations Officer, which provides, among other things, that upon termination of employment within one year of a change in control of Independent, Independent will pay to Mr. White a lump sum cash amount equal to two times Mr. White's base salary plus the amount of his incentive bonus from the previous year and all of Mr. White's unvested stock grants from Independent will vest and will no longer be subject to restriction or forfeiture.

Compensation Committee of Independent's Board of Directors

Historically, Independent Bank's board of directors has maintained a Compensation Committee that has overseen the compensation for Independent Bank's senior officers. In February 2013, Independent's board of directors established a Compensation Committee comprised solely of directors who are independent under SEC rules and the rules for the NASDAQ Global Select Market, including NASDAQ Stock Market rules relating to the independence of the members of Compensation Committees. See Independent Proposal Three Election of Directors Independent Board and Committee Matters Compensation Committee for a description of the Compensation Committee's responsibilities.

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In accordance with its charter, the Compensation Committee has the responsibility and authority of establishing the philosophy that underlies Independent's executive compensation program, for establishing and implementing that program and for reviewing and setting the compensation of each of Independent's named executive officers and other executive officers. Independent's board of directors has directed the Compensation Committee, in accordance with its charter, to ensure that Independent's executive compensation program is designed and executed in a manner necessary to reflect Independent's executive compensation philosophy, to achieve Independent's goals and objectives and is consistent with regulatory requirements. Specifically, Independent's board of directors has directed the Compensation Committee to review Independent's executive officer compensation program and determine if:

Independent's executive officer compensation is appropriately linked to Independent's short-term and long-term financial and other performance;

the interests of Independent's executive officers are appropriately aligned with the interests of Independent's shareholders or can be more appropriately aligned through greater equity ownership by Independent's executive officers and by having a greater proportion of executive officer compensation tied to Independent's financial and other performance; and

the base salaries and incentive compensation opportunities provided to Independent's executive officers are competitive with those packages offered by other similarly situated and similarly performing financial institutions.

Independent's board of directors has also instructed the Compensation Committee to address such other matters relating to Independent's executive compensation program as they deem appropriate.

At the recommendation of the Compensation Committee, Independent's board of directors adopted the 2015 Performance Award Plan which was approved by Independent's shareholders at the 2015 annual meeting. Pursuant to the 2015 Performance Award Plan, executive officers are eligible to receive cash and equity based performance awards based upon the achievement of goals related to the performance of Independent. At the end of each year, the Compensation Committee reviews the level of achievement of the pre-established performance goals. For 2016 and 2015, Independent granted target awards based upon pre-tax net income. The 2016 and 2015 awards are intended to qualify as deductible performance based compensation for federal income tax purposes.

Compensation Policies and Practices and Independent's Risk Management

Independent does not believe that any risks arise from Independent's compensation policies and practices for Independent's executive officers and other employees that are reasonably likely to have a material adverse effect on Independent's operations, results of operations or financial condition.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Person Transaction Review Policy

Independent has adopted a formal written policy concerning related party transactions. A related party transaction is a transaction, arrangement or relationship or a series of similar transactions, arrangements or relationships in which the amount involved exceeds \$120,000, in which Independent or one of Independent's consolidated subsidiaries participates (whether or not Independent or the subsidiary is a direct party to the transaction), and in which a director, nominee to become a director, executive officer or employee of Independent or one of Independent's consolidated subsidiaries or any of his or her immediate family members or any entity that any of them controls or in which any of them has a substantial beneficial ownership interest has a direct or indirect material interest; or in which any person who is the beneficial owner of more than 5% of Independent's voting securities or a member of the immediate family of such person has a direct or indirect material interest. A copy of Independent's policy may be found on Independent's website at www.ibtx.com.

Independent's policy requires Independent's Corporate Governance and Nominating Committee to ensure that Independent maintains an ongoing review process for all related party transactions for potential conflicts of interest and requires that the Corporate Governance and Nominating Committee pre-approve any such transactions or, if for any reason pre-approval is not obtained, to review, ratify and approve or cause the termination of such transactions. Independent's Corporate Governance and Nominating Committee evaluates each related party transaction for the purpose of recommending to the disinterested members of Independent's board of directors whether the transaction is fair, reasonable and permitted to occur under Independent's policy, and should be pre-approved or ratified and approved by Independent's board of directors. Relevant factors considered relating to any approval or ratification include the benefits of the transaction to Independent, the terms of the transaction and whether the transaction will be or was on an arm's-length basis and in the ordinary course of Independent's business, the direct or indirect nature of the related party's interest in the transaction, the size and expected term of the transaction and other facts and circumstances that bear on the materiality of the related party transaction under applicable law and listing standards. At least quarterly, management will provide Independent's Corporate Governance and Nominating Committee with information pertaining to related party transactions. Related party transactions entered into, but not approved or ratified as required by Independent's policy concerning related party transactions, will be subject to termination by us or the relevant subsidiary, if so directed by Independent's Corporate Governance and Nominating Committee or Independent's board of directors, taking into account factors as deemed appropriate and relevant. Lending and other banking transactions in the ordinary course of business and consistent with the insider loan provisions of Regulation O of the Federal Reserve are not treated as related party transactions under this policy and, instead, these transactions are monitored and approved, if necessary, by Independent Bank's board. In addition, any transaction in which the rates or charges are determined by competitive bids are not subject to approval under the policy.

Independent's directors, officers, beneficial owners of more than 5% of Independent's voting securities and their associates were customers of and had transactions with Independent in the past, and additional transactions with these persons are expected to take place in the future. All outstanding loans and commitments to loan with these persons were made in the ordinary course of business, were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to Independent or Independent Bank and did not involve more than the normal risk of collectability or present other unfavorable features. All such loans are approved by Independent Bank's board of directors in accordance with the bank regulatory requirements. Similarly, all certificates of deposit and depository relationships with these persons were made in the ordinary course of business and involved substantially the same terms, including interest rates, as those prevailing at the time for comparable depository relationships with persons not related to Independent or Independent Bank.

Table of Contents**Related Person Transactions**

The following is a description of transactions after 2013 in which Independent has participated and in which one or more of Independent's directors, executive officers or beneficial holders of more than 5% of Independent's capital stock, or their immediate family members or entities affiliated with them, had or will have a direct or indirect material interest.

Issuance of Warrants

Independent restructured its credit facility with TIB The Independent Bankers Bank, or TIB, in December 2008. At that time, Independent reallocated its credit facility between senior secured debt and subordinated debt. To complete this restructure, certain shareholders of Independent agreed to purchase \$4.5 million in subordinated debt held by TIB in certain circumstances. Independent issued warrants to purchase shares of Independent's common stock to these shareholders to compensate them for undertaking this credit enhancement risk.

Independent issued the warrants in December 2008 to purchase a total of 150,544 shares, all of which are currently outstanding and currently exercisable. The exercise price is \$17.19 per share. The warrants must be exercised by December 23, 2018, and are not assignable. When, if and to the extent the warrants are exercised, Independent will receive additional capital and the number of outstanding shares of Independent's common stock will increase. The following table lists as of December 31, 2016, the warrants issued to certain of Independent's directors, executive officers and beneficial holders of 5% of Independent's voting securities and their respective affiliates:

Shareholder/Directors/Executive Officers	Warrants
Vincent J. Viola	93,091
David R. Brooks	23,270

Issuance of Subordinated Debentures

Since January 2009, Independent has conducted four separate private placements of Independent's 7% fixed rate subordinated debentures to raise capital to support Independent's growth and expansion efforts. The material terms of each series of debentures are the same and are as follows:

Interest accruing at the rate of 7% per annum, payable quarterly;

Principal payments due on the third anniversary of issuance of debentures of the series and then semi-annually over the remaining four years until maturity;

Prepayable at Independent's option and without any prepayment penalty or premium after the third anniversary of issuance of debentures of the series;

Maturing on the last day of the seventh year of the term of the series of debenture;

Subordinated in right of payment to all existing and future senior debt; and

Unsecured with no sinking fund requirement.

The following table lists the aggregate principal amount of debentures purchased by a director and the amount of principal and interest paid from January 1, 2014, through January 15, 2016, at which date the subordinated debentures were paid in full.

Name	Aggregate Principal Amount Purchased⁽¹⁾	Interest Paid	Principal Paid
M. Brian Aynesworth	\$ 250,000	\$ 41,563	\$ 250,000

(1) Includes \$100,000 held by Mr. Aynesworth's SEP account. Mr. Aynesworth resigned from the Independent board in January 2017.

Table of Contents**Other Transactions**

IBG Aircraft. IBG Aircraft Company III, a subsidiary of Independent Bank, or IBG Aircraft, owns an airplane. The Company uses the airplane to facilitate the travel of the Company's executives for corporate purposes related to the Company's business. Independent Bank uses the aircraft to facilitate the travel of Independent Bank employees to and from Independent Bank's locations across Texas. Until December 31, 2013, Independent Bank had an arrangement with Noel-Levitz LLC regarding the use of the airplane. Noel-Levitz is a higher education consulting firm headquartered in Colorado that, until December 31, 2012, was controlled by Vincent Viola and David R. Brooks, the Company's largest shareholder and the Company's Chairman of the Board and Chief Executive Officer, respectively. Until August 2014, David R. Brooks served on the board of managers of Noel-Levitz. As part of the arrangement between Independent Bank and Noel-Levitz, David R. Brooks used the airplane for corporate travel related to the business of Noel-Levitz. Noel-Levitz reimbursed Independent Bank for the costs of operation of the airplane (computed on an hourly basis and including fuel, maintenance reserves and other operating costs) as established by Independent Bank's aviation committee, a joint committee of the Company's and Independent Bank's boards of directors comprised of David R. Brooks, Torry Berntsen, William E. Fair and David Wood. The Company believes the terms of this arrangement were at least as favorable to Independent Bank as could have been arranged with an unrelated third party and were in compliance with third party regulations established by bank regulatory agencies. David R. Brooks elects to receive a portion of his cash bonus in the form of personal use of the aircraft. Under this arrangement, the Compensation Committee establishes the cash bonus for Mr. Brooks. Mr. Brooks is then charged a rate per flight hour for use of the aircraft which is established by the aviation committee based upon actual costs of operation of the aircraft. This amount is then charged against Mr. Brooks' bonus amount, reducing the cash portion of the bonus awarded to Mr. Brooks. The Compensation Committee and the joint aviation committee have reviewed and approved this arrangement, and the Company believes that this arrangement is in compliance with third party regulations established by bank regulatory agencies.

Branch Lease. Independent Bank leases its Woodway Branch in Waco from Waco Fairbank Realty, Ltd., of which William E. Fair, one of Independent's directors, is a limited partner. Independent Bank pays rent of \$26.43 per square foot for this 4,787 square foot facility, or \$126,497 annually. Additionally, in March 2011, Independent Bank sold a 2,000 square foot office building to Mr. Fair's IRA. Independent Bank had previously foreclosed on the building and was holding it as ORE. The purchase price was \$200,000. Independent Bank had marketed the property with two separate real estate agents that produced offers from unrelated parties for less than \$200,000. Mr. Fair's IRA also paid the closing costs. As part of the transaction, Independent Bank loaned Mr. Fair's IRA \$150,000 at a fixed interest rate of 5.50%. Principal and interest is payable monthly on the basis of fifteen years with a balloon payment due at maturity in May 2016. In December 2011, the loan was modified to lower the interest rate to 4.75% and to extend the maturity date to December 2016. Independent believes that these arrangements are at least as favorable to Independent Bank as could have been arranged with unrelated third parties and are in compliance with third party regulations for transactions with directors and their affiliates established by bank regulatory agencies.

Tax Indemnification Agreements. Independent is party to certain tax indemnification agreements with each of Independent's existing shareholders. Pursuant to these agreements, Independent has agreed that upon filing any tax return (amended or otherwise), or in the event of any restatement of Independent's taxable income, in each case for any period during which Independent was an S corporation, Independent will make a payment to each shareholder on a pro rata basis in an amount sufficient so that the shareholder with the highest incremental estimated tax liability (calculated as if the shareholder would be taxable on its allocable share of Independent's taxable income at the highest applicable federal, state and local tax rates and taking into account all amounts Independent previously distributed in respect of taxes for the relevant period) receives a payment equal to its incremental tax liability. Independent also agrees to indemnify the shareholders for any interest, penalties, losses, costs or expenses (including reasonable attorneys' fees) arising out of any claim under the agreements.

Table of Contents**BENEFICIAL OWNERSHIP OF INDEPENDENT COMMON STOCK BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF INDEPENDENT**

The following table sets forth certain information regarding the beneficial ownership of Independent's common stock as of February 17, 2017, by (1) directors and named executive officers of Independent, (2) each person who is known by Independent to own beneficially more than 5% of Independent's common stock and (3) all directors and named executive officers as a group. Unless otherwise indicated, based on information furnished by such shareholders, management of Independent believes that each person has sole voting and dispositive power over the shares indicated as owned by such person.

Name of Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percentage Beneficially Owned ⁽³⁾
Directors and Executive Officers:		
David R. Brooks	890,062 ⁽⁴⁾	4.7%
Daniel W. Brooks	161,988 ⁽⁵⁾	*
Brian E. Hobart	160,240 ⁽⁶⁾	*
Michelle S. Hickox	20,994	*
James C. White	12,901	*
Douglas A. Cifu	101,015 ⁽⁷⁾	*
William E. Fair	215,667 ⁽⁸⁾	1.1
Craig E. Holmes	12,060	*
J. Webb Jennings III	41,350	*
Donald L. Poarch	128,745 ⁽⁹⁾	*
G. Stacy Smith	165,151 ⁽¹⁰⁾	*
Michael T. Viola	23,159	*
All Directors and Executive Officers as a Group (12 persons)	1,933,332 ⁽¹¹⁾	10.2%
Principal Shareholders:		
Vincent J. Viola	4,538,383 ⁽¹²⁾	23.9%
Wellington Management Group LLP	1,084,072	5.7

* Indicates ownership that does not exceed 1%.

- (1) The address of the persons shown in the foregoing table who are beneficial owners of more than 5% of the common stock are as follows: Vincent J. Viola, 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069 and Wellington Management Group, 280 Congress Street, Boston, Massachusetts 02210.
- (2) Beneficial ownership does not include certain officers' restricted shares rights granted pursuant to its 2012 Stock Grant Plan which have not vested.
- (3) Ownership percentages reflect the ownership percentage assuming that such person, but no other person, exercises all warrants to acquire shares of our common stock held by such person that are currently exercisable. The ownership percentage of all executive officers and directors, as a group, assumes that all 12 persons, but no other persons, exercise all warrants to acquire shares of our common stock held by such persons that are currently exercisable. The percentages are based upon 18,919,598 shares issued and outstanding as of February 17, 2017.

- (4) Of these shares, 786,792 are held of record by David R. Brooks and 80,000 shares are held of record by trusts for his children of which he and his wife are trustees. Mr. Brooks holds warrants to purchase 23,270 shares, which are included in his total shares, and 400,000 of Mr. Brooks shares are pledged as security for bank loans.
- (5) Includes warrants to purchase 4,656 shares and 40,000 shares pledged as security for bank loans.

