

# Allegiance Bancshares, Inc.

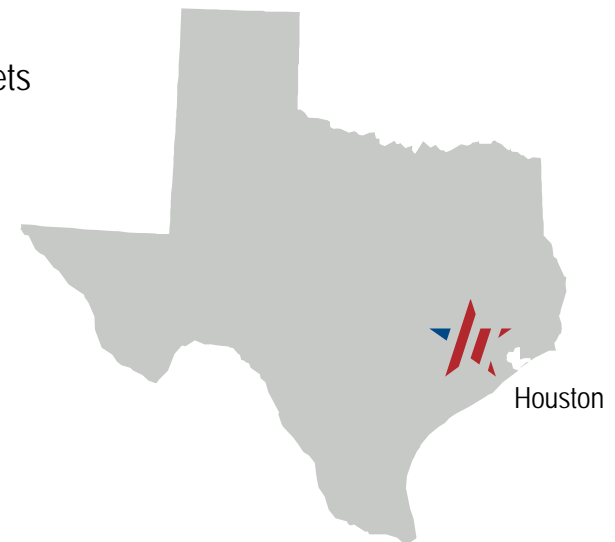
NASDAQ: ABTX  
Investor Presentation  
February 2016

# Safe Harbor Statement

- “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This presentation may contain forward-looking statements within the meaning of the securities laws that are based on various facts and derived utilizing important assumptions, present expectations, estimates and projections about Allegiance and its subsidiaries. These statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts, although not all forward looking statements include the foregoing. Forward-looking statements include the information concerning Allegiance’s future financial performance, business and growth strategy, projected plans and objectives, as well as projections of macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Such forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, many of which are outside of Allegiance’s control, which may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include but are not limited to whether Allegiance can: continue to develop and maintain new and existing customer and community relationships; successfully implement its growth strategy, including identifying suitable acquisition targets and integrating the businesses of acquired companies and banks; continue to sustain its current internal growth rate; provide quality and competitive products and services that appeal to its customers; continue to have access to debt and equity capital markets; and achieve its performance objectives. These and various other factors are discussed in the Company’s prospectus, filed with the Securities and Exchange Commission on October 8, 2015 pursuant to Rule 424(b)(4) under the Securities Act of 1933 relating to the Company’s Registration Statement on Form S-1, as amended (Registration No. 333-206536) that was declared effective by the SEC on October 7, 2015, and other reports and statements Allegiance has filed with the Securities and Exchange Commission. Copies of such filings are available for download free of charge from the Investor Relations section of the website at [www.allegiancebank.com](http://www.allegiancebank.com). Any forward-looking statement made by the Company in this presentation speaks only as of the date on which it is made. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

# 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 \$2.1 billion in total assets as of December 31, 2015
- 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

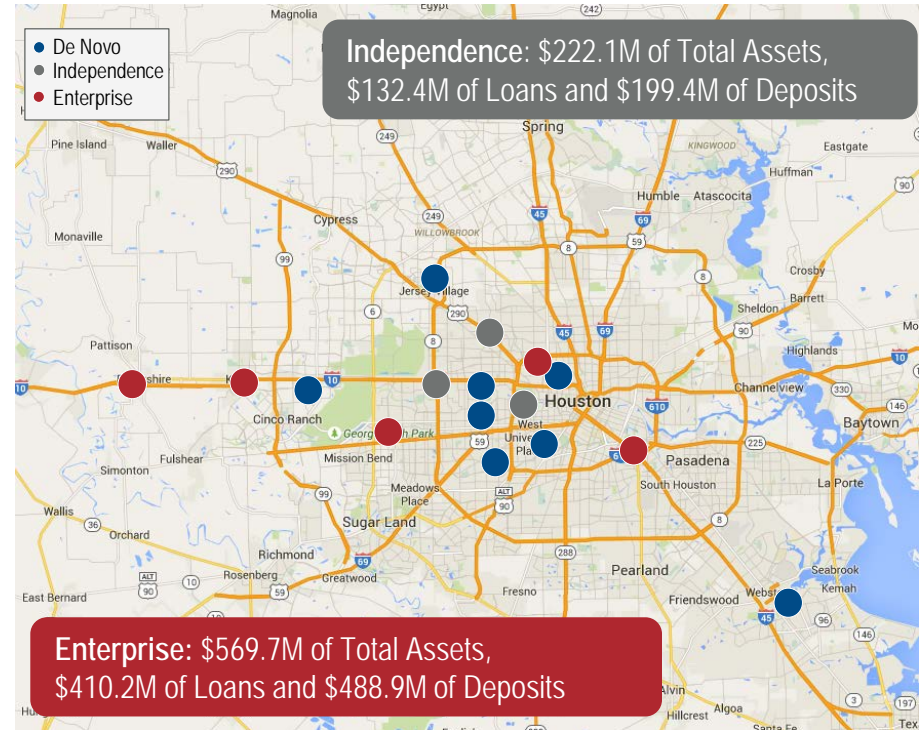
### Organic Growth:

- 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 4<sup>th</sup> largest Bank Holding Company headquartered in the Houston MSA<sup>(1)</sup>***

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

- Sterling Bank  
Co-founded in 1974

- Sterling Bank
- Retzlaff Industries

- Sterling Bank
- Charter National Bank

- Sterling Bank
- Bank of Alameda

- Cadence Bancorp
- Amegy Bank

- Independence Bank
- Sterling Bank

- Bank of Texas
- Amegy Bank
- Sterling Bank

## Education

- Rice University

- Georgia Tech
- Wake Forest (MBA)

- University of Texas

- University of Texas
- Sam Houston St. (MBA)

