

Allegiance Bancshares, Inc.

NASDAQ: ABTX
Investor Presentation
May 2016

Safe Harbor Statement

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Allegiance Bancshares, Inc. Overview

- Holding company for Allegiance Bank based in Houston, Texas
- Successful completion of Initial Public Offering on October 7, 2015
- IPO Net Proceeds of \$57.2 million
- NASDAQ Ticker: ABTX
- Founded in 2007 by George Martinez and Steve Retzloff
- Senior management previously founded and held leadership positions at Sterling Bancshares, Inc. until 2006
- 16 full service banking locations within the Houston MSA and \$2.2 billion in total assets as of March 31, 2016
- Super-community banking model
- Strong organic growth: Opened 8 de novo branches in 7 years
- Two acquisitions completed:
 - 2013: Independence Bank with \$222.1 million in total assets
 - 2015: Enterprise Bank (F&M Bancshares) with \$569.7 million in total assets



Organic Growth and Acquisitions

Our Growth Strategy and Attributes

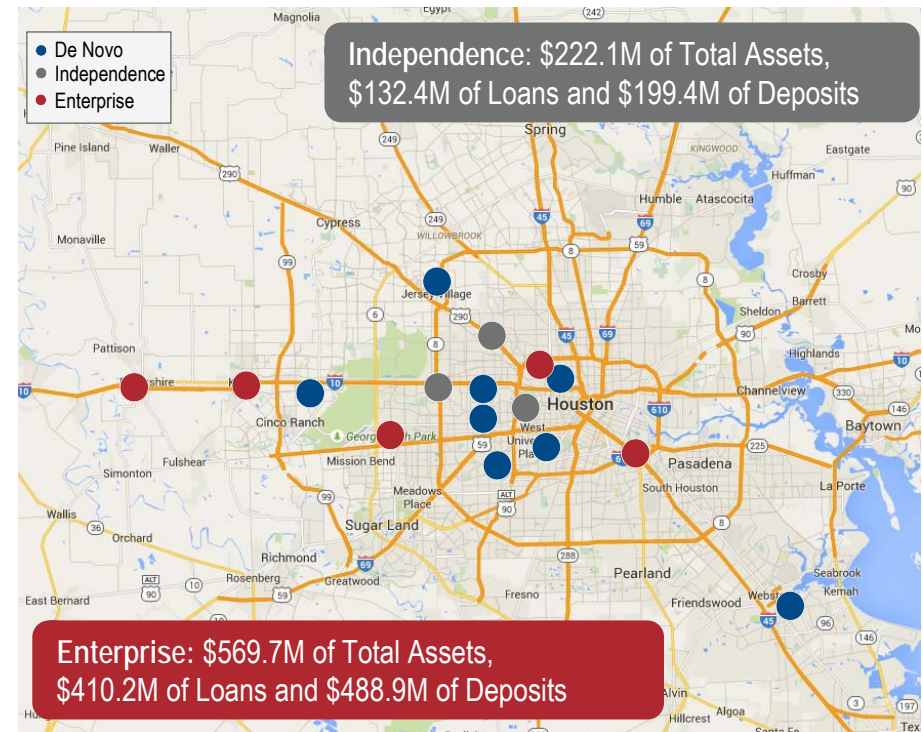
Organic Growth:

- History of organic growth focused on *de novo* branching and hiring the right people
- Significant market penetration is a focus of our super-community banking model
- Ability to integrate cultures and organically grow acquired franchises

Acquisitions:

- Management team with extensive experience assessing, executing, and integrating acquisitions within the Houston MSA
- Successful acquisition in 2013 of Independence Bank and 2015 of Enterprise Bank
- Emphasis on excellent asset quality and compatible customer base

Our Houston Franchise



Note: Not pictured Enterprise Rosebud and Mart branches.

In our short history, Allegiance has become the 4th largest Bank Holding Company headquartered in the Houston MSA ⁽¹⁾

Source: SNL Financial.

(1) Based on total assets as of most recent quarter.

Experienced Leadership



George Martinez
Chairman – Allegiance Bancshares
CEO – Allegiance Bank



Steve Retzlaff
President – Allegiance Bancshares
Chairman – Allegiance Bank



Ray Vitulli
EVP – Allegiance Bancshares
President – Allegiance Bank



Daryl Bohls
EVP – Allegiance Bancshares
CCO – Allegiance Bank



Larry Lehman
EVP & CFO – Allegiance Bancshares
CFO – Allegiance Bank



Okan Akin
CAO – Allegiance Bank



Valerie Gibbs
Chief C&I Officer - Allegiance Bank

Allegiance	Co-founded in 2007	Co-founded in 2007	Joined in 2007	Joined in 2007	Joined in 2013	Joined in 2013	Joined in 2015
Houston Banking	41 Years	28 Years	25 Years	35 Years	31 Years	18 Years	33 Years
Previous Experience	<ul style="list-style-type: none"> ▪ Sterling Bank Co-founded in 1974 	<ul style="list-style-type: none"> ▪ Sterling Bank ▪ Retzlaff Industries 	<ul style="list-style-type: none"> ▪ Sterling Bank ▪ Charter National Bank 	<ul style="list-style-type: none"> ▪ Sterling Bank ▪ Bank of Alameda 	<ul style="list-style-type: none"> ▪ Cadence Bancorp ▪ Amegy Bank 	<ul style="list-style-type: none"> ▪ Independence Bank ▪ Sterling Bank 	<ul style="list-style-type: none"> ▪ Bank of Texas ▪ Amegy Bank ▪ Sterling Bank
Education	<ul style="list-style-type: none"> ▪ Rice University 	<ul style="list-style-type: none"> ▪ Georgia Tech ▪ Wake Forest (MBA) 	<ul style="list-style-type: none"> ▪ University of Texas 	<ul style="list-style-type: none"> ▪ University of Texas ▪ Sam Houston St. (MBA) 	<ul style="list-style-type: none"> ▪ Texas A&M University 	<ul style="list-style-type: none"> ▪ University of Houston (MBA) 	<ul style="list-style-type: none"> ▪ Auburn University

