Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Michael G. O'Rourke
Name of the Holding Company Director and Official

President, CEO and Director
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

03/24/2021
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2020
Month / Day / Year

549300B31RDKPJPCE73
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Independent Bankers Financial Corporation
Legal Title of Holding Company

P.O. Box 560528
(Mailing Address of the Holding Company) Street / P.O. Box

Dallas	TX	75356-0528
City	State	Zip Code

11701 Luna Road, Farmers Branch, TX 75234
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Terri Blanton	Financial Reporting Director
Name	Title

972-444-3631
Area Code / Phone Number / Extension

972-969-1933
Area Code / FAX Number

tblanton@tib.bank
E-mail Address

www.tibbank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

Independent Bankers Financial Corporation
FRB Form FR Y-6
December 31, 2020

Report Item 1: Form 10K filed with Securities and Exchange Commission

Independent Bankers Financial Corporation is not registered with the Securities and Exchange Commission

The Consolidated Financial Statements for Years Ended December 31, 2020 and 2019 and the Independent Auditor's Report are attached

Report Item 2a: Organization Chart

The organization chart for Independent Bankers Financial Corporation and subsidiaries is attached

Report Item 2b: Domestic Branch Listing

A PDF format of the Domestic Branch Listing is attached

Report Item 3: Shareholders

1. N/A

2. N/A

Report Item 4: Directors and Officers

Information for each principal shareholder, director, trustee, partner, executive officer or person exercising similar functions of Independent Bankers Financial Corporation is attached

Independent Bankers Financial Corporation and Subsidiaries

Auditor's Report and Consolidated Financial Statements
December 31, 2020 and 2019

C O N T E N T S

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Independent Auditor's Report

Board of Directors
Independent Bankers Financial Corporation
and Subsidiaries
Farmers Branch, Texas

We have audited the accompanying consolidated financial statements of Independent Bankers Financial Corporation and Subsidiaries (Corporation) , which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. We also have audited the Corporation's internal control over financial reporting as of December 31, 2020, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report – FDICIA Requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Corporation’s internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Parent Company-Only Financial Statements for Small Holding Companies (Form FR Y-9SP). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Independent Bankers Financial Corporation and Subsidiaries as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the COSO.

BKD, LLP

Dallas, Texas
March 24, 2021

MANAGEMENT’S REPORT – FDICIA REQUIREMENTS

Statement of Management’s Responsibilities
The management of Independent Bankers Financial Corporation (Corporation) is responsible for preparing the Corporation’s annual financial statements in accordance with accounting principles generally accepted in the United States of America; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Parent Company Only Financial Statements for Small Holding Companies (Form FR Y-9SP); and for complying with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions.

Management’s Assessment of Compliance with Designated Laws and Regulations
Management has assessed the Corporation’s compliance with the federal laws and regulations pertaining to insider loans and the federal and state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2020. Based upon its assessment, management has concluded that the Corporation complied with the federal laws and regulations pertaining to insider loans and the federal and state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2020.

Management’s Assessment of Internal Control Over Financial Reporting
The Corporation’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, *i.e*., Form FR Y-9SP. The Corporation’s internal control over financial reporting includes those policies and procedures that *(a)* pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; *(b)* provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and *(c)* provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Corporation’s assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Corporation’s internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Call Report Instructions, as of December 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* (2013). Based upon its assessment, management has concluded that, as of December 31, 2020, the Corporation’s internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Call Report Instructions, is effective based on the criteria established in *Internal Control – Integrated Framework* (2013).

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Call Report Instructions, as of December 31, 2020, has been audited by BKD LLP, an independent public accounting firm, as stated in their report dated March 24, 2021.

Mr. Michael O'Rourke
President, Independent Bankers Financial Corporation
President and Chief Executive Officer, TIB The Independent BankersBank, National Association

Mr. Curtis Harvey
Vice President and Treasurer, Independent Bankers Financial Corporation
Executive Vice President and Chief Financial Officer, TIB The Independent BankersBank, National Association

Mrs. Terri Blanton
Senior Vice President and Director of Financial Reporting, TIB The Independent BankersBank, National Association

Mr. Kyle R. Garner
Senior Vice President and Director of Internal Audit, TIB The Independent BankersBank, National Association

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Balance Sheets
December 31, 2020 and 2019
(Dollar amounts in thousands, except per share amounts)

	2020	2019
Assets		
Cash and due from banks	$ 47,036	$ 39,016
Interest-bearing deposits in banks	2,020,607	987,623
Federal funds sold and securities purchased under agreements to resell	13,843	24,815
Cash and cash equivalents	2,081,486	1,051,454
Available-for-sale securities	263,276	337,521
Loans held for sale	15,464	9,516
Loans, net of allowance for loan losses of $30,600 and $14,091 at 2020 and 2019, respectively	1,265,001	1,195,320
Premises and equipment, net of accumulated depreciation of $13,823 and $12,220 at 2020 and 2019, respectively	22,759	23,508
Federal Reserve and Federal Home Loan Bank stock	3,581	3,501
Foreclosed assets held for sale	954	-
Interest receivable	6,626	8,333
Deferred income taxes	7,847	5,320
Mortgage servicing rights	736	1,795
Cash surrender value of life insurance	61,656	56,379
Goodwill	2,000	2,000
Core deposits and other intangibles	701	721
Other	26,558	18,260
Total Assets	$ 3,758,645	$ 2,713,628

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)
December 31, 2020 and 2019
(Dollar amounts in thousands, except per share amounts)

	2020	2019
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	$ 533,864	$ 402,756
Interest-bearing	2,705,266	1,890,403
Total deposits	3,239,130	2,293,159
Short-term borrowings	183,811	97,080
Derivatives	5,049	2,326
Interest payable and other liabilities	30,042	41,456
Total liabilities	3,458,032	2,434,021
Shareholders' Equity		
Common stock, $10 par value; 5,000,000 shares authorized, 1,118,822 and 1,118,827 shares issued and outstanding in 2020 and 2019, respectively	11,188	11,188
Additional paid-in capital	32,842	32,843
Retained earnings	248,955	231,597
Accumulated other comprehensive income (loss)	7,628	3,979
Total shareholders' equity	300,613	279,607
Total Liabilities and Shareholders' Equity	$ 3,758,645	$ 2,713,628

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Interest Income		
Loans, including fees, taxable	$ 42,482	$ 46,208
Loans, including fees, tax exempt	8,095	7,421
Securities, taxable	7,163	9,630
Securities, tax exempt	68	-
Federal funds sold and securities purchased under agreements to resell	323	1,837
Deposits with financial institutions	6,333	18,678
Other	159	205
Total interest income	64,623	83,979
Interest Expense		
Deposits	15,550	38,510
Short-term borrowings	346	1,534
Junior subordinated debentures and other borrowings	-	470
Total interest expense	15,896	40,514
Net Interest Income	48,727	43,465
Provision for Loan Losses	18,125	3,242
Net Interest Income After Provision for Loan Losses	30,602	40,223
Noninterest Income		
Credit card fees	37,863	42,845
Safekeeping fees	3,900	3,680
Customer security transaction fees	10,261	4,872
Audit and loan review fees	2,534	2,625
Gain on sale of loans	8,493	3,369
Other	12,352	9,572
Total noninterest income	75,403	66,963

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Income (Continued)
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Noninterest Expense		
Credit card	$ 15,652	$ 17,662
Salaries and employee benefits	40,233	39,254
Premises, furniture and equipment	4,258	4,368
Telephone	2,111	1,607
Software	4,474	4,333
Mortgage operations	1,309	1,124
Decrease in fair value of mortgage servicing rights	1,059	920
Professional fees	1,720	2,103
Other	8,486	10,559
Total noninterest expense	79,302	81,930
Income Before Income Taxes	26,703	25,256
Provision for Income Taxes	3,751	3,803
Net Income	$ 22,952	$ 21,453

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Net Income	$ 22,952	$ 21,453
Other Comprehensive Income (Loss)		
Change in fair value of interest rate swap contracts	(2,740)	(5,739)
Net tax effect	575	1,205
Change in fair value of interest rate swap contracts, net	(2,165)	(4,534)
Change in unrealized gains/(losses) on available-for-sale securities	7,360	13,876
Net tax effect	(1,546)	(2,914)
Unrealized gains/(losses) on available-for-sale securities, net	5,814	10,962
Total other comprehensive income (loss)	3,649	6,428
Comprehensive Income	$ 26,601	$ 27,881

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as of January 1, 2019	$ 11,188	$ 32,843	$ 215,738	$ (2,449)	$ 257,320
Net income	-	-	21,453	-	21,453
Other comprehensive income	-	-	-	6,428	6,428
Purchase and retirement of common stock (5 shares)	-	(1)	-	-	(1)
Issuance of common stock (4 shares)	-	1	-	-	1
Common stock dividends declared ($5.00 per share)	-	-	(5,594)	-	(5,594)
Balance as of December 31, 2019	11,188	32,843	231,597	3,979	279,607
Net income	-	-	22,952	-	22,952
Other comprehensive income	-	-	-	3,649	3,649
Purchase and retirement of common stock (10 shares)	-	(2)	-	-	(2)
Issuance of common stock (5 shares)	-	1	-	-	1
Common stock dividends ($5.00 per share)	-	-	(5,594)	-	(5,594)
Balance as of December 31, 2020	$ 11,188	$ 32,842	$ 248,955	$ 7,628	$ 300,613

The Notes to Consolidated Financial Statements are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Operating Activities		
Net income	$ 22,952	$ 21,453
Items not requiring (providing) cash:		
Depreciation and amortization	4,970	5,431
Provision for loan losses	18,125	3,242
Deferred income taxes	(3,498)	(919)
Deferred compensation and stock-based compensation expense	2,388	3,793
Change in fair value of mortgage servicing rights	1,059	920
Net gains on sale of loans	(8,493)	(3,369)
Net realized losses on available-for-sale securities	1	8
Loss on write-downs of other real estate owned	400	-
Net realized other gains	(36)	(37)
Originations and purchases of loans held for sale	(333,046)	(232,018)
Proceeds from sale of loans held for sale	335,591	228,636
Change in:		
Interest receivable	1,708	179
Other assets	(1,348)	(43)
Interest payable and other liabilities	(13,820)	11,223
Net cash provided by operating activities	26,953	38,499
Investing Activities		
Purchases of available-for-sale securities	(1,003,300)	(999,650)
Proceeds from maturities, calls and pay downs of available-for-sale securities	82,516	64,375
Proceeds from the sale of available-for-sale securities	999,985	999,690
Purchase of Federal Home Loan Bank stock	(85)	(35,067)
Proceeds from Federal Home Loan Bank stock	5	46,528
Net change in loans	(89,159)	(150,014)
Proceeds of redemption of junior subordinated debentures	-	313
Purchase of cash surrender value of life insurance	(4,000)	-
Purchase of other other investments	(8,502)	-
Proceeds from the sale of fixed assets	36	37
Purchase of premises and equipment	(1,524)	(1,005)
Net cash used in investing activities	(24,028)	(74,793)

