

A decorative graphic consisting of several overlapping, semi-transparent triangles in shades of red, pink, and light blue, arranged in a dynamic, abstract pattern.

# Allegiance Bancshares, Inc.

Third Quarter 2019  
Earnings Presentation

# Safe Harbor Statement and Non-GAAP Financial Measures

"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. These statements preceded by, followed by or that otherwise include the words "believes," "expects," "continues," "anticipates," "intends," "projects," "estimates," "potential," "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 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; 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 Allegiance's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and in 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 Allegiance's website at [www.allegiancebank.com](http://www.allegiancebank.com), under Financial Information, SEC Filings. Any forward-looking statement made by Allegiance in this presentation speaks only as of the date on which it is made. Factors or events that could cause Allegiance's actual results to differ may emerge from time to time, and it is not possible for Allegiance to predict all of them. Allegiance 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.

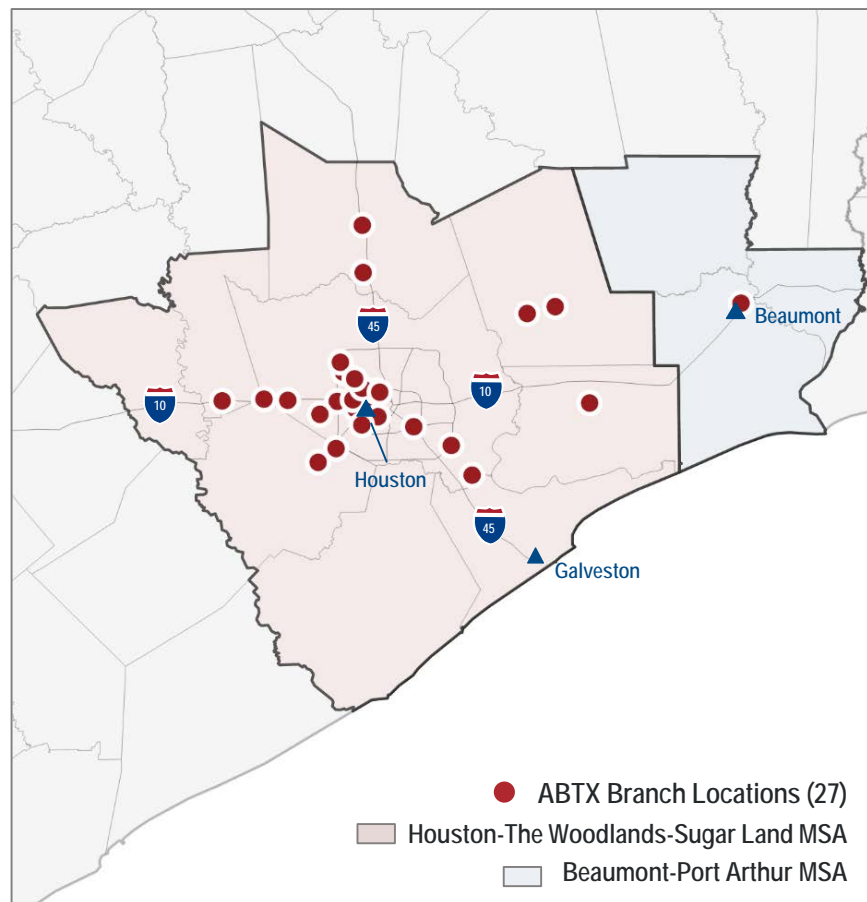
## GAAP Reconciliation of Non-GAAP Financial Measures

Allegiance's management uses certain non-GAAP financial measures to evaluate its performance. A reconciliation of the non-GAAP financial measures is included on page 10 of the earnings release issued concurrently herewith.