Collectively, the Management team has over 210 years of banking experience serving the Houston MSA

Our Super-community Banking Strategy

Strategy

Structure

Results

Focus on Small and Medium-Sized Owner-Operated Businesses

Responsive Decision-Making by Empowered Lenders

Full-Service Bank Locations

Centralized Credit Administration

Experienced Central Operations Staff

Scalable Platform

Effective Centralized Operations

Extraordinary Customer Experience

Favorable Loan Yields and Deposit Relationships

High Net Interest Margin

Strong Credit Quality

Enhanced Efficiency and Profitability

 Allegiance Bancshares, Inc.

Financial Highlights

(Dollars in millions, except otherwise noted)

	Three-months ended,			Three-months ended,		
	3/31/2016	12/31/2015	% Change	3/31/2016	3/31/2015	% Change
Profitability						
Earnings per Common Share, Diluted (Actual)	\$0.49	\$0.33	48.5%	\$0.49	\$0.33	48.5%
Weighted Average Shares Outstanding (000)	12,967	12,589	3.0%	12,967	9,999	29.7%
Net Interest Income	\$21.1	\$21.3	(0.8%)	\$21.1	\$18.8	12.3%
Provision for Loan Losses	0.7	2.2	(67.1%)	0.7	0.7	4.0%
Noninterest Income	3.3	1.0	237.8%	3.3	0.9	281.5%
Noninterest Expense	14.3	13.9	2.6%	14.3	13.6	4.9%
Net Income	6.4	4.2	50.9%	6.4	3.5	83.1%
Net Income Attributable to Common Stockholders	6.4	4.2	50.9%	6.4	3.3	90.0%
Net Interest Margin (TE)	4.45%	4.60%		4.45%	4.72%	
Efficiency Ratio	63.80%	62.40%		63.80%	69.19%	
Balance Sheet						
Assets	\$2,210.7	\$2,084.6	6.1%	\$2,210.7	\$1,884.9	17.3%
Gross Loans (including loans held for sale)	1,717.4	1,681.1	2.2%	1,717.4	1,444.7	18.9%
Deposits	1,842.7	1,759.1	4.7%	1,842.7	1,643.7	12.1%
Total Stockholder's Equity	266.3	258.5	3.0%	266.3	199.0	33.8%
Equity to Assets	12.05%	12.40%		12.05%	10.56%	
Asset Quality						
Nonperforming Assets to Total Assets	0.38%	0.30%		0.38%	0.36%	
Nonperforming Loans to Total Loans	0.41%	0.36%		0.41%	0.47%	
Allowance for Loan Losses to Nonperforming Loan	197.12%	217.03%		197.12%	130.47%	
Allowance for Loan Losses to Total Loans	0.80%	0.78%		0.80%	0.62%	
Net Charge-offs to Average Loans (Annualized)	0.01%	0.06%		0.01%	0.00%	

