



## Compensation Committee Charter

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### ORGANIZATION

There shall be a permanent committee of the Board of Directors (the "Board") of Allegiance Bancshares Inc. (the "Company") known as the Compensation Committee (the "Committee").

### COMPOSITION AND SELECTION

The Committee shall consist of three or more directors as determined from time to time by the Board upon recommendation by the Corporate Governance and Nominating Committee of the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the NASDAQ Stock Market ("NASDAQ"), Securities and Exchange Commission ("SEC") rules and regulations and any additional requirements that the Board deems appropriate.

Each member of the Committee must meet the following criteria:

1. be an "independent director" as defined under the applicable NASDAQ rules, regulations and listing requirements, except as may otherwise be permitted by the NASDAQ rules;
2. satisfy the independence requirements and additional independence criteria under Rule 10C-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act");
3. be a "non-employee director," as defined in Rule 16b-3 under the Exchange Act;
4. be an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code");
5. be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member; and
6. meet any other requirements imposed by applicable law, regulations or rules, subject to any applicable exemptions and transition provisions, as well as any additional requirements that the Board may deem appropriate.

The chairperson of the Committee shall be designated by the Board, provided that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.

Any vacancy on the Committee shall be filled by majority vote of the Board upon recommendations by the Nominating and Corporate Governance Committee. No member of the Committee shall be removed except by majority vote of the Board.

**MEETINGS AND PROCEDURES**

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but not less than twice a year. The Chairman of the Committee, any two members of the Committee or, at the request of any Committee member, the Chairman of the Board of the Company may call meetings of the Committee. Meetings of the Committee may be held telephonically and any member may participate in any meeting telephonically.

The Committee shall appoint a secretary for the Committee, who shall be responsible for maintaining minutes of Committee meetings and records of the conduct of Committee business. The secretary need not be a director or a member of the Committee.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

Except as set forth in this Charter or the Bylaws, the Committee will establish its own procedures for the conduct of Committee business.

The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Committee (or portions thereof) or meet with any members of, or consultants to, the Committee; provided, that the Chief Executive Officer of the Company may not be present during any portion of a Committee meeting in which deliberation or any vote regarding his or her compensation occurs. The Committee shall meet periodically in separate executive sessions without management personnel present.

**PURPOSE OF THE COMMITTEE**

The Committee shall provide assistance to the Board in fulfilling its responsibilities relating to the compensation practices of the Company. In particular, the Committee shall:

1. discharge the Board's responsibilities relating to compensation of directors, officers and senior managers;
2. oversee, evaluate, maintain and advise the Board regarding overall compensation policies and structure, and stock ownership, pension, profit sharing and other benefit plans and programs, for directors, officers, senior managers and employees;
3. review and discuss with management the Compensation Discussion and Analysis when applicable and as required by the rules and regulations of the SEC and, based on its review and discussion, determine whether to recommend to the Board that the Compensation Discussion and Analysis be included in the Company's annual proxy statement; and
4. prepare the report of the Committee when applicable and as required by the rules and regulations of the SEC to be included in the Company's annual proxy statement.

**COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Committee shall have the overall responsibility for approving and evaluating the Company's compensation plans, policies and programs related to compensation of the Company's directors, officers, senior managers and employees.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate.

The Committee shall have the sole authority, to the extent it deems necessary or appropriate, to retain, oversee, set the compensation and other terms of engagement of and terminate the retention of independent legal, accounting, and compensation or other advisors or consultants.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisors employed by the Committee.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and, if appropriate, recommend any proposed changes to the Board for approval. The Committee shall annually review and evaluate the Committee's own performance. The Committee shall conduct such review and evaluation in such manner as it deems appropriate and report the results of its review and evaluation to the entire Board.

In carrying out its responsibilities, the Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by (i) officers and other employees of the Company or its subsidiaries, whom such member believes to be reliable and competent in the matters presented, and (ii) counsel, public accountants, compensation consultants or other persons as to matters which the member believes to be within the professional competence of such person.

In carrying out its responsibilities, the Committee's policies and procedures will remain flexible, to best react to changing conditions and to ensure that the compensation policies of the Company are designed to attract and retain key executives responsible for the success of the Company and motivate senior management to enhance long-term stockholder value.