# Allegiance Bancshares, Inc. Overview

## Franchise Footprint

Holding Company for Allegiance Bank; Headquartered in Houston, Texas



## Company Overview

Providing full-service banking services for owner-operated businesses

### Operational History

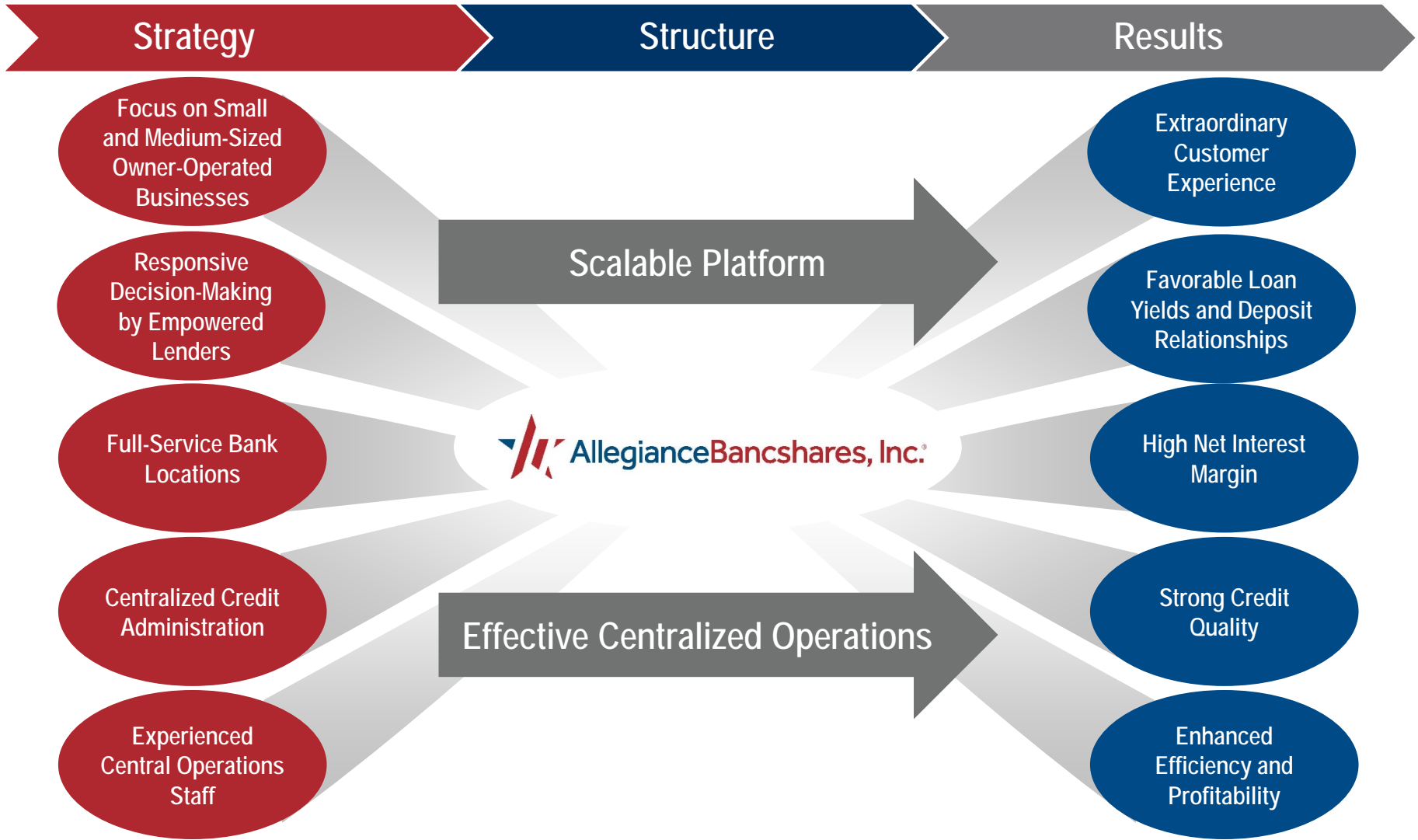
- ❖ **27 full-service banking locations and 1 loan production office**
  - 26 in the Houston-The Woodlands-Sugar Land MSA
  - 1 in the Beaumont-Port Arthur MSA, just outside of Houston
- ❖ **Since opening in 2007, we have completed three whole bank acquisitions and one branch transaction:**
  - 2019: LoweryBank branch acquisition with \$45.0 million in loans and \$16.0 million in deposits
  - 2018: Post Oak Bank, N.A. (Post Oak Bancshares, Inc.) with \$1.5 billion in total assets
  - 2015: Enterprise Bank (F&M Bancshares, Inc.) with \$569.7 million in total assets
  - 2013: Independence Bank, N.A. with \$222.1 million in total assets