Historical Balance Sheet Growth

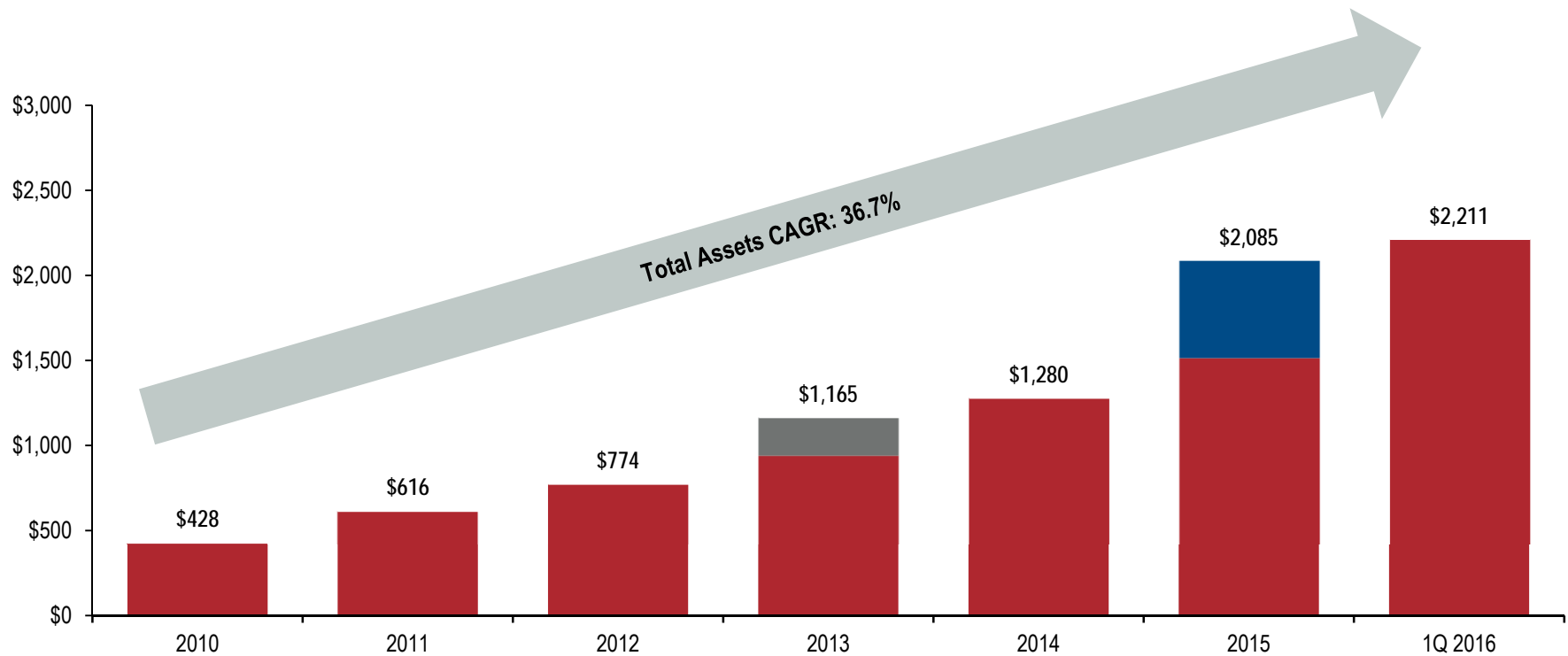
Asset Growth

(\$ in millions)

■ Assets

■ Independence ⁽¹⁾

■ F&M Bancshares ⁽²⁾



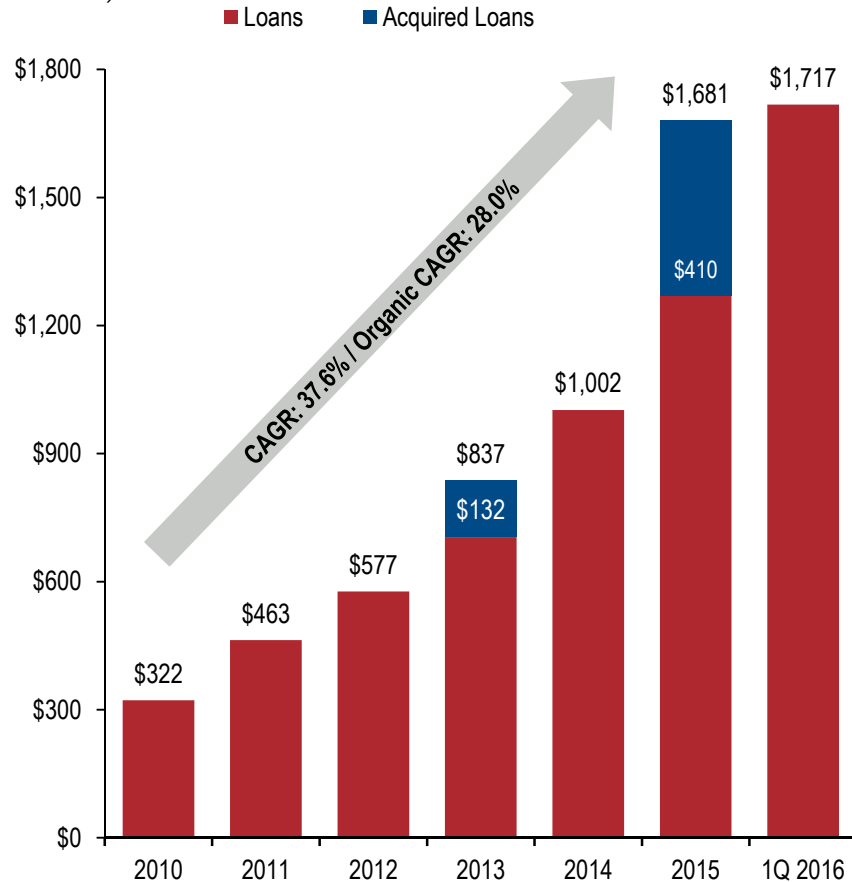
Since inception in 2007, we have grown total assets to \$2.2 billion, which ranks 7th out of 170 banks founded in that year as of the most recent quarter

(1) The Independence acquisition added \$222.1 million of assets in 2013.
 (2) The F&M Bancshares acquisition added \$569.7 million of assets in 2015.

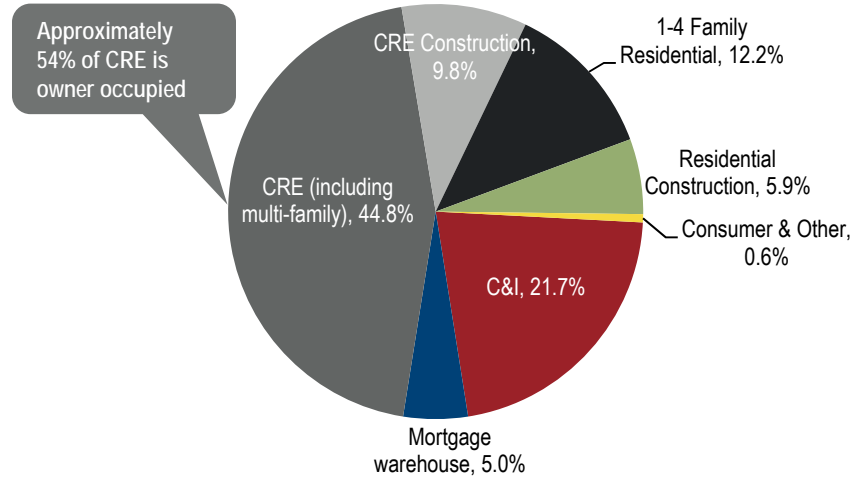
Continued Organic Loan Growth

Loan Growth

(\$ in millions)



Loan Composition (as of March 31, 2016)