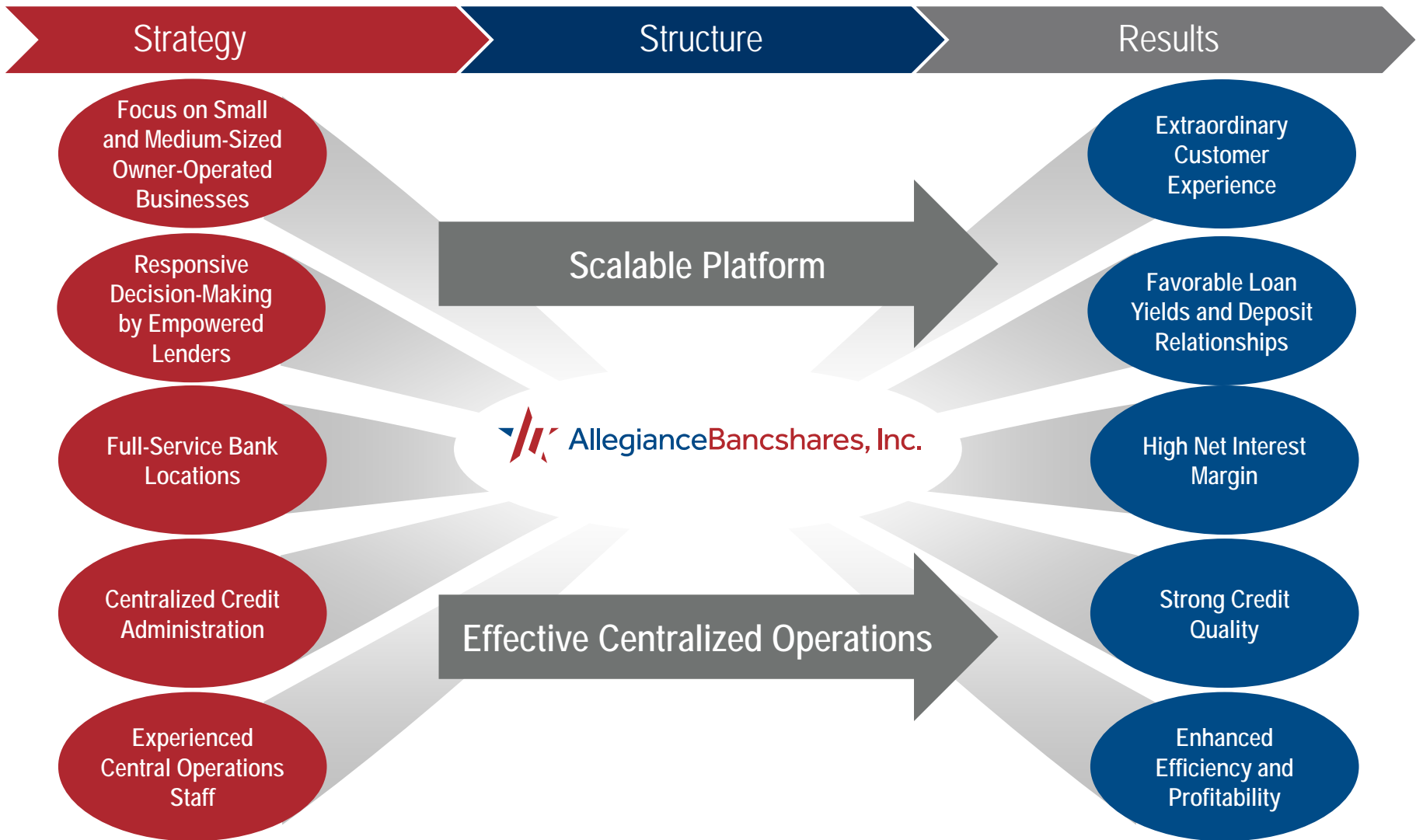
- Texas A&M University

- University of Houston (MBA)