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Financing Activities		
Net change in deposits	$ 945,971	$ 431,813
Net change in federal funds purchased and securities sold under agreements to repurchase	86,731	18,829
Repayments on Federal Home Loan Bank advances	-	(860,000)
Proceeds from Federal Home Loan Bank advances	-	580,000
Repurchase of junior subordinated debentures	-	(10,313)
Purchase and retirement of common stock	(2)	(1)
Proceeds from issuance of common stock	1	1
Dividends paid	(5,594)	(5,594)
Net cash provided by financing activities	1,027,107	154,735
Increase in Cash and Cash Equivalents	1,030,032	118,441
Cash and Cash Equivalents, Beginning of Year	1,051,454	933,013
Cash and Cash Equivalents, End of Year	$ 2,081,486	$ 1,051,454
Supplemental Cash Flows Information		
Interest paid	$ 16,081	$ 40,772
Income taxes paid	7,424	5,530

The Notes to Consolidated Financial Statements
are an integral part of these statements.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollar amounts in thousands)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Independent Bankers Financial Corporation and Subsidiaries (the Corporation) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, TIB The Independent BankersBank, National Association (the Bank). The Bank is defined by statute as a "bankers' bank." The Bank provides services to financial institutions in the United States, many of which are shareholders of the Corporation. The bank competes with other financial institutions and bank-service organizations. The statute requires shareholders to be depository institutions or holding companies for depository institutions. The Federal Reserve System and Office of the Comptroller of the Currency federally regulate the Corporation and Bank, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of Independent Bankers Financial Corporation (IBFC), the Bank and two nonbanking subsidiaries: ALX Consulting, Inc. (ALX) and TIB Service Company dba TIB Bequeaith Banking Solutions. The Corporation eliminated all significant intercompany accounts and transactions in consolidation.

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Estimates susceptible to significant change include the allowance for loan losses, valuation of real estate acquired in foreclosures, mortgage servicing rights, deferred tax assets, other-than-temporary impairments and fair values of financial instruments.

Cash and Cash Equivalents

Cash equivalents consist primarily of cash items, amounts due from banks, interest-bearing deposits, federal funds sold and securities purchased under agreements to resell all with original maturities within three months. Counterparties comply with credit risk parameters established by management.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollar amounts in thousands)

At December 31, 2020, the Corporation had bank accounts exceeding FDIC insured limits by approximately $310,036.

Overnight federal funds sold are uncollateralized loans to other financial institutions.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within 90 days and are carried at cost.

Securities

Management determines the classification of securities as available-for-sale, held-to-maturity, or trading when purchased based on the intent and objective of the investment and the ability to hold to maturity. Fair values of securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities. The Corporation had only available-for-sale securities at the report date.

Securities available-for-sale are reported at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity and other comprehensive income (loss), net of taxes. These securities can be sold in response to interest rate changes, changes in prepayment risk, and other similar reasons. Securities are designated as available-for-sale for earnings and liquidity purposes.

Interest on investment securities is recorded as income from securities as earned. Purchased premiums and discounts are amortized and accreted, respectively, to interest income from securities using a prospective method. Realized gains and losses are recorded as net security gain (losses). Gains and losses on the sale of securities are determined using the specific identification method.

For debt securities with fair values below amortized cost when the Corporation does not intend to sell a debt security, and it is more likely than not the Corporation will not have to sell the security before recovery of its cost basis, the credit component of an other-than-temporary impairment of a debt security is recognized in earnings and the remaining portion in other comprehensive income (loss).

Loans Held for Sale

Mortgage loans are purchased from respondent banks and resold in the secondary market in the normal course of the Corporation's business. The loans are classified as held-for-sale and carried at the lower of cost or fair value in the aggregate. Write-downs to fair value are recognized through a valuation allowance as a charge to noninterest expense at the time the decline in value occurs. Gains and losses arising from individual loan buying and selling activity are determined using the specific identification method and are recorded in noninterest income.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollar amounts in thousands)

Loans

Loans the Corporation has the intent and ability to hold for the foreseeable future, or until maturity, or payoff are reported at their outstanding principal balances adjusted for charge-offs and the allowance for loan losses.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Interest accrual is discontinued when the loan is 90 days past due unless the credit is well-secured and in process of collection. When collection of principal or interest is doubtful, loans are put on nonaccrual or charged-off.

Interest accrued but not collected for these loans is reversed against interest income. The interest is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Accrual status is restored when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Provisions to the allowance for loan losses are based on management’s analysis and evaluation of the loan portfolio. Management considers identification of problem credits, internal and external factors affecting collectability, relevant credit exposure, inherent risks in sector lending and collateral values. In management’s estimation, the allowance is adequate to absorb probable credit losses on existing loans that may become uncollectible and probable credit losses inherent in the remainder of the loan portfolio. This estimate is highly subjective and subjected to several internal and external reviews.

The allowance consists of allocated and general components. The allocated component relates to loans classified as impaired. For those loans classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given the default rate derived from the Corporation's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality not fully reflected in the historical loss or risk rating data. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgement, should be charged off.

A loan is impaired when, principal or interest probably cannot be collected according to the contractual terms of the loan agreement or through its collateral. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

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Loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Loan losses are charged against the allowance when management believes a loan balance is partially or wholly uncollectable. Subsequent recoveries are credited to the allowance.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the respective lease term or the estimated useful lives of the improvements, whichever is shorter. Expected terms include lease option periods if exercising such options is reasonably assured.

The estimated useful lives for each major depreciable classification of premises and equipment are:

Buildings	- 30 years
Building improvements	10 - 20 years
Leasehold improvements	5 10 years
Furniture and equipment	3 10 years

The Corporation leases certain office facilities and office equipment under operating leases. In 2019, the Corporation adopted certain accounting standard updates related to accounting for leases. The standard requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The Corporation elected the package of practical expedients which includes an exemption from recording leases with a term of less than 12 months. The Corporation has adopted a capitalization threshold when evaluating the requirement to recognize leases on the balance sheet as permitted under the standard. As of December 31, 2020 and 2019, the present value of operating leases was below the Corporation's established capitalization threshold. Management reviews the threshold and the present value of operating leases annually to determine materiality and until such time the aggregate of all leases exceeds the Corporation's capitalization threshold, leases are expensed as incurred.

Long-lived Asset Impairment

Management evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

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No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Federal Reserve Bank of Dallas and Federal Home Loan Bank of Dallas Stock

Federal Reserve Bank of Dallas and Federal Home Loan Bank of Dallas (FHLB) stock are required investments for membership. The required investment in the common stock is based on a predetermined formula. The stock is carried at cost and periodically evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. After foreclosure, the Corporation periodically receives valuations on the assets and makes any adjustments to carry at the lower of carrying amount or fair value, less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Equity Investments

The Corporation measures equity investments, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in net income. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Gains and losses on the sale of equity investments are recorded on the trade date and are determined using the specific identification method.

For equity investments measured under the practicability exception, the Corporation performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Corporation will recognize a loss based on the difference between carrying value and fair value.

The Corporation uses the equity method of accounting for investments in entities in which it has an ownership interest and does not exercise a controlling interest in the operating and financial policies of an investee and for VIEs for which it is not considered the primary beneficiary. Under this method, an investment is carried at the acquisition cost, plus the Corporation's equity in undistributed earnings or losses since acquisition. Losses due to impairment are recorded when it is determined that the investment no longer has the ability to recover its carrying amount.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. When the implied fair value of goodwill is less than the carrying amount, goodwill

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impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recorded. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment.

Intangible Assets

Intangible assets with finite lives are amortized using the straight-line basis over periods ranging from three to ten years. Such assets are periodically evaluated for recoverability of their carrying values.

Revenue Recognition

The Company's credit card business generates significant fees from its activities. The business is organized into two segments: Merchant Acquirer and Issuer. The Merchant Acquirer unit provides card network access, payment processing, and related services to merchants. The Issuer unit serves financial institutions, and their referrals, with an assortment of credit card products and services commonly used in the marketplace.

Under ASC 606 Revenue from Contracts with Customers, the Company reports net revenues when appropriate. Net revenue is gross revenue less network processing fees, association fees, and others charged by the agent networks in fulfilling their electronic payment processing responsibilities. Other revenues and expenses are incurred as principal and those transactions are recorded gross. The adoption of ASC 606 did not impact the Company's net income but materially impacts the Company's noninterest interest income line item.

	December 31, 2020	December 31, 2019
Merchant and Issuer Units		
Gross revenues	$ 64,978	$ 74,901
Network and other expenses	(27,115)	(32,056)
Net revenues	$ 37,863	$ 42,845

Derivatives

The Corporation's hedging policies permit the use of various derivative financial instruments to manage interest rate risk or to hedge specified assets and liabilities. Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation. To qualify for hedge accounting,

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derivatives must be highly effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the derivative contract. A hedge is considered to be highly effective when the change in fair value of the derivative hedging instrument is within 80 percent to 120 percent of the opposite change in the fair value of the hedged item. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedges and the hedged items are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income (loss). During the life of the hedge, the Corporation formally assesses whether derivatives designated as hedging instruments continue to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, the Corporation will discontinue hedge accounting prospectively and the derivative instrument is reclassified to a trading position recorded at fair value.

Mortgage Servicing Assets

Mortgage servicing assets are recognized separately when rights are acquired through the purchase or sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale of loans purchased by the Corporation are initially measured at fair value at the date of transfer. Subsequently, the Corporation measures each class of servicing asset using the fair value method. Under the fair value method, the servicing rights are carried in the consolidated balance sheets at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may adversely impact the value of the mortgage servicing rights and may cause an increase in noninterest expense.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Transactions as Agent

The Corporation acts as an agent in facilitating overnight investment transactions between participating respondent banks and the Federal Reserve System. Transactions with the Federal Reserve System are facilitated via the Excess Balance Account (EBA) pursuant to Regulation D for correspondent banks and similarly purposed institutions. The Corporation acts as intermediary for these transactions but is not otherwise obligated by the transaction. The Corporation's consolidated financial statements do not reflect these transactions except for the

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fees earned. At December 31, 2020 and 2019, the Corporation was agent for participating respondent banks on EBA funds totaling $5,327,111 and $2,880,827, respectively.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Corporation and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; and (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

Income taxes are accounted for in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period.