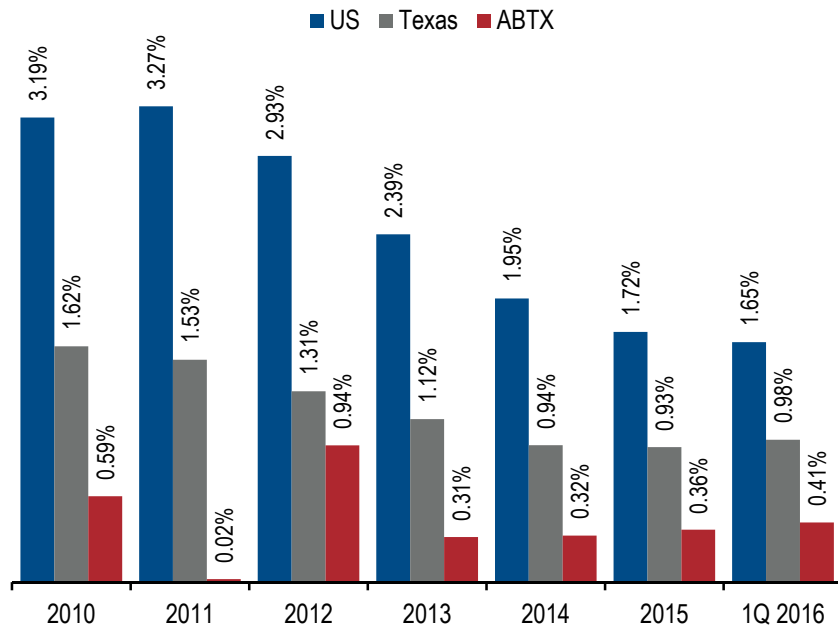
Loan Portfolio (as of March 31, 2016)

CRE (including multi-family)	\$770.3	44.8%
C&I	372.1	21.7%
1-4 Family Residential	209.7	12.2%
CRE Construction	167.8	9.8%
Residential Construction	100.6	5.9%
Mortgage warehouse	86.2	5.0%
Consumer & Other	10.9	0.6%
Gross Loans	\$1,717.4	100.0%

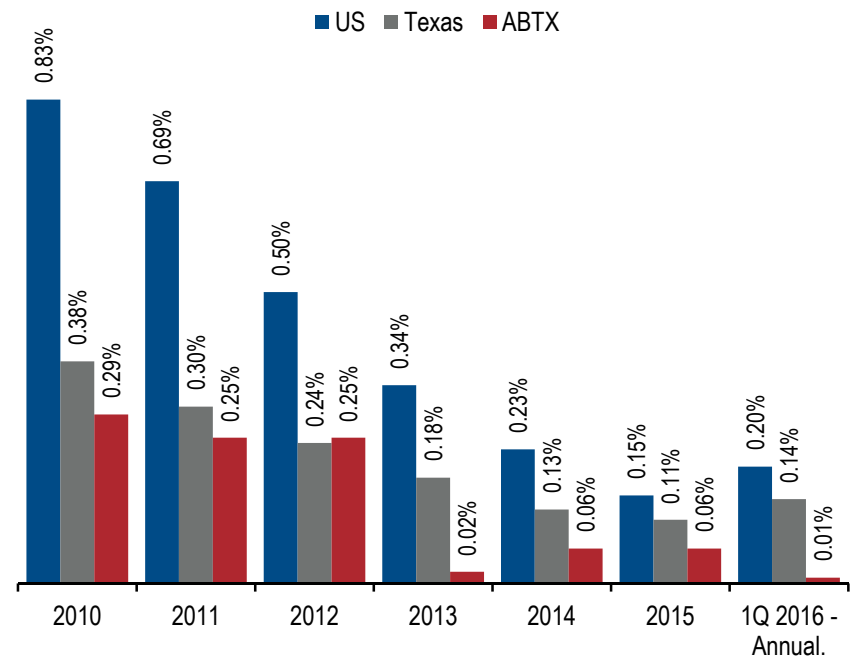
Strong Credit Quality

- Allowance for loan losses was \$13.8 million, or 0.80% of loans and 197.1% of nonperforming loans, as of March 31, 2016
 - Excluding the F&M transaction, the allowance for loan losses would have been 1.05% of loans
- Nonperforming assets were \$8.5 million, or 0.38% of total assets, as of March 31, 2016
- Less than 3.3% of our loan portfolio has exposure to the energy industry and none is oil reserve/production-based

NPLs / Total Loans ⁽¹⁾



NCOs / Avg. Loans ⁽¹⁾

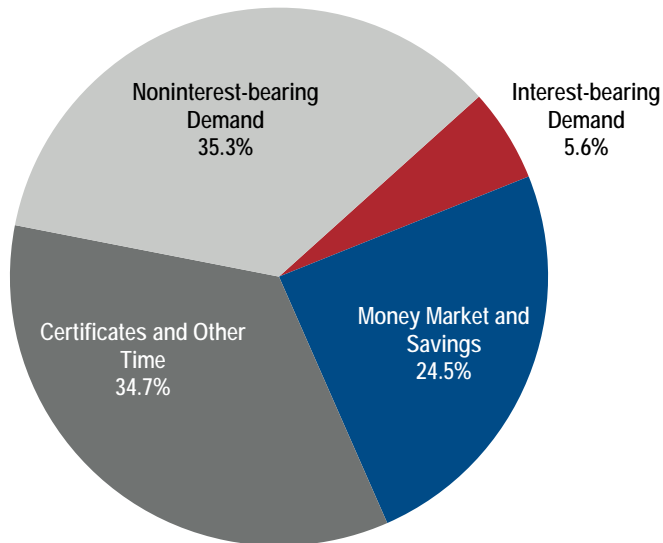


(1) US and Texas peer groups are calculated as an average for all regulated depository commercial banks. Financial data as of most recent quarter.

