

Independent Bank Group, Inc.  
Form S-4  
January 15, 2014  
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As filed with the Securities and Exchange Commission on January 15, 2014

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM S-4**

**REGISTRATION STATEMENT**  
*UNDER THE SECURITIES ACT OF 1933*

**INDEPENDENT BANK GROUP, INC.**

(Exact name of registrant as specified in its charter)

<b>Texas</b> (State or other jurisdiction of incorporation or organization)	<b>6022</b> (Primary Standard Industrial Classification Code Number) <b>1600 Redbud Boulevard, Suite 400</b> <b>McKinney, Texas 75069-3257</b> <b>(972) 562-9004</b>	<b>13-4219346</b> (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:*

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Dallas, Texas 75201

(972) 716-1855

Houston, Texas 77002-2770

(214) 659-4593

(713) 223-2300

**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  Accelerated filer   
 Nonaccelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum	Proposed Maximum	Amount of Registration Fee
		Offering Price per Share	Aggregate Offering Price <sup>(1)</sup>	
Common Stock, \$0.01 par value	3,616,060	\$12.96	\$46,846,533	\$6,033.83

- (1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(f)(2) and (f)(3) under the Securities Act by multiplying the book value of BOH Holdings, Inc. common stock of \$9.91 per share as of December 31, 2013, by the maximum number of shares of BOH Holdings, Inc. common stock to be acquired by Registrant in the merger described herein, minus the cash portion of the merger consideration to be paid by the Registrant to the holder of shares of BOH Holdings, Inc. common stock.

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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The information in this joint proxy statement/prospectus is not complete and may be changed. Independent 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 it is not soliciting to buy these securities, in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 15, 2014**

**BOH HOLDINGS, INC.**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

You are cordially invited to attend the special meeting of shareholders of BOH Holdings, Inc., or BOH Holdings, to be held on \_\_\_\_\_, 2014, at [a.m./p.m.] Central Time, at the offices of Bank of Houston, 750 Bering Drive, Suite 100, Houston, Texas 77057. At this important special meeting, you will be asked to consider and vote on the approval of a reorganization agreement, which provides for the acquisition of BOH Holdings by Independent Bank Group, Inc., or Independent, through certain merger transactions. You may also be asked to adjourn the special meeting to a later date or dates, if the board of directors of BOH Holdings determines an adjournment is necessary.

Under the terms of the reorganization agreement, if the reorganization agreement is approved and the merger is completed, all outstanding shares of BOH Holdings common stock will be converted into an aggregate of 3,616,060 shares of Independent common stock and \$34 million in cash, subject to downward adjustment, as set forth in the reorganization agreement.

The amount of per share merger consideration to be received by the BOH Holdings shareholders is dependent upon the number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. As of December 31, 2013, BOH Holdings had the following outstanding shares of common stock and securities convertible or exercisable, as the case may be, into common stock:

7,304,322 shares of BOH Holdings common stock issued and outstanding;

102,918 shares of BOH Holdings Series D preferred stock issued and outstanding under its Employee Stock Purchase Plan. On January 8, 2014, an additional 9,124 shares of BOH Holdings Series D preferred stock were issued, and BOH Holdings expects that it could issue up to an additional 30,000 shares of BOH Holdings Series D preferred stock prior to the effective time of the merger. Accordingly, BOH Holdings could have up to a total of 142,042 shares of BOH Holdings Series D preferred stock outstanding prior to the effective time of the merger. At least two business days prior to the effective time of the merger, all of the outstanding shares of BOH Holdings Series D preferred stock will be automatically converted into shares of BOH Holdings common stock on a one-for-one basis; and

711,712 outstanding and unexercised options to purchase shares of BOH Holdings common stock granted under the Amended and Restated 2008 BOHI Equity Incentive Plan (some of which will not vest until the approval of the reorganization agreement at the BOH Holdings special meeting) will, at least one business day prior to the effective time of the merger, be automatically exercised, on either a for-cash or cashless basis, at the election of the holder, into between 514,508 shares of BOH Holdings common

stock if all such options are exercised on a cashless basis, and 711,712 shares of BOH Holdings common stock if all such options are exercised on a for-cash basis.

Under the terms of the reorganization agreement, upon consummation of the merger, each share of BOH common stock issued and outstanding immediately prior to the merger will be converted into the right to receive (a) cash in an amount equal to the quotient of (i) \$34 million divided by (ii) the number of shares of BOH Holdings common stock outstanding immediately before the effective time of the merger, subject to downward adjustment as described in the reorganization agreement) and (b) the fraction of a share of Independent common stock equal to the quotient of (i) the quotient of (x) \$136 million divided by (y) the number of shares of BOH Holdings common stock outstanding immediately before the effective time divided by (ii) \$37.61.

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Based on the share and option amounts on December 31, 2013 and including the additional BOH Holdings Series D preferred stock issued on January 8, 2014, and that are expected to be issued prior to the effective time of the merger, BOH Holdings would have had between 7,960,872 (assuming all option holders exercise on a cashless basis) and 8,158,076 (assuming all option holders exercise for cash) shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. Based on these estimates, at the effective time of the merger holders of BOH Holdings common stock will receive between 0.4432 and 0.4542 shares of Independent common stock (with cash in lieu of a fractional share) and between \$4.17 and \$4.27 in cash for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) that they own, with the cash portion of the per share merger consideration subject to downward adjustment as set forth in the reorganization agreement.

Independent's common stock was listed on the NASDAQ Stock Market, Inc. Global Market System, or NASDAQ Global Market, through December 31, 2013, and is now listed on the NASDAQ Stock Market, Inc., Global Select Market System, or NASDAQ Global Select Market, under the symbol IBTX. The closing price of Independent's common stock on December 31, 2013 was \$49.66 per share. Based on the closing price of Independent common stock on December 31, 2013 of \$49.66, and assuming no downward adjustment to the cash consideration, shareholders of BOH Holdings would receive merger consideration with a value of between \$26.18 and \$26.83 for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) that they own, depending upon the number of shares of BOH Holdings common stock outstanding at the effective time of the merger.

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to BOH Holdings. We cannot complete the merger unless we obtain the necessary regulatory approvals and unless the holders of two-thirds of the shares of each of (i) BOH Holdings common stock and (ii) BOH Holdings Series D preferred stock, in each case, outstanding on \_\_\_\_\_, 2014, the record date of the BOH Holdings special meeting, approve the reorganization agreement. The board of directors of BOH Holdings unanimously supports the merger and recommends that you vote in favor of the reorganization agreement.

The accompanying joint proxy statement/prospectus contains a more complete description of the BOH Holdings special meeting and the terms of the reorganization agreement and the acquisition of BOH Holdings. In addition to being a proxy statement of BOH Holdings and Independent, this document is the prospectus of Independent for the shares of its common stock that will be issued in connection with the merger. **We urge you to review this entire document carefully, including the considerations discussed under Risk Factors beginning on page 42, and the appendices to the accompanying joint proxy statement/prospectus, which include the reorganization agreement.** You may also obtain information about Independent from documents that Independent has filed with the Securities and Exchange Commission, or SEC.

Based on our reasons for the merger described in the accompanying joint proxy statement/prospectus, including the fairness opinion issued by our financial advisor, Sandler O'Neill + Partners, L.P., or Sandler O'Neill, our board of directors believes that the transaction is fair from a financial point of view, to and in the best interests of its shareholders. **Accordingly, our board of directors unanimously recommends that you vote FOR approval of the reorganization agreement and adjournment of the BOH Holdings special meeting, if necessary.**

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We appreciate your continuing loyalty and support, and we look forward to seeing you at the special meeting.

James D. Stein

President and Chief Executive Officer,

BOH Holdings, Inc.

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.

Joint proxy statement/prospectus dated \_\_\_\_\_, 2014

and first mailed to shareholders of BOH Holdings on or about \_\_\_\_\_, 2014

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The information in this joint proxy statement/prospectus is not complete and may be changed. Independent 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 it is not soliciting to buy these securities, in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 15, 2014**

**INDEPENDENT BANK GROUP, INC.**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

You are cordially invited to attend the special meeting of shareholders of Independent Bank Group, Inc., or Independent, to be held on \_\_\_\_\_, 2014, at [a.m./p.m.] Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069-3257. At this important special meeting, you will be asked to consider and vote on the approval of a reorganization agreement, which provides for the acquisition of BOH Holdings, Inc., or BOH Holdings, by Independent through certain merger transactions. You will be asked to approve the issuance of Independent common stock to BOH Holdings shareholders in connection with the merger and to vote on the election of three directors who are designees of BOH Holdings to fill newly created vacancies on the Independent board. You may also be asked to adjourn the special meeting to a later date or dates, if the board of directors of Independent determines it is necessary.

Under the terms of the reorganization agreement, if the reorganization agreement is approved and the merger is completed, all outstanding shares of BOH Holdings common stock will be converted into an aggregate of 3,616,060 shares of Independent common stock and \$34 million in cash, subject to downward adjustment, as set forth in the reorganization agreement.

Independent's common stock was listed on the NASDAQ Stock Market, Inc. Global Market System, through December 31, 2013, and is now listed on the NASDAQ Select Market, Inc. Global Select Market System, under the symbol IBTX. The closing price of Independent's common stock on December 31, 2013 was \$49.66 per share. Based on the closing price of Independent common stock on December 31, 2013 of \$49.66, and assuming no downward adjustment, the amount of total merger consideration to be paid by Independent would have been valued at approximately \$213,573,540.

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to Independent 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 unless the holders of at least two-thirds of the outstanding shares of Independent common stock approve the reorganization agreement, the holders of at least a majority of the votes cast at the Independent special meeting approve the issuance of shares of Independent common stock to the BOH Holdings shareholders, and at least a plurality of the votes cast at the Independent special meeting approve the election of the three BOH Holdings director nominees nominated by the Independent board of directors. Also, in order to pass a potential adjournment of the special meeting, at least the majority of the votes cast on this proposal must approve of the adjournment. The board of directors of Independent unanimously supports the merger and recommends that you vote in favor of all four proposals

The accompanying joint proxy statement/prospectus contains a more complete description of the Independent special meeting and the terms of the reorganization agreement and the acquisition of BOH Holdings. In addition to being a proxy statement of BOH Holdings and Independent, this document is the prospectus of Independent for the shares of



its common stock that will be issued in connection with the transaction. **We urge you to review this entire document carefully, including the considerations discussed under Risk Factors beginning on page 42, and the appendices to the accompanying joint proxy statement/prospectus, which include the reorganization agreement.** You may also obtain information about Independent from documents that Independent has filed with the Securities and Exchange Commission, or SEC.

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Based on our reasons for the merger described in the accompanying joint proxy statement/prospectus, including the fairness opinion issued by our financial advisor, Sterne, Agee & Leach, Inc., or Sterne Agee, our board of directors believes that the transaction is fair to Independent from a financial point of view. **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 BOH Holdings shareholders, and the election of the aforementioned BOH Holdings director nominees, and adjournment of the Independent special meeting, if necessary.**

We appreciate your continuing loyalty and support, and we look forward to seeing you at the special meeting.

David R. Brooks

Chairman of the Board and Chief Executive Officer

Independent Bank Group, Inc.

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.

Joint proxy statement/prospectus dated \_\_\_\_\_, 2014  
and first mailed to shareholders of Independent on or about \_\_\_\_\_, 2014

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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 delivered with this document. This information is described on page 291 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 BOH Holdings, you must request the information by \_\_\_\_\_, 2014.

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, Executive Vice President and 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 BOH Holdings shareholders have specific questions about the merger or the BOH Holdings 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 BOH Holdings special meeting, they may contact John McWhorter, BOH Holdings Executive Vice President, Chief Financial Officer and Corporate Secretary, at the following address or by calling the following telephone number:

BOH Holdings, Inc.

750 Bering Drive, Suite 100

Houston, Texas 77057

(713) 789-6100

BOH Holdings 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 \_\_\_\_\_, 2014. There may be changes in the affairs of BOH Holdings or Independent since that date, which are not reflected in this document.**

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**BOH Holdings, Inc.**

**750 Bering Drive, Suite 100**

**Houston, Texas 77057**

**(713) 789-6100**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the holders of BOH Holdings common stock and BOH Holdings Series D preferred stock:

The special meeting of holders of BOH Holdings common stock and BOH Holdings Series D preferred stock will be held on \_\_\_\_\_, 2014, at [a.m./p.m.] Central Time, at the offices of Bank of Houston, 750 Bering Drive, Suite 100, Houston, Texas 77057 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, 2013, by and between Independent Bank Group, Inc., or Independent, and BOH Holdings, Inc., or BOH Holdings, pursuant to which BOH Holdings 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 BOH Holdings 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.

Only holders of BOH Holdings common stock and BOH Holdings Series D preferred stock of record as of 5:00 p.m. on \_\_\_\_\_, 2014, will be entitled to notice of and to vote at the BOH Holdings special meeting and any adjournments thereof. The special meeting may be adjourned from time to time upon approval of holders of BOH Holdings common stock and BOH Holdings Series D preferred 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 BOH Holdings common stock and BOH Holdings Series D preferred stock have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of BOH Holdings common stock under applicable provisions of the Texas Business Organizations Code, or TBOC. In order for a holder of BOH Holdings 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 BOH Holdings Shareholders.

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 BOH Holdings common stock and/or BOH Holdings Series D preferred stock, please contact John McWhorter, BOH Holdings Executive Vice President, Chief Financial Officer and Corporate Secretary, at (713) 789-6100.

By Order of the Board of Directors,

Donald L. Poarch

Chairman of the Board

Houston, Texas

, 2014

**The board of directors of BOH Holdings unanimously recommends that you vote FOR the proposals to approve the reorganization agreement and any adjournment of the BOH Holdings special meeting, if necessary, among other things, to permit solicitation of additional proxies if there are not sufficient votes at the time of the BOH Holdings 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 BOH Holdings special meeting, please vote by completing, signing and dating the proxy card and promptly mailing it in the enclosed envelope. You may revoke your proxy card in the manner described in the joint proxy statement/prospectus at any time before it is exercised. If you attend the BOH Holdings 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:

The special meeting of shareholders of Independent will be held on \_\_\_\_\_, 2014, at [a.m./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, 2013, by and between Independent Bank Group, Inc., or Independent, and BOH Holdings, Inc., or BOH Holdings, pursuant to which BOH Holdings 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 BOH Holdings shareholders in connection with the merger;
3. To consider and vote upon a proposal to elect the following three director nominees to fill the vacancies created when the Independent board expanded the board from ten (10) to thirteen (13) members:

James D. Stein, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2014;

Donald L. Poarch, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2015; and

J. Webb Jennings, III, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2016.

The election of these nominees is subject to, and will only become effective upon, the completion of the merger; 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 \_\_\_\_\_, 2014, 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 Executive Vice President and Secretary, at (972) 562-9004.

By Order of the Board of Directors,

David R. Brooks

Chairman of the Board

McKinney, Texas

\_\_\_\_\_, 2014

**The board of directors of Independent unanimously recommends that you vote FOR the proposals to approve the reorganization agreement, the issuance of shares of Independent common stock, the election of the BOH Holdings nominees and the adjournment of the Independent special meeting, if necessary, among other things, 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 card 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, 2013, by and between Independent Bank Group, Inc., or Independent, and BOH Holdings, Inc., or BOH Holdings, and the special meetings, and brief answers to those questions. Independent and BOH Holdings 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 291.*

**Q: What are BOH Holdings shareholders being asked to vote upon?**

**A:** BOH Holdings is proposing to be acquired by Independent through certain merger transactions. As part of the overall transaction, the holders of the common stock of BOH Holdings, or BOH Holdings common stock, and the holders of Series D preferred stock, or BOH Holdings Series D preferred stock, are being asked to consider and vote on the following two proposals:

**Proposal One:** to approve the reorganization agreement, pursuant to which BOH Holdings 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 77; and

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

No other business may be conducted at the BOH Holdings special meeting.

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

**A:** Independent is proposing to acquire BOH Holdings 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:

**Proposal One:** to approve the reorganization agreement, pursuant to which BOH Holdings 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 77;

**Proposal Two:** to approve the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger, which is further described in the section entitled *The Merger* beginning on page 77;

**Proposal Three:** to elect each of the following three director nominees designated pursuant to the reorganization agreement, or BOH Holdings 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 *Management Election of BOH Holdings Nominees to Fill New Director Seats* beginning on page 245, to fill the vacant seats, or the

new director seats, created when the Independent board expanded its board from ten (10) to thirteen (13) members:

James D. Stein, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2014;

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Donald L. Poarch, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2015; and

J. Webb Jennings, III, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2016.

**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, BOH Holdings will be merged with and into Independent, with Independent being the surviving entity. At the effective time of the merger, BOH Holdings will cease to exist. Immediately following the merger, Bank of Houston will be merged with and into Independent Bank, with Independent Bank being the surviving bank. Bank of Houston will cease to exist after the bank merger occurs. Bank of Houston is a commercial bank headquartered in Houston, Texas, and a wholly owned subsidiary of BOH Holdings. Independent Bank is a commercial bank headquartered in McKinney, Texas, and a wholly owned subsidiary of Independent. Upon the merger of BOH Holdings with and into Independent, the shares of BOH Holdings common stock will be converted into the right to receive the consideration described below. For ease of reference: (i) the merger of BOH Holdings with and into Independent is referred to in this joint proxy statement/prospectus as the merger and (ii) the merger of Bank of Houston with and into Independent Bank is referred to in this joint proxy statement/prospectus as the bank merger.

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

**A: BOH Holdings shareholders:** BOH Holdings is sending these materials to holders of its common stock and its Series D preferred stock to help them decide how to vote their shares of BOH Holdings common stock and BOH Holdings Series D preferred stock with respect to the proposal to approve the reorganization agreement and the merger and other matters to be considered at the BOH Holdings special meeting and to solicit their proxies in respect of the BOH Holdings special meeting.

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



**Q. What is the aggregate amount of consideration to be paid by Independent in the merger?**

**A:** Under the terms of the reorganization agreement, if the reorganization agreement is approved and the merger is completed, all outstanding shares of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred

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stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) will be converted into an aggregate of 3,616,060 shares of Independent common stock and \$34 million in cash, subject to downward adjustment, as set forth in the reorganization agreement. Based on the closing price of Independent common stock on the NASDAQ Global Market of \$49.66 on December 31, 2013, the amount of total consideration to be paid by Independent would have been valued at approximately \$213,573,540.

**Q: What consideration will BOH Holdings shareholders receive for each share of BOH Holdings common stock as a result of the merger?**

**A:** The amount of per share merger consideration to be received by the BOH Holdings shareholders is dependent upon the number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. As of December 31, 2013, BOH Holdings had the following outstanding shares of common stock and securities convertible or exercisable, as the case may be, into common stock:

7,304,322 shares of BOH Holdings common stock issued and outstanding;

102,918 shares of BOH Holdings Series D preferred stock issued and outstanding under its Employee Stock Purchase Plan. On January 8, 2014, an additional 9,124 shares of BOH Holdings Series D preferred stock were issued, and BOH Holdings expects that it could issue up to an additional 30,000 shares of BOH Holdings Series D preferred stock prior to the effective time of the merger. Accordingly, BOH Holdings could have up to a total of 142,042 shares of BOH Holdings Series D preferred stock outstanding prior to the effective time of the merger. At least two business days prior to the effective time of the merger, all of the outstanding shares of BOH Holdings Series D preferred stock will be automatically converted into shares of BOH Holdings common stock on a one-for-one basis; and

711,712 outstanding and unexercised options to purchase shares of BOH Holdings common stock granted under the Amended and Restated 2008 BOHI Equity Incentive Plan (some of which will not vest until the approval of the reorganization agreement at the BOH Holdings special meeting) will, at least one business day prior to the effective time of the merger, be automatically exercised, on either a for-cash or cashless basis, at the election of the holder, into between 514,508 shares of BOH Holdings common stock if all such options are exercised on a cashless basis, and 711,712 shares of BOH Holdings common stock if all such options are exercised on a for-cash basis.

Under the terms of the reorganization agreement, upon consummation of the merger, each share of BOH common stock issued and outstanding immediately prior to the merger will be converted into the right to receive (a) cash in an amount equal to the quotient of (i) \$34 million divided by (ii) the number of shares of BOH Holdings common stock outstanding immediately before the effective time of the merger, subject to downward adjustment as described in the reorganization agreement) and (b) the fraction of a share of Independent common stock equal to the quotient of (i) the quotient of (x) \$136 million divided by (y) the number of shares of BOH Holdings common stock outstanding immediately before the effective time divided by (ii) \$37.61.

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Based on the share and option amounts on December 31, 2013 and including the additional BOH Holdings Series D preferred stock issued on January 8, 2014, and that are expected to be issued prior to the effective time of the merger, BOH Holdings would have had between 7,960,872 (assuming all option holders exercise on a cashless basis) and 8,158,076 (assuming all option holders exercise for cash) shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger.

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Based on these estimates, at the effective time of the merger, holders of BOH Holdings common stock will receive between 0.4432 and 0.4542 shares of Independent common stock (with cash in lieu of a fractional share) and between \$4.17 and \$4.27 in cash for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) that they own, with the cash portion of the per share merger consideration subject to downward adjustment as set forth in the reorganization agreement.

No fractional shares of Independent common stock will be issued in the merger. Rather, fractional shares of Independent common stock will be paid in cash, without interest, in an amount equal to the product of the fraction of a share of Independent common stock multiplied by the volume-weighted average of the sale price per share of Independent common stock on the NASDAQ Global Select Market for the twenty consecutive trading days ending on and including the third trading day preceding the effective time. The market price of shares of Independent common stock and the amount of issued and outstanding BOH Holdings Series D preferred stock and BOH Holdings options will fluctuate from the date of this joint proxy statement/prospectus to the date of completion of the merger, and these fluctuations could impact the amount of cash paid for fractional shares.

The aggregate cash consideration will be reduced if BOH Holdings tangible book value, as calculated pursuant to the reorganization agreement, is less than \$70 million as of the closing date. If, as of the closing date, BOH Holdings tangible book value is less than \$70 million, but equal to or more than \$65 million, the aggregate cash consideration will be reduced by an amount equal to the product of (i) the difference between (x) \$70 million minus (y) BOH Holdings tangible book value as of the closing date, multiplied by (ii) 2.4, in each case, as BOH Holdings tangible book value is calculated pursuant to the reorganization agreement. Independent will not be obligated to consummate the merger if BOH Holdings does not have a tangible book value, as calculated pursuant to the reorganization agreement, of at least \$65 million as of the closing.

**Q: What is BOH Holdings current tangible book value? Are there factors which could change the tangible book value prior to closing?**

BOH Holdings tangible book value was approximately \$70.3 million as of September 30, 2013, before deductions contemplated by the reorganization agreement.

Tangible book value will increase or decrease by the amount of net income or net loss, respectively, of BOH Holdings through the closing date. Unrealized gains or losses in Bank of Houston's securities portfolio and any costs and expenses associated with the redemption of the BOH Holdings Series C preferred stock, if Independent should require such a redemption, are excluded from the calculation of tangible book value. However, all costs and expenses of BOH Holdings and Bank of Houston related to the merger on an after-tax equivalent basis will be included as a deduction in the calculation of tangible book value. For more detail about how BOH Holdings tangible book value will be calculated pursuant to the reorganization agreement, see the section entitled The Merger Potential Downward Adjustment to the Amount of Cash Consideration in the Merger beginning on page 80. Management of BOH Holdings estimates that BOH Holdings will have net income of approximately \$6.0 million from September 30, 2013 through March 31, 2014 and aggregate merger related deductions to tangible book value of approximately \$4.3 million. If these assumptions are correct, the amount of BOH Holdings tangible book value, as calculated pursuant to the reorganization agreement, would be approximately \$72.0 million as of March 31, 2014. Independent may, but will not be required to, effect the merger if the BOH Holdings tangible book value, as calculated pursuant to the reorganization agreement, is less than \$65 million. This amount is only an estimate and is based upon several assumptions, many of which are beyond the control of BOH Holdings. Accordingly, the actual amount of BOH

Holdings tangible book value may vary from this estimated amount.

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

**A:** No. In accordance with the reorganization agreement and subject to downward adjustment in certain circumstances, each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) will be exchanged for the merger consideration, which is comprised of between \$4.17 and \$4.27 per share in cash and between 0.4432 and 0.4542 shares of Independent common stock, depending on the exact number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger.

**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.

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

**A:** We are working to complete the merger during the second quarter of 2014, although delays could occur.

**Q: Are there any risks I should consider in deciding whether I vote for the reorganization agreement?**

**A:** Yes. Set forth under the heading of Risk Factors, beginning on page 42, are a number of risk factors that you should consider carefully.

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

**A: BOH Holdings shareholders:** The BOH Holdings special meeting is scheduled to take place at [a.m./p.m.] Central Time, on \_\_\_\_\_, \_\_\_\_\_, 2014 at the offices of Bank of Houston, 750 Bering Drive, Suite 100, Houston, Texas 77057.

**Independent shareholders:** The Independent special meeting is scheduled to take place at [a.m./p.m.] Central Time, on \_\_\_\_\_, \_\_\_\_\_, 2014 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: BOH Holdings shareholders:** The holders of record of BOH Holdings common stock and holders of record of BOH Holdings Series D preferred stock, as of 5:00 p.m. on \_\_\_\_\_, 2014, which is the date that BOH Holdings board of directors has fixed as the record date for the BOH Holdings special meeting, or the BOH Holdings record date, are entitled to vote at the BOH Holdings special meeting. Holders of BOH Holdings common stock and holders of BOH Holdings Series D preferred stock will each vote as separate class.

**Independent shareholders:** The holders of record of Independent common stock as of 5:00 p.m. on \_\_\_\_\_, 2014, 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.

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**Q: What are my choices when voting?**

**A:** With respect to each of the proposals, you may vote for, against or abstain from voting on the proposals in question presented at either the BOH Holdings special meeting or the Independent special meeting as the case may be.

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

**A: BOH Holdings shareholders:** Approval of the reorganization agreement by BOH Holdings shareholders requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of BOH Holdings common stock and holders of at least two-thirds of the outstanding shares of BOH Holdings Series D preferred stock, each voting as a separate class, or \_\_\_\_\_ shares of BOH Holdings common stock and \_\_\_\_\_ shares of BOH Holdings Series D preferred stock.

**Independent shareholders:** Approval of the reorganization agreement by Independent shareholders requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of Independent common stock or \_\_\_\_\_ shares of Independent common stock.

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

**A: BOH Holdings shareholders:** Adjournment of the BOH Holdings special meeting requires the approval of a majority of the votes cast by holders of BOH Holdings common stock and a majority of the votes cast by holders of the BOH Holdings Series D preferred stock, each voting as a separate class at the BOH Holdings 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 Independent common stock?**

**A: Independent shareholders:** Approval of the issuance of 3,616,060 shares of Independent common stock to be used as consideration in the merger requires the affirmative vote of the holders of the majority of the votes cast by holders of Independent common stock at the Independent special meeting.

**Q: What vote is required to elect the BOH Holdings nominees to fill the newly created vacancies on the board of directors of Independent?**

**A: Independent shareholders:** Election of the BOH Holdings nominees to fill the new director seats requires the affirmative vote of the holders of a plurality of all votes cast for such proposal at the Independent special



meeting.

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

**A:** The board of directors of BOH Holdings unanimously recommends that BOH Holdings shareholders vote their shares as follows:

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

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

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**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:

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

**Proposal Two:** FOR the issuance of 3,616,060 shares of Independent common stock to BOH Holdings shareholders in connection with the merger;

**Proposal Three:** FOR the election of each of James D. Stein, Donald L. Poarch and J. Webb Jennings, III to fill the new director seats on the Independent board, with the election of such directors being subject to the completion of the merger; and

**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: BOH Holdings shareholders:** You have the right to dissent from the merger and seek payment of the appraised fair value of your shares in cash. In order for a shareholder of BOH Holdings to perfect his or her right to dissent, such shareholder must (i) deliver to BOH Holdings a written objection to the merger prior to the BOH Holdings special meeting that states that such shareholder will exercise his or her right to dissent if the reorganization agreement is approved and the merger is completed, (ii) vote his or her shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock against approval of the reorganization agreement at the BOH Holdings special meeting, (iii) not later than the 20<sup>th</sup> 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 BOH Holdings common stock and/or BOH Holdings Series D preferred stock that states the number and class of shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock the shareholder 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 20<sup>th</sup> day after he or she makes that demand, submit to Independent the certificates representing his or her shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock. The steps you must follow to perfect your right of dissent are described in greater detail under the caption **The Merger Dissenters Rights of BOH Holdings Shareholders** starting on page 127, 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 your shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock may be more or less than the value of the Independent common stock and cash being paid in the merger. If the holders of more than 5% of the outstanding shares of BOH Holdings common stock dissent from the merger, Independent has the right to terminate the reorganization agreement.

**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.



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

**A: BOH Holdings shareholders:** The record date for the BOH Holdings special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock after the applicable record date, but prior to the effective time of the merger, you will retain the right to vote at the BOH Holdings special meeting, but the right to receive the merger consideration will transfer with the shares of stock.

**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: BOH Holdings 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 BOH Holdings common stock and/or your shares of BOH Holdings Series D preferred stock at the BOH Holdings 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 BOH Holdings special meeting and vote in person. If you are a record holder on the record date for the BOH Holdings special meeting and want to vote your shares by proxy, simply indicate on the proxy card(s) applicable to your shares of BOH Holdings common stock and/or your BOH Holdings Series D preferred 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 immediately prior to the vote at the BOH Holdings special meeting.

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

Voting your shares by proxy will enable your shares of BOH Holdings common stock and/or your shares of BOH Holdings Series D preferred stock to be represented and voted at the BOH Holdings special meeting if you do not attend the special meeting and vote your shares in person.

**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 immediately prior to the vote at the Independent special meeting;

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call [TOLL-FREE NUMBER] using a touch-tone telephone and follow the instructions provided on the call; or

go to the website [VOTING WEBSITE] 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 [a.m./p.m.] Central Time, on \_\_\_\_\_, 2014.

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 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 common stock that it holds for you, your broker may vote your shares of common stock on the merger proposal only if you provide instructions to your broker on how to vote. You should instruct your broker how to vote your shares of 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.

**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: BOH Holdings shareholders:** The shares to which such proxy card relates will be voted FOR approval of the reorganization agreement and the merger transactions contemplated therein and FOR any adjournments of the meeting that the board of directors of BOH Holdings deems necessary.

**Independent shareholders:** The shares to which such proxy card relates will be voted FOR approval of the reorganization agreement and the merger transactions contemplated therein, FOR approval of the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger, FOR election of each of the BOH Holdings nominees to fill the new director seats, 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: BOH Holdings shareholders:** Yes. All BOH Holdings shareholders are invited to attend the BOH Holdings special meeting. Shareholders of record on the record date for the BOH Holdings special meeting can vote in person at the BOH Holdings 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 BOH Holdings 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 \_\_\_\_\_, 2014,

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confirming that you were the beneficial owner of those shares as of 5:00 p.m. on \_\_\_\_\_, 2014, 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: BOH Holdings shareholders:** Yes. If a BOH Holdings shareholder is a holder of record, he or she may change his or her vote prior to such time that the proxy card for any such holder of BOH Holdings common stock or BOH Holdings Series D preferred stock must be received by:

delivering to BOH Holdings prior to the BOH Holdings special meeting a written notice of revocation addressed to: John McWhorter, Executive Vice President, Chief Financial Officer and Corporate Secretary, BOH Holdings, Inc., 750 Bering Drive, Suite 100, Houston, Texas 77057;

completing, signing and returning a new proxy card with a later date than your original proxy card, and any earlier proxy will be revoked automatically; or

attending the BOH Holdings special meeting and voting in person by ballot, and any earlier proxy will be revoked. However, simply attending the BOH Holdings special meeting without voting by ballot will not revoke your proxy.

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, Executive Vice President and Corporate Secretary, 1600 Redbud Boulevard, Suite 400, McKinney, Texas 75069-3257;

completing, signing and returning a new proxy card with a later date than your original proxy card prior to such time that the proxy card for any such holder of Independent common stock must be received, and 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,



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in each case if you are eligible to do so and following the instructions indicated on the proxy card;  
or

attending the Independent special meeting and voting in person, and any earlier proxy will be  
revoked. However, simply attending the Independent special meeting without voting will not  
revoke your proxy.

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.

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

**A: BOH Holdings shareholders:** If you are a record holder of BOH Holdings common stock and/or BOH Holdings Series D preferred stock and you abstain from voting 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 BOH Holdings common stock will be counted towards a quorum at the BOH Holdings special meeting, but such shares will have the same effect as a vote against the proposal to approve the reorganization agreement.

Abstentions and broker nonvotes will have no effect on 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 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 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. Abstentions and broker nonvotes will have no effect on the proposals to issue shares of Independent common stock to BOH Holdings shareholders in connection with the merger, elect the BOH Holdings nominees to fill the new director seats, or adjourn the Independent special meeting, if necessary.

**Q: Should BOH Holdings shareholders send in their stock certificates now?**

**A:** No. As soon as practical after the effective time, with the intent to be ten business days after the effective time, Wells Fargo Bank, N.A., Independent's exchange agent, will send the BOH Holdings shareholders written instructions for exchanging their stock certificates. BOH Holdings shareholders should not send their BOH Holdings stock certificates with their proxy card.

**Q: Who can help answer my questions?**

**A: BOH Holdings shareholders:** If you have additional questions about the merger, you should contact John McWhorter, Executive Vice President, Chief Financial Officer and Corporate Secretary, BOH Holdings, Inc., 750 Bering Drive, Suite 100, Houston, Texas 77057, telephone (713) 789-6100.

**Independent shareholders:** If you have additional questions about the merger, you should contact Jan Webb, Executive Vice President and 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. Independent and BOH Holdings urge you to carefully read this entire document and the other information that is referred to 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, see *Where You Can Find More Information* on page 292. 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

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 30 full-service banking centers in 26 communities, with 22 in the Dallas/Fort Worth metropolitan area, including McKinney, Dallas, Plano and Denton, and eight in the greater Austin, Texas area, including Austin and Waco. As of September 30, 2013, on a consolidated basis, Independent had total assets of \$2.0 billion, total loans of \$1.5 billion, total deposits of \$1.5 billion and shareholders' equity of \$219 million.

During fourth quarter of 2013, Independent consummated the acquisition of Collin Bank, a Texas chartered bank. On January 1, 2014, Independent consummated the acquisition of Live Oak Financial Corp. and its subsidiary, Live Oak State Bank, also a Texas chartered bank. A description of these acquisitions is found under the section entitled *Business of Independent - Recent Acquisitions* on page 142.

BOH Holdings, Inc.

750 Bering Drive, Suite 100

Houston, TX 77057

(713) 789-6100

BOH Holdings, Inc., a Texas corporation, is a bank holding company registered under the BHC Act. Bank of Houston, a Texas banking association and wholly owned subsidiary of BOH Holdings, is a full service commercial bank with five offices located in Houston, Texas, and one in Kingwood, Texas. As of September 30, 2013, BOH Holdings had total assets of \$924.6 million, total deposits of \$747.3 million, total net loans of \$704.6 million and total shareholders' equity of \$94.3 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.*

Independent proposes to merge BOH Holdings with and into Independent, with Independent continuing as the surviving company. At the effective time of the merger, BOH Holdings will cease to exist. Immediately following the merger, Bank of Houston will be merged with and into Independent Bank, with Independent Bank being the surviving bank. After the bank merger occurs, Bank of Houston will cease to exist and the existing

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locations of Bank of Houston will become banking centers of Independent Bank. Independent expects to complete the merger in the second quarter of 2014, although delays could occur. The merger will be accounted for as an acquisition of BOH Holdings and Bank of Houston 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.

**Terms of the Merger (page 77)**

If BOH Holdings and Independent shareholders approve the reorganization agreement and the merger is completed, all outstanding shares of BOH Holdings common stock will be converted into an aggregate of 3,616,060 shares of Independent common stock and \$34 million in cash, which cash amount is subject to downward adjustment, as set forth in the reorganization agreement.

The amount of per share merger consideration to be received by the BOH Holdings shareholders is dependent upon the number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. As of December 31, 2013, BOH Holdings had the following outstanding shares of common stock and securities convertible or exercisable, as the case may be, into common stock:

7,304,322 shares of BOH Holdings common stock issued and outstanding;

102,918 shares of BOH Holdings Series D preferred stock issued and outstanding under its Employee Stock Purchase Plan. On January 8, 2014, an additional 9,124 shares of BOH Holdings Series D preferred stock were issued, and BOH Holdings expects that it could issue up to an additional 30,000 shares of BOH Holdings Series D preferred stock prior to the effective time of the merger. Accordingly, BOH Holdings could have up to a total of 142,042 shares of BOH Holdings Series D preferred stock outstanding prior to the effective time of the merger. At least two business days prior to the effective time of the merger, all of the outstanding shares of BOH Holdings Series D preferred stock will be automatically converted into shares of BOH Holdings common stock on a one-for-one basis; and

711,712 outstanding and unexercised options to purchase shares of BOH Holdings common stock granted under the Amended and Restated 2008 BOHI Equity Incentive Plan (some of which will not vest until the approval of the reorganization agreement at the BOH Holdings special meeting) will, at least one business day prior to the effective time of the merger, be automatically exercised, on either a for-cash or cashless basis, at the election of the holder, into between 514,508 shares of BOH Holdings common stock if all such options are exercised on a cashless basis, and 711,712 shares of BOH Holdings common stock if all such options are exercised on a for-cash basis.

Under the terms of the reorganization agreement, upon consummation of the merger, each share of BOH common stock issued and outstanding immediately prior to the merger will be converted into the right to receive (a) cash in an amount equal to the quotient of (i) \$34 million divided by (ii) the number of shares of BOH Holdings common stock outstanding immediately before the effective time of the merger, subject to downward adjustment as described in the reorganization agreement) and (b) the fraction of a share of Independent common stock equal to the quotient of (i) the quotient of (x) \$136 million divided by (y) the number of shares of BOH Holdings common stock outstanding immediately before the effective time divided by (ii) \$37.61.

Based on the share and option amounts on December 31, 2013 and including the additional BOH Holdings Series D preferred stock issued on January 8, 2014, and that are expected to be issued prior to the effective time of the merger, BOH Holdings would have had between 7,960,872 (assuming all option holders exercise on a cashless basis) and 8,158,076 (assuming all option holders exercise for cash) shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger.

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Based on these estimates, at the effective time holders of BOH Holdings common stock will receive between 0.4432 and 0.4542 shares of Independent common stock (with cash in lieu of a fractional share) and between \$4.17 and \$4.27 in cash for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) that they own, with the cash portion of the per share merger consideration subject to downward adjustment as set forth in the reorganization agreement.

A condition to each party's respective obligation to consummate the merger is that the average sales price calculated as the volume-weighted average of the sale price per share of Independent common stock on the NASDAQ Global Select Market for the twenty consecutive trading days ending on and including the third trading day prior to the closing date, be at least \$30.09 per share. If the average sales price is less than \$30.09 per share either party may determine not to consummate the merger. As of December 31, 2013, the closing sales price for Independent common stock was \$49.66 per share.

Further, the amount of aggregate cash consideration will be reduced if BOH Holdings' tangible book value, as calculated pursuant to the reorganization agreement, is less than \$70 million as of the closing date. If, as of the closing date, BOH Holdings' tangible book value is less than \$70 million, the aggregate cash consideration will be reduced by an amount equal to the product of (i) the difference between (x) \$70 million minus (y) the tangible book value of BOH Holdings at the closing date multiplied by (ii) 2.4, in each case, as BOH Holdings' tangible book value is calculated pursuant to the reorganization agreement. Independent's obligation to consummate the merger is conditioned on BOH Holdings' tangible book value, as calculated pursuant to the reorganization agreement, being at least \$65 million as of the closing date.

BOH Holdings' obligation to consummate the merger, is conditioned upon the election at the Independent special meeting of the BOH Holdings nominees set forth in this joint proxy statement/prospectus to fill the new director seats.

No fractional shares of Independent common stock will be issued in the merger. Rather, fractional shares of Independent common stock will be paid in cash, without interest. The market price of Independent common stock will fluctuate from the date of this joint proxy statement/prospectus to the date of completion of the merger, and these fluctuations will affect the amount of cash paid for fractional shares.

Because of the possibility of a downward adjustment to the per share cash consideration and the uncertainty regarding the exact number of shares of BOH Holdings common stock that will be outstanding immediately prior to the effective time of the merger, BOH Holdings and Independent shareholders will not know the exact fraction of a share of Independent common stock or the exact amount of cash that BOH Holdings shareholders will receive for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) held by them as a result of the merger when BOH Holdings and Independent shareholders vote on the reorganization agreement.

**Treatment of BOH Holdings Series D Preferred Stock (page 79)**

In accordance with the reorganization agreement and pursuant to the terms of the BOH Holdings employee stock purchase plan, the board of directors of BOH Holdings must set a date (which date will be at least two business days before the effective time of the merger) on which all accumulated payroll deductions by participants in the BOH Holdings Employee Stock Purchase Plan as of such date will be applied to purchase BOH Holdings Series D preferred stock. After such date and until the effective time of the merger, participants in the Employee Stock Purchase Plan

will not have the right to purchase and BOH Holdings will not be permitted to issue any additional BOH Holdings Series D preferred stock.