### Financial Highlights

	(\$ in millions)	9/30/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Balance Sheet	Total Assets	\$ 4,905.8	\$ 4,655.2	\$ 2,860.2	\$ 2,450.9	\$ 2,084.6
	Total Loans	3,886.0	3,708.3	2,270.9	1,891.6	1,681.1
	Total Deposits	3,897.5	3,662.5	2,214.0	1,870.2	1,759.1
	Total Equity	706.3	703.0	306.9	279.8	258.5
Capital, Credit & Profitability	Loans/Deposits	99.71%	101.25%	102.57%	101.10%	95.60%
	NPAs/Assets	0.88%	0.72%	0.49%	0.75%	0.25%
	TCE/TA	9.86%	10.29%	9.38%	9.82%	10.48%
	NIM (tax equivalent)	4.16%	4.27%	4.34%	4.37%	4.68%
	ROAA*	0.98%	1.11%	0.65%	0.98%	0.81%
ROATCE*	10.33%	11.20%	6.93%	9.96%	9.52%	

\* Annualized as of 3Q 2019.

# Our Super-Community Banking Strategy



# Deposit Market Share - Houston-The Woodlands-Sugar Land MSA

Institution (ST)	2019 <sup>(1)</sup>						2018 <sup>(1)</sup>		Size <sup>(2)</sup> Profile
	2019 Rank	2018 Rank	Number of Branches	Total Deposits In Market (\$000)	Total Market Share (%)	% of Company Deposits	Total Deposits In Market (\$000)	Total Market Share (%)	
<b>Houston-The Woodlands-Sugar Land, TX</b>									
JPMorgan Chase & Co. (NY)	1	1	187	\$ 109,965,045	45.51	8.4%	\$ 103,057,848	43.11	>\$1T
Wells Fargo & Co. (CA)	2	2	180	24,434,154	10.11	1.9%	26,411,254	11.05	>\$1T
Bank of America Corporation (NC)	3	3	112	23,786,677	9.84	1.8%	22,254,082	9.31	>\$1T
BBVA	4	4	75	14,210,493	5.88	19.5%	15,021,735	6.28	>\$100B
Zions Bancorp. NA (UT)	5	5	64	7,044,690	2.92	18.7%	9,824,855	4.11	>\$50B
Capital One Financial Corp. (VA)	6	7	35	4,965,521	2.06	2.0%	4,544,163	1.90	>\$100B
Prosperity Bancshares Inc. (TX)	7	6	58	4,631,023	1.92	19.3%	4,976,127	2.08	>\$30B
Cadence Bancorp. (TX)	8	9	12	4,481,925	1.85	30.8%	4,080,689	1.71	>\$10B
Woodforest Financial Grp Inc. (TX)	9	10	105	4,409,143	1.82	76.6%	4,038,486	1.69	>\$5B
Cullen/Frost Bankers Inc. (TX)	10	8	37	4,405,713	1.82	16.9%	4,483,002	1.88	>\$30B
<b>Allegiance Bancshares Inc. (TX)</b>	<b>11</b>	<b>11</b>	<b>26</b>	<b>3,756,314</b>	<b>1.55</b>	<b>97.2%</b>	<b>3,485,441</b>	<b>1.46</b>	<b>~\$4.8B</b>
Comerica Inc. (TX)	12	12	48	2,773,341	1.15	4.9%	3,000,429	1.26	>\$50B
Texas Capital Bancshares Inc. (TX)	13	13	2	2,076,055	0.86	9.0%	2,412,896	1.01	>\$20B
BOK Financial Corp. (OK)	14	15	11	1,684,815	0.70	6.6%	1,763,568	0.74	>\$30B
Veritex Holdings Inc. (TX)	15	14	13	1,648,921	0.68	26.7%	2,155,544	0.90	~\$8.0B
CBTX Inc. (TX)	16	18	17	1,586,058	0.66	57.0%	1,493,699	0.62	>\$3B
Independent Bk Group Inc. (TX)	17	20	13	1,393,536	0.58	12.1%	1,361,639	0.57	>\$10B
BB&T Corp. (NC)	18	19	22	1,352,952	0.56	0.4%	1,383,185	0.58	>\$100B
IBERIABANK Corp. (LA)	19	16	7	1,242,592	0.51	5.1%	1,681,272	0.70	>\$30B
Regions Financial Corp. (AL)	20	21	40	1,239,592	0.51	1.3%	1,307,352	0.55	>\$100B
<b>Total For Institutions In Market</b>			<b>1,409</b>	<b>\$ 241,615,471</b>			<b>\$ 239,052,549</b>		