Improved Deposit Sourcing and Composition

- Average cost of deposits was 0.48% for the quarter ended March 31, 2016

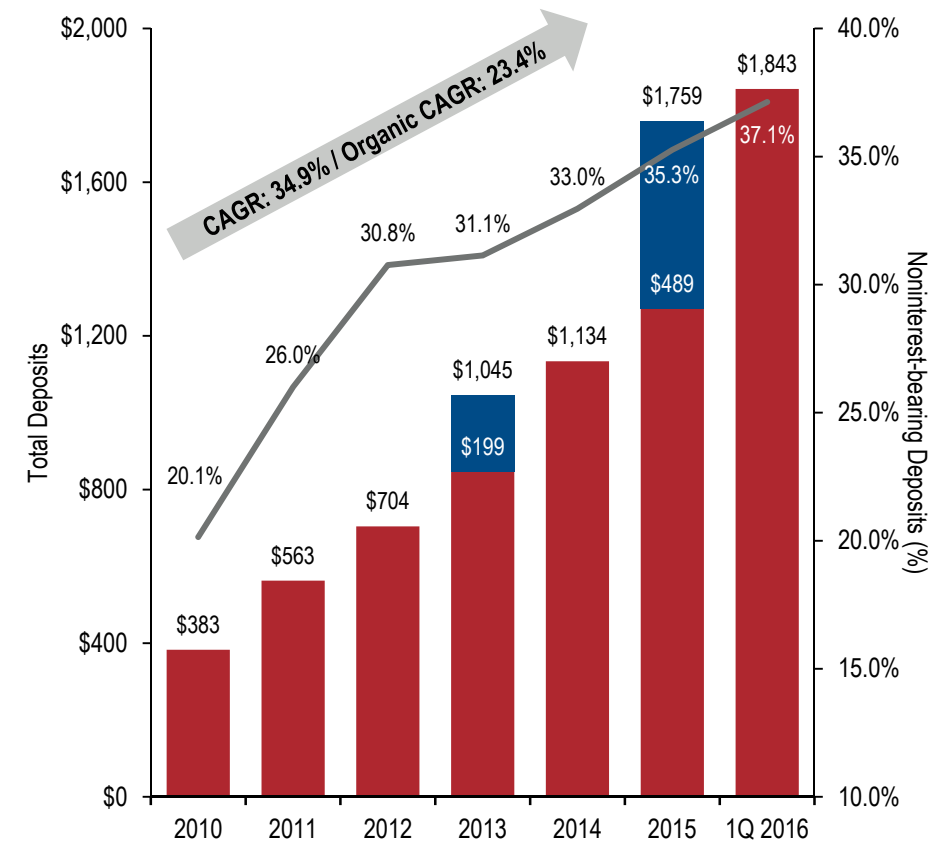
Deposit Composition (as of December 31, 2015)



Deposit Growth

(\$ in millions)

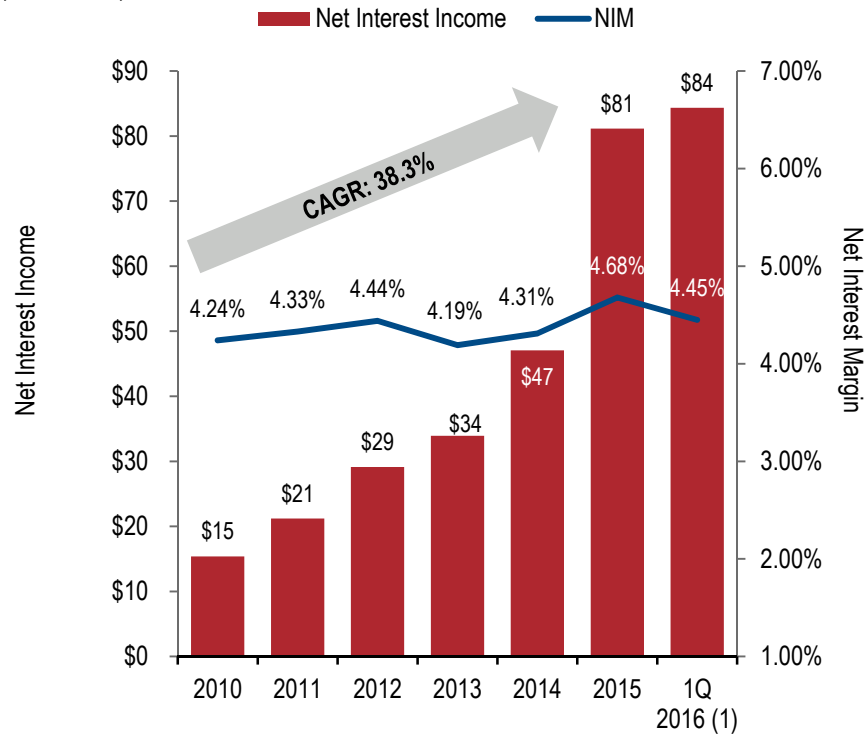
Deposits Acquired Deposits Noninterest-bearing %