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All shares of BOH Holdings Series D preferred stock issued and outstanding two business days prior to the effective time of the merger will automatically convert into shares of BOH Holdings common stock, on a one-to-one basis, as provided in the certificate of designations of BOH Holdings Series D preferred stock. As a result, immediately prior to the effective time of the merger, all holders of BOH Holdings Series D preferred stock will then hold one share of BOH Holdings common stock for each share of BOH Holdings Series D preferred stock previously held. Following the effective time of the merger, each share of BOH Holdings common stock will represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement.

**Treatment of BOH Holdings Options (page 79)**

BOH Holdings issues stock options under the Amended and Restated 2008 BOHI Equity Incentive Plan. As of December 31, 2013, there were outstanding options to purchase an aggregate 711,712 shares of BOH Holdings common stock pursuant to this plan. Under the terms of the reorganization agreement, any outstanding unvested BOH Holdings options will automatically vest upon the approval of the reorganization agreement by the holders of BOH Holdings common stock and BOH Holdings Series D preferred stock at the BOH Holdings special meeting. After this approval has been obtained, the BOH Holdings board of directors shall set a date that must be at least one business day prior to the effective time of the merger on which all outstanding unexercised BOH Holdings options will be automatically exercised, on a for-cash or cashless basis, as determined by the option holder, and BOH Holdings will issue shares of BOH Holdings common stock pursuant to this automatic exercise. Each share of BOH Holdings common stock acquired pursuant to such automatic exercise of an option will thereafter be entitled to receive the merger consideration to be paid pursuant to the reorganization agreement.

**Treatment of BOH Holdings Series C Preferred Stock (page 80)**

BOH Holdings has 23,938.35 outstanding shares of a class of preferred stock designated as Senior Noncumulative Perpetual preferred stock, Series C, or the BOH Holdings Series C preferred stock, issued to the U.S. Treasury in connection with BOH Holdings participation in the U.S. Treasury's Small Business Lending Fund, or SBLF. Under the terms of the reorganization agreement, Independent may elect either to (i) exchange shares of a new issue of Independent preferred stock, or the Independent preferred stock, for the BOH Holdings Series C preferred stock, or (ii) require BOH Holdings to redeem all of the outstanding BOH Holdings Series C preferred stock prior to the consummation of the merger. If Independent elects the exchange, Independent will exchange each share of the BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions, as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury. If Independent elects to require BOH Holdings to redeem the BOH Holdings Series C preferred stock, then such redemption would occur in connection with the completion of the merger. The cost to BOH Holdings to redeem all of the outstanding shares of the BOH Holdings Series C preferred stock as of December 31, 2013, would have been approximately \$23.9 million, and the costs and expenses related to such redemption would not be included in the calculation of BOH Holdings tangible book value for purposes of the reorganization agreement. Therefore, the redemption would not factor into the determination whether there would be a reduction in the amount of cash portion of the merger consideration Independent would be obligated to pay to BOH shareholders pursuant to the merger.

The exchange of the BOH Holdings Series C preferred stock for Independent preferred stock, or Independent preferred stock, is subject to prior review and acceptance by the U.S. Treasury. Independent is discussing the exchange process with the U.S. Treasury and is otherwise considering the merits of the exchange, but has yet to determine whether it will exchange new shares of Independent preferred stock for the BOH Holdings Series C preferred stock or require BOH Holdings to redeem the BOH Holdings Series C preferred stock.



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### **Material U.S. Federal Income Tax Consequences (page 122)**

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 LLP, special counsel to Independent, and the receipt by BOH Holdings of an opinion from Bracewell & Giuliani LLP, counsel to BOH Holdings, 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 BOH Holdings 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 U.S. holders of BOH Holdings common stock will generally be as follows: holders of BOH Holdings common stock generally will recognize gain (but not loss) with respect to their BOH Holdings common stock equal to the lesser of cash received (excluding any cash received in lieu of a fractional share of Independent common stock) or gain realized in the merger. The amount of gain realized will equal the amount by which the cash plus the fair market value of the Independent common stock, at the effective time of the merger, exceeds the adjusted tax basis in the BOH Holdings common stock to be surrendered in exchange therefor.

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 BOH Holdings common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

### **Fairness Opinion of Financial Advisor of BOH Holdings (page 93)**

Sandler O'Neill + Partners, L.P., or Sandler O'Neill, has delivered a written opinion to the board of directors of BOH Holdings that, as of the date of the reorganization agreement, based upon and subject to certain matters stated in the opinion, the merger consideration is fair to the shareholders of BOH Holdings from a financial point of view. This opinion is attached to this joint proxy statement/prospectus as [Appendix B](#). The opinion of Sandler O'Neill is not a recommendation to any BOH Holdings shareholder as to how to vote on the proposal to approve the reorganization agreement. 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.

### **Fairness Opinion of Financial Advisor of Independent (page 87)**

Sterne, Agee & Leach, Inc., or Sterne Agee, 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 C](#). The opinion of Sterne Agee is not a recommendation to any Independent shareholder as to how to vote on the proposals to approve the reorganization agreement or the issuance of Independent common stock to the shareholders of BOH Holdings in the merger. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Sterne Agee in providing its opinion.

### **Independent Plans to Continue Payment of Quarterly Dividends (page 273)**

Independent paid a cash dividend of \$0.06 per share to its shareholders in the third and fourth quarters of 2013 and, subject to applicable statutory and regulatory restrictions, intends to pay a cash dividend to its shareholders in the first quarter of 2014 and to continue paying quarterly cash dividends following the merger.



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**If Independent does not require BOH Holdings to redeem the BOH Holdings Series C preferred stock, then Independent would be Obligated to Pay Dividends on the Independent Preferred Stock Issued as a result of the Merger (page 277).**

If Independent elects not to require BOH Holdings to redeem the BOH Holdings Series C preferred stock prior to the consummation of the merger, then Independent will be obligated to exchange each share of BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury. In that event, Independent would be required to pay quarterly dividends on the Independent preferred stock at a rate equal to [1.0%] of the aggregate liquidation amount of the Independent preferred stock, which would be \$23.9 million.

**Ownership of Independent After the Merger (page 268 and 269)**

Pursuant to the reorganization agreement, Independent will issue 3,616,060 shares of its common stock to BOH Holdings shareholders in connection with the merger. Based on 12,330,158 shares of Independent common stock outstanding as of December 31, 2013, if Independent issues the 3,616,060 shares of Independent common stock to the shareholders of BOH Holdings in connection with the proposed acquisition by Independent of BOH Holdings, the former BOH Holdings shareholders would own approximately 22% of the outstanding shares of Independent common stock. That ownership percentage will be reduced by any future issuances of shares of Independent common stock.

**Market Prices of Independent Common Stock (page 272)**

Shares of Independent common stock were quoted on the NASDAQ Global Market through December 31, 2013, and are now quoted on the NASDAQ Global Select Market, under the symbol IBTX. On November 21, 2013, the last trading day before the merger was announced, Independent common stock closed at \$41.06 per share. On December 31, 2013, Independent common stock closed at \$49.66 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 BOH Holdings are not traded on any national securities exchange or on an established public trading market and no quotations of any market price exists for BOH Holdings shares.

**BOH Holdings Special Meeting (page 72)**

The special meeting of shareholders of BOH Holdings will be held on \_\_\_\_\_, 2014, at [a.m./p.m.] Central Time, at the offices of Bank of Houston, 750 Bering Drive, Suite 100, Houston, Texas 77057. At the BOH Holdings special meeting, holders of (i) shares of BOH Holdings common stock and (ii) shares of BOH Holdings Series D preferred stock, each voting as a separate class, will be asked to consider and vote on the following:

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

a proposal to adjourn the BOH Holdings special meeting to a later date or dates, if the board of directors of BOH Holdings determines such adjournment is necessary to permit solicitation of additional proxies if

there are not sufficient votes at the time of the BOH Holdings special meeting to constitute a quorum or to approve the reorganization agreement.

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**Independent Special Meeting (page 66)**

The special meeting of shareholders of Independent will be held on \_\_\_\_\_, 2014, at [a.m./p.m.] Central Time, at the branch office of Independent Bank, 1600 Redbud Boulevard, Suite 100, McKinney, Texas 75069. At the Independent special meeting, you will be asked to consider and vote on the following:

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

a proposal to approve the issuance of 3,616,060 shares of Independent common stock to BOH Holdings shareholders in the merger;

a proposal to elect each of James D. Stein, Donald L. Poarch and J. Webb Jennings, III, or the BOH Holdings director nominees, to fill the three new director seats on Independent's board of directors, subject to and conditioned upon the completion of the merger; 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.

**BOH Holdings Record Date Set at \_\_\_\_\_, 2014; Two-Thirds Shareholder Vote Required to Approve the Reorganization Agreement (page 73 and 74)**

You may vote at the special meeting of BOH Holdings shareholders if you owned BOH Holdings common stock or BOH Holdings Series D preferred stock as of 5:00 p.m. on \_\_\_\_\_, 2014. You can cast one vote for each share of BOH Holdings common stock and/or one vote for each share of BOH Holdings Series D preferred stock, as the case may be, that you owned of record at that time. As of December 31, 2013, there were 7,304,322 shares of BOH Holdings common stock and 102,918 shares of BOH Holdings Series D preferred stock outstanding.

Approval of the reorganization agreement requires the affirmative vote of both (i) the holders of at least two-thirds of the shares of BOH Holdings common stock outstanding and entitled to vote as of 5:00 p.m. on the record date and (ii) of holders of at least two-thirds of the shares of BOH Holdings Series D preferred stock outstanding and entitled to vote as of 5:00 p.m. on the record date, each voting as a separate class. If you fail to vote, it will have the effect of a vote against the reorganization agreement. The affirmative vote of a majority of the votes cast by both (i) the holders of BOH Holdings common stock and (ii) the holders of the BOH Holdings Series D preferred stock, each voting as a separate class, at the BOH Holdings special meeting is required to approve the adjournment of the BOH Holdings special meeting.

You may vote your shares of BOH Holdings common stock and/or BOH Holdings Series D preferred 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 your shares, you can revoke your proxy at any time before the vote is taken at the BOH Holdings special meeting by sending a written notice revoking the proxy or submitting a later-dated proxy to the Secretary of BOH Holdings, which must be received no later than immediately prior to the vote at the BOH Holdings special

meeting, or by voting in person at the BOH Holdings special meeting. 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. See The BOH Holdings Special Meeting Voting of Proxies by Holders of Record, Attending the Meeting; Voting in Person and Revocation of Proxies.



**Table of Contents****Independent Record Date Set at \_\_\_\_\_, 2014; Two-Thirds Shareholder Vote Required to Approve the Reorganization Agreement (page 67 and 69)**

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 \_\_\_\_\_, 2014. You can cast one vote for each share of Independent common stock you owned of record at that time. As of December 31, 2013, there were 12,330,158 shares of Independent common stock outstanding.

Approval of the reorganization agreement 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 you fail to vote, it will have the effect of a vote against the reorganization agreement. Approval of the issuance of the 3,616,060 shares of Independent common stock to be issued to holders of BOH common stock as consideration in the merger requires the affirmative vote of a majority of votes cast by holders of Independent common stock at the Independent special meeting. Election of the BOH Holdings nominees to fill the three new director seats 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 this proposal at 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 Secretary of Independent, which must be received no later than immediately prior to the vote at the Independent special meeting, or by voting in person at the Independent special meeting. 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. See The Independent Special Meeting Voting of Proxies by Holders of Record, Attending the Meeting; Voting in Person and Revocation of Proxies.

**BOH Holdings Reasons for the Merger and Recommendations of BOH Holdings Board (page 84)**

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

**Certain Shareholders of BOH Holdings are Expected to Vote Their Shares For Approval of the Reorganization Agreement (page 122)**

The directors and certain officers of BOH Holdings have entered into an agreement to vote the shares of BOH Holdings 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 BOH Holdings shareholders who entered into the voting agreement would be permitted to vote to accept a superior proposal, if any, under the terms of the reorganization agreement. As of the BOH Holdings record date, \_\_\_\_\_ shares of BOH Holdings common stock, or approximately \_\_\_\_\_% of the outstanding shares of BOH Holdings common stock, and \_\_\_\_\_ shares of BOH



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Holdings Series D preferred stock or approximately % of the outstanding shares of BOH Holdings Series D preferred stock, in each case, entitled to vote at the BOH Holdings special meeting, were bound by the voting agreement.

### **Independent s Reasons for the Merger and Recommendations of Independent s Board (page 85)**

Based on the reasons discussed elsewhere in this joint proxy statement/prospectus, including the fairness opinion of Sterne Agee, the board of directors of Independent believes that the merger is fair to and in the best interests of Independent, and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement. 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 page 85.

### **Effective Time of the Merger (page 104)**

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 BOH Holdings and Independent shareholders approve the reorganization agreement 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 in the second quarter of 2014, although delays could occur.

BOH Holdings 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 may not be completed.

### **Exchange of BOH Holdings Stock Certificates (page 103)**

After the effective time of the merger, you will receive a letter and instructions from Wells Fargo Bank, N.A., acting as Independent s exchange and transfer agent, or the exchange agent, describing the procedures for surrendering your stock certificates representing shares of BOH Holdings common stock in exchange for shares of Independent common stock and cash. The shares of Independent common stock issuable in exchange for the shares of BOH Holdings 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 to be within ten days of the effective time of the merger, Independent will cause the exchange agent to mail to each record holder of BOH Holdings common stock the letter and instructions for exchange. Please do not send BOH Holdings or Independent any of your BOH Holdings stock certificates until you receive these instructions. BOH Holdings 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 110)**

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

approval of the reorganization agreement and the merger transactions contemplated therein by the holders of two-thirds of the outstanding (i) BOH Holdings common stock and BOH Holdings Series D preferred stock, voting as separate classes and (ii) Independent common stock;

receipt of all approvals and consents required by applicable law from all applicable regulatory authorities in connection with the reorganization agreement, any other agreement contemplated

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thereby and the consummation of the transactions contemplated thereby, 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 having become effective and no stop order suspending its effectiveness being in effect and no proceedings for that purpose having 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 shall have been received;

the shares of Independent common stock to be issued to BOH Holdings shareholders shall have been authorized for listing on the NASDAQ Global Select Market;

the average closing price of Independent common stock, calculated as the volume-weighted average of the sale price per share on the NASDAQ Global Select Market, for the twenty consecutive trading days ending on and including the third trading day preceding the closing date of the merger, as reported by Bloomberg, being at least \$30.09;

no action having 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 thereby, 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) impose material limits on the ability of any party to consummate the transactions contemplated by the reorganization agreement, or (iii) could reasonably be expected to subject Independent, Independent Bank, BOH Holdings, Bank of Houston 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 as of the date of the reorganization agreement and being true and correct in all material respects as of the date of the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect;

the absence of a material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party;

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 the

closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect; 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, BOH Holdings' obligations to complete the merger is subject to the satisfaction of the following conditions:

Independent's delivery of the merger consideration to Wells Fargo Bank, N.A., as exchange agent;

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the Independent shareholders having elected all of the BOH Holdings nominees, whose directorships will only become effective upon consummation of the merger, to fill the three new director positions; and

the receipt by BOH Holdings of an opinion from Bracewell & Giuliani LLP to the effect that for 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 BOH Holdings 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:

BOH Holdings' tangible book value as of the closing date of the merger must not be less than \$65 million, as calculated pursuant to the reorganization agreement;

BOH Holdings' allowance for loan and lease losses as of the closing date of the merger must be at least equal to \$5.47 million;

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

each of the employment or change in control agreements between BOH Holdings and/or Bank of Houston and their respective officers specified in the reorganization agreement having been terminated, and each such officer having executed a termination and release with respect to their respective employment or change in control agreement;

receipt of the resignations of each of the directors of BOH Holdings and Bank of Houston, effective as of the closing date of the merger;

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

BOH Holdings shall have caused BOH Realty, LLC and General Asset Holdings, LLC, each being subsidiaries of BOH Holdings, to have been liquidated and dissolved;

in the event that Independent has not requested that BOH Holdings redeem the BOH Holdings Series C preferred stock prior to the closing date of the merger, Independent and BOH Holdings will have taken all actions reasonably necessary to provide for, and will have received all regulatory approvals required for the exchange of each share of the then-outstanding BOH Holdings Series C preferred stock for a

share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury;

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 BOH Holdings is a party shall have been obtained; and

the receipt by Independent of an opinion from Andrews Kurth LLP to the effect that (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 BOH Holdings will be a party to such reorganization within the meaning of



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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 Bank of Houston will be a party to such reorganization within the meaning of Section 368(b) of the Code.

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

employment agreements by Independent, Independent Bank and each of Patrick W. Blossom, Eric Corley, John A. Gonzales, Gregory J. Guarino, Garrett W. Hagendorf, Barry Hawk, Clay H. Hoster, Andrew J. Novarini, Theodore W. Nowak, James D. Stein, Mark A. Turzillo and Dennis R. Watson;

releases from each of the directors and certain officers of BOH Holdings and Bank of Houston, releasing BOH Holdings and Bank of Houston 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 BOH Holdings and Bank of Houston, agreeing to support, and not compete with, the business of Bank of Houston following the closing of the merger;

termination of employment and change in control agreements with certain officers of BOH Holdings and Bank of Houston; and

resignations from each of the directors of BOH Holdings and Bank of Houston, resigning from the board of directors of BOH Holdings and Bank of Houston.

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 law. Independent cannot 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 127)**

The acquisition of BOH Holdings 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 January 6, 2014, Independent, Independent Bank, BOH Holdings and Bank of Houston 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 118)**

Independent and BOH Holdings 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 BOH Holdings 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 BOH Holdings and Independent shareholders.

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**No Solicitation (page 109)**

Pursuant to the reorganization agreement, BOH Holdings agreed that it will not, and that it will cause Bank of Houston and their respective employees, directors, officers, financial advisors or agents of BOH Holdings and Bank of Houston 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, BOH Holdings will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that BOH Holdings has complied with the foregoing restrictions, if after the date of the reorganization agreement but prior to the closing of the merger, BOH Holdings 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, BOH Holdings 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 an offer superior to the merger with Independent and the failure of BOH Holdings 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 BOH Holdings and BOH Holdings obtains an appropriately executed confidentiality agreement from such third party.

**Termination of the Reorganization Agreement (page 118)**

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

the conditions to such party's obligations to close have not been satisfied on or before June 30, 2014, subject to a 30-day extension for the receipt of regulatory approvals, provided that, the terminating party is not in breach of the reorganization agreement;

the required regulatory approvals have not been obtained; or

if the reorganization agreement and merger is not approved by the shareholders of Independent and BOH Holdings at their respective special meetings.

BOH Holdings 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 BOH Holdings;

at any time prior to the BOH Holdings special meeting 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 BOH Holdings and the BOH Holdings board in accordance with all of the requirements of the reorganization agreement; or

there has been any material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of Independent.

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

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

any of the following have occurred with respect to environmental matters regarding BOH Holdings: (i) the factual substance of any of the representations and warranties of BOH Holdings 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) BOH Holdings refuses to allow such inspection or survey in a manner that Independent reasonably considers necessary, (iv) such inspection or survey identifies any 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 BOH Holdings, (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 BOH Holdings or Bank of Houston 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 BOH Holdings or Bank of Houston, the removal of which could reasonably be expected to result in a material adverse change in the assets, properties, business or financial condition of BOH Holdings, subject, in the case of each of the foregoing, to notice and the right of BOH Holdings to satisfactorily correct any such matter; or

there has been any material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of BOH Holdings or Bank of Houston.

**Termination Fee and Expense Reimbursements (page 119)**

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 BOH Holdings has agreed to pay to Independent a termination fee of \$5 million, which shall be Independent's sole remedy, if the reorganization agreement is terminated:

by BOH Holdings 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 BOH Holdings is not in material breach of the reorganization agreement;

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by either Independent or BOH Holdings if the Independent shareholders or BOH Holdings 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 BOH Holdings 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, BOH Holdings enters into a definitive agreement with any third party with respect to any acquisition proposal; or

by Independent if the BOH Holdings board has (i) recommended to the BOH Holdings 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 BOH Holdings common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the BOH Holdings shareholders acceptance or approval of any alternative acquisition proposal, (iii) notified Independent in writing that BOH Holdings is prepared to accept a superior proposal or (iv) resolved to do any of the foregoing.

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 BOH Holdings Have Financial Interests in the Merger that Differ from Your Interests (page 120)**

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

Each of Messrs. Donald Brunson, John A. Gonzales, Gregory J. Guarino, Barry Hawk, Randy Masters, John McWhorter, James D. Stein, Tim White, Andrew J. Novarini, Eric Corley, Tim Baker, Theodore W. Nowak, Clay H. Hoster, Larry Massey, Mark A. Turzillo, and Dennis R. Watson are executive officers of BOH Holdings and/or Bank of Houston and have entered into employment and/or change in control agreements. Certain of these agreements provide, among other things, for change in control payments to be made in connection with the completion of the merger or in some circumstances, if within a specified period following the merger, such executive is terminated by Independent and/or Independent Bank. The reorganization agreement provides that it is a condition to the closing of the merger that these agreements be terminated. Any amounts paid in connection with the termination of these agreements will reduce the tangible book value of BOH Holdings.

Independent and Independent Bank have entered into employment agreements with each of Messrs. Patrick W. Blossom, Eric Corley, John A. Gonzales, Gregory J. Guarino, Garrett W. Hagendorf, Barry Hawk, Clay H. Hoster, Andrew J. Novarini, Theodore W. Nowak, James D. Stein, Mark A. Turzillo and Dennis R. Watson, to be effective, if at all, upon completion of the merger, that include noncompetition and nonsolicitation obligations to Independent Bank and pursuant to which the executive officer is entitled to receive a salary, a one-time bonus upon completion of the merger, an annual bonus, restricted shares of Independent common stock and certain additional incentives from Independent and Independent Bank; and

the directors and officers of BOH Holdings will receive indemnification from Independent for a period of three 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 BOH Holdings and continued director and officer liability coverage for a period of three years after completion of the merger.



**Table of Contents****Comparison of Rights of Shareholders of BOH Holdings and Independent (page 281)**

BOH Holdings is a Texas corporation that is a registered bank holding company, and the rights of shareholders of BOH Holdings are governed by Texas law and BOH Holdings' 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 BOH Holdings common stock and, by virtue of their conversion into BOH Holdings common stock prior to the merger, BOH Holdings Series D preferred 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.

If Independent does not require BOH Holdings to redeem the BOH Holdings Series C preferred stock prior to the merger, Independent will exchange each share of the BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury. The exchange of the BOH Holdings Series C preferred stock for Independent preferred stock is subject to prior review and acceptance by the U.S. Treasury. Independent is discussing the exchange process with the U.S. Treasury and is otherwise considering the merits of the exchange, but has yet to determine whether it will exchange new shares of Independent preferred stock for the BOH Holdings Series C preferred stock or require BOH Holdings to redeem the BOH Holdings Series C preferred stock.

**Dissenters' Rights of BOH Holdings Shareholders (page 127)**

As a holder of BOH Holdings common stock and/or BOH Holdings Series D preferred stock, you have the right under Texas law to dissent from the merger and have the appraised fair value of your shares of BOH Holdings common stock or BOH Holdings Series D preferred stock as of the date immediately preceding the effective date of the merger paid to you in cash. The appraised fair value may be more or less than the value of the shares of Independent common stock and cash that shareholders of BOH Holdings will receive for their BOH Holdings shares in the merger.

Persons having beneficial interests in BOH Holdings common stock or BOH Holdings Series D preferred 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, you must carefully follow the requirements of the TBOC, including providing BOH Holdings, prior to the BOH Holdings special meeting, with a written objection to the merger that states that you will exercise your right to dissent if the BOH Holdings shareholders approve the reorganization agreement and the merger is completed. These steps for perfecting your right of dissent are summarized under the caption "Dissenters' Rights of BOH Holdings Shareholders" on page 127. 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.

If you intend to exercise dissenters' rights, you should read the provisions of the TBOC governing dissenters' rights carefully and consult with your own legal counsel. You should also remember that if you return a signed proxy card, but fail to provide instructions as to how your shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock are to be voted, you will be considered to have voted in favor of the reorganization agreement. **In that**

**event, you will not be able to assert dissenters' rights.**

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If the BOH Holdings shareholders approve the reorganization agreement, a holder of BOH Holdings common stock or BOH Holdings Series D preferred stock who delivers to the president and the secretary of BOH Holdings a written objection to the merger prior to the BOH Holdings special meeting that states that such holder will exercise his or her right to dissent if the reorganization agreement is approved and the merger is completed and includes an address for notice of the effectiveness of the merger, who votes his or her shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock against approval of the reorganization agreement at the BOH Holdings special meeting, who, not later than the 20<sup>th</sup> 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 BOH Holdings common stock or BOH Holdings Series D preferred stock that states the number and class of shares of BOH Holdings common stock or BOH Holdings Series D preferred 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 who, not later than the 20<sup>th</sup> day after he or she makes that demand for payment, submits to Independent the certificates representing his or her shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock will be entitled under the TBOC to receive the appraised fair value of his or her shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock, as of the date immediately prior to the effective time of the merger, in cash under the TBOC.

**Nomination of Directors (page 247)**

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 ten (10) members serving on the board, with three vacant seats as a result of the expansion of the Independent board of directors from ten (10) to thirteen (13) members. The expansion of the Independent board, the nomination of the BOH Holdings director nominees named in this joint proxy statement/prospectus 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 these nominees to the Independent shareholders for election are all obligations of Independent under the terms of the reorganization agreement. See Management Election of BOH Holdings Nominees to Fill New Director Seats beginning on page 245.

**Recent Acquisitions (page 142)**

On July 19, 2013, Independent entered into a definitive agreement to acquire Collin Bank, Plano, Texas, a Texas state chartered bank with total assets of \$173 million, total deposits of \$121 million and total equity capital of \$26 million as of September 30, 2013. Collin Bank was a full service commercial bank with one office located on the Dallas North Tollway in Plano. This acquisition closed on November 30, 2013 and Collin Bank was then merged with and into Independent Bank. Under the terms of the definitive agreement, Independent paid \$18.4 million in cash and issued 247,731 shares of Independent common stock, resulting in an aggregate transaction value of \$30.3 million.

On August 22, 2013, Independent entered into a definitive agreement to acquire Live Oak Financial Corp. and its subsidiary, Live Oak State Bank, Dallas, Texas, a Texas state chartered bank with total assets of \$127 million, total deposits of \$106 million and total equity capital of \$14 million as of September 30, 2013. Live Oak State Bank was a full service commercial bank with one office located in the Swiss Avenue/Lakewood area east of downtown Dallas. This acquisition closed effective as of January 1, 2014. Under the terms of the agreement, Independent paid aggregate cash consideration of \$10.0 million and issued 235,594 registered shares of Independent common stock, resulting in an aggregate transaction value of approximately \$21.7 million.



**Table of Contents****Selected Financial Information of Independent**

The following selected historical consolidated financial information of Independent as of and for the nine months ended September 30, 2013 and 2012 has been derived from Independent's unaudited consolidated financial statements as of and for the nine months ended September 30, 2013 and 2012 appearing elsewhere in this joint proxy statement/prospectus, the following selected consolidated financial information of Independent as of and for the years ended December 31, 2012, 2011 and 2010 has been derived from Independent's audited consolidated financial statements appearing elsewhere in this joint proxy statement/prospectus, and the selected consolidated financial information as of and for the year ended December 31, 2009, has been derived from Independent's audited consolidated financial statements not appearing 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 the information set forth under Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 144 and the consolidated financial statements of Independent and related accompanying notes included elsewhere 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, 2013 are not necessarily indicative of its results to be expected for all of 2013. As described elsewhere in this joint proxy statement/prospectus, Independent has consummated several acquisitions in recent fiscal periods. The results and other financial information of those acquired operations are not included in the information below for the periods 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 for any period or as of any date of BOH Holdings, Collin Bank, Live Oak Financial or of any other entity the acquisition of which may be consummated by Independent after September 30, 2013.

	As of and for the Nine Months Ended		As of and for the Years Ended December 31,			
	2013	2012	2012	2011	2010	2009
<i>(dollars in thousands except per share)</i>						
<b>(unaudited)</b>						
<b>Selected Income Statement Data</b>						
Interest income	\$ 64,367	\$ 51,676	\$ 71,890	\$ 59,639	\$ 51,734	\$ 48,747
Interest expense	9,387	9,914	13,337	13,358	13,669	15,721
Net interest income	54,980	41,762	58,553	46,281	38,065	33,026
Provision for loan losses	2,939	2,255	3,184	1,650	4,043	3,446
Net interest income after provision for loan losses	52,041	39,507	55,369	44,631	34,022	29,580
Noninterest income (excluding acquisition gains)	7,609	5,612	9,168	7,708	5,464	5,212
Gain on acquisitions					6,692	
Noninterest expense	41,957	33,831	47,160	38,639	33,062	27,136
Net income	15,521	11,288	17,377	13,700	13,116	7,656

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Pro forma net income <sup>(1)</sup> (unaudited)	11,895	7,653	12,147	9,357	8,775	5,189
<b>Per Share Data (Common Stock)<sup>(2)</sup></b>						
Earnings:						
Basic	\$ 1.44	\$ 1.47	\$ 2.23	\$ 2.00	\$ 1.95	\$ 1.29
Diluted <sup>(3)</sup>	1.43	1.47	2.23	2.00	1.95	1.29
Pro forma earnings: <sup>(1)</sup> (unaudited)						
Basic	1.10	1.00	1.56	1.37	1.31	0.87
Diluted <sup>(3)</sup>	1.10	1.00	1.56	1.37	1.31	0.87
Dividends <sup>(4)</sup>	0.71	0.74	1.12	0.89	0.63	0.57
Book value <sup>(5)</sup>	18.09	14.57	15.06	12.55	11.13	9.43
Tangible book value <sup>(6)</sup>	15.49	11.21	11.19	10.53	9.02	7.44
<b>Selected Period End Balance Sheet Data</b>						
Total assets	\$ 1,954,754	\$ 1,516,070	\$ 1,740,060	\$ 1,254,377	\$ 1,098,216	\$ 905,115
Cash and cash equivalents	120,281	42,797	102,290	56,654	86,346	58,089

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	As of and for the Nine Months Ended September 30,		As of and for the Years Ended December 31,			
	2013	2012	2012	2011	2010	2009
<i>(dollars in thousands except per share)</i>						
<b>(unaudited)</b>						
Securities available for sale	130,987	98,427	113,355	93,991	52,611	3,182
Total loans (gross)	1,559,852	1,229,831	1,378,676	988,671	860,128	724,709
Allowance for loan losses	13,145	10,901	11,478	9,060	8,403	6,742
Goodwill and core deposit intangible	31,466	27,097	31,965	13,886	14,453	13,136
Other real estate owned	8,376	7,799	6,847	8,392	7,854	5,623
Adriatica real estate owned <sup>(7)</sup>	9,678	15,836	9,727	16,065		
Noninterest-bearing deposits	281,452	198,935	259,664	168,849	133,307	114,880
Interest-bearing deposits	1,259,296	1,013,675	1,131,076	861,635	794,236	608,672
Borrowings (other than junior subordinated debentures)	169,237	164,981	201,118	118,086	75,656	101,682
Junior subordinated debentures <sup>(8)</sup>	18,147	14,538	18,147	14,538	14,538	14,538
Total stockholders equity	218,511	117,732	124,510	85,997	76,044	62,479
<b>Selected Performance Metrics<sup>(9)</sup></b>						
Return on average assets <sup>(10)</sup>	1.12%	1.06%	1.17%	1.16%	1.35%	0.87%
Return on average equity <sup>(10)</sup>	10.85	14.62	16.54	17.36	19.19	15.75
Pro forma return on average assets <sup>(1)(10)</sup> (unaudited)	0.86	0.72	0.82	0.79	0.91	0.59
Pro forma return on average equity <sup>(1)(10)</sup> (unaudited)	8.31	9.91	11.56	11.86	12.84	10.68
Net interest margin <sup>(11)</sup>	4.33	4.41	4.40	4.42	4.43	4.29
Efficiency ratio <sup>(12)</sup>	67.04	71.41	69.64	71.57	75.95	70.97
Dividend payout ratio <sup>(13)</sup>	13.39	13.55	11.89	13.26	13.54	20.04
<b>Credit Quality Ratios</b>						
Nonperforming assets to total assets	1.26%	2.30%	1.59%	2.85%	2.19%	1.92%
Nonperforming loans to total loans <sup>(14)</sup>	0.43	0.92	0.81	1.14	1.89	1.62
Allowance for loan losses to nonperforming loans <sup>(14)</sup>	197.28	96.83	104.02	80.32	51.93	57.61

Allowance for loan losses to total loans	0.85	0.89	0.83	0.92	0.98	0.93
Net charge-offs to average loans outstanding (unaudited)	0.12		0.06	0.11	0.31	0.21
<b>Capital Ratios</b>						
Tier 1 capital to average assets	10.74%	6.93%	6.45%	6.89%	6.98%	7.22%
Tier 1 capital to risk-weighted assets <sup>(15)</sup>	13.72	8.68	8.22	8.59	8.88	8.93
Total capital to risk-weighted assets <sup>(15)</sup>	15.05	11.25	10.51	11.19	11.10	11.24
Total stockholders equity to total assets	11.18	7.77	7.16	6.86	6.92	6.90
Tangible common equity to tangible assets <sup>(16)</sup>	9.73	6.09	5.42	5.81	5.68	5.53

- (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 32.8% and 32.2% for the nine months ended September 30, 2013 and 2012, respectively, and 30.1%, 31.7%, 33.1% and 32.2% for the years ended December 31, 2012, 2011, 2010 and 2009, 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.



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- (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. The increase in 2013 largely relates to Independent's initial public offering. See Note 1 to Independent's consolidated financial statements appearing elsewhere in this joint proxy statement/prospectus for more information regarding the dilutive effect of its outstanding warrants and regarding certain nonvested shares of common stock, the effect of which is anti-dilutive. 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:

	As of September 30,			As of December 31,		
	2013	2012	2012	2011	2010	2009
Weighted average shares outstanding basic	10,588,554	7,502,758	7,626,205	6,668,534	6,518,224	5,667,360
Weighted average shares outstanding diluted	10,647,428	7,525,884	7,649,366	6,675,078	6,518,224	5,667,360

- (4) Dividends declared include quarterly cash distributions paid to Independent's shareholders in the relevant period to provide them with funds to pay their federal income tax liabilities incurred as a result of the pass-through of Independent's net taxable income for the first three months of the nine months ended September 30, 2013 and for each other such period shown 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 and \$0.61 per share for the nine months ended September 30, 2013 and 2012, respectively, and \$0.85 per share, \$0.63 per share, \$0.36 per share and \$0.30 per share for the years ended December 31, 2012, 2011, 2010 and 2009, respectively.
- (5) Book value per share equals Independent's total stockholders' equity 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, 2013 and 2012 was 12,076,927 and 8,269,707, respectively, and as of December 31, 2012, 2011, 2010 and 2009 was 8,269,707 shares, 6,850,288 shares, 6,832,323 shares and 6,628,056 shares, respectively.
- (6) Independent calculates tangible book value per share as of the end of a period as total stockholders' equity 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. See Independent's reconciliation of non-GAAP financial measures presented in the foregoing selected financial information to their most directly comparable GAAP financial measures under the caption Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.
- (7) See Business IBG Adriatica for information regarding the real property owned by Independent's subsidiary, IBG Adriatica.
- (8) Each of five wholly owned, but nonconsolidated, subsidiaries of Independent holds a series of Independent's junior subordinated debentures purchased by the subsidiary in connection with, and paid for with the proceeds of, the issuance of trust issued preferred securities by that subsidiary. Independent has guaranteed the payment of the amounts payable under each of those issues of trust preferred securities.
- (9)

The values for the selected performance metrics presented for the nine months ended September 30, 2013 and 2012, other than the dividend payout ratio, are annualized.

- (10) 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 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 stockholder'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.
- (11) Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.
- (12) 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 bargain purchase gains recognized in connection with certain of Independent's acquisitions and realized gains or losses from sales of investment securities for that period.
- (13) Independent calculates its 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.
- (14) Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest, and accruing loans modified under troubled debt restructurings.
- (15) Independent calculates its risk-weighted assets using the standardized method of the Basel II Framework, as implemented by the Federal Reserve and the FDIC.

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(16) Independent calculates tangible common equity as of the end of a period as total stockholders' equity less goodwill and other intangible assets as of the end of the period and calculates 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. See Independent's reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations - GAAP Financial Measures.

**Table of Contents****Selected Financial Information of BOH Holdings**

The following selected historical consolidated financial information and capital ratios of BOH Holdings and Bank of Houston disclosed below as of and for the nine months ended September 30, 2013 and 2012 has been derived from BOH Holdings unaudited financial statements as of and for the nine months ended September 30, 2013 and 2012, appearing elsewhere in the joint proxy statement/prospectus, which BOH Holdings 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. The following selected historical consolidated financial information of BOH Holdings and Bank of Houston as of and for the years ended December 31, 2012, 2011, 2010 and 2009 have been derived from internal management reports and from BOH Holdings audited consolidated financial statements appearing elsewhere in this joint proxy statement/prospectus. You should read the following financial information relating to BOH Holdings in conjunction with other information contained in this joint proxy statement/prospectus, including the information set forth under BOH Holdings Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 204, and the consolidated financial statements of BOH Holdings and related accompanying notes included elsewhere in this joint proxy statement/prospectus. BOH Holdings historical results for any prior period are not necessarily indicative of results to be expected in any future period, and BOH Holdings historical results for the nine months ended September 30, 2013 are not necessarily indicative of its results to be expected for all of 2013.

	<b>As of and for the Nine Months Ended September 30,</b>		<b>As of and for the Years Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>					
<i>(dollars in thousands except per share)</i>						
<b>Selected Income Statement Data</b>						
Interest income	\$28,360	\$25,337	\$34,467	\$30,603	\$27,023	\$22,407
Interest expense	1,865	2,442	3,209	3,776	4,552	4,929
Net interest income	26,495	22,895	31,258	26,827	22,471	17,478
Provision for loan losses	100	50	250	1,060	2,525	2,370
Net interest income after provision for loan losses	26,395	22,845	31,008	25,767	19,946	15,108
Noninterest income	1,796	1,221	1,929	1,199	937	1,926
Noninterest expense	16,103	15,558	21,355	18,200	15,817	13,467
Income before income taxes	12,088	8,508	11,582	8,766	5,066	3,567
Provision for income tax expense	3,804	2,678	3,582	2,518	1,450	1,225
Net income	8,284	5,830	8,000	6,248	3,616	2,342
<b>Per Share Data (Common Stock)<sup>(1)</sup></b>						
<b>Earnings:</b>						
Basic <sup>(2)</sup>	\$1.16	\$0.83	\$1.14	\$0.89	\$0.61	\$0.39
Diluted	1.09	0.78	1.06	0.84	0.58	0.38

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Book value <sup>(3)</sup>	9.92	9.92	9.00	8.97	7.40	6.80
<b>Selected Period End Balance Sheet Data</b>						
Total assets	\$924,571	\$839,375	\$900,896	\$752,851	\$600,155	\$507,520
Cash and cash equivalents	92,833	118,187	122,730	125,299	84,448	64,698
Securities available for sale	88,724	115,966	107,741	81,151	48,986	45,166
Total loans (gross)	704,641	566,622	629,345	515,682	436,035	380,991
Allowance for loan losses	(6,239)	(5,935)	(6,139)	(5,942)	(5,446)	(4,125)
Other real estate owned	3,377	6,187	5,086	6,708	3,682	903
Noninterest-bearing deposits	302,421	298,696	355,509	270,260	156,090	116,674
Interest-bearing deposits	444,880	389,637	406,903	341,399	360,396	314,621
FHLB advances	80,300	45,000	40,000	45,000	20,000	20,000
Total stockholders equity	94,282	92,129	86,800	84,679	47,957	44,763
<b>Selected Performance Metrics<sup>(4)</sup></b>						
Return on average assets <sup>(5)</sup>	1.25%	0.97%	0.97%	0.95%	0.65%	0.52%
Return on average equity <sup>(5)</sup>	12.15	8.82	8.94	8.76	8.66	5.35
Net interest margin <sup>(6)</sup>	4.35	3.96	4.08	4.54	4.19	4.18
Efficiency ratio <sup>(7)</sup>	57.21	65.15	65.70	67.65	76.44	85.01

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	As of and for the Nine Months Ended September 30, 2013      2012 (unaudited)		As of and for the Years Ended December 31, 2012      2011      2010      2009			
	<i>(dollars in thousands except per share)</i>					
<b>Credit Quality Ratios</b>						
Nonperforming assets to total assets	0.42%	0.74%	0.56%	0.97%	1.68%	1.05%
Nonperforming assets to loans and other real estate owned	0.55	1.08	0.80	1.40	2.29%	1.40%
Allowance for loan losses to nonperforming assets <sup>(8)</sup>	160.84	95.93	120.70	81.05	54.06	77.22
Allowance for loan losses to total loans	0.89	1.05	0.98	1.15	1.25	1.08
Net charge-offs to average loans outstanding	0.00	0.01	0.01	0.12	0.28	0.37
<b>Capital Ratios</b>						
Leverage capital ratio	10.53%	11.15%	9.70%	11.80%	7.90%	9.00%
Tier 1 risk-based capital <sup>(9)</sup>	12.60	14.50	12.79	15.01	9.90	10.90
Total risk-based capital <sup>(9)</sup>	13.41	15.46	13.10	16.01	11.01	11.90
Tangible common equity to tangible assets <sup>(2)</sup>	10.27	11.05	9.67	11.40	8.02	8.76

- (1) BOH Holdings 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. The diluted earnings per share include the dilutive effect of outstanding options to purchase 711,712 shares of BOH Holdings 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:

	As of September 30, 2013      2012		2012	As of December 31, 2011      2010		2009
	Weighted average shares outstanding-basic	6,977,095		6,776,729	6,806,850	
Weighted average shares outstanding-diluted	7,462,132	7,226,702	7,305,441	6,840,779	5,335,785	5,307,360

- (2) Book value per share equals BOH Holdings total stockholders equity as of the date presented divided by the number of shares of BOH Holdings common stock outstanding as of the date presented. The number of shares of BOH Holdings common stock outstanding as of September 30, 2013 and 2012 was 6,999,417 and 6,856,972,

- respectively, and as of December 31, 2012, 2011, 2010, 2009 and 2008 was 6,953,775 shares, 6,771,952 shares, 5,065,240 shares, 5,037,840 shares and 4,994,240 shares, respectively.
- (3) BOH Holdings has no goodwill, intangibles or other adjustments, and therefore book value and tangible book value are the same.
  - (4) The values for the selected performance metrics presented for the nine months ended September 30, 2013 and 2012 are annualized.
  - (5) BOH Holdings 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. BOH Holdings 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. BOH Holdings calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total stockholder'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) BOH Holdings calculates its risk-weighted assets using the standardized method of the Basel II Framework, as implemented by the Federal Reserve and the FDIC.