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- (6) Includes warrants to purchase 4,218 shares and 22,222 shares pledged to secure bank loans.
- (7) Includes 6,471 shares owned of record by Mr. Cifu and 94,544 shares to be beneficially owned indirectly by Mr. Cifu through his ownership interest in VV-IB, LLC, which entity owns 405,000 shares of Independent common stock previously owned by Vincent Viola individually. VV-IB, LLC is beneficially owned by Mr. Cifu (23.3442%) and Vincent J. Viola (76.6558%). Mr. Viola is the sole managing member of VV-IB, LLC and has sole dispositive and voting power with respect to the shares of common stock of Independent owned by VV-IB, LLC. Mr. Cifu disclaims beneficial ownership of the shares held by VV-IB, LLC.
- (8) Includes 201,930 shares held of record by William E. Fair and 7,919 shares held of record by an IRA of which he is beneficiary. Mr. Fair holds warrants to purchase 5,818 shares which are included in his total shares, and 124,658 shares pledged as security for bank loans.
- (9) Of these shares, 120,000 shares are held of record by Poarch Family Limited Partnership, of which Mr. Poarch is the President of its General Partner, Donald L. Poarch, Inc., and 8,745 shares are held of record by Donald Poarch.
- (10) Of these shares, 90,151 shares are held of record by G. Stacy Smith, and 75,000 shares are held of record by SCW Capital LP, of which Mr. Smith is the principal.
- (11) Includes warrants to purchase 37,962 shares.
- (12) Of Mr. Viola's shares, 405,000 are held of record by VV-IB, LLC. Mr. Viola is the sole managing member of VV-IB, LLC and has full voting and dispositive control over all of these shares. Includes warrants to purchase 93,091 shares.

There are no arrangements currently known to us, the operation of which may at a subsequent date result in a change in control of Independent, except that Independent understands that Vincent Viola, its largest shareholder, is considering certain estate planning transfers, which could result in his son, Michael Viola, who is a director of Independent, having shared voting and dispositive power over certain shares of Independent common stock placed in trust for the benefit of members of Vincent Viola's family.

Independent's policies prohibit directors and executive officers from holding shares of Independent common stock in a margin account. This prohibition recognizes the risk that directors or executives may be forced to sell shares to meet a margin call which could negatively impact Independent's stock price and may violate insider trading laws and policies. However, Independent's policies do not prohibit the pledge of shares of Independent common stock by directors or executive officers to secure personal indebtedness. The indebtedness incurred by directors and executive officers who have pledged their shares is indebtedness incurred to purchase Independent common stock or for personal reasons and is not part of a hedging strategy to immunize the director or executive officer from economic exposure with respect to Independent's common stock. Further, the pledge of shares typically does not result in a forced sale by the director or executive officer in the event of default on the loan. Rather, upon default, other arrangements typically are made such as the pledge of additional collateral to secure the loan. Ultimately, if suitable arrangements cannot be made and if the loan remains in default, the lender may foreclose upon and take ownership of the pledged shares. The lender may or may not sell the foreclosed shares. Presumably, the lender would sell the foreclosed shares only under circumstances that would maximize the value of the foreclosed shares. For these reasons, the pledge of shares does not present the same risks as holding shares in a margin account and Independent believes that the pledging of shares of Independent common stock by directors and executive officers does not present undue risk to Independent or its shareholders.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on its review of the copies of such report forms received by it with respect to fiscal year 2016, Independent believes that all filing requirements applicable to its directors, executive officers and persons who

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own more than 10% of a registered class of Independent's equity securities have been timely complied with in accordance with Section 16(a) of the Exchange Act, except for the following late filings:

Filing made by G. Stacy Smith in connection with the purchase of common stock by SCW Capital, LP on May 1, 2015. The amended Form 4 was filed with the SEC on February 17, 2016.

Filing made by M. Brian Aynesworth, a director in 2016, in connection with his purchase of common stock on February 2, 2016. The Form 4 was filed with the SEC on February 17, 2016.

Filing made by Donald L. Poarch in connection with the purchase of common stock by the Poarch Family Limited Partnership on February 3, 2016. The Form 4 was filed with the SEC on February 12, 2016.

Table of Contents**BENEFICIAL OWNERSHIP OF CARLILE COMMON STOCK BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF CARLILE**

The following table sets forth certain information regarding the beneficial ownership of Carlile voting common stock as of February 17, 2017, by (1) each director and executive officer of Carlile, (2) each person who is known by Carlile to own beneficially 5% or more of the voting common stock of Carlile, and (3) all directors and executive officers as a group. Unless otherwise indicated, based on information furnished by such shareholders, management of Carlile believes that each person has sole voting and dispositive power over the shares indicated as owned by such person.

Name of Beneficial Owner	Number of Shares of Voting Common Stock	Percentage Beneficially Owned ⁽¹⁾
Principal Shareholders:		
LEP Carlile Holdings, LLC	4,080,000 ⁽²⁾	14.9%
Stone Point Capital LLC	4,080,000 ⁽³⁾	14.9%
Arlon Capital Partners, LP	3,092,500 ⁽⁴⁾	11.3%
HarbourVest Partners, LLC	2,710,900 ⁽⁵⁾	9.9%
Directors and Executive Officers:		
Rick J. Calhoun	1,030,800 ⁽⁶⁾	3.8%
Don E. Cosby	643,568 ⁽⁷⁾	2.3%
Laurie Freeman	21,400 ⁽⁸⁾	*
Robert W. Gentry	600,000 ⁽⁹⁾	2.2%
Mark K. Gormley	(10)	*
Kent R. Hance	113,400	*
Curtis F. Harrell	566,900 ⁽¹¹⁾	2.1%
Max Hefner	92,500 ⁽¹²⁾	*
Mindy Hegi	123,823 ⁽¹³⁾	*
Mark G. Merlo		*
H. Gil Moutray	309,300 ⁽¹⁴⁾	1.1%
Tom C. Nichols	2,133,835 ⁽¹⁵⁾	7.5%
Craig R. Stapleton	206,200 ⁽¹⁶⁾	*
Ben Stribling	257,700 ⁽¹⁷⁾	*
David A. Tanner	(18)	*
John M. Tye, III	106,200	*
All Directors and Executive Officers as a Group (16 persons)	6,205,626	21.2%

Indicates ownership that does not exceed 1.00%.

- (1) Ownership percentage is based on 27,452,367 shares of Carlile voting common stock outstanding as of February 17, 2017, plus shares of voting common stock which may be acquired by the beneficial owner within 60 days of February 17, 2017, through the exercise of options, which are identified in the footnotes to this table. Ownership percentage reflects the ownership percentage assuming that such person, but no other person, exercises all options

to acquire shares of Carlile voting common stock held by such person that are currently exercisable. The ownership percentage of all directors and executive officers, as a group, assumes that all 16 persons, but no other persons, exercise all options to acquire shares of Carlile voting common stock held by such persons that are currently exercisable.

- (2) Includes 4,080,000 shares of voting common stock directly owned by LEP Carlile Holdings, LLC. Does not include 3,620,100 shares of nonvoting common stock directly owned by LEP Carlile Holdings, LLC. LEP Carlile Holdings, LLC has appointed Mark K. Gormley as its representative on the board of directors of Carlile pursuant to Carlile's shareholders' agreement. Lee Equity Partners, LLC is the investment manager of Lee Equity Partners Realization Fund, L.P. and Lee Equity Strategic Partners Realization Fund, L.P. (collectively, the Funds). Mr. Gormley is a member and equity owner of the general partner of the Funds.

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Mr. Gormley disclaims beneficial ownership of shares held by LEP Carlile Holdings, LLC and the Funds, except to the extent of his or its pecuniary interest therein, if any.

- (3) Includes 4,012,071 shares of voting common stock owned by Trident IV Depository Holdings LLC and 67,929 shares of voting common stock owned by Trident IV PF Depository Holdings LLC. The sole member of Trident IV Depository Holdings LLC is Trident IV, L.P., the general partner of which is Trident Capital IV, L.P. The sole member of Trident IV PF Depository Holdings LLC is Trident IV Professionals Fund, L.P., the general partner of which is Stone Point GP Ltd. Does not include 3,333,561 shares of nonvoting common stock owned by Trident IV Depository Holdings LLC and 56,439 shares of nonvoting common stock owned by Trident IV PF Depository Holdings LLC. The Trident funds have appointed Ambassador Craig R. Stapleton as their representative on the board of directors of Carlile pursuant to Carlile's shareholders' agreement. Ambassador Stapleton disclaims beneficial ownership with respect to all shares of common stock indirectly owned by the Trident funds.
- (4) Includes 3,092,500 shares of voting common stock owned directly and indirectly by Arlon Capital Partners, LP, which has appointed David A. Tanner as its representative on the board of directors of Carlile pursuant to Carlile's shareholders' agreement. Mr. Tanner disclaims beneficial ownership with respect to all shares of common stock owned directly and indirectly by Arlon Capital Partners, LP.
- (5) Includes 1,807,300 shares of voting common stock owned by HarbourVest Partners 2007 Direct Fund L.P. (2007 Direct) and 903,600 shares of voting common stock owned by HarbourVest Partners VIII-Buyout Fund L.P. (Fund VIII Buyout). HarbourVest Partners, LLC is the managing member of HarbourVest 2007 Direct Associates LLC, which is the general partner of HarbourVest 2007 Direct Associates L.P., which is the general partner of 2007 Direct. Each of HarbourVest Partners, LLC, HarbourVest 2007 Direct Associates LLC and HarbourVest 2007 Direct Associates L.P. may be deemed to have a beneficial interest in the securities held by 2007 Direct and each disclaims beneficial ownership of the securities held by 2007 Direct, except to the extent of its pecuniary interest which is subject to indeterminable future events. HarbourVest Partners, LLC is the managing member of HarbourVest VIII-Buyout Associates LLC, which is the general partner of HarbourVest VIII-Buyout Associates L.P., which is the general partner of Fund VIII Buyout. Each of HarbourVest Partners, LLC, HarbourVest VIII-Buyout Associates LLC and HarbourVest VIII Buyout Associates L.P. may be deemed to have a beneficial interest in the securities held by Fund VIII Buyout and each disclaims beneficial ownership of the securities held by Fund VIII Buyout, except to the extent of its pecuniary interest which is subject to indeterminable future events. Does not include 192,700 shares of nonvoting common stock owned by 2007 Direct and 96,400 shares of nonvoting common stock owned by Fund VIII-Buyout.
- (6) Includes 1,030,000 shares of voting common stock owned by El Dorado Capital, LLC, which is controlled by Mr. Calhoon.
- (7) Includes options to purchase 498,968 shares of voting common stock.
- (8) Includes options to purchase 17,500 shares of voting common stock.
- (9) Includes 600,000 shares of voting common stock owned by Gentry Family Partners, LTD., which is controlled by Mr. Gentry.
- (10) Does not include 4,080,000 shares of voting common stock owned by LEP Carlile Holdings, LLC. Does not include 3,620,100 shares of nonvoting common stock owned by LEP Carlile Holdings, LLC. LEP Carlile Holdings, LLC has appointed Mr. Gormley as its representative on the board of directors of Carlile pursuant to Carlile's shareholders' agreement. Lee Equity Partners, LLC is the investment manager of Lee Equity Partners Realization Fund, L.P. and Lee Equity Strategic Partners Realization Fund, L.P. (collectively, the Funds). Mr. Gormley is a member and equity owner of the general partner of the Funds. Mr. Gormley disclaims beneficial ownership of shares held by LEP Carlile Holdings, LLC and the Funds, except to the extent of his or its pecuniary interest therein, if any.
- (11) Includes 515,400 shares of voting common stock owned by Harrell Equity LP and 51,500 shares of voting common stock owned by Harrell Ventures LLC, both of which are controlled by Mr. Harrell.
- (12) Includes options to purchase 52,500 shares of voting common stock.
- (13) Includes options to purchase 108,823 shares of voting common stock.

(14) Includes 309,300 shares of voting common stock owned by Seven Rivers, Inc., which is controlled by Mr. Moutray.

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- (15) Includes options to purchase 1,102,935 shares of voting common stock.
- (16) Includes 206,200 shares of voting common stock owned by Stapleton Carlile LLC, which is controlled by Ambassador Stapleton. Does not include 4,012,071 shares of voting common stock owned by Trident IV Depository Holdings LLC and 67,929 shares of voting common stock owned by Trident IV PF Depository Holdings LLC. The sole member of Trident IV Depository Holdings LLC is Trident IV, L.P., the general partner of which is Trident Capital IV, L.P. The sole member of Trident IV PF Depository Holdings LLC is Trident IV Professionals Fund, L.P., the general partner of which is Stone Point GP Ltd. Does not include 3,333,561 shares of nonvoting common stock owned by Trident IV Depository Holdings LLC and 56,439 shares of nonvoting common stock owned by Trident IV PF Depository Holdings LLC. The Trident funds have appointed Ambassador Stapleton as their representative on the board of directors of Carlile pursuant to Carlile's shareholders agreement. Ambassador Stapleton disclaims beneficial ownership with respect to all shares of common stock indirectly owned by the Trident funds.
- (17) Includes 257,700 shares of voting common stock owned directly by Mr. Stribling and indirectly through various trusts and entities controlled by Mr. Stribling or with respect to which Mr. Stribling has voting and investment power.
- (18) Does not include 3,092,500 shares of voting common stock owned directly and indirectly by Arlon Capital Partners, which has appointed Mr. Tanner as its representative on the board of directors of Carlile pursuant to the Carlile shareholders agreement. Mr. Tanner disclaims beneficial ownership with respect to all shares of common stock owned directly and indirectly by Arlon Capital Partners, LP.

INDEPENDENT PROPOSAL FOUR ADJOURNMENT OF THE SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to adopt and approve the reorganization agreement at the time of Independent's special meeting, the reorganization agreement cannot be adopted and approved unless Independent's special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that Independent has received at the time of its special meeting to be voted for an adjournment, if deemed necessary, Independent has submitted the question of adjournment to its shareholders as a separate matter for their consideration. If it is deemed necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to Independent's shareholders (unless the adjournment is for more than thirty days or if a new record date is fixed), other than an announcement at the meeting of the place, date and time to which the meeting is adjourned.

The Independent board of directors recommends that Independent shareholders vote FOR Independent Proposal Four.

CARLILE PROPOSAL TWO ADJOURNMENT OF THE SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to adopt and approve the reorganization agreement at the time of Carlile's special meeting, the reorganization agreement cannot be adopted and approved unless Carlile's special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that Carlile has received at the time of its special meeting to be voted for an adjournment, if deemed necessary, Carlile has submitted the question of adjournment to its shareholders as a separate matter for their consideration. If it is deemed necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to Carlile shareholders (unless the adjournment is for more than thirty days or if a new record date is fixed), other than an announcement at the meeting of the place, date and time to which the meeting is adjourned.

The Carlile board of directors recommends that the shareholders of Carlile vote FOR Carlile Proposal Two.

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BUSINESS OF INDEPENDENT

Independent is a registered bank holding company headquartered in McKinney, Texas, which is located in the northern portion of the Dallas-Fort Worth metropolitan area. Independent was organized as a Texas corporation on September 20, 2002. Through Independent's wholly owned subsidiary, Independent Bank, a Texas state chartered bank, Independent provides a wide range of relationship-driven commercial banking products and services tailored to meet the needs of businesses, professionals and individuals. Independent operates 41 banking offices in the Dallas/North Texas area, the Austin/Central Texas area, and the Houston metropolitan area. As of September 30, 2016, Independent had consolidated total assets of approximately \$5.7 billion, total net loans of approximately \$4.3 billion, total deposits of approximately \$4.4 billion and total stockholders' equity of approximately \$643 million.

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

Independent consummated the underwritten initial public offering of its common stock in April 2013. Independent's common stock is traded on the NASDAQ Global Select Market.

Please see Independent's Annual Report on Form 10-K most recently filed by Independent with the SEC and the subsequently filed periodic reports and the current reports of Independent filed with the SEC and incorporated by reference in this joint proxy statement/prospectus for more information regarding Independent's business.