In carrying out these responsibilities, the Committee, to the extent it deems necessary or appropriate, shall:

Executive and Board Compensation

1. Annually review and approve the corporate goals and objectives relevant to the compensation of the individuals holding one or more of the positions of Chairman of the Board, Chief Executive Officer and President of the Company.
2. Annually review the Company's executive compensation plans and, if the Committee deems it appropriate, adopt or recommend to the Board the adoption of the new, or the amendment of existing, executive compensation plans.
3. Annually evaluate the performance of the Chief Executive Officer in light of the goals and objectives of the Company's executive compensation plans, and set his or her compensation level based on this evaluation. In determining the compensation and long-term incentive

- components of the Chief Executive Officer's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative stockholder return, the value of similar awards to chief executive officers of comparable companies, and the awards given to the Chief Executive Officer of the Company in past years. The Chief Executive Officer does not make recommendations to the Committee on his own pay levels. The Committee, in executive session and without members of Company management present, will recommend the pay levels for the Chief Executive Officer to be approved by the Board.
4. In consultation with the Chief Executive Officer, annually evaluate the performance of other officers and of the senior managers of the Company in light of the goals and objectives of the Company's executive compensation plans, and set his or her compensation levels based in this evaluation. In determining the compensation and long-term incentive components of these other officers' and senior managers' compensation, the Committee shall consider all relevant facts it deems necessary or advisable.
  5. Annually evaluate the form and appropriate level of compensation for Board and permanent committee services by non-employee members of the Board and present its findings and recommendations to the Board. In formulating its recommendations, the Committee shall give consideration to past director compensation practices, the form and nature of compensation of non-management directors of comparable public companies, the requirements for independence of non-management directors imposed by applicable laws and regulations, and the potential effect of compensation on such independence.
  6. Review and approve any severance or termination arrangements to be made with any director, officer or senior manager of Company.
  7. Perform such oversight or administrative duties and responsibilities as may be assigned to the Committee under the terms of any executive compensation plans.
  8. Review perquisites or other personal benefits to the Company's directors, officers or senior managers and recommend any changes to the Board.
  9. Review and approve in advance the contents of all regulatory filings related to compensation matters and prepare and issue an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with all applicable rules and regulations.
  10. Review and approve any employment contracts for officers or senior managers that are not terminable at will.
  11. Keep abreast of current developments in executive compensation and employee compensation practices outside the Company.
  12. From time to time as it deems appropriate, engage outside consultants to evaluate the compensation policies of the Company.
  13. Review the Company's policies regarding the tax deductibility of compensation paid to the Company's executive officers for purposes of Section 162(m) of the Internal Revenue Code,

including, but not limited to, establishing performance goals and certifying that such goals have been attained.

#### Incentive Compensation and Equity Based Plans

14. Annually review the Company's incentive and equity based compensation plans for officers, senior managers and other employees and, if the Committee deems it appropriate, adopt or recommend to the Board the adoption of new, or the amendment of existing, incentive or equity based compensation plans.
15. Oversee and administer, and perform such other duties and responsibilities as may be assigned to the Committee under the terms of, any incentive or equity based compensation plan, including, but not limited to, the Company's equity incentive plan and bonus program.

#### Other Compensation and Employee Benefit Plans

16. Annually review the Company's broad based compensation plans and benefit plans for employees generally and, if the Committee deems it appropriate, adopt or recommend to the Board the adoption of new, or the amendment of existing, broad based compensation and benefit plans.
17. Periodically review significant issues related to employee benefits whether or not the employee benefits are governed under the Employee Retirement Income Security Act of 1974.
18. Perform such duties and responsibilities as may be assigned to the Committee under the terms of the Company's broad based general compensation plans and other employee benefit plans.

#### General

19. Have and exercise such other powers, authority and responsibilities as may be determined by the Board.

The responsibilities and duties set forth above are meant to serve as a guide, with the understanding that the Committee may diverge from the specific duties enumerated as necessary or appropriate given the facts and circumstances.

#### **EVALUATION OF THE COMMITTEE**

The Committee shall, no less frequently than annually, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

## **VII. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel or other adviser retained by the Committee, and the Company will provide for appropriate funding, as determined by the Committee, for payment of compensation to any such compensation consultant, legal counsel or other adviser retained by the Committee. The Committee may select a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration all factors relevant to that person's independence from management, including the following:

1. The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
2. The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
3. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
5. Any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
6. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

The Committee shall conduct the independence assessment with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Committee, other than: (i) in-house legal counsel; and (ii) any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; or providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice.

Nothing herein requires a compensation consultant, legal counsel or other compensation adviser to be independent, only that the Committee consider the enumerated independence factors before selecting or receiving advice from a compensation consultant, legal counsel or other compensation adviser. The

Committee may select or receive advice from any compensation consultant, legal counsel or other compensation adviser it prefers, including ones that are not independent, after considering the six independence factors outlined above.

Nothing herein shall be construed: (1) to require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee; or (2) to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.

While the members of the Committee have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.