#### **Selected Unaudited Pro Forma Combined Financial Information**

The merger will be accounted for as an acquisition of BOH Holdings and Bank of Houston 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, from which the selected pro forma combined financial information appearing below was derived, were prepared using the acquisition method of accounting. The following selected unaudited pro forma combined income statement data for the nine months ended

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September 30, 2013 and the year ended December 31, 2012 appearing below gives effect to (i) the merger as if the merger had been completed on January 1, 2012 and an aggregate of 3,616,060 shares of Independent common stock were issued in the merger, effective as of January 1, 2012 and (ii) the acquisitions of Collin Bank and Live Oak Financial Corp. as if such acquisitions had been completed on January 1, 2012, and an aggregate of 483,325 shares of Independent common stock were issued in such acquisitions effective as of January 1, 2012. The unaudited pro forma combined balance sheet information as of September 30, 2013, appearing below gives effect to (i) the merger as if the merger was completed on September 30, 2013 and (ii) the acquisitions of Collin Bank and Live Oak Financial Corp. as if such acquisitions were completed on September 30, 2013. You should read this information in conjunction with

Selected Financial Information of Independent, Selected Financial Information of BOH Holdings, the information set forth under Independent's Management's Discussion and Analysis of Financial Condition and Results of Operations, Independent's consolidated financial statements and the related notes, BOH Holdings Management's Discussion and Analysis of Financial Condition and Results of Operations and BOH Holdings consolidated financial statements and related notes, in each case appearing elsewhere in this joint proxy statement/prospectus.

The following selected unaudited pro forma combined financial information is not necessarily indicative of the results that might have occurred had the merger and the acquisitions of Collin Bank and Live Oak Financial Corp. taken place on January 1, 2012 for statement of income purposes and on September 30, 2013 for balance sheet purposes, and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in the section entitled Risk Factors beginning on page 42 and the factors discussed under the caption Cautionary Note Regarding Forward-Looking Statements appearing elsewhere in this joint proxy statement/prospectus.

	<b>Pro Forma Independent, Collin Bank and Live Oak Financial Corp. with BOH Holdings</b>			
	<b>Pro Forma Independent with Collin Bank and Live Oak Financial Corp.</b>		<b>As of and for the</b>	
	<b>As of and for the Nine Months Ended September 30, 2013 (unaudited)</b>	<b>For the Year Ended December 31, 2012 (unaudited)</b>	<b>Nine Months Ended September 30, 2013 (unaudited)</b>	<b>For the Year Ended December 31, 2012 (unaudited)</b>
<i>(dollars in thousands except per share)</i>				
<b>Selected Pro Forma Combined Income Statement Data</b>				
Interest income	\$ 72,138	\$ 84,406	\$ 100,497	\$ 118,873
Interest expense	10,680	15,938	12,545	19,147
Net interest income	61,458	68,468	87,952	99,726
Provision for loan losses	2,939	3,020	3,039	3,270
Net interest income after provision for loan losses	58,519	65,448	84,913	96,456
Noninterest income	8,166	10,334	9,901	12,263
Noninterest expense	47,864	56,679	63,906	78,034
Tax expense	2,172		5,986	3,582
Net income	16,649	19,103	24,922	27,103
Tax-adjusted pro forma net income <sup>(1)</sup>	12,653	13,307	22,547	21,307



**Pro Forma Combined Per Share Data  
(Common Stock)<sup>(2)</sup>**

Earnings:								
Basic	\$	1.48	\$	2.31	\$	1.67	\$	2.28
Diluted <sup>(3)</sup>		1.47		2.31		1.67		2.28
Tax-adjusted pro forma earnings: <sup>(1)</sup> (unaudited)								
Basic		1.12		1.61		1.51		1.79
Diluted <sup>(3)</sup>		1.12		1.61		1.51		1.79
Dividends <sup>(4)</sup>		0.79		1.21		0.71		1.71
Book value <sup>(5)</sup>		19.27				23.37		
Tangible book value <sup>(6)</sup>		15.92				14.64		
Weighted average shares outstanding: <sup>(3)</sup>								
Basic		11,071,869		8,109,530		14,687,929		11,725,590
Diluted		11,130,753		8,132,690		14,746,813		11,748,750

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<b>Selected Pro Forma Combined Period End Balance Sheet Data</b>	<b>Pro Forma Independent with Collin Bank and Live Oak Financial Corp. As of September 30, 2013 (unaudited)</b>	<b>Pro Forma Independent, Collin Bank and Live Oak Financial Corp. with BOH Holdings As of September 30, 2013 (unaudited)</b>
Total assets	\$ 2,238,361	\$ 3,203,623
Cash and cash equivalents	153,313	188,194
Securities available for sale	213,416	310,674
Total loans (gross)	1,705,766	2,404,168
Allowance for loan losses	(13,145)	(13,145)
Goodwill and core deposit intangible	42,070	141,302
Other real estate owned	8,376	11,009
Adriatica real estate owned <sup>(7)</sup>	9,678	9,678
Noninterest-bearing deposits	339,252	632,090
Interest-bearing deposits	1,429,088	1,882,656
Borrowings (other than junior subordinated debentures)	200,956	281,256
Junior subordinated debentures <sup>(8)</sup>	18,147	18,147
Total stockholders' equity <sup>(9)</sup>	242,073	378,077

- (1) Prior to April 1, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation and, as a result, did not pay U.S. federal income taxes, and, as a result, Independent has not been required to make any provision or recognize any liability for federal income tax in its consolidated financial statements for any period ended on or before March 31, 2013. As of April 1, 2013, Independent terminated its S corporation election and became subject to federal income tax as a C corporation under Subchapter C of the Code. Independent has calculated the pro forma net income and tax-adjusted pro forma earnings per share on a basic and diluted basis for each period presented by calculating a pro forma combined provision for federal income taxes using an assumed annual effective federal income tax rate of 32.8% for the nine months ended September 30, 2013 and 30.1% for the year ended December 31, 2012, and adjusting the pro forma combined 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, the issuance of a total of 483,325 shares of Independent common stock to the Collin Bank and Live Oak Financial Corp. shareholders, effective January 1, 2012, and the assumed issuance of a total of 3,616,060 shares of Independent's common stock to BOH Holdings' shareholders in the merger, effective as of January 1, 2012.
- (3) 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 3.2-for-one split of the shares of Independent common

stock that was effective as of February 22, 2013, and adjusted for the issuance of a total of 483,325 shares of Independent common stock to the Collin Bank and Live Oak Financial Corp. shareholders, effective January 1, 2012, the assumed issuance of a total of 3,616,060 shares of Independent's common stock to BOH Holdings shareholders in the merger, effective as of January 1, 2012. See Note 1 to Independent's consolidated financial statements appearing elsewhere in this joint proxy statement/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 and tax-adjusted pro forma earnings per share (which are calculated using pro forma combined net income less the applicable pro forma provision for federal income tax discussed in note (1) above) on a basic and diluted basis were calculated using the following outstanding share amounts:

	<b>Pro Forma Independent with Collin Bank and Live Oak Financial Corp.</b>		<b>Pro Forma Independent, Collin Bank and Live Oak Financial Corp. with BOH Holdings</b>	
	<b>As of September, 30, 2013 (unaudited)</b>	<b>As of December 31, 2012 (unaudited)</b>	<b>As of September, 30, 2013 (unaudited)</b>	<b>As of December 31, 2012 (unaudited)</b>
Weighted average shares outstanding basic	11,071,869	8,109,530	14,687,929	11,725,590
Weighted average shares outstanding diluted	11,130,753	8,132,690	14,746,813	11,748,750

- (4) Dividends declared include the cash distributions paid by Independent to its shareholders in the relevant period to provide them with funds to pay their federal income tax liabilities incurred as a result of the pass-through of Independent's net taxable income for the first

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- three months of the nine months ended September 30, 2013 and the full year ended December 31, 2012 to Independent's 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 for the nine months ended September 30, 2013 and \$0.85 per share for the year ended December 31, 2012. BOH Holdings declared and paid total dividends of \$7.7 million in 2012 and did not pay any dividends in 2013.
- (5) 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's common stock outstanding as of the date presented adjusted for the assumed issuance of (i) 3,616,060 shares of Independent common stock to BOH Holdings' shareholders in the merger, effective as of January 1, 2012 and (ii) 483,325 shares of Independent common stock in the acquisitions of Collin Bank and Live Oak Financial Corp., effective as of January 1, 2012. The pro forma number of shares of Independent common stock outstanding as of September 30, 2013, and December 31, 2012, was 16,176,312 and 12,369,092 shares, respectively.
- (6) As discussed above in note (6) to the tabular presentation in Selected Financial Information of Independent on page 29, 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:

	<b>Pro Forma Independent with Collin Bank and Live Oak Financial Corp.<sup>(a)</sup> As of September 30, 2013 (unaudited)</b>	<b>Pro Forma Independent, Collin Bank and Live Oak Financial Corp. with BOH Holdings<sup>(a)</sup> As of September 30, 2013 (unaudited)</b>
(dollars in thousands except per share data)		
<b>Tangible common equity</b>		
Total stockholders equity	\$ 242,073	\$ 378,077
Adjustments:		
Goodwill	37,685	130,917
Core deposit intangibles	4,385	10,385
<b>Tangible common equity</b>	<b>\$ 200,503</b>	<b>\$ 236,775</b>
	<b>12,560,252</b>	<b>16,176,312</b>

Common shares outstanding <sup>(b)</sup>				
Book value per common share	\$	19.27	\$	23.37
Tangible book value per common share		15.92		14.64

- (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.
- (7) See Business IBG Adriatica for information regarding the real property owned by Independent's subsidiary, IBG Adriatica.
- (8) Each of five wholly owned, but nonconsolidated, subsidiaries of Independent holds a series of Independent's junior subordinated debentures purchased by the subsidiary in connection with and paid for with the proceeds of the issuance of trust issued preferred securities by that subsidiary. Independent has guaranteed the payment of the amounts payable under each of those issues of trust preferred securities.
- (9) Pro forma stockholders' equity is calculated based on the redemption prior to closing of BOH Holdings Series C preferred stock.

**Table of Contents****Comparative Historical and Unaudited Pro Forma Per Share Financial Data**

The following table presents: (1) historical per share information for Independent and Independent pro forma with Collin Bank and Live Oak Financial Corp.; (2) tax-adjusted pro forma information for Independent and Independent pro forma with Collin Bank and Live Oak Financial Corp.; (3) historical per share information for BOH Holdings; (4) pro forma per share information of the combined company after giving effect to the merger and the acquisition of Collin Bank and Live Oak Financial Corp.; and (5) equivalent pro forma per share information for BOH Holdings.

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 BOH Holdings and Selected Unaudited Pro Forma Combined Financial Information. You should read this table together with the financial information discussed under those headings and the consolidated financial statements of Independent and BOH Holdings presented elsewhere 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 and the Collin Bank and Live Oak Financial Corp. acquisitions been effective on January 1, 2012 for purposes of net income per share data, and September 30, 2013 for purposes of book value per share data. In addition, the comparative historical and unaudited pro forma per share financial data for Independent in the table immediately below includes, as of the dates and for the periods indicated, the results and financial condition for Collin Bank and Live Oak Financial Corp. Independent's acquisition of Collin Bank was completed November 30, 2013, and Independent's acquisition of Live Oak Financial Corp. was completed January 1, 2014.

The information appearing in the column captioned Combined Pro Forma in the table below was prepared assuming that (i) 3,616,060 shares of Independent common stock were issued to the shareholders of BOH Holdings in the merger as of January 1, 2012 for purposes of net income per share data, and September 30, 2013 for purposes of book value per share data, and (ii) a total of 483,325 shares of Independent common stock were issued to the shareholders of Collin Bank and Live Oak Financial Corp. on January 1, 2012 for purposes of net income per share data, and September 30, 2013 for purposes of book value per share data. The information appearing in the column captioned Per Equivalent BOH Holdings Share was obtained by multiplying the pro forma amounts by 0.4537, the assumed ratio at which shares of Independent common stock will be issued for a share of BOH Holdings common stock in the merger. Such assumed ratio was calculated based on the assumption that 7,960,872 shares of BOH Holdings 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 all outstanding options to purchase shares of BOH Holdings common stock are automatically exercised on a cashless basis). The exact number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger cannot be determined with complete precision because BOH Holdings cannot predict the exact number of shares of BOH Holdings Series D preferred stock that will be outstanding prior to the merger (both of which are convertible or exercisable, as the case may be, into shares of BOH Holdings common stock prior to the effective time of the merger).

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	<b>Independent</b>	<b>Independent Pro Forma with Collin Bank and Live Oak Financial Corp.</b>	<b>BOH Holdings</b>	<b>Combined Pro Forma<sup>(1)</sup></b>	<b>Per Equivalent BOH Holdings Share</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Book value per share:</b>					
At September 30, 2013	\$18.09	\$ 19.27	\$ 9.92	\$ 23.38	\$ 10.62
<b>Cash dividends declared per share<sup>(2)</sup>:</b>					
Nine months ended September 30, 2013	\$0.19	\$ 0.27	\$	\$ 0.19	\$ 0.09
Year ended December 31, 2012	0.27	0.36	1.10	0.86	0.39
<b>Basic net income per share:</b>					
Nine months ended September 30, 2013	\$1.44	\$ 1.48	\$ 1.16	\$ 1.67	\$ 0.76
Year ended December 31, 2012	2.23	2.31	1.14	2.28	1.04
<b>Tax adjusted pro forma basic net income per share<sup>(3)</sup>:</b>					
Nine months ended September 30, 2013	\$1.10	\$ 1.12	n/a	\$ 1.51	\$ 0.69
Year ended December 31, 2012	1.56	1.61	n/a	1.79	0.81
<b>Diluted net income per share:</b>					
Nine months ended September 30, 2013	\$1.43	\$ 1.47	\$ 1.09	\$ 1.67	\$ 0.76
Year ended December 31, 2012	2.23	2.31	1.06	2.28	1.03
<b>Tax adjusted diluted net income per share<sup>(3)</sup>:</b>					
Nine months ended September 30, 2013	\$1.10	\$ 1.12	n/a	\$ 1.51	\$ 0.69
Year ended December 31, 2012	1.56	1.61	n/a	1.79	0.81

- (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 BOH Holdings as of September 30, 2013 divided by total pro forma common shares of Independent issued and outstanding as of that date assuming (i) the merger was effective as of September 30, 2013 and 3,616,060 shares of the Independent common stock in the aggregate were issued in connection with the merger as of September 30, 2013 and (ii) the acquisitions of Collin Bank and Live Oak Financial Corp. were effective as of September 30, 2013 and 483,325 shares of Independent common stock in the aggregate were issued in connection with these acquisitions as of September 30, 2013.
- (2) Dividends declared do not include the cash distributions paid to Independent's shareholders in the nine months ended September 30, 2013 and the year ended December 31, 2012 to provide them with funds to pay their federal income tax liabilities incurred as a result of the pass-through of Independent's net taxable income for the first three months of the nine months ended September 30, 2013 and for the full year ended December 31, 2012 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 for the nine months ended September 30, 2013 and \$0.92 per share for the year ended December 31, 2012.

- (3) Prior to April 1, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation and, as a result, did not pay U.S. federal income taxes, and, as a result, Independent has not been required to make any provision or recognize any liability for federal income tax in its consolidated financial statements for any period ended on or before March 31, 2013. As of April 1, 2013, Independent terminated its S corporation election and became subject to federal income tax as a C corporation under Subchapter C of the Code. Independent has calculated its tax adjusted pro forma basic net income per share and its tax adjusted pro forma diluted net income per share for each period presented by calculating a pro forma provision for federal income taxes using an assumed annual effective federal income tax rate of 32.8% for the nine months ended September 30, 2013 and 30.1% for the year ended December 31, 2012, 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.

### Comparative Stock Prices

The following table shows (1) the market values of Independent common stock at the close of business on November 21, 2013, 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 BOH Holdings 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 BOH Holdings common stock is not provided because there is no active market for BOH Holdings common stock.

	<b>Independent Common Stock<sup>(1)</sup></b>	<b>Equivalent Pro Forma Per Share of BOH Holdings Common Stock<sup>(2)</sup></b>
November 21, 2013	\$ 41.06	\$ 22.92
December 31, 2013	49.66	26.83



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- (1) Represents the closing price of Independent common stock on the NASDAQ Global Market on the date indicated.
- (2) Equivalent pro forma market value per share of BOH Holdings common stock represents the historical market value per share of Independent common stock multiplied by the assumed exchange ratio of 0.4542 and adding the assumed per-share cash consideration of \$4.27, assuming no downward adjustment to the cash portion of the consideration. The assumed exchange ratio and assumed per-share cash consideration were calculated based on 7,304,322 shares of BOH Holdings common stock issued and outstanding as of December 31, 2013, and assumes the issuance of 514,508 shares of BOH Holdings common stock pursuant to outstanding BOH Holdings options and the issuance of 142,042 shares of BOH Holdings common stock as a result of the conversion of BOH Holdings Series D preferred stock as a result of the merger. The number of shares of BOH Holdings common stock to be issued pursuant to outstanding BOH Holdings options was calculated using a value of \$26.83 per share of BOH Holdings common stock, which was the price determined in accordance with the reorganization agreement as if the merger had closed on December 31, 2013, and assumes all BOH Holdings option holders exercised on a cashless basis.

See Terms of Merger beginning on page 13 for description of the merger consideration.

**Dividends**

**Dividend Payments**

As approved by Independent's board of directors, Independent declared and paid a \$0.06 per share dividend to holders of Independent common stock in each of the third quarter and fourth quarters of 2013, and, subject to applicable statutory and regulatory restrictions and the declaration of such dividends by the board of directors of Independent, intends to pay a cash dividend in the first quarter of 2014 and quarterly thereafter following the merger. 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. Any future determination to pay dividends to holders of Independent's common stock will be dependent upon Independent's results of operations, financial condition, capital requirements, banking regulations, contractual restrictions (including the restrictions discussed below), and any other factors that Independent's board of directors may deem relevant.

**Dividend Restrictions**

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.

As a bank holding company, Independent's ability to pay dividends is affected by the policies and enforcement powers of the Federal Reserve. See Regulation and Supervision Independent Bank Group as a Bank Holding Company Regulatory Restrictions on Dividends; Source of Strength. In addition, because Independent is a holding company, it is dependent upon the payment of dividends by Independent Bank to Independent as its principal source of funds to pay dividends in the future, if any, and to make other payments. Independent Bank is also subject to various legal, regulatory and other restrictions on its ability to pay dividends and make other distributions and payments to Independent. See Regulation and Supervision Regulation of Independent Bank Restrictions on Distribution

of Subsidiary Bank Dividends and Assets.

**Possible Payment of Dividends on Independent Preferred Stock that May Be Issued in Connection with the Merger**

If Independent does not require BOH Holdings to redeem the BOH Holdings Series C preferred stock prior to the merger, Independent will exchange each share of BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers,

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and be subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury.

In this event, Independent would be obligated upon the consummation of the merger and the exchange of the BOH Holdings Series C preferred stock to make dividend payments to holders of its newly issued shares of Independent preferred stock. Because the terms of any such series of Independent preferred stock would be, under these circumstances, negotiated with and agreed upon by the U.S. Treasury, Independent can make no assurances as to the rights and privileges to be granted to holders of such preferred shares, including rights to dividend payments. See the disclosure under [Comparison of Rights of Shareholders of BOH Holdings and Independent](#) beginning on page 286.

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**RISK FACTORS**

An investment in Independent common stock in connection with the merger involves 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. The material risks and uncertainties connected with the merger, with the decision to invest in Independent common stock, and with Independent's business in general are described below. Holders of BOH Holdings common stock and BOH Holdings Series D preferred 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 in deciding whether to vote for approval of the various proposals for which they may vote. If any of the risks described in this joint proxy statement/prospectus occur, the value of Independent common stock that you currently hold or which you would hold upon consummation of the merger could decline significantly, and the current holders of Independent common stock and/or the holders of BOH Holdings common stock or BOH Holdings Series D preferred stock could lose all or part of their respective investments.

**Risks Related to the Merger**

**The merger may not be completed.**

Completion of the merger is subject to regulatory approval. Neither Independent nor BOH Holdings can assure you that the required regulatory approvals will be obtained. If they are not successful in obtaining required regulatory approvals, the merger will not be completed. If such regulatory approvals are received, there can be no assurance to the timing of those approvals or whether any conditions will be imposed that would result in certain closing conditions of the merger not being satisfied.

Independent shareholders and BOH Holdings shareholders 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 a regulatory authority has considered the adequacy of the terms of the merger. Regulatory approval is not an endorsement or recommendation of the merger.

The reorganization agreement and merger must also be approved by two-thirds of the holders of BOH Holdings common stock and BOH Holdings Series D preferred stock, each voting as a separate class. The consummation of the merger is also subject to other conditions precedent described in the reorganization agreement, including BOH Holdings having a tangible book value, as calculated pursuant to the reorganization agreement, of at least \$65 million as of the closing, BOH Holdings maintaining a minimum allowance for loan and lease losses, and that there has been no material adverse change in the condition of BOH Holdings or Independent. Further, it is also a closing condition to the merger that the volume-weighted average of the sale price per Independent share of common stock on the NASDAQ Global Select Market for the twenty consecutive trading days ending on and including the third trading day preceding the closing date as reported by Bloomberg is not less than \$30.09. In addition, it is a condition in the reorganization agreement that the holders of not more than 5% of the outstanding shares of BOH Holdings common stock (including shares of BOH Holdings Series D preferred stock that will be converted into BOH Holdings common stock immediately prior to the consummation of the merger) will exercise their statutory dissenters' rights under the TBOC. The number of shares of BOH Holdings common stock that will exercise dissenters' rights under the TBOC is not known and, therefore, there is no assurance of this closing condition being satisfied. If a condition of either party is not satisfied, that party may be able to terminate the reorganization agreement and, in such case, the transaction would not be consummated. Further, because there are significantly more shares of BOH Holdings common stock outstanding as compared to BOH Series D preferred stock and each class of stock must approve the reorganization

agreement and merger, this may confer a disproportionate amount of control over such approval to the holders of the BOH Holdings Series D preferred stock. The parties cannot assure you that all of the conditions precedent in the reorganization agreement will be satisfied.

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**The parties 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 BOH Holdings and Bank of Houston and, consequently, on Independent and Independent Bank. These uncertainties surrounding the merger may impair each party's (and each party's respective subsidiary bank's) respective ability to attract, retain and motivate key personnel until the merger is completed and could cause customers and others that deal with either party to seek to change existing business relationships with either party. In addition, the reorganization agreement restricts BOH Holdings and Bank of Houston from taking other specified actions until the merger occurs without the consent of Independent. These restrictions may prevent BOH Holdings and Bank of Houston from pursuing attractive business opportunities that may arise prior to the completion of the merger. See "The Merger Conduct of Business Pending Effective Time" beginning on page 105 of this joint proxy statement/prospectus for a description of the restrictive covenants to which BOH Holdings and Bank of Houston are subject.

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

Independent, Independent Bank, BOH Holdings and Bank of Houston have operated and, until the merger is completed, will continue to operate, independently. Further, Independent has not previously acquired and integrated the operations of another bank that is as proportionately large compared to Independent as will be the case with acquiring and integrating the operations of BOH Holdings and Bank of Houston. Accordingly, it is possible that the process of integrating Bank of Houston's operations into Independent Bank's operations could result in the disruption of operations, the loss of Bank of Houston customers and employees, and make it more difficult to achieve the intended benefits of the merger. Specifically, inconsistencies between the standards, controls, procedures and policies of Independent Bank and those of Bank of Houston could adversely affect Independent's ability to maintain relationships with current customers and employees of Bank of Houston if and when the merger is completed. Further, as with any merger of banking institutions, business disruptions may occur that may cause Independent to lose customers or may cause customers to withdraw their deposits from Bank of Houston 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 Bank of Houston's operations into Independent Bank's operations, and to address differences in business models and cultures. If Independent is not able to integrate the operations of Bank of Houston into Independent Bank's operations successfully and on a timely basis, some or all of the expected benefits of the merger may not be realized.

**Upon completion of the merger, Independent will be conducting banking operations in the Houston financial market, in which Independent has no prior operating experience.**

Upon consummation of the merger and the bank merger, Independent will be operating in the Houston metropolitan area financial market. As a result Independent will initially be relying on the management team at the Bank of Houston to provide guidance regarding operating in this new geographic market. Should Independent not be able to retain the services of these key employees after the merger or should they be unable to provide the necessary support and guidance for Independent to operate in this new market, Independent may not achieve the results it desires from the merger. Further, as this merger does not involve as much geographic overlap as Independent's prior mergers with Collin Bank and Live Oak Financial Corp., Independent may be unable to realize all planned operating efficiencies as a result of the merger of its and BOH Holdings' operations.

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

Although Independent anticipates that it will realize certain cost savings as to the Bank of Houston operations and otherwise from the merger if and when the Bank of Houston operations are fully integrated into Independent Bank's operations, it is possible that Independent may not realize all of the cost savings that

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Independent has estimated it can realize. For example, unanticipated growth in Independent's business may require Independent 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 Independent merger. Independent's realization of the estimated cost savings also will depend on Independent's ability to combine the operations of Independent Bank and Bank of Houston in a manner that permits those costs savings to be realized. Independent is not able to integrate Bank of Houston's operations into Independent Bank's operations successfully, the anticipated cost savings may not be fully realized, if at all, or may take longer to realize than expected.

**The fairness opinions obtained by BOH Holdings and Independent from their financial advisors will not reflect changes in circumstances subsequent to the date of the fairness opinion.**

Sandler O'Neill, BOH Holdings' financial advisor in connection with the proposed merger, and Sterne Agee, Independent's financial advisor in connection with the proposed merger, have delivered to the respective boards of directors of BOH Holdings and Independent their opinions dated as of November 21, 2013. The opinion of Sandler O'Neill stated, that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration was fair to BOH Holdings shareholders from a financial point of view. The opinion of Sterne Agee stated that as of November 21, 2013, and based upon and subject to the factors and assumptions set forth therein, the consideration to be paid by Independent in the merger is fair from a financial point of view to Independent. The opinions 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 thereof. Events occurring after the date of the opinions could materially affect the assumptions used in preparing the opinions and as a result a similar conclusion 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 BOH Holdings.

**Risks Related to BOH Holdings Shareholders' Interests if the Merger is Consummated****The tangible book value of BOH Holdings could be an amount that results in the reduction of the amount of cash consideration that BOH Holdings shareholders receive for their shares of BOH Holdings common stock and affect Independent's obligation to consummate the merger.**

The amount of aggregate cash consideration to be received by BOH Holdings shareholders in the merger will be reduced if BOH Holdings' tangible book value, as calculated pursuant to the reorganization agreement, is less than \$70 million as of the closing date. If, as of the closing date, BOH Holdings' tangible book value is less than \$70 million, but equal to or more than \$65 million, the aggregate cash consideration will be reduced by an amount equal to the product of (i) the difference between (x) \$70 million minus (y) BOH Holdings' tangible book value as of the closing date, multiplied by (ii) 2.4, in each case, as BOH Holdings' tangible book value is calculated pursuant to the reorganization agreement. Moreover, Independent's obligation to consummate the merger is conditioned upon BOH Holdings having a net tangible book value, as calculated pursuant to the reorganization agreement, of at least \$65 million as of the closing. Accordingly, at the time BOH Holdings' shareholders vote on the reorganization agreement, they will not know the exact value of the cash consideration they will receive in the merger. Neither Independent nor BOH Holdings can assure BOH Holdings' shareholders of the exact amount of cash consideration that they will receive in the merger.

**BOH Holdings shareholders will not know the exact fraction of a share of Independent common stock or the exact amount of cash they will receive for each share of BOH Holdings common stock when they vote on approving the reorganization agreement and the merger.**



The exact number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger cannot be determined with complete precision because BOH Holdings cannot predict the exact number of shares of BOH Holdings Series D preferred stock and the exact number of options to purchase shares of BOH Holdings common stock that will be converted or exercised, as the case may be, into or for shares of BOH Holdings common stock prior to the merger.

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**The automatic conversion of the Series D preferred stock and the automatic exercise of options in connection with the merger will result in dilution to the current holders of BOH Holdings common stock and reduce the amount of per share merger consideration.**

Holders of BOH Holdings common stock will be diluted as a result of the automatic conversion of the BOH Holdings Series D preferred stock and the accelerated vesting and automatic exercise of the BOH Holdings options prior to the consummation of the merger. As a result, the per share merger consideration to be received by current holders of BOH Holdings common stock will be reduced to the extent of this dilution.

**BOH Holdings shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.**

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

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

The rights associated with BOH Holdings common stock and BOH Holdings Series D preferred stock are different from the rights associated with Independent common stock and, in some cases, may be less favorable. For example, holders of BOH Holdings common stock and holders of BOH Holdings Series D preferred stock currently hold elections for their board of directors at each annual meeting of BOH shareholders. Upon consummation of the merger, the holders of BOH common stock and BOH Holdings Series D preferred stock will hold Independent common stock that provides that 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 attempted acquisition or change in control of Independent. Further, holders of BOH Holdings Series D preferred stock have a liquidation preference that will be eliminated when their shares of BOH Holdings Series D preferred stock are converted into shares of BOH Holdings common stock and then exchanged for shares of Independent common stock. See

Comparison of Rights of Shareholders of BOH Holdings and Independent on page 281 for a more detailed description of the shareholder rights of each of Independent and BOH Holdings.

**The dissenters' rights appraisal process is uncertain.**

Holders of BOH Holdings common stock and BOH Holdings Series D preferred stock may or may not be entitled to receive more than the amount provided for in the reorganization agreement for their shares of BOH Holdings common stock (including shares of BOH Holdings Series D preferred stock that will be converted into BOH Holdings common stock immediately prior to the consummation of the merger) if they elect to exercise their right to dissent from the proposed merger, depending on the appraisal of the fair value of the BOH Holdings common stock pursuant to the dissenting shareholder procedures under the TBOC. See The Merger Dissenters' Rights of BOH Holdings Shareholders 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 BOH Holdings common stock (including shares of BOH Holdings Series D preferred stock that will be converted into BOH Holdings common stock immediately prior to the consummation of the

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merger) shall have exercised their statutory dissenters' rights under the TBOC. The number of shares of BOH Holdings 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.

**BOH Holdings shareholders may pay U.S. federal income tax as a result of the merger.**

The cash consideration that BOH Holdings shareholders receive in the merger in exchange for their common stock of BOH Holdings is anticipated to be taxable for U.S. federal income tax purposes. See *The Merger Material U.S. Federal Income Tax Consequences of the Merger*.

**Some of the directors and officers of BOH Holdings 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 BOH Holdings may be different from those of BOH Holdings shareholders. The directors and certain officers of BOH Holdings 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 BOH Holdings shareholders including, without limitation, their receipt of change in control payments, severance or improved terms of employment 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 BOH Holdings in the Merger* beginning on page 120. Further, directors and certain officers of BOH Holdings have entered into an agreement to vote the shares of BOH Holdings common stock and BOH Holdings Series D preferred 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 agreement; provided, however, that the BOH Holdings shareholders who entered into the voting agreement would be permitted to vote to accept a superior proposal, if any, under the terms of the reorganization agreement. As of the BOH Holdings record date, \_\_\_\_\_ shares of BOH Holdings common stock, or approximately \_\_\_\_\_ % of the outstanding shares of the BOH Holdings common stock, and \_\_\_\_\_ shares of BOH Holdings Series D preferred stock or approximately \_\_\_\_\_ % of the outstanding shares of BOH Holdings Series D preferred stock, in each case, entitled to vote at the special meeting, were bound by the voting agreement.

**Risks Related to Independent's Business****Independent's success depends significantly on Independent's management team, and the loss of Independent's senior executive officers or other key employees and Independent's inability to recruit or retain suitable replacements could adversely affect Independent's business, results of operations and growth prospects.**

Independent's success depends significantly on the continued service and skills of Independent's existing executive management team, particularly David Brooks, Independent's Chairman of the Board and Chief Executive Officer, Torry Berntsen, Independent's President and Chief Operating Officer, Daniel Brooks, Independent's Vice Chairman and Chief Risk Officer, Brian Hobart, Independent's Vice Chairman and Chief Lending Officer, Michelle Hickox, Independent's Executive Vice President and Chief Financial Officer, and Jan Webb, Independent's Executive Vice President and Secretary. The implementation of Independent's business and growth strategies also depends significantly on Independent's ability to retain employees with experience and business relationships within their respective market areas. Independent's officers may terminate their employment with Independent at any time, and Independent could have difficulty replacing such officers with persons who are experienced in the specialized aspects of Independent's business or who have ties to the communities within Independent's market areas. The loss of any of Independent's key personnel could therefore have an adverse impact on Independent's business and growth.



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**The obligations associated with being a public company will require significant resources and management attention, which will increase Independent's costs of operations and may divert focus from Independent's business operations.**

Independent has not been required in the past to comply with certain requirements of the SEC, to file periodic reports with the SEC or to have Independent's consolidated financial statements completed, reviewed or audited and filed within a specified time. Having become a publicly traded company following completion of Independent's public offering in April 2013, Independent is now required to file periodic reports containing Independent's consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. As a public company, Independent will also incur significant legal, accounting, insurance and other expenses. Compliance with these reporting requirements and other rules of the SEC and the rules of the NASDAQ Global Select Market will increase Independent's legal and financial compliance costs and make some activities more time consuming and costly. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing Independent's growth strategy, which could prevent Independent from successfully implementing Independent's strategic initiatives and improving Independent's business, results of operations and financial condition. Independent has made, and will continue to make, changes to Independent's internal controls and procedures for financial reporting and accounting systems to meet Independent's reporting obligations as a public company. However, Independent cannot predict or estimate the amount of additional costs that it may incur in order to comply with these requirements. Independent anticipates that these costs will materially increase its general and administrative expenses.

**Independent's business concentration in Texas imposes risks and may magnify the adverse effects and consequences to Independent resulting from any regional or local economic downturn affecting Texas.**

Independent conducts its operations almost exclusively in Texas as approximately 97% of the loans in Independent's real estate loan portfolio as of September 30, 2013, were secured by properties and collateral located in Texas. Likewise, as of such date, approximately 95% of the loans in Independent's loan portfolio were made to borrowers who live and/or conduct business in Texas. This geographic concentration imposes risks from lack of geographic diversification. The economic conditions in Texas affect Independent's business, financial condition, results of operations, and future prospects, where adverse economic developments, among other things, could affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans and reduce the value of Independent's loans and loan servicing portfolio. Any regional or local economic downturn that affects Texas or existing or prospective borrowers or property values in such areas may affect Independent and Independent's profitability more significantly and more adversely than Independent's competitors whose operations are less geographically concentrated.

**Independent's small to medium-sized business customers may have fewer financial resources than larger entities to weather a downturn in the economy, which may impair a borrower's ability to repay a loan, and such impairment could adversely affect Independent's results of operations and financial condition.**

Independent focuses its business development and marketing strategy primarily to serve the banking and financial services needs of small to medium-sized businesses. These small to medium-sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact the north and central Texas area or the Texas market generally and small to medium-sized businesses are adversely affected, Independent's results of operations and financial condition may be negatively affected.



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**Independent's strategy of pursuing acquisitions exposes Independent to financial, execution and operational risks that could have a material adverse effect on Independent's business, financial condition, results of operations and growth prospects.**

Independent has been pursuing a growth strategy that includes the acquisition of other financial institutions in target markets. Independent has completed six acquisitions since 2010, and Independent intends to continue this strategy. Such an acquisition strategy, involves significant risks, including the following:

finding suitable markets for expansion;

finding suitable candidates for acquisition;

attracting funding to support additional growth;

maintaining asset quality;

attracting and retaining qualified management; and

maintaining adequate regulatory capital.

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

If Independent does not manage Independent's growth effectively, Independent's business, financial condition, results of operations and future prospects could be negatively affected, and Independent may not be able to continue to implement Independent's business strategy and successfully conduct Independent's operations.

**If the goodwill that Independent recorded in connection with a business acquisition becomes impaired, it could require charges to earnings, which would have a negative impact on Independent's financial condition and results of operations.**



Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets Independent acquired in connection with the purchase of another financial institution. Independent reviews goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset might be impaired.

Independent determines impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in Independent's results of operations in the periods in which they become known. As of September 30, 2013, Independent's goodwill totaled \$28.7 million. While Independent has not recorded any

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such impairment charges since Independent initially recorded the goodwill, there can be no assurance that Independent's future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on Independent's financial condition and results of operations.

**If Independent does not effectively manage Independent's asset quality and credit risk, Independent would experience loan losses, which could have a material adverse effect on Independent's financial condition and results of operation.**

Making any loan involves risk, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt, and risks resulting from changes in economic and market conditions. Independent's credit risk approval and monitoring procedures may fail to identify or reduce these credit risks, and they cannot completely eliminate all credit risks related to Independent's loan portfolio. If the overall economic climate in the United States, generally, or Independent's market areas, specifically, experiences material disruption, Independent's borrowers may experience difficulties in repaying their loans, the collateral Independent holds may decrease in value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require additional provisions for loan losses, which would cause Independent's net income and return on equity to decrease.

**Because a significant portion of Independent's loan portfolio is composed of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing Independent's real estate loans and result in loan and other losses.**

As of September 30, 2013, approximately 81.9% of Independent's loan portfolio was composed of loans with real estate as a primary or secondary component of collateral, excluding agricultural loans secured by real estate. As a result, adverse developments affecting real estate values in Independent's market areas could increase the credit risk associated with Independent's real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of Independent's markets could increase the credit risk associated with Independent's loan portfolio, and could result in losses that would adversely affect credit quality, financial condition, and results of operation. Negative changes in the economy affecting real estate values and liquidity in Independent's market areas could significantly impair the value of property pledged as collateral on loans and affect Independent's ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses would have a material adverse impact on Independent's business, results of operations and growth prospects. If real estate values decline, it is also more likely that Independent would be required to increase Independent's allowance for loan losses, which could adversely affect Independent's financial condition, results of operations and cash flows.

**Independent's allowance for loan losses may prove to be insufficient to absorb potential losses in Independent's loan portfolio, which may adversely affect Independent's business, financial condition and results of operations.**

Independent establishes its allowance for loan losses and maintains it at a level considered adequate by management to absorb probable loan losses based on Independent's analysis of its portfolio and market environment. The allowance for loan losses represents Independent's estimate of probable losses in the portfolio at each balance sheet date and is based upon relevant information available to Independent. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Additions to the allowance for loan losses, which are charged to earnings through the provision for loan losses, are determined based on a variety of factors, including

an analysis of the loan portfolio, historical loss experience and an evaluation of current economic conditions in Independent's market areas. The actual amount of loan losses is affected by changes in economic, operating and other conditions within Independent's markets, as well

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as changes in the financial condition, cash flows, and operations of Independent's borrowers, all of which are beyond Independent's control, and such losses may exceed current estimates.

As of September 30, 2013, Independent's allowance for loan losses as a percentage of total loans was 0.85% and as a percentage of total nonperforming loans was 197.28%. Additional loan losses will likely occur in the future and may occur at a rate greater than Independent has previously experienced. Independent may be required to take additional provisions for loan losses in the future to further supplement the allowance for loan losses, either due to management's decision to do so or requirements by Independent's banking regulators. In addition, bank regulatory agencies will periodically review Independent's allowance for loan losses and the value attributed to nonaccrual loans or to real estate acquired through foreclosure. Such regulatory agencies may require Independent to recognize future charge-offs. These adjustments may adversely affect Independent's business, financial condition and results of operations.