- Auburn University

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

# Our Super-community Banking Strategy



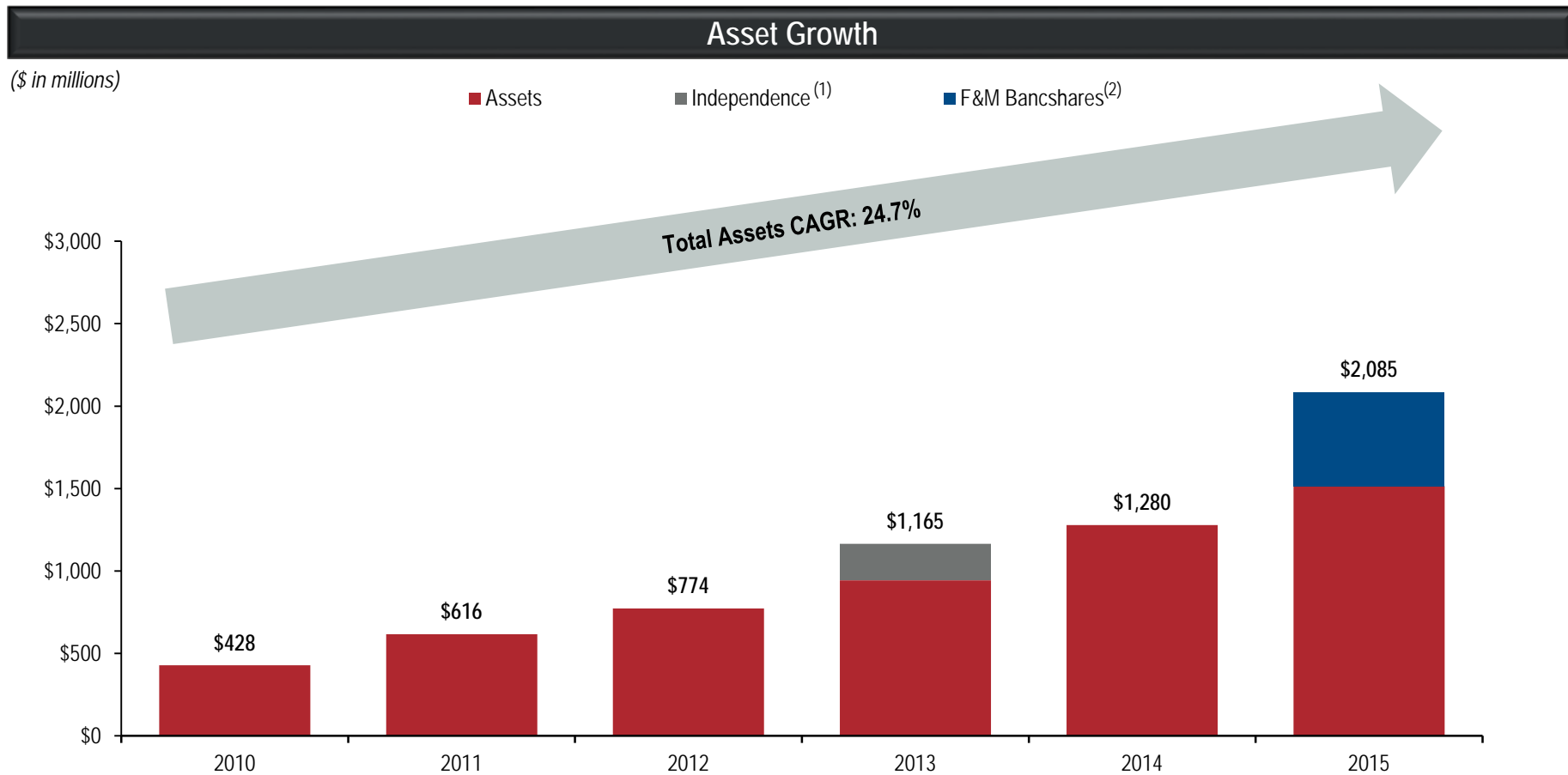
# Financial Highlights

(\$ in millions, except EPS)

	Three-months ended,			Year ended,		
	12/31/2015	9/30/2015	% Change	12/31/2015	12/31/2014	% Change
<b>Profitability</b>						
Earnings per Common Share, Diluted	\$ 0.33	\$ 0.40	(17.5%)	\$ 1.43	\$ 1.26	13.5%
Weighted Average Shares Outstanding	12,589	10,003	25.9%	10,654	7,142	49.2%
Net Interest Income	\$ 21.3	\$ 20.4	4.2%	\$ 80.2	\$ 46.8	71.2%
Provision for Loan Losses	2.2	1.5	41.1%	5.8	2.2	169.4%
Noninterest Income	1.0	1.2	(18.6%)	4.0	2.6	53.1%
Noninterest Expense	13.9	13.9	(0.0%)	54.8	33.5	63.8%
Net Income	4.2	4.2	(0.2%)	15.8	9.0	75.3%
Net Income Attributable to Common Stockholders	4.2	4.0	4.1%	15.2	9.0	69.1%
Net Interest Margin (TE)	4.60%	4.61%		4.68%	4.31%	
Efficiency Ratio	62.40%	65.04%		65.27%	67.79%	
<b>Balance Sheet</b>						
Assets	\$ 2,084.6	\$ 2,012.4	3.6%	\$ 2,084.6	\$ 1,280.0	62.9%
Gross Loans (including loans held for sale)	1,681.1	1,616.4	4.0%	1,681.1	1,002.1	67.8%
Deposits	1,759.1	1,656.5	6.2%	1,759.1	1,133.7	55.2%
Total Stockholder's Equity	258.5	196.0	31.9%	258.5	131.8	96.2%
Equity to Assets	12.40%	9.74%		12.40%	10.30%	
<b>Asset Quality</b>						
Nonperforming Assets to Total Assets	0.30%	0.31%		0.30%	0.25%	
Nonperforming Loans to Total Loans	0.36%	0.38%		0.36%	0.32%	
Allowance for Loan Losses to Nonperforming Loans	217.03%	181.15%		217.03%	258.98%	
Allowance for Loan Losses to Total Loans	0.78%	0.69%		0.78%	0.82%	
Net Charge-offs to Average Loans (Annualized)	0.06%	0.16%		0.06%	0.00%	



# Historical Balance Sheet Growth



**Since inception in 2007, we have grown total assets to \$2.1 billion, which ranks 6<sup>th</sup> out of 170 banks founded in that year as of the most recent quarter**

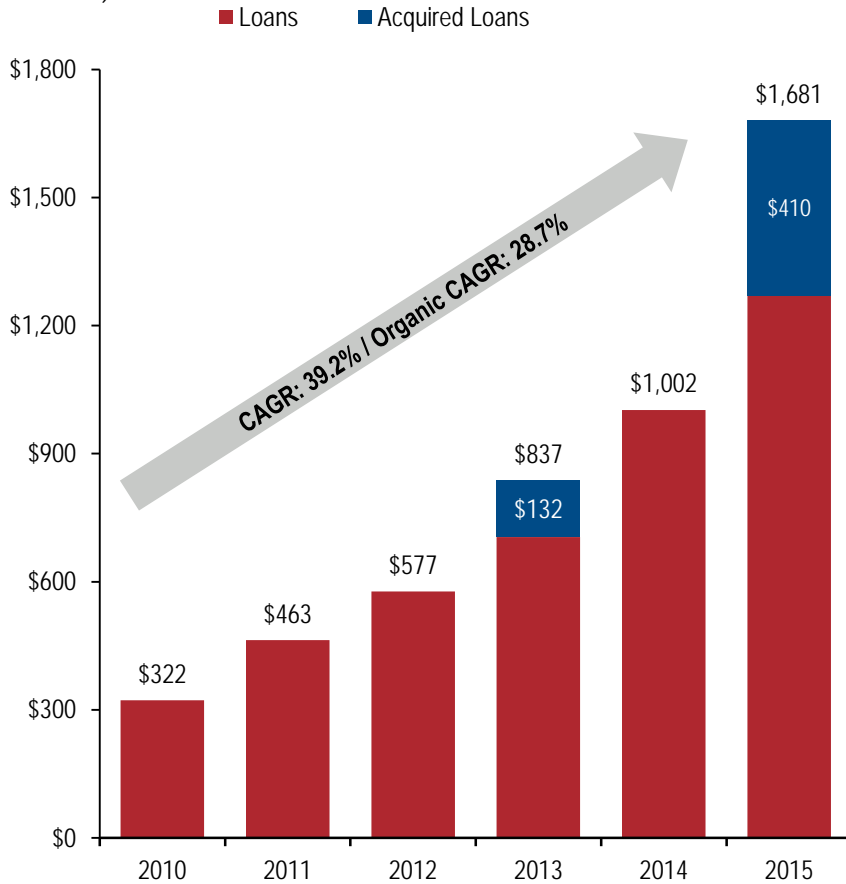
(1) The Independence acquisition added \$222.1 million of assets in 2013.  
 (2) The F&M Bancshares acquisition added \$569.7 million of assets in 2015.