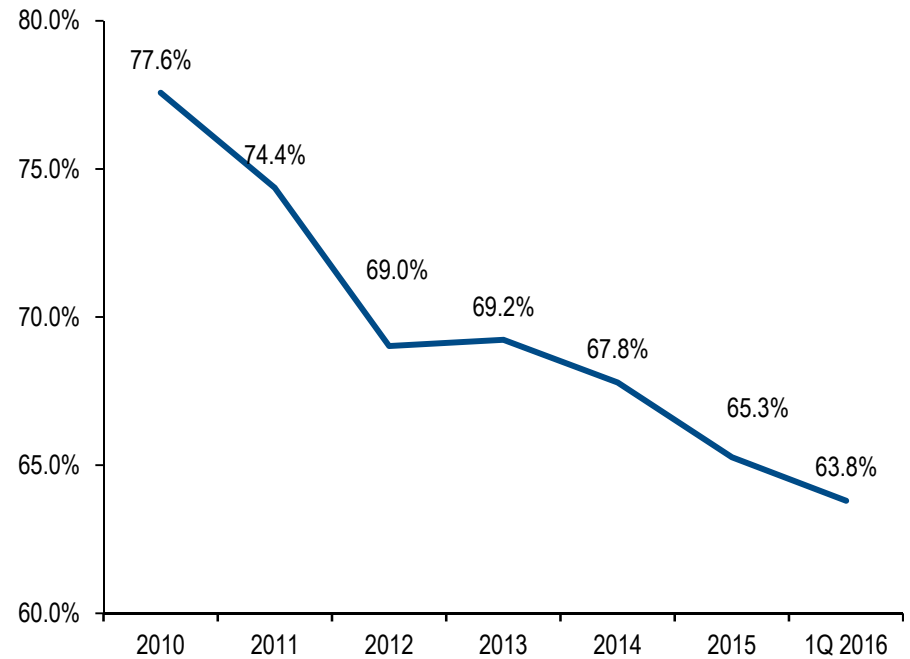
Net Interest Income Growth and Improved Efficiency

Net Interest Income and Net Interest Margin (TE)

(\$ in millions)



Efficiency Ratio

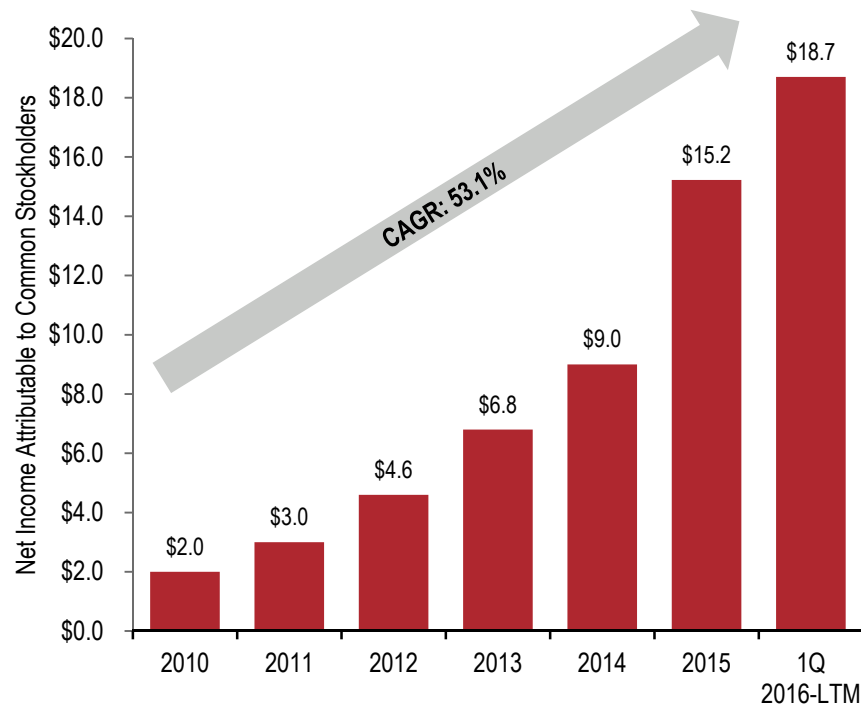


(1) Based 1Q 2016 net interest income of \$21.1 million (or \$84.3 million annualized).

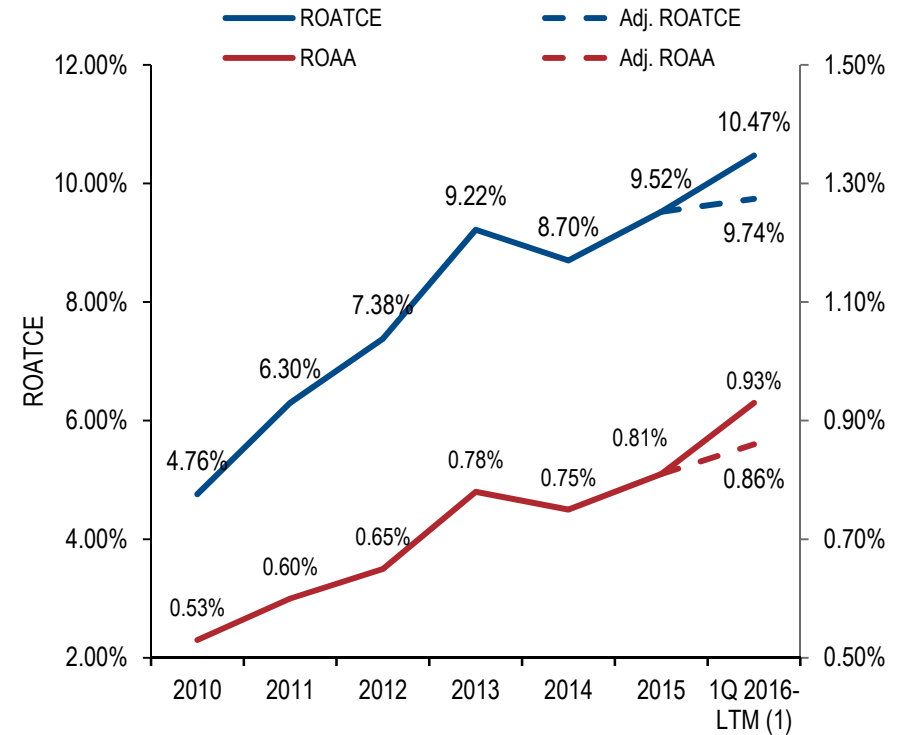
Exceptional Earnings Growth and Performance