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BUSINESS OF CARLILE

General

Carlile is a Texas corporation and bank holding company headquartered in Fort Worth, Texas. Carlile was incorporated in January 2009 for the purpose of acquiring and serving as a bank holding company for a commercial bank. Carlile does not, as an entity, engage in separate business activities of a material nature apart from the activities it performs for its wholly-owned banking subsidiary, Northstar Bank. Its primary activities are to provide assistance in the management and coordination of Northstar Bank's financial resources. Carlile has no significant assets other than all of the outstanding common stock of Northstar Bank. Carlile derives its revenues primarily from the operations of Northstar Bank in the form of dividends received from Northstar Bank.

Northstar Bank is a Texas banking association that was chartered on January 1, 1919 under the name Donie State Bank. Since its inception, Northstar Bank has generally grown organically and through strategic business combinations as summarized below:

In February 2011, Carlile acquired Treaty Oak Bank and Community State Bank (formerly Donie State Bank), both headquartered in Austin, Texas. In May 2011, Carlile merged Treaty Oak Bank with and into Community State Bank, with Community State Bank surviving. In connection with the merger, the surviving bank changed its name to Treaty Oak Bank.

In August 2011, Carlile acquired The Bank at Broadmoor, headquartered in Colorado Springs, Colorado.

In July 2012, Carlile acquired Northstar Financial Corporation and its wholly owned subsidiary Northstar Bank of Texas, headquartered in Denton, Texas.

In November 2012, Carlile merged Northstar Bank of Texas with and into Treaty Oak Bank, with Treaty Oak Bank surviving. In connection with the merger, the surviving bank changed its name to Northstar Bank of Texas.

In December 2012, Carlile acquired Washington Investment Corporation and its wholly owned subsidiary, Colorado Community Bank, headquartered in Highlands Ranch, Colorado.

In December 2012, Carlile acquired Goldome Financial LLC, which is now named Goldome Warehouse Lending, LLC.

In August 2013, Carlile merged Colorado Community Bank with and into The Bank at Broadmoor, with The Bank at Broadmoor surviving. In connection with the merger, the surviving bank changed its name to Northstar Bank of Colorado and moved its headquarters to Denver, Colorado.

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In August 2014, Carlile acquired Community Bankers, Inc. and its wholly owned subsidiary, Community Bank, headquartered in Fort Worth, Texas. In November 2014, Carlile merged Community Bank with and into Northstar Bank of Texas, with Northstar Bank of Texas surviving.

In October 2016, Carlile merged Northstar Bank of Colorado with and into Northstar Bank of Texas, with Northstar Bank of Texas surviving. In connection with the merger, the surviving bank changed its name to Northstar Bank.

As a bank holding company, Carlile is subject to supervision and regulation by the Board of Governors of the Federal Reserve System in accordance with the requirements set forth in the BHC Act and by the rules and regulations issued by the Federal Reserve.

As of September 30, 2016, Carlile had, on a consolidated basis, total assets of approximately \$2.3 billion, total deposits of approximately \$1.9 billion, total loans (net of allowance for loan losses) of approximately \$1.5 billion, and total shareholders' equity of approximately \$382.8 million. Carlile does not file reports with the SEC. Carlile does, however, voluntarily provide annual reports, including audited financial statements, to its shareholders at its annual meeting.

Table of Contents**Products and Services**

Northstar Bank is a community-oriented, full service financial institution, which emphasizes personal service and contact. Northstar Bank meets its commercial and retail customers' banking needs with a diversified range of financial services. Northstar Bank is engaged in substantially all of the business operations (other than trust services) customarily conducted by independent financial institutions located in the Dallas-Fort Worth and Denton, Texas, and Denver, Colorado, metropolitan areas, including the acceptance of checking, savings and certificate deposits and the making of commercial and consumer loans, individual retirement accounts, real estate loans, and other installment and term loans. Northstar Bank does a substantial amount of business with individuals, as well as with customers in commercial, industrial and professional businesses.

For the convenience of its customers, Northstar Bank offers drive-through banking facilities, automated teller machines, debit cards, night depository, personalized checks, safe deposit boxes, remote deposit capture and mobile banking. Northstar Bank's services include cashier's checks, domestic and foreign wire transfers, account research, stop payments and telephone transfers between accounts.

The business of Northstar Bank is not seasonal in any material respect, and neither the loans nor the deposits of Northstar Bank are concentrated in any individual or group that, if lost, would have a material adverse effect on the business of Northstar Bank.

Properties

Carlisle's principal executive offices are located at 201 Main Street, Suite 1320, Fort Worth, Texas 76102, with locations throughout the Austin-Round Rock and Dallas-Fort Worth-Arlington, Texas, and Boulder, Collins, Colorado Springs, Denver-Aurora-Lakewood and Greeley, Colorado, metropolitan areas.

Northstar Bank currently conducts business operations at its main office located at 400 North Carroll, Denton, Texas 76201 and 42 banking offices located in and around the Fort Worth and Denton, Texas, and Denver, Colorado, metropolitan areas. A description of the properties is presented below:

Location	Own or Lease	Square Footage
Main Office		
201 Main Street, Suite 1320		
Fort Worth, Texas	Leased	7,968
Unicorn Lake Mortgage Division		
311 Unicorn Lake Boulevard		
Denton, Texas 76210	Leased	2,300
Colleyville Banking Office	Leased	4,000
6110 Colleyville Boulevard		

Colleyville, Texas 76034		
Grapevine Banking Office		
1002 Texas Trail		
Grapevine, Texas 76051	Leased	5,400
North Dallas Parkway Loan Production Office		
16000 North Dallas Parkway, Suite 125		
Dallas, Texas 75248	Leased	4,596
Barton Creek-Austin Banking Office		
2800 Barton Creek Boulevard		
Austin, Texas 78735	Leased	3,359

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Location	Own or Lease	Square Footage
Marble Falls Banking Office 507 Ranch Road, 2147 W. Marble Falls, Texas 78654	Leased	3,402
Branch 377-Granbury Banking Office 1343 N. Plaza Drive Granbury, Texas 76408	Leased	2,407
University-Fort Worth Banking Office 1300 S. University Drive, Suite 100 Fort Worth, Texas 76107	Leased	4,500
Denver Tech Loan Production Office 7979 E. Tufts Avenue, Suite 850 Denver, Colorado 80237	Leased	4,673
Denton Operations (2 buildings) 325 W. McKinney Denton, Texas 76201	Leased	3000
Mortgage Loan Production Office 1560 Bay Area Boulevard, Suite 306 Houston, Texas 77058	Leased	890
Mortgage Loan Production Office 401 E. Sonterra Boulevard, #375 San Antonio, Texas 78258	Leased	Virtual Office as needed
Mortgage Loan Production Office 201 Preston Road, #200 Celina, Texas 75009	Leased	200
Mortgage Loan Production Office	Leased	150

211 W. California Street		
Gainesville, Texas 76241		
Mortgage Loan Production Office		
3303 Northland Drive, Suite 111		
Travis, Texas 76656	Leased	1,635
Fry Street-ATM		
Fry and Hickory		
Denton, Texas 76201	Leased	Walk-Up ATM
Lake Dallas Banking Office		
2004 S. Stemmons Freeway		
Lake Dallas, Texas 75065	Owned	5,012
Corinth Banking Office		
5100 S. Stemmons Freeway		
Corinth, Texas 76210	Owned	4,000
Denton Main-Banking Office		
400 North Carroll Boulevard		
Denton, Texas 76201	Owned	25,000

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Location	Own or Lease	Square Footage
Argyle Banking Office		
100 S. Old Town Boulevard		
Argyle, Texas 76266	Owned	4,000
Pilot Point Banking Office		
700 S. Highway 377		
Pilot Point, Texas 76258	Owned	4,898
Lewisville Banking Office		
543 W. Main		
Lewisville, Texas 75057	Owned	20,000
Krum Banking Office		
1101 E. McCart Street		
Krum, Texas 76249	Owned	4,500
South Denton Banking Office		
3301 Teasley Lane		
Denton, Texas 76210	Owned	5,512
Flower Mound Banking Office		
2881 Cross Timbers Road		
Flower Mound, Texas 75028	Owned	5,686
West Lake Hills-Austin Banking Office		
101 Westlake Drive		
Austin, Texas 78746	Owned	15,851
Morgan-Granbury Banking Office		
500 S. Morgan Street		
Granbury, Texas 76048	Owned	11,200
Acton Banking Office	Owned	1,987

3301 Fall Creek Highway		
Granbury, Texas 76049		
North Rockwall Banking Office		
201 East Kaufman		
Rockwall, Texas 75087	Owned	8,736
South Rockwall Banking Office		
3060 Ridge Rd		
Rockwall, Texas 75032	Owned	2,431
Rowlett Banking Office		
5900 Rowlett Road		
Rowlett, Texas 75089	Owned	3,052
Burleson Banking Office		
201 W. Ellison		
Burleson, Texas 76028	Owned	19,143
Cleburne Banking Office		
104 N. Nolan River Rd		
Cleburne, Texas 76033	Owned	4,475

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Location	Own or Lease	Square Footage
Hurst Banking Office		
1842 Precinct Line Road		
Hurst, Texas 76054	Owned	4,292
Colorado Springs Broadmoor Banking Office		
155 Lake Avenue		
Colorado Springs, Colorado 80906	Owned	10,165
Colorado Springs Downtown Banking Office		
501 S. Tejon Street		
Colorado Springs, Colorado 80903	Owned	12,230
Colorado Springs Briargate Banking Office		
440 Chapel Hills Drive		
Colorado Springs, Colorado 80920	Owned	11,000
Colorado Springs Westside Banking Office		
3216 West Colorado Avenue		
Colorado Springs, Colorado 80904	Owned	2,940
Yuma Banking Office		
615 W. 8th Avenue		
Yuma, Colorado 80759	Owned	8,400
Akron Banking Office		
175 East 1st Street		
Akron, Colorado 80720	Owned	2,815
Sterling Banking Office		
122 West Main		
Sterling, Colorado 80751	Owned	2,500
Otis Banking Office	Owned	4,000

102 North Washington		
Otis, Colorado 80743		
Loveland Banking Office		
1050 Eagle Drive		
Loveland, Colorado 80537	Owned	7,500
Greeley Banking Office		
6222 W. 9th Street		
Greeley, Colorado 80634	Owned	10,000
Johnstown Banking Office		
10 Angove Avenue		
Johnstown, Colorado 80534	Owned	2,788
Firestone Banking Office		
5855 Firestone Boulevard		
Firestone, Colorado 80504	Owned	5,100
Evans Banking Office		
3650 35th Avenue		
Evans, Colorado 80620	Owned	14,043

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Location	Own or Lease	Square Footage
Longmont Banking Office		
401 Coffman St		
Longmont, Colorado 80501	Owned	2,490
Milliken Banking Office		
1300 Broad Street		
Milliken, Colorado 80543	Owned	4,200
Highlands Ranch Banking Office		
6654 Timberline Rd		
Highlands Ranch, Colorado 80130	Owned	11,700
Castle Rock North Banking Office		
500 North Wilcox		
Castle Rock, Colorado 80104	Owned	4,700
Future Operations Center		
1251 Post Oak		
Corinth, Texas 76210	Owned	17,061

Competition

The table below lists Northstar Bank's deposit market share as of June 30, 2016 for the significant market Metropolitan Statistical Areas, or MSAs, in which Northstar Bank provides services.

Market Area	Market Rank	Branch Count	Deposits in Market (in thousands)	Market Share (%)
Dallas-Fort Worth-Arlington, Texas MSA	21 of 158	21	1,275,007	0.52%
Colorado Springs, Colorado MSA	10 of 40	4	180,033	2.38%
Greeley, Colorado MSA	10 of 24	5	100,934	2.88%
Denver-Aurora-Lakewood, Colorado MSA	42 of 71	3	80,006	0.11%
Austin-Round Rock, Texas MSA	42 of 69	2	50,838	0.13%
Fort Collins, Colorado MSA	20 of 28	1	27,062	0.37%
Boulder, Colorado MSA	27 of 34	1	11,447	0.12%

Carlisle experiences competition in its market from many other financial institutions, including when attracting and retaining savings deposits and in lending funds. The primary factors Carlisle encounters in competing for savings

deposits are convenient office locations and rates offered. Direct competition for savings deposits comes from other commercial bank and thrift institutions, credit unions, money market mutual funds and issuers of corporate and government securities which may offer more attractive rates than insured depository institutions are willing to pay. The primary factors Carlile encounters in competing for loans include, among others, interest rate and loan origination fees and the range of services offered. Competition for origination of real estate loans comes from other commercial banks, thrift institutions, mortgage bankers, mortgage brokers and insurance companies. Banks and other financial institutions with which Carlile competes may have capital resources and legal loan limits substantially higher than those maintained by Carlile.

Employees

As of January 31, 2017, Carlile had 466 full-time employees and 48 part-time employees, none of whom is covered by a collective bargaining agreement.

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Legal Proceedings

Carlile and Northstar Bank are from time to time, subject to various pending and threatened legal actions which arise out of the normal course of its business. As of the date of this joint proxy statement/prospectus, there are no pending material proceedings adverse to Carlile or Northstar Bank

Corporate Information

The principal executive offices of Carlile are located at 201 Main Street, Suite 1320, Fort Worth, Texas 76102, and its telephone number is (817) 877-4440. Carlile's website is www.carlilebancshares.com. The information contained on or accessible from Carlile's website does not constitute a part of this joint proxy statement/prospectus and is not incorporated by reference herein.

Financial Information

Consolidated financial statements of Carlile and its consolidated subsidiaries as of and for the three and nine months ended September 30, 2016 and 2015 and as of and for the years ended December 31, 2015 and 2014 and the accompanying notes appear following page 236 of this joint proxy statement/prospectus. No procedures have been performed by Crowe Horwath LLP related to the consolidated financial statements of Carlile as of September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015. Carlile has not had any disagreements with Crowe Horwath LLP, its independent auditors, regarding any of those financial statements.

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**CARLILE MANAGEMENT'S DISCUSSION AND ANALYSIS OF CARLILE'S
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of the financial condition and results of operations of Carlile as of the dates and for the periods discussed has been prepared by the management of Carlile. Such discussion and analysis is intended to provide an overview of the significant factors affecting the financial condition and results of operations of Carlile Bancshares as of and for the three and nine months ended September 30, 2016 and 2015, and as of and for the years ended December 31, 2015, 2014 and 2013. This discussion and analysis should be read in conjunction with the consolidated financial statements of Carlile and the notes thereto appearing in this joint proxy statement/prospectus beginning following page 236. As used in this discussion and analysis, references to Carlile refer to Carlile and its consolidated subsidiaries, including Northstar Bank, on a consolidated basis unless the context requires otherwise.

For the Three Months Ended September 30, 2016 and 2015

Overview

For the three months ended September 30, 2016, Carlile posted net income attributable to Carlile shareholders of \$6.3 million or \$0.18 per basic and diluted common share, respectively, and had an annualized return on average assets of 1.07% and an annualized return on average equity of 6.54%. For the same period, net interest income was \$20.8 million, noninterest income was \$7.8 million and noninterest expense was \$19.6 million. For the three months ended September 30, 2015, Carlile posted net income attributable to Carlile shareholders of \$5.6 million or \$0.16 per basic and diluted common share, respectively, and had an annualized return on average assets of 0.95% and an annualized return on average equity of 5.64%. For the same period, net interest income was \$19.5 million, noninterest income was \$7.3 million and noninterest expense was \$18.9 million. The increase in net income for the three months ended September 30, 2016, as compared to the same period in 2015 was primarily due to increased gains on sale of loans as well as an improved net interest margin. These improvements were partially offset by costs incurred that related to the affiliate merger of the Carlile's two bank charters.