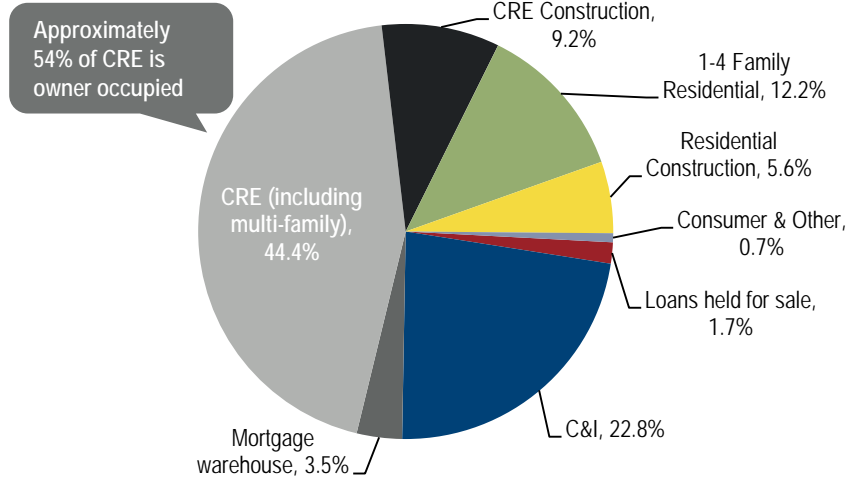
# Continued Organic Loan Growth

## Loan Growth

(\$ in millions)



## Loan Composition (as of December 31, 2015)



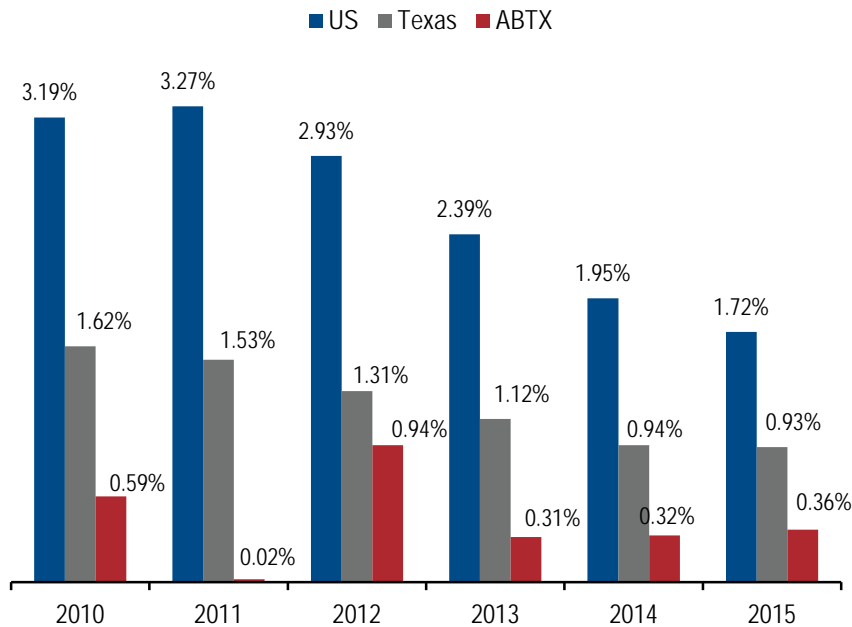
## Loan Portfolio (as of December 31, 2015)

Loans held for sale	\$ 27.9
C&I	383.0
Mortgage warehouse	59.1
CRE (including multi-family)	745.6
CRE Construction	154.6
1-4 Family Residential	205.2
Residential Construction	93.8
Consumer & Other	11.8
<b>Gross Loans</b>	<b>\$ 1,681.1</b>