Net Income Growth

(\$ in millions)



ROATCE and ROAA



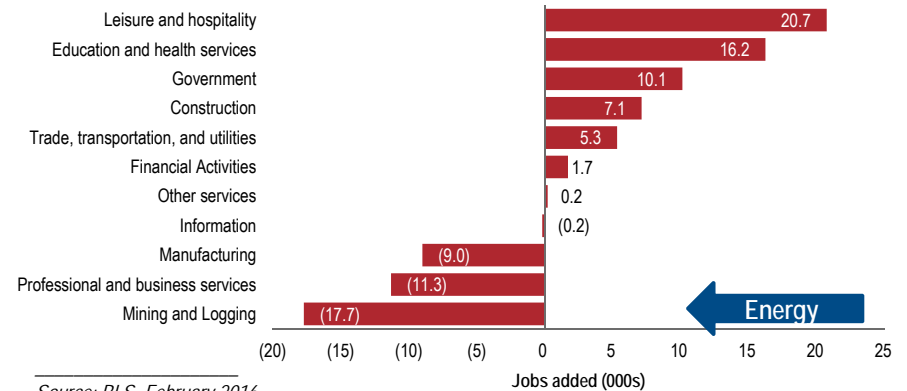
(1) Excludes one-time gain from sale of branches of \$1.3 million (after-tax).

Dynamic Houston Market

- 5th largest MSA in the U.S. with over 6.7 million people
- 2nd largest home to Fortune 500 companies in the U.S. with 24
- Increasingly diversified economy including the Port of Houston and Texas Medical Center
- In 2015, the Houston metro area led the nation in population growth adding more than 159,000 residents, according to the U.S. Census Bureau
- Since the April 2010 census, Houston has added more than 736,000 residents, the largest gain of any metro area over that period

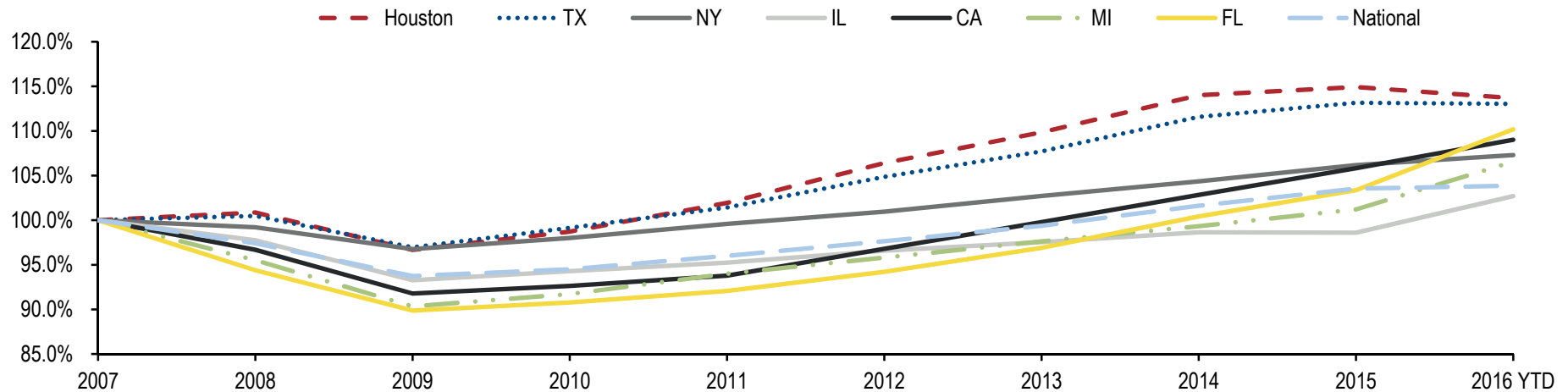
Source: Greater Houston Partnership and BLS.

Year Over Year Industry Employment Growth



Source: BLS, February 2016.

Indexed Job Growth Since the "Great Recession"



Source: SNL Financial; Bureau of Labor Statistics as of March 2016.
 Note: Per BLS, March jobs numbers are preliminary figures.

Houston Market: Growth Drivers

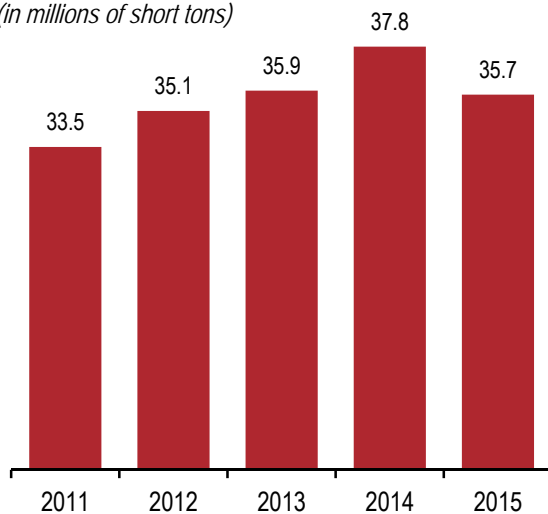
The Port of Houston, TMC, and construction drive economic growth and stability

Port of Houston

- The Port of Houston is the U.S.'s largest port in foreign tonnage and second largest in total tonnage supporting over one million jobs
- Expansion of Panama Canal 97% completed and expected to be finished in May 2016

Port of Houston Total Tonnage

(in millions of short tons)



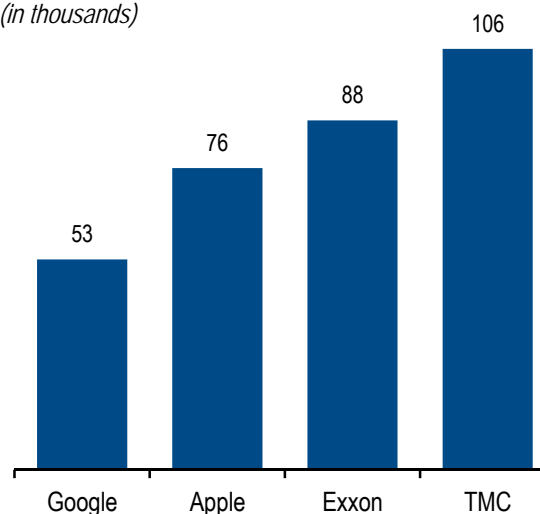
Source: PHA Market Development, PHA Accounting.