Results of Operations

The net income of Carlile depends primarily on net interest income, which is the difference between the income earned on Carlile's loans and investments and the interest paid on its deposits and its borrowings. Among the factors affecting net interest income are the type, volume and quality of Carlile's assets, the type and volume of its deposits and the relative sensitivity of its interest-earning assets and its interest-bearing liabilities to changes in market interest rates.

In addition, Carlile's net income is affected by the fees it receives from other banking services, by gains and losses on its investment portfolio, by its required provisions for loan losses and by the level of its operating expenses. All aspects of Carlile's operations are affected by general market, economic and competitive conditions.

Net Interest Income

Net interest income is the primary source of income for Carlile and represents the amount by which interest and fees generated by earning assets exceed the cost of funds, primarily interest paid to Carlile's depositors on interest-bearing accounts. The differential or spread between interest income earned and interest expense incurred is affected both by the local and national economies and by competition from other depository and nondepository financial institutions. Carlile closely scrutinizes competitors' interest rates and attempts to remain competitive in the market while

maintaining the highest possible interest spread.

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For the three months ended September 30, 2016, net interest income totaled \$20.8 million and Carlile posted a net interest margin of 4.25% and a net interest spread of 4.10%. For the three months ended September 30, 2015, net interest income totaled \$19.9 million and Carlile posted a net interest margin of 4.03% and a net interest spread of 3.91%.

The following table presents, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average assets, liabilities and shareholders' equity outstanding and the interest earned or paid on such amounts by Carlile for such periods. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. At September 30, 2016 and 2015, Carlile had \$13.2 million and \$18.4 million, respectively, in loans outstanding for which the interest thereon was exempt from taxation and held \$67.5 million and \$79.3 million, respectively in tax exempt investment securities. No tax equivalent adjustments were made and all average balances are daily average balances. Nonaccruing loans have been included in the table as loans carrying a zero yield.

	Three Months Ended September 30,					
	2016			2015		
	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate (1,3)	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate (1,3)
(Dollars in thousands) (Unaudited)						
Assets						
Interest-earning assets:						
Loans	\$ 1,458,542	\$ 20,160	5.48%	\$ 1,345,005	\$ 18,751	5.53%
Investment Securities	380,138	1,708	1.78	418,175	1,924	1.83%
Interest-bearing due from banks	92,662	149	0.64	188,548	200	0.42
Restricted equity securities	13,336	167	4.96	12,896	185	5.70
Total interest-earning assets	1,944,678	22,184	4.53	1,964,623	21,060	4.25
Less allowance for loan losses						
Non-interest earning assets:						
Cash and due from banks	46,956			46,540		
Bank premises and equipment, net	63,616			69,150		
Goodwill	117,564			117,564		
Bank-owned life insurance	52,125			40,823		
Other assets	99,374			77,911		
Total noninterest earning assets	379,634			351,988		
Total Assets	\$ 2,324,312			\$ 2,316,612		
Liabilities and Equity						
Interest-bearing liabilities:						
NOW accounts	\$ 350,207	\$ 195	0.22%	\$ 332,610	\$ 151	0.18%

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Money market and savings	527,586	350	0.26	550,585	280	0.20
Time deposits less than \$100,000	137,762	179	0.52	161,973	174	0.43
Time deposits greater than \$100,000	187,828	384	0.81	199,776	321	0.64
Repurchase agreements	20,243	15	0.30	20,585	14	0.27
Federal Home Loan Bank advances	19,466	32	0.65			
Junior subordinated debentures	12,287	191	6.17	11,844	168	5.63
Total interest-bearing liabilities	\$ 1,255,379	\$ 1,347	0.43	\$ 1,277,373	\$ 1,108	0.34
Non-interest bearing liabilities:						
Demand deposits	675,752			630,844		
Other liabilities	11,615			12,834		
Total non-interest bearing liabilities	687,367			643,678		

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	Three Months Ended September 30,		2015		Average Yield/Rate (1,3)
	2016		2015		
	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate (1,3)	Average Outstanding Balance(2)	Interest Earned/Paid
(Dollars in thousands) (Unaudited)					
Equity					
Shareholders' equity	381,567			391,062	
Noncontrolling interest in consolidated subsidiary				4,498	
Total shareholder's equity and noncontrolling interest	381,567			395,561	
Total Liabilities and Equity	\$ 2,324,312			\$ 2,316,612	
Net interest income		\$ 20,837			\$ 19,952
Net interest rate spread			4.10%		3.91%
Net interest margin			4.25		4.03

(1) Annualized.

(2) The average outstanding balance on investment securities includes the net unrealized gain (loss) on investment securities.

(3) The net interest margin is equal to annualized net interest income divided by average interest-earning assets. The following table compares the dollar amount of changes in interest income and interest expense for the major components of interest-earning assets and interest-bearing liabilities and distinguishes between the increase (decrease) related to higher outstanding balances and the volatility of interest rates. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to changes attributable to rate.

	Three Months Ended September 30, 2016 Compared with 2015		
	Increase (Decrease) due to		
	Volume	Rate	Total
(Dollars in thousands) (Unaudited)			
Interest-earning assets:			
Loans, including fees	\$ 1,583	\$ (174)	\$ 1,409
Investment securities	(175)	(40)	(215)
Federal funds sold			
Restricted equity securities		(19)	(19)
Interest bearing due from banks	(98)	46	(52)
Total increase (decrease) in interest income	1,310	(187)	1,123
Interest-bearing liabilities:			
NOW accounts	8	35	43

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Money market checking and savings	(13)	83	70
Time deposits less than \$100,000	(26)	32	6
Time deposits \$100,000 or more	(19)	82	63
Repurchase Agreements		2	2
FHLB advances	32		32
Other borrowings Junior subordinated debentures	6	17	23
Total increase (decrease) in interest expense	(12)	251	239
Increase (decrease) in net interest income	\$ 1,322	\$ (438)	\$ 884

Table of Contents**Provision for Loan Losses**

The provision for loan losses is a charge against net interest income taken in order to bring Carlile's allowance for loan losses to a level deemed appropriate by management based on such factors as Carlile's historical loan loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of the loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the loan portfolio through the loan review process and other relevant factors. Carlile's management has adopted a methodology for assessing the adequacy of the allowance. Although no assurance can be given, management of Carlile believes that the allowance for loan losses is adequate to cover probable incurred losses in the loan portfolio at September 30, 2016.

For the three months ended September 30, 2016, the provision for loan losses was \$306 thousand compared with \$455 thousand for the same period in 2015. The lower amount of the provision in the three months ended September 30, 2016, was primarily due to improved credit quality of the loan portfolio.

Noninterest Income

The primary source of noninterest income for Carlile for the three-month periods ended September 30, 2016 and 2015 were gains on the sale of loans. Other sources of noninterest income include wire transfer fees, safe deposit box rentals and other banking service-related fees. Also included in this category are net gains or losses realized on the sale of investment securities and other real estate.

Total noninterest income for the three months ended September 30, 2016, increased by \$559 thousand, or 7.69%, compared with the same period in 2015. The increase is mainly attributable to gain on sale of loans and net gains on sale of ORE. Carlile earned \$4.2 million in gains from the sale of loans, an increase of \$950 thousand, or 29.58%, compared with \$3.2 million for the comparable period in 2015. For the three months ended September 30, 2016, Carlile earned \$167 thousand in net gain on sale of OREO, an increase of \$148 thousand, or 779.0%, compared with \$19 thousand for the comparable period in 2015.

The following table presents, for the periods indicated, the major categories of noninterest income:

	Three Months Ended September 30, 2016 Compared with 2015		
	2016	2015	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Service charges	\$ 1,043	\$ 1,152	\$ (109)
Gain on sale of loans	4,162	3,212	950
Bank owned life insurance	421	331	90
Net gain on sale of ORE	167	19	148
Other noninterest income	2,032	2,552	(520)
Total noninterest income	\$ 7,825	\$ 7,266	\$ 559

Noninterest Expense

Generally, noninterest expense is composed of all costs associated with operating Carlile's business facilities, obtaining and retaining banking customer relationships and providing bank services. The major component of noninterest expense is employee compensation and benefits. Noninterest expenses also include expenses which Carlile incurs in the course of day-to-day operations, such as occupancy expenses, depreciation and amortization of furniture and equipment, professional fees, regulatory fees including FDIC assessments, data processing, advertising and supplies.

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Noninterest expense for the three months ended September 30, 2016, increased \$705 thousand, or 3.73%, to \$19.6 million compared with \$18.9 million for the comparable period in 2015. The most significant components of the increase were expenses incurred relating to the affiliate merger of Carlile's two bank subsidiaries, as well as higher compensation costs due to staffing increases during the first three months of 2016.

The following table presents, for the periods indicated, the major categories of noninterest expense:

	Three Months Ended September 30, 2016 Compared with 2015		
	2016	2015	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	\$ 11,247	\$ 10,800	\$ 447
Net occupancy and equipment expense	2,482	2,538	(56)
Loss on sale of OREO and expenses (OREO and other repossessed assets)	138	132	6
Professional fees	955	860	95
Data processing costs	1,535	1,346	189
Amortization of intangibles	412	471	(59)
Regulatory fees and FDIC assessments	272	363	(91)
Office expenses	389	362	27
Acquisition and merger related	299	28	271
Other noninterest expense	1,878	2,002	(124)
Total noninterest expense	\$ 19,607	\$ 18,902	\$ 705

Income Taxes

For the three months ended September 30, 2016, income tax expense totaled \$2.5 million, an increase of \$321 thousand, or 14.9%, compared with \$2.2 million for the same period in 2015. The increase was primarily attributable to higher net income in the three months ended September 30, 2016. The effective tax rates for the three months ended September 30, 2016 and 2015, were 27.6% and 27.4%, respectively.

For the Nine Months Ended September 30, 2016 and 2015**Overview**

At September 30, 2016, Carlile had total assets of \$2.3 billion, total loans of \$1.5 billion, total deposits of \$1.9 billion and shareholders' equity of \$382.8 million compared with total assets of \$2.3 billion, total loans of \$1.4 billion, total deposits of \$1.9 billion and shareholders' equity of \$398.3 million at December 31, 2015.

The decrease in shareholders' equity of \$15.5 million or 3.90% from December 31, 2015, to September 30, 2016, was primarily a result of a special dividend paid in February 2016 totaling approximately \$35 million. The effects of the dividend on Carlile's common stock were partially mitigated by net income attributable to Carlile shareholders of approximately \$17.0 million for the nine months ended September 30, 2016.

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For the nine months ended September 30, 2016, Carlile posted net income attributable to Carlile shareholders of \$17.0 million or \$0.48 and \$0.48 per common share, basic and diluted, respectively, and had a return on average assets of 1.0% and a return on average equity of 5.94%. For the same period, net interest income was \$61.5 million, noninterest income was \$21.4 million and noninterest expense was \$57.5 million. For the nine months ended September 30, 2015, Carlile posted net income attributable to Carlile shareholders of \$16.6 million or \$0.47 and \$0.47 per common share, basic and diluted, respectively, and had a return on average

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assets of 0.96% and a return on average equity of 5.77%. For the same period, net interest income was \$61.7 million, noninterest income was \$20.6 million and noninterest expense was \$56.9 million. The increase in net income for the nine months ended September 30, 2016, as compared to the same period in 2015 was primarily due to increased gains on sale of loans as well as an improved net interest margin. These improvements were partially offset by costs incurred that related to the affiliate merger of the Carlile's two bank charters.

Results of Operations

The net income of Carlile depends primarily on net interest income, which is the difference between the income earned on Carlile's loans and investments and the interest paid on its deposits and its borrowings. Among the factors affecting net interest income are the type, volume and quality of Carlile's assets, the type and volume of its deposits and the relative sensitivity of its interest-earning assets and its interest-bearing liabilities to changes in market interest rates.

In addition, Carlile's net income is affected by the fees it receives from other banking services, by gains and losses on its investment portfolio, by its required provisions for loan losses and by the level of its operating expenses. All aspects of Carlile's operations are affected by general market, economic and competitive conditions.

Net Interest Income

Net interest income is the primary source of income for Carlile and represents the amount by which interest and fees generated by earning assets exceed the cost of funds, primarily interest paid to Carlile's depositors on interest-bearing accounts. The differential or spread between interest income earned and interest expense incurred is affected both by the local and national economies and by competition from other depository and nondepository financial institutions. Carlile closely scrutinizes competitors' interest rates and attempts to remain competitive in the market while maintaining the highest possible interest spread.

For the nine months ended September 30, 2016, net interest income totaled \$61.5 million and Carlile posted a net interest margin of 4.23% and a net interest spread of 4.09%. For the nine months ended September 30, 2015, net interest income totaled \$61.7 million and Carlile posted a net interest margin of 4.15% and a net interest spread of 4.05%.

The following table presents, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average assets, liabilities and shareholders' equity outstanding and the interest earned or paid on such amounts by Carlile for such periods. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. At September 30, 2016 and 2015, Carlile had \$13.2 million and \$18.4 million, respectively, in loans outstanding for which the interest thereon was exempt from taxation and held \$67.5 million and \$79.3 million, respectively in tax exempt

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investment securities. No tax equivalent adjustments were made and all average balances are daily average balances. Nonaccruing loans have been included in the table as loans carrying a zero yield.

	Nine Months Ended September 30,					
	2016			2015		
	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate(1,3)	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate(1,3)
(Dollars in thousands) (Unaudited)						
Assets						
Interest-earning assets:						
Loans	\$ 1,395,055	\$ 58,717	5.62%	\$ 1,365,702	\$ 58,128	5.69%
Investment Securities	390,362	5,341	1.83	425,058	5,799	1.82
Interest-bearing due from banks	141,233	770	0.73	177,174	604	0.46
Restricted equity securities	12,245	524	5.72	12,415	550	5.92
Total interest-earning assets	1,938,895	\$ 65,352	4.50	1,980,349	\$ 65,081	4.39
Less allowance for loan losses						
Non-interest earning assets:						
Cash and due from banks	35,847			39,327		
Bank premises and equipment, net	64,174			70,843		
Goodwill	117,564			117,564		
Bank-owned life insurance	49,477			36,087		
Other assets	61,336			65,726		
Total non-interest earning assets	328,398			329,547		
Total Assets	\$ 2,267,293			\$ 2,309,896		
Liabilities and Equity						
Interest-bearing liabilities:						
NOW accounts	\$ 350,520	\$ 562	0.21%	\$ 350,180	472	0.18%
Money market and savings	530,651	1,029	0.26	560,415	856	0.20
Time deposits less than \$100,000	126,384	520	0.55	149,889	531	0.47
Time deposits greater than \$100,000	207,071	1,105	0.71	227,731	983	0.58
Repurchase agreements	19,736	43	0.29	19,828	38	0.26
Federal Home Loan Bank advances	6,662	34	0.68			
	12,180	556	6.10	11,760	510	5.79

Junior subordinated debentures						
Total interest-bearing liabilities	\$ 1,253,204	\$ 3,849	0.41	\$ 1,319,803	\$ 3,390	0.34
Non-interest bearing liabilities:						
Demand deposits	617,348			587,360		
Other liabilities	11,376			12,969		
Total non-interest bearing liabilities	628,724			600,329		

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	Nine Months Ended September 30,					
	2016			2015		
	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate(1,3)	Average Outstanding Balance(2)	Interest Earned/Paid	Average Yield/Rate(1,3)
	(Dollars in thousands) (Unaudited)					
Equity						
Shareholders' equity	383,040			385,381		
Noncontrolling interest in consolidated subsidiary	2,325			4,383		
Total shareholder's equity and noncontrolling interest	385,365			389,764		
Total Liabilities and Equity	\$ 2,267,293			\$ 2,309,896		
Net interest income		\$ 61,503			\$ 61,691	
Net interest rate spread			4.09%			4.05%
Net interest margin			4.23			4.15

(1) Annualized.