**A lack of liquidity could adversely affect Independent's operations and jeopardize Independent's business, financial condition, and results of operations.**

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

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

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

**Independent may need to raise additional capital in the future, and if Independent fails to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, Independent's financial condition, liquidity and results of operations, as well as Independent's ability to maintain regulatory compliance, would be adversely affected.**

Independent faces significant capital and other regulatory requirements as a financial institution. Independent may need to raise additional capital in the future to provide Independent with sufficient capital resources and liquidity to meet Independent's commitments and business needs, which could include the possibility of financing acquisitions. In

addition, Independent, on a consolidated basis, and Independent Bank, on a stand-alone basis, must meet certain regulatory capital requirements and maintain sufficient liquidity. Independent faces significant capital and other regulatory requirements as a financial institution. Independent's ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number

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of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on Independent's financial condition and performance. In the future, Independent may not be able to raise additional capital if needed or on terms acceptable to Independent. If Independent fails to maintain capital to meet regulatory requirements, Independent's financial condition, liquidity and results of operations would be materially and adversely affected.

**Interest rate shifts may reduce net interest income and otherwise negatively impact Independent's financial condition and results of operations.**

The majority of Independent's banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, Independent's earnings are significantly dependent on Independent's net interest income, the principal component of Independent's earnings, which is the difference between interest earned by Independent from Independent's interest-earning assets, such as loans and investment securities, and interest paid by Independent on Independent's interest-bearing liabilities, such as deposits and borrowings. Independent expects that it will periodically experience gaps in the interest rate sensitivities of Independent's assets and liabilities, meaning that either its interest-bearing liabilities will be more sensitive to changes in market interest rates than Independent's interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to Independent's position, this gap will negatively impact Independent's earnings. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short-term interest rates increase more than long-term interest rates or when long-term interest rates decrease more than short-term interest rates. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and international disorder and instability in domestic and foreign financial markets.

Interest rate increases often result in larger payment requirements for Independent's borrowers, which increase the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates.

Changes in interest rates also can affect the value of loans, securities and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on Independent's results of operations and cash flows. Further, when Independent places a loan on nonaccrual status, Independent reverses any accrued but unpaid interest receivable, which decreases interest income. At the same time, Independent continues to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

If short-term interest rates remain at their historically low levels for a prolonged period, and assuming longer term interest rates fall further, Independent could experience net interest margin compression as Independent's interest earning assets would continue to reprice downward while Independent's interest-bearing liability rates could fail to decline in tandem. Such an occurrence would have a material adverse effect on Independent's net interest income and Independent's results of operations.

**Independent could recognize losses on securities held in Independent's securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.**

While Independent attempts to invest a significant percentage of its assets in loans (Independent's loan to deposit ratio was 100.4% as of September 30, 2013), Independent invests a percentage of its total assets (approximately 6.7% as of

September 30, 2013) in investment securities as part of its overall liquidity strategy. As of September 30, 2013, the fair value of Independent's securities portfolio was approximately \$131.0 million. Factors beyond Independent's control can significantly influence the fair value of securities in its portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities are

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generally subject to decreases in market value when market interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual borrowers with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting market interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, Independent may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on Independent's financial condition and results of operations.

**Independent faces strong competition from financial services companies and other companies that offer banking services, which could harm Independent's business.**

Independent conducts its operations almost exclusively in Texas. Many of Independent's competitors offer the same, or a wider variety of, banking services within Independent's market areas. These competitors include banks with nationwide operations, regional banks and other community banks. Independent also faces competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices, or otherwise solicit deposits, in Independent's market areas. Increased competition in Independent's markets may result in reduced loans and deposits, as well as reduced net interest margin and profitability. Ultimately, Independent may not be able to compete successfully against current and future competitors. If Independent is unable to attract and retain banking customers, Independent may be unable to continue to grow its loan and deposit portfolios, and Independent's business, financial condition and results of operations may be adversely affected.

**Independent has a continuing need for technological change, and Independent may not have the resources to effectively implement new technology, or Independent may experience operational challenges when implementing new technology.**

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Independent's future success will depend in part upon Independent's ability to address the needs of Independent's customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in Independent's operations as it continues to grow and expand Independent's market area. Independent may experience operational challenges as it implements these new technology enhancements or products, which could result in Independent not fully realizing the anticipated benefits from such new technology or require Independent to incur significant costs to remedy any such challenges in a timely manner.

Many of Independent's larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that Independent will be able to provide, which would put Independent at a competitive disadvantage. Accordingly, Independent may not be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to its customers.

**System failure or breaches of Independent's network security could subject Independent to increased operating costs as well as litigation and other liabilities.**



The computer systems and network infrastructure Independent uses could be vulnerable to unforeseen problems. Independent's operations are dependent upon its ability to protect its computer equipment against

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damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes breakdowns or disruptions in Independent's customer relationship management, general ledger, deposit, loan and other systems could damage Independent's reputation, result in a loss of customer business, subject Independent to additional regulatory scrutiny, or expose Independent to civil litigation and possible financial liability, any of which could have a material adverse effect on Independent. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through Independent's computer systems and network infrastructure, which may result in significant liability to Independent and may cause existing and potential customers to refrain from doing business with Independent. In addition, advances in computer capabilities could result in a compromise or breach of the systems Independent and Independent's third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on Independent's financial condition and results of operations.

**Independent's operations could be interrupted if Independent's third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.**

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

**Independent is subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.**

Employee errors and employee and customer misconduct could subject Independent to financial losses or regulatory sanctions and seriously harm Independent's reputation. Misconduct by Independent's employees could include hiding unauthorized activities from Independent, improper or unauthorized activities on behalf of Independent's customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions Independent takes to prevent and detect this activity may not be effective in all cases. Employee errors could also subject Independent to financial claims for negligence.

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

In addition, Independent relies heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans Independent will originate, as well as the terms of those loans. If any of the information upon which Independent relies is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or Independent may fund a loan that Independent would not have funded or on terms Independent would not have extended. Whether a misrepresentation is made by the applicant or another third party, Independent generally bears the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically

unsellable or subject to repurchase if it is sold prior to

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detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the monetary losses Independent may suffer.

### **Independent could be subject to environmental risks and associated costs on Independent's foreclosed real estate assets, which could materially and adversely affect Independent.**

A significant portion of Independent's loan portfolio is composed of loans collateralized by real estate. There is a risk that hazardous or toxic waste could be discovered on the properties that secure Independent's loans. If Independent acquires such properties as a result of foreclosure, Independent could be held responsible for the cost of cleaning up or removing this waste, and this cost could exceed the value of the underlying properties and materially and adversely affect Independent.

### **IBG Adriatica has engaged in transactions with principals of Independent which, because of the inherent conflict of interest, creates a risk that the terms of such transactions may not be favorable to Independent.**

Over the past two years, IBG Adriatica has sold several parcels of developed and undeveloped real property and associated interests in common areas in the Adriatica Development to Himalayan Ventures, L.P. Himalayan Ventures is an investment partnership composed of principals of Independent, including Vincent Viola, Independent's majority shareholder, David Brooks, Independent's Chairman of the Board and Chief Executive Officer, Torry Berntsen, Independent's President and Chief Operating Officer, Daniel Brooks, Independent's Vice Chairman and Chief Risk Officer, and Doug Cifu, a director of Independent. The purchase price paid for each of these properties was based on the appraised value and was approved by an independent committee of the board of directors of Independent Bank and by the board of directors of Independent, with the interested directors recusing themselves. Banking regulations require that all such transactions be based on the appraised value of the property. While Independent believes that these transactions are consistent with terms that are at least as favorable to Independent as could have been arranged with unrelated third parties, there is inherent risk in these transactions given the conflict of interest arising from the involvement of Independent's principals in Himalayan Ventures.

### **Independent's Chairman and Chief Executive Officer, Independent's majority shareholder, and certain other officers and directors of Independent, are business partners in business ventures in addition to Independent, which creates potential conflicts of interest and corporate governance issues.**

Messrs. David Brooks, Viola, Cifu, Berntsen and Daniel Brooks are partners in Himalayan Ventures. A dispute between these individuals in connection with this business venture outside of Independent could impact their relationship at Independent and, because of their prominence within Independent, Independent itself.

### **Risks Related to an Investment in Independent's Common Stock**

#### **An active trading market for Independent's common stock may not be sustained, and you may not be able to sell your common stock at or above the price at which your common stock was valued.**

Independent recently completed the initial public offering of Independent's common stock. Prior to that offering, there was no public market for Independent's common stock. An active trading market for shares of Independent's common stock may not be sustained. If an active trading market is not sustained, investors in Independent's common stock may have difficulty selling their shares of common stock at an attractive price, or at all. An inactive market may also impair Independent's ability to raise capital by selling Independent's common stock and may impair Independent's ability to expand Independent's business by using Independent's common stock as consideration.



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**Table of Contents****Independent is dependent upon Independent Bank for cash flow, and Independent Bank's ability to make cash distributions is restricted.**

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

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

Independent may change its dividend policy at any time without notice to Independent's shareholders. Holders of Independent's common stock are entitled to receive only such dividends as Independent's board of directors may declare out of funds legally available for such payments. Any declaration and payment of dividends on common stock will depend upon Independent's 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 its board of directors. Furthermore, consistent with Independent's strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, Independent has made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to Independent's common shareholders.

The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, level of current and prospective earnings and level, composition and quality of capital. The guidance provides that Independent inform and consult with the Federal Reserve prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in an adverse change to Independent's capital structure, including interest on the subordinated debentures underlying Independent's trust preferred securities. If required payments on Independent's outstanding junior subordinated debentures, held by its unconsolidated subsidiary trusts, are not made or are suspended, Independent will be prohibited from paying dividends on its common stock.

**Independent's majority shareholder and board of directors have historically controlled, and in the future will continue to be able to control, Independent.**

Collectively, as of the date hereof, Messrs. Vincent Viola and David Brooks own 46.5% of Independent's outstanding common stock on a fully diluted basis. Vincent Viola, the majority shareholder of Independent, currently owns 37.9% of Independent's outstanding common stock, and David Brooks, Independent's Chairman of the Board and Chief Executive Officer, currently owns 8.6% of Independent's common stock, each calculated on a fully diluted basis. Further, as of the date hereof, Independent's other directors and executive officers currently own collectively approximately 12.6% of Independent's outstanding common stock as a result, these individuals will be able to control the election of its board of directors and otherwise exert controlling influence in Independent's management and policies. Further, given the large ownership position of these individuals, it will be difficult for any other shareholder

to elect members to Independent's board of directors or otherwise influence Independent's management or direction.

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In addition, three of Independent's directors have close professional and personal ties to Vincent Viola, Independent's majority shareholder. Doug Cifu is the President and Chief Operating Officer of Virtu Financial, LLC, Mr. Viola's primary operating entity; Torry Berntsen, Independent's President and Chief Operating Officer, was formerly Vice Chairman of Virtu Management, LLC, Mr. Viola's family investment vehicle; and Michael Viola is the son of Vincent Viola. Further, David Brooks, Independent's Chairman and Chief Executive Officer, has a 25 year history of ownership and operation of Independent Bank with Vincent Viola; and he has joint investments with Mr. Viola outside of Independent. Given these close relationships, even though he will not serve on Independent's board, Mr. Viola has and will continue to have a large influence over the direction and operation of Independent.

### **Independent's corporate organizational documents and the provisions of Texas law to which Independent is subject contain certain provisions that could have an anti-takeover effect and may delay, make more difficult or prevent an attempted acquisition of Independent that you may favor.**

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

staggered terms for directors;

a provision that directors cannot be removed except for cause;

a provision that any special meeting of Independent's shareholders may be called only by a majority of Independent's board of directors, the Chairman or a holder or group of holders of at least 20% of Independent's shares entitled to vote at such special meeting;

a provision that requires the vote of two-thirds of the shares outstanding for major corporate actions, such as an amendment to Independent's certificate of formation or bylaws or the approval of a merger; and

a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered only at an annual or special meeting of shareholders.

Independent's certificate of formation provides for noncumulative voting for directors and authorizes the board of directors to issue shares of its preferred stock without shareholder approval and upon such terms as the board of directors may determine. The issuance of Independent's preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in Independent. In addition, certain provisions of Texas law, including a provision which restricts certain business combinations between a Texas corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of Independent. Also, Independent's certificate of formation prohibits shareholder action by written consent.



**The holders of Independent's debt obligations and any shares of Independent's preferred stock that may be outstanding in the future will have priority over Independent's common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and preferred dividends.**

Upon the liquidation, dissolution or winding up of Independent, holders of Independent's common stock will not be entitled to receive any payment or other distribution of assets until after all of Independent's obligations to Independent's debt holders have been satisfied and holders of trust preferred securities have

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received any payment or distribution due to them. In addition, Independent is required to pay interest on Independent's subordinated debentures and junior subordinated debentures issued in connection with Independent's trust preferred securities before Independent pays any dividends on Independent's common stock. Furthermore, while Independent has no shares of preferred stock outstanding, Independent's board of directors may also, in its sole discretion, designate and issue one or more series of preferred stock from Independent's authorized and unissued preferred stock, which may have preferences with respect to common stock in dissolution, dividends, liquidation or otherwise.

**Prior to April 1, 2013, Independent was treated as an S corporation under Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended, and claims of taxing authorities related to Independent's prior status as an S corporation could harm Independent.**

On April 1, 2013, Independent's prior status as an S corporation status terminated and Independent is now treated as a C corporation under the Internal Revenue Code of 1986, as amended, which is applicable to most corporations. As a result, the Internal Revenue Service treats Independent as an entity that is separate and distinct from its shareholders. If the unaudited, open tax years in which Independent was an S corporation are audited by the Internal Revenue Service and Independent is determined not to have qualified for, or to have violated, Independent's S corporation status, Independent would then be obligated to pay back taxes, interest and penalties, and Independent would not have the right to reclaim tax distributions that Independent previously made to Independent's shareholders during those periods. These amounts could include taxes on all of Independent's taxable income while Independent was an S corporation. Any such claims could result in additional costs to Independent and could have a material adverse effect on Independent's results of operations and financial condition.

**Independent has entered into tax indemnification agreements with the persons holding shares of Independent's common stock immediately prior to the consummation of Independent's initial public offering, including Messrs. Vincent Viola and David Brooks, and Independent could become obligated to make payments to them for any additional federal, state or local income taxes assessed against them for fiscal periods prior to the completion of Independent's initial public offering.**

Prior to April 1, 2013, Independent had been treated as an S corporation for U.S. federal income tax purposes. In connection with Independent's initial public offering, Independent's S corporation status terminated and Independent is now subject to federal and increased state income taxes. In the event of an adjustment to Independent's reported taxable income for a period or periods prior to termination of Independent's S corporation status, Independent's existing shareholders could be liable for additional income taxes for those prior periods. Therefore, Independent has entered into tax indemnification agreements with the persons holding shares of Independent's common stock immediately prior to the consummation of Independent's initial public offering. Pursuant to those 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 that shareholder's incremental tax liability. Independent has also agreed to indemnify the shareholders for any interest, penalties, losses, costs or expenses (including reasonable attorneys' fees) arising out of any claim under the agreements.

**Independent is an emerging growth company, and Independent cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make Independent's common stock less attractive to investors.**

Independent is an emerging growth company, as defined in the JOBS Act, and Independent is taking advantage of certain exemptions from various reporting requirements that are applicable to other public

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companies that are not emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in Independent's periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, even if Independent complies with the greater obligations of public companies that are not emerging growth companies, Independent may avail itself of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as Independent is an emerging growth company. Independent will remain an emerging growth company for up to five years, though Independent may cease to be an emerging growth company earlier under certain circumstances, including if, before the end of such five years, Independent is deemed to be a large accelerated filer under the rules of the SEC (which depends on, among other things, having a market value of common stock held by nonaffiliates in excess of \$700 million). Investors and securities analysts may find it more difficult to evaluate Independent's common stock because Independent will rely on one or more of these exemptions, and, as a result, investor confidence and the market price of Independent's common stock may be materially and adversely affected.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to nonemerging growth companies but any such election to opt out is irrevocable. Independent has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, Independent, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make Independent's financial statements not comparable with those of another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period because of the potential differences in accounting standards used.

**An investment in Independent's common stock is not an insured deposit and is not guaranteed by the FDIC, so you could lose some or all of your investment.**

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

**Risks Related to the Business Environment and Independent's Industry**

**Legislative and regulatory actions taken now or in the future may increase Independent's costs and impact Independent's business, governance structure, financial condition or results of operations.**

Independent and Independent's subsidiaries are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of Independent's services. If Independent does not comply with governmental regulations, Independent may be subject to fines, penalties, lawsuits or material restrictions on Independent's businesses in the jurisdiction where the violation occurred, which may adversely affect Independent's business operations. Changes in these regulations can significantly affect the services that Independent provides as well as Independent's costs of compliance with such regulations. In addition, adverse publicity and damage to Independent's reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual

requirements could affect Independent's ability to attract and retain customers.

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Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act and the regulations thereunder affect large and small financial institutions similarly, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future.

The Dodd-Frank Act, among other things, imposes new capital requirements on bank holding companies and expands the FDIC's authority to raise deposit insurance premiums paid by insured depository institutions. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to offset the effect of increased assessments on insured depository institutions with assets of less than \$10.0 billion.

The Collins Amendment to the Dodd-Frank Act, among other things, eliminates certain trust preferred securities from Tier 1 capital, although certain trust preferred securities issued prior to May 19, 2010 by bank holding companies with total consolidated assets of \$15 billion or less will continue to be includable in Tier 1 capital. This provision also requires the federal banking agencies to establish minimum leverage and risk-based capital requirements that will apply to both insured banks and their holding companies. The ultimate effect of the Dodd-Frank Act on the financial services industry in general, and Independent in particular, is uncertain at this time.

On July 2, 2013, the Federal Reserve approved a final rule implementing the revised capital standards of the Basel Committee on Banking Supervision, commonly known as Basel III, as well as additional capital reforms required by the Dodd-Frank Act. Certain requirements of this final rule first apply to Independent and Independent Bank on January 1, 2015. This final rule, once fully phased in by 2021, requires bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity.

The Dodd-Frank Act establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards, and contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties.

Federal and state regulatory agencies frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Certain aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of Independent's business activities, require more oversight or change certain of Independent's business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose Independent to additional costs, including increased compliance costs. These changes also may require Independent to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect Independent's business, financial condition and results of operations.

Independent cannot determine whether additional proposals and legislation will be adopted, or the ultimate effect that such proposals and legislation, if enacted, or regulations issued to implement the same, would have upon Independent's business, financial condition or results of operations. Also, in recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with Independent's operations. If these regulatory trends continue, they could adversely affect Independent's business and, in turn, Independent's consolidated results of operations.



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

In addition to being affected by general economic conditions, Independent's earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon Independent's business, financial condition and results of operations cannot be predicted.

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

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

A capital injection may be required at times when Independent does not have the resources to provide it, and therefore Independent may be required to borrow the funds. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

**Federal banking agencies periodically conduct examinations of Independent's business, including compliance with laws and regulations, and Independent's failure to comply with any supervisory actions to which Independent becomes subject as a result of such examinations could materially and adversely affect Independent.**

Texas and federal banking agencies periodically conduct examinations of Independent's business, including compliance with laws and regulations. If, as a result of an examination, a Texas or federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of Independent's operations had become unsatisfactory, or that Independent or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in Independent's capital, to restrict Independent's growth, to assess civil monetary penalties against



Independent Bank, Independent's officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate Independent's deposit insurance. If Independent becomes subject to such regulatory actions, Independent could be materially and adversely affected.

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### **Independent may be required to pay significantly higher FDIC deposit insurance assessments in the future, which could materially and adversely affect Independent.**

Recent insured depository institution failures have significantly increased the loss provisions of the FDIC, resulting in a decline in the designated reserve ratio of the FDIC in recent years. These developments have caused the FDIC premiums to increase and may result in increased assessments in the future.

On February 7, 2011, the FDIC approved a final rule that amended the Deposit Insurance Fund restoration plan and implemented certain provisions of the Dodd-Frank Act. Effective April 1, 2011, the assessment base is determined using average consolidated total assets minus average tangible equity rather than the previous assessment base of adjusted domestic deposits. The new assessment rates, calculated on the revised assessment base, generally range from 2.5 to 9.0 basis points for Risk Category I institutions, 9.0 to 24.0 basis points for Risk Category II institutions, 8.0 to 33.0 basis points for Risk Category III institutions, and 30.0 to 45.0 basis points for Risk Category IV institutions. The new assessment rates were calculated for the quarter beginning April 1, 2011 and were reflected in invoices for assessments due September 30, 2011.

The final rule provides the FDIC's board with the flexibility to adopt actual rates that are higher or lower than the total base assessment rates adopted on February 7, 2011 without notice and comment, if certain conditions are met. An increase in the assessment rates could materially and adversely affect Independent.

### **Independent may be materially and adversely affected by the creditworthiness and liquidity of other financial institutions.**

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

### **The recent repeal of federal prohibitions on payment of interest on commercial demand deposits could increase Independent's interest expense, which could have a material adverse effect on Independent.**

All federal prohibitions on the ability of financial institutions to pay interest on commercial demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, beginning on July 21, 2011, financial institutions were able to offer interest on commercial demand deposits to compete for customers. Independent's interest expense would increase and Independent's net interest margin could decrease if Independent begins offering interest on commercial demand deposits to attract additional customers or maintain current customers, which could have a material adverse effect on Independent.

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

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and

currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug

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Enforcement Administration and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If Independent's policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that Independent has already acquired or may acquire in the future are deficient, Independent would be subject to liability, including fines and regulatory actions such as restrictions on Independent's ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of Independent's business plan, including Independent's acquisition plans, which would negatively impact Independent's business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for Independent.

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

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

**Table of Contents****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 and Section 21E of the Securities Exchange 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, is expected, is intended, objective, plan, project, affect, will be, will continue, will decrease, will grow, will impact, will increase, will incur, will reduce, will result, would be, variations of such words or phrases (including where the word could, may or would is used rather than the word will in a phrase) and similar words and phrases indicating that the statement addresses some future result, occurrence, plan or objective. The forward-looking statements that we make are based on 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 BOH Holdings 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:

worsening business and economic conditions nationally, regionally and in Independent's target markets, particularly in Texas and the geographic areas in which Independent operates or particularly affecting the financial industry generally;

Independent's dependence on its management team and its ability to attract, motivate and retain qualified personnel;

the concentration of Independent's business within its geographic areas of operation in Texas;

deteriorating asset quality and higher levels of nonperforming assets and loan charge-offs;

concentration of Independent's loan portfolio in commercial and residential real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;

inaccuracy of the assumptions and estimates Independent makes in establishing reserves for probable loan losses and other estimates;

lack of liquidity, including as a result of a reduction in the amount of sources of liquidity Independent currently has;

material decreases in the amount of deposits Independent holds;

regulatory requirements to maintain minimum capital levels;

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changes in market interest rates that affect the pricing of Independent's loans and deposits and its interest margins and net interest income;

fluctuations in the market value and liquidity of the securities that Independent holds for sale and changes in the securities market;

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

the institution and outcome of litigation and other legal proceeding against Independent or to which Independent becomes subject;

the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by Independent's regulators, such as the Dodd-Frank Act;

changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the SEC and Public Company Accounting Oversight Board;

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;

a failure of BOH Holdings to maintain tangible book value equal to or greater than \$65 million;

Independent's actual cost savings resulting from the merger, the Live Oak Financial Corp. merger and the Collin Bank merger are less than expected, Independent is unable to realize those cost savings as soon as expected or Independent incurs additional or unexpected costs;

Independent's revenues after the merger, the Live Oak Financial Corp. merger and the Collin Bank merger are less than expected;

deposit attrition, operating costs, customer loss and business disruption before and after the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than Independent expected;

the risk that the businesses of Independent, Independent Bank, BOH Holdings, Bank of Houston, Live Oak Financial Corp. and Collin Bank will not be integrated successfully, or such integrations may be more difficult, time-consuming or costly than expected;

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

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

the quality of the assets acquired from other organizations being lower than determined in Independent's due diligence investigation and related exposure to unrecoverable losses on loans acquired;



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general business and economic conditions in the markets Independent or BOH Holdings serve change or are less favorable than expected;

changes occur in business conditions and inflation;

personal or commercial customers bankruptcies increase; and

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

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 urges you to consider all of these risks, uncertainties and other factors carefully in evaluating all such forward-looking statements Independent may make. 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 by Independent in any report, filing, press release, document, report or announcement speaks only as of the date on which it is made. Independent undertakes no obligation to update any 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. Independent believes that it has chosen these assumptions or bases in good faith and that they are reasonable. However, Independent cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. Therefore, Independent cautions you not to place undue reliance on its forward-looking statements.

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**GENERAL INFORMATION**

This document constitutes a joint proxy statement/prospectus of BOH Holdings and Independent and is being furnished to all record holders of BOH Holdings common stock and BOH Holdings Series D preferred 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 BOH Holdings and Independent to be used at the special meetings of shareholders of BOH Holdings and Independent to be held on \_\_\_\_\_, 2014, and \_\_\_\_\_, 2014, respectively.

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 BOH Holdings with and into Independent, with Independent being the surviving entity, followed by the merger of Bank of Houston 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 BOH Holdings common stock (including shares of BOH Holdings Series D preferred stock that will be converted into BOH Holdings common stock immediately prior to the consummation of the merger).

Independent has supplied all of the information contained herein relating to Independent and Independent Bank, and BOH Holdings has supplied all of the information contained herein relating to BOH Holdings and Bank of Houston.

**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 \_\_\_\_\_, 2014, at [a.m./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:

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

**Proposal Two:** to approve the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger;

**Proposal Three:** to elect each of the following three BOH Holdings 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 Management Election of BOH Holdings Nominees to Fill New Director Seats beginning on page 245, to fill the vacancies created when the Independent board expanded the board from ten (10) to thirteen (13) members, or the new director seats:

James D. Stein, to serve as a Class I director for a term that will expire at the annual meeting of shareholders to be held in 2014;

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Donald L. Poarch, to serve as a Class II director for a term that will expire at the annual meeting of shareholders to be held in 2015; and

J. Webb Jennings, III, to serve as a Class III director for a term that will expire at the annual meeting of shareholders to be held in 2016; and

**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, approval of the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger and the election of the BOH Holdings nominees to fill the new director seats.

**Recommendation of the Independent Board of Directors**

On January 14, 2014, Independent's Corporate Governance and Nominating Committee recommended James D. Stein, Donald L. Poarch and J. Webb Jennings, III, as nominees to fill the recently created director vacancies. On January 14, 2014, and pursuant to the provisions of the Corporate Governance and Nominating Committee charter, the independent members of the Independent board of directors nominated each of James D. Stein, Donald L. Poarch and J. Webb Jennings, III, as nominees for election by the Independent shareholders at the Independent special meeting to fill the recently created director vacancies, 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, 2013, 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 BOH Holdings shareholders in connection with the merger, are in the best interests of Independent and its shareholders. In addition, the Independent board of directors increased the size of the Independent board from ten (10) to thirteen (13) members.

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

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

**FOR** Proposal Two approving the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger;

**FOR** Proposal Three electing each of the BOH Holdings director nominees, whose directorships will only become effective upon consummation of the merger, to fill the three new director seats; and

**FOR** 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 \_\_\_\_\_, 2014, 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, on the Independent record date are entitled to notice of, and to vote at, the Independent special meeting

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or any adjournment thereof. At the close of business on the Independent record date, the only outstanding voting securities of Independent were common stock, and \_\_\_\_\_ 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.

### **Deadline for Shareholder Proposals**

Holders of Independent common stock must submit proposals, including nomination of a person for election as a director of Independent, for inclusion in Independent's proxy statement and form of proxy for Independent's next annual meeting by \_\_\_\_\_, 2014 [**Bylaws require that it must be received not later than the 15<sup>th</sup> day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date was made, which ever first occurs**]. This submission must be in writing and received by the secretary of Independent by the aforementioned date.

### **Voting by Independent's Directors and Executive Officers**

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 \_\_\_\_\_ shares of Independent common stock or approximately \_\_\_\_\_ % of the shares of Independent common stock outstanding on that date. We currently expect that Independent directors and executive officers and their affiliates will vote their shares in favor of all 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. 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, 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. In addition, if fewer shares than are required are voted to obtain the necessary shareholder approvals, then the Independent special meeting may be adjourned to allow for the solicitation of additional proxies, if the approval of a majority of the votes cast at the Independent special meeting on such proposal is obtained.

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:

**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.

**Proposal Two** approving of the issuance of 3,616,060 shares of Independent common stock to BOH Holdings shareholders in connection with the merger 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.

**Proposal Three** electing each of the BOH Holdings nominees, whose directorships will only become effective upon consummation of the merger, to fill the three new director seats requires the approval of a plurality of the votes cast up to the number of directors to be elected 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.

**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. 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 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 immediately prior to the vote at the Independent special meeting;

call [TOLL-FREE NUMBER] using a touch-tone telephone and follow the instructions for telephone voting provided on the call; or

Go to the website [VOTING WEBSITE] and follow the instructions at that website.

Any proxy cards must be returned to \_\_\_\_\_ at \_\_\_\_\_ 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 [a.m./p.m.] Central Time, on \_\_\_\_\_, \_\_\_\_\_, 2014.



When the accompanying proxy card is returned properly executed, 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 the proxy will be voted in accordance with the recommendation of the Independent board of directors and, therefore such shares will be voted:

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

**FOR** Proposal Two approving the issuance of shares of Independent common stock to BOH Holdings shareholders in connection with the merger;

**FOR** Proposal Three electing each of the BOH Holdings nominees as directors of Independent, whose directorships will only become effective upon consummation of the merger, to fill the new director seats; and

**FOR** 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 [a.m./p.m.] Central Time, on \_\_\_\_\_, 2014.**

**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 Bank, N.A., 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, 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.

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.

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### **Revocation of Proxies**

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

delivering written notice of revocation to Jan Webb, Executive Vice President and 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 using forms provided at the Independent special meeting for that purpose. Your last valid vote that we receive 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 \_\_\_\_\_ to serve as the Inspector of Election for the Independent special meeting. \_\_\_\_\_ 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 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 proposals to approve the reorganization agreement and to issue shares of Independent common stock in the merger and the election of each of the three nominees from BOH Holdings 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 NASDAQ Global Select Market, those shares will not be voted on that proposal at the Independent

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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 will have no effect on the proposal 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, without further notice other than by an announcement made at the Independent special meeting (unless a new record date 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.

## **THE BOH HOLDINGS SPECIAL MEETING**

This joint proxy statement/prospectus is being provided to the holders of BOH Holdings common stock and BOH Holdings Series D preferred stock as part of a solicitation of proxies by the BOH Holdings board of directors for use at the BOH Holdings 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 BOH Holdings common stock and BOH Holdings Series D preferred stock with information they need to know to be able to vote or instruct their vote to be cast at the BOH Holdings special meeting.

## **Date, Time and Place**

The special meeting of holders of BOH Holdings common stock and BOH Holdings Series D preferred stock will be held at Bank of Houston, 750 Bering Drive, Suite 100, Houston, Texas 77057, on \_\_\_\_\_, at \_\_\_\_\_, [a.m./p.m.] Central Time.

## **Purpose of the BOH Holdings Special Meeting**

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

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

**Proposal Two:** to approve the adjournment of the BOH Holdings special meeting to a later date or dates, if the board of directors of BOH Holdings determines it is necessary, among other things, to permit solicitation of additional proxies if there are not sufficient votes at the time of the BOH Holdings 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 BOH Holdings Board of Directors**

On November 21, 2013, the BOH Holdings board of directors unanimously determined that the merger and the other transactions contemplated by the reorganization agreement are in the best interests of BOH Holdings and its shareholders and it approved the reorganization agreement and the merger transactions contemplated therein.

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**Accordingly, the BOH Holdings board of directors unanimously recommends that BOH Holdings shareholders vote as follows:**

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

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

Holders of BOH Holdings common stock and BOH Holdings Series D preferred 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.

**BOH Holdings Record Date; Shareholders Entitled to Vote**

The record date for the BOH Holdings special meeting is \_\_\_\_\_, or the BOH Holdings record date. Only record holders of shares of BOH Holdings common stock and record holders of BOH Holdings Series D preferred stock at 5:00 p.m. Central Time, or the close of business, on the BOH Holdings record date are entitled to notice of, and to vote at, the BOH Holdings special meeting or any adjournment thereof. At the close of business on the BOH Holdings record date, the only outstanding securities of BOH Holdings with a right to vote on the proposals were (i) BOH Holdings common stock, with \_\_\_\_\_ shares of BOH Holdings common stock issued and outstanding, and (ii) BOH Holdings Series D preferred stock, with \_\_\_\_\_ shares of BOH Holdings Series D preferred stock issued and outstanding, each voting as a separate class. Each share of BOH Holdings common stock outstanding on the BOH Holdings record date is entitled to one vote on each proposal voting as a separate class, and each share of BOH Holdings Series D preferred stock on the record date of the BOH Holdings special meeting is entitled to one vote on each proposal, voting as a separate class. Holders of at least two-thirds of the outstanding shares of BOH Holdings common stock and holders of at least two-thirds of BOH Holdings Series D preferred stock, voting as separate classes, must vote in favor of the reorganization agreement in order to permit consummation of the merger.

**Voting by BOH Holdings Directors and Executive Officers**

At the close of business on the record date for the BOH Holdings special meeting, BOH Holdings directors and executive officers and their affiliates were entitled to vote \_\_\_\_\_ shares of BOH Holdings common stock, or approximately \_\_\_\_\_ % of the shares of BOH Holdings common stock outstanding on that date, and \_\_\_\_\_ shares of BOH Holdings Series D preferred stock, or approximately \_\_\_\_\_ % of the shares of BOH Holdings Series D preferred stock issued and outstanding on that date. BOH Holdings currently expects that its directors and executive officers and their affiliates, many of whom have entered into a voting agreement in respect of their shares, will vote their shares in favor of both of the BOH Holdings proposals.

**Shares of BOH Holdings Subject to the Voting Agreement**

Directors and certain officers of BOH Holdings have entered into an agreement to vote the shares of BOH Holdings common stock and BOH Holdings Series D preferred stock 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 BOH Holdings shareholders who entered into the voting agreement would be permitted to vote to accept a superior proposal, if any, under the terms of the reorganization agreement. As of the BOH Holdings record date, \_\_\_\_\_ shares of BOH Holdings common stock, or approximately \_\_\_\_\_ % of the outstanding shares of BOH Holdings common stock, and \_\_\_\_\_ shares of BOH Holdings



Series D preferred stock, or approximately % of the outstanding shares of BOH Holdings Series D preferred stock, in each case, entitled to vote at the BOH Holdings special meeting, are bound by the voting agreement.

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### **Quorum and Adjournment**

No business may be transacted at the BOH Holdings 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 BOH Holdings 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 both (i) BOH Holdings common stock entitled to vote at the BOH Holdings special meeting and (ii) the BOH Holdings Series D preferred stock entitled to vote at the BOH Holdings special meeting must be present, in person or by proxy, at the BOH Holdings special meeting in order for the necessary vote to be able to take action on the merger proposal. The affirmative vote of both (i) the holders of at least two-thirds of the outstanding BOH Holdings common stock, and (ii) the holders of at least two-thirds of the outstanding BOH Holdings Series D preferred stock, each voting as a separate class, is required to approve the reorganization agreement. As a result, if shares representing at least two-thirds of the shares of BOH Holdings common stock outstanding on the close of business on the BOH Holdings record date together with shares representing at least two-thirds of the shares of BOH Holdings Series D preferred stock outstanding on the close of business on the BOH Holdings record date are not present at the BOH Holdings special meeting, the presence of a quorum will still not permit the merger to be approved at the BOH Holdings special meeting.

If a quorum is not present, or if fewer shares than are required are voted in favor of the proposal to approve the reorganization agreement, the merger and the other transactions contemplated by the reorganization agreement, then the BOH Holdings special meeting may be adjourned to allow for the solicitation of additional proxies, if the approval of a majority of the votes cast at the BOH Holdings special meeting on such proposal is obtained.

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

All shares of BOH Holdings common stock and shares of BOH Holdings Series D preferred stock represented at the BOH Holdings 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.

### **Required Vote**

The required votes to approve the BOH Holdings proposals are as follows:

**Proposal One:** approving the reorganization agreement and the merger requires the affirmative vote of at least two-thirds of each of (i) the issued and outstanding shares of BOH Holdings common stock entitled to vote at the BOH Holdings special meeting, with the holders of BOH Holdings common stock voting as a separate class, and (ii) the issued and outstanding shares of the BOH Holdings Series D preferred stock entitled to vote at the BOH Holdings special meeting, each voting as a separate class. Failures to vote, broker nonvotes and abstentions will have the same effect as a vote **against** this proposal.

**Proposal Two:** approving the adjournment of the BOH Holdings special meeting, if necessary, to allow for the solicitation of additional proxies requires the approval of a majority of the votes cast by holders of BOH Holdings common stock and a majority of the votes cast by holders of the BOH Holdings Series D preferred stock, each voting as a separate class, at the BOH Holdings special meeting, regardless of whether there is a quorum. Failures to vote,

broker nonvotes and abstentions will have no effect on the vote for the proposal.

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### **Voting of Proxies by Holders of Record**

If you were a record holder of BOH Holdings common stock or BOH Holdings Series D preferred stock at the close of business on the BOH Holdings record date, a proxy card is enclosed for your use. BOH Holdings requests that you vote your shares as promptly as possible by submitting your BOH Holdings proxy card by mail using the enclosed return envelope. When the accompanying proxy card is returned properly executed, the shares of BOH Holdings common stock and/or BOH Holdings Series D preferred stock represented by it will be voted at the BOH Holdings 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 BOH Holdings common stock or BOH Holdings Series D preferred stock represented by it are to be voted with regard to a particular proposal, the shares of BOH Holdings common stock or BOH Holdings Series D preferred stock represented by the proxy will be voted in accordance with the recommendation of the BOH Holdings board of directors and, therefore, such shares will be voted:

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

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

At the date hereof, the BOH Holdings board of directors has no knowledge of any business that will be presented for consideration at the BOH Holdings 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 BOH Holdings Notice of Special Meeting of Shareholders.

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

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

### **Attending the Meeting; Voting in Person**

Only record holders of BOH Holdings common stock and BOH Holdings Series D preferred stock on the record date, their duly appointed proxies, and invited guests may attend the BOH Holdings 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 BOH Holdings special meeting depend on whether they are shareholders of record or proxy holders. A BOH Holdings shareholder who holds shares of BOH Holdings common stock or BOH Holdings Series D preferred stock directly registered in such shareholder's name who desires to attend the BOH Holdings 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 BOH Holdings 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 BOH Holdings shares who desires to attend the BOH Holdings special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the BOH Holdings shareholder of record, 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 BOH Holdings special meeting may prevent BOH Holdings shareholders from being admitted to the BOH Holdings special meeting.

## **Revocation of Proxies**

A BOH Holdings shareholder entitled to vote at the BOH Holdings special meeting may revoke a proxy at any time before such time that the proxy card for any such holders of BOH Holdings common stock of BOH Holdings Series D preferred stock must be received at the BOH Holdings special meeting by taking any of the following three actions:

delivering written notice of revocation to John McWhorter, Corporate Secretary, BOH Holdings, Inc., 750 Bering Drive, Suite 100, Houston, Texas 77057;

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

attending the BOH Holdings special meeting and voting in person.

Merely attending the BOH Holdings special meeting will not, by itself, revoke your proxy; a BOH Holdings shareholder must cast a subsequent vote at the BOH Holdings special meeting using forms provided for that purpose. The last valid vote that we receive before or at the BOH Holdings 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**

BOH Holdings has appointed John McWhorter to serve as the Inspector of Election for the BOH Holdings special meeting. The Inspector of Election will independently tabulate affirmative votes, negative votes and abstentions.

## **Solicitation of Proxies**

The BOH Holdings board of directors is soliciting proxies for the BOH Holdings special meeting from holders of its BOH Holdings common stock and BOH Holdings Series D preferred stock entitled to vote at such special meeting. In accordance with the reorganization agreement, BOH Holdings 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 BOH Holdings officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

BOH Holdings will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of BOH Holdings common stock. BOH Holdings 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 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 is a nonroutine matter. Accordingly, if a holder of shares of BOH Holdings common stock or shares of BOH Holdings Series D

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preferred 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 BOH Holdings 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 BOH Holdings special meeting may be made from time to time if the approval of the holders of a majority of the votes cast by each of the BOH Holdings common stock and BOH Holdings Series D preferred stock, each voting as a separate class, at the BOH Holdings special meeting, is obtained, whether or not a quorum exists, without further notice other than by an announcement made at the BOH Holdings special meeting (unless a new record date is fixed). If a quorum is not present at the BOH Holdings special meeting, or if a quorum is present at the BOH Holdings special meeting but there are not sufficient votes at the time of the BOH Holdings special meeting to approve the proposals, then BOH Holdings shareholders may be asked to vote on a proposal to adjourn the BOH Holdings special meeting so as to permit solicitation of additional proxies.

## **THE MERGER**

The following information describes material aspects of the merger. It is not intended to be a complete description of all information relating to the merger and is qualified in its entirety by reference to more detailed information contained in the Appendices to this document, including the reorganization agreement. A copy of the reorganization agreement is included as Appendix A to this joint proxy statement/prospectus and is incorporated herein by reference. You are urged to read the Appendices in their entirety.

## **Terms of the Merger**

The reorganization agreement provides for Independent to acquire all of the issued and outstanding securities of BOH Holdings through a merger of BOH Holdings with and into Independent, with Independent being the surviving corporation following the merger. If the shareholders of BOH Holdings 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 BOH Holdings anticipate that the merger will be completed in the second quarter of 2014, although delays could occur.