Texas Medical Center

- TMC is the world's largest medical complex, with 8 million patient visits annually and an estimated annual economic impact of \$15B

Number of Employees

(in thousands)



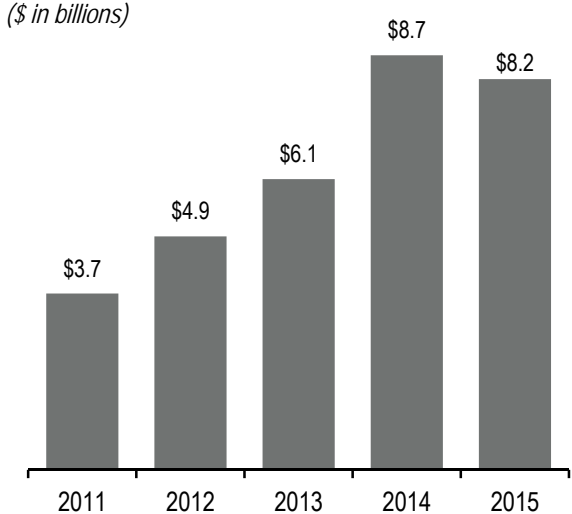
Source: Texas Medical Center.

Construction

- City of Houston building permits totaled \$8.2 billion in 2015, down 5.2 percent from \$8.7 billion in 2014

Building Permits

(\$ in billions)



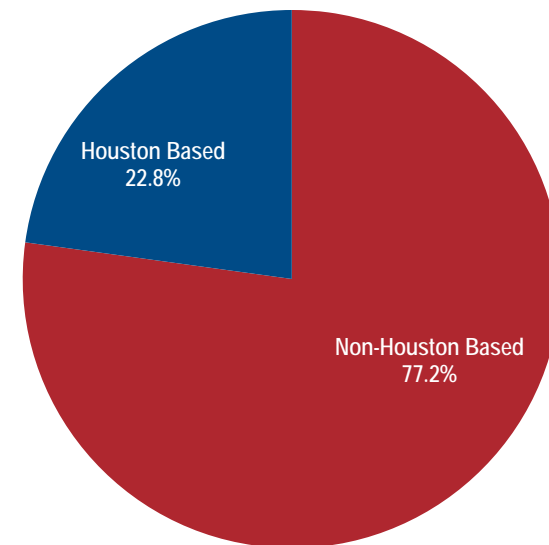
Source: City of Houston Department of Public Works & Engineering Planning & Development Services

Houston MSA Banking Landscape

Houston Market Share Analysis

Rank	Bank	2015 Total Deposits in Houston MSA (\$000)	2015 Houston MSA Deposit Market Share
1	JPMorgan Chase & Co. (NY)	\$ 84,388,079	40.9%
2	Wells Fargo & Co. (CA)	25,158,379	12.2%
3	Bank of America Corp. (NC)	19,070,913	9.2%
4	BBVA	13,470,165	6.5%
5	Zions Bancorp. (UT)	9,851,378	4.8%
6	Prosperity Bancshares Inc. (TX)	4,694,516	2.3%
7	Cullen/Frost Bankers Inc. (TX)	4,074,856	2.0%
8	Capital One Financial Corp. (VA)	3,960,214	1.9%
9	Comerica Inc. (TX)	3,621,301	1.8%
10	Woodforest Financial Grp Inc. (TX)	3,079,743	1.5%
11	Cadence Bancorp LLC (TX)	2,533,903	1.2%
12	Texas Capital Bancshares Inc. (TX)	2,169,138	1.1%
13	Regions Financial Corp. (AL)	2,015,075	1.0%
14	Green Bancorp Inc. (TX)	1,995,462	1.0%
15	<i>Allegiance Bancshares Inc. (TX)</i>	<i>1,610,318</i>	<i>0.8%</i>
16	BOK Financial Corp. (OK)	1,545,336	0.8%
17	IBERIABANK Corp. (LA)	1,438,275	0.7%
18	Moody Bancshares Inc. (TX)	1,420,645	0.7%
19	CBFH Inc. (TX)	1,363,283	0.7%
20	Independent Bk Group Inc. (TX)	1,141,698	0.6%
21	East West Bancorp Inc. (CA)	1,050,697	0.5%
22	BB&T Corp. (NC)	980,479	0.5%
23	Industry Bancshares Inc. (TX)	955,469	0.5%
24	Post Oak Bancshares Inc. (TX)	926,854	0.5%
25	Texas Independent Bcshs Inc. (TX)	805,201	0.4%
Non-Top 25 Banks in Houston MSA		\$ 13,106,018	6.3%
Houston MSA Total Deposits		\$ 206,427,395	100.0%

Number of Banks Operating in Houston



Source: SNL Financial. Deposit data as of June 30, 2015.

Note: Number of banks operating in the Houston, TX MSA as of April 26, 2016.