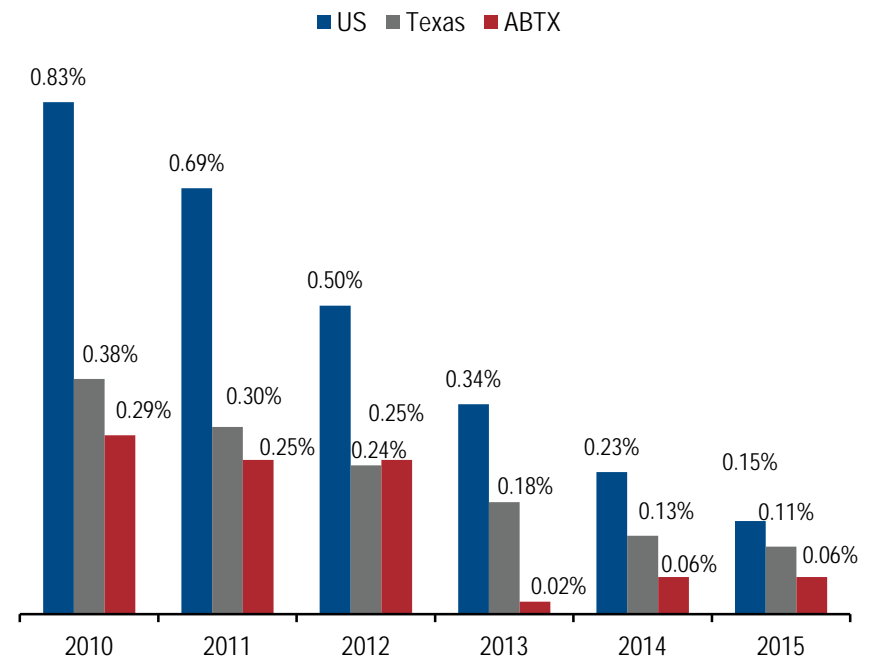
# Strong Credit Quality

- Allowance for loan losses was \$13.1 million, or 0.78% of loans and 217.0% of nonperforming loans, as of December 31, 2015
  - Excluding the F&M transaction, the allowance for loan losses would have been 0.90% of loans
- Nonperforming assets were \$6.2 million, or 0.30% of total assets, as of December 31, 2015
- Less than 2.7% of our loan portfolio has exposure to the energy industry and none is oil reserve/production-based

NPLs / Total Loans<sup>(1)</sup>



NCOs / Avg. Loans<sup>(1)</sup>

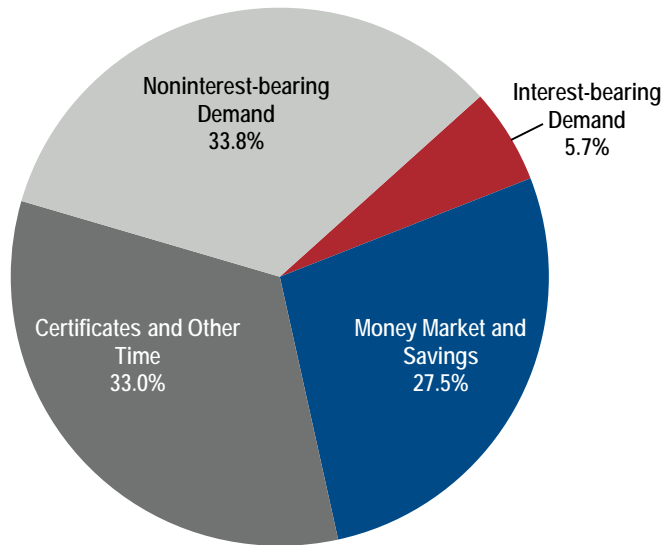


(1) US and Texas peer groups are calculated as an average for all regulated depository commercial banks. Financial data as of most recent quarter.

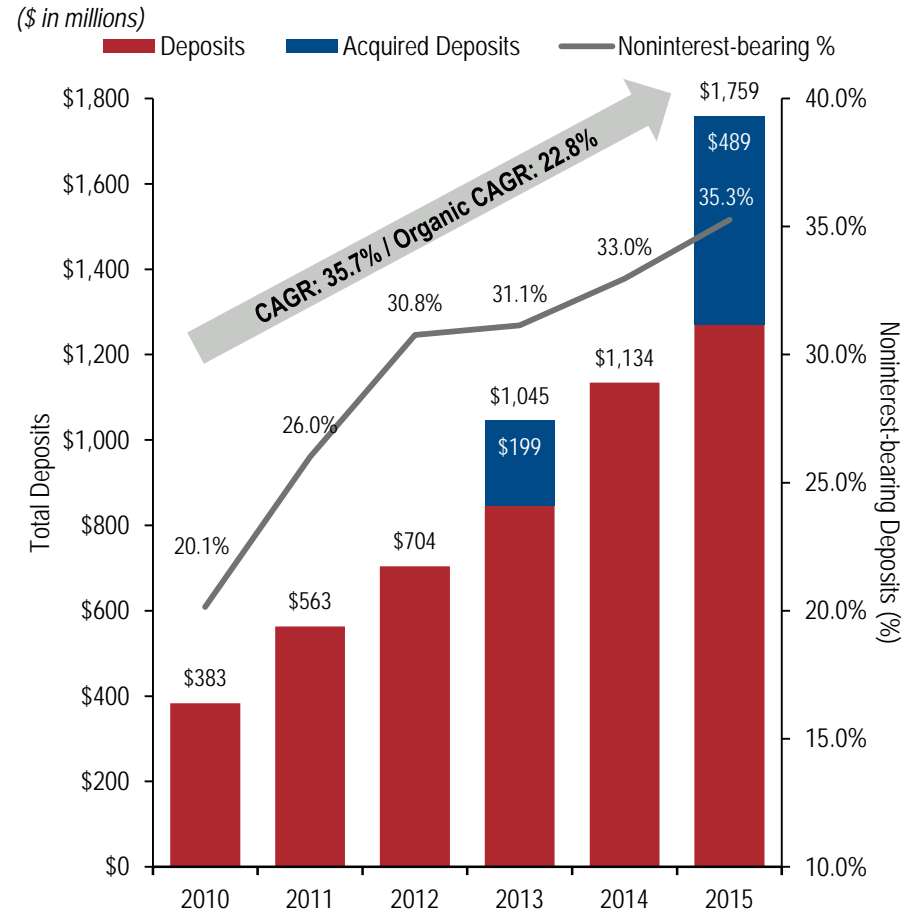
# Improved Deposit Sourcing and Composition

- Average cost of deposits was 0.44% for the year ended December 31, 2015

Deposit Composition (as of September 30, 2015)