The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of over 50 percent; the terms examined and upon examination, also include resolution of the related appeals or litigation processes, if any. A tax position meeting the more-likely-than-not recognition threshold is initially and subsequently measured as the largest tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority with full knowledge of all relevant information. Determining whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. With a few exceptions, the Corporation is no longer subject to U.S. Federal, state and local tax examinations by tax authorities for years before 2018.

The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

The Corporation files consolidated income tax returns with its subsidiaries.

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Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities and unrealized and realized gains and losses in derivative financial instruments that qualify for hedge accounting.

Accounting Standards Updates

ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 eliminates Step 2 from the goodwill impairment test that required entities to compare the implied fair value of goodwill to its carrying amount. Under the amendments, the goodwill impairment will be measured as the excess of the reporting unit's carrying amount over its fair value. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total goodwill allocated to that reporting unit. The Corporation adopted the guidance on January 1, 2020 and its adoption did not have a material effect on our results of operations, financial position or disclosures.

ASU 2018-13, "Fair Value Measurement (Topic 820) - Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in this update remove disclosures that no longer are cost beneficial, modify/clarify the specific requirements of certain disclosures, and add disclosure requirements identified as relevant. The Corporation adopted the guidance on January 1, 2020 and its adoption did not have a material effect on our financial statements.

ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 clarifies certain aspects of ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which was issued in April 2015. Specifically, ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 does not affect the accounting for the service element of a hosting arrangement that is a service contract. The Corporation adopted the guidance on January 1, 2020 and its adoption did not have a material effect on our financial statements.

ASU 2020-01, "Investments – Equity Securities (Topic 321), Investments Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)": ASU 2020-01 clarifies the Interactions between Topic 321, Topic 323, and Topic 815. This ASU clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The amendments in this ASU are effective

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for annual periods, and interim periods within those annual periods, beginning after December 15, 2020 and early adoption is permitted. The adoption of this guidance is not expected to have a material effect on our financial statements.

ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-04 was effective upon issuance and generally can be applied through December 31, 2022. The adoption of the guidance is not expected to have a material effect on our results of operations or financial position.

ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)": Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires earlier measurement of credit losses, expands the range of information considered in determining expected credit losses and enhances disclosures. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments replace the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2019-10 extended the effective date for ASU 2016-13 for non-SEC filers and small reporting companies. ASU 2016-13 will be effective for the Corporation on January 1, 2023. The Corporation has formed a cross functional implementation team that has initiated data gathering and begun assessment to support forecasting of asset quality, loan balances and net charge-offs. The Corporation expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but has not yet determined the extent of any such one-time adjustment or the overall impact on its results of operations, financial position or disclosures.

NOTE 2. RESTRICTION ON CASH AND DUE FROM BANKS

In response to COVID-19, the Federal Reserve Bank reduced the reserve requirements to zero on March 15, 2020, thus there were no reserves on deposits with the Federal Reserve Bank at December 31, 2020. Required reserves totaled $132,979 at December 31, 2019. The balances at December 31, 2019, included $95,424 in respondent's reserve requirements.

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NOTE 3. SECURITIES

The amortized cost and approximate fair values, with gross unrealized gains and losses, of available-for-sale securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Mortgage-backed U.S Government sponsored enterprises (GSEs) - residential	$ 245,300	$ 14,397	$ -	$ 259,697
Municipal securities	3,270	309	-	3,579
	$ 248,570	$ 14,706	$ -	$ 263,276
December 31, 2019				
Mortgage-backed U.S. Government sponsored enterprises - residential	$ 330,175	$ 7,346	$ -	$ 337,521

Mortgage-backed securities owned by the Corporation are backed by pools of residential mortgages insured or guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC), the Government National Mortgage Corporation (GNMA) or the Federal National Mortgage Corporation (FNMA). Mortgage-backed securities are not due at a single due date.

The contractual maturity of the one municipal security owned by the Corporation at December 31, 2020 was in 2030. Expected maturities may differ from contractual maturities because issuers may have the right to call or repay obligations.

At December 31, 2020, there were no holdings of securities of any one issuer, other than the U.S. Government and its government sponsored entities, in an amount greater than 10 percent of shareholders' equity.

Securities with estimated fair values of $224,237 and $318,457 at December 31, 2020 and 2019, respectively, were pledged to secure securities sold under agreements to repurchase or lines of credit as permitted by law.

Gross losses of $1 and $8 resulting from sales of available-for-sale securities were realized for 2020 and 2019, respectively.

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There were no available-for-sale securities in a continuous unrealized loss position at December 31, 2020 or 2019.

NOTE 4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Management enters into purchases of securities under agreements to resell substantially identical securities in the normal course of business.

The amounts advanced under these agreements are recorded as assets in the consolidated balance sheets. The securities used in the transaction are taken into possession in book entry form under a custodial agreement. These agreements specify management's right to request additional collateral, based on its monitoring of the fair value of the underlying securities. There were no resell agreements outstanding at December 31, 2020 or December 31, 2019. The maximum and minimum amounts of outstanding resell agreements during 2020 were $245,000 and $0, respectively. The interest rate on these agreements is based on the federal funds rate and ranged from 0.05% to 2.25% in 2020.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Classes of loans at December 31, 2020 and 2019 include:

	2020	2019
Correspondent loans		
Bank stock	$ 185,429	$ 179,743
Real estate	295,002	305,169
Mortgage warehouse	263,530	217,437
Commercial and industrial	27,168	40,486
Consumer	1,357	1,070
Other	6,508	1,773
	778,994	745,678
Municipal	369,323	290,036
Credit card	141,058	166,470
Mortgage	6,226	7,227
Gross loans	1,295,601	1,209,411
Less allowance for loan losses	(30,600)	(14,091)
Net loans	$ 1,265,001	$ 1,195,320

The potential for substantial losses continues as a result of the world-wide COVID-19 pandemic and its impact on the U.S. workforce and economy. Given the unpredictable nature of the pandemic, it is difficult to forecast the degree and timing of a return to normalcy. The losses in various asset classes will largely depend on the timing and strength of the economic recovery.

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However, offsetting a certain degree of risk is the geographic diversity of the loan portfolio and each state's approach to reestablishing its path to economic normalcy. Any losses in the Corporation's various asset classes cannot be predicted at this time as events continue to unfold relative to this unprecedented world-wide event. Another potential risk factor is the government's continuation of support programs which are likely masking underlying problems. Therefore, until information indicates a strong and stable recovery is underway, management believes it is prudent to maintain a COVID-19 reserve for unknown risk through an unallocated reserve. Management chose a COVID-19 reserve methodology based on the loan loss history from the 2009 recession. The methodology includes analyzing the peak loss rate periods for the largest asset class and averaging those periods to obtain a loss rate. Additionally, management believes any losses due to the pandemic will not be as severe as the 2009 recession so an 80 percent loss factor was assumed after the application of the average loss rate.

The tables below present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2020 and 2019.

	2020							
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Unallocated	Total
Allowance for loan losses								
Balance, beginning of year	$ 4,065	$ 6,646	$ 817	$ 276	$ 84	$ 2,203	$ -	$ 14,091
Provision charged to expense	(955)	(610)	(147)	65	(18)	2,354	17,436	18,125
Losses charged off	-	(240)	-	-	-	(2,340)	-	(2,580)
Recoveries	-	539	-	-	-	425	-	964
Balance, end of year	$ 3,110	$ 6,335	$ 670	$ 341	$ 66	$ 2,642	$ 17,436	$ 30,600
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 3,110	$ 6,335	$ 670	$ 341	$ 66	$ 2,642	$ 17,436	$ 30,600
Loans								
Ending balance	$ 185,429	$ 295,002	$ 298,563	$ 369,323	$ 6,226	$ 141,058	$ -	$ 1,295,601
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 153	$ -	$ -	$ 153
Ending balance collectively evaluated for impairment	$ 185,429	$ 295,002	$ 298,563	$ 369,323	$ 6,073	$ 141,058	$ -	$ 1,295,448

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	2019						
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Total
Allowance for loan losses							
Balance, beginning of year	$ 3,932	$ 6,070	$ 762	$ 248	$ 88	$ 1,991	$ 13,091
Provision charged to expense	133	576	55	28	(4)	2,454	3,242
Losses charged off	-	-	-	-	-	(2,545)	(2,545)
Recoveries	-	-	-	-	-	303	303
Balance, end of year	$ 4,065	$ 6,646	$ 817	$ 276	$ 84	$ 2,203	$ 14,091
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 4,065	$ 6,646	$ 817	$ 276	$ 84	$ 2,203	$ 14,091
Loans							
Ending balance	$ 179,743	$ 305,169	$ 260,766	$ 290,036	$ 7,227	$ 166,470	$ 1,209,411
Ending balance individually evaluated for impairment	$ -	$ 1,594	$ -	$ -	$ 161	$ -	$ 1,755
Ending balance collectively evaluated for impairment	$ 179,743	$ 303,575	$ 260,766	$ 290,036	$ 7,066	$ 166,470	$ 1,207,656

Internal Risk Categories

Loan grades are numbered 1 through 9. Grades 1 through 5 are satisfactory grades. The grade of 6, or Special Mention, represents loans of lower quality and is criticized. The grades of 7, or Substandard, and 8, or Doubtful, refer to classified assets. The grade of 9, or Loss, refers to loans considered uncollectible. The use and application of these grades by the Bank will be uniform and shall conform to the Bank's policy.

- **Grade 1** – A SUPERIOR graded asset is secured by highly liquid collateral. If a loan is secured by marketable securities, it should be adequately margined. This loan grade includes Municipal Loans with the guaranty of the Permanent School Fund. A Superior asset should have no documentation deficiencies and minimal servicing issues.

- **Grade 2** – A STRONG graded asset is a secured loan with some form of credit enhancement, other than liquid collateral, adequately margined. This grade will typically apply to loans made to municipalities backed by the local taxing authority where law requires taxes to be sufficient to cover the debt obligation (i.e. General Obligations or

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Certificates of Obligations). Loans could be secured by marketable securities, but have margins lower than those in the Superior category. Loans or revolving lines of credit made to finance mortgage warehouse banking activities secured by mortgage notes, further secured by deeds of trusts, having liquid collateral able to be sold in the secondary market may also be a Strong asset. A Strong asset should have no documentation deficiencies and minimal servicing issues.