(2) The average outstanding balance on investment securities includes the net unrealized gain (loss) on investment securities.

(3) The net interest margin is equal to annualized net interest income divided by average interest-earning assets. The following table compares the dollar amount of changes in interest income and interest expense for the major components of interest-earning assets and interest-bearing liabilities and distinguishes between the increase (decrease) related to higher outstanding balances and the volatility of interest rates. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to changes attributable to rate.

	Nine Months Ended September 30, 2016 Compared with 2015		
	Increase (Decrease) due to		
	Volume (Dollars in thousands)	Rate	Total (Unaudited)
Interest-earning assets:			
Loans, including fees	\$ 1,195	\$ (606)	\$ 589
Investment securities	(473)	15	(458)
Federal funds sold			
Restricted equity securities		(26)	(26)
Interest bearing due from banks	(123)	289	166

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Total increase (decrease) in interest income	599	(328)	271
Interest-bearing liabilities:			
NOW accounts		89	89
Money market checking and savings	(50)	224	174
Time deposits less than \$100,000	(83)	72	(11)
Time deposits \$100,000 or more	(89)	211	122
Repurchase Agreements		5	5
FHLB advances	34		34
Other borrowings Junior subordinated debentures	18	28	46
Total increase (decrease) in interest expense	(170)	629	459
Increase (decrease) in net interest income	\$ 769	\$ (957)	\$ (188)

Table of Contents**Provision for Loan Losses**

The provision for loan losses is a charge against net interest income taken in order to bring Carlile's allowance for loan losses to a level deemed appropriate by management based on such factors as Carlile's historical loan loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of the loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the loan portfolio through the loan review process and other relevant factors. Carlile's management has adopted a methodology for assessing the adequacy of the allowance. Although no assurance can be given, management of Carlile believes that the allowance for loan losses is adequate to cover probable incurred losses in the loan portfolio at September 30, 2016.

For the nine months ended September 30, 2016, the provision for loan losses was \$1.5 million compared with \$1.8 million for the same period in 2015. The lower amount of the provision in the nine months ended September 30, 2016 was primarily due to improved credit quality of the loan portfolio.

Noninterest Income

The primary source of noninterest income for Carlile for the nine-month periods ended September 30, 2016 and 2015 were gains on the sale of loans and service charges on deposit accounts. Other sources of noninterest income include wire transfer fees, safe deposit box rentals and other banking service-related fees. Also included in this category are net gains or losses realized on the sale of investment securities and other real estate.

Total noninterest income for the nine months ended September 30, 2016, increased by \$793,000, or 3.84%, compared with the same period in 2015. The increase is mainly attributable to gain on sale of loans and earnings from bank owned life insurance. Carlile earned \$10.1 million in gains from the sale of loans, an increase of \$1.5 million, or 17.23%, compared with \$8.6 million for the comparable period in 2015. For the nine months ended September 30, 2016, Carlile earned \$3.1 million in service charges on deposit accounts, a decrease of \$289,000, or 8.54%, compared with \$3.4 million for the comparable period in 2015.

The following table presents, for the periods indicated, the major categories of noninterest income:

	Nine Months Ended September 30, 2016 Compared with 2015		
	2016	2015	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Service charges	\$ 3,095	\$ 3,384	\$ (289)
Gain on sale of loans	10,075	8,594	1,481
Gain on sale of securities	13	0	13
Bank owned life insurance	1,197	978	219
Net gain on sale of ORE	1,102	624	478
Other noninterest income	5,938	7,047	(1,109)
Total noninterest income	\$ 21,420	\$ 20,627	\$ 793

Noninterest Expense

Generally, noninterest expense is composed of all costs associated with operating Carlile's business facilities, obtaining and retaining banking customer relationships and providing bank services. The major component of noninterest expense is employee compensation and benefits. Noninterest expenses also include expenses which Carlile incurs in the course of day-to-day operations, such as occupancy expenses, depreciation and amortization of furniture and equipment, professional fees, regulatory fees including FDIC assessments, data processing, advertising and supplies.

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Noninterest expense for the nine months ended September 30, 2016, increased \$608,000, or 1.07%, to \$57.5 million compared with \$56.9 million for the comparable period in 2015. The most significant components of the increase were expenses incurred relating to the affiliate merger of Carlisle's two bank subsidiaries, as well as higher compensation costs due to staffing increases during the first nine months of 2016.

The following table presents, for the periods indicated, the major categories of noninterest expense:

	Nine Months Ended September 30, 2016 Compared with 2015		
	2016	2015	Increase (Decrease)
(Dollars in thousands)			
(Unaudited)			
Salaries and employee benefits	\$ 33,075	\$ 32,697	\$ 378
Net occupancy and equipment expense	7,369	7,728	(359)
Loss on sale of OREO and expenses (OREO and other repossessed assets)	561	737	(176)
Professional fees	2,845	2,418	427
Data processing costs	4,287	3,915	372
Amortization of intangibles	1,239	1,414	(175)
Regulatory fees and FDIC assessments	948	1,123	(175)
Office expenses	1,086	1,209	(123)
Acquisition and merger related	550	28	522
Other noninterest expense	5,536	5,619	(83)
Total noninterest expense	\$ 57,496	\$ 56,888	\$ 608

Income Taxes

For the nine months ended September 30, 2016, income tax expense totaled \$6.6 million, an increase of \$59,000 million, or 0.01%, compared with \$6.5 million for the same period in 2015. The increase was primarily attributable to higher net income in the nine months ended September 30, 2016. The effective tax rates for the nine months ended September 30, 2016 and 2015, were 27.58% and 27.63%, respectively.

Financial Condition

Total assets were \$2.3 billion at September 30, 2016 and December 31, 2015. Total loans were \$1.5 billion and total deposits were \$1.9 billion at September 30, 2016, an increase of \$140.3 million, or 10.09%, and a decrease of \$21.9 million, or 1.15%, respectively, from the corresponding balances at December 31, 2015. Cash and cash equivalents decreased from \$250.2 million at December 31, 2015 to \$114.9 million at September 30, 2016, as a result of the \$319.5 million, or 65.0%, decrease in interest-bearing demand deposits in other banks from \$214.6 million at December 31, 2015 to \$75.1 million at September 30, 2016 primarily due to higher loan balances while deposits remained relatively flat.

Loan Portfolio

Carlile's primary lending focus is on commercial and industrial, construction and land development and commercial real estate loans to local businesses. Typically, Carlile's customers have financing requirements between \$0.5 and \$10 million. Carlile makes commercial loans primarily to small- and medium-sized businesses and to professionals in its market areas. Carlile offers a variety of commercial loan products including revolving lines of credit, letters of credit, working capital loans and loans to finance accounts receivable, inventory and equipment. Many of Carlile's commercial loans have floating rates, are for varying terms (generally not exceeding five years), are personally guaranteed by the business owner and are secured by accounts receivable, inventory

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and/or other business assets. In addition to commercial loans secured solely by non-real estate business assets, Carlile makes commercial loans that are secured by owner occupied real estate, as well as other business assets. Carlile's commercial mortgage loans are secured by first liens on real estate, have floating or fixed interest rates and amortize over a 15 to 25-year period.

In underwriting commercial real property loans, consideration is given to the property's operating history, future operating projections, current and projected occupancy, location and physical condition. The underwriting analysis also includes credit checks, appraisals and a review of the borrower's financial condition. Carlile also makes loans to finance the construction of residential and, to a lesser extent, nonresidential properties. Construction loans generally are secured by first liens on real estate and have floating interest rates. Carlile conducts periodic inspections, either directly or through an architect or other agent, before approval of periodic draws on these loans. Underwriting guidelines similar to those described above with respect to commercial real property are also used in Carlile's construction lending activities. Carlile also originates automobile, boat, home improvement and other loans to consumers, primarily those who have other deposit or loan relationships with Carlile.

The following table summarizes Carlile's loan portfolio by type of loan at the dates indicated:

	September 30, 2016 (Unaudited)		December 31, 2015	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial non real estate	\$ 441,274	28.8%	\$ 336,904	24.2%
Commercial real estate	530,292	34.6	512,145	36.8
Construction, development and land	246,902	16.1	216,908	15.6
Residential real estate	173,346	11.3	179,299	12.9
Agriculture	104,877	6.8	105,020	7.5
Consumer	36,090	2.4	41,778	3.0
Total loans	\$ 1,532,781	100.0%	1,392,054	100.0%
Less deferred fees, net	1,945		1,519	
Loans, net of deferred fees	1,530,836		1,390,535	
Less allowance for possible credit losses	15,675		14,479	
Total loans, net	\$ 1,515,161		\$ 1,376,056	

At September 30, 2016, loans net of unearned fees had increased \$140.3 million, or 10.1 %, to \$1.53 billion compared with \$1.39 billion at December 31, 2015, primarily as the result of continued organic growth.

The contractual maturity or next repricing dates in each maturity range of Carlile's loan portfolio at September 30, 2016, are summarized in the following table:

September 30, 2016

	Within One Year or Less	One Through Five Years	After Five Years	Total
	(Dollars in thousands) (Unaudited)			
Total loans	\$ 963,364	\$ 539,013	\$ 28,459	\$ 1,530,836

Scheduled contractual principal repayments do not reflect the actual maturities of loans. The maturity of loans may be substantially less than their contractual term because of prepayments. The average life of mortgage loans tends to increase when the current mortgage loan rates are substantially higher than rates on existing mortgage loans and, conversely, decrease when rates on existing mortgages are substantially higher than current mortgage loan rates, due to the refinancing of adjustable rate and fixed rate loans at lower rates.

Table of Contents**Nonperforming Assets**

Carlile has several procedures in place to assist in maintaining the overall quality of its loan portfolio. Carlile has established underwriting guidelines to be followed by its officers, and, when applicable, will monitor delinquency levels for any negative or adverse trends. Carlile's loan review procedures include approval of lending policies and underwriting guidelines by the Carlile board of directors, a semi-annual independent third party loan review, approval of large credit relationships by Carlile's loan committee and loan quality documentation procedures. There can be no assurance, however, that Carlile's loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The accrual of interest on a loan is discontinued when, in the opinion of management (based upon such criteria as default in payment, asset deterioration, decline in cash flow, recurring operating loss, declining sales, bankruptcy and other financial conditions which could result in default), the borrower's financial condition is such that the collection of interest is doubtful. Carlile has a general policy of placing past due loans on nonaccrual status when such loans are 90 days or more past due or when management expects the loan may be partially uncollectible with regard to principal or interest.

Placing a loan on nonaccrual status has a two-fold impact on net interest income. First, it may cause a charge against earnings for the interest which had been accrued in the current year but not yet collected on the loan. Second, it eliminates future interest income with respect to that particular loan from Carlile's revenues. Interest on such loans is not recognized until all of the principal is collected or until the loan is returned to a performing status. There were 82 loans totaling \$12.5 million on nonaccrual status and considered to be nonperforming at September 30, 2016 compared with 52 such loans totaling \$11.9 million at December 31, 2015.

Carlile may renegotiate the terms of a loan because of a deterioration in the financial condition of a borrower. This renegotiation enhances the probability of collection. There were eleven such loans, totaling \$12.9 million, which have been classified as troubled debt restructurings, as of September 30, 2016, compared with 13 such loans totaling \$2.1 million at December 31, 2015.

The following table presents information regarding nonperforming assets as of the dates indicated (excluding purchase impaired loans of \$28.2 million and \$34.2 million as of September 30, 2016 and December 31, 2015, respectively):

	September 30, 2016 (Unaudited)	December 31, 2015
	(Dollars in thousands)	
Nonaccrual loans	\$ 12,475	\$ 11,942
Accruing loans 90 or more days past due	1,447	
Total nonperforming loans	13,922	11,942
Other real estate	7,092	8,862
Total nonperforming assets	\$ 21,014	\$ 20,804
	1.39%	1.49%

Nonperforming assets to total loans and other
real estate

Nonperforming assets to average earning assets	1.08	1.05
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Carlile obtains appraisals on loans secured by real estate, as required by applicable regulatory guidelines, and may update such appraisals for loans categorized as nonperforming loans and potential problem loans. In instances where updated appraisals reflect reduced collateral values, an evaluation of the borrower's overall financial condition is made to determine the need, if any, for possible write downs or appropriate additions to the allowance for loan losses. Carlile records other real estate at fair value at the time of acquisition, less estimated costs to sell.

Table of Contents**Allowance for Loan Losses**

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. Actual credit losses or recoveries are charged or credited directly to the allowance.

Carlile has established an allowance for loan losses that it believes is adequate for probable incurred losses in Carlile's loan portfolio. In making its evaluation of the credit risk of the loan portfolio, Carlile considers factors such as Carlile's historical loan loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of the loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the loan portfolio through the loan review process and other relevant factors.

Carlile follows a loan review program to evaluate the credit risk in the loan portfolio. Through the loan review process, Carlile maintains an internally classified loan watch list, which, along with a delinquency list of loans, helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. The charge-off of a loan occurs when such loan is deemed uncollectible or the value of the underlying collateral is not sufficient to cover the outstanding debt.

The allowance for loan losses at September 30, 2016, was \$15.7 million, which constitutes approximately 1.02% of total loans outstanding at such date. The allowance for possible credit losses at September 30, 2016, represents an increase of \$1.2 million, or 8.26%, from the allowance of \$14.5 million at December 31, 2015. Although additional losses may occur, management believes the allowance for loan losses at September 30, 2016 to be adequate to absorb probable incurred losses in the loan portfolio at September 30, 2016.

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

	As of and for the As of and for the Nine Months Ended September 30, 2016 (Unaudited)		As of and for the Nine Months Ended September 30, 2015 (Unaudited)	
	(Dollars in thousands)			
Balance, beginning of period	\$ 14,479		\$	12,780
Provision for possible credit losses	1,546			1,803
Loans charged off	(623)			(409)
Recoveries	273			134
Balance, end of period	\$ 15,675		\$	14,308
Ratios:				
Net charge-offs to average loans(1)	0.03%			0.05%
Net charge-offs to end of period loans(1)	0.02			0.03
Allowance to average loans	1.12			1.05
Allowance to end of period loans	1.02			1.02

Net charge-offs to allowance(1)	2.98	2.56
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(1) Information for the nine-month periods ended September 30, 2016 and 2015 has been annualized. The following table sets forth the allocation of the allowance for loan losses among various categories of loans at the indicated dates. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur. The total allowance is available to absorb losses from any category

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of loans. All impaired loans have been evaluated for a valuation allowance as of September 30, 2016 and December 31, 2015.

	September 30, 2016 (Unaudited)		December 31, 2015	
	Amount	Percent of Loans to Total Loans (Dollars in thousands)	Amount	Percent of Loans to Total Loans
Balance of allowance for loan losses applicable to:				
Commercial non-real estate	\$ 5,302	33.8%	\$ 5,482	37.9%
Commercial real estate	3,708	23.7	3,878	26.8
Construction, development and land	3,862	24.6	2,624	18.1
Residential real estate	1,318	8.4	1,128	7.8
Agriculture	1,232	7.9	860	5.9
Consumer	253	1.6	507	3.5
Total allowance for loan losses	\$ 15,675	100.0%	\$ 14,479	100.0%

The allocation in the table above is based on the dollar amount of loans in each category rather than an analysis of specific loans. When management is able to identify specific loans or categories of loans where specific amounts of allowance are required, allocations will be assigned to those loans. There can be no assurance, however, that Carlile will not sustain losses in future periods, which could be substantial in relation to the size of the allowance at September 30, 2016.