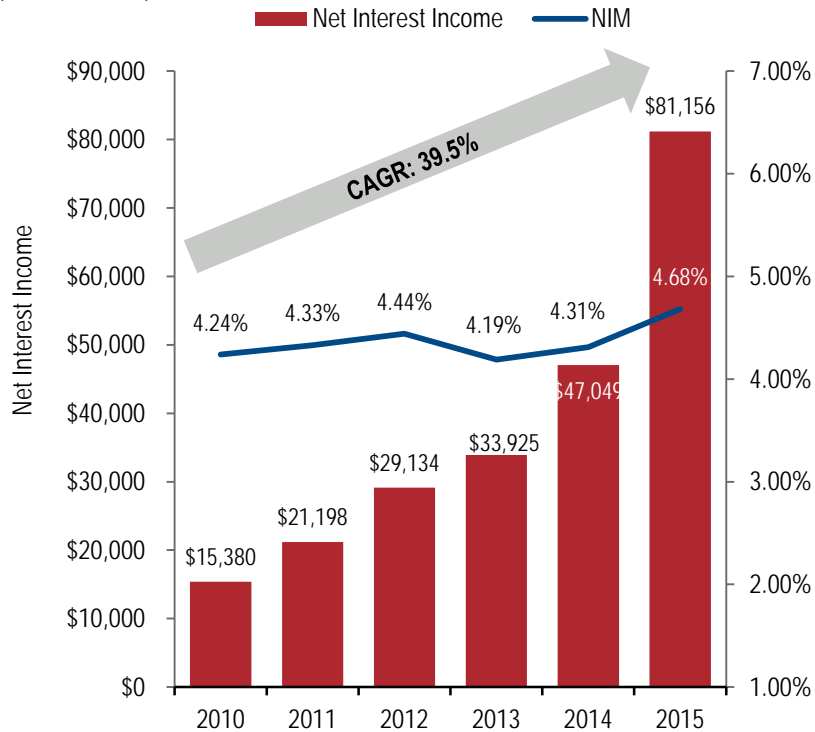
Deposit Growth



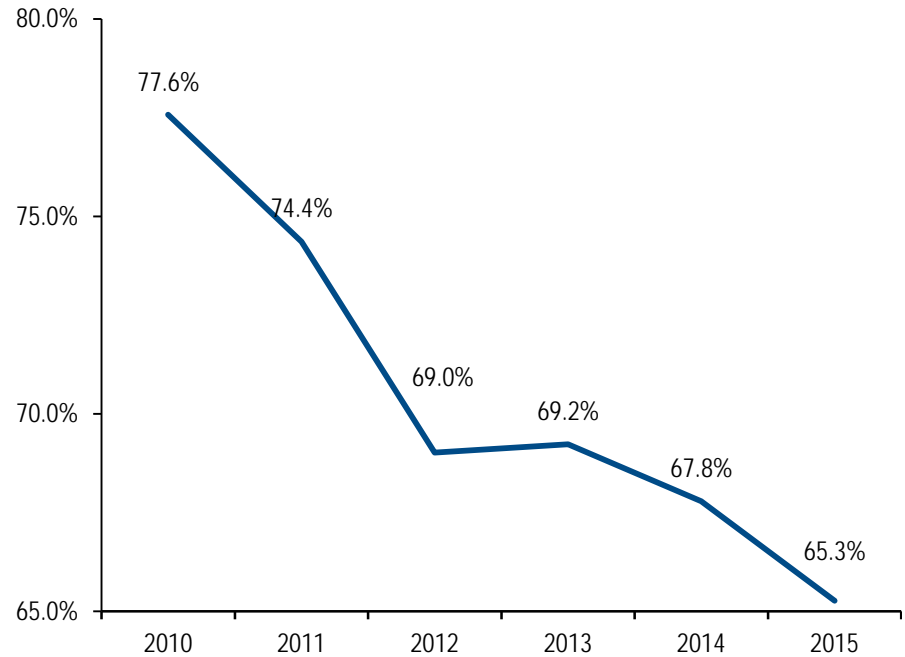
# Net Interest Income Growth and Improved Efficiency

## Net Interest Income and Net Interest Margin (TE)

(\$ in thousands)