- **Grade 3** – A GOOD graded asset is based on an individual's or a company's financial capacity and/or secured by collateral where there is no impairment to liquidation. A Good asset may have some vulnerability to changing economic or industry conditions but is a satisfactory risk. Loans to municipalities backed by project revenues could be in this loan grade. Leveraged loans may also fall into this category.

- **Grade 4** – A SATISFACTORY graded asset is based on an individual's or a company's financial capacity and/or secured by collateral where there is no impairment to liquidation. A Satisfactory asset may have some deficiency or vulnerability above the norm, based on adverse economic trends and/or industry conditions but is an acceptable risk with the vulnerability noted. Borrowers typically have acceptable, but minimum debt service coverage ratios.

- **Grade 5 –** A PASS/NEEDS ATTENTION graded asset is used to identify loans which may have one or more of these characteristics: collateral documentation deficiencies, marginal collateral support, weak or unsupported collateral valuations, lack current or complete financial data and/or analysis, need additional monitoring, recent changes in management or operations, terms beyond policy guidelines, variations in balance sheet or cash flow/operating components or trends from prior periods or forecasts, past credit problems, high leverage, or untested performance under repayment terms, among others. This loan grade may include loan participations with a financially weak selling bank or a selling bank lacking the knowledge or expertise to lead the credit.

- **Grade 6** – A SPECIAL MENTION graded asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may cause deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

- **Grade 7** – A SUBSTANDARD graded asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses jeopardizing the liquidation of the debt. They are characterized by the possibility that some loss will occur, if the deficiencies are not corrected.

- **Grade 8** – A DOUBTFUL graded asset has all the weaknesses inherent in a substandard loan with the added factor that the weaknesses are pronounced to a point where on the

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basis of current information, and values, collection or liquidation in full is highly improbable. The length of time an asset may be classified Doubtful is a matter of judgment.

- **Grade 9** – Assets classified LOSS are uncollectible and of such little value their continuance as active assets is not warranted. This classification does not necessarily indicate the asset has absolutely no recovery or salvage value, but rather its recovery may be prolonged or not expected. Assets classified Loss are promptly charged off.

Loan Origination Risk Management

Lending policies are designed to maximize loan income within an acceptable level of risk. A reporting system supplements the review process by providing management with frequent reports on credit production, credit quality, credit concentrations, credit delinquencies, and nonperforming and potential problem credits. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Loans are generally in four primary categories: correspondent, credit cards, mortgage origination and municipal.

Correspondent. Correspondent lending includes bank stock, real estate, commercial and industrial, mortgage warehouse lines, and other credit types. Correspondent loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral. Underwriting procedures are designed to evaluate past, current and projected cash flows to determine the ability of the borrower to repay obligations as agreed and assess the borrower’s ethics and business acumen. Most correspondent loans are secured by the assets being financed or other business assets. However, some short-term loans may be unsecured.

Bank stock loans are generally made to bank holding companies, control groups or individuals. Loans to holding companies and control groups are generally for the bank capitalization, bank/branch purchases or liquidity. These loans are generally secured by a majority of the outstanding stock of the bank unless, underwriting determines the borrower warrants unsecured debt. Loans are also made to individuals secured by minority interest bank stock. There is value in this underlying collateral, but emphasis is given to the overall creditworthiness of the borrower. Specific minimum guidelines are considered for both secured and unsecured obligations.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate depends largely on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Corporation's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity can help reduce the Corporation's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. Within the category of commercial real estate, the volume of

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construction and development loans is insignificant. As a general rule, the Corporation avoids financing single-purpose projects unless other underwriting factors are present to help mitigate risk. The level of commercial real estate is monitored consistent with regulatory guidelines with levels substantially below those guidelines. Changes in real property values may affect the collectability of these loans, and the condition of the collateral if foreclosed.

Mortgage warehouse borrowers generally have higher leverage and lower liquidity in relation to monthly operating expenses. Management underwrites these loans on the borrower's financial capacity to service debt requirements, quality of the collateral portfolio, and short-term nature of the participation interest in each of the residential mortgage loans secured by one-to-four family residences before they are sold into the secondary market. Fraud risk is mitigated by a fraud insurance policy. Management collaborates with experienced servicers in the mortgage warehouse lending industry to purchase participation interests in mortgages.

Credit Cards. The credit card portfolio comprises unsecured consumer and business receivables which are referrals from respondent banks. Management has marketing agreements with respondent banks to offer the Corporation's card products for a fee. The employment status of borrowers is a key risk factor affecting the collectability of these consumer receivables.

Mortgage Origination. The majority of the residential one-to-four family real estate mortgage loans are underwritten utilizing agency guidelines and booked to sell into the secondary market. Risks on these loans are limited to early payment default and breaches of representations and warranties. A few loans are held to maturity and are accommodations for Bank officers and directors. Repayment of these loans depends primarily on the personal income and credit rating of the borrowers. Economic conditions within certain market areas could affect property values or personal income.

Municipal Loans. Loans are made to tax-exempt municipal entities. These entities will primarily be governmental entities such as cities, counties, school districts and economic development authorities, but may also include hospital districts, utility districts, universities, colleges and private schools. These loans are General Obligations, Revenue Bonds, or Permanent School Fund (PSF) guaranteed loans. The taxing authority of the municipalities primarily protects these loans, although declines in property values or usage affect collectability.

Loan Review

TIB Bequeaith Banking Solutions, a consulting company wholly owned by the Corporation, periodically assesses credit quality and the risk identification program established by management. Results are presented to management and the board of directors.

Concentrations of Credit

The Corporation lends nationwide and evaluates each credit on whether or not it meets the terms of the lending policy regardless of location.

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The following tables present the credit risk profile of the loan portfolio using the Corporation's internal rating system as of December 31, 2020 and 2019.

	2020						
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Total
Grade:							
Pass (1-6)	$ 185,008	$ 265,154	$ 295,943	$ 369,323	$ 5,665	$ 140,883	$ 1,261,976
Special Mention	421	22,011	-	-	-	-	22,432
Substandard	-	7,837	2,620	-	561	170	11,188
Doubtful	-	-	-	-	-	5	5
Loss	-	-	-	-	-	-	-
Total	$ 185,429	$ 295,002	$ 298,563	$ 369,323	$ 6,226	$ 141,058	$ 1,295,601

	2019						
	Bank Stock	Real Estate	Other Correspondent	Municipal	Mortgage	Credit Card	Total
Grade:							
Pass (1-6)	$ 178,787	$ 297,834	$ 260,766	$ 290,036	$ 6,279	$ 166,130	$ 1,199,832
Special Mention	956	451	-	-	-	-	1,407
Substandard	-	6,884	-	-	948	340	8,172
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 179,743	$ 305,169	$ 260,766	$ 290,036	$ 7,227	$ 166,470	$ 1,209,411

The Corporation evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made either during 2020 and 2019, with the exception of the COVID-19 unallocated reserve discussed earlier.

The following tables present the Corporation's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2020 and 2019:

	2020						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days and Accruing
Correspondent loans:							
Bank stock	$ -	$ -	$ -	$ -	$ 185,429	$ 185,429	$ -
Real estate	-	-	-	-	295,002	295,002	-
Mortgage warehouse	-	-	-	-	263,530	263,530	-
Commercial and industrial	-	-	-	-	27,168	27,168	-
Consumer	-	-	-	-	1,357	1,357	-
Other	-	-	-	-	6,508	6,508	-
Municipal	-	-	-	-	369,323	369,323	-
Credit card	419	143	31	593	140,465	141,058	31
Mortgage	126	-	-	126	6,100	6,226	-
Total	$ 545	$ 143	$ 31	$ 719	$ 1,294,882	$ 1,295,601	$ 31

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	2019						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days and Accruing
Correspondent loans:							
Bank stock	$ 544	$ -	$ -	$ 544	$ 179,199	$ 179,743	$ -
Real estate	1,173	1,204	-	2,377	302,792	305,169	-
Mortgage warehouse	-	-	-	-	217,437	217,437	-
Commercial and industrial	-	-	-	-	40,486	40,486	-
Consumer	-	-	-	-	1,070	1,070	-
Other	-	-	-	-	1,773	1,773	-
Municipal	-	-	-	-	290,036	290,036	-
Credit card	495	294	46	835	165,635	166,470	46
Mortgage	119	134	414	667	6,560	7,227	414
Total	$ 2,331	$ 1,632	$ 460	$ 4,423	$ 1,204,988	$ 1,209,411	$ 460

A loan is impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, the Corporation will probably be unable to collect all amounts due from the borrower under the contractual terms of the loan. Impaired loans include nonperforming correspondent and mortgage loans, but also include loans modified in troubled debt restructurings (TDRs).

The following tables present impaired loans for the years ended December 31, 2020 and 2019:

	2020				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Real estate	$ -	$ -	$ -	$ 398	$ -
Mortgage	153	193	-	458	2
Total loans without a specific valuation allowance	153	193	-	856	2
Loans with a specific valuation allowance:	-	-	-	-	-
Total impaired loans	$ 153	$ 193	$ -	$ 856	$ 2

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	2019				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Real estate	$ 1,594	$ 1,594	$ -	$ 1,601	$ -
Mortgage	161	161	-	173	3
Total loans without a specific valuation allowance	1,755	1,755	-	1,774	3
Loans with a specific valuation allowance:	-	-	-	-	-
Total impaired loans	$ 1,755	$ 1,755	$ -	$ 1,774	$ 3

The following table presents the Corporation's nonaccrual loans at December 31, 2020 and 2019. This table excludes performing troubled debt restructurings.

	2020	2019
Real estate	$ -	$ 1,594
Mortgage	101	106
Total	$ 101	$ 1,700

At December 31, 2020 and 2019, the Corporation had loans modified in TDRs and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

There were no new TDR’s for the years ended December 31, 2020 or 2019.

There was one real estate loan considered a TDR for which default occurred in 2020. The Corporation charged off $240 related to this loan. There were no TDRs that defaulted during the year ended December 31, 2019.

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations and cash flows of the Corporation as well as the Corporation’s customers. In response to economic concerns over COVID-19, in March 2020 the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) was passed into law by Congress. The CARES Act included relief for individual Americans, health care workers, small businesses and certain industries hit hard by the COVID-19 pandemic. The *2021 Consolidated Appropriations Act*,

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passed by Congress in December 2020, extended certain provisions of the CARES Act affecting the Corporation into 2021.