Investment Securities

Carlile uses its securities portfolio to provide liquidity for cash requirements, to manage interest rate risk, to provide a source of income, to provide collateral for municipal pledging requirements and to manage asset quality. Securities available for sale totaled \$369.2 million at September 30, 2016, compared with \$405.7 million at December 31, 2015. Investment securities represented 15.90% of total assets at September 30, 2016, compared with 17.33% at December 31, 2015.

The following tables summarize the amortized cost of securities classified as available for sale and their approximate fair values as of the dates shown:

	September 30, 2016			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(Dollars in thousands) (Unaudited)				
Securities available for sale:				
U.S. Government and Agency:				
Debt securities	\$ 80,946	\$ 734	\$ (5)	\$ 81,675

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Mortgage-backed securities	184,413	2,908	(340)	186,981
Municipal securities	93,088	2,164	(34)	95,218
Other securities	5,502		(157)	5,345
Total securities available for sale	\$ 363,949	\$ 5,806	\$ (536)	\$ 369,219

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	Amortized Cost	December 31, 2015		Estimated Fair Value
		Gross Unrealized Gains (Dollars in thousands)	Gross Unrealized Losses	
Securities available for sale:				
U.S. Government and Agency:				
Debt securities	\$ 81,652	\$ 139	\$ (43)	\$ 81,748
Mortgage-backed securities	214,069	506	(2,118)	212,457
Municipal securities	105,127	1,451	(240)	106,338
Other securities	5,418		(239)	5,179
Total securities available for sale	\$ 406,266	\$ 2,096	\$ (2,640)	\$ 405,722

The following table summarizes the contractual maturity of investment securities based on amortized cost and their weighted average yields at the date indicated:

	September 30, 2016									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Dollars in thousands) (Unaudited)										
Securities available for sale:										
U.S. Government and Agency:										
Debt securities	\$ 13,019	1.02%	\$ 67,928	1.36%	\$	%\$	%\$	%\$	\$ 80,947	1.31%
Mortgage-backed securities	11	1.96	464	2.20	11,893	1.96	172,045	2.14	184,413	2.13
Municipal securities	11,228	.99	48,009	1.78	21,262	2.5	12,588	2.69	93,087	1.97
Other securities	5,502	1.62							5,502	1.62
Total securities available for sale	\$ 29,760		\$ 116,401		\$ 33,155		\$ 184,633		\$ 363,949	1.90

Interest Rate Sensitivity Management

Interest rate sensitivity refers to the relationship between market interest rates and net interest income resulting from the repricing of certain assets and liabilities. Interest rate risk arises when an earning asset matures or when its rate of interest changes in a time frame different from that of the supporting interest-bearing liability. One way to reduce the risk of significant adverse effects on net interest income of market rate fluctuations is to minimize the difference

between rate sensitive assets and liabilities, referred to as gap, by maintaining an interest rate sensitivity position within a particular time frame.

Maintaining an equilibrium between rate sensitive assets and liabilities will reduce some of the risk associated with adverse changes in market rates, but it will not guarantee a stable net interest spread because yields and rates may not change simultaneously and may change by different amounts. These changes in market spreads could materially affect the overall net interest spread even if assets and liabilities were perfectly matched. If more assets than liabilities reprice within a given period, an asset sensitive position or positive gap is created (the rate sensitivity ratio is greater than 100%), which means asset rates respond more quickly when interest rates change. During a positive gap, a decline in market rates will have a negative impact on net interest income. Alternatively, where more liabilities than assets reprice in a given period, a liability sensitive position or negative gap is created (the rate sensitivity ratio is less than 100%) and a decline in interest rates will have a positive impact on net interest income.

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Carlile's asset-liability committee is comprised of executive management and outside directors who meet at least quarterly to review its interest rate risk position. One of the duties of the committee is to review the financial results provided by an internal interest rate risk model. The interest rate risk model includes a shock test of Carlile's balance sheet. This shock test simulates the effects of changes in interest rates on Carlile's earnings, balance sheet and equity capital. The interest rate risk model provides valuable information that is useful in managing Carlile's interest rate risk.

The following table presents an analysis of Carlile's interest rate sensitivity position as of the date indicated:

	September 30, 2016			
	0-90 days	91-365 days	After 1 year	Total
	(Dollars in thousands) (Unaudited)			
Interest-earning assets:				
Loans (excluding nonaccruals)	\$ 737,486	\$ 225,878	\$ 554,997	\$ 1,518,361
Investment securities	30,021	66,144	273,054	369,219
Other earning assets	88,628			88,628
Total interest-earning assets	856,135	292,022	828,051	1,976,208
Interest-bearing liabilities:				
Certificates of deposit	102,496	160,360	60,484	323,340
Other interest-bearing liabilities	917,686		12,342	930,028
Repurchase agreements	20,572			20,572
Total interest-bearing liabilities	1,040,754	160,360	72,826	1,273,940
Period gap				
Cumulative interest rate gap	\$ (184,619)	\$ (52,957)	\$ 702,268	
Cumulative rate sensitivity ratio	(21.6)%	(4.6)%	35.5%	

Certain shortcomings are inherent in the method of analysis presented in the table above. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates, both on a short-term basis and over the life of the asset. More importantly, changes in interest rates, prepayments and early withdrawal levels may deviate significantly from those assumed in the calculations in the table.

Carlile faces the risk that interest rates may fall and borrowers might repay their loans sooner than the contractual maturity, forcing Carlile to reinvest in a potentially lower yielding asset. This prepayment would have the effect of lowering the overall portfolio yield, which may result in lower net interest income. Carlile has assumed that these loans will prepay, if the borrower has sufficient incentive to do so, using prepayment tables provided by third party consultants. In addition, some of Carlile's assets, such as mortgage-backed securities, are held at a premium, and if these assets prepaid, Carlile would have to write down the premium, which would temporarily reduce the yield.

A portion of the securities available for sale have contractual maturity dates through the year 2024, bear fixed rates of interest and are collateralized by residential mortgages. Repayment of principal on these bonds is primarily dependent upon the cash flows from payments made on the underlying mortgage collateral to the bond issuer. Reduced

prepayments extend Carlile's original anticipated holding period, which increases interest rate risk overtime, should market rates increase.

Deposits

Carlile relies primarily on its deposit base to fund its lending and investment activities. Carlile follows a policy of paying interest rates on interest-bearing accounts that are competitive with other commercial banks in its market area.

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Total deposits were \$1.9 billion at September 30, 2016, compared with \$1.9 billion at December 31, 2015, a decrease of \$21.9 million, or 1.15%. At September 30, 2016, demand, NOW, money market and savings deposits accounted for approximately 84.2% of total deposits, while certificates of deposit made up 17.3% of total deposits.

Noninterest-bearing demand deposits totaled \$652.3 million, or 34.84%, of total deposits at September 30, 2016, compared with \$638.1 million, or 33.69%, of total deposits at December 31, 2015, an increase of \$14.2 million, or 2.22%. The slight decrease in total deposits from December 31, 2015 was primarily the result of branch eliminations. The deposit mix continues to improve due to strategic deposit pricing. The average cost of deposits, including noninterest-bearing demand deposits, was 0.23% for the nine months ended September 30, 2016, compared with 0.20% for the year ended December 31, 2015.

The following table presents for the periods indicated the average balances and weighted average rates paid on total deposits:

	Nine Months Ended September 30, 2016 (Unaudited)		Nine Months Ended September 30, 2015 (Unaudited)	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Noninterest-bearing deposits	\$ 617,348	0.00%	\$ 587,360	0.00%
Interest-bearing demand deposits	881,171	0.24	910,595	0.19
Time deposits less than \$100,000	126,384	0.55	149,889	0.47
Time deposits \$100,000 or more	207,071	0.71	227,731	0.58
Total deposits	\$ 1,831,974	0.23%	\$ 1,875,575	0.20%

The following table sets forth the amount of Carlisle's certificates of deposit that are \$100,000 or greater by the time remaining until maturity as of the date indicated:

	As of September 30, 2016 (Dollars in thousands)	
	(Unaudited)	
Remaining maturity:		
3 months or less	\$	46,522
Over 3 through 6 months		49,705
Over 6 through 9 months		35,684
Over 9 through 12 months		34,305
Over 12 months		36,922
Total	\$	203,138

Time deposits of \$100,000 or more are generally solicited from markets served by Carlile. Carlile had \$14.7 million in brokered deposits as of September 30, 2016, representing 0.79% of total deposits at such date. Time deposits are a significant source of funds. The amount of deposits in certificates of deposit (CDs) including IRA and public funds in amounts of \$100,000 or more was \$19.8 million as of September 30, 2016, representing 1.06% of total deposits as of that date.

Carlile s CD rates are competitive with area financial institutions. However, the rates paid on CDs in amounts of \$100,000 or more normally exceed the rates paid by Carlile on smaller retail deposits. Because CDs in amounts of \$100,000 or more normally command higher rates than smaller retail deposits in the marketplace, such CDs are subject to being moved to other financial institutions if a higher rate can be obtained by the depositor. Thus, CDs in amounts of \$100,000 or more may be considered less stable than other deposits. However, because a large portion of Carlile s CDs in amounts of \$100,000 or more are owned by customers who have a full banking relationship with Carlile and they have historically renewed their CDs at maturity, Carlile s

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management does not consider these CDs to be as volatile as those owned by customers who do not maintain full banking relationships. Interest expense on CDs in amounts of \$100,000 or more was \$1.1 million for the nine months ended September 30, 2016, compared with \$983 thousand for the nine months ended September 30, 2015.

Liquidity

Carlile's asset and liability management policy is intended to maintain adequate liquidity and thereby enhance its ability to raise funds to support asset growth, meet deposit withdrawals and lending needs, maintain reserve requirements and otherwise sustain operations. Carlile accomplishes this through management of the maturities of its interest-earning assets and interest-bearing liabilities. To the extent practicable, Carlile attempts to match the maturities of its rate sensitive assets and liabilities. Liquidity is monitored daily and overall interest rate risk is assessed through reports showing both sensitivity ratios and existing dollar gap data. Carlile believes its present position to be adequate to meet its current and future liquidity needs.

The liquidity of Carlile is maintained in the form of readily marketable investment securities, demand deposits with commercial banks, Federal Reserve Banks, the Federal Home Loan Bank of Dallas, vault cash and federal funds sold. While the minimum liquidity requirement for banks is determined by federal bank regulatory agencies as a percentage of deposit liabilities, Carlile's management monitors liquidity requirements as warranted by interest rate trends, changes in the economy and the scheduled maturity and interest rate sensitivity of the investment and loan and lease portfolios and deposits.

In addition to the liquidity provided by the foregoing, Carlile has correspondent relationships with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. Carlile has established lines of credit totaling \$20.0 million with various correspondent financial institutions, which are renewable annually and are unsecured.

In the ordinary course of its operations, Carlile maintains correspondent bank accounts and interest-bearing deposits with various financial institutions, which aggregated approximately \$98.1 million as of September 30, 2016. The largest of these interest-bearing deposit accounts is with Federal Reserve Banks. Each of the correspondent accounts is a demand account or money market account and Carlile receives from such correspondents the normal services associated with a correspondent banking relationship, including clearing of checks, sales and purchases of participations in loans and sales and purchases of federal funds.

Off-Balance Sheet Risk

Carlile is party to various financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of condition. The contract or notional amounts of those instruments reflect the extent of the involvement Carlile has in particular classes of financial instruments. Carlile's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Carlile uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments.

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The following is a summary, as of the date indicated, of the various financial instruments whose contract amounts represent credit risk. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

September 30, 2016
(Dollars in thousands)

	(Unaudited)
Commitments to extend credit	\$ 286,746
Standby letters of credit	\$ 4,536

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. Carlile evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by Carlile upon extension of credit, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by Carlile to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

Borrowings

Carlile had \$20.0 million in unsecured lines of credit with correspondent financial institutions as of September 30, 2016. Carlile had no borrowings on these lines of credit during the nine months ending September 30, 2016.

Carlile had total available borrowings through the FHLB, secured by investment securities and a blanket lien on certain real estate and commercial loans, of approximately \$392.9 million and approximately \$21.3 million in FHLB advances outstanding as of September 30, 2016.

Capital Resources

Shareholders' equity for Carlile was \$382.8 million as of September 30, 2016, compared with \$398.3 million at December 31, 2015, a decrease of \$15.5 million, or 3.89%. The decrease was primarily a result of a special dividend paid on Carlile common stock in February 2016 totaling approximately \$35 million. The effects of the dividend were partially mitigated by net income attributable to Carlile shareholders of approximately \$17.0 million for the nine months ended September 30, 2016.

Carlile is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of the bank subsidiaries' assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Carlile subsidiaries' capital amounts and classification are also subject to qualitative judgments by the regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for Carlile on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule and fully phased in by January 1, 2019. Beginning in January 2016, the implementation of the capital conservation buffer was effective for Carlile starting at the 0.625% level and increasing 0.625% each year thereafter, until it reaches 2.5% on January 1, 2019. 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 Carlisle's ability to make capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses

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to executive officers. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes that as of September 30, 2016, Carlile and each of its bank subsidiaries meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At September 30, 2016 and December 31, 2015, the most recent notifications from each respective bank subsidiary's primary regulator categorized each of Carlile's bank subsidiaries as well-capitalized. Carlile's management believes that no conditions or events have occurred since the notification that resulted in a change of the institutions' categories.

Actual and required capital amounts (in thousands) and ratios are presented in the table below:

	Minimum Required for Capital Adequacy Purposes		September 30, 2016 To be Categorized as Well Capitalized Under Prompt Corrective Action Provisions		Actual Ratio	
			Amount	Ratio	Amount	Ratio
	(Dollars in thousands) (Unaudited)					
Carlile Bancshares, Inc.						
Total risk based capital (to risk-weighted assets)	\$ 142,205	8.00%	\$ N/A	\$ N/A	\$ 279,049	15.70%
Tier 1 capital (to risk-weighted assets)	106,654	6.00	N/A	N/A	263,374	14.82
Leverage (Tier 1 capital to average assets)	86,410	4.00	N/A	N/A	263,374	12.19
Northstar Bank Texas						
Total risk based capital (to risk-weighted assets)	\$ 100,828	8.00%	\$ 126,034	10.00%	\$ 163,491	12.97%
Tier 1 capital (to risk-weighted assets)	75,621	6.00	100,828	8.00	153,546	12.18
Leverage (Tier 1 capital to average assets)	62,369	4.00	77,961	5.00	153,546	9.85
Northstar Bank Colorado						
Total risk based capital (to risk-weighted assets)	\$ 39,941	8.00%	\$ 49,926	10.00%	\$ 68,579	13.74%
Tier 1 capital (to risk-weighted assets)	25,946	6.00	39,941	8.00	62,952	12.61
Leverage (Tier 1 capital to average assets)	23,203	4.00	29,004	5.00	62,952	10.85

Northstar Bank Colorado merged with and into Northstar Bank Texas on October 7, 2016. Carlile has not received any notification from its or Northstar Bank's primary regulator as to such regulators' assessment of the classification of the capitalization of such combined bank.