Source: S&P Global Intelligence as of June 30, 2019.

(1) As of June 30 of the year shown, on a pro forma basis reflecting any announced acquisition.

(2) To date, on a pro forma basis reflecting any announced acquisition.

# Financial Highlights – Third Quarter 2019

## Balance Sheet Growth

- ❖ **Assets of \$4.91 billion, loans of \$3.89 billion, deposits of \$3.90 billion and shareholder's equity of \$706.3 million at September 30, 2019**
  - Core loan<sup>(1)</sup> growth of \$1.46 billion, or 60.9%, year over year to \$3.85 billion

## Profitability

- ❖ **Net income of \$12.0 million for the third quarter 2019 compared to \$14.2 million for the second quarter 2019 and \$8.9 million for the third quarter 2018**
- ❖ Third quarter 2019 earnings were impacted by:
  - \$1.4 million of pre-tax severance expense
  - \$676 thousand FDIC Small Bank Assessment Credit
- ❖ Efficiency ratio increased to 62.9% for the third quarter 2019 from 61.93% for the second quarter 2019 and decreased from 63.95% for the third quarter 2018

## Net Interest Margin

- ❖ **Net interest income decreased to \$44.8 million for the third quarter 2019 compared to \$45.6 million for the second quarter 2019 and increased from \$28.0 million for the third quarter 2018**
  - Net interest margin on a tax equivalent basis decreased to 4.16% for the third quarter 2019 from 4.33% for the second quarter 2019 and increased from 4.10% for the third quarter 2018
  - Core net interest margin<sup>(2)</sup> on a tax equivalent basis excludes the impact of acquisition accounting adjustments of \$2.0 million and was 3.97% for the third quarter 2019 compared to 4.07% for the second quarter 2019

## Recognitions and Awards

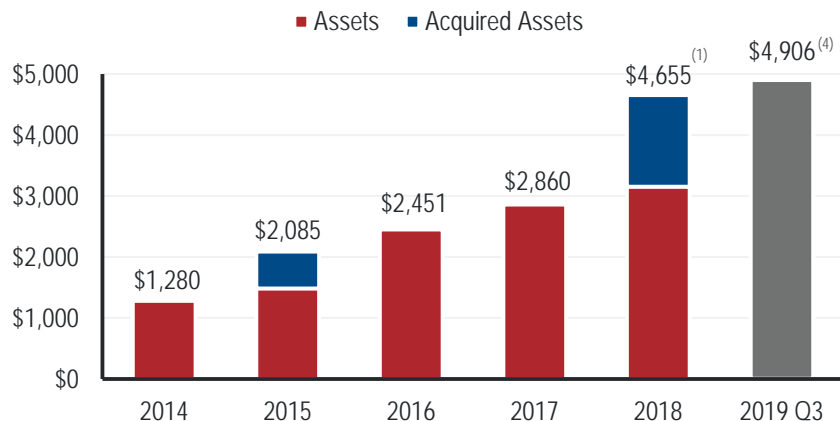
- ❖ Joined S&P SmallCap 600 GICS (Global Industry Classification Standard) Regional Banks Sub-Industry Index on October 11, 2019
- ❖ Recognized by the West Houston Assistance Ministries (WHAM) with the 2019 Community Builder Award for our commitment to social responsibility, our impact on initiatives supporting education, athletics, health and wellness, the underserved and our continued effort to make our community a better place

(1) Defined as total loans excluding mortgage warehouse.