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

## **Treatment of Shares of BOH Holdings Common Stock**

As a result of the merger, holders of BOH Holdings common stock (including shares of BOH Holdings Series D preferred stock that are converted into BOH Holdings common stock immediately prior to the consummation of the merger) will be entitled to receive whole shares of Independent common stock and cash, with cash paid in lieu of a fractional share, and will no longer be owners of BOH Holdings common stock. As a result of the merger, certificates of BOH Holdings common stock will represent only the right to receive the merger consideration pursuant to the reorganization agreement. BOH Holdings will cease to exist following the completion of the merger.





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If the shareholders of BOH Holdings and Independent approve the reorganization agreement and the merger is completed, all outstanding shares of BOH Holdings common stock will be converted into the right to receive, an aggregate 3,616,060 shares of Independent common stock and \$34 million in cash, all subject to downward adjustment as set forth in the reorganization agreement.

The amount of per share merger consideration to be received by the BOH Holdings shareholders is dependent upon the number of shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. As of December 31, 2013, BOH Holdings had the following outstanding shares of common stock and securities convertible or exercisable, as the case may be, into common stock:

7,304,322 shares of BOH Holdings common stock issued and outstanding;

102,918 shares of BOH Holdings Series D preferred stock issued and outstanding under its Employee Stock Purchase Plan. On January 8, 2014, an additional 9,124 shares of BOH Holdings Series D preferred stock were issued, and BOH Holdings expects that it could issue up to an additional 30,000 shares of BOH Holdings Series D preferred stock prior to the effective time of the merger. Accordingly, BOH Holdings could have up to a total of 142,042 shares of BOH Holdings Series D preferred stock outstanding prior to the effective time of the merger. At least two business days prior to the effective time of the merger, all of the outstanding shares of BOH Holdings Series D preferred stock will be automatically converted into shares of BOH Holdings common stock on a one-for-one basis; and

711,712 outstanding and unexercised options to purchase shares of BOH Holdings common stock granted under the Amended and Restated 2008 BOHI Equity Incentive Plan (some of which will not vest until the approval of the reorganization agreement at the BOH Holdings special meeting) will, at least one business day prior to the effective time of the merger, be automatically exercised, on either a for-cash or cashless basis, at the election of the holder, into between 514,508 shares of BOH Holdings common stock if all such options are exercised on a cashless basis, and 711,712 shares of BOH Holdings common stock if all such options are exercised on a for-cash basis.

Under the terms of the reorganization agreement, upon consummation of the merger, each share of BOH common stock issued and outstanding immediately prior to the merger will be converted into the right to receive (a) cash in an amount equal to the quotient of (i) \$34 million divided by (ii) the number of shares of BOH Holdings common stock outstanding immediately before the effective time of the merger, subject to downward adjustment as described in the reorganization agreement) and (b) the fraction of a share of Independent common stock equal to the quotient of (i) the quotient of (x) \$136 million divided by (y) the number of shares of BOH Holdings common stock outstanding immediately before the effective time divided by (ii) \$37.61.

Based on the share and option amounts on December 31, 2013 and including the additional BOH Holdings Series D preferred stock issued on January 8, 2014, and that are expected to be issued prior to the effective time of the merger, BOH Holdings would have had between 7,960,872 (assuming all option holders exercise on a cashless basis) and 8,158,076 (assuming all option holders exercise for cash) shares of BOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger. Based on these estimates, at the effective time holders of BOH Holdings common stock will receive between 0.4432 and 0.4542 shares of Independent common stock (with cash in lieu of a fractional share) and between \$4.17 and \$4.27 in cash for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of the BOH

Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) that they own, with the cash portion of the per share merger consideration subject to downward adjustment as set forth in the reorganization agreement.

No fractional shares of Independent common stock will be issued in the merger. Rather, fractional shares of Independent common stock will be paid in cash, without interest, in an amount equal to the product of

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the fraction of a share of Independent common stock multiplied by the volume weighted average of the sale price per share of Independent common stock on the NASDAQ Global Select Market for the twenty consecutive trading days ending on and including the third trading day preceding the effective time of the merger. The market price of shares of Independent common stock and the amount of issued will fluctuate from the date of this joint proxy statement/prospectus to the date of completion of the merger, and these fluctuations could impact the amount of cash paid for fractional shares.

Based on the closing price of Independent common stock on the NASDAQ Global Market on December 31, 2013 of \$49.66, and assuming no downward adjustment to the cash portion of the merger consideration under the terms of the reorganization agreement as a result of BOH Holdings having a tangible book value of less than \$70 million, calculated in accordance with the reorganization agreement, the amount of total consideration to be paid by Independent would have been valued at approximately \$213,573,540.

Because of the possibility of a downward adjustment to the per share cash consideration and the uncertainty in the number of shares of BOH Holdings common stock that will be outstanding immediately prior to the effective time of the merger, BOH Holdings and Independent shareholders will not know the exact fraction of a share of Independent common stock or the exact amount of cash BOH Holdings shareholders will receive for each share of BOH Holdings common stock (including shares of BOH Holdings common stock issued upon the automatic conversion of BOH Holdings Series D preferred stock and the shares of BOH Holdings common stock issued upon the automatic exercise of outstanding options to purchase BOH Holdings common stock) held by them in connection with the merger when BOH Holdings and Independent shareholders vote on the reorganization agreement.

### **Treatment of BOH Holdings Series D Preferred Stock**

In accordance with the reorganization agreement and pursuant to the terms of the BOH Holdings Employee Stock Purchase Plan, the board of directors of BOH Holdings will set a date (which date will be at least two business days before the effective time of the merger) on which all accumulated payroll deductions by participants in the BOH Holdings Employee Stock Purchase Plan as of such date will be applied to purchase BOH Holdings Series D preferred stock. After such date and until the effective time of the merger, participants in the Employee Stock Purchase Plan will not have the right to purchase and BOH Holdings will not be permitted issue any additional BOH Holdings Series D preferred stock.

All shares of BOH Holdings Series D preferred stock issued and outstanding two business days prior to the effective time of the merger will automatically convert into shares of BOH Holdings common stock on a one-to-one basis, as provided in the certificate of designations of BOH Holdings Series D preferred stock. As a result, immediately prior to the effective time of the merger, all holders of BOH Holdings Series D preferred stock will hold one share of BOH Holdings common stock for each share of BOH Holdings Series D preferred stock previously held. Each share of BOH Holdings common stock will thereafter represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement.

### **Treatment of BOH Holdings Options**

Pursuant to the terms of the BOH Holdings Amended and Restated 2008 BOHI Equity Incentive Plan each outstanding option to acquire shares of BOH Holdings common stock not fully vested and immediately exercisable will automatically vest and become fully exercisable upon the approval of reorganization agreement by the BOH Holdings shareholders at the BOH Holdings special meeting. The BOH Holdings board of directors shall set a date (which must be at least one business day before the effective time of the merger) before which all BOH Holdings options shall automatically be exercised without any action on the part of the holder thereof on a for-cash or cashless

basis, as determined by the option holder, and BOH Holdings shall issue shares of BOH Holdings common stock pursuant to such automatic exercise. Following the date of this automatic exercise, all BOH Holdings options will terminate and the holder thereof will have no further rights to acquire shares of BOH

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Holdings common stock pursuant to a BOH Holdings option. Each share of BOH Holdings common stock issued pursuant to the exercise of such options will thereafter represent only the right to receive the merger consideration to be paid pursuant to the reorganization agreement.

**Treatment of BOH Holdings Series C Preferred Stock**

BOH Holdings has 23,938.35 outstanding shares of a class of preferred stock designated as Senior Noncumulative Perpetual preferred stock, Series C, or the BOH Holdings Series C preferred stock, issued to the U.S. Treasury in connection with BOH Holdings' participation in the U.S. Treasury's Small Business Lending Fund, or SBLF. Under the terms of the reorganization agreement, Independent may elect either to (i) exchange shares of a new issue of Independent preferred stock, or the Independent preferred stock, for the BOH Holdings Series C preferred stock, or (ii) require BOH Holdings to redeem all of the outstanding BOH Holdings Series C preferred stock prior to the consummation of the merger. If Independent elects the exchange, Independent will exchange each share of the BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions, as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury. If Independent elects to require BOH Holdings to redeem the BOH Holdings Series C preferred stock, then such redemption would occur in connection with the completion of the merger. The cost to BOH Holdings to redeem all of the outstanding shares of the BOH Holdings Series C preferred stock as of December 31, 2013, would be approximately \$23.9 million, and the costs and expenses related to such redemption would not be included in the calculation of BOH Holdings tangible book value for purposes of the reorganization agreement. Therefore, the redemption would not factor into the determination whether there would be a reduction in the amount of cash portion of the merger consideration Independent would be obligated to pay to BOH shareholders pursuant to the merger.

The exchange of the BOH Holdings Series C preferred stock for Independent preferred stock is subject to prior review and acceptance by the U.S. Treasury. Independent is discussing the exchange process with the U.S. Treasury and is otherwise considering the merits of the exchange, but has yet to determine whether it will exchange new shares of Independent preferred stock for the BOH Holdings Series C preferred stock or require BOH Holdings to redeem the BOH Holdings Series C preferred stock.

**Potential Downward Adjustment to the Amount of Cash Consideration Received in the Merger**

If, as of the closing date, BOH Holdings' tangible book value, as calculated pursuant to the reorganization agreement, is less than \$70 million, but at least \$65 million, the aggregate cash consideration will be reduced by an amount equal to the product of (i) the difference between (x) \$70 million minus (y) BOH Holdings' tangible book value as of the closing date, multiplied by (ii) 2.4, in each case, as BOH Holdings' tangible book value is calculated pursuant to the reorganization agreement. Independent's obligation to consummate the merger is conditioned upon BOH Holdings having a tangible book value, as calculated pursuant to the reorganization agreement, of at least \$65 million as of the closing date.

BOH Holdings' tangible book value was approximately \$70.3 million as of September 30, 2013, before deductions contemplated by the reorganization agreement.

Tangible book value will increase or decrease by the amount of net income or net loss, respectively, of BOH Holdings through the closing date. Pursuant to the terms of the reorganization agreement, unrealized gains or losses in Bank of Houston's securities portfolio and any costs and expenses associated with the redemption of BOH Holdings Series C preferred stock, if Independent should require such a redemption, are excluded from the calculation of tangible book

value. However, all costs and expenses of BOH Holdings and Bank of Houston related to the merger on an after-tax equivalent basis will be included as a deduction in the calculation of tangible book value. Management of BOH Holdings estimates net income of approximately \$6.0 million from September 30, 2013 through March 31, 2014 and aggregate merger-related deductions to tangible book value of approximately \$4.3 million. If these assumptions are correct, the amount of BOH Holdings tangible book value,

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as calculated pursuant to the reorganization agreement, would be approximately \$72.0 million as of March 31, 2014. Independent may, but will not be required to, effect the merger if the BOH Holdings tangible book value, as calculated pursuant to the reorganization agreement, is less than \$65 million. This amount is only an estimate and is based upon several assumptions, many of which are beyond the control of BOH Holdings. Accordingly, the actual amount of BOH Holdings tangible book value may vary from this estimated amount.

The tangible book value of BOH Holdings will be determined from BOH Holdings financial statements prepared in accordance with generally accepted accounting principles, consistently applied, as adjusted pursuant to the terms of the reorganization agreement. All of the following costs and expenses of BOH Holdings and Bank of Houston, on an after tax equivalent basis, will be included and will have the effect of reducing the total amount calculated for BOH Holdings tangible book value:

any and all costs related to the transactions contemplated by the reorganization agreement (which would include any investment banking fees, legal fees, accounting fees, any director, officer or employee bonuses or payments) and any change in control payments or other payments due under employment arrangements or anticipated stay or retention bonuses paid or to be paid prior to the effective time of the merger to Bank of Houston employees or severance benefits paid or to be paid prior to the effective time of the merger to Bank of Houston employees not offered employment by Independent Bank;

any costs or fees (including forfeited prepaid expenses) arising from or related to the termination of any of BOH Holdings contracts or arrangements for data processing services, ATM, and other information technology services;

the printing and mailing costs related to this joint proxy statement/prospectus;

the premium for three years of director and officer insurance tail coverage required by the reorganization agreement; and

accruals for all ad valorem taxes owed by BOH Holdings on a pro-rated basis for the period ending on the closing date.

Under the terms of the reorganization agreement, the following will not be included in the calculation of BOH Holdings tangible book value:

unrealized gains or losses in investment securities; and

the costs and expenses associated with the redemption of the BOH Holdings Series C preferred stock, if applicable.

BOH Holdings will provide Independent with a preliminary calculation of tangible book value, calculated in accordance with the reorganization agreement, at least three business days before the closing date. If Independent



disagrees with such calculation of tangible book value, BOH Holdings 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 BOH Holdings and Independent will resolve any such disagreement, which resolution will be final and binding upon both parties.

**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.

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### **Background of the Merger**

From time to time, the board of directors of BOH Holdings has considered various strategic alternatives to enhance and maximize shareholder value. These strategic alternatives include: (a) continuing as an independent institution; (b) establishing or acquiring additional branch offices or other banks; or (c) merging with an institution of similar size or selling to a larger commercial banking organization. In June 2012, the BOH Holdings board formed a merger subcommittee (the M&A Committee ) to consider various strategic alternatives.

On August 3, 2012, BOH Holdings received a letter of intent from Bank A, a bank headquartered in Texas, offering to purchase all of the outstanding shares of BOH Holdings stock. On August 28, 2012, BOH Holdings formally engaged the services of Sandler O'Neill to advise the board of directors with respect to a possible business combination involving BOH Holdings and a second party.

On September 18, 2012, Sandler O'Neill met with the M&A Committee to discuss the specific letter of intent from Bank A, the merger and acquisition market in general and BOH Holdings' financial expectations for the future. Based on expectations of future results BOH Holdings decided that the proposal outlined by Bank A did not reflect the appropriate valuation of BOH Holdings. BOH Holdings' management and representatives of Sandler O'Neill had subsequent discussions with Bank A, but formal discussions concluded without any transaction.

On November 30, 2012, BOH Holdings received a letter of intent from Bank B, but after evaluating the letter, the board of directors of BOH Holdings determined that the price offered by Bank B was not sufficiently attractive to justify moving forward with a transaction with Bank B at that time.

Over the course of the next nine months, BOH Holdings' management continued to have discussions and meet with potential acquirers and merger partners, including Bank A and Independent, discussing the merits of combinations. The various meetings with the potential partners did not initially lead to purchase offers in a range deemed acceptable to BOH Holdings' management in the context of recent comparable transactions.

On April 23, 2013, Mr. Stein, the President and Chief Executive Officer of BOH Holdings met with Independent and its Chairman, David Brooks, to discuss a possible business combination. However, the parties did not discuss specific deal terms at this meeting.

Between May and September, 2013, the board of directors of BOH Holdings and the M&A Committee continued to explore strategic alternatives, including an initial public offering of BOH Holdings, an acquisition by BOH Holdings of a Texas-based bank and a sale of BOH Holdings to two new potential business combination candidates. After considering each of its options, BOH Holdings concluded that these strategic alternatives were not sufficiently attractive to warrant further pursuit.

On September 3, 2013, Mr. Stein had a meeting with representatives from Bank D, an out-of-state bank, to discuss the timing of a possible business combination. On September 4, 2013, Mr. Stein met again with Mr. Brooks to discuss a possible business combination between BOH Holdings and Independent. At this meeting, Mr. Brooks provided BOH Holdings with Independent's preliminary verbal valuation of BOH Holdings. This meeting was followed by a series of telephone conversations and meetings among Messrs. Stein, McWhorter and Brooks regarding a potential business combination. The parties and Sandler O'Neill discussed the preliminary valuation of BOH Holdings that Independent provided as well as the current market and how the operating philosophy of BOH Holdings would complement Independent's business.

On September 26, 2013, the BOH Holdings board of directors convened and reviewed the process to date and received an overview of the terms of the verbal offer received from Independent. After considering the prospects of pursuing a possible business combination with Independent and continuing to remain an independent bank, the BOH Holdings board of directors authorized BOH Holdings to proceed with the process and explore a business combination with Independent.

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On September 30, 2013, Independent followed up its preliminary valuation with a letter of intent that contemplated an approximately \$165 million price for all of BOH Holdings' capital stock, to be paid in a combination of cash and common stock of Independent. This letter of intent contained an exclusivity provision, a provision describing a termination fee to be paid by BOH Holdings under certain circumstances, non-disclosure provisions and other provisions customary to a letter of this nature.

On October 21, 2013, the board of directors of BOH Holdings met to consider the letter of intent received from Independent and a letter of intent received from Bank C earlier that day. After an analysis of Bank C's offer, the BOH Holdings board of directors determined that the Independent proposal was superior to Bank C's proposal. At this meeting, the BOH Holdings board of directors unanimously approved the Independent letter of intent and authorized its execution, subject to revision as discussed at the meeting.

On October 22, 2013, Mr. Stein initiated a telephone conversation with Mr. Brooks during which Mr. Brooks increased Independent's offer to \$170 million. That afternoon, Independent provided a final draft of the letter of intent that contained the changes requested by BOH Holdings, and BOH Holdings executed the letter of intent that day.

On November 5, 2013, Independent provided BOH Holdings, its legal advisor, Bracewell & Giuliani LLP, or Bracewell, and Sandler O'Neill with an initial draft of a definitive reorganization agreement between the two companies. The parties discussed various legal and business points related to this agreement through the remainder of November.

Between October 21, 2013 and November 21, 2013, Independent and BOH Holdings conducted due diligence reviews of each other and engaged in numerous discussions on various matters related to the transaction. On November 7, 2013, Mr. Stein and other BOH Holdings executives visited McKinney, Texas, to conduct onsite diligence review of Independent and to hold more in-depth discussions.

On November 19, 2013, the BOH Holdings board of directors met with its legal and financial advisors to discuss the proposed reorganization agreement, which was in its substantially final form. The BOH Holdings board of directors heard a presentation from Sandler O'Neill on the financial aspects of the transaction, Independent's financial condition, Independent's background and the record of its stock in the public markets. At the conclusion of this discussion and after responding to questions from the directors, Sandler O'Neill rendered to BOH Holdings' board of directors its oral opinion that the aggregate merger consideration to be received from Independent, which consisted of \$34 million in cash, subject to reduction as provided in the proposed reorganization agreement, and 3,616,060 shares of Independent common stock, was fair to the shareholders of BOH Holdings, from a financial point of view. Sandler O'Neill's oral opinion was subsequently confirmed by delivery of its written opinion, dated November 21, 2013, to the BOH Holdings board of directors. Thereafter, Bracewell reviewed the terms and conditions of the proposed reorganization agreement and ancillary legal documents with the board of directors, discussing in detail the business points, contingencies, timing issues and fiduciary concerns.

Based upon the board of directors' review and discussion of the proposed reorganization agreement, the opinion of Sandler O'Neill and other relevant factors, on November 21, 2013, the board unanimously authorized and approved the execution of the proposed reorganization agreement with Independent. Later that day, BOH Holdings executed the proposed reorganization agreement and Independent announced the transaction.

## **Recommendation of BOH Holdings' Board and Its Reasons for the Merger**

BOH Holdings' board of directors has unanimously approved the reorganization agreement and unanimously recommends that the BOH Holdings shareholders vote **FOR** approval of the reorganization agreement.



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

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

the current and prospective environment in which BOH Holdings 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 financial presentation of Sandler O'Neill and the opinion of Sandler O'Neill dated as of November 21, 2013 that, as of November 21, 2013 (the date on which BOH Holdings board of directors approved the reorganization agreement), and subject to the assumptions, limitations and qualifications set forth in the opinion, the merger consideration to be received from Independent is fair, from a financial point of view, to the shareholders of BOH Holdings (see Merger Fairness Opinion of BOH Holdings Financial Advisor, beginning on page 93);

that shareholders of BOH Holdings will receive part of the merger consideration in shares of Independent common stock, which is publicly traded on the NASDAQ stock exchange;

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

the results that BOH Holdings 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;

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 BOH Holdings' 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 BOH Holdings;

that under the agreement BOH Holdings could not solicit competing proposals for the acquisition of BOH Holdings;

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;

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

that the cash portion of the merger consideration would be taxable to BOH Holdings' shareholders upon completion of the merger; and

the requirement that BOH Holdings conduct its business in the ordinary course and other restrictions on the conduct of BOH Holdings' business before completion of the merger, which may delay or prevent BOH Holdings 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 BOH Holdings' board of directors in approving the merger. In reaching its determination, the BOH Holdings 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 BOH Holdings' shareholders, and therefore the board of directors of BOH Holdings unanimously approved the reorganization agreement and the merger. In addition, all members of BOH Holdings' board of directors have entered into voting agreements requiring them to vote the shares of BOH Holdings common stock and BOH Holdings Series D preferred stock over which they have voting authority in favor of the reorganization agreement.

**BOH HOLDINGS' BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT  
HOLDERS OF BOH HOLDINGS COMMON STOCK AND  
HOLDERS OF BOH HOLDINGS SERIES D PREFERRED STOCK  
VOTE FOR THE REORGANIZATION AGREEMENT.**

**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 Houston market as an area into which Independent should expand. Houston is the largest metropolitan area in Texas and the fifth largest metropolitan area in the United States, and has a dynamic and growing economy. After extensive review of the banking organizations located in the Houston market and meetings and discussions with Houston area banking organizations and Independent's financial advisors, management of Independent identified BOH Holdings as a top tier banking organization with which Independent could partner to support its entry into the Houston market.

As discussed above under the heading "Background of the Merger," Independent and BOH Holdings 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 2013 and the Independent board of directors began consideration of the potential acquisition during the third quarter of 2013. The



Independent board of directors continued consideration of the proposed acquisition at its meeting in October, 2013. 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, 2013 to fully review and discuss the proposed transaction. At that meeting, the Independent board of directors consulted with Sterne Agee with respect to the financial aspects of the transaction and with its outside legal

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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 BOH Holdings;

information regarding the Houston banking market, including local economic conditions and prospects, as well as the competitive environment and the position of BOH Holdings in the market;

the results of management's due diligence review of BOH Holdings and Bank of Houston;

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

the impact of the issuance of 3,616,060 shares of Independent common stock pursuant to the merger on Independent's ownership structure including that, pursuant to the requirements of NASDAQ, the merger and the issuance of shares in connection with the merger would be subject to the approval of Independent's shareholders;

the representations, warranties, covenants and conditions to closing set forth in the reorganization agreement, including the obligation of BOH Holdings to deliver a minimum amount of tangible book value and to cause the conversion of outstanding options and preferred stock into shares of BOH Holdings common stock prior to the effective time of the merger;

the impact of expansion of the Independent board of directors to include three BOH Holdings nominees;

the ability to retain all of the key members of the BOH management team through the execution of employment agreements;

the compatibility of BOH's management with Independent's management;

the strength of the BOH Holdings asset quality metrics and the similarity of the BOH Holdings credit culture to Independent's credit culture;

the opportunities for future growth in the Houston market area;

the potential to realize cost savings through the integration of the operations of BOH Holdings;

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 BOH Holdings 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 Sterne Agee and the opinion of Sterne Agee that the merger consideration to be paid by Independent is fair, from a financial point of view, to Independent.

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

**Fairness Opinion of Independent s Financial Advisor**

On November 8, 2013, Independent engaged Sterne Agee to act as financial adviser to Independent in connection with the acquisition of BOH Holdings. As part of the engagement, Sterne Agee was asked to assess the fairness to Independent, from a financial point of view, of the merger consideration to be paid by Independent to the shareholders of BOH Holdings. Independent engaged Sterne Agee 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, Sterne Agee 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, Sterne Agee has experience in, and knowledge of, the valuation of banking enterprises.

As part of its engagement, representatives of Sterne Agee attended the meeting of the board of directors of Independent held on November 21, 2013, in which the board of directors evaluated the proposed merger. At this meeting, Sterne Agee reviewed the financial aspects of the proposed transaction and rendered an opinion that, as of such date and based upon and subject to the factors and assumptions contained in the opinion, the consideration to be paid in the merger was fair, from a financial point of view, to Independent. The board of directors of Independent approved the reorganization agreement at this meeting.

The full text of Sterne Agee s written opinion, dated November 21, 2013, is attached as Appendix C 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 Sterne Agee. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

**Sterne Agee s opinion speaks only as of its date, and Sterne Agee has undertaken no obligation to update or revise its opinion. The opinion was directed to the board of directors of Independent and addresses only 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 BOH Holdings determined the merger consideration through the negotiation process.**

In rendering its opinion, Sterne Agee, among other things:

reviewed the reorganization agreement dated November 21, 2013;

reviewed certain publicly available financial and business information of BOH Holdings, Independent and their respective affiliates that Sterne Agee deemed to be relevant;

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

reviewed materials detailing the merger prepared by BOH Holdings, Independent and their respective affiliates, by their respective legal and accounting advisors and by BOH Holdings' financial advisor;

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conducted conversations with members of senior management and representatives of BOH Holdings 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 BOH Holdings and Independent to other selected banks and thrifts that Sterne Agee deemed to be relevant;

analyzed the merger consideration relative to transactions determined by Sterne Agee to be comparable to the merger;

analyzed the merger consideration relative to the book value and tangible book value of BOH Holdings as of September 30, 2013;

analyzed the merger consideration offered relative to the last twelve months net income of BOH Holdings as well as to the estimated net income for the fiscal years ending December 31, 2013, 2014 and 2015;

analyzed the projected pro forma impact of the merger on certain projected balance sheet and capital ratios of Independent;

reviewed the overall environment for 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.

Sterne Agee'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 Sterne Agee through the date of the opinion. In conducting its review and arriving at its opinion, Sterne Agee relied upon the accuracy and completeness of all of the financial and other information provided to it or otherwise publicly available. Sterne Agee did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. Sterne Agee relied upon management of Independent and BOH Holdings as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and basis therefore) provided to Sterne Agee. Sterne Agee 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. Sterne Agee is not an expert in the independent 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 BOH Holdings was adequate to cover such losses. Sterne Agee did not make or obtain any evaluation or appraisal of the assets or liabilities of Independent, BOH Holdings or their respective affiliates, nor did it examine any individual credit files. Sterne Agee was not asked to and did not undertake any independent verification of any such information, and Sterne Agee did not assume any responsibility or liability for the accuracy and completeness thereof.

The projections furnished to Sterne Agee and used by it in certain of its analyses were prepared by the senior management teams of Independent and BOH Holdings, respectively. Neither Independent nor BOH Holdings publicly discloses internal management projections of the type provided to Sterne Agee 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.

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For purposes of rendering its opinion, Sterne Agee 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 with no additional payments or adjustments to the merger consideration;

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 BOH Holdings or Independent since either the date of the last financial statements made available to Sterne Agee and the date of the reorganization agreement, and that no legal, political, economic, regulatory or other development has occurred that will adversely impact BOH Holdings 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 could adversely affect the merger; and

the merger will be accounted for as a purchase transaction under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes.

Sterne Agee'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. Sterne Agee 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 consideration, to the extent expressly specified in Sterne Agee's opinion. The opinion did not address, and Sterne Agee expressed no view or opinion with respect to the relative merits or effect of the merger as compared to any 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, Sterne Agee 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, or of any of the parties to the merger relative to the aggregate consideration. Finally, 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 BOH Holdings under the reorganization agreement or the prices at which Independent's or BOH Holdings' common stock may trade at any time.



In performing its analyses, Sterne Agee made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which were beyond the control of Sterne Agee, Independent and BOH Holdings. Any estimates contained in the analyses performed by Sterne Agee were not 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 were inherently subject to substantial uncertainty. In addition, the Sterne Agee opinion was among several 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.

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The following is a summary of the material analyses performed by Sterne Agee and presented by it to the board of directors of Independent on November 21, 2013 in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the Sterne Agee opinion or the presentation made by Sterne Agee 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 most 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, Sterne Agee 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 each analysis and factor. 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, Sterne Agee's 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, at the effective time of the merger, the issued and outstanding shares of common stock of BOH Holdings, other than certain shares specified in the reorganization agreement, will be converted into the right to receive an aggregate \$34 million in cash, subject to certain adjustments, and an aggregate 3,616,060 shares of common stock of Independent.

*Implied Valuation.* Using publicly available information, Sterne Agee compared certain performance metrics of BOH Holdings and Independent to selected groups of financial institutions selected as comparable by Sterne Agee.

BOH Holdings' peer group consisted of the following publicly traded bank holding companies headquartered in Texas with assets between \$2.0 billion and \$25.0 billion:

Cullen/Frost Bankers, Inc.

Prosperity Bancshares, Inc.

Texas Capital Bancshares, Inc.

Hilltop Holdings, Inc.

First Financial Bankshares, Inc.

Southside Bancshares, Inc.

Independent Bank Group, Inc.



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To perform this analysis, Sterne Agee used financial information as of and for the twelve months ended September 30, 2013. Market price information was as of November 19, 2013. Sterne Agee's analysis showed the following concerning BOH Holdings and its peer group's minimum, median, average and maximum performance metrics:

	<b>BOH Holdings Peer Multiples</b>				<b>BOH Holdings Implied Valuation (\$ in millions)</b>				
	<b>Price/</b>		<b>Price/</b>		<b>Price/</b>		<b>Price/</b>		
	<b>TBV</b>	<b>LTM EPS</b>	<b>2013 EPS</b>	<b>2014 EPS</b>	<b>TBV</b>	<b>LTM EPS</b>	<b>2013 EPS</b>	<b>2014 EPS</b>	<b>2014 EPS</b>
	<b>(%)</b>	<b>(x)</b>	<b>(x)<sup>(1)</sup></b>	<b>(x)<sup>(1)</sup></b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Maximum	417	25.7	26.3	22.0	Maximum	288.7	268.5	303.7	290.6
Average	281	19.1	19.6	17.3	Average	194.3	199.5	226.4	228.5
Median	248	18.6	18.4	15.8	Median	172.1	195.0	212.2	209.2
Minimum	219	13.9	15.4	14.5	Minimum	151.6	145.6	178.2	191.8

(1) Based on First Call consensus estimates.

Independent's peer group consisted of the following publicly traded bank holding companies headquartered in Texas with assets between \$2.0 billion and \$25.0 billion:

Cullen/Frost Bankers, Inc.

Prosperity Bancshares, Inc.

Texas Capital Bancshares, Inc.

Hilltop Holdings, Inc.

First Financial Bankshares, Inc.

Southside Bancshares, Inc.

To perform this analysis, Sterne Agee used financial information as of and for the twelve months ended September 30, 2013. Market price information was as of November 19, 2013. Sterne Agee's analysis showed the following concerning Independent and its peer group's minimum, median, average and maximum performance metrics:

**Independent Peer Multiples**  
**Price/**

**Independent<sup>(2)</sup> Implied Valuation (\$ per share)**  
**Price/**

	<b>TBV</b> <b>(%)</b>	<b>2014 EPS</b> <b>(x)<sup>(1)</sup></b>	<b>2015 EPS</b> <b>(x)<sup>(1)</sup></b>		<b>TBV</b> <b>(\$)</b>	<b>2014 EPS</b> <b>(\$)</b>	<b>2015 EPS</b> <b>(\$)</b>
Maximum	417	22.0	20.3	Maximum	65.65	45.00	51.62
Average	284	16.8	15.6	Average	44.71	34.45	39.56
Median	244	15.7	14.9	Median	38.50	32.22	37.91
Minimum	219	14.5	13.3	Minimum	34.37	29.70	33.67

(1) Based on First Call consensus estimates.

(2) Independent pro forma data includes the pro forma impact of Independent's acquisition of Collin Bank completed on November 30, 2013, and its acquisition of Live Oak Financial Corp. completed on January 1, 2014.

*Comparable Transaction Analysis.* Sterne Agee reviewed publicly available information related to recent bank acquisition transactions involving targets headquartered in Texas having assets between \$500 million and \$5 billion on the announcement date and a disclosed deal value. Sterne Agee excluded bankruptcy-assisted

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transactions and mergers of equals from the comparable transaction group. The transactions included in this group were:

<b>Buyer</b>	<b>Seller</b>
East West Bancorp, Inc.	MetroCorp Bancshares, Inc.
Cullen/Frost Bankers, Inc.	WNB Bancshares, Inc.
Prosperity Bancshares, Inc.	FVNB Corp.
Cadence Bancorp, Inc.	Encore Bancshares, Inc.
Carlisle Bancshares, Inc.	Northstar Financial Corporation
Prosperity Bancshares, Inc.	American State Financial Corporation

Transaction multiples for the merger were derived from an aggregate transaction value of \$170 million. Using the comparable transactions, Sterne Agee derived and compared, among other things, the implied deal value paid for the acquired company to:

tangible book value of the acquired company based on the most recent publicly available financial statements prior to announcement;

the last twelve months net income of the acquired company based on the most recent publicly available financial statements prior to announcement;

the estimated current year net income of the acquired company based on the most recent financial projections prior to announcement; and

the premium paid on tangible common equity divided by the core deposits (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.

As illustrated in the following table, Sterne Agee compared the proposed transaction ratios to the minimum, median and maximum transaction ratios of the selected comparable transactions.

	<b>Independent/ BOH Holdings</b>	<b>Comparable Transactions</b>		
		<b>Minimum</b>	<b>Median</b>	<b>Maximum</b>
Price/Tangible Book Value	246%	167%	223%	284%
Price/Last Twelve Months Earnings	16.3x	12.6x	17.8x	23.6x
Price/Estimated 2013 Earnings	15.0x	13.6x	19.3x	24.8x
Core Deposit Premium	16.5%	7.4%	12.6%	17.6%

No company or transaction used as a comparison in the above analysis is identical to BOH Holdings, 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.* Sterne Agee performed a discounted cash flow analysis to estimate a range of present values of after-tax cash flows that BOH Holdings could contribute to Independent through 2018 including cost savings. In performing this analysis, Sterne Agee relied on guidance from management to derive projected after-tax cash flows for fiscal years 2013-2018. Sterne Agee assumed that BOH Holdings 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 BOH Holdings. The analysis assumed discount rates ranging from 12.0% to 14.0% and terminal multiples ranging from 14.0 times to 16.0 times fiscal year 2018 forecasted earnings. This analysis resulted in a range of values of BOH Holdings from \$275.7 million to \$337.3 million. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and

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earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of BOH Holdings.

*Financial Impact Analysis.* Sterne Agee performed pro forma merger analyses that combined projected income statement and balance sheet information of Independent and BOH Holdings. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of Independent. In the course of this analysis, Sterne Agee used earnings estimates for Independent and BOH Holdings for 2013-2018 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 2014-2018. The analysis also indicated that the merger is expected to be initially dilutive to tangible book value per share for Independent and become accretive in less than three years from the closing date and that 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 vary from the projected results, and the variations may be material.

*Relationships.* In the ordinary course of its business as a broker-dealer, Sterne Agee may, from time to time, purchase securities from, and sell securities to Independent, BOH Holdings or their respective affiliates. Sterne Agee 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. To the extent that Sterne Agee held any such position, it was disclosed to Independent.

Sterne Agee 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. Sterne Agee was entitled to a fee of \$200,000 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. Upon the successful announcement of the merger, Sterne Agee was also entitled to a fee of \$500,000, reduced by any fee paid to Sterne Agee in connection with the fairness opinion. In addition, Independent has agreed to reimburse Sterne Agee for reasonable and customary out-of-pocket expenses and disbursements, including fees and reasonable expenses of counsel, of no more than \$10,000 without Independent's consent, and to indemnify against certain liabilities, including liabilities under the federal securities laws. Other than services provided to Independent in connection with the merger, Sterne Agee has not provided investment banking and financial advisory services to Independent or BOH Holdings in the past two years.

### **Fairness Opinion of BOH Holdings' Financial Advisor**

*The fairness opinion of BOH Holdings' financial advisor, Sandler O'Neill, is described below. The description contains projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of BOH Holdings. You should not rely on any of these statements as having been made or adopted by BOH Holdings or Independent. You should review the copy of the fairness opinion, which is attached as Appendix B.*

By letter dated August 28, 2012, BOH Holdings retained Sandler O'Neill to act as its financial advisor in the event of a sale of BOH Holdings. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. As part 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.

At the meeting of the board of directors of BOH Holdings on November 19, 2013, Sandler O'Neill delivered to the board of directors its oral opinion, subsequently followed by delivery of its written opinion, that, as of November 21, 2013, the merger consideration was fair to the holders of BOH Holdings common stock from a financial point of view. **The full text of Sandler O'Neill's written opinion dated November 21, 2013, is attached as Appendix B to this**



**joint proxy statement/prospectus. The opinion outlines the procedures**

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**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 opinion. BOH Holdings shareholders 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 its opinion. The opinion was directed to BOH Holdings' board and is directed only to the fairness of the merger consideration to BOH Holdings' shareholders from a financial point of view. It does not address the underlying business decision of BOH Holdings to engage in the merger or any other aspect of the merger and is not a recommendation to any BOH Holdings shareholder as to how such shareholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its November 21, 2013 opinion, Sandler O'Neill reviewed and considered, among other things:

the reorganization agreement;

certain historical financial information of BOH Holdings that Sandler O'Neill deemed relevant;

certain publicly available financial statements and other historical financial information of Independent that Sandler O'Neill deemed relevant;

internal financial projections for BOH Holdings for the years ending December 31, 2013 through December 31, 2016 as provided by the senior management of BOH Holdings;

median consensus publicly available earnings estimates, pro forma for the recently announced Collin Bank and Live Oak Financial Corp. acquisitions, for Independent for the years ending December 31, 2013, 2014 and 2015, as discussed with senior management of Independent, and an estimated long-term growth rate for the years thereafter, as discussed with senior management of Independent;

the pro forma financial impact of the merger on Independent based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies, as determined by the senior management of Independent;

a comparison of certain financial information for BOH Holdings and Independent with similar institutions for which publicly available information is available;

the financial terms of certain recent business combinations in the commercial banking industry, 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 senior management of BOH Holdings the business, financial condition, results of operations and prospects of BOH Holdings and held similar discussions with certain members of senior management of Independent regarding the business, financial condition, results of operations and prospects of Independent.

In performing its review, Sandler O'Neill has relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to

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Sandler O'Neill by BOH Holdings and Independent or their respective representatives or that was otherwise reviewed by Sandler O'Neill and have assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill has further relied on the assurances of the respective managements of BOH Holdings and Independent that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill has not been asked to and has not undertaken an independent verification of any of such information and Sandler O'Neill does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of BOH Holdings and Independent or any of their respective subsidiaries. Sandler O'Neill renders no opinion or evaluation on the collectability of any assets or the future performance of any loans of BOH Holdings and Independent. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of BOH Holdings and Independent, or the combined entity after the merger and Sandler O'Neill has not reviewed any individual credit files relating to BOH Holdings and Independent. Sandler O'Neill has assumed, with BOH Holdings' consent, that the respective allowances for loan losses for both BOH Holdings 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 publicly available earnings projections for Independent and internal long-term growth rates for BOH Holdings and in each case as discussed with respective senior managements of BOH Holdings and Independent. Sandler O'Neill also received and used in its analyses certain projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were prepared by and/or reviewed with the senior management of Independent. With respect to those projections, estimates and judgments, the respective managements of BOH Holdings and Independent confirmed to Sandler O'Neill that those projections, estimates and judgments reflected the best currently available estimates and judgments of those respective managements of the future financial performance of BOH Holdings and Independent, respectively, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expressed no opinion as to such estimates or the assumptions on which they were based. Sandler O'Neill has also assumed that there has been no material change in BOH Holdings' and Independent's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Sandler O'Neill. Sandler O'Neill has assumed in all respects material to its analysis that BOH Holdings and Independent will remain as going concerns for all periods relevant to its analyses, that all of the representations and warranties contained in the reorganization agreement and all related agreements are true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the agreements, that the conditions precedent in the reorganization agreement are not waived and that the merger will qualify as a tax-free reorganization for federal income tax purposes. Finally, with BOH Holdings' consent, Sandler O'Neill has relied upon the advice BOH Holdings has 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's opinion is 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 its opinion. Events occurring after the date of its opinion could materially affect the opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. Sandler O'Neill will receive a fee for rendering the opinion and BOH Holdings has also agreed to indemnify Sandler O'Neill against certain liabilities arising out of its engagement. 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 BOH Holdings and Independent and their affiliates. Sandler O'Neill has provided certain investment banking services to BOH Holdings and has received customary fees for those services.

Sandler O'Neill's opinion is directed to the board of directors of BOH Holdings in connection with its consideration of the merger and does not constitute a recommendation to any shareholder of BOH Holdings as to how any such

shareholder should vote at any meeting of shareholders called to consider and vote upon the merger. Sandler O'Neill's opinion is directed only to the fairness, from a financial point of view, of the aggregate

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merger consideration to holders of BOH Holdings common stock and does not address the underlying business decision of BOH Holdings to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for BOH Holdings or the effect of any other transaction in which BOH Holdings might engage. The Sandler O'Neill opinion has been approved by Sandler O'Neill's fairness opinion committee. 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 employees, or class of such persons, relative to the compensation to be received in the merger by any other shareholder.

In rendering its November 21, 2013 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. 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. 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 merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole. 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 BOH Holdings and 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 BOH Holdings and Independent and the companies to which they are being compared.