For the Years Ended December 31, 2015 and 2014**Overview**

At December 31, 2015, Carlile had total assets of \$2.3 billion, total loans of \$1.4 billion, total deposits of \$1.9 billion and shareholders' equity of \$398.3 million compared to total assets of \$2.4 billion, total loans of \$1.4 billion, total deposits of \$2.0 billion and shareholders' equity of \$376.1 million at December 31, 2014.

The increase in shareholders' equity of \$22.2 million or 5.90% from December 31, 2014, to December 31, 2015, was primarily due to the net income attributable to Carlile shareholders of approximately \$21.7 million during the year ended December 31, 2015.

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For the year ended December 31, 2015, Carlile posted net income attributable to Carlile shareholders of \$21.7 million, or \$0.62 and \$0.62 per common share, basic and diluted, respectively, and had a return on average assets of 0.94% and a return on average equity of 5.54%. For the year ended December 31, 2014, Carlile posted net income attributable to Carlile shareholders of \$13.2 million or \$0.43 and \$0.43 per common share, basic and diluted, respectively, and had a return on average assets of 0.69% and a return on average equity of 4.08%.

Results of Operations**Net Interest Income**

For the year ended December 31, 2015, net interest income totaled \$81.7 million and Carlile posted a net interest margin of 4.11% and a net interest spread of 3.99%. For the year ended December 31, 2014, net interest income totaled \$76.0 million and Carlile posted a net interest margin of 4.74% and a net interest spread of 4.63%. Net interest income increased \$5.7 million for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily as a result of an increase in volume of interest-earning assets as well as a decrease in the cost of funds. The increase in volume was partially offset by a decrease in yields on all earning asset types and an increase in interest-bearing liability volumes.

The following table presents, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average assets, liabilities and shareholders' equity outstanding and the interest earned or paid on such amounts by Carlile for such periods. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. At December 31, 2015 and 2014, Carlile had \$19.2 million and \$18.9 million, respectively, in loans outstanding for which the interest thereon was exempt from taxation and held \$78.4 million and \$91.3 million, respectively, in tax exempt investment securities. No tax-equivalent adjustments were made and all average balances are yearly average balances. Year-end balances of tax exempt investment securities are reflected in the investment securities tables beginning on pages 204 and 205 below.

	Year Ended December 31,					
	2015			2014		
	Average Outstanding Balance(1)	Interest Earned/Paid	Average Rate(2)	Average Outstanding Balance(1)	Interest Earned/Paid	Average Rate(2)
(Dollars in thousands) (Unaudited)						
Assets						
Interest-earning assets:						
Loans	\$ 1,363,045	\$ 76,985	5.65%	\$ 1,132,342	\$ 73,657	6.50%
Investment Securities	420,651	7,674	1.82	290,961	5,949	2.04
Interest-bearing due from banks	192,178	861	0.45	172,235	815	0.47
Restricted equity securities	12,536	735	5.86	9,460	568	6.00
Total interest-earning assets	1,988,410	\$ 86,255	4.34	1,604,998	\$ 80,989	5.05
Less allowance for loan losses						
Non-interest earning assets:						
Cash and due from banks	37,100			35,359		

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Bank premises and equipment, net	69,280	64,443
Goodwill	117,564	94,960
Bank-owned life insurance	40,835	39,776
Other assets	62,549	76,281
Total non-interest earning assets	327,328	310,819
Total Assets	\$ 2,315,738	\$ 1,915,817

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	Year Ended December 31,					
	2015			2014		
	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)
	(Dollars in thousands) (Unaudited)					
Liabilities and Equity						
Interest-bearing liabilities:						
NOW accounts	\$ 351,394	\$ 644	0.18%	\$ 297,762	\$ 696	0.23%
Money market and savings	559,912	1,142	0.20	448,882	1,099	0.24
Time deposits less than \$100,000	146,466	703	0.48	148,273	778	0.52
Time deposits greater than \$100,000	223,961	1,310	0.58	251,579	1,434	0.57
Repurchase agreements	20,051	52	0.26	12,098	26	0.21
Contingent Notes Payable				6,899	314	4.55
Junior subordinated debentures	11,815	687	5.81	11,414	599	5.25
Total interest-bearing liabilities	\$ 1,313,599	\$ 4,538	0.35	\$ 1,176,907	\$ 4,947	0.42
Non-interest bearing liabilities:						
Demand deposits	594,246			400,181		
Other liabilities	12,487			11,185		
Total non-interest bearing liabilities	606,733			411,366		
Equity						
Shareholders' equity	390,931			323,560		
Noncontrolling interest in consolidated subsidiary	4,475			3,984		
Total shareholder's equity and noncontrolling interest	395,406			327,544		
Total Liabilities and Equity	\$ 2,315,738			\$ 1,915,817		
Net interest income		\$ 81,717			\$ 76,042	
Net interest rate spread			3.99%			4.63%
Net interest margin			4.11			4.74

(1) The average outstanding balance on investment securities includes the net unrealized gain on investment securities.

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

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The following tables compare the dollar amount of changes in interest income and interest expense for the major components of interest-earning assets and interest-bearing liabilities and distinguishes between the increase (decrease) related to higher outstanding balances and the volatility of interest rates. For purposes of these tables, changes attributable to both rate and volume which cannot be segregated have been allocated to changes attributable to rate.

	Year Ended December 31, 2015		
	Compared with 2015		
	Increase (Decrease) due to		
	Volume	Rate	Total
	(dollars in thousands) (unaudited)		
Interest-earning assets:			
Loans	\$ 14,861	\$ (11,533)	\$ 3,328
Investment securities	2,652	(926)	1,726
Interest-bearing due from banks	94	(49)	45
Restricted equity securities	185	(18)	167
Total increase (decrease) in interest income	17,792	(12,526)	5,266
Interest-bearing liabilities:			
NOW accounts	125	(178)	(53)
Money market and savings	238	(195)	43
Time deposits less than \$100,000	(9)	(66)	(75)
Time deposits greater than \$100,000	(157)	34	(123)
Repurchase agreements	17	9	26
Contingent note payable	(314)		(314)
Junior subordinated debentures	21	66	87
Total increase (decrease) in interest expense	(79)	(330)	(409)
Increase (decrease) in net interest income	\$ 17,871	\$ (12,196)	\$ 5,675

Provision for Loan Losses

The provision for loan losses is a charge against net interest income taken in order to bring Carlile's allowance for loan losses to a level deemed appropriate by management based on such factors as Carlile's historical loan loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of the loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the loan portfolio through the loan review process and other relevant factors. Carlile's management has adopted a methodology for assessing the adequacy of the allowance. Although no assurance can be given, management believes that the allowance for loan losses was adequate to cover probable incurred losses in the loan portfolio at December 31, 2015.

For the year ended December 31, 2016, the provision for loan losses was \$2.2 million compared with \$4.2 million for the same period in 2015. The decrease in the provision was primarily due to improving credit quality of the loan portfolio as well as improved economic conditions.

Noninterest Income

Total noninterest income for the year ended December 31, 2015 increased by \$1.2 million, or 4.9%, compared with the year ended December 31, 2014. The increase was mainly attributable to an increase in gains on sales of loans.

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The following tables present, for the periods indicated, the major categories of noninterest income:

Year Ended December 31, 2015 Compared with 2014			
	2015	2014	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Service charges on deposit accounts	\$ 4,487	\$ 4,024	\$ 463
Gain on loans sold	10,956	8,496	2,460
Gain on sale of securities	17	60	(43)
Bank owned life insurance	1,334	1,411	(77)
Net gain (loss) on sale of ORE	128	985	(857)
Other noninterest income	8,947	9,681	(734)
Total noninterest income	\$ 25,869	\$ 24,657	\$ 1,212

Noninterest Expense

Noninterest expense for the year ended December 31, 2015 decreased \$1.4 million, or 1.80%, to \$75.1 million compared with noninterest expense of \$76.5 million for the year ended December 31, 2014. The most significant components of the decrease were reduced acquisition and merger related costs as a result of Carlile not making an acquisition in the year ended December 31, 2015 while it made an acquisition in the year ended December 31, 2014.

The following tables present for the periods indicated, the major categories of noninterest expense:

Year Ended December 31, 2015 Compared with 2014			
	2015	2014	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Salaries and employee benefits	\$ 42,940	\$ 43,312	\$ (372)
Occupancy and equipment	10,178	9,318	860
Net costs attributable to other real estate and other repossessed assets	984	1,798	(814)
Professional fees	3,443	3,219	224
Data processing costs	5,282	3,818	1,464
Regulatory fees and FDIC assessments	1,467	1,658	(191)
Office expenses	1,553	1,367	186
Amortization of intangibles	1,885	1,578	307
Acquisition and merger related	66	2,065	(1,999)
Other noninterest expense	7,286	8,326	(1,040)
Total noninterest expense	\$ 75,084	\$ 76,459	\$ (1,375)

Income Taxes

For the year ended December 31, 2015, income tax expense was \$8.0 million compared with \$6.1 million for the year ended December 31, 2014. The changes were directly attributable to increases in net income. The effective tax rate for financial reporting for the years ended December 31, 2015 and 2014 was 26.41% and 30.64%, respectively. The effective income tax rates differed from the U.S. statutory rate of 35% during the comparable periods primarily due to tax exempt interest income on investment securities and income on bank owned life insurance.

Table of Contents**Financial Condition**

At December 31, 2015, total assets were \$2.3 billion, a decrease of \$48.5 million, or 2.03%, from total assets of \$2.4 billion at December 31, 2014. Total loans were \$1.4 billion and total deposits were \$1.9 billion at December 31, 2015, a decrease of \$53.3 million, or 3.69%, and \$70.9 million, or 3.61%, respectively, from the corresponding balances at December 31, 2014. Cash and cash equivalents were \$250.2 million at December 31, 2015, an increase of \$54.9 million from December 31, 2014, which increase was primarily due to the decline in loan balances.

Loan Portfolio

The following table summarizes Carlisle's gross loan portfolio before unearned fees by type of loan at the dates indicated:

	December 31, 2015		December 31, 2014	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial non real estate	\$ 336,904	24.2%	\$ 381,639	26.4%
Commercial real estate	512,145	36.8	550,276	38.1
Construction, Development and Land	216,908	15.6	200,464	13.9
Residential real estate	179,299	12.9	162,265	11.2
Agriculture	105,020	7.5	93,682	6.5
Consumer	41,778	3.0	56,893	3.9
Total loans	\$ 1,392,054	100.0%	\$ 1,445,219	100.0%
Less deferred fees, net	1,519		1,350	
Loans, net of deferred fees	1,390,535		1,443,869	
Less allowance for loan losses	14,479		12,780	
Total loans, net	\$ 1,376,056		\$ 1,431,089	

At December 31, 2015, loans net of unearned fees had decreased \$53.3 million, or 3.7%, to \$1.4 billion compared with \$1.4 billion at December 31, 2014. Loans decreased from period to period primarily due to a slowdown in loan demand, as well as the exit of problem credits.

The contractual maturity or next repricing dates in each maturity range of Carlisle's loan portfolio at December 31, 2015, are summarized in the following table:

	December 31, 2015			Total
	Within One Year or Less	One Through Five Years	After Five Years	

(Dollars in thousands)

Total loans	\$ 770,158	\$ 562,947	\$ 57,430	\$ 1,390,535
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See For the Nine Months Ended September 30, 2016 and 2015 Financial Condition Loan Portfolio above for additional information regarding the contractual maturity or repricing ranges of Carlile's loan portfolio.

Nonperforming Assets

Carlile had \$11.9 million loans on nonaccrual status at December 31, 2015. Carlile had \$7.7 million in loans on nonaccrual status at December 31, 2014. See For the Nine Months Ended September 30, 2016 and 2015 Financial Condition Nonperforming Assets on page 189 for additional information regarding nonperforming assets.

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Carlile may renegotiate the terms of a loan because of a deterioration in the financial condition of a borrower. This renegotiation enhances the probability of collection. Carlile had restructured loans due to deterioration of the borrower's financial condition of \$2.2 million and \$5.5 million for the years ended December 31, 2015 and 2014, respectively.

Allowance for Loan Losses

The allowance for loan losses at December 31, 2015, was \$14.5 million, which was 1.04% of total loans outstanding, net of unearned fee income, at such date. The allowance for loan losses at December 31, 2015, represented an increase of \$1.7 million, or 13.29%, from the allowance of \$12.8 million at December 31, 2014, which increase resulted from Carlile's evaluation of the overall credit quality of its loan portfolio as well as updates to the qualitative factors included in the allowance for loan loss model in the year ended December 31, 2015.

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

	As of and for the Year Ended December 31, 2015	As of and for the Year Ended December 31, 2014
	(Dollars in thousands)	
Balance, beginning of period	\$ 12,780	\$ 10,110
Provision for possible credit losses	2,218	4,222
Loans charged off	(707)	(2,415)
Recoveries	188	863
Balance, end of period	\$ 14,479	\$ 12,780
Ratios:		
Net charge-offs to average loans	0.04%	0.14%
Net charge-offs to end of period loans	0.04%	0.11%
Allowance to average loans	1.06%	1.13%
Allowance to end of period loans	1.04%	0.89%
Net charge-offs to allowance	3.58%	12.15%

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The following table sets forth the allocation of the allowance for loan losses among various categories of loans at the indicated dates. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur. The total allowance is available to absorb losses from any category of loans.

	December 31, 2015		December 31, 2014	
	Amount	Percent of Loans to Total Loans (Dollars in thousands)	Amount	Percent of Loans to Total Loans
Balance of allowance for possible credit losses applicable to:				
Commercial non real estate	\$ 5,482	37.9%	\$ 3,069	24.0%
Commercial real estate	3,878	26.8	3,202	25.1
Construction, development and land	2,624	18.1	3,325	26.0
Residential real estate	1,128	7.8	1,438	11.2
Agriculture	860	5.9	461	3.6
Consumer	507	3.5	1,285	10.1
Total allowance for possible credit losses	\$ 14,479	100.0%	\$ 12,780	100.0%

There can be no assurance that Carlile will not sustain losses in future periods, which could be substantial in relation to the size of the allowance at December 31, 2015.

Investment Securities

Carlile uses its securities portfolio to provide liquidity for cash requirements, to manage interest rate risk, to provide a source of income, to provide collateral for municipal pledging requirements and to manage asset quality. Securities available for sale totaled \$405.7 million and \$428.5 million at December 31, 2015 and 2014, respectively.