The CARES Act included several provisions designed to help financial institutions like the Corporation in working with their customers. Section 4013 of the CARES Act, as extended, allows a financial institution to elect to suspend generally accepted accounting principles and regulatory determinations with respect to qualifying loan modifications related to COVID-19 that would otherwise be categorized as a troubled debt restructuring (TDR) until January 1, 2022. The Corporation has taken advantage of this provision to extend certain payment modifications to loan customers in need. As of December 31, 2020, the Corporation has $11,481 of outstanding loans that were modified during 2020 under the CARES Act guidance, that remain on modified terms. The Corporation modified other loans during 2020 under the guidance that have since returned to normal repayment status as of December 31, 2020.

NOTE 6. FORECLOSED ASSETS HELD FOR SALE

Activity applicable to foreclosed assets during 2020 and 2019 includes the following:

	2020	2019
Net gain (loss) on foreclosed assets held for sale	$ (400)	$ -
Net operating expense	(135)	-
	$ (535)	$ -

NOTE 7. PREMISES AND EQUIPMENT

Major classifications of premises and equipment, stated at cost, are as follows:

	2020	2019
Land	$ 2,480	$ 2,480
Buildings and improvements	24,986	24,461
Furniture and equipment	8,821	8,492
Leasehold improvements	295	295
	36,582	35,728
Less accumulated depreciation	13,823	12,220
Net premises and equipment	$ 22,759	$ 23,508

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NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation uses various derivative financial instruments to manage its interest rate and market risks. These instruments have varying degrees of credit, interest rate and market or liquidity risks. Derivative instruments are recognized as either assets or liabilities in the Corporation's accompanying consolidated financial statements and are measured at fair value.

Cash Flow Hedge

Interest rate swap contracts are used to mitigate interest rate risk in a rising rate environment. The "plain vanilla" interest rate swap contracts offset some variable funding cost during rising interest rate environments to stabilize the margin. The interest rate swap contracts are designated as highly effective cash flow hedges due to high correlation with their hedged item. No new swap contracts were executed in 2020 or 2019. In December 2020, the Corporation took an optional early termination on one swap contract with a maturity date of December 29, 2021.

The swap contracts at December 31, 2020 and 2019, are summarized as follows:

Effective Date	Termination Date	Fixed Rate	Variable Rate	Notional Amount	Fair Value 2020	Fair Value 2019
December 29, 2014	December 29, 2022	2.310%	1 Month Libor Daily Rate	50,000	(1,107)	(734)
December 29, 2014	December 29, 2022	2.310%	1 Month Libor Daily Rate	50,000	(1,107)	(734)
December 30, 2015	December 29, 2023	2.050%	1 Month Libor Daily Rate	50,000	(1,937)	(648)
December 30, 2015	December 29, 2023	1.913%	1 Month Libor Daily Rate	25,000	(898)	(210)
December 30, 2015	December 29, 2021	1.660%	1 Month Libor Daily Rate	25,000	-	17
					$ (5,049)	$ (2,309)

An asset of $0 and $17 is included in other assets at December 31, 2020 and 2019, respectively. A liability of $5,049 and $2,326 is included in derivative liabilities at December 31, 2020 and 2019, respectively. An unrealized loss of $2,165 and $4,534, net of deferred tax of $575 and $1,205, is included in other comprehensive income (loss) for the years ended December 31, 2020 and 2019, respectively.

Swap Collateral

There were no marketable government securities pledged as collateral related to swap contracts at December 31, 2020 and 2019, respectively.

The table on the following page presents the fair value of derivative instruments as of December 31, 2020 and 2019.

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	2020		2019	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate derivatives designated as cash flow hedges:				
Interest rate swaps on brokered deposits	$ 175,000	$ (5,049)	$ 200,000	$ (2,309)
Total derivatives	$ 175,000	$ (5,049)	$ 200,000	$ (2,309)
Derivative - assets (included in other assets)		$ -		$ 17
Derivative - liabilities		(5,049)		(2,326)
		$ (5,049)		$ (2,309)

NOTE 9. EQUITY METHOD INVESTMENTS

The Corporation's investments in entities accounted for under the equity method of accounting and recorded in other assets on the consolidated balance sheets at December 31 were as follows:

Entity	Percentage and Type of Interest	Amount of Investment 2020	Amount of Investment 2019
IBC Management, LLC	20% Member	$ 224	$ 273
Independent Bankers Capital Fund II, L.P.	21.85% Limited Partner	2,599	2,606
IBC II, LLC	28% Member	683	479
Independent Bankers Capital Fund III, L.P.	14.17% Limited Partner	4,353	4,065
IBC III, LLC	25% Member	248	220
Total equity method investments		$ 8,107	$ 7,643

For the investments in the entities above, summarized financial information for the combined group includes total assets of $70,827 and total liabilities of $25,616 as of December 31, 2020 and net income of $7,310 for the year ended December 31, 2020.

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NOTE 10. OTHER INTANGIBLE ASSETS

The carrying basis and accumulated amortization of recognized intangible assets at December 31, 2020 and 2019, were:

	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Purchased Credit Card Portfolio Premiums	1,391	(700)	1,565	(978)
Other	865	(855)	865	(731)
	$ 2,256	$ (1,555)	$ 2,430	$ (1,709)

Amortization expense for the years ended December 31, 2020 and 2019, was $414 and $885, respectively. Estimated amortization expense for each of these five years is:

2021	$ 265
2022	199
2023	120
2024	82
2025	35
	$ 701

NOTE 11. LOAN SERVICING

Loans serviced for others are not included in the consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were $199,255 and $255,245 at December 31, 2020 and 2019, respectively.

The table on the following page summarizes the activity in mortgage servicing rights measured using the fair value method for the years ended December 31, 2020 and 2019.

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	2020	2019
Fair value as of the beginning of the period	$ 1,795	$ 2,715
Additions		
Purchases	-	-
Disposals		
Sale of mortage servicing rights	-	-
Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model*	(1,059)	(920)
Fair value at the end of the period	$ 736	$ 1,795

*Reflects changes in discount rates and prepayment speed assumptions.

NOTE 12. TIME DEPOSITS

Time deposits in denominations of $250 or more were $630 on December 31, 2020 and 2019.

At December 31, 2020, net brokered deposit balances totaled $190,386 all with denominations less than $250. The scheduled maturities of time deposits are as follows:

2021	$ 191,043

NOTE 13. SHORT-TERM BORROWINGS

Short-term borrowings included the following at December 31, 2020 and 2019:

	2020	2019
Federal funds purchased and agreements to repurchase	$ 183,811	$ 97,080

The Corporation sells certain securities under agreements to repurchase. The agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the consolidated balance sheets. The dollar amount of securities underlying the agreements remains in the asset accounts. At December 31, 2020, repurchase agreements outstanding were $23,000 and matured within 90 days. At December 31, 2019, there were no repurchase agreements outstanding. The maximum and minimum amount of outstanding agreements during 2020 totaled $38,000 and $0, respectively. The interest rate on these agreements are based on the federal funds rate and the rate was 0.05% for all agreements in 2020.

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At December 31, 2020 and 2019, the Bank had a primary credit line with the Federal Reserve Bank of Dallas for $675,345 and $449,020, respectively, secured by loans. There were no balances outstanding on this credit line at December 31, 2020 and 2019. There were no balances outstanding at any time in 2020 or 2019.

At December 31, 2020 and 2019, the Bank also had a credit line with the FHLB for $193,568 and $307,860, respectively, secured by marketable securities. There were no balances outstanding on this credit line at December 31, 2020 and 2019. There were no balances outstanding at any time in 2020. The maximum and minimum amounts of FHLB advances outstanding during 2019 were $230,000 and $0, respectively. The interest rate on these advances ranged from 2.25% to 2.70%.

NOTE 14. INCOME TAXES

The Corporation or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction and various states' jurisdictions.

The provision for income taxes includes these components:

	2020	2019
Taxes currently payable	$ 7,249	$ 4,722
Deferred income taxes - current	(3,498)	(919)
Income tax expense	$ 3,751	$ 3,803

A reconciliation of income tax expense at the statutory rate to the Corporation's actual income tax expense is as follows:

	2020	2019
Computed at the statutory rate	$ 5,608	$ 5,304
Increase (decrease) resulting from		
Tax-exempt interest	(1,715)	(1,558)
Nondeductible expenses	126	334
Increase in cash value of life insurance	(268)	(277)
Actual tax expense	$ 3,751	$ 3,803

Deferred assets as of December 31, 2020 and 2019 are based on the enacted U.S. statutory federal income tax rate of 21%. The tax effects of temporary differences related to deferred taxes on the consolidated balance sheets are presented in the table on the following page.

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	2020	2019
Deferred tax assets		
Allowance for loan losses	$ 6,312	$ 2,845
Interest rate swap derivatives	1,060	485
Accrued expenses and other liabilities	4,033	3,952
Other	342	348
Total deferred tax assets	11,747	7,630
Deferred tax liabilities		
Credit card premiums and intangibles	320	99
Premises and equipment	337	291
Mortgage servicing rights	155	377
Unrealized gains on available-for-sale securities	3,088	1,543
Total deferred tax liabilities	3,900	2,310
Net deferred tax assets	$ 7,847	$ 5,320

NOTE 15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), included in shareholders' equity are as follows:

	2020	2019
Net unrealized gains (losses) on available-for-sale securities	$ 14,706	$ 7,346
Cash flow hedges	(5,049)	(2,309)
	9,657	5,037
Tax effect	(2,029)	(1,058)
Net-of-tax amount	$ 7,628	$ 3,979

NOTE 16. SHAREHOLDERS' EQUITY

The Corporation has 5,000,000 common, 2,000,000 convertible redeemable Class B common and 1,000,000 preferred shares authorized. Our capital stock is not quoted or traded on a recognized stock exchange and holders do not have preemptive rights. The Corporation has no convertible redeemable Class B common or preferred shares outstanding as of December 31, 2020 and 2019.

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NOTE 17. REGULATORY MATTERS

As a result of the increase in the asset size threshold for determining applicability of the Federal Reserve's Small Bank Holding Company Policy Statement, the Corporation is no longer subject to capital requirements as of September 30, 2018; however, the Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve a quantitative measure of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. Banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. In June 2020, the Corporation's consolidated assets exceeded the $3 billion threshold for determining applicability of the Federal Reserve's Small Bank Holding Company Policy Statement. In response to the COVID-19 and CARES Act, federal banking agencies issued an interim final rule (IFR) providing relief to financial institutions under $10 billion in total assets as of December 31, 2019. The IFR allows financial institutions to calculate their asset size for applicable thresholds in certain rules during calendar years 2020 and 2021 based on the lower of total assets as of December 31, 2019 or as of the normal measurement date. In particular, the IFR adjusts the measurement dates for total asset thresholds that would trigger additional regulatory reporting requirements for the remainder of calendar years 2020 through the end of 2021. This temporary relief would allow the Corporation to continue to meet the asset size threshold to be considered a Small Bank Holding Company until January 1, 2022.