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 cannot be predicted and are beyond the control of BOH Holdings, Independent and Sandler O'Neill. The analysis performed by Sandler O'Neill is 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 BOH Holdings at the board's November 19, 2013 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. The analysis and opinion of Sandler O'Neill was among a number of factors taken into consideration by BOH Holdings' board in making its determination to approve the reorganization agreement and the transactions contemplated by the reorganization agreement (including the merger) and the analyses described below should not be viewed as determinative of the decision of BOH Holdings' board or management with respect to the fairness of the merger.

At the November 19, 2013 meeting of the BOH Holdings board of directors, Sandler O'Neill presented certain financial analyses of the merger and delivered its written opinion to the BOH Holdings board of directors on November 21, 2013. The summary below is not a complete description of the analyses underlying the opinions of

Sandler O'Neill or the presentation made by Sandler O'Neill to the BOH Holdings board of directors, but is instead a summary of the material analyses performed and presented in connection with the opinion.

**Table of Contents****Summary of Proposal**

Sandler O'Neill reviewed the financial terms of the proposed transaction. Shareholders will receive an amount equal \$34 million in cash and 3,616,060 shares of Independent's common stock. Based on Independent's 20-day weighted average price of \$37.61 as of November 18, 2013, the aggregate transaction value was \$170 million.

Based upon financial information as of or for the period ended September 30, 2013, Sandler O'Neill calculated the following transaction ratios:

Transaction Value per Share / LTM Earnings per Share:	16.6x
Transaction Value per Share / Book Value per Share:	245%
Transaction Value per Share / Tangible Book Value per Share:	245%
Tangible Book Premium / Core Deposits <sup>(1)</sup> :	16.5%

(1) Core deposits defined as total deposits less jumbo CDs greater than \$100,000.

**BOH Holdings: Comparable Company Analysis**

Sandler O'Neill used publicly available information to compare selected financial and market trading information for a group of banks and thrifts in Texas selected by Sandler O'Neill.

The BOH Holdings peer group, which consisted of publicly traded commercial banks and thrifts headquartered Texas with assets between \$500 million and \$10 billion but excludes targets of announced transactions, included:

First Financial Bankshares, Inc.	North Dallas Bank & Trust Co.
Guaranty Bancshares, Inc.	OmniAmerican Bancorp, Inc.
Hilltop Holdings, Inc.	Southside Bancshares, Inc.
Independent Bank Group, Inc.	ViewPoint Financial Group, Inc.

The analysis compared publicly available financial information for BOH Holdings and the median financial and market trading information for the BOH Holdings peer group for the financial period ended September 30, 2013, or for the most recently reported period available. The table below sets forth the data for



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BOH Holdings and the median data for the BOH Holdings peer group as of and for the twelve-month period ended September 30, 2013, with pricing data as of November 18, 2013.

**BOH Holdings Comparable Group Analysis**

	BOH Holdings	Peer Group Median
Total Assets (in millions)	\$925	\$2,669
Tangible Common Equity / Tangible Assets	7.49%	9.59%
Tier 1 Leverage Ratio	10.48%	10.49%
Total Risk Based Capital Ratio	13.38%	18.51%
LTM Return on Average Assets	1.18%	1.12%
LTM Return on Average Equity	11.41%	11.49%
LTM Net Interest Margin	4.34%	3.51%
LTM Efficiency Ratio	57.80%	66.90%
Loan Loss Reserve / Gross Loans	0.89%	0.92%
Nonperforming Assets / Total Assets <sup>(1)</sup>	0.42%	0.61%
Net Charge-offs / Average Loans	0.00%	0.15%
Price / Tangible Book Value	NA	199.00%
Price / LTM Earnings per Share	NA	24.4x
Price / Est. 2013 Earnings per Share <sup>(2)</sup>	NA	23.9x
Price / Est. 2014 Earnings per Share <sup>(3)</sup>	NA	21.1x
Market Capitalization (in millions)	NA	\$489

(1) Nonperforming assets include nonaccrual loans and leases, renegotiated loans and leases, and foreclosed or repossessed assets.

(2) Closing price divided by median analyst estimate for 2013 as of November 18, 2013; Source: FactSet First Call.

(3) Closing price divided by median analyst estimate for 2014 as of November 18, 2013; Source: FactSet First Call.

**Independent: Comparable Company Analysis**

Sandler O'Neill used publicly available information to compare selected financial and market trading information for Independent and a group of banks and thrifts in Texas selected by Sandler O'Neill.

The Independent peer group consisted of major exchange traded banks and thrifts headquartered in Texas with assets between \$1 billion and \$20 billion, but excludes targets of announced transactions:

First Financial Bankshares, Inc.

Prosperity Bancshares, Inc.

Hilltop Holdings, Inc.

Southside Bancshares, Inc.

International Bancshares Corporation

Texas Capital Bancshares, Inc.

OmniAmerican Bancorp, Inc.

ViewPoint Financial Group, Inc.

The analysis compared publicly available financial and market trading information for Independent and the median financial and market trading information for the Independent peer group for the financial period ended September 30, 2013. The table below sets forth the data for Independent and the median data for the



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Independent peer group as of and for the twelve-month period ended September 30, 2013, with pricing data as of September 16, 2013.

**Independent Comparable Group Analysis**

	Independent <sup>(1)</sup>	Peer Group Median
Total Assets (in millions)	\$1,955	\$7,085
Tangible Common Equity / Tangible Assets	9.73%	9.08%
Tier 1 Leverage Ratio	10.74%	11.19%
Total Risk Based Capital Ratio	15.05%	18.51%
LTM Return on Average Assets	0.86%	1.13%
LTM Return on Average Equity	9.26%	9.71%
LTM Net Interest Margin	4.34%	3.59%
LTM Efficiency Ratio	64.40%	57.90%
Loan Loss Reserve / Gross Loans	0.84%	0.89%
Nonperforming Assets / Total Assets <sup>(2)</sup>	1.26%	0.54%
Net Charge-offs / Average Loans	0.12%	0.17%
Price / Tangible Book Value	265.00%	232.00%
Price / LTM Earnings per Share	26.1x	19.5x
Price / Est. 2013 Earnings per Share <sup>(3)</sup>	28.1x	17.8x
Price / Est. 2014 Earnings per Share <sup>(4)</sup>	20.1x	15.9x
Market Capitalization (in millions)	\$496	\$1,785

(1) Profitability metrics adjusted for S Corporation status.

(2) Nonperforming assets include nonaccrual loans and leases, renegotiated loans and leases, and foreclosed or repossessed assets.

(3) Closing price divided by median analyst estimate for 2013 as of November 18, 2013; Source: FactSet First Call.

(4) Closing price divided by median analyst estimate for 2014 as of November 18, 2013; Source: FactSet First Call.

**Independent: Stock Trading History**

Sandler O'Neill reviewed the history of the reported trading prices and volume of Independent's common stock and the relationship between the movements in the prices of Independent's common stock to movements in certain stock indices, including Independent's peer group, the NASDAQ Bank Index and S&P 500 Index.

As reflected in the table shown below, Independent's common stock outperformed the various indices to which it was compared over the time horizon since Independent's initial public offering on April 3, 2013.

**Independent's Stock Performance Since Initial Public Offering**

	Beginning Index Value April 3, 2010	Ending Index Value November 18, 2013
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Independent	0.0%	57.9%
Independent s Peer Index	0.0%	33.1%
NASDAQ Bank Index	0.0%	20.7%
S&P 500 Index	0.0%	14.1%

**Analysis of Selected Merger Transactions**

Sandler O Neill reviewed seven merger transactions announced from January 1, 2012 through November 18, 2013 involving banks and thrifts headquartered in Texas with an announced deal value greater than or equal to \$100 million.

Sandler O Neill reviewed the following multiples: transaction price to last twelve months earnings per share, transaction price to stated book value, transaction price to stated tangible book value, and tangible book

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value to core deposit premium. As illustrated in the following table, Sandler O Neill compared the proposed merger multiples to the median multiples of comparable transactions.

**Comparable Merger Transactions**

	Independent/ BOH Holdings	Texas Median Result
Transaction Price / Last Twelve Months Earnings per Share	16.6x	15.3x
Transaction Price / Book Value	245.00%	173.00%
Transaction Price / Tangible Book Value	245.00%	206.00%
Tangible Book Premium / Core Deposits	16.50%	12.10%

**BOH Holdings: Net Present Value Analysis**

Sandler O Neill performed an analysis that estimated the present value of BOH Holdings through December 31, 2016, assuming that BOH Holdings performed in accordance with the financial projections for 2013-2016 provided by management. To approximate the terminal value of BOH Holdings at December 31, 2016, Sandler O Neill applied price to last twelve months earnings multiples of 12.0x to 22.0x and multiples of tangible book value ranging from 125% to 250%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 9.5% to 15.5%, which were assumed deviations, as selected by Sandler O Neill based on the BOH Holdings discount rate of 15.4% as determined by Sandler O Neill. The discount rate is determined by adding the 10 year Treasury Bond rate as of November 18, 2013 (2.67%), the published Ibbotson 60 year equity risk premium (5.70%), the published Ibbotson size premium for companies with a market value between \$1 million to \$514.2 million (3.81%), and the published Ibbotson Industry Premium (3.20%) for depository institutions.

Sandler O Neill also considered and discussed with the BOH Holdings 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 BOH Holdings net income varied from 25% above projections to 25% below projections, using a discount rate of 12.5% for the tabular analysis.

As illustrated in the following tables, this analysis indicated an imputed range of values for BOH Holdings of \$133.7 million to \$291.6 million when applying the price/earnings multiples to the matched budget, \$93.1 million to \$221.5 million when applying multiples of tangible book value to the matched budget, and \$109.2 million to \$333.8 million when applying the price/earnings multiples to the -25% / +25% budget range.

Discount Rate	Earnings Multiples					
	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x
9.5%	\$159.0	\$185.5	\$212.1	\$238.6	\$265.1	\$291.6
10.5%	\$154.4	\$180.1	\$205.9	\$231.6	\$257.3	\$283.1
11.5%	\$150.0	\$174.9	\$199.9	\$224.9	\$249.9	\$274.9
12.5%	\$145.7	\$169.9	\$194.2	\$218.5	\$242.8	\$267.1
13.5%	\$141.5	\$165.1	\$188.7	\$212.3	\$235.9	\$259.5

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14.5%	\$137.6	\$160.5	\$183.4	\$206.3	\$229.3	\$252.2
15.5%	\$133.7	\$156.0	\$178.3	\$200.6	\$222.9	\$245.2

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Discount Rate	Tangible Book Value Multiples					
	125%	150%	175%	200%	225%	250%
9.5%	\$110.7	\$132.9	\$155.0	\$177.2	\$199.3	\$221.5
10.5%	\$107.5	\$129.0	\$150.5	\$172.0	\$193.5	\$215.0
11.5%	\$104.4	\$125.3	\$146.2	\$167.1	\$187.9	\$208.8
12.5%	\$101.4	\$121.7	\$142.0	\$162.3	\$182.6	\$202.8
13.5%	\$98.5	\$118.3	\$138.0	\$157.7	\$177.4	\$197.1
14.5%	\$95.8	\$114.9	\$134.1	\$153.2	\$172.4	\$191.6
15.5%	\$93.1	\$111.7	\$130.4	\$149.0	\$167.6	\$186.2

Over/(Under) Budget Rate	Earnings Multiples					
	12.0x	14.0x	16.0x	18.0x	20.0x	22.0x
(25.0%)	\$109.2	\$127.5	\$145.7	\$163.9	\$182.1	\$200.3
(15.0%)	\$123.8	\$144.5	\$165.1	\$185.7	\$206.4	\$227.0
(5.0%)	\$138.4	\$161.4	\$184.5	\$207.6	\$230.6	\$253.7
0.0%	\$145.7	\$169.9	\$194.2	\$218.5	\$242.8	\$267.1
5.0%	\$152.9	\$178.4	\$203.9	\$229.4	\$254.9	\$280.4
15.0%	\$167.5	\$195.4	\$223.4	\$251.3	\$279.2	\$307.1
25.0%	\$182.1	\$212.4	\$242.8	\$273.1	\$303.5	\$333.8

**Independent: Net Present Value Analysis**

Sandler O Neill performed an analysis that estimated the present value per common share of Independent through December 31, 2016, assuming that Independent performed in accordance with the financial projections for 2013-2016 provided by management. To approximate the terminal value of Independent common stock at December 31, 2016, Sandler O Neill applied price to last twelve months earnings multiples of 14.0x to 24.0x and multiples of tangible book value ranging from 150% to 275%. The terminal values were then discounted to present values using different discount rates ranging from 9.5% to 15.5%, which were assumed deviations, as selected by Sandler O Neill based on the Independent discount rate of 15.4% as determined by Sandler O Neill. The discount rate is determined by adding the 10 year Treasury Bond rate as of November 18, 2013 (2.67%) the published Ibbotson 60 year equity risk premium (5.70%), the published Ibbotson size premium for companies with a market value between \$1.0 million to \$514.2 million (3.81%), and the published Ibbotson Industry Premium (3.20%) for depository institutions.

Sandler O Neill also considered and discussed with the BOH Holdings 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 25% above projections to 25% below projections, using a discount rate of 12.5% for the tabular analysis.

As illustrated in the following tables, this analysis indicated an imputed range of values per share for Independent common stock of \$27.60 to \$55.48 when applying the price/earnings multiples to the matched

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budget, \$22.15 to \$47.35 when applying multiples of tangible book value to the matched budget, and \$22.76 to \$63.32 when applying the price/earnings multiples to the -25% / +25% budget range.

Discount Rate	Earnings Per Share Multiples					
	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
9.5%	\$32.77	\$37.31	\$41.86	\$46.40	\$50.94	\$55.48
10.5%	\$31.83	\$36.24	\$40.65	\$45.06	\$49.47	\$53.88
11.5%	\$30.92	\$35.20	\$39.48	\$43.77	\$48.05	\$52.33
12.5%	\$30.04	\$34.20	\$38.36	\$42.52	\$46.68	\$50.84
13.5%	\$29.20	\$33.24	\$37.28	\$41.33	\$45.37	\$49.41
14.5%	\$28.39	\$32.32	\$36.24	\$40.17	\$44.10	\$48.03
15.5%	\$27.60	\$31.42	\$35.24	\$39.06	\$42.88	\$46.70

Discount Rate	Tangible Book Value Multiples					
	150%	175%	200%	225%	250%	275%
9.5%	\$26.29	\$30.50	\$34.71	\$38.93	\$43.14	\$47.35
10.5%	\$25.53	\$29.62	\$33.71	\$37.80	\$41.89	\$45.98
11.5%	\$24.80	\$28.78	\$32.75	\$36.72	\$40.69	\$44.66
12.5%	\$24.10	\$27.96	\$31.82	\$35.68	\$39.54	\$43.40
13.5%	\$23.43	\$27.18	\$30.93	\$34.68	\$38.43	\$42.17
14.5%	\$22.78	\$26.42	\$30.07	\$33.71	\$37.35	\$41.00
15.5%	\$22.15	\$25.70	\$29.24	\$32.78	\$36.32	\$39.86

Over/(Under) Budget Rate	Earnings Per Share Multiples					
	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
(25.0%)	\$22.76	\$25.88	\$29.00	\$32.12	\$35.24	\$38.36
(15.0%)	\$25.67	\$29.21	\$32.75	\$36.28	\$39.82	\$43.35
(5.0%)	\$28.59	\$32.54	\$36.49	\$40.44	\$44.39	\$48.35
0.0%	\$30.04	\$34.20	\$38.36	\$42.52	\$46.68	\$50.84
5.0%	\$31.50	\$35.87	\$40.23	\$44.60	\$48.97	\$53.34
15.0%	\$34.41	\$39.19	\$43.98	\$48.76	\$53.55	\$58.33
25.0%	\$37.32	\$42.52	\$47.72	\$52.92	\$58.12	\$63.32

In connection with its analyses, Sandler O'Neill considered and discussed with BOH Holdings board how the present value analyses would be affected by changes in the underlying assumptions, including variations with respect to net income. Sandler O'Neill noted that the terminal 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 following: (i) the merger is completed in the second quarter of 2014; (ii) the deal value is equal to \$34 million in cash and 3,616,060 shares of Independent's common stock; (iii) BOH Holdings' performance was based on internal financial projections for the



years ending December 31, 2013 through December 31, 2016 as provided by the senior management of BOH Holdings; (iv) Independent's performance was calculated in accordance with publicly available median analyst earnings estimates for the years ending December 31, 2013 and December 31, 2014 as discussed with senior management of Independent and an estimated long-term growth rate for the years thereafter as discussed with senior management of Independent; and (v) certain other assumptions pertaining to costs and expenses associated with the transaction, estimated cost savings and other synergies, purchase

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accounting adjustments, intangible amortization, opportunity cost of cash and other items. The analyses indicated that, for the full years ending December 31, 2014 and December 31, 2015, the merger (excluding transaction expenses) would be accretive to Independent's projected earnings per share and dilutive to Independent's tangible book value per share at closing. The actual results achieved by the combined company may vary from projected results and the variations may be material.

**Sandler O'Neill's Compensation and Other Relationships with BOH Holdings**

Sandler O'Neill has rendered a fairness opinion to the board of directors of BOH Holdings and its subsidiaries in connection with the merger. Pursuant to the terms of the engagement agreement, the board of directors of BOH Holdings and its subsidiaries agreed to pay Sandler O'Neill a transaction fee of 1.00% of the aggregate deal value which is payable at the closing of the merger. Sandler O'Neill also received a fee for \$100,000 upon the rendering of its fairness opinion to the board of directors of BOH Holdings and its subsidiary. The remainder of the fee shall be paid upon closing of the merger. BOH Holdings has also agreed to reimburse Sandler O'Neill for its reasonable out-of-pocket expenses, and to indemnify Sandler O'Neill against certain liabilities arising out of its engagement. Sandler O'Neill's fairness opinion was approved by Sandler O'Neill's fairness opinion committee. In the prior two years, Sandler O'Neill has not received any fees from BOH Holdings for investment banking services.

In the ordinary course of its respective broker and dealer business, Sandler O'Neill may purchase securities from and sell securities to BOH Holdings and its affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of BOH Holdings and its affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

**Sandler O'Neill's Relationship with Independent**

Sandler O'Neill has been previously engaged by Independent and in the prior two years, received approximately \$3.8 million from Independent for other investment banking services. Sandler O'Neill acted as the lead underwriter in Independent's initial public offering, and provided fairness opinions to the Independent board of directors in connection with Independent's acquisitions of Collin Bank and Live Oak Financial Corp.

In the ordinary course of its broker and dealer business, Sandler O'Neill may purchase securities from and sell securities to Independent and its affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of Independent or its affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

**Exchange of BOH Holdings Stock Certificates**

If you are a holder of BOH Holdings common stock or BOH Holdings Series D preferred stock, as soon as practicable, with the intent to be ten business days after the effective time of the merger, Independent's transfer and exchange agent, Wells Fargo Bank, N.A., will mail a letter of transmittal and instructions to you for use in surrendering your BOH Holdings stock certificates. When you properly surrender your BOH Holdings 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 Bank, N.A., 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 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 BOH Holdings common stock or BOH Holdings Series D preferred stock subject to the exercise of dissenters' rights,

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each outstanding BOH Holdings stock certificate will be 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 BOH Holdings stock certificate that has been lost, stolen or destroyed, Independent will pay the merger consideration attributable to such BOH Holdings 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, BOH Holdings' transfer books will be closed and no transfer of the shares of BOH Holdings 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 BOH Holdings common stock or BOH Holdings Series D preferred stock are converted (as a result of the automatic conversion of shares of BOH Holdings Series D preferred stock into shares of BOH Holdings common stock immediately before the consummation of the merger), regardless of whether you have surrendered your BOH Holdings 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 BOH Holdings stock certificates. Wells Fargo Bank, N.A., as Independent's transfer and exchange agent, will deliver to holders of BOH Holdings 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 BOH Holdings common stock would otherwise be entitled and any undelivered dividends, without interest.

**BOH Holdings Series C Preferred Stock**

If Independent does not require BOH Holdings to redeem the BOH Holdings Series C preferred stock prior to the merger, Independent will be obligated to exchange each share of the BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury.

The exchange of the BOH Holdings Series C preferred stock for Independent preferred stock is subject to prior review and acceptance by the U.S. Treasury. Independent is discussing the exchange process with the U.S. Treasury and is otherwise considering the merits of the exchange, but has yet to determine whether it will exchange new shares of Independent preferred stock for the BOH Holdings Series C preferred stock or require BOH Holdings to redeem the BOH Holdings Series C preferred stock.

**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 BOH Holdings 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 BOH Holdings 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 in the

second quarter of 2014, although delays could occur.

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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, BOH Holdings has agreed to and has agreed to cause Bank of Houston 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;

use commercially reasonable efforts to obtain any approvals or consent required to maintain all existing contracts, leases and documents relating to or affecting its properties, assets and business;

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 with which would reasonably be 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 appropriate 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 closing date of the merger all liabilities, obligations, costs and expenses owed or incurred by BOH Holdings or Bank of Houston 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 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;

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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;

use reasonable best efforts to maintain the Bank of Houston allowance for loan and lease losses at no less than \$5.47 million; provided, however, that the allowance for loan and lease losses may be reduced to resolve any outstanding classified loan after approval of such use by Independent, which approval shall not be unreasonably withheld, conditional or delayed; and

use its reasonable best efforts, including but not limited to notifying appropriate parties and negotiating in good faith a reasonable settlement, to ensure that its data processing contracts and contracts related to the provision of any other electronic banking services be terminated after the consummation of the merger on a date to be mutually agreed upon by Independent and BOH Holdings.

From the date of the reorganization agreement through the earlier of the effective time of the merger or the termination of the reorganization agreement, BOH Holdings has agreed not to, and has agreed to cause Bank of Houston not to, without the prior written consent of Independent:

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 to be inaccurate in any material respect at the effective time of the merger or preclude Bank of Houston 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 except that Bank of Houston may pay dividends to BOH Holdings and BOH Holdings may pay dividends on BOH Holdings Series C preferred stock;

enter into, alter, amend, renew or extend any material contract or commitment that would result in an obligation of BOH Holdings and Bank of Houston to make payments in excess of \$50,000, 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 past 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

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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 certificate of formation 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, but any such transaction involving amounts in excess of \$250,000 shall be deemed to not be in the ordinary course of business;

except 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 in the ordinary course of business and consistent with past practices of BOH Holdings, Bank of Houston or under the terms of any employee plan, (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 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 amendments required by applicable law or termination of any employee 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 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;

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make any capital expenditures, capital additions or betterments in excess of an aggregate of \$100,000;

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 financial 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 Bank of Houston;

pay a rate on deposits at Bank of Houston materially higher than is consistent with the ordinary course of business and consistent with past practices;

make any new loan to a single borrower and his related interests in excess of \$4 million but BOH Holdings is to provide to Independent a weekly written report of all loans made, renewed or modified by Bank of Houston;

renew, extend the maturity of, or alter the material terms of, any loan except in compliance with Bank of Houston'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 OAEM, substandard or doubtful ;

sell (but 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 securities.

For a complete description of such restrictions on the conduct of the business of BOH Holdings and Bank of Houston, 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:

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; 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.

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**No Solicitation**

BOH Holdings agreed that it will not, and that it will cause Bank of Houston and their respective employees, directors, officers, financial advisors and agents of each of them 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 business combination, purchase of securities or assets or otherwise;

disclose to any third party any information concerning the business, properties, books or records of BOH Holdings or Bank of Houston 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 a sale of assets of Bank of Houston in the ordinary course of business consistent with past practices.

Promptly upon receipt of any unsolicited offer, BOH Holdings will communicate to Independent the terms of any proposal or request for information and the identity of the parties involved.

Provided that BOH Holdings has complied with the restrictions set forth above, if, after the date of the reorganization agreement and before the closing date, BOH Holdings 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 BOH Holdings 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 BOH Holdings 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 BOH Holdings; but before furnishing any material nonpublic information, BOH Holdings 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 letter of intent entered into with Independent. In such case, BOH Holdings is required to:

promptly notify Independent of the receipt of such acquisition proposal or any request for nonpublic information relating to BOH Holdings 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 BOH Holdings common stock, regarding any of the following involving BOH Holdings: (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 BOH Holdings, in a single transaction or series of related transactions, which could reasonably 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 BOH Holdings 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 BOH Holdings

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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 BOH Holdings shareholders from a financial point of view than the reorganization agreement, 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 BOH Holdings 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 BOH Holdings common stock and BOH Holdings Series D preferred stock and holders of Independent common stock of the reorganization agreement and the transactions contemplated thereby by the requisite vote under the BOH Holdings certificate of formation or the Independent certificate of formation, as the case may be, and the TBOC;

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 thereby, 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 BOH Holdings shareholders being authorized for listing on the NASDAQ Global Select Market;

the average closing price of Independent common stock, calculated as the volume-weighted average of the sale price per share on the NASDAQ Global Select Market for the twenty consecutive trading days ending on and including the third trading day preceding the closing date, as reported by Bloomberg, shall be at least \$30.09;

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) require the divestiture of a material portion of the assets of BOH Holdings, (iii) impose material limits on the ability of any party to consummate the transactions contemplated by the reorganization agreement, (iv) otherwise result in a material adverse change to BOH Holdings, Bank of Houston, Independent or Independent Bank or (v) could reasonably be expected to subject Independent, Independent Bank, BOH Holdings, Bank of Houston 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;

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the other party's representations and warranties contained in the reorganization agreement being true and correct as of the date of the reorganization agreement and being true and correct in all material respects as of the date of the closing and receipt of a certificate signed by an appropriate representative of the other party to that effect;

the absence of a material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party;

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 the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect; 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, BOH Holdings' obligations to complete the merger is subject to the satisfaction of the following conditions:

Independent's delivery of the merger consideration to Wells Fargo Bank, N.A., as exchange agent;

the Independent shareholders shall have elected all of the BOH Holdings nominees to fill the three new director seats; and

the receipt by BOH Holdings of an opinion from Bracewell & Giuliani LLP to the effect that for 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 BOH Holdings 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:

BOH Holdings' tangible book value as of the closing date of the merger must not be less than \$65 million as calculated pursuant to the reorganization agreement;

BOH Holdings' allowance for loan and lease losses as of the closing date must be at least equal to \$5.47 million;

all BOH Holdings 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;

each of the employment and change in control agreements between BOH Holdings and/or Bank of Houston and their respective officers specified in the reorganization agreement shall have been terminated, and each such officer shall have executed a termination and release with respect to their respective employment or change in control agreement;

receipt of the resignations of each of the directors of BOH Holdings and Bank of Houston, effective as of the closing date of the merger;

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

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BOH Holdings will have caused its subsidiaries, BOH Realty, LLC and General Asset Holdings, LLC, to have been liquidated and dissolved;

in the event that Independent has not requested that BOH Holdings redeem the BOH Holdings Series C preferred stock prior to the closing date of the merger, Independent and BOH Holdings will have taken all actions reasonably necessary to provide for, and shall have received all regulatory approvals required for the exchange of each share of the then outstanding BOH Holdings Series C preferred stock for a share of Independent preferred stock that would provide the same rights, preferences, privileges and voting powers, and be subject to the same limitations and restrictions as BOH Holdings Series C preferred stock, taken as a whole, existing immediately prior to the consummation of the merger to the extent agreed to by the U.S. Treasury;

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 BOH Holdings is a party shall have been obtained; and

the receipt by Independent of an opinion from Andrews Kurth LLP to the effect that (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 BOH Holdings 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 Bank of Houston will be a party to such reorganization within the meaning of Section 368(b) of the Code.

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 Bank of Houston in the case of BOH Holdings, 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 Bank of Houston in the case of BOH Holdings, or Independent Bank in the case of Independent, 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

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condition or operations of such party, or Bank of Houston in the case of BOH Holdings, 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.

BOH Holdings 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 BOH Holdings 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 BOH Holdings 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 information furnished to Independent by BOH Holdings or any representation or warranty made in or pursuant to the reorganization agreement or that results in BOH Holdings' 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 BOH Holdings and Bank of Houston, and furnish such period such other information concerning BOH Holdings and Bank of Houston as Independent may reasonably request;

give notice, and to cause Bank of Houston to give notice, to one designee of Independent of, and shall invite such designee to attend, all regular and special meetings of the BOH Holdings board of directors and the Bank of Houston board of directors and all regular and special meetings of any senior management committee (including the executive committee and the loan and discount committee of Bank of Houston) of BOH Holdings and Bank of Houston; except that such designee

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shall be required to excuse himself from such special meetings while the reorganization agreement or the transactions contemplated thereby or related thereto are being discussed;

cause Bank of Houston to terminate, subject to compliance with applicable law, all Bank of Houston employee benefit plans and to terminate and pay all amounts owed under any employment agreements;

terminate each of the employment and change in control agreements required to be so terminated under the provisions of the reorganization agreement and to obtain a release from each such employee subject thereto;

make available to Independent a list of the BOH Holdings shareholders and their addresses, a list showing all transfers of BOH Holdings stock and such other information as Independent may reasonably request regarding both the ownership and prior transfers of the BOH Holdings capital stock;

consistent with generally accepted accounting principles, to make such accounting entries as Independent may reasonably request in order to conform the accounting records of BOH Holdings to the accounting policies and practices of Independent;

purchase before closing of the merger an extended reporting period for three years under its existing directors and officers liability insurance policy for purposes of covering actions occurring prior to the effective time of the merger;

use its commercially reasonable efforts to obtain releases and support agreements signed by, and receipt of resignations from, each of the directors and executive officers of BOH Holdings and Bank of Houston releasing BOH Holdings and Bank of Houston and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions, agreeing to support, and not compete with, the business of Independent Bank and resigning from the board of BOH Holdings and Bank of Houston, as applicable; and

that Independent, at its sole cost and expense, shall have the right to the same extent that BOH Holdings has the right to, upon written notice to BOH Holdings, inspect any real property leased or owned by BOH Holdings or Bank of Houston, 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 BOH Holdings and subject to BOH Holdings right to place reasonable time and place restrictions on any such further investigation, and further subject to Independent's obligation to make available to BOH Holdings the results and reports of any such investigation or survey.

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 BOH Holdings shareholders and at the time of the special meeting,

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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;

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 reasonable best efforts to effect said listing;

prepare all documentation, to effect all filings and to use its 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;

cause the boards of directors of Independent and Independent Bank to be increased by three and the persons from the current board of directors of BOH Holdings who are identified by the Corporate Governance and Nominating Committee of Independent to be elected to such boards of directors. Independent must include the election of these director nominees as a proposal to be considered and acted upon at the Independent special meeting, specifically nominating one of each of the nominees to be elected as a Class I, Class II, and Class III director with terms ending in 2014, 2015 and 2016, respectively. Further, Independent agreed to include James D. Stein in Independent's proxy statement for its 2014 annual meeting and recommend that Independent shareholders elect James D. Stein to the board of directors of Independent at the 2014 annual meeting of Independent shareholders. Notwithstanding the foregoing, Independent's obligation to recommend any nominee is subject to his 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 the BOH Holdings nominees qualify as an independent director as defined by applicable NASDAQ rules.

for a period of three years from the effective time of the merger to indemnify, defend and hold harmless each person entitled to indemnification from BOH Holdings and Bank of Houston against all liabilities arising out of actions or omissions occurring at or prior to the effective time of the merger;

to the extent permitted by applicable law, upon reasonable notice from BOH Holdings, afford and cause each of its subsidiaries to afford BOH Holdings' 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 BOH Holdings with such additional financial and operating data and other information as to the business and properties of Independent as BOH Holdings may reasonably request from time to time;

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 BOH Holdings 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 T; and

promptly following the closing date, to cause Independent Bank to establish and maintain for not less than two years following the closing date a nonvoting Houston market region advisory board consisting of up to twelve Bank of Houston customers, former Bank of Houston directors and other Houston area leaders. The members of the advisory board will be identified by the Chairman and Chief Executive Officer of Independent and James D. Stein.

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**Representations and Warranties of BOH Holdings and Independent**

In the reorganization agreement, BOH Holdings has made representations and warranties to Independent, and Independent has made representations and warranties to BOH Holdings. 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.

BOH Holdings also has made additional representations and warranties to Independent with respect to (among other things):

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;

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;

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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;

its receipt of a fairness opinion;

its performance of its fiduciary responsibilities as trustee, custodian, guardian or escrow agent; and

its compliance with its obligations to make dividend payments.

Independent has also made additional representations and warranties to BOH Holdings with respect to (among other things):

the authority and power of Independent Bank to carry on its current business, control the properties that it currently controls and its lack of equity interest in any other entity except as acquired through the business carried on by Independent Bank;

its Community Reinvestment Act rating of satisfactory, lack of awareness of any reason that would reasonably result in a regulatory agreement with respect to Independent or Independent Bank, and the accuracy and completeness of the copies of the call reports furnished to BOH Holdings;

its independent public accounting firm's view on its financial statements and accounting procedures;

the timeliness and completeness of its tax filings;

the establishment and maintenance of internal control over financial reporting and disclosure controls and procedures;

its sufficient cash on hand or credit at the closing to pay the aggregate merger consideration under the reorganization agreement;

the absence of certain brokerage fees and commissions;

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

the conditions to such party's obligations to close have not been satisfied on or before June 30, 2014, subject to a 30-day extension for the receipt of regulatory approvals, provided that the terminating party is not in breach of the reorganization agreement;

the required regulatory approvals have not been obtained; or

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

BOH Holdings 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 BOH Holdings;

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 BOH Holdings and the BOH Holdings board in accordance with all of the requirements of the reorganization agreement; or

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there has been any material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of Independent.

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

BOH Holdings 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 BOH Holdings board has (i) recommended to the holders of BOH Holdings common stock or BOH Holdings Series D preferred 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 BOH Holdings common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the BOH Holdings shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that BOH Holdings intends to accept a superior proposal;

any of the following have occurred with respect to environmental matters regarding BOH Holdings: (i) the factual substance of any representations and warranties of BOH Holdings 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) BOH Holdings 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 BOH Holdings, (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 BOH Holdings or Bank of Houston 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 BOH Holdings or Bank of Houston, the removal of which could reasonably be expected to result in a material adverse change in the assets, properties, business or financial condition of BOH Holdings, subject, in the case of each of the foregoing, to notice and the right of BOH Holdings to satisfactorily correct any such matter; or

there has been any material adverse change, since September 30, 2013, in the assets, properties, business or financial condition of BOH Holdings or Bank of Houston.

**Termination Fee and Expense Reimbursements**

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

BOH Holdings has agreed to pay to Independent a termination fee of \$5 million, which shall be Independent's sole remedy, if the reorganization agreement is terminated:

by BOH Holdings 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,

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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 BOH Holdings if the Independent or BOH Holdings 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 BOH Holdings 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, BOH Holdings enters into a definitive agreement with any third party with respect to any acquisition proposal; or

by Independent if the BOH Holdings board has (i) recommended to the BOH Holdings 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 BOH Holdings common stock, (ii) effected a change in the board's recommendation with respect to the merger or recommended to the BOH Holdings shareholders acceptance or approval of any alternative acquisition proposal or (iii) notified Independent in writing that BOH Holdings 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 BOH Holdings in the Merger**

In considering the recommendation of the board of directors of BOH Holdings to vote for the proposal to approve the reorganization agreement, BOH Holdings shareholders should be aware that certain directors and officers of BOH Holdings have interests in the merger that are in addition to, or different from, their interests as shareholders of BOH Holdings. The board of BOH Holdings 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 employment agreements with each of Messrs. Patrick Blossom, Eric Corley, John A. Gonzales, Gregory J. Guarino, Garrett Hagendorf, Barry Hawk, Clay H. Hoster, Andrew J. Novarini, Theodore W. Nowak, James D. Stein, Mark A. Turzillo and Dennis R. Watson, to be effective, if at all, upon completion of the merger, that include noncompetition and nonsolicitation obligations to Independent Bank and pursuant to which the executive officer is entitled to receive a salary, a one-time bonus upon completion of the merger, annual bonus, restricted shares of Independent common stock and certain additional incentives from Independent and Independent Bank. For a discussion of the employment agreement with James D. Stein, see *Certain Relationships and Related Person Transactions* Employment Agreement.

*Support Agreements.* Independent has entered into separate support agreements with each of the directors of BOH Holdings and Bank of Houston, specifically, Messrs. Conover H. Able, W. Donald Brunson,

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John T. Culp, Clay H. Hoster, James R. Hunt, Umesh Jain, J. Webb Jennings III, Donald L. Poarch, Myles G. Sherman, Robert J. Signorelli, Dan Silvestri and James D. Stein, to be effective, if at all, upon completion of the merger, which provide, among other things, that such director agrees to support and not to harm Bank of Houston's goodwill and its customer and client relationships, as well as limited noncompetition and nonsolicitation obligations following the closing date.

*Indemnification.* The directors and officers of BOH Holdings will receive indemnification from Independent for a period of three years after completion of the merger to the same extent and

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subject to the conditions set forth in the certificate of formation and bylaws of BOH Holdings and continued director and officer liability coverage for a period of three years after completion of the merger. Any amounts paid by Bank of Houston to purchase continued director and officer liability coverage will reduce BOH Holdings' tangible book value for purposes of calculating the merger consideration payable to BOH Holdings shareholders. See Potential Downward Adjustment to the Amount of Cash Consideration Received in the Merger.

*Change in Control Payments.* Each of Messrs. Donald Brunson, John A. Gonzales, Gregory J. Guarino, Barry Hawk, Randy Masters, John McWhorter, James D. Stein, Tim White, Andrew J. Novarini, Eric Corley, Tim Baker, Theodore W. Nowak, Clay H. Hoster, Larry Massey, Mark A. Turzillo, and Dennis R. Watson are executive officers of BOH Holdings and/or Bank of Houston and have entered into employment and/or change in control agreements. Certain of these agreements provide, among other things, for change in control payments to be made in connection with the completion of the merger or in some circumstances, if within a specified period following the merger, such executive is terminated by Independent and/or Independent Bank. The reorganization agreement provides that it is a condition to the closing of the merger that these agreements be terminated. Any amounts paid in connection with the termination of these agreements will reduce the tangible book value of BOH Holdings.

**Certain Compensation Related to the Transactions**

The following table sets forth information regarding the compensation for BOH Holdings' named executive officers (as identified in accordance with SEC regulations) based on the proposed transactions, assuming that the proposed transactions were completed on June 30, 2014 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.

**Golden Parachute Compensation BOH Holdings**

Name	Cash <sup>(1)</sup>	Equity <sup>(2)</sup>	Pension/Prerequisites/ Tax NQ DC Benefits/ Reimbursement	Other Compensation <sup>(3)</sup>	Total
James D. Stein	\$ 1,650,000 <sup>(4)</sup>			\$ 2,000,000 <sup>(7)</sup>	\$ 3,650,000
R. John McWhorter	725,000 <sup>(5)</sup>	\$ 154,595			879,595
Barry Hawk	547,000 <sup>(6)</sup>	268,597		150,000 <sup>(8)</sup>	965,597

- (1) With respect to Messrs. Stein and McWhorter, the amount represents a single-trigger lump-sum cash payment, which must be paid to the executive as soon as administratively possible following a change in control of BOH Holdings, but in no event, later than March 15 of the calendar year in which the change in control occurs, calculated in accordance with such executive's employment agreement. With respect to Mr. Hawk, the amount represents a double-trigger lump-sum cash payment, payable to the executive if, at any time following a change in control, but on or before December 31, 2014, his employment is terminated.
- (2) Amount reflects the aggregate dollar value of the outstanding options to purchase shares of BOH Holdings common stock granted pursuant to the Amended and Restated 2008 BOHI Equity Incentive Plan, of which, any unvested amounts will automatically vest upon approval of the reorganization agreement at the BOH Holdings special meeting. Approval of the reorganization agreement would result in accelerated vesting of an option to purchase 10,735 shares of BOH common stock (at an exercise price of \$10.82) in the case of Mr. McWhorter and 18,198 shares of BOH common stock (comprised of 8,799 shares at an exercise price of \$10.82, 4,399 shares at

- an exercise price of \$8.40, and 5,000 shares at an exercise price of \$11.64) in the case of Mr. Hawk. The aggregate dollar value of such options represents the product of (i) the number of unvested options that vest on an accelerated basis multiplied by (ii) the difference between (A) the pro forma average closing price per share of BOH Holdings common stock for the first five business days following the public announcement of the reorganization agreement on November 21, 2013, or \$ 25.22, and (ii) the exercise price of such options.
- (3) Amounts reflect a one-time completion bonus to be paid by Independent to the named executive officer at the effective time of the merger, in accordance with and subject to the terms of the named executives' employment agreement with Independent and Independent Bank.
  - (4) Mr. Stein's employment agreement with BOH Holdings provides for a payment upon a change in control equal to the sum of (i) three times the highest annual base salary earned by him at any time during the past three years immediately preceding the change in control and (ii) an amount equal to three times the highest annual bonus earned by him for the past three years immediately preceding the change in control.
  - (5) Mr. McWhorter's employment agreement with BOH Holdings provides for a payment upon a change in control equal to the sum of (i) 2.5 times the highest annual base salary earned by him at any time during the past three years immediately preceding the change in control and (ii) an amount equal to 2.5 times the highest annual bonus earned by him for the past three years immediately preceding the change in control.
  - (6) Under the terms of Mr. Hawk's employment agreement with BOH Holdings, after a change in control and upon a qualifying termination event, he is entitled to the lesser of (i) a lump sum amount equal to the sum of (A) two times his annual base salary and (B) two times his average annual bonus for the three years preceding the change in control and subsequent termination, or (ii) 2.99 times his Base Amount as such term is defined under Section 280G(b)(3) of the Code. The amount was calculated based on his salary and projected 2013 bonus amount.
  - (7) With respect to Mr. Stein, the completion bonus is due upon the completion date, or a date not later than 90 days following the effective time of the merger, and is subject to claw back if Mr. Stein's employment with Independent is terminated by Independent for cause or by Mr. Stein for other than good reason at any time within two years following the effective time of the merger. The above calculation assumes that the

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completion date (as used in Mr. Stein's employment agreement) occurs contemporaneously with the effective time of the merger. In addition, under the terms of Mr. Stein's employment agreement, at the effective time, Independent will grant Mr. Stein 60,000 shares of restricted stock under Independent's 2013 Equity Incentive Plan which vest in equal amounts over a five-year period beginning on the first anniversary of the effective time of the merger. Mr. Stein's employment agreement with Independent following the merger is described more fully under the section captioned "Certain Relationships Other Transactions Employment Agreement."