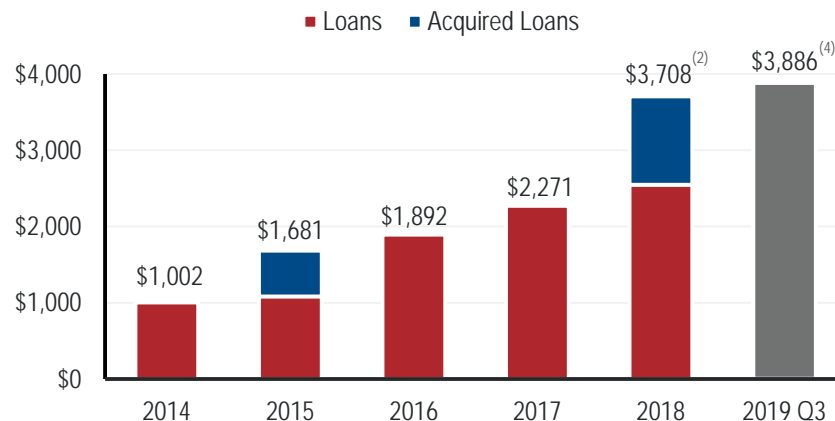
(2) Please refer to the non-GAAP reconciliation in the appendix.

# Historical Balance Sheet Growth

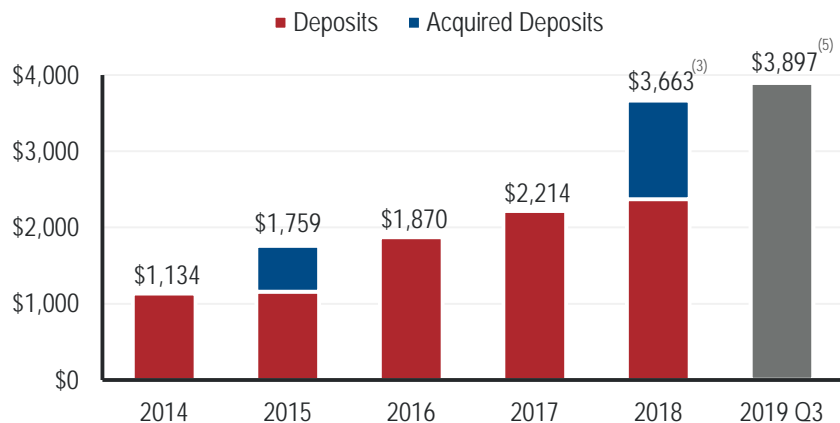
## Total Assets



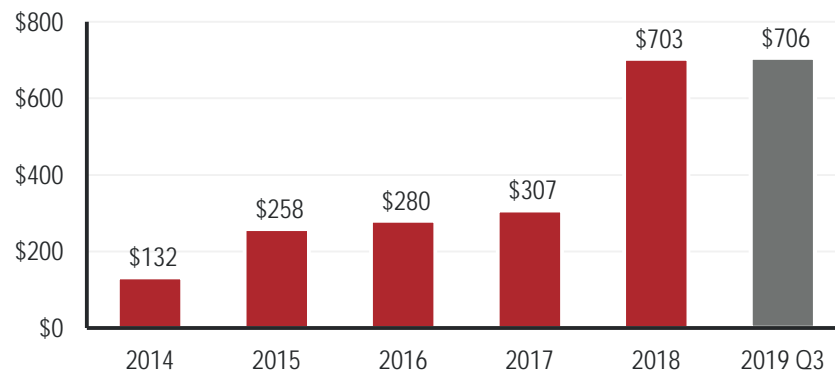
## Total Loans



## Total Deposits



## Total Equity



Note: Dollars in millions.