The Bank is subject to the minimum capital ratios in the Basel III capital framework effective January 1, 2015. Basel III mandates minimum capital ratios plus a phased in Capital Conservation Buffer of 2.5% to be achieved by January 1, 2019. The buffer serves as additional capital protection to weather periods of economic stress. Banking organizations with a buffer greater than 2.5% are not subject to limits on distributions or payments; however, an organization with a buffer of less than 2.5% is subject to increasingly stringent limitations as the buffer approaches zero. At December 31, 2020 and 2019, the capital buffer was 2.50%, which is included in the 2020 and 2019 minimum capital requirements relative to risk-weighted assets in the tables on the following page. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which it is subject. At year-end 2020 and 2019, the most recent regulatory notifications categorized the Bank as "well capitalized" pursuant to prompt corrective action framework. There are no conditions or events since last notification to suggest the Bank's category has changed.

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The Bank's actual capital amounts and ratios are presented in the following tables:

	Actual		Minimum Capital Requirement Basel III Schedule		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2020						
Tier I capital to average assets						
Bank only	$ 278,577	7.17%	$ 155,358	4.00%	194,197	5.00%
Common Equity Tier I capital to risk-weighted assets						
Bank only	278,577	16.02%	121,730	7.00%	113,035	6.50%
Tier I capital to risk-weighted assets						
Bank only	278,577	16.02%	147,815	8.50%	139,120	8.00%
Total capital to risk-weighted assets						
Bank only	300,424	17.28%	182,596	10.50%	173,901	10.00%

	Actual		Minimum Capital Requirement Basel III Schedule		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019						
Tier I capital to average assets						
Bank only	268,543	9.64%	111,431	4.00%	139,289	5.00%
Common Equity Tier I capital to risk-weighted assets						
Bank only	268,543	16.03%	117,267	7.00%	108,890	6.50%
Tier I capital to risk-weighted assets						
Bank only	268,543	16.03%	142,395	8.50%	134,019	8.00%
Total capital to risk-weighted assets						
Bank only	282,659	16.87%	175,900	10.50%	167,524	10.00%

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NOTE 18. RELATED-PARTY TRANSACTIONS

At December 31, 2020 and 2019, the Corporation had loans outstanding to executive officers, directors, significant shareholders and their affiliates (related parties) for $11,541 and $9,618, respectively.

Annual activity consisted of the following:

	2020	2019
Beginning balance	$ 9,618	$ 13,225
New loans	3,628	29
Repayments	(1,705)	(3,636)
Ending balance	$ 11,541	$ 9,618

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2020 and 2019, totaled $141,695 and $118,799, respectively.

NOTE 19. EMPLOYEE BENEFITS

The Corporation maintains a 401K savings plan for employees. Employees are eligible to participate immediately upon hire subject to the next enrollment date. The Corporation may contribute a maximum of 5 percent of the employee's annual compensation. Both employer and employee contributions to the savings plan vest immediately. The Corporation's contributions were $1,065 and $1,036 in 2020 and 2019, respectively.

Nonqualified deferred compensation plans provide death and retirement benefits to certain officers. Deferred compensation expense of $1,068 and $1,357 was recorded in 2020 and 2019, respectively. Deferred compensation payable totaled $14,535 and $14,275 at December 31, 2020 and 2019, respectively. The Corporation purchased life insurance policies to fund future plan obligations. These policies had an aggregate cash surrender value of $61,656 and $56,379 at December 31, 2020 and 2019, respectively.

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	2020	2019
SAR awards outstanding, beginning of year	101,700	94,050
Redeemed	(15,450)	(13,080)
Forfeited	(8,250)	(620)
Granted	21,350	21,350
SAR awards outstanding, end of year	99,350	101,700

The number of shares of SAR awards granted in 2020 and 2019 was 21,350 and 21,350, respectively. The value of SAR awards vested totaled $1,311 and $1,225 in 2020 and 2019, respectively. The value of SAR awards redeemed totaled $1,336 and $1,094 in 2020 and 2019, respectively. The tax benefit recognized was $257 and $230, respectively, in 2020 and 2019.

Compensation expense for stock appreciation rights is accrued over the vesting period of the award. Accrued compensation payable under the plans totaled $4,064 and $4,014 at December 31, 2020 and 2019, respectively. Compensation expense recognized under the plans totaled $1,320 and $2,436 in 2020 and 2019, respectively.

NOTE 20. LEASES

The Corporation has non-cancelable operating leases for certain property with payment terms up to 40 months with some including extensions for an additional 36 months. The lease payments are charged to expense over the lease term as it becomes payable. Rental expense for these leases was $288 and $294 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the lease payments for operating leases with initial terms of greater than 12 months are as follows:

	Operating Leases
2021	$ 211
2022	107
2023	27
Total minimum lease payments	$ 345

NOTE 21. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchy of three levels of inputs may be used to measure fair value:

Independent Bankers Financial Corporation and Subsidiaries

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Level 1: Quoted prices in active markets for identical assets or liabilities that the Corporation can access at the measurement date.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Recurring Measurements

The table below presents the fair value measurements of assets and liabilities recognized in the Corporation's consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020:				
Available-for-sale securities				
U.S. GSEs - residential	$ 259,697	$ -	$ 259,697	$ -
Municipal securities	3,579	-	3,579	-
Mortgage servicing rights	736	-	-	736
Derivative assets	-	-	-	-
Derivative liabilities	5,049	-	-	-
Funds measured at NAV				
Private equity funds	8,502	-	-	-
December 31, 2019:				
Available-for-sale securities				
U.S. GSEs - residential	$ 337,521	$ -	$ 337,521	$ -
Mortgage servicing rights	1,795	-	-	1,795
Derivative assets	17	-	17	-
Derivative liabilities	2,326	-	2,326	-

The Corporation’s participation in private equity investment funds are characteristically initiated for one of two purposes (1) for utilization of excess cash held at the Corporation for long term growth with opportunity to withdraw and (2) for long term growth with potential for gain from the

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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liquidation of underlying assets. The private equity investment purchased to utilize excess cash involves an investee whose principal strategy is to identify and exploit inefficiencies in securities and other instruments while minimizing downside exposure and market risk through investment in other non-correlated investment strategies and risk mitigation techniques. This investment does not have any restrictions and may be withdrawn with written 30-day notice. The private equity investment purchased for long term growth involves an investee whose strategy is to negotiate equity and equity related investments in financial services technology companies and businesses, with particular focus on early and growth-stage financial services technology companies. The estimated period of time over which the underlying assets are expected to be liquidated by the investee is ten years. This investment is not redeemable, but the Corporation does have the option sell its shares subject to approval by general partners.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the consolidated balance sheets, and the general classification of such assets and liabilities under the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 and 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Corporation's creditworthiness and unobservable parameters. Any such valuation adjustments are applied consistently. The Corporation's valuation methodologies may produce a fair value calculation that may not indicate net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, using different methodologies or assumptions to determine the fair value of certain financial instruments could cause a different estimate of fair value at the reporting date. The reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the consolidated balance sheets date may differ significantly from the amounts presented.

Available-for-sale Securities

Securities classified as "available for sale" are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurements from an independent pricing service. The fair value measurements observable data includes dealer quotes, market spreads, cash flows, the U.S. Treasury and other yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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Derivatives

Derivatives are reported at fair value utilizing Level 2 inputs. The Corporation performs an internal evaluation to estimate fair value of interest rate swap contracts through valuation models with observable market data inputs (Level 2).

Mortgage Servicing Rights

Mortgage servicing rights are reported at fair value utilizing Level 3 inputs. The Corporation uses an independent valuation firm to estimate the fair value of mortgage servicing rights through prevailing market participant assumptions and market participant valuation processes. This valuation and its techniques are periodically tested and validated against other third-party firm valuations. To determine the fair value of mortgage servicing rights, they are placed in homogeneous groups by investor, remittance requirements, loan type, interest rate and year of origination. At December 31, 2020 and 2019, prepayment speeds were determined using Andrew Davidson's MBS Enhanced Prepayment Model and resulted in weighted-average years to payoff of 3.93 and 5.74 years, respectively. At December 31, 2020 and 2019, the primary discount rates averaged 9.25 percent and 10.24 percent, respectively. During the years ended December 31, 2020 and 2019, changes in fair value were attributable to changes in valuation inputs and assumptions.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the Corporation's accompanying consolidated balance sheets using significant unobservable (Level 3) inputs.

	Mortgage Servicing Rights
Balance, January 1, 2019	$ 2,715
Included in net income:	
Decrease in fair value	(920)
Purchases	-
Disposal	-
Balance, December 31, 2019	1,795
Included in net income:	
Decrease in fair value	(1,059)
Purchases	-
Disposals	-
Balance, December 31, 2020	$ 736

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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Changes in fair value reflected in the table above are included in noninterest expense for the years ended December 31, 2020 and 2019.

For the years ended December 31, 2020 and 2019, there were no significant transfers among Levels 1, 2 and 3.

Nonrecurring Measurements

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a nonrecurring basis are as shown below.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of cost or fair value less estimated selling costs. Fair value is estimated through current appraisals, real estate brokers or listing prices.

The table below presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020. There were no foreclosed assets measured at fair value at December 31, 2019.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020:				
Foreclosed assets held for sale	$ 954	$ -	$ -	$ 954

Unobservable (Level 3) Inputs

The tables on the following page presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill at December 31, 2020 and 2019.

Independent Bankers Financial Corporation and Subsidiaries

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	Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$ 736	Discounted cash flow	Discount rate Prepayments Delinquencies	9.1% - 15.1% (9.25%) 8.6% - 20.1% (16.76%) 2.9% - 12.5% (6.38%)
Foreclosed assets held for sale	$ 954	Market comparable properties	Comparability adjustments	Not available

	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mortgage servicing rights	$ 1,795	Discounted cash flow	Discount rate Prepayments Delinquencies	10.1% - 16.1% (10.24%) 5.7% - 11.7% (10.47%) 3.1% - 14.3% (6.11%)

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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The tables below presents estimated fair values, and related carrying amounts, of the Corporation's financial instruments, not previously disclosed, at December 31, 2020 and 2019.