- (8) This amount represents only the one-time completion bonus Independent will pay to Mr. Hawk at the effective time of the merger. Under the terms of Mr. Hawk's employment agreement, Independent will also grant Mr. Hawk 10,000 shares of restricted stock under Independent's 2013 Equity Incentive Plan, which vest in equal amounts over a five-year period, beginning on the first anniversary of the effective time of the merger. Also under the terms of his employment agreement, Mr. Hawk will receive, among other things, an annual salary, annual incentive bonus and be entitled to participate in Independent's 401(k) plan.

The tabular disclosure set forth above (i) assumes that each of the listed BOH Holdings 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 employment or change in control agreement (as the case may be) as of June 30, 2014 (the latest practicable date, determined pursuant to Item 402(t) of Regulation S-K) and (ii) becomes entitled to accelerated vesting and/or payment in respect of all unvested equity-based awards held by such named executive officer on such date, based on a price of \$25.22 per share with respect to BOH Holdings common stock (equivalent pro forma value of a share of BOH Holdings common stock, based on the average closing price of Independent common stock on the NASDAQ Global Market for the five business days following the announcement of the merger on November 21, 2013, or \$46.13, pursuant to Item 402(t) of Regulation S-K). Upon the assumed termination, Independent or BOH Holdings, as the case may be, would make payments in the tabular disclosure set forth above in a lump-sum to the named executive officer. Any such payment is conditional upon the named executive officer signing an agreement that will include non-competition and non-solicitation provisions.

**Voting Agreement**

The directors and certain officers of BOH Holdings have entered into an agreement to vote the shares of BOH Holdings common stock and BOH Holdings Series D preferred 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 BOH Holdings shareholders who entered into the voting 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 agreement. As of the BOH Holdings record date, \_\_\_\_\_ shares of BOH Holdings common stock, or approximately \_\_\_\_\_% of the outstanding shares of the BOH Holdings common stock, and \_\_\_\_\_ shares of BOH Holdings Series D preferred stock, or approximately \_\_\_\_\_% of the outstanding shares of BOH Holdings Series D preferred stock, in each case, entitled to vote at the special meeting, were bound by the voting agreement.

**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 reasonable best 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 BOH Holdings 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 BOH Holdings 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 LLP and Bracewell & Giuliani LLP insofar as it sets forth specific legal conclusions under U.S. federal income tax law. The opinion of counsel is included as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part.

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This discussion applies only to U.S. holders (as defined below) that hold their BOH Holdings 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,

holders who received their BOH Holdings common stock through the exercise of employee stock options, through a tax-qualified retirement plan or otherwise as compensation (including holders of BOH Holdings common stock who received their BOH Holdings common stock as a result of the conversion of the shares of BOH Holdings Series D preferred stock into shares of BOH Holdings common stock

immediately prior to the completion of the merger), and

holders who hold BOH Holdings 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 BOH Holdings 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 BOH Holdings 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 BOH Holdings 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 BOH Holdings common stock to consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

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The obligations of the parties to complete the merger are conditioned on, among other things, the receipt by Independent and BOH Holdings of opinions from Andrews Kurth LLP and Bracewell & Giuliani 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 BOH Holdings. Neither Independent nor BOH Holdings currently intends to waive the conditions related to the receipt of the opinions. However, if these conditions were waived, BOH Holdings would re-solicit the approval of its shareholders prior to completing the merger. In addition, the obligation of each of Andrews Kurth LLP and Bracewell & Giuliani LLP to deliver such opinions is conditioned on the merger's 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 BOH Holdings.

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 BOH Holdings 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 BOH Holdings 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.

*U.S. Federal Income Tax Consequences of the Merger Generally*

The following discussion regarding the U.S. federal income tax consequences of the merger assumes that the merger will be consummated as described in the reorganization agreement and this joint proxy statement/prospectus and Independent and BOH Holdings 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. If the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the merger will have the following U.S. federal income tax consequences.

If, pursuant to the merger, a holder exchanges all of the shares of BOH Holdings common stock actually owned by it for a combination of Independent common stock and cash, the holder will recognize gain (but not loss) equal to the lesser of cash received (excluding any cash received in lieu of a fractional share of Independent common stock) or gain realized in the merger. The amount of gain realized will equal the amount by which the cash plus the fair market value, at the effective time of the merger, of the Independent common stock exceeds the adjusted tax basis in the BOH Holdings common stock to be surrendered in exchange therefor. 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 and Independent common stock should be allocated among different blocks of BOH Holdings common stock. Any recognized gain generally will be long-term capital gain if the holder's holding period with respect to the BOH Holdings common stock surrendered is more than one year at the effective time of the merger. If, however, the cash received has the effect of the distribution of a dividend, the gain will be treated as a dividend to the extent of the holder's ratable share of accumulated earnings and profits of BOH Holdings as calculated for U.S. federal income tax purposes. See Possible Treatment of Cash as a Dividend below.

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 BOH Holdings common stock for a combination of Independent common stock and cash pursuant to the merger will be equal to

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the aggregate adjusted tax basis of the shares of BOH Holdings common stock surrendered for Independent common stock and cash, reduced by the amount of cash received by the holder pursuant to the merger (excluding any cash received instead of a fractional share of Independent common stock) and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below but excluding any gain or loss resulting from the deemed receipt and redemption of fractional shares described below), if any, recognized by the holder on the exchange. 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 BOH Holdings common stock surrendered.

*Possible Treatment of Cash as a Dividend*

Any gain recognized by a holder may be treated as a dividend for U.S. federal income tax purposes to the extent of the holder's ratable share of BOH Holdings' accumulated earnings and profits. 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. For purposes of this determination, the holder is treated as if it first exchanged all of its shares of BOH Holdings common stock solely for Independent common stock and then Independent immediately redeemed, which we refer to as the deemed redemption, a portion of the Independent common stock in exchange for the cash the holder actually received. The gain recognized in the deemed redemption will be treated as capital gain if the deemed redemption is (1) substantially disproportionate with respect to the holder or (2) not essentially equivalent to a dividend.

The deemed redemption will generally be substantially disproportionate with respect to a holder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a holder will depend upon the holder's particular circumstances. At a minimum, however, in order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the holder's deemed percentage stock ownership of Independent. That determination requires a comparison of (1) the percentage of the outstanding stock of Independent that the holder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of Independent that is actually and constructively owned by the holder immediately after the deemed redemption. In applying the above tests, a holder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or stock underlying a holder's option to purchase in addition to the stock actually owned by the holder.

The Internal Revenue Service has ruled that a stockholder in a publicly held corporation whose relative stock interest is minimal (e.g., less than 1%) and who exercises no control with respect to corporate affairs is generally considered to have a meaningful reduction if that stockholder has a relatively minor (e.g., approximately 3%) reduction in its percentage stock ownership under the above analysis. Accordingly, the gain recognized in the exchange by such a stockholder would be treated as capital gain.

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.

*Cash Received Instead of a Fractional Share*

A holder 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 BOH Holdings common stock surrendered which is allocable to the fractional share. Such gain or loss generally will be long-

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term capital gain or loss if the holding period for such shares of BOH Holdings 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 will exchange all of the shares of BOH Holdings 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 BOH Holdings 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 BOH Holdings common stock surrendered is more than one year. 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 BOH Holdings 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 similar to the consequences described below under the heading *U.S. Federal Income Tax Consequences of the Merger Generally*, except that the amount of consideration, if any, treated as a dividend may not be limited to the amount of that holder's gain.

*Certain Tax Reporting Rules*

Under applicable Treasury regulations, significant holders of BOH Holdings stock will be required to comply with certain reporting requirements. A BOH Holdings 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 BOH Holdings 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 BOH Holdings 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 BOH Holdings, and the holder will be required to retain permanent records of these facts. We urge each holder of BOH Holdings 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 for general information only and is not tax advice. We urge holders of BOH Holdings 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, BOH Holdings' assets and liabilities as of the date of the merger will be recorded at their respective fair values. Any difference between the

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purchase price for BOH Holdings and the fair value of the identifiable net assets acquired (including core deposit 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 BOH Holdings 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 BOH Holdings 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 BOH Holdings shareholders who are not affiliates of Independent after the completion of the merger may sell their shares of Independent common stock received in the merger at any time.

Former BOH Holdings 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.

## **Regulatory Approvals Required for the Merger**

The acquisition of BOH Holdings 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, BOH Holdings and Bank of Houston filed applications with the FDIC and TDB for applicable regulatory approval on January 6, 2014.

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 BOH Holdings 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 BOH Holdings Shareholders**

*General.* If you hold one or more shares of BOH Holdings common stock or BOH Holdings Series D preferred 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the

case may be, as of the date immediately prior to the effective date of the merger

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paid to you in cash. The appraised fair value may be more or less than the value of the shares of Independent common stock and cash being paid in the merger in exchange for shares of BOH Holdings common stock and BOH Holdings Series D preferred 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 Texas Business Organizations Code, or TBOC, which are attached to this joint proxy statement/prospectus as Appendix C 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 BOH Holdings shareholders, references to the merger are to the merger of BOH Holdings and Independent.

*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 BOH Holdings special meeting, provide BOH Holdings 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 BOH Holdings common stock or BOH Holdings Series D preferred stock against approval of the reorganization agreement at the BOH Holdings special meeting in person or by proxy;

you must, not later than the 20<sup>th</sup> day after Independent (which will be the ultimate the successor to BOH Holdings) sends you notice that the merger was completed, deliver to Independent a written demand for payment of the fair value of the shares of BOH Holdings common stock or BOH Holdings Series D preferred stock you own that states the number and class of shares of BOH Holdings common stock or BOH Holdings Series D preferred stock you own, your estimate of the fair value of such 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 20<sup>th</sup> day after you make your demand for payment to Independent as described above, submit your certificates representing BOH Holdings common stock and/or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings, addressed to:

BOH Holdings, Inc.

750 Bering Drive, Suite 100

Houston, Texas 77057

Attention: President and Secretary

If you fail (i) to send the written objection to the merger in the proper form prior to the BOH Holdings special meeting, (ii) to vote your shares of BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, at the BOH Holdings 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be. In any instance of a termination or loss of

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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 BOH Holdings in a timely manner and in proper form and you have voted against the reorganization agreement at the special meeting as described above and you desire to receive the fair value of your shares of BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock. The fair value of your shares of BOH Holdings common stock or BOH Holdings Series D preferred 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

Your written demand must include a demand for payment for your shares for which rights of dissent and appraisal are sought and must state the number of shares and class of BOH Holdings common stock or BOH Holdings Series D preferred stock you own and your estimate of the fair value of your shares of BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be. 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 20<sup>th</sup> day after you make your written demand for payment to Independent, submit to Independent your certificate or certificates representing the shares of BOH Holdings common stock or BOH Holdings Series D preferred stock that you own, as the case may be. 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings

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common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 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 BOH Holdings Common Stock or BOH Holdings Series D Preferred Stock upon Agreement of an Estimate.* If you and Independent have reached an agreement on the fair value of your shares of BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be. 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 BOH Holdings common stock or BOH Holdings Series D preferred 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be. 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, you

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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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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 dissenter's rights with respect to those shares. Only the persons in whose names shares of BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, are registered on the share transfer records of BOH Holdings 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 on page 122 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 BOH Holdings common stock or BOH Holdings Series D preferred stock, as the case may be, 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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**Table of Contents****BUSINESS OF INDEPENDENT****Overview**

**Independent.** Independent is a Texas based bank holding company headquartered in McKinney, Texas, which is located in the northern portion of the Dallas-Fort Worth metropolitan area. 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 30 banking offices in 26 communities in two market regions centered in the Dallas-Fort Worth metropolitan area and in the greater Austin area. As of September 30, 2013, Independent had consolidated total assets of approximately \$2.0 billion, total loans of approximately \$1.5 billion, total deposits of approximately \$1.5 billion and total stockholders' equity of approximately \$219 million.

**History.** While the origins of Independent Bank go back almost 100 years, Independent began its modern history in 1988 when an investor group led by David Brooks, Independent's Chairman and Chief Executive Officer, and Vincent Viola, Independent's majority shareholder, acquired a small bank in a community north of Dallas. From that first acquisition, Independent has expanded in the Dallas and Austin areas by growing organically and making strategic acquisitions. Effective January 1, 2009, Independent merged Independent Bank Group Central Texas (a separate, but affiliated bank holding company operating in Central Texas) into Independent, forming the foundation of Independent's current franchise.

**Strategy**

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

**Grow Organically.** Independent focuses on continued organic growth through Independent's existing footprint and business lines. The Dallas/North Texas and Austin/Central Texas market regions in which Independent currently operates provide abundant opportunities to grow Independent's customer base and expand Independent's current market share. Independent plans to follow Independent's community-focused, relationship-driven customer strategy to increase loans and deposits through Independent's existing locations. Additionally, Independent intends to add teams of experienced bankers to grow in Independent's current markets and expand into new markets. Preserving the safety and soundness of Independent's loan portfolio is a fundamental element of Independent's organic growth strategy. Independent has a strong and conservative credit culture, which allows Independent to maintain Independent's asset quality as Independent grows.

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

Acquired Institution/Market	Date of Acquisition	Fair Value of Total Assets Acquired (dollars in thousands)
Town Center Bank <i>Dallas/North Texas</i>	July 31, 2010	\$37,451
Farmersville Bancshares, Inc. <i>Dallas/North Texas</i>	September 30, 2010	\$99,420
I Bank Holding Company, Inc. <i>Austin/Central Texas</i>	April 1, 2012	\$172,587
The Community Group, Inc. <i>Dallas/North Texas</i>	October 1, 2012	\$110,967
Collin Bank <i>Dallas/North Texas</i>	November 30, 2013	\$167,520*
Live Oak Financial Corp. <i>Dallas/North Texas</i>	January 1, 2014	\$129,258*

\* Estimated pending receipt of final third party valuations.

Independent believes there will continue to be numerous small to mid-sized banking organizations available for acquisition in Independent's existing market regions and in attractive new markets in Texas, as a result of scale and operational challenges, regulatory pressure, management succession issues or shareholder liquidity needs. There are approximately 500 banks in Texas with total assets of less than \$1 billion, which affords Independent future opportunities to make acquisitions that Independent believes will strengthen Independent's business and increase franchise value over the long term. Independent plans to explore additional opportunities in the Houston (other than BOH Holdings) and San Antonio metropolitan areas, as well as in attractive sub-markets within Independent's current market regions.

**Improve Efficiency and Increase Profitability.** Independent employs a systematic and calculated approach to increasing Independent's profitability and improving Independent's efficiencies. Independent

has updated Independent's operating capabilities and created synergies within Independent in the areas of technology, data processing, compliance and human resources. Independent believes that Independent's scalable infrastructure provides Independent with an efficient operating platform from which to grow in the near term without incurring significant incremental noninterest expenses, which will enhance Independent's returns.

### **Independent's Corporate Structure**

**Independent.** Independent is a registered bank holding company that is the parent company for Independent Bank. Independent was organized as a Texas corporation on September 20, 2002. Independent acquired 100% of the stock of Independent Bank on December 31, 2002. Independent's primary function is and will be to own all of the stock of Independent Bank. Independent's profitability is primarily dependent on the financial results of Independent Bank.

**Independent Bank.** Independent Bank is a Texas state bank. Its home office is located in McKinney, Texas and it operates 31 banking offices throughout North and Central Texas. Independent Bank is a locally

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managed community bank that seeks to provide personal attention and professional assistance to its customer base, which consists principally of small to medium size 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's Community Banking Services**

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

***Lending Strategy and Types of Loans.*** Through Independent Bank, Independent offers a broad range of commercial and retail lending products to businesses, professionals and individuals. Commercial lending products include owner-occupied commercial real estate loans, interim construction loans, commercial loans (such as SBA guaranteed loans, business term loans, equipment financing and lines of credit) to a diversified mix of small and mid-sized businesses, and loans to professionals, particularly medical practices. Retail lending products include residential first and second mortgage loans, and consumer installment loans such as loans to purchase cars, boats and other recreational vehicles.

Independent's strategy is to maintain a broadly diversified loan portfolio by type and location. Independent's loans are primarily real estate secured loans spread among a variety of types of borrowers, including owner-occupied offices for small businesses, medical practices and offices, retail operations, and multi-family properties. Independent's loans are diversified geographically throughout Independent's Dallas/North Texas region (approximately 57%) and Independent's Austin/Central Texas region (approximately 43%). Independent seeks to be the premier provider of lending products and services in Independent's market areas and serve the credit needs of high quality businesses and individual borrowers in the communities Independent serves.

Independent markets its lending products and services to qualified lending customers through Independent's high touch personal service, and seek to attract new lending customers through competitive pricing and innovative structures. Independent targets its business development and marketing strategy primarily on businesses with between \$500,000 and \$25 million in annual revenue. Independent's lending officers actively solicit the business of companies entering Independent's market areas as well as long-standing businesses operating in the communities Independent serves. As a general practice, Independent originates substantially all of Independent's loans and Independent limits the amount of participations Independent purchases to loans originated by lead banks with which Independent has a close relationship and which share Independent's credit philosophies.

The following is a discussion of Independent's major types of lending:

***Commercial Real Estate Loans.*** Independent is primarily a real estate secured lender. Independent originates real estate loans to finance commercial property that is owner-occupied as well as commercial property owned by real estate investors. The total amount of owner-occupied commercial real estate loans outstanding as of September 30, 2013, was \$359 million, or 23.0%, of Independent's loan portfolio. The total amount of commercial real estate loans

outstanding as of September 30, 2013, excluding owner-occupied properties, was \$413 million, or 26.5%, of Independent's loan portfolio. The real estate securing Independent's

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existing commercial real estate loans includes a wide variety of property types, such as owner-occupied offices/warehouses/production facilities, office buildings, health care facilities, hotels, mixed-use residential/commercial, retail centers, multifamily properties, restaurants, churches and assisted living facilities.

Commercial real estate loans are often larger and involve greater risks than other types of lending. Adverse developments affecting commercial real estate values in Independent's market area could increase the credit risk associated with these loans, impair the value of property pledged as collateral for these loans, and affect Independent's ability to sell the collateral upon foreclosure without a loss. Due to the larger average size of commercial real estate loans, Independent faces the risk that losses incurred on a small number of commercial real estate loans could have a material adverse impact on Independent's financial condition and results of operations. In addition, commercial real estate loans have the risk that repayment is subject to the ongoing business operations of the borrower.

*Commercial Construction, Land and Land Development Loans.* Independent's construction portfolio includes loans to small and mid-sized businesses to construct owner-user properties, and, to a much lesser extent, loans to developers of commercial real estate investment properties and residential developments. These loans are typically disbursed as construction progresses and carry interest rates that vary with the prime rate. As of September 30, 2013, the outstanding balance of Independent's construction loans was \$95.7 million, or 6.1%, of Independent's total loan portfolio.

Construction and development loans typically involve more risk than other types of lending products because repayment of these loans is dependent, in part, on the success of the ultimate project or, to a lesser extent, the ability of the borrower to refinance the loan or sell the property upon completion of the project, rather than the ability of the borrower or guarantor to repay principal and interest. Moreover, these loans are typically based on future estimates of value and economic circumstances, which may differ from actual results or be affected by unforeseen events. If the actual circumstances differ from the estimates made at the time of approval of these loans, Independent faces the risk of having inadequate security for the repayment of the loan. Further, if Independent forecloses on the loan, Independent may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while Independent attempts to dispose of it.

*Residential Real Estate Loans.* Independent offers first and second mortgage loans to Independent's individual customers primarily for the purchase of primary and secondary residences. As of September 30, 2013, the outstanding balance of one-to-four family real estate secured loans, including home equity loans, represented \$335.6 million, or 21.5%, of Independent's total loan portfolio. Residential real estate loans held for sale of \$4.2 million as of September 30, 2013, are also included in this category.

Like Independent's commercial real estate loans, Independent's residential real estate loans are secured by real estate, the value of which may fluctuate significantly over a short period of time as a result of market conditions in the area in which the real estate is located. Adverse developments affecting real estate values in Independent's market areas could therefore increase the credit risk associated with these loans, impair the value of property pledged as collateral on loans and affect Independent's ability to sell the collateral upon foreclosure without a loss or additional losses.

*Single-Family Interim Construction Loans.* Independent makes single-family interim construction loans to home builders and individuals to fund the construction of single family residences with the understanding that such loans will be repaid from the proceeds of the sale of the homes by builders or, in the case of individuals building their own homes, with the proceeds of a permanent mortgage loan. Such loans are secured by the real property being built and are made based on Independent's assessment of the value of the property on an as-completed basis. As of September 30, 2013, the outstanding balance of Independent's single-family interim construction loans was \$77.5 million, or 5.0%, of Independent's total loan portfolio.





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Like Independent's commercial and residential real estate loans, Independent's single-family interim construction loans are secured by real estate, the value of which may fluctuate significantly over a short period of time as a result of market conditions in the area in which the real estate is located. Adverse developments affecting real estate values in Independent's market areas could therefore increase the credit risk associated with these loans, impair the value of property pledged as collateral on loans, and affect Independent's ability to sell the collateral upon foreclosure without a loss or additional losses. Further, like Independent's commercial construction and land development loans, the repayment of single-family interim construction loans is dependent upon the ability of the borrower to obtain a permanent loan or to sell the property rather than on the borrower's ability to repay the loans.

*Commercial Loans.* Independent originates commercial loans to small businesses and professionals, in particular, medical practices, located in Independent's market areas. These loans are primarily term loans to purchase capital equipment and small loans for working capital and operational purposes. Because Independent is a community bank with long standing close ties to the businesses and professionals operating in Independent's market areas, Independent is able to tailor Independent's commercial loan programs to meet the needs of Independent's customers. As of September 30, 2013, Independent had outstanding commercial loans of \$209.5 million, or 13.4%, of Independent's total loan portfolio.

Like Independent's commercial real estate loans, commercial loans have the risk that repayment is subject to the ongoing business operations of the borrower. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan.

Further, commercial loans are often secured by personal property, such as inventory, and intangible property, such as accounts receivable, which if the business is unsuccessful, typically have values insufficient to satisfy the loan without a loss.

To further diversify Independent's portfolio in October, 2012, Independent hired an experienced energy lending team, which operates as part of Independent's downtown Dallas location. Energy loans are primarily collateralized by proven reserves. As of September 30, 2013, Independent had outstanding energy loans of \$47.3 million.

*Agricultural Loans.* Independent's agricultural loan portfolio primarily includes loans secured by real property used for agricultural purposes. Independent provides loans for the acquisition of farm and ranch land, as well as the construction of buildings upon agricultural real estate. On a more limited basis, Independent offers agricultural equipment financing and crop production loans which are secured by crops, equipment, and crop insurance. The total amount of agricultural loans outstanding at September 30, 2013, was \$31.4 million, or 2.0%, of Independent's total loan portfolio.

Like Independent's other types of real estate loans, Independent's agricultural loans are secured primarily by real estate, the value of which may fluctuate significantly over a short period of time as a result of market conditions in the area in which the real estate is located. Adverse developments affecting real estate values in Independent's market areas could therefore increase the credit risk associated with these loans, impair the value of the property pledged as collateral, and affect Independent's ability to sell the collateral upon foreclosure without a loss. Further, agricultural loans carry additional risk because repayment of this type of loan is dependent, in part, on continuing successful agricultural operations, which can be adversely affected by weather, market conditions and governmental agricultural policies, all of which are beyond control of the borrower. If the agricultural operation is unsuccessful, agricultural loans secured by livestock, crops or equipment are at even greater risk because this type of collateral typically has values insufficient to satisfy the loan without a loss.



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*Consumer Loans.* Independent offers a variety of consumer loans, such as installment loans to purchase cars, boats and other recreational vehicles. Independent's consumer loans typically are part of an overall customer relationship designed to support the individual consumer borrowing needs of Independent's commercial loan and deposit customers. As of September 30, 2013, Independent had outstanding \$41.7 million of consumer loans, or 2.7% of Independent's total loan portfolio. Consumer loans typically have shorter terms, lower balances, higher yields and higher risks of default than residential real estate mortgage loans. Consumer loan collections are dependent on the borrower's continuing financial stability and are therefore more likely to be affected by adverse personal circumstances. Consumer loan collections are dependent on the borrower's financial stability and therefore involve greater risk of being affected by adverse individual circumstances, such as the loss of employment or unexpected medical costs.

*Mortgage Brokerage Activities.* Independent also engages in the origination of residential loans sold into the secondary market. Independent originates mortgages for specific institutional purchasers, such as investment banks and other financial institutions. Independent's mortgage originations were \$132.9 million during the nine months ended September 30, 2013, \$177.1 million during 2012 and \$113.5 million during 2011. Independent sells all of the originated mortgages to institutional purchasers shortly after closing. Independent only retains a portion of the revenue generated by Independent's mortgage brokerage division, with the remaining portion, less expenses and salaries, paid to Independent's mortgage brokers as part of their compensation arrangement.

*Underwriting.* Prudent underwriting is the foundation of Independent's strong credit culture. Independent seeks to maintain a broadly diversified loan portfolio in terms of type of customer, type of loan product, geographic area and industries in which Independent's business customers are engaged. Independent adheres to disciplined underwriting standards and offer creative loan solutions in a responsive and timely manner.

In considering a loan, Independent follows the conservative underwriting principles in Independent's loan policy which include the following:

having a relationship with Independent's customers to ensure a complete understanding of their financial condition and ability to repay the loan;

verifying that the primary and secondary sources of repayment are adequate in relation to the amount of the loan;

observing appropriate loan to value guidelines for real estate secured loans;

maintaining Independent's targeted levels of diversification for the loan portfolio, both as to type of borrower and geographic location of collateral; and

ensuring that each loan is properly documented with perfected liens on collateral.

Independent implements its underwriting policy through a tiered system of individual loan authority for Independent's loan officers and a loan committee approval structure. Lending officers are assigned various levels of authority based upon their respective levels of experience and expertise. Loans with relationships over the lending authority of the

loan officer must be approved by Independent's Executive Loan Committee. Loans exceeding the authority of the Executive Loan Committee must be approved by Independent Bank's Director Loan Committee.

Independent employs appropriate limits on its overall loan portfolio and requirements with respect to certain types of lending. As a general practice, Independent operates with an internal guideline limiting loans to any single borrowing relationship to less than half of Independent Bank's legal lending limit.

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Independent requires its nonowner occupied commercial real estate loans to be secured by well-managed income producing property with adequate margins, supported by a history of profitable operations and cash flows, and proven operating stability in the case of commercial loans. Except in very limited circumstances, Independent's commercial real estate loans and commercial loans are supported by personal guarantees from the principals of the borrower.

As part of the underwriting process, Independent seeks to minimize risk in a variety of ways, including the following:

careful analysis of the borrower's financial condition, cash flow, liquidity, and leverage;

assessment of the project's operating history, operating projections, location and condition;

review of appraisals, title commitment and environmental reports;

consideration of the management experience and financial strength of the principals of the borrower; and

understanding economic trends and industry conditions.

Independent is a relationship-oriented, rather than transaction-oriented, lender. Accordingly, substantially all of Independent's loans are made to borrowers located or operating in Independent's primary market areas. The limited number of loans secured by properties located outside Independent's market areas are made to borrowers who are well-known to Independent Bank because they are headquartered or reside within one of Independent's primary market areas. For example, Independent has loans secured by second homes in other states owned by customers whose primary residence is located in Independent's market areas, and Independent has loans to a restaurant franchise headquartered in Independent's Austin market, but which has locations in other states.

## **Credit Risk Management**

Managing credit risk is a company-wide process. Independent's strategy for credit risk management includes the conservative underwriting process described above, and ongoing risk monitoring and review processes for all credit exposures. Independent's Vice Chairman and Chief Risk Officer provides bank-wide credit oversight and periodically reviews the loan portfolio to ensure that the risk identification processes are functioning properly and that Independent's credit standards are followed. In addition, a third party annually performs a loan review to identify problem assets. Independent strives to identify potential problem loans early in an effort to aggressively seek resolution of these situations before the loans become a loss, record any necessary charge-offs promptly and maintain adequate allowance levels for probable loan losses inherent in the loan portfolio.

Credit risk management involves a partnership between Independent's lenders and Independent's credit administration group. The manager of this group has significant prior experience working in credit administration. The members of Independent's credit administration group primarily focus their efforts on credit analysis, underwriting and monitoring new credits and providing management reporting to executive management and the board of directors. In addition, the group includes a special assets manager who is responsible for monitoring and working out problem loans, managing the collection and foreclosure process, and operating and disposing of other real estate owned.

In general, whenever a particular loan or overall borrower relationship is downgraded to special mention or substandard based on one or more standard loan grading factors, Independent's special assets manager will make a determination as to whether responsibility for the ongoing monitoring of the loan or relationship should be retained by the loan officer, or whether this responsibility should be transferred to the special assets group. Executive management regularly reviews the status of the watch list and classified assets portfolio as well as the larger credits in the portfolio.

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Deposits are Independent's principal source of funds for use in lending and other general banking purposes. Independent provides a full range of deposit products and services, including a variety of checking and savings accounts, debit cards, online banking, mobile banking, eStatements and bank-by-mail and direct deposit services. Independent also offers business accounts and management services, including analyzed business checking, business savings, and treasury management services. Independent solicits deposits through its relationship-driven team of dedicated and accessible bankers and through community focused marketing.

Given the diverse nature of Independent's branch network and Independent's relationship-driven approach to Independent's customers, Independent believes its deposit base is less sensitive to Independent's competitor's interest rates. Nevertheless, Independent attempts to price its deposit products to promote core deposit growth.

Independent's ability to gather deposits is an important aspect of Independent's business franchise, and Independent believes this is a significant driver of franchise value. As of September 30, 2013, Independent held \$1.5 billion of total deposits. Independent has grown deposits at a CAGR of 22% from December 31, 2009 to September 30, 2013. At the request of Independent's customers, Independent places a small percentage of Independent's total deposits with other financial institutions and receive reciprocal deposits as part of the Certificate of Deposit Account Registry System, or CDARS, program which are classified as brokered deposits. Other than deposits obtained through the CDARS program, Independent does not have brokered deposits.

**Independent's Market Areas**

Independent is based in Texas which continues to have a rapidly growing population, a high level of job growth and an attractive business climate. The Texas economy is strong, diverse and growing, and it benefits from a number of expanding industries, in particular, the energy, technology and healthcare industries.

Independent operates in two market regions situated in the heart of Texas along the Interstate 35 corridor from Dallas to Austin. The communities Independent serves are a mix of affluent and growing suburban areas related to the Dallas-Fort Worth and Austin metropolitan areas, the New Urbanism areas of Dallas and Austin, the Waco metropolitan area, and smaller rural communities on the outskirts of the Dallas metropolitan area. Independent believes its presence in a diversified group of communities enables Independent to match the strengths of each area with needs in other areas, thereby enhancing Independent's overall operations. Within these regions, Independent's strategy is to selectively place Independent's banking offices in growing and affluent markets. For example, Collin County, the county in which Independent has the most locations, has projected population growth of 13% from 2012 through 2017, which is approximately double the projected population growth for the Dallas-Fort Worth MSA, and the county's 2012 median household income was \$79,858, which is 50% higher than the 2012 median household income for the Dallas-Fort Worth MSA. Further, the Austin-Round Rock MSA, where Independent has five Central Texas locations, is projected to have 4% annual job growth, ranking first on the Forbes list of Best Cities for Future Job Growth. Independent is also proud that McKinney, Texas, home of Independent's corporate headquarters, ranked as the second best place to live in 2012 by CNN Money Magazine.

***Dallas/North Texas Region.*** The Dallas-Fort Worth metropolitan area, the fourth largest metropolitan area in the nation based upon the 2012 estimate by the U.S. Census Bureau, serves as the corporate headquarters for numerous Fortune 500 companies, including Exxon Mobil, AT&T, Texas Instruments, Southwest Airlines, and JCPenney. The Dallas-Fort Worth area also contains several world class hospitals and medical research facilities, major universities, and professional sports franchises. Independent primarily operates in Collin, Dallas, Denton, and Grayson Counties, which are located in the northern growth corridor of the Dallas-Fort Worth metropolitan area.





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Independent's locations in the Dallas/North Texas region are positioned among the fastest growing and most affluent counties within the region. The following table reflects Independent's position in the Dallas/North Texas region and highlights key demographics of the counties within this region:

County	Number of Branches <sup>(1)</sup>	Company Deposits in Market <sup>(1)(2)</sup>	Percent of Franchise Deposits	Total Population 2012	Projected Population Change 2012-2017	Median Household Income 2012
Collin	10	\$754,735	42.7%	822,906	12.71%	\$79,858
Grayson	6	323,727	18.3	122,690	2.82	44,841
Denton	3	152,218	8.6	695,694	13.00	68,075
Dallas	3	133,156	7.6	2,401,029	4.72	45,720
<b>County Totals / Weighted Avg. <sup>(3)</sup></b>	<b>22</b>	<b>\$1,363,836</b>	<b>77.2%</b>	<b>4,042,319</b>	<b>9.61%</b>	<b>\$66,898</b>
<b>State of Texas</b>				<b>25,906,038</b>	<b>7.70</b>	<b>47,622</b>

(1) Gives effect to Independent's acquisition of Collin Bank completed on November 30, 2013 and the acquisition of Live Oak Financial Corp completed on January 1, 2014.

(2) Deposits as of June 30, 2013. In thousands.

(3) Demographics are weighted by the percentage of deposits in each county.

Source: SNL Financial

**Austin/Central Texas Region.** Austin is the capital of Texas, the home to The University of Texas, and is a major national cultural, arts, film, and media center. One of the fastest growing areas in the country, Austin ranked first nationally in percentage population growth from 2010 to 2012 as estimated by the U.S. Census Bureau. Several public high tech companies maintain their corporate headquarters in the Austin metropolitan area, including Dell, Freescale Semiconductor, and National Instruments Corp. In fact, Austin is often dubbed "Silicon Hills" because of the number technology companies that have operations in this area, including Apple, Google, Facebook, IBM and Advanced Micro Devices. Independent's Central Texas region also includes the city of Waco, which is located equi-distant between Dallas and Austin and is home to Baylor University.

The following table reflects Independent's position in the Austin/Central Texas region and highlights key demographics of the counties within this region:

County	Number of Branches	Company Deposits in Market <sup>(1)</sup>	Percent of Franchise Deposits	Total Population 2012	Projected Population Change 2012-2017	Median Household Income 2012
Travis	3	\$159,088	9.0%	1,068,253	12.46%	\$54,707

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McLennan	3	124,364	7.0	239,640	5.33	39,415
Williamson	2	120,280	6.8	453,629	16.76	68,074
<b>County Totals / Weighted Avg.<sup>(2)</sup></b>	<b>8</b>	<b>\$363,111</b>	<b>22.8%</b>	<b>1,761,522</b>	<b>11.54%</b>	<b>\$53,979</b>
<b>State of Texas</b>				<b>25,906,038</b>	<b>7.70</b>	<b>47,622</b>

(1) Deposits as of June 30, 2013. In thousands.

(2) Demographics are weighted by the percentage of Independent's deposits within each county.

Source: SNL Financial

### Competition

Independent competes in the commercial banking industry solely through Independent Bank and firmly believe that Independent Bank's long-standing presence in the community and personal service philosophy enhances Independent's ability to attract and retain customers. This industry is highly competitive, and Independent Bank faces strong direct competition for deposits, loans, and other financial-related services. Independent competes with other commercial banks, thrifts and credit unions. Although some of these competitors are situated locally, others have statewide or nationwide presence. In addition, Independent competes with large banks in major financial centers and other financial intermediaries, such as consumer finance

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companies, brokerage firms, mortgage banking companies, insurance companies, securities firms, mutual funds and certain government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. Independent believes that its banking professionals, the range and quality of products that Independent offers and its emphasis on building long-lasting relationships distinguishes Independent Bank from its competitors.

**Employees**

As of September 30, 2013, Independent employed approximately 326 persons. Independent provides extensive training to Independent's employees in an effort to ensure that Independent's customers receive superior customer service. None of Independent's employees are represented by any collective bargaining unit or are parties to a collective bargaining agreement. Independent believes that Independent's relations with Independent's employees are good.

**Properties**

Independent owns its corporate headquarters, which is a 62,000 square foot, four story office building located at 1600 Redbud Blvd., Suite 400, McKinney, Texas 75069, and serves as Independent Bank's home office. Independent's building is the most prominent office building in McKinney, providing significant visibility which enhances Independent's brand in Collin County. Independent's recent remodeling of the building won U.S. Green Building Council's 2010 LEED Silver Certification. In addition to the foregoing, Independent operates banking offices at the following locations:

Dallas/North Texas Region			Austin/Central Region		
Location	Own or Lease	Sq. Ft.	Location	Own or Lease	Sq. Ft.
<b>Collin County</b>			<b>Travis County</b>		
McKinney (Redbud) <sup>(1)</sup>	Own	3,542 <sup>(1)</sup>	Austin Branch	Own	10,328
McKinney (Craig Drive)	Own	9,640	Lakeway Branch	Own	3,500
McKinney (Adriatica)	Own	5,524	Manor Branch	Own	5,231
Anna Branch	Own	5,678	<b>Williamson County</b>		
Celina Branch	Own	6,959	Georgetown Branch	Own	5,760
Farmersville Branch	Own	11,911 (Main) 2,760 (Drive Thru)	Round Rock Branch	Own	5,226
Lavon Branch	Own	3,608	<b>McLennan County</b>		
Plano Branch	Lease	8,884	Bosque Branch	Own	5,100
Princeton Branch	Own	5,790	Elm Mott Branch	Own	2,655
Prosper Branch	Own	5,310	Woodway Branch	Lease	4,787
<b>Dallas County</b>					
Coppell Branch	Own	8,898			
Dallas Branch	Lease	5,148			
Live Oak Branch	Own	5,719			
<b>Denton County</b>					
Denton Branch	Own	5,109			
Highland Village Ranch	Own	12,962			
Little Elm Branch	Own	3,500			

**Grayson County**

Collinsville Branch	Own	5,105
Denison Branch	Own	11,732
Howe Branch	Own	6,380
Sherman Branch	Own	3,874
Van Alstyne Branch	Own	4,554
Whitewright Branch	Own	4,292

(1) The Redbud branch is located on the ground floor of Independent's headquarters office building.

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Independent believes that the leases to which Independent is subject are generally on terms consistent with prevailing market terms, and with the exception of Independent's Woodway Branch in Waco (see "Certain Relationships and Related Party Transactions"), none of the leases are with Independent's directors, officers, beneficial owners of more than 5% of Independent's voting securities or any affiliates of the foregoing. Independent believes that Independent's facilities are in good condition and are adequate to meet Independent's operating needs for the foreseeable future.

**Legal Proceedings**

In the normal course of business, Independent is named or threatened to be named as a defendant in various lawsuits. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a material adverse effect on Independent's business. Independent Bank is currently subject to the following legal proceedings:

Independent Bank is subject to a legal proceeding related to a lending relationship inherited by Independent Bank in connection with the acquisition of The Community Group, Inc. and its subsidiary, United Community Bank N.A., or UCB, that was consummated effective October 1, 2012. UCB established a \$350,000 line of credit for a guarantor to pay for deficiencies arising from loans made to a related borrower. John Ganter, the guarantor, filed a lawsuit on November 21, 2012, in the 298th District Court of Texas alleging fraud by UCB seeking a restraining order to prevent Independent Bank from realizing on the collateral securing the line of credit and a judgment that the line of credit is unenforceable. The court denied the plaintiff's request for a temporary injunction, the restraining order lapsed, and Independent Bank foreclosed on and sold the collateral to satisfy the line of credit. Independent Bank has filed a counterclaim against the plaintiff for deficiencies on other indebtedness guaranteed by the plaintiff and for payment of legal fees. Independent Bank is preparing a motion for summary judgment and otherwise continues to defend this lawsuit.

**Recent Acquisitions**

*Collin Bank.* On July 19, 2013, Independent entered into a definitive agreement to acquire Collin Bank, Plano, Texas, a Texas state chartered bank with total assets of \$173 million, total deposits of \$121 million and total equity capital of \$26 million as of September 30, 2013. Collin Bank is a full service commercial bank with one office located on the Dallas North Tollway in Plano. This acquisition closed on November 30, 2013. Under the terms of the definitive agreement, Independent paid \$18.4 million in cash and issued 247,731 shares of Independent common stock, resulting in an aggregate transaction value of \$30.3 million.