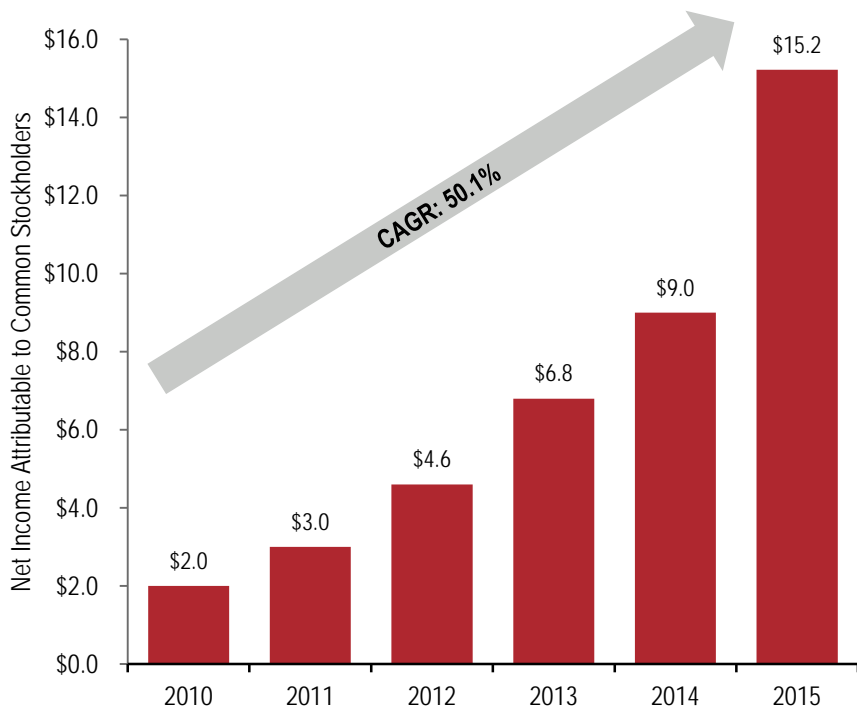
## Efficiency Ratio



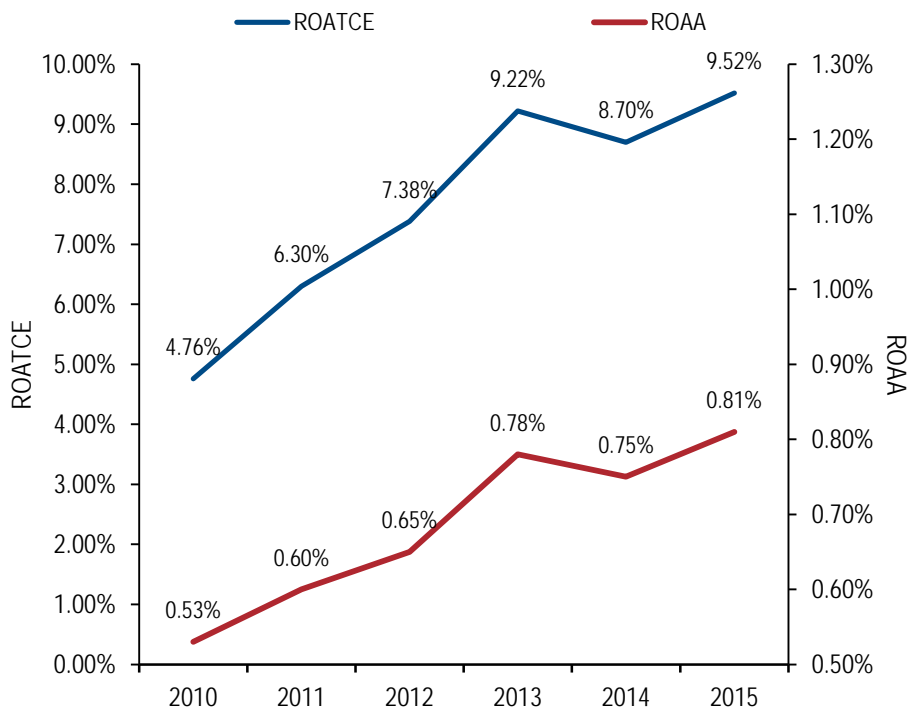
# Exceptional Earnings Growth and Performance

## Net Income Growth

(\$ in millions)



## ROATCE and ROAA

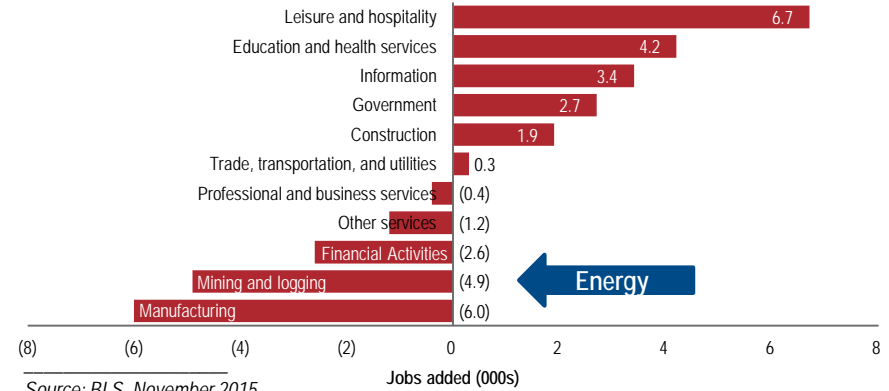


# Dynamic Houston Market

- 5<sup>th</sup> largest MSA in the U.S. with over 6.7 million people
- 2<sup>nd</sup> largest home to Fortune 500 companies in the U.S. with 24
- Increasingly diversified economy including the Port of Houston and Texas Medical Center
- Houston added 33,800 jobs in the service-providing sectors since December 2014, with the largest number of jobs being added in accommodation and food services, health care and social assistance, and government

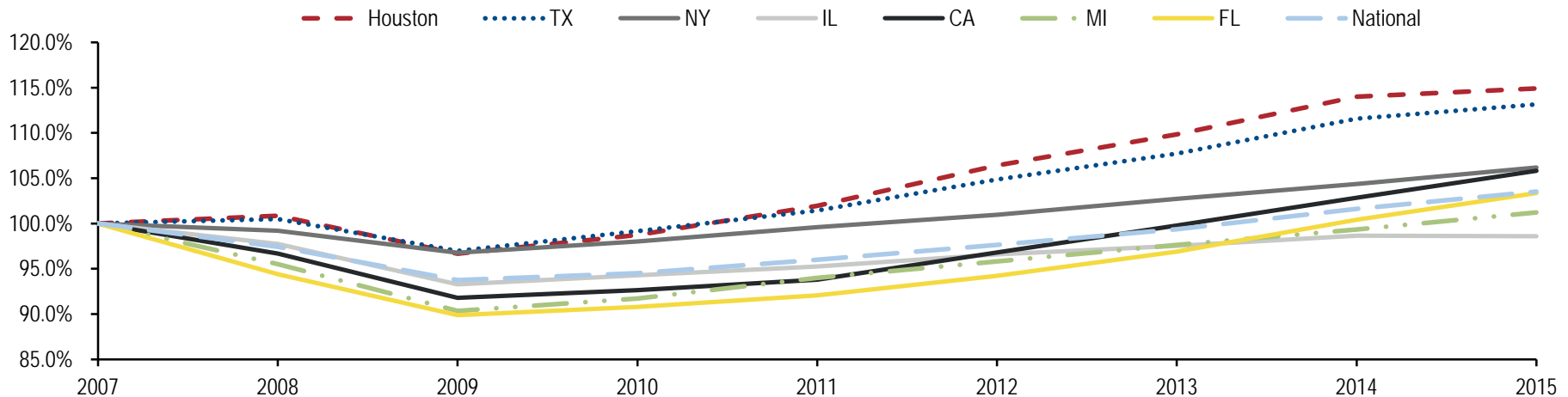
Source: Greater Houston Partnership and BLS.