(1) Includes \$1.50 billion in assets acquired on October 1, 2018.

(2) Includes \$1.16 billion of acquired loans at fair value on October 1, 2018.

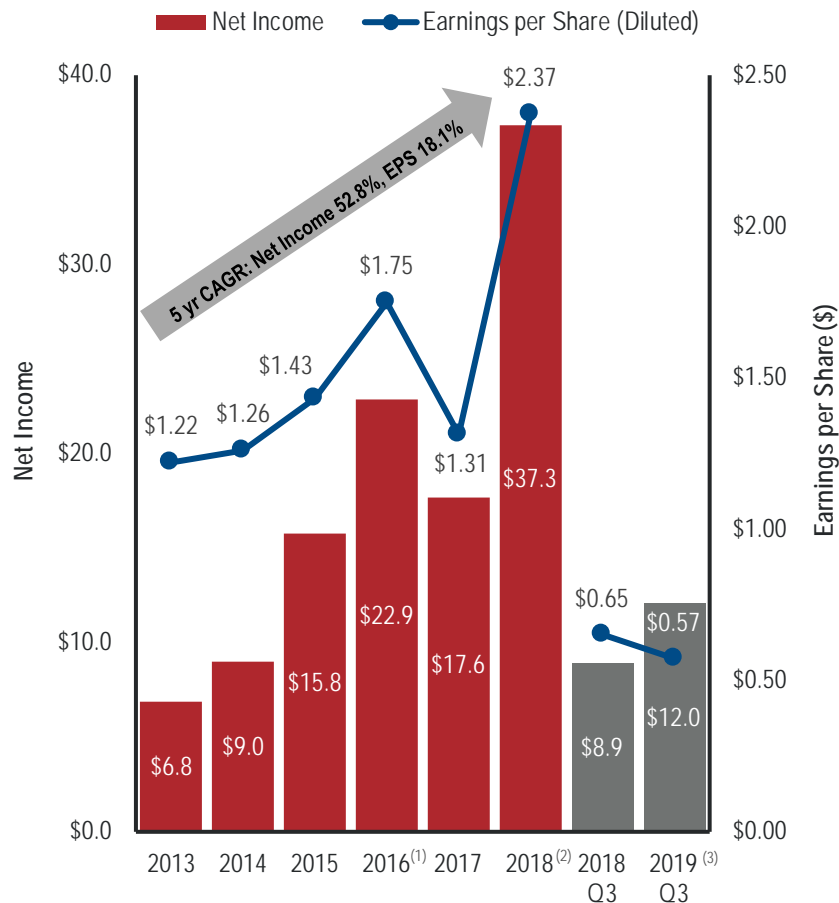
(3) Includes \$1.29 billion of acquired deposits on October 1, 2018.

(4) Includes \$45.0 million of loans acquired on February 1, 2019.