	December 31, 2020		
	Carrying Amount	Fair Value	Level
Financial assets:			
Cash and cash equivalents	$ 2,081,486	$ 2,081,486	1
Federal Reserve and FHLB stock	3,581	3,581	3
Interest receivable	6,626	6,626	1
Loans held for sale	15,464	15,464	3
Loans - net	1,265,001	1,249,915	3
Financial liabilities:			
Demand and non-interest bearing	533,864	533,864	1
Interest bearing transaction accounts	2,514,223	2,514,223	2
Time deposits	191,043	191,106	3
Interest payable	8	8	1
Short-term borrowings	183,811	183,811	1

	December 31, 2019		
	Carrying Amount	Fair Value	Level
Financial assets:			
Cash and cash equivalents	$ 1,051,454	$ 1,051,454	1
Federal Reserve and FHLB stock	3,501	3,501	3
Interest receivable	8,333	8,333	1
Loans held for sale	9,516	9,516	3
Loans - net	1,195,320	1,190,989	3
Financial liabilities:			
Demand and non-interest bearing	402,756	402,756	1
Interest bearing transaction accounts	1,684,242	1,684,242	2
Time deposits	206,161	206,239	3
Interest payable	193	193	1
Short-term borrowings	97,080	97,080	1

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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NOTE 22. SIGNIFICANT ESTIMATES, CONCENTRATIONS, COMMITMENTS AND CREDIT RISK

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the note regarding loans.

General Litigation

The Corporation is subject to claims and lawsuits that arise primarily in the ordinary course of business. Management believes the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Corporation.

Standby Letters of Credit

Standby letters of credit are irrevocable, conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Corporation be obligated to perform under the standby letters of credit, the Corporation may seek recourse from the customer for reimbursement of amounts paid.

The Corporation had total outstanding standby letters of credit amounting to $9,686 and $7,471 at December 31, 2020 and 2019, respectively, with terms ranging from 30 to 365 days.

Lines of Credit

Lines of credit are agreements to lend to customers if there is no violation of any condition established in the contract. Lines of credit have fixed expiration dates. Since a portion of the line of credit may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. Collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
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(Dollar amounts in thousands)

At December 31, 2020, the Corporation had unused lines of credit to borrowers aggregating approximately $951,000 and $378,000 for commercial lines and open-end consumer lines, respectively. At December 31, 2019, unused lines of credit to borrowers aggregated approximately $1,009,000 and $394,000 for commercial lines and open-end consumer lines, respectively.

Equity Investments

At December 31, 2020, the Corporation had an outstanding commitment amount of $3,998 for capital contributions in a limited partnership. The remaining commitment is expected to be called between two to three years.

Securities

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated balance sheets.

NOTE 24. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events for recognition and disclosure through March 24, 2021, which is the date the consolidated financial statements were issued.

Effective January 1, 2021, the Corporation paid a purchase price of $2,500 for a 50% passive interest in "*The Bank CEO Network*" a 28-year-old organization dedicated to facilitating information sharing among community banks. The acquisition aligns with the Corporation's existing suite of products and services as well as its mission to serve customers. The Corporation plans to purchase the remaining interest in January 2024.

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollar amounts in thousands)

NOTE 25. CONDENSED FINANCIAL INFORMATION (PARENT CORPORATION ONLY)

Presented below is condensed financial information on financial position, results of operations and cash flows of the Corporation:

	Years Ended December 31, 2020	2019
Condensed Balance Sheets		
Assets		
Cash and cash equivalents	$ 6,197	$ 4,101
Investment in common stock of subsidiaries	288,907	275,243
Other assets	9,573	4,278
Total assets	$ 304,677	$ 283,622
Liabilities		
Other liabilities	4,064	4,015
Total liabilities	4,064	4,015
Shareholders' Equity	300,613	279,607
Total liabilities and shareholders' equity	$ 304,677	$ 283,622

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
(Dollar amounts in thousands)

	Years Ended December 31, 2020	2019
Condensed Statements of Income and Comprehensive Income		
Income		
Dividends from subsidiaries	$ 14,000	$ 15,000
Interest income	-	7
Other income	21	-
Total income	14,021	15,007
Expenses		
Interest expense	-	201
Other expenses	1,366	2,479
Total expenses	1,366	2,680
Income before income tax and equity in undistributed net income of subsidiaries	12,655	12,327
Income tax benefit	283	561
Income before equity in undistributed net income of subsidiaries	12,938	12,888
Equity in undistributed net income of subsidiaries	10,014	8,565
Net income	$ 22,952	$ 21,453
Total other comprehensive income (loss)	3,649	6,428
Comprehensive income	$ 26,601	$ 27,881

Independent Bankers Financial Corporation and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2020 and 2019
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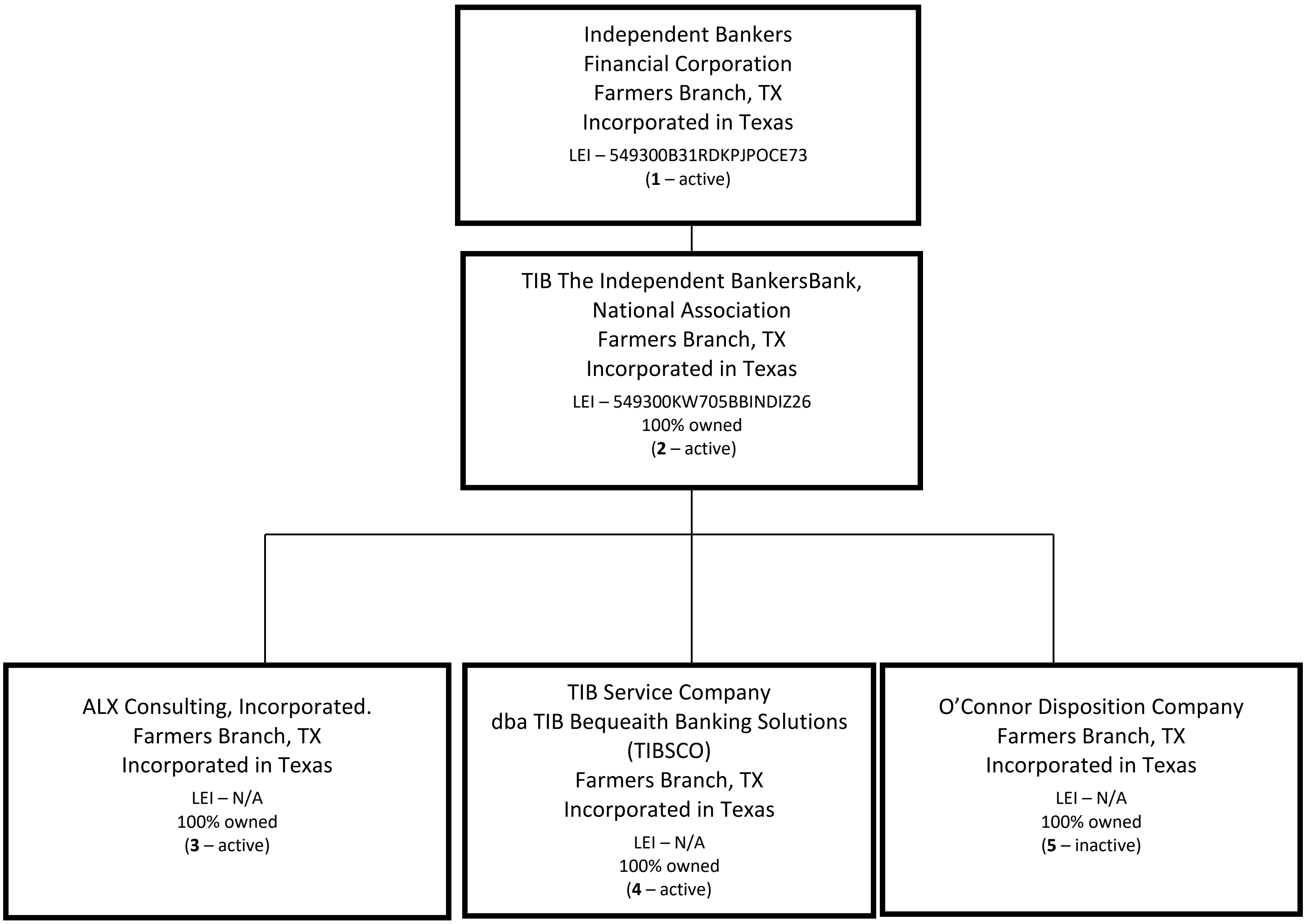
	Years Ended December 31,	
	2020	**2019**
Condensed Statements of Cash Flows		
Operating activities		
Net income	$ 22,952	$ 21,453
Items not providing cash	(10,261)	(7,842)
Net cash provided by operating activities	12,691	13,611
Investing activities		
Proceeds of redemption of junior subordinated debentures	-	313
Purchase of investment	(5,000)	-
Net cash (used in) provided by investing activities	(5,000)	313
Financing activities		
Sale of common stock	1	1
Purchase and retirement of common stock	(2)	(1)
Retirement of Trust Preferred Debt	-	(10,313)
Cash dividends paid on common stock	(5,594)	(5,594)
Net cash used in financing activities	(5,595)	(15,907)
Net change in cash and cash equivalents	2,096	(1,983)
Cash and cash equivalents, beginning of year	4,101	6,084
Cash and cash equivalents, end of year	$ 6,197	$ 4,101

Independent Bankers Financial Corporation and Affiliates
December 31, 2020



See Number Key on next page

Number Key:

1 – Independent Bankers Financial Corporation (IBFC), a top-tier holding company formed in January 1982. (Irving, Tx.)

2 – TIB The Independent BankersBank (formed in January 1982) is a Bankers' bank servicing community financial institutions throughout the United States. (Irving, Tx.)

3 – ALX Consulting, Inc. (purchased in December 1999) provides asset/liability management services to community financial institutions. ALX, using an interest rate risk model, provides the institutions with IRR reports and consultant services. (Irving, Tx)

4 – TIB Service Company - TIBSCO (formed in May 1990) offers contract audit, compliance and loan review to community financial institutions. (Irving, Tx)

5 – O'Connor Disposition Company was established in June 1989 to protect TIB against lender liability on foreclosed assets.