## Year Over Year Industry Employment Growth



Source: BLS, November 2015.

## Indexed Job Growth Since the "Great Recession"



Source: SNL Financial; Bureau of Labor Statistics as of December 2015.  
 Note: Per BLS, December jobs numbers are preliminary figures.

# Houston Market: Growth Drivers

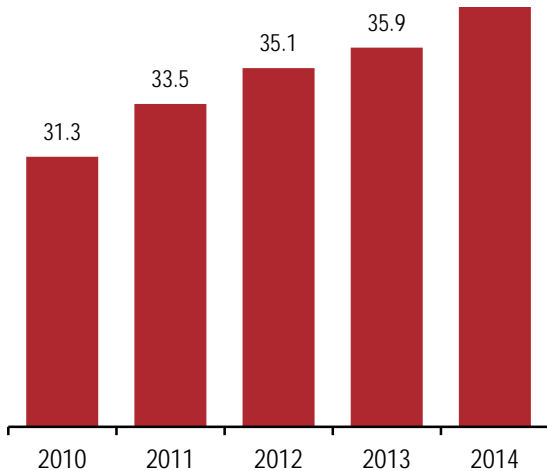
*The Port of Houston, TMC, and construction drive economic growth and stability*

## 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 over 90% completed and expected to be finished in May 2016

## Port of Houston Total Tonnage

(in millions of short tons)



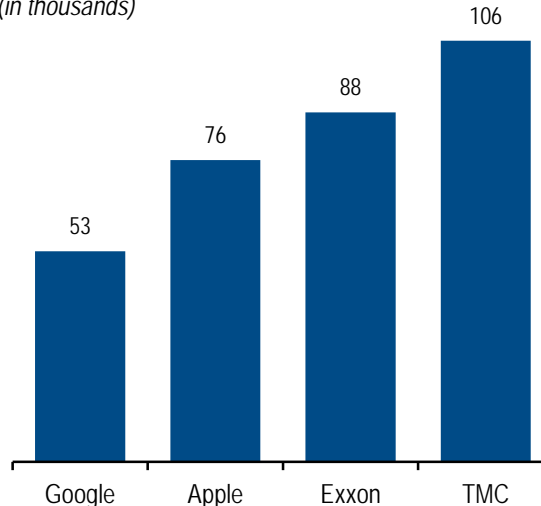
Source: PHA Market Development, PHA Accounting.

## Texas Medical Center

- TMC is the world's largest medical complex, with 7.2 million patient visits annually and an estimated annual economic impact of \$15B

## Number of Employees

(in thousands)



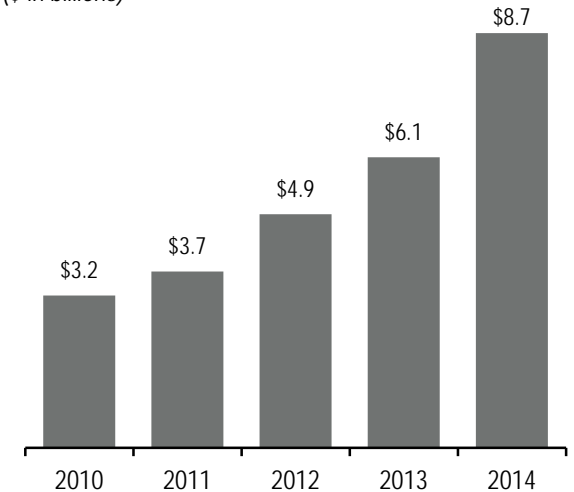
Source: Texas Medical Center.

## Construction

- Building permits totaled \$7.6 billion for the first 11 months of 2015, down 5.3% from \$8.0 billion in the same period last year

## Building Permits

(\$ in billions)



Source: Greater Houston Partnership via the City of Houston.

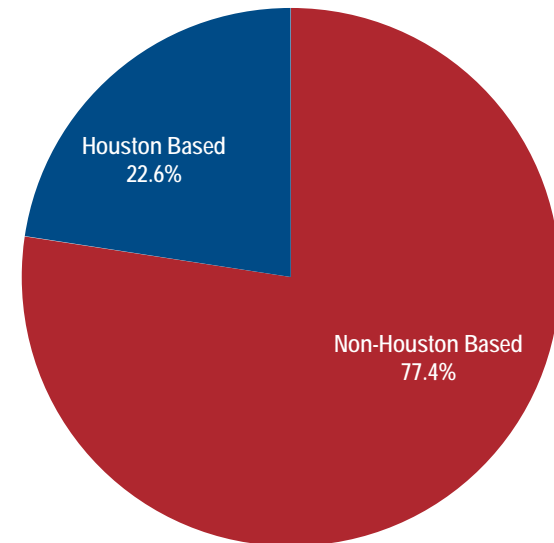


# Houston MSA Banking Landscape

## 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	<b>Allegiance Bancshares Inc. (TX)</b>	<b>1,610,318</b>	<b>0.8%</b>
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%
<b>Non-Top 25 Banks in Houston MSA</b>		<b>\$ 13,106,018</b>	<b>6.3%</b>
<b>Houston MSA Total Deposits</b>		<b>\$ 206,427,395</b>	<b>100.0%</b>

## 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 January 27, 2015.