*Live Oak Financial.* On August 22, 2013, Independent entered into a definitive agreement to acquire Live Oak Financial Corp. and its subsidiary, Live Oak State Bank, Dallas, Texas, a Texas state chartered bank with total assets of \$127 million, total deposits of \$106 million and total equity capital of \$14 million as of September 30, 2013. Live Oak State Bank is a full service commercial bank with one office located in the Swiss Avenue/Lakewood area east of downtown Dallas, Texas. This acquisition closed on January 1, 2014. Under the terms of the agreement, Independent paid aggregate cash consideration of \$10 million and issued 235,594 registered shares of Independent common stock, resulting in an aggregate transaction value of approximately \$21.7 million.

*Integration.* It is possible that the process of integrating Collin Bank's and Live Oak Bank's respective operations into Independent Bank's operations could result in the disruption of Independent Bank's operations, the loss of Collin Bank and Live Oak Bank customers and employees, and make it more difficult to achieve the intended benefits of these mergers. Further, as with any merger of banking institutions, business disruptions may occur that may cause Independent to lose customers or may cause customers to withdraw their deposits from Independent Bank after the closing of these mergers. The realization of the anticipated benefits of Independent's acquisitions of Collin Bank and

Live Oak Financial may depend in large part on Independent's ability to integrate Collin Bank's and Live Oak Bank's respective operations into Independent Bank's operations, and to

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address differences in business models and cultures. Moreover, the combined effect of integrating the acquisition of Collin Bank and Live Oak Financial with most of the integration activities expected to occur in the first quarter of 2014, may stretch Independent's management and could result in Independent experiencing operational difficulties in such integrations. If Independent is not able to integrate the operations of Collin Bank and Live Oak Bank into Independent Bank's operations successfully and on a timely basis, some or all of the expected benefits of these applicable mergers may not be realized.



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**INDEPENDENT'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of Independent's financial condition and results of operations should be read in conjunction with Selected Financial Information of Independent and Independent's consolidated financial statements and the accompanying notes included elsewhere in this joint proxy statement/prospectus. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that Independent believes are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under Cautionary Note Regarding Forward-Looking Statements, Risk Factors and elsewhere in this joint proxy statement/prospectus, may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. Independent assumes no obligation to update any of these forward-looking statements.*

*As an emerging growth company under the JOBS Act, Independent has elected to include Independent's consolidated financial statements as of and for the nine months ended September 30, 2013 and 2012 and as of and for the years ended December 31, 2012, 2011 and 2010 in this joint proxy statement/prospectus. As a result, in accordance with the JOBS Act's provisions, this management's discussion and analysis of Independent's financial condition and results of operations addresses only Independent's results of operations for those periods and financial condition as of those dates.*

**Overview**

Independent was organized as a bank holding company in 2002. On January 1, 2009, Independent merged with Independent Bank Group Central Texas, Inc., and, since that time, Independent has pursued a strategy to create long-term shareholder value through organic growth of Independent's community banking franchise in Independent's market areas and through selective acquisitions of complementary banking institutions with operations in Independent's market areas. On April 8, 2013, Independent consummated the initial public offering of its common stock for trading on the NASDAQ Global Market.

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

Independent intends for this discussion and analysis to provide the reader with information that will assist in understanding Independent's financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. This discussion relates to Independent and its consolidated subsidiaries and should be read in conjunction with Independent's consolidated financial statements as of September 30, 2013, and for the nine months ended September 30, 2013 and 2012, and as of and for the fiscal years ended December 31, 2012, 2011 and 2010, and the accompanying notes, appearing elsewhere in this joint proxy statement/prospectus. Independent's fiscal year ends on December 31.



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**Acquisitions.** The comparability of Independent's consolidated results of operations for the periods ended September 30, 2013 and September 30, 2012 is affected by the two acquisitions Independent completed in 2012. Independent acquired I Bank Holding Company ( I Bank ) and its bank subsidiary, on April 1, 2012, and I Bank's consolidated results of operations were first included in Independent's consolidated financial statements in the second quarter of 2012. As a result, the comparability of Independent's consolidated results of operations for the nine-month periods ended September 30, 2013 and 2012 are affected by that acquisition. Independent acquired The Community Group ( CGI ) and its bank subsidiary on October 1, 2012, and CGI's consolidated results of operations were first included in Independent's consolidated results of operations in the fourth quarter of 2012. As a result, the comparability of Independent's consolidated results of operations for the nine-month periods ended September 30, 2013 and 2012 are affected by that acquisition.

The comparability of Independent's consolidated results of operations for the years ended December 31, 2012, 2011 and 2010 and Independent's consolidated financial condition as of December 31, 2012, 2011 and 2010, is affected by the two acquisitions Independent completed in 2010 and the two acquisitions Independent completed in 2012. On July 31, 2010, Independent acquired Town Center Bank and on September 30, 2010, Independent acquired Farmersville Bancshares, Inc. and its bank subsidiary. The comparability of Independent's consolidated results of operations for the years ended December 31, 2012 and 2011 to Independent's consolidated results of operations for the year ended December 31, 2010 is affected by the fact that the results of the acquired operations of Town Center Bank and Farmersville Bancshares were first included in Independent's consolidated results of operations in the third quarter of Independent's fiscal year ended December 31, 2010, but were included for all of the year ended December 31, 2012 and the year ended December 31, 2011. As noted above, on April 1, 2012, Independent acquired I Bank and its bank subsidiary, and on October 1, 2012, Independent acquired CGI and its bank subsidiary. The comparability of Independent's consolidated results of operations for the year ended December 31, 2012 with Independent's consolidated results of operations for the years ended December 31, 2011 and 2010 is affected by the fact that the results of the acquired operations of I Bank and CGI were not included in Independent's consolidated results of operations for the year ended December 31, 2011 or the year ended December 31, 2010 and were first included in Independent's consolidated results of operations in the second and fourth quarters, respectively, of Independent's fiscal year ended December 31, 2012.

**Independent's Initial Public Offering.** Independent consummated the initial public offering of its common stock in April 2013. The period-over-period comparability of certain aspects of Independent's results of operations and the changes in Independent's financial condition from December 31, 2012 to September 30, 2013 are affected by the issuance of 3,680,000 shares of Independent's common stock issued in that offering and its receipt of the net proceeds of the sale of those shares of Independent's common stock. In particular, the period-over-period comparability of Independent's earnings per share and return on equity is affected by such issuance of the shares in its initial public offering.

**S Corporation Status**

From its formation in 2002 through March 31, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation under the provisions of Section 1361 through 1379 of the Internal Revenue Code. As a result, Independent's net income was not subject to, and Independent did not pay, U.S. federal income taxes and Independent was not required to make any provision or recognize any liability for federal income tax in its financial statements for the periods ended on or prior to March 31, 2013. Independent terminated its status as an S corporation in connection with its initial public offering as of April 1, 2013. Starting April 1, 2013, Independent became subject to corporate federal income tax and Independent's net income for each subsequent fiscal year and each subsequent interim period

will reflect a provision for federal income taxes. As a result of that change in Independent's status under the federal income tax laws, the net income and earnings per share data presented in Independent's historical financial statements set forth elsewhere in this joint proxy

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statement/prospectus, which do not include any provision for federal income taxes, are not be comparable with Independent's net income and earnings per share in periods in which Independent is taxed as a C corporation, which will be calculated by including a provision for federal income taxes.

Although Independent was not subject to corporate federal income tax prior to April 1, 2013, Independent made periodic cash distributions to its shareholders in amounts estimated to be necessary for them to pay their estimated personal U.S. federal income tax liabilities related to the items of Independent's income, gain, deductions and losses allocated to each of Independent's shareholders. The aggregate amount of such cash distributions has equaled approximately 35% of Independent's taxable net income for the related period. Independent's historical cash flows and financial condition have been effected by such cash distributions.

Deferred tax assets and liabilities are, and in future periods will be, recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of the change in tax rates resulting from becoming a C corporation will be recognized in income in the quarter such change takes place. On April 1, 2013, Independent recorded an initial net deferred tax asset of \$1.8 million to recognize the difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases as of the date that Independent became a taxable corporate entity.

**Discussion and Analysis of Results of Operations for the Nine Months Ended September 30, 2013 and September 30, 2012**

The following discussion and analysis of Independent's results of operations compares its results of operations for the nine months ended September 30, 2013 with its results of operations for the nine months ended September 30, 2012. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results of operations that may be expected for all of the year ending December 31, 2013, in part because Independent's results of operations for the three months ended March 31, 2013, that are included in Independent's results of operations for the nine months ended September 30, 2013 do not include any provision for federal income taxes as do Independent's results of operations for the six months ended September 30, 2013 and as will Independent's results of operations for the last three months of the year ending December 31, 2013.

**Results of Operations**

For the nine months ended September 30, 2013, net income was \$15.5 million (\$1.43 per common share on a diluted basis) compared with \$11.3 million (\$1.47 per common share on a diluted basis) for the nine months ended September 30, 2012. Pro forma after tax income for the nine months ended September 30, 2013 was \$11.9 million (\$1.10 per common share on a diluted basis) after excluding the initial recording of the deferred tax benefit of \$1.8 million due to the change in Independent's taxable status effective April 1, 2013. Pro forma after tax income was \$7.7 million (\$1.00 per common share on a diluted basis) for the nine months ended September 30, 2012. Independent posted returns on average common equity of 10.85% and 14.62%, returns on average assets of 1.12% and 1.06% and efficiency ratios of 67.0% and 71.4% for the nine months ended September 30, 2013 and 2012, respectively. The efficiency ratio is calculated by dividing total noninterest expense (which does not include the provision for loan losses) by net interest income plus noninterest income.

**Net Interest Income**

Independent's net interest income is its interest income, net of interest expenses. Changes in the balances of Independent's earning assets and its deposits, FHLB advances and other borrowings, as well as changes in the market interest rates, affect Independent's net interest income. The difference between Independent's average yield on earning assets and its average rate paid for interest-bearing liabilities is its net

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interest spread. Noninterest-bearing sources of funds, such as demand deposits and stockholders' equity, also support Independent's earning assets. The impact of the noninterest-bearing sources of funds is reflected in Independent's net interest margin, which is calculated as annualized net interest income divided by average earning assets.

Net interest income was \$55.0 million for the nine months ended September 30, 2013, an increase of \$13.2 million, or 31.7%, from \$41.8 million at September 30, 2012. This increase is due primarily to a \$432 million increase, or 34.1%, in average interest earning assets to \$1.7 billion for the nine months ended September 30, 2013 compared to \$1.3 billion for the nine months ended September 30, 2012. The greatest part of the increases in interest-earning assets and noninterest-bearing deposits occurred as a result of the acquisition Independent completed in October 2012, while the balance of the increases came from organic loan and deposit growth. Average interest-earning assets also increased as a result of organic growth sustained in the first half of 2013 due to the addition of experienced lending teams in the last half of 2012. In addition, discount accretion on acquired loans of \$1.3 million and \$98 thousand is included in net interest income for the nine months ended September 30, 2013 and 2012, respectively. The significant increase in acquired loan accretion was primarily related to the unexpected payoff of four loans. The net interest margin for the nine months ended September 30, 2013 increased 8 basis points to 4.33% compared to 4.41% for the comparable period in 2012. The average yield on interest earning assets decreased 38 basis points from 5.45% to 5.07%. The effect of this decrease was offset by a decrease in the average rate paid on interest bearing liabilities of 29 basis points from 1.18% to 0.89%. The average yield on interest earning assets would have been 4.96% for the nine months ended September 30, 2013 compared to 5.44% for the nine months ended September 30, 2012 without the effect of the discount accretion on acquired loans.

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**Average Balance Sheet Amounts, Interest Earned and Yield Analysis.** The following table presents average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the nine months ended September 30, 2013 and 2012. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances.

	<b>For the Nine Months Ended September 30,</b>					
	<b>2013</b>			<b>2012</b>		
	<b>Average Outstanding Balance<sup>(2)</sup></b>	<b>Interest</b>	<b>Yield/ Rate<sup>(1)</sup></b>	<b>Average Outstanding Balance<sup>(2)</sup></b>	<b>Interest</b>	<b>Yield/ Rate<sup>(1)</sup></b>
<b>(dollars in thousands)</b>						
<b>Interest-earning assets:</b>						
Loans	\$ 1,467,960	\$ 62,347	5.68%	\$ 1,118,586	\$ 49,898	5.96%
Taxable securities	84,975	999	1.57	70,655	948	1.79
Nontaxable securities	31,464	765	3.25	22,800	604	3.54
Federal funds sold and other	113,906	256	0.30	54,060	226	0.56
<b>Total interest-earning assets</b>	<b>1,698,305</b>	<b>\$ 64,367</b>	<b>5.07</b>	<b>1,266,101</b>	<b>\$ 51,676</b>	<b>5.45</b>
Noninterest-earning assets	154,770			151,207		
<b>Total assets</b>	<b>\$ 1,853,075</b>			<b>\$ 1,417,308</b>		
<b>Interest-bearing liabilities:</b>						
Checking accounts	\$ 723,561	\$ 2,861	0.53	\$552,889	\$ 3,423	0.83
Savings accounts	113,424	279	0.33	108,304	575	0.71
Money market accounts	50,125	103	0.27	32,600	95	0.39
Certificates of deposit	319,001	1,935	0.81	278,842	2,278	1.09
<b>Total deposits</b>	<b>1,206,111</b>	<b>5,178</b>	<b>0.57</b>	<b>972,635</b>	<b>6,371</b>	<b>0.87</b>
FHLB advances	163,702	2,475	2.02	96,688	1,696	2.34
Notes payable and other borrowings	20,826	1,326	8.51	40,824	1,466	4.80
Junior subordinated debentures	18,147	408	3.01	14,538	381	3.50
<b>Total interest-bearing liabilities</b>	<b>1,408,786</b>	<b>9,387</b>	<b>0.89</b>	<b>1,124,685</b>	<b>9,914</b>	<b>1.18</b>



Noninterest-bearing checking accounts	247,330	181,793
Noninterest-bearing liabilities	5,634	7,720
Stockholders equity	191,325	103,110
<b>Total liabilities and equity</b>	<b>\$ 1,853,075</b>	<b>\$ 1,417,308</b>
Net interest income	\$ 54,980	\$ 41,762
Interest rate spread	4.18%	4.27%
Net interest margin (3)	4.33	4.41
Average interest earning assets to Interest bearing liabilities	120.55	112.57

- (1) Yields and rates for the nine-month periods are annualized.
- (2) Average loan balances include nonaccrual loans.
- (3) Net interest margins for the periods presented represent: (i) the difference between interest income on interest-earning assets and the interest expense on interest-bearing liabilities, divided by (ii) average interest-earning assets for the period.

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

	<b>For the Nine Month Ended September 30, 2013 vs. 2012</b>		
	<b>Increase (Decrease) Due to</b>		<b>Total Increase (Decrease)</b>
	<b>Volume</b>	<b>Rate</b>	
<i>(dollars in thousands)</i>			
<b>Interest-earning assets</b>			
Loans	\$16,267	\$(3,818)	\$12,449
Taxable securities	226	(175)	51
Nontaxable securities	241	(80)	161
Federal funds sold and other	218	(188)	30
Total interest-earning assets	\$16,952	\$(4,261)	\$12,691
<b>Interest-bearing liabilities</b>			
Checking accounts	\$1,262	\$(1,824)	\$(562)
Savings accounts	43	(339)	(296)
Limited access money market accounts	53	(45)	8
Certificates of deposit	438	(781)	(343)
Total deposits	1,796	(2,989)	(1,193)
FHLB advances	1,169	(390)	779
Notes payable and other borrowings	(1,230)	1,090	(140)
Junior subordinated debentures	109	(82)	27
Total interest-bearing liabilities	1,844	(2,371)	(527)
Net interest income	\$15,108	\$(1,890)	\$13,218

As a result of the current interest rate environment and competitive pressure in the market, yields on the loans Independent makes may decline in future periods. Independent intends to mitigate the effect of any such decreases on Independent's results of operations by growing Independent's loan portfolio and managing the liability side of Independent's balance sheet through the reduction of Independent's cost of funds.

**Interest Income.** Independent's total interest income increased \$12.7 million, or 24.6%, to \$64.4 million for the nine months ended September 30, 2013 from \$51.7 million for the nine months ended September 30, 2012. The following

table sets forth the major components of Independent's interest income for the nine months ended September 30, 2013 and 2012 and the period-over-period variations in such categories of interest income:

<i>(dollars in thousands)</i>	<b>For the Nine Months Ended</b>		<b>Variance 2013 v. 2012</b>
	<b>September 30, 2013</b>	<b>2012</b>	
<b>Interest income</b>			
Interest and fees on loans	\$ 62,347	\$ 49,898	\$ 12,449
Interest on taxable securities	999	948	51
Interest on nontaxable securities	765	604	161
Interest on federal funds sold and other	256	226	30
Total interest income	\$ 64,367	\$ 51,676	\$ 12,691

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The 24.9% increase in Independent's interest and fees on loans for the nine months ended September 30, 2013 from the nine months ended September 30, 2012 was primarily attributable to a \$349 million, or 31.2%, increase in the average balance of Independent's loans to \$1.5 billion during the nine months ended September 30, 2013 as compared with the average balance of \$1.1 billion for the nine months ended September 30, 2012. The increase resulted from Independent's acquisition of an aggregate of \$180.4 million of loans in the I Bank Holding Company transaction in April 2012 and the CGI transaction in October 2012 and the organic growth of Independent's loan portfolio.

The interest Independent earned on nontaxable securities during the nine months ended September 30, 2013 increased by 26.7% from the nine months ended September 30, 2012, primarily as a result of an increase in the average portfolio balance for the nine months ended September 30, 2013, as Independent altered the allocation of capital invested in investment securities, increasing the percentage of Independent's portfolio held in obligations of Texas state and municipal governmental subdivisions in order to diversify Independent's investment security portfolio and enhance yield. These securities consist primarily of general obligation bonds issued by independent school districts located in Texas that are guaranteed by the Texas Permanent School Fund. Bonds guaranteed by that fund are currently rated AAA by Standard & Poors Ratings Services. The average balance of nontaxable securities increased by \$8.7 million, or 38.0%, to \$31.5 million for the nine months ended September 30, 2013 from \$22.8 million for the nine months ended September 30, 2012.

**Interest Expense.** Total interest expense on Independent's interest-bearing liabilities decreased \$527 thousand, or 5.3%, to \$9.4 million for the nine months ended September 30, 2013 from \$9.9 million for the nine months ended September 30, 2012. The following table sets forth the major components of Independent's interest expense for the nine months ended September 30, 2013 and 2012 and the period-over-period variations in such categories of interest expense:

<i>(dollars in thousands)</i>	<b>For the Nine Months</b>		<b>Variance</b>
	<b>Ended September 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2013 v. 2012</b>
<b>Interest Expense</b>			
Interest on deposits	\$ 5,178	\$ 6,371	\$ (1,193)
Interest of FHLB advances	2,475	1,696	779
Interest on notes payable and other borrowings	1,326	1,466	(140)
Interest on junior subordinated debentures	408	381	27
 Total interest expense	 \$ 9,387	 \$ 9,914	 \$ (527)

Interest expense on deposits for the nine months ended September 30, 2013 decreased by \$1.2 million, or 18.7%, primarily as a result of a decrease in the weighted-average rate of interest Independent paid on its deposits, although the effect of that decrease was partially offset by a 30.9% period-over-period increase in Independent's average balance on its interest-bearing checking accounts attributable to its two acquisitions in 2012 and organic deposit growth. The average rate of interest paid on Independent's deposits decreased by 30 basis points to 0.57% on average interest-bearing deposits of \$1.2 billion for the nine months ended September 30, 2013 from 0.87% on average interest-bearing deposits of \$973 million for the nine months ended September 30, 2012. This decrease in cost of funds for this source of funding primarily resulted from lower market interest rates and the 27.9% increase in the portion of deposits represented by average balance of interest-bearing checking, savings and limited access money market accounts, on which Independent typically pays lower rates than those Independent pays on its certificates of deposit.

Interest expense on FHLB advances for the nine months ended September 30, 2013 increased by \$779 thousand, or 45.9%, due primarily to a higher average balance of such advances. The average balance of Independent's FHLB advances for the nine months ended September 30, 2013 increased by \$67 million, or 69.3% to \$164 million from the average balance of \$97 million for the nine months ended September 30, 2012 primarily as a result of funding new loan originations through such advances, in part to manage interest rate risk with respect to such loans.

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Interest expense on notes payable and other borrowings for the nine months ended September 30, 2013, decreased by \$140 thousand, or 9.5%, primarily as a result of a higher average balance of such borrowings. The average balance of Independent's notes payable and other borrowings decreased by \$20 million primarily as a result of the repayment of \$15.7 million in principal amount of notes payable and \$13.1 million in principal amount of subordinated debt during the nine months ended September 30, 2013, which payments were funded with a portion of the net proceeds of Independent's initial public offering of its common stock.

**Provision for Loan Losses**

Management actively monitors Independent's asset quality and provides specific loss provisions when necessary. Provisions for loan losses are charged to income to bring the total allowance for loan losses to a level deemed appropriate by management based on such factors as historical loss experience, trends in classified loans and past dues, the volume and growth in the loan portfolio, current economic conditions and the value of collateral.

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

Independent made a \$2.9 million provision for loan losses for the nine months ended September 30, 2013 compared to \$2.3 million for the comparable period in 2012. The increase in the provision in the current nine month period over the same period in the prior year was to properly reserve for the growth in Independent's loan portfolio. Net charge-offs were \$1.3 million for the nine months ended September 30, 2013 compared to \$414 thousand for the nine months ended September 30, 2012. The increase in net charge-offs from the previous period was primarily related to the charge-off of a \$350 thousand commercial loan and one large commercial real estate loan that was foreclosed during the period and charged down by \$516 thousand prior to being transferred to other real estate.

**Noninterest Income**

The following table sets forth the major components of noninterest income for the nine months ended September 30, 2013 and 2012 and the period-over-period variations in such categories of noninterest income:

	<b>For the Nine Months Ended</b>		<b>Variance</b>
	<b>September 30,</b>	<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013 v. 2012</b>
<b>(dollars in thousands)</b>			
<b>Noninterest Income</b>			
Service charges on deposit accounts	\$ 3,597	\$ 2,473	\$ 1,124
Mortgage fee income	3,120	2,965	155
Gain (loss) on sale of other real estate	173	(75)	248
Gain on sale of branch		51	(51)
Loss on sale of securities available for sale		(3)	3
Gain (loss) on sale of premises and equipment	4	(346)	350
Increase in cash surrender value of bank owned life insurance	240	245	(5)
Other noninterest income	475	302	173

Total noninterest income	\$ 7,609	\$ 5,612	\$ 1,997
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Total noninterest income increased \$2.0 million, or 35.6%, for the nine months ended September 30, 2013, compared to the comparable period in 2012. Changes in the components of noninterest income are discussed below.

**Service Charges.** Service charges on deposit accounts for the nine months ended September 30, 2013 increased \$1.1 million, or 45.5%, compared to the comparable period in 2012. The increase in the period

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primarily relates to ATM service fees, which have previously been reported net of related expense and commencing in 2013 are being reported on a gross basis with offsetting expense being reported in noninterest expense, which expense is \$856 thousand for the nine months ended September 30, 2013. In 2012, ATM fees were settled on a net basis.

**Mortgage Fee Income.** Mortgage fee income for the nine months ended September 30, 2013 increased \$155 thousand, or 5.2%, compared to the comparable period in 2012. This increase is directly related to a comparable increase in mortgage loan origination volume from the comparable prior year period.

**Gain (loss) on Sale of Other Real Estate.** Other real estate gains of \$173 thousand for the nine-month period ended September 30, 2013 are related to several sales of property including two sales of Adriatica property. In the comparable period in 2012, there was a loss of \$75 thousand as a result of fewer transactions at Independent Bank and no sales of Adriatica property.

**Loss on Sale of Premises and Equipment.** Loss on sale of premises and equipment decreased \$350 thousand for the nine months ended September 30, 2013 from the comparable period in 2012 because Independent did not have any significant sales of premises and equipment in that period while it recognized a loss on the sale of the corporate aircraft that occurred during the nine months ended September 30, 2012.

**Other Noninterest Income.** Other noninterest income increased \$173 thousand, or 57.3% for the nine months ended September 30, 2013, compared to the same period in 2012. The increase is due to income received from increased use of Independent's airplane for nonbusiness related purposes.

**Noninterest Expense**

Noninterest expense increased \$8.1 million, or 24.0%, for the nine months ended September 30, 2013, compared to the comparable period in 2012. The overall increase from 2012 to 2013 is primarily due to increases in salaries and benefits expenses, occupancy expenses, other real estate impairment and other noninterest expenses related to the two acquisitions completed in 2012. The following table sets forth the major components of Independent's noninterest expense for the nine months ended September 30, 2013 and 2012 and the period-over-period variations in such categories of noninterest expense:

	<b>For the Nine Months Ended</b>		
	<b>September 30,</b>		<b>Variance</b>
	<b>2013</b>	<b>2012</b>	<b>2013 v. 2012</b>
<b>(dollars in thousands)</b>			
<b>Noninterest Expense</b>			
Salaries and employee benefits	\$ 23,688	\$ 18,910	\$ 4,778
Occupancy	6,562	5,315	1,247
Data processing	969	851	118
FDIC assessment	241	624	(383)
Advertising and public relations	620	522	98
Communications	1,090	985	105
Other real estate owned expense, net	368	205	163
IBG Adriatica expenses, net	600	741	(141)
Other real estate impairment	475	56	419
Core deposit intangible amortization	527	480	47



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Professional fees	918	752	166
Acquisition expense, including legal	602	811	(209)
Other	5,297	3,579	1,718
Total noninterest expense	\$ 41,957	\$ 33,831	\$ 8,126

**Salaries and Employee Benefits.** Salaries and employee benefits expense, which historically has been the largest component of Independent's noninterest expense, increased \$4.8 million, or 25.3%, for the nine months ended September 30, 2013, compared to the comparable periods in the prior year. The increase was

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primarily attributable to an increase in the number of Independent's full-time equivalent employees, which resulted from the two acquisitions Independent completed in 2012, as well as the addition of lending teams in Independent's high growth markets during the second half of 2012 and third quarter of 2013. Also contributing to the increase is compensation expense relating to the issuance of 111,420 shares of restricted stock under the 2013 Equity Incentive Plan in connection with Independent's April 2013 initial public offering. Independent will also incur compensation expense relating to such stock issuance in future periods.

**Occupancy Expense.** Occupancy expense increased \$1.2 million, or 23.5%, for the nine months ended September 30, 2013 compared to the comparable periods in 2012. The increase resulted from higher maintenance contract expense, building lease expenses and property taxes, attributable primarily to the two acquisitions completed in 2012, and the establishment of Independent's Dallas location in June 2012 and its new Austin building in May 2013.

**FDIC Assessment.** FDIC assessment decreased \$383 thousand for the nine months ended September 30, 2013, compared to the comparable period in 2012. The decrease is due to a nonrecurring refund of \$504 thousand of Independent's prepaid assessment during the nine months ended September 30, 2013.

**Other Real Estate Impairment.** Other real estate impairment totaling \$475 thousand was recognized during the nine months ended September 30, 2013 compared to \$56 thousand for the comparable period in 2012. Approximately \$225 thousand of the expense for the nine months ended September 30, 2013 was related to an ORE property located in the Austin, Texas area that was in negotiation to sell at a lower amount than the recorded book value. The remaining increase in the impairment for that period was recorded on two properties located in Frisco, Texas, for which Independent had obtained updated appraisals. The impairment recognized in 2012 was related to the same Austin area property.

**Acquisition Expense.** Total acquisition expenses for the nine month period ended September 30, 2013, decreased \$209 thousand, or 25.8%, over the same period in 2012. Acquisition expenses for the nine months ended September 30, 2012, is higher than the comparable period in 2013 primarily due to timing of the completed acquisitions in 2012, one in April 2012, and the other in October 2012. The Collin Bank acquisition closed on November 30, 2013 and the Live Oak Financial acquisition closed on January 1, 2014. Therefore, Independent incurred additional acquisition costs in the fourth quarter of 2013.

**Other.** Other expense increased by \$1.7 million, or 48.0%, for the nine months ended September 30, 2013, compared to the comparable period in 2012. The majority of the increase relates to ATM exchange fees, which had settled on a net basis prior to 2013 and were recorded in noninterest income. ATM expense was \$856 thousand for the nine months ended September 30, 2013. In addition, general operating expenses were higher in 2013 due to acquisitions completed in April and October 2012.

**Income Tax Expense**

As a result of its prior status as an S corporation as discussed above, Independent had no federal tax expense for the quarters ended on or prior to March 31, 2013. Independent was not subject to income tax expense until April 1, 2013, the date which it became a taxable entity. Independent has determined that had it been taxed as a C corporation and paid federal income taxes in the periods ended prior to April 1, 2013, its federal tax rates would have been 32.8% for the nine months ended September 30, 2013, and 32.2% for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, income tax expense was \$2.2 million. Included in the nine months ended September 30, 2013, is the initial deferred tax asset recorded on April 1, 2013, that resulted in a credit to income tax expense of \$1.8 million. This resulted in reported income tax expense of \$2.2 million for the nine months ended September 30, 2013. As of September 30, 2013, the total recorded deferred tax asset totaled \$2.9 million, of which

\$620 thousand related to the change in the unrealized loss on investment securities, net of tax, since March 31, 2013, at which time Independent was still an S corporation.

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On a pro forma basis, Independent's federal income tax expense would have been \$3.6 million for the nine months ended September 30, 2012, and \$5.8 million for the nine months ended September 30, 2013, resulting in pro forma net income, after federal taxes, for those periods of \$7.7 million and \$11.9 million, respectively.

**Quarterly Financial Information**

The following table presents certain unaudited consolidated quarterly financial information regarding Independent's results of operations for the quarters ended September 30, June 30 and March 31, 2013 and the quarters in the year ended December 31, 2012. This information should be read in conjunction with Independent's consolidated financial statements as of and for the nine months ended September 30, 2013 and the year ended December 31, 2012 appearing elsewhere in this joint proxy statement/prospectus. Prior to April 1, 2013, Independent elected to be taxed for federal income tax purposes as an S corporation under Sections 1361 through 1379 of the Internal Revenue Code of 1986, as amended. As a result and as reflected in the information appearing below, Independent did not pay, and made no provision for, federal income taxes for any quarter ended on or before March 31, 2013.

	<b>Quarter Ended 2013</b>			
	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>	
<i>(dollars in thousands, except per share data)</i>				
Interest Income	\$ 21,841	\$ 21,105	\$ 21,421	
Interest Expense	2,926	3,255	3,206	
Net Interest Income	18,915	17,850	18,215	
Provision for loan losses	830	1,079	1,030	
Net interest income after provision for loan losses	18,085	16,771	17,185	
Noninterest income	2,451	2,732	2,426	
Noninterest expense	14,650	13,384	13,923	
Income before income taxes	5,886	6,119	5,688	
Provision for income taxes	1,927	245		
Net income	\$ 3,959	\$ 5,784	\$ 5,688	
Basic earnings per share	\$ 0.33	\$ 0.49	\$ 0.69	
Diluted earnings per share	\$ 0.33	\$ 0.49	\$ 0.68	
<b>Quarter Ended 2012</b>				
	<b>December 31</b>	<b>September 30</b>	<b>September 30</b>	<b>March 31</b>
<i>(dollars in thousands, except per share data)</i>				
Interest income	\$20,214	\$18,454	\$17,716	\$15,506
Interest expense	3,423	3,299	3,411	3,204
Net interest income	16,791	15,155	14,305	12,302

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Provision for loan losses	929	1,013	667	575
Net interest income after provision for loan losses	15,862	14,142	13,638	11,727
Noninterest income	3,556	2,087	1,634	1,891
Noninterest expense	13,329	11,736	11,601	10,494
Net income	\$6,089	\$4,493	\$3,671	\$3,124
Basic earnings per share	\$0.74	\$0.57	\$0.47	\$0.44
Diluted earnings per share	\$0.74	\$0.57	\$0.47	\$0.43

**Discussion and Analysis of Results of Operations for the Years Ended December 31, 2012 and December 31, 2011**

The following discussion and analysis of Independent's results of operations also compares the year ended December 31, 2012 with the year ended December 31, 2011.

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**Table of Contents****Net Income**

Independent's net income increased by \$3.7 million, or 26.8%, to \$17.4 million for the year ended December 31, 2012 from \$13.7 million for the year ended December 31, 2011. The increase resulted from a \$12.3 million increase in net interest income and a \$1.5 million increase in noninterest income, partially offset by a \$1.5 million increase in the provision for loan losses and a \$8.5 million increase in noninterest expense. Independent's net income for the year ended December 31, 2012 and, therefore, Independent's return on average assets and Independent's return on average equity, were adversely affected by \$1.4 million of acquisition-related expenses and a \$348 thousand loss on the sale of Independent's single engine aircraft in connection with the purchase of a twin engine, turbo prop aircraft.

**Net Interest Income**

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

Independent earned net interest income of \$58.6 million for the year ended December 31, 2012, an increase of \$12.3 million, or 26.5%, from \$46.3 million for the year ended December 31, 2011. The increase in net interest income was due to growth of Independent's average interest-earning assets and a reduction in Independent's cost of funds for fiscal 2012 as a result of an increase in noninterest-bearing deposits. Independent's net interest margin for fiscal 2012 decreased to 4.40% from 4.42% in fiscal 2011, and Independent's interest rate spread for fiscal 2012 decreased to 4.27% from the 4.28% interest rate spread for fiscal 2011. The average balance of interest-earning assets for fiscal 2012 increased by \$282.3 million, or 26.9%, to \$1.3 billion from an average balance of \$1.0 billion for fiscal 2011. The average aggregate balance of noninterest-bearing checking accounts increased to \$203.2 million for fiscal 2012 from \$148.7 million for fiscal 2011. The increases in interest-earning assets and noninterest-bearing deposits occurred as a result of the two acquisitions that Independent completed in 2012, while the balance of the increases came from organic loan and deposit growth. The decrease in net interest margin was offset by an increase in the ratio of average interest-earning assets to interest-bearing liabilities to 113.82% for the year ended December 31, 2012 from 110.61% for the prior year. Independent's net interest margin for the year ended December 31, 2012 was adversely affected by a 28 basis point decline in the weighted-average yield on interest-earning assets to 5.41% for the year ended December 31, 2012 from 5.69% for the year ended December 31, 2011. This decline in yield resulted from changes in market interest rates and the competitive landscape.

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**Average Balance Sheet Amounts, Interest Earned and Yield Analysis.** The following table presents average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2012 and 2011. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances.

	For the Year Ended December 31,					
	2012			2011		
	Average Outstanding Balance <sup>(1)</sup>	Interest	Yield/ Rate	Average Outstanding Balance <sup>(1)</sup>	Interest	Yield/ Rate
<i>(dollars in thousands)</i>						
<b>Interest-earning assets:</b>						
Loans <sup>(1)</sup>	\$1,179,007	\$69,494	5.89%	\$920,296	\$57,263	6.22%
Taxable securities	79,587	1,357	1.71	70,042	1,767	2.52
Nontaxable securities	25,397	825	3.25	14,314	522	3.65
Federal funds sold and other	45,955	214	0.47	43,039	87	0.20
Total interest-earning assets	1,329,946	71,890	5.41	1,047,691	59,639	5.69
Noninterest-bearing assets	157,668			133,002		
Total assets	\$1,487,614			\$1,180,693		
<b>Interest-bearing liabilities:</b>						
Checking accounts	\$579,495	\$4,529	0.78%	\$443,890	\$5,082	1.14%
Savings accounts	110,118	710	0.65	86,080	926	1.08
Limited access money market accounts	32,976	117	0.36	27,525	132	0.48
Certificates of deposit	285,564	2,995	1.05	285,808	3,772	1.32
Total deposits	1,008,153	8,351	0.83	843,303	9,912	1.18
FHLB advances	105,072	2,383	2.27	59,329	1,477	2.49
Notes payable and other borrowings	39,963	2,072	5.18	30,030	1,489	4.96
Junior subordinated debentures	15,260	531	3.48	14,538	480	3.30

Total interest-bearing liabilities	1,168,448	13,337	1.14	947,200	13,358	1.41
Noninterest-bearing checking accounts	203,248			148,700		
Noninterest-bearing liabilities	10,863			5,871		
Stockholders equity	105,055			78,922		
<b>Total liabilities and equity</b>	<b>\$1,487,614</b>			<b>\$1,180,693</b>		
Net interest income		\$58,553			\$46,281	
Interest rate spread			4.27%			4.28%
Net interest margin <sup>(2)</sup>			4.40			4.42
Average interest-earning assets to average interest-bearing liabilities			113.82			110.61

(1) Average loan balances include nonaccrual loans.

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



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

	<b>For the Year Ended December 31, 2012 vs. 2011</b>		
	<b>Increase (Decrease) Due to</b>		<b>Total Increase (Decrease)</b>
	<b>Volume</b>	<b>Rate</b>	
<i>(dollars in thousands)</i>			
<b>Interest-earning assets</b>			
Loans	\$15,383	\$(3,152)	\$12,231
Taxable securities	218	(628)	(410)
Nontaxable securities	365	(62)	303
Federal funds sold and other	6	121	127
<b>Total interest-earning assets</b>	<b>\$15,972</b>	<b>\$(3,721)</b>	<b>\$12,251</b>
<b>Interest-bearing liabilities</b>			
Checking accounts	\$1,311	\$(1,864)	\$(553)
Savings accounts	216	(432)	(216)
Limited access money market accounts	23	(38)	(15)
Certificates of deposit	(3)	(774)	(777)
<b>Total deposits</b>	<b>1,547</b>	<b>(3,108)</b>	<b>(1,561)</b>
FHLB advances	1,048	(142)	906
Notes payable and other borrowings	512	71	583
Junior subordinated debentures	24	27	51
<b>Total interest-bearing liabilities</b>	<b>3,131</b>	<b>(3,152)</b>	<b>(21)</b>
<b>Net interest income</b>	<b>\$12,841</b>	<b>\$(569)</b>	<b>\$12,272</b>

As a result of the current interest rate environment and competitive pressure in the market, yields on the loans Independent makes may decline in future periods. Independent intends to mitigate the effect of any such decreases on Independent's results of operations by growing Independent's loan portfolio and managing the liability side of Independent's balance sheet through the reduction of Independent's cost of funds.

**Interest Income.** Independent's total interest income increased \$12.3 million, or 20.5%, to \$71.9 million for the year ended December 31, 2012 from \$59.6 million for the year ended December 31, 2011. The following table sets forth

the major components of Independent's interest income for the years ended December 31, 2012 and 2011 and the year-over-year variations in such categories of interest income:

<i>(dollars in thousands)</i>	<b>For the Year Ended</b>		<b>Variance</b>
	<b>December 31,</b>	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012 v. 2011</b>
<b>Interest income</b>			
Interest and fees on loans	\$69,494	\$57,263	\$12,231
Interest on taxable securities	1,357	1,767	(410)
Interest on nontaxable securities	825	522	303
Interest on federal funds sold and other	214	87	127
Total interest income	\$71,890	\$59,639	\$12,251

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The 21.4% increase in Independent's interest and fees on loans for the year ended December 31, 2012 from the year ended December 31, 2011 was primarily attributable to a \$258.7 million increase in the average balance of Independent's loans to \$1.2 billion during fiscal 2012 as compared with the average balance of \$920.3 million for fiscal 2011. The increase resulted from Independent's acquisition of an aggregate of \$180.4 million of loans in the I Bank Holding Company transaction in April 2012 and CGI transaction in October 2012 and the organic growth of Independent's loan portfolio.

The interest Independent earned on taxable securities, which consists primarily of government agency securities, decreased 23.2% for the year ended December 31, 2012 due primarily to a lower portfolio yield, which decreased to 1.71% from 2.52% for the year ended December 31, 2011. The decline in yield occurred as Independent reinvested the proceeds of maturing securities at the lower interest rates that were available in a declining market interest rate environment.

The interest Independent earned on nontaxable securities during fiscal 2012 increased by 58.0% from fiscal 2011 primarily as a result of an increase in the average portfolio balance as Independent altered the allocation of capital invested in investment securities, increasing the percentage of Independent's portfolio held in obligations of Texas state and municipal governmental subdivisions in order to diversify Independent's investment security portfolio and enhance yield. These securities consist primarily of general obligation bonds issued by independent school districts located in Texas that are guaranteed by the Texas Permanent School Fund. Bonds guaranteed by that fund are currently rated AAA by Standard & Poors' Ratings Services. The average balance of nontaxable securities increased by \$11.1 million to \$25.4 million for the year ended December 31, 2012 from \$14.3 million for the year ended December 31, 2011.

**Interest Expense.** Total interest expense on Independent's interest-bearing liabilities decreased \$21,000, or 0.2%, to \$13.3 million for the year ended December 31, 2012 from \$13.4 million in the prior year. The following table sets forth the major components of Independent's interest expense for the year ended December 31, 2012 and the year ended December 31, 2011 and the year-over-year variations in such categories of interest expense:

<i>(dollars in thousands)</i>	<b>For the Year Ended</b>		
	<b>December 31,</b>		<b>Variance</b>
<b>Interest Expense</b>	<b>2012</b>	<b>2011</b>	<b>2012 v. 2011</b>