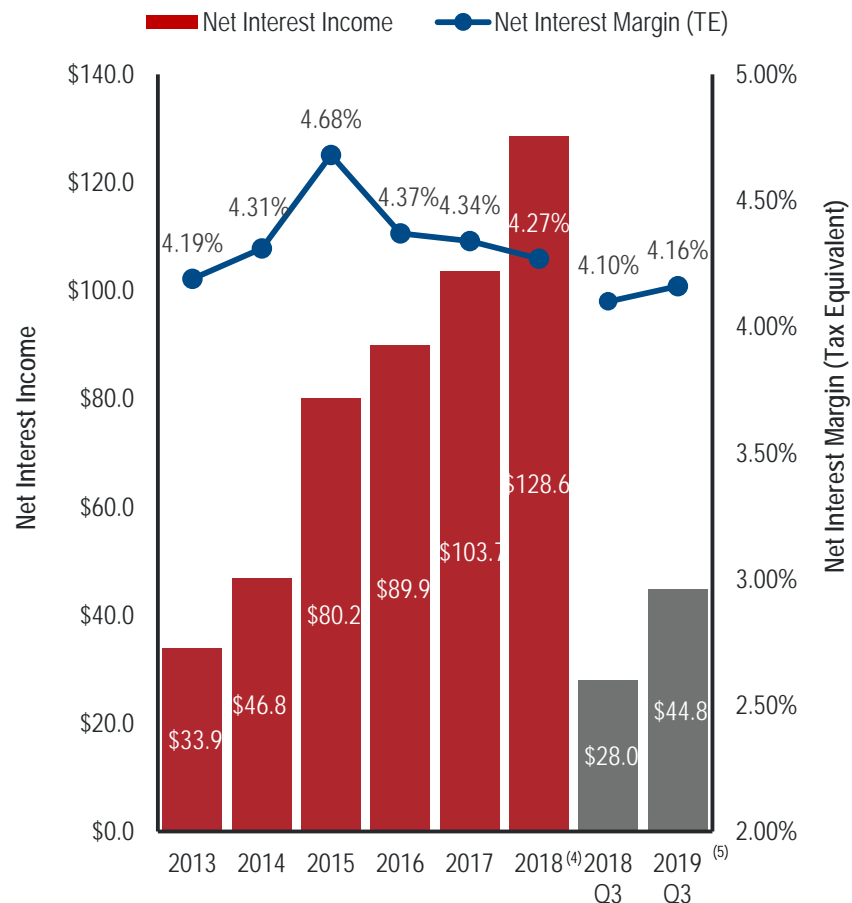
(5) Includes \$16.0 million of deposits acquired on February 1, 2019.

# Earnings Performance

## Net Income and Earnings per Share



## Net Interest Income and Net Interest Margin



Note: Dollars in millions, except per share numbers.

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

(2) Includes \$1.8 million and \$1.7 million of core system conversion and acquisition and merger-related expenses, respectively, and \$3.1 million of acquisition accounting adjustments.

(3) Includes \$2.0 million of acquisition accounting adjustments, \$1.4 million of pre-tax severance expense and a \$676 thousand FDIC Small Bank Credit

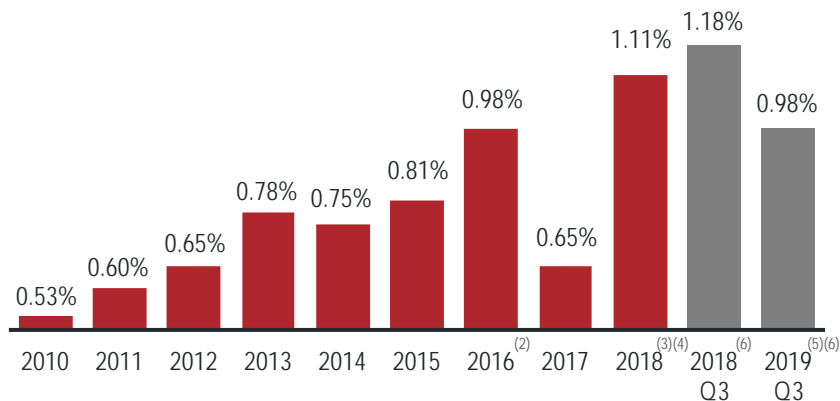
(4) Includes \$3.1 million of acquisition accounting adjustments; Core net interest margin (tax equivalent) adjusted for acquisition accounting adjustments was 4.17%. Please refer to the non-GAAP reconciliation in the appendix.

(5) Includes \$2.0 million of acquisition accounting adjustments; Core net interest margin (tax equivalent) adjusted for acquisition accounting adjustments was 3.97%. Please refer to the non-GAAP reconciliation in the appendix.