The following tables summarize the amortized cost of securities classified as available for sale and held to maturity and their approximate fair values as of the dates shown:

	December 31, 2015			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Securities available for sale:				
U.S. Government and Agency:				
Debt securities	\$ 81,652	\$ 139	\$ (43)	\$ 81,748
Mortgage-backed securities	214,069	506	(2,118)	212,457
Municipal securities	105,127	1,451	(240)	106,338

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Other securities	5,418		(239)	5,179
Total securities available for sale	\$ 406,266	\$ 2,096	\$ (2,640)	\$ 405,722

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	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(Dollars in thousands) (Unaudited)				
Securities available for sale:				
U.S. Government and Agency:				
Debt securities	\$ 64,649	\$ 18	\$ (75)	\$ 64,592
Mortgage-backed securities	239,442	1,167	(1,867)	238,742
Municipal securities	119,583	1,019	(523)	120,079
Other securities	5,309		(210)	5,099
Total securities available for sale	\$ 428,983	\$ 2,204	\$ (2,675)	\$ 428,512

The following table summarizes the contractual maturity of investment securities based on amortized cost and their weighted average yields as of the date indicated:

	December 31, 2015									
	Within One Year		After One Year but Within Five Years		After Five Years but Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Dollars in thousands) (Unaudited)										
Securities available for sale:										
U.S. Government and Agency:										
Debt securities	\$ 3,769	.68%	77,884	1.39%	%	%	%	%	81,653	1.36%
Mortgage-backed securities			413	1.66	16,723	1.84	196,933	2.16	214,069	2.13
Municipal securities	12,267	.75	45,447	1.46	30,380	2.44	17,032	2.64	105,126	1.85
Other Securities	5,418	2.00							5,418	2.00
Total securities available for sale	\$ 21,454	1.05	\$ 123,744	1.42	\$ 47,103	2.23	\$ 213,965	2.19	\$ 406,266	1.90

Deposits

Total deposits were \$1.9 billion at December 31, 2015, compared with \$2.0 billion at December 31, 2014, a decrease of \$70.9 million, or 3.61%. Such decrease in deposits as of December 31, 2015 resulted from the exit of high cost deposits caused by Carlisle's continued repricing of acquired high cost deposits. At December 31, 2015, demand, NOW, money market and savings deposits accounted for approximately 81.86% of total deposits, while certificates of

deposit (including IRAs) made up 18.14% of total deposits. Noninterest-bearing demand deposits totaled \$638.1 million, or 33.69%, of total deposits at December 31, 2015 compared with \$615.9 million, or 31.35%, of total deposits at December 31, 2014, an increase of \$22.2 million or 3.60%. The average cost of deposits, including noninterest-bearing demand deposits, was 0.20% for the year ended December 31, 2015, compared with 0.26% for the year ending December 31, 2014. Such decrease in the cost of deposits in the year ended December 31, 2015 compared with the prior year also resulted from the exit of high cost deposits caused by Carlisle's continued repricing of acquired high costs deposits.

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The following table presents for the periods indicated the average balances and weighted average rates paid on total deposits:

	Year Ended December 31,			
	2015		2014	
	Average Outstanding Balance	Average Yield/Rate	Average Outstanding Balance	Average Yield/Rate
(dollars in thousands) (unaudited)				
Demand deposits	\$ 594,246	0.00%	\$ 400,181	0.00%
Interest-bearing demand deposits	911,306	0.20	746,644	0.24
Time deposits less than \$100,000	146,466	0.48	148,273	0.52
Time deposits greater than \$100,000	223,961	0.58	251,579	0.57
Total deposits	\$ 1,875,979	0.20%	\$ 1,546,677	0.26%

The following table sets forth the amount of Carlile's certificates of deposit that are \$100,000 or greater by the time remaining until maturity as of the date indicated:

	As of December 31, 2015 (Dollars in thousands)	
Remaining maturity:		
3 months or less	\$	51,259
Over 3 through 6 months		43,872
Over 6 through 9 months		38,623
Over 9 through 12 months		32,509
Over 12 months		43,327
Total	\$	209,590

Time deposits of \$100,000 or more are generally solicited from markets served by Carlile. The aggregate amount of time deposits in amounts of \$100,000 or more at December 31, 2015 and 2014, was approximately \$209.6 million and \$245.1 million, respectively. The decrease in time deposits from period to period was primarily due to fewer long term time deposits as a result of lower interest rates. Carlile had \$18.3 million in brokered deposits as of December 31, 2015, representing 0.97% of total deposits as of such date. Time deposits are a significant source of funds. The amount of deposits in CDs including IRA and public funds in amounts of \$100,000 or more was 1.04% and 1.1% of total deposits as of December 31, 2015 and 2014, respectively.

Interest expense on time deposits in amounts of \$100,000 or more was \$1.3 million and \$1.4 million for the years ended December 31, 2015 and 2014, respectively. The decrease in interest expense for the year ended December 31, 2015, compared with 2014 was primarily the result of a persistently low interest rate environment.

Liquidity

In the ordinary course of its operations, Carlile maintains correspondent bank accounts with various banks, which accounts aggregated approximately \$229 million and \$170 million as of December 31, 2015 and 2014, respectively. The largest of these accounts was with Federal Reserve Banks. As of December 31, 2015, the balance in this account was approximately \$94 million. Each of the correspondent accounts is a demand account or money market account and Carlile receives from such correspondents the normal services associated with a correspondent banking relationship, including clearing of checks, sales and purchases of participations in loans and sales and purchases of federal funds.

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Carlile maintains correspondent relationship with other banks in order to sell loans or purchase overnight funds should additional liquidity be needed. Carlile also had an established line of credit in the amount of \$20 million and \$15 million with a correspondent financial institution during the year ended December 31, 2015 and the year ended December 31, 2014, respectively. No amounts were outstanding under those lines of credit at December 31, 2015 and 2014.

Off-Balance Sheet Risk

The following is a summary, at December 31, 2015, of the various financial instruments whose contract amounts represent credit risk. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

	December 31, 2015
	(Dollars in thousands)
Commitments to extend credit	\$ 251,965
Standby letters of credit	\$ 3,188

Borrowings

Carlile had total available borrowings through the FHLB and FRB, secured by investment securities and a blanket lien on certain real estate and commercial loans, of approximately \$641 million and \$742 million and approximately \$0 million and \$0 million in FHLB advances outstanding at December 31, 2015 and 2014, respectively. Carlile had no borrowings on its lines of credit with correspondent banks outstanding at December 31, 2015 or 2014.

Capital Resources

Shareholders' equity of Carlile was \$398.3 million at December 31, 2015, and \$376.1 million at December 31, 2014, an increase of \$22.2 million, or 5.9%, due primarily to the net income attributable to Carlile shareholders of approximately \$21.7 million for the year ended December 31, 2015.

Carlile is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of the bank subsidiaries' assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The subsidiaries' capital amounts and classification are also subject to qualitative judgments by the regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for Carlile on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule and fully phased in by January 1, 2019. Beginning in January 2016, the implementation of the capital conservation buffer was effective for Carlile starting at the 0.625% level and increasing 0.625% each year thereafter, until it reaches 2.5% on January 1, 2019. 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 Carlile's ability to make capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes that as of December 31, 2015, Carlile and each of its bank subsidiaries meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept

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brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2015 and 2014, the most recent notification from each respective bank subsidiary's primary regulator categorized each of Carlisle's bank subsidiaries as well-capitalized. Carlisle's management believes that no conditions or events have occurred since the notification that resulted in a change of the institutions categories.

Actual and required capital amounts (in thousands) and ratios are presented in the table below:

	Minimum Required for Capital Adequacy Purposes		December 31, 2015 To be Categorized as Well Capitalized Under Prompt Corrective Action Provisions		Actual Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Carlisle Bancshares, Inc.						
Total risk based capital (to risk-weighted assets)	\$ 131,478	8.00%	\$ N/A	\$ N/A	\$ 301,685	18.36%
Tier 1 capital (to risk-weighted assets)	98,609	6.00	N/A	N/A	287,206	17.48
Leverage (Tier 1 capital to average assets)	87,301	4.00	N/A	N/A	287,206	13.16
Northstar Bank Texas						
Total risk based capital (to risk-weighted assets)	\$ 89,706	8.00%	\$ 112,133	10.00%	\$ 161,441	14.40%
Tier 1 capital (to risk-weighted assets)	67,280	6.00	89,706	8.00	152,335	13.59
Leverage (Tier 1 capital to average assets)	64,425	4.00	80,531	5.00	152,335	9.46
Northstar Bank Colorado						
Total risk based capital (to risk-weighted assets)	\$ 40,392	8.00%	\$ 50,491	10.00%	\$ 65,425	12.96%
Tier 1 capital (to risk-weighted assets)	30,294	6.00	40,362	8.00	60,324	11.95
Leverage (Tier 1 capital to average assets)	23,438	4.00	29,297	5.00	60,324	10.30

For the Years Ended December 31, 2014 and 2013

Results of Operations**Overview**

At December 31, 2014, Carlisle had total assets of \$2.4 billion, total loans of \$1.4 billion, total deposits of \$2.0 billion and shareholders' equity of \$376.1 million compared to total assets of \$1.8 billion, total loans of \$1.0 billion, total deposits of \$1.5 billion and shareholders' equity of \$270.1 million at December 31, 2013.

The increase in shareholders' equity of \$105.8 million or 38.5 % from December 31, 2013, to December 31, 2014, was primarily due to the issuance of \$78.1 million of Carlisle's common stock in July, 2014, and the net income attributable to Carlisle shareholders of approximately \$13.2 million during the year ended December 31, 2014.

For the year ended December 31, 2014, Carlile posted net income attributable to Carlile shareholders of \$13.2 million, or \$0.43 and \$0.43 per common share attributable to Carlile shareholders, basic and diluted, respectively, and had a return on average assets of 0.69% and a return on average equity of 4.08%. For the year ended December 31, 2013, Carlile had posted net income attributable to Carlile shareholders of \$5.168 million or \$0.20 and \$0.20 per common share attributable to Carlile shareholders, basic and diluted, respectively, and had a return on average assets of 0.28% and a return on average equity of 1.92%.

Table of Contents**Results of Operations****Net Interest Income**

For the year ended December 31, 2014, net interest income totaled \$76.0 million and Carlile posted a net interest margin of 4.74% and a net interest spread of 4.63%. For the year ended December 31, 2013, net interest income totaled \$69.1 million and Carlile posted a net interest margin of 4.46% and a net interest spread of 4.35%. Net interest income increased \$7.0 million for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily as a result of an increase in the aggregate amount of interest-earning assets resulting from the acquisition of Community Bankers, Inc. by Carlile on August 12, 2014, as well as a decrease in the cost of funds.

The following table presents, for the periods indicated, an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities, the average assets, liabilities and shareholders' equity outstanding and the interest earned or paid on such amounts by Carlile for such periods. The table also sets forth the average rate earned on interest-earning assets, the average rate paid on interest-bearing liabilities, and the net interest margin on average total interest-earning assets for the same periods. At December 31, 2014 and 2013, Carlile had \$18.9 million and \$6.7 million, respectively, in loans outstanding for which the interest thereon was exempt from taxation and held \$91.3 million and \$30.7 million, respectively, in tax exempt investment securities. No tax-equivalent adjustments were made and all average balances are yearly average balances. Year-end balances of tax exempt investment securities are reflected in the investment securities tables on pages 215 and 216 below.

	Year Ended December 31,					
	2014			2013		
	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)
(Dollars in thousands) (Unaudited)						
Assets						
Interest-earning assets:						
Loans	\$ 1,132,342	\$ 73,657	6.50%	\$ 985,732	\$ 70,138	7.12%
Investment Securities	290,961	5,949	2.04	231,049	3,354	1.45
Interest-bearing due from banks	172,235	815	0.47	323,540	1,259	0.39
Restricted equity securities	9,460	568	6.00	8,836	503	5.69
Total interest-earning assets	1,604,998	\$ 80,989	5.05	1,549,157	\$ 75,254	4.86
Less allowance for loan losses						
Non-interest earning assets:						
Cash and due from banks	35,359			32,144		
Bank premises and equipment, net	64,443			55,592		
Goodwill	94,960			72,283		
Bank-owned life insurance	39,776			18,275		
Other assets	76,281			88,008		
Total non-interest earning assets	310,819			266,302		

Total Assets	\$ 1,915,817	\$ 1,815,459
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	Year Ended December 31,					
	2014			2013		
	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)	Average Outstanding Balance(1)	Interest Earned/Paid	Average Yield/Rate(2)
	(Dollars in thousands) (Unaudited)					
Liabilities and Equity						
Interest-bearing liabilities:						
NOW accounts	\$ 297,762	\$ 696	0.23%	\$ 307,725	\$ 949	0.31%
Money market and savings	448,882	1,099	0.24	376,289	1,147	0.30
Time deposits less than \$100,000	148,273	778	0.52	168,255	840	0.50
Time deposits greater than \$100,000	251,579	1,434	0.57	311,556	1,891	0.61
Repurchase agreements	12,098	26	0.21	8,386	10	0.12
Contingent Notes Payable	6,899	314	4.55	23,965	665	2.77
Junior subordinated debentures	11,414	599	5.25	11,038	670	6.07
Total interest-bearing liabilities	\$ 1,176,907	\$ 4,947	0.42	\$ 1,207,214	\$ 6,172	0.51
Non-interest bearing liabilities:						
Demand deposits	400,181			322,243		
Other liabilities	11,185			9,953		
Total non-interest bearing liabilities	411,366			332,196		
Equity						
Shareholders' equity	323,560			269,622		
Noncontrolling interest in consolidated subsidiary	3,984			6,427		
Total shareholder's equity and noncontrolling interest	327,544			276,049		
Total Liabilities and Equity	\$ 1,915,817			\$ 1,815,459		
Net interest income		\$ 76,042			\$ 69,082	
Net interest rate spread			4.63%			4.35%
Net interest margin			4.74			4.46

(1) The average outstanding balance on investment securities includes the net unrealized gain on investment securities.

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

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The following table compares the dollar amount of changes in interest income and interest expense for the major components of interest-earning assets and interest-bearing liabilities and distinguishes between the increase (decrease) related to higher outstanding balances and the volatility of interest rates. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to changes attributable to rate.

	Year Ended December 31, 2014		
	Compared with 2013		
	Increase (Decrease) due to		
	Volume	Rate	Total
	(dollars in thousands) (unaudited)		
Interest-earning assets:			
Loans	\$ 13,553	\$ (10,034)	\$ 3,519
Investment securities	870	1,725	2,595
Interest-bearing due from banks	(589)	145	(444)
Restricted equity securities	35	30	65
Total increase (decrease) in interest income	13,869	(8,134)	5,735
Interest-bearing liabilities:			
NOW accounts	(31)	(221)	(252)
Money market and savings	235	(281)	(46)
Time deposits less than \$100,000	(100)	38	(62)
Time deposits greater than \$100,000	(364)	(94)	(458)
Repurchase agreements	4	11	15
Contingent note payable	(474)	122	(352)
Junior subordinated debentures	23	(93)	(70)
Total increase (decrease) in interest expense	(707)	(518)	(1,225)
Increase (decrease) in net interest income	\$ 14,576	\$ (7,616)	\$ 6,960

Provision for Loan Losses

The provision for loan losses is a charge against net interest income taken in order to bring Carlile's allowance for loan losses to a level deemed appropriate by management based on such factors as Carlile's historical loan loss experience, industry diversification of the commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of the loan portfolio, current economic conditions that may affect the borrower's ability to pay and the value of collateral, the evaluation of the loan portfolio through the loan review process and other relevant factors. Management has adopted a methodology for assessing the adequacy of the allowance. Carlile's management believes that the allowance for loan losses was adequate to cover probable incurred losses in the loan portfolio at December 31, 2014.

For the year ended December 31, 2014, the provision for loan losses was \$4.2 million compared with \$9.1 million for the same period in 2013. The year-over-year decrease in the provision was primarily due to improving credit quality of the loan portfolio as well as improved economic conditions in Carlile's market areas.

Noninterest Income

Total noninterest income for the year ended December 31, 2014 increased by \$1.9 million, or 8.3%, compared with the year ended December 31, 2013. The increase was mainly attributable to an increase in service charges on deposit accounts and bank owned life insurance, the positive effects of which were offset to a significant degree by the year-over-year decrease in gain on sale of OREO. The increase in service charges on deposit accounts is primarily attributable to the acquisition of Community Bankers, Inc. by Carlisle on August 12, 2014.

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The following tables present, for the periods indicated, the major categories of noninterest income:

	Year Ended December 31, 2014 Compared with 2013		
	2014	2013	Increase (Decrease)
	(Dollars in thousands) (Unaudited)		
Service charges on deposit accounts	\$ 4,024	\$ 2,647	\$ 1,377
Gain on loans sold	8,496	8,270	226
Gain on sale of securities	60	&nbs	