Report Item 2b

Results: A list of branches for your depository institution: TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION (ID_RSSD: 529958).
This depository institution is held by INDEPENDENT BANKERS FINANCIAL CORPORATION (1109094) of FARMERS BRANCH, TX.
The data are as of 12/31/2020. Data reflects information that was received and processed through 01/05/2021.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	529958	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	11701 LUNA ROAD	FARMERS BRANCH	TX	75234	DALLAS	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	
OK		Full Service	3595851	HUNTINGTON BEACH BRANCH	17011 BEACH BLVD., SUITE 900	HUNTINGTON BEACH	CA	92647-7414	ORANGE	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	
OK		Full Service	3939651	LAWRENCEVILLE BRANCH	1550 NORTH BROWN ROAD, SUITE 150	LAWRENCEVILLE	GA	30043-8154	GWINNETT	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	
OK		Full Service	4031235	SPRINGFIELD BRANCH	2151 WEST WHITE OAKS DRIVE, SUITE 100	SPRINGFIELD	IL	62704	SANGAMON	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	
OK		Full Service	4723165	OKLAHOMA CITY BRANCH	2601 NW EXPRESSWAY, SUITE 1150E	OKLAHOMA CITY	OK	73112	OKLAHOMA	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	
OK		Full Service	3020054	TULSA BRANCH	7136 S YALE, SUITE 215	TULSA	OK	74136	TULSA	UNITED STATES	Not Required	Not Required	TIB THE INDEPENDENT BANKERSBANK, NATIONAL ASSOCIATION	529958	

Report Item 3 – Securities Holders

N/A for Independent Bankers Financial Corporation

Form FR Y-6
Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Gary Blankenship Colleyville, Texas	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				Chairman of the Board, Director Bank of the West Grapevine, TX	None	None	N/A
				Chairman of the Board, Director Greater Southwest Bancshares, Inc.	None	None	Greater Southwest Bancshares, Inc. 77.70%
				Vice Chairman Adfitech Edmond, OK	None	None	N/A

Form FR Y-6
Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Micah Boles Valley Milles, Texas	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				CEO & President First National Bank of Bosque County Valley Mills, TX	None	None	N/A

Form FR Y-6
Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Cleve Breedlove Denton, Texas	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				CEO & Chairman AccessBank Texas Denton, TX	None	None	N/A
				CEO & Chairman Access Bankcorp, Inc. Denton, TX	None	None	N/A

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Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
John D'Angelo Baton Rouge, Louisiana	Banking	Director	N/A	N/A	None	None	N/A
				President & CEO, Director Investar Bank Baton Rouge, LA	None	None	N/A

Form FR Y-6
Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
R. Kevin Drew Coppell, Texas	Banking	Vice President / Director	Executive Vice President, Chief Lending & Correspondent Sales Officer / Director TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
			Vice President / Director O'Connor Disposition Co.	N/A	None	None	N/A
				Manager, Investment Committee Member & Secretary IBC Management, LLC	None	None	N/A
				Manager & Secretary IBC II, LLC	None	None	IBC II, LLC* 28%
				Manager IBC III, LLC	None	None	IBC III, LLC* 25%

*Securities owned by TIB but Individual has authority to vote on behalf of TIB

Form FR Y-6
Independent Bankers Financial Corporation
as of December 31, 2020

Report Item 4: Directors and Officers
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Robert Franko Manhattan Beach, CA	Banking	Director / Chairman	Director / Chairman - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				President, CEO & Director First Choice Bank and First Choice Bancorp	None	None	N/A

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(1) Name City, State, Country	(2) Principal Occpuation if other than Holding Company	(3)(a) Title & Position with Holding Company	(3)(b) Title & Position with Subsidiaries(include names of subsidiaries)	(3)(c) Title & Position with Other Businesses (include names of subsidiaries)	(4)(a) Percentage of Voting Shares in Holding Company	(4)(b) Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)	(4)(c) List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
Pat Gray Colleyville, Texas	Banking	Vice President / Director	Executive Vice President, Chief Card , Technology & Operations Officer / Director TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
			Vice President / Director O'Connor Disposition Co.	N/A	None	None	N/A
				Board Manager Trust Management Network, LLC	None	None	N/A
				Advisory Director BOI	None	None	N/A

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Curtis Harvey Keller, Texas	Banking	Vice President / Treasurer / Advisory Director	Executive Vice President, Chief Financial Officer, Advisory Director/ Assistant Board Secretary TIB The Independent	N/A	< 0.1%	None	N/A
			BankersBank, N.A.	N/A	None	None	N/A
			Managing Officer / Treasurer ALX Consulting, Inc.	N/A	None	None	N/A
			Vice President / Treasurer O'Connor Disposition Co. TIB Service Company	N/A	None	None	N/A

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(1) **Name** **City, State, Country**	**(2)** **Principal Occpuation if other than Holding Company**	**(3)(a)** **Title & Position with Holding Company**	**(3)(b)** **Title & Position with Subsidiaries(include names of subsidiaries)**	**(3)(c)** **Title & Position with Other Businesses (include names of subsidiaries)**	**(4)(a)** **Percentage of Voting Shares in Holding Company**	**(4)(b)** **Percentage of Voting Shares in Subsidiaries (include names of subsidiaries)**	**(4)(c)** **List names of other companies(include partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)**
Joe Kim King Brady, Texas	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
					None	None	N/A
				Chairman / Director / CEO Texas Country Bancshares, Inc.	None	None	Texas Country Bancshares, Inc. 29.41%
				Chairman of the Board / Trust Officer / Director Brady National Bank Brady, TX	None	None	N/A
				Chairman / Director FNB, Ballinger	None	None	N/A
				Director Citizens Bank, Abilene Big Country Bancshares	None	None	N/A
				Director Tall City Bancshares & Bank of Texas Midland, TX	None	None	N/A
							Kimike, Ltd., Partnership (50%)
							JKK Ranch, LLC (100%)
							King Stone Scovell Ltd., Family Limited Partnership (44.82%)

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Timothy Koch Mount Pleasant, SC	Distinguished Professor Emeritus University of South Carolina	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
	Moore School of Business			President Graduate School of Banking at Colorado	None	None	Texas Country Bancshares, Inc. 29.41%
				Advisory Director FinPro, Inc.	None	None	TWK Strategies 90% Ownership

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David Linaburg Allen, Texas	Banking	Director	Executive Vice President, Chief Credit, Risk & Mortgage Officer / Director TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
			Vice President / Director ALX Consulting, Inc.	N/A	None	None	N/A
			Vice President / Director TIB Service Company	N/A	None	None	N/A
				Manager, Investment Committee Member IBC Management, LLC	None	None	N/A
				Manager IBC II, LLC	None	None	IBC II, LLC* 28%
				Manager IBC III, LLC	None	None	IBC III, LLC* 25%

*Securities owned by TIB but Individual has authority to vote on behalf of TIB

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Sheila Mathews Farmington, NM	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				President, CEO & Director Four Corners Community Bank - Farmington, NM	None	None	N/A
				Board Member American Bankers Mutual Insurance Company	None	None	N/A
				Board Member New Mexico Banker's Association	None	None	N/A

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Frank Morris Gainesville, Texas	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				Chairman Director First State Bank Gainesville, TX	None	None	N/A
				Chairman, CEO & Director Red River Bancorp, Inc. Gainesville, TX	None	None	N/A

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Michael O'Rourke Dallas, Texas	Banking	President & CEO Director	President, CEO, & Director TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
			President / Director of:				
			ALX Consulting, Inc.	N/A	None	None	N/A
			O'Connor Disposition Co.	N/A	None	None	N/A
			TIB Service Company	N/A	None	None	N/A
				Board Manager Trust Management Network, LLC.	None	None	N/A
				Manager, Investment Committee Member IBC Management, LLC	None	None	N/A
				Manager IBC II, LLC	None	None	IBC II, LLC* 28%
				Manager IBC III, LLC	None	None	IBC III, LLC* 25%

*Securities owned by TIB but Individual has authority to vote on behalf of TIB

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Gary Owens Fulshear, TX	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				President, Director Wallis Bank Houston, TX	None	None	N/A

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Victor Pierson Galveston, TX	Banking	Director / Vice Chairman	Director / Vice Chairman - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				Chairman, Director / President and CEO Moody Bancshares, Inc. Galveston, TX	N/A	N/A	N/A
				Chairman, Director / President and CEO Moody National Bank Galveston, TX	N/A	N/A	N/A
				Director Gal-Tex Hotel Corporation	N/A	N/A	N/A
				Chairman, Director/ President and CEO Moody Bank Holding Company, Inc. Galveston, TX	N/A	N/A	N/A
				Director RCCEP, Inc.	N/A	N/A	N/A
				Director RCCL, Inc.	N/A	N/A	N/A
				Director RCCL Financial Services, Inc.	N/A	N/A	N/A
				Director RCCSA, Inc.	N/A	N/A	N/A
				Director RCCSA II, Inc.	N/A	N/A	N/A

Director RCCSA III, Inc.	N/A	N/A	N/A
Director RCCSA Financial Services, Inc.	N/A	N/A	N/A
Director RCCW, Inc.	N/A	N/A	N/A
Director RCC Woodway, Inc.	N/A	N/A	N/A
Director Three R Health Facilities, Inc.	N/A	N/A	N/A
Director RCC League City, Inc.	N/A	N/A	N/A
Director RCC Kingwood, Inc.	N/A	N/A	N/A
Director RoRuFa, Inc.	N/A	N/A	N/A
Director Three R Markets, Inc.	N/A	N/A	N/A
Director 1859-Beverage Company	N/A	N/A	N/A
Director 1859 Management Partners GP, LLC	N/A	N/A	N/A
Director Colorado Landmark Hotels, LLC	N/A	N/A	N/A
Director Gal-Tex Hospitality Partners, LLC	N/A	N/A	N/A
Director Kentucky Landmark Hotel, LLC	N/A	N/A	N/A
Director LHH Hospitality, LLC	N/A	N/A	N/A

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Rogers Pope, Jr. Tyler, Texas	Banking	Director	Director / Chairman - Elect TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				Vice Chairman & CEO Texas Bank & Trust Company Longview, TX	None	None	N/A
				Longview Financial Corporation Longview, TX	None	None	N/A

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J. Michael Terrell Lubbock, TX	Banking	Director	Director - TIB The Independent BankersBank, N.A.	N/A	< 0.1%	None	N/A
				Vice Chairman Waggoner National Bank Vernon, TX	None	None	N/A
				Vice Chairman Waggoner National Bancshares Vernon, TX	None	None	N/A

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Beverly Texada Frisco, Texas	Banking	Secretary	Executive Vice President, Director Card Services & Secretary of the Board - TIB The Independent BankersBank, N.A.	N/A	None	None	N/A
			Secretary / Director of: O'Connor Disposition Co.	N/A	None	None	N/A
			TIB Service Company	N/A	None	None	N/A
			ALX Consulting, Inc.	N/A	None	None	N/A