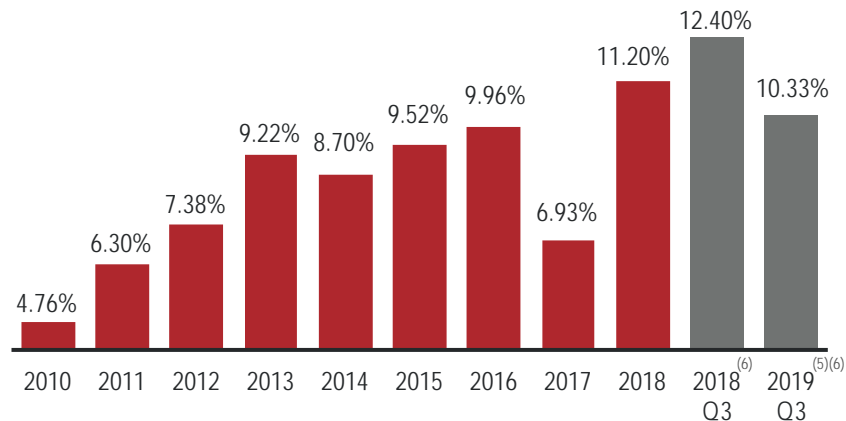


# Earnings Performance, continued

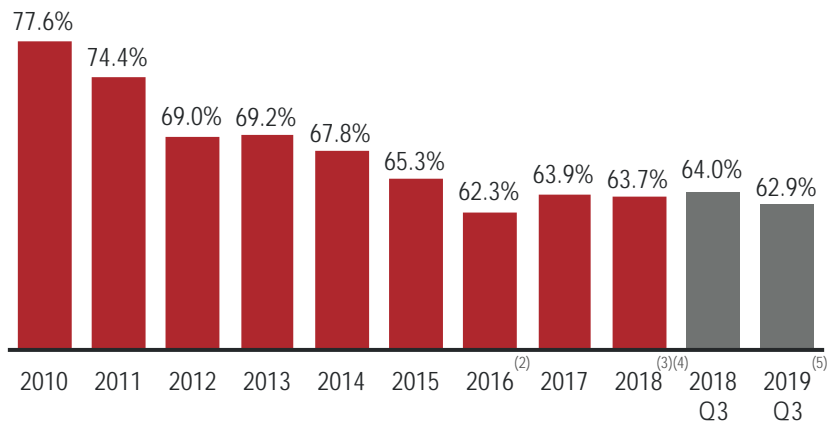
## Return on Average Assets



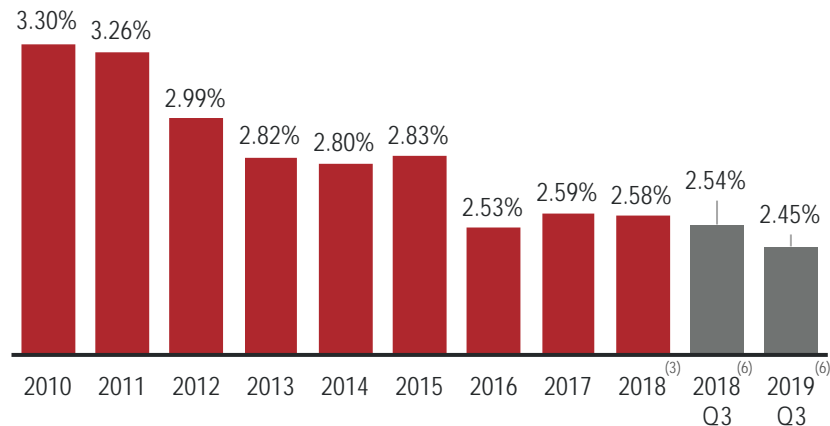
## Return on Average Tangible Common Equity<sup>(1)</sup>



## Efficiency Ratio



## Noninterest Expense to Average Assets



(1) Please refer to the non-GAAP reconciliation in the appendix.

(2) Includes a one-time gain from sale of branches of \$1.3 million (after-tax).

(3) Includes \$1.8 million and \$1.7 million of core system conversion and merger-related expenses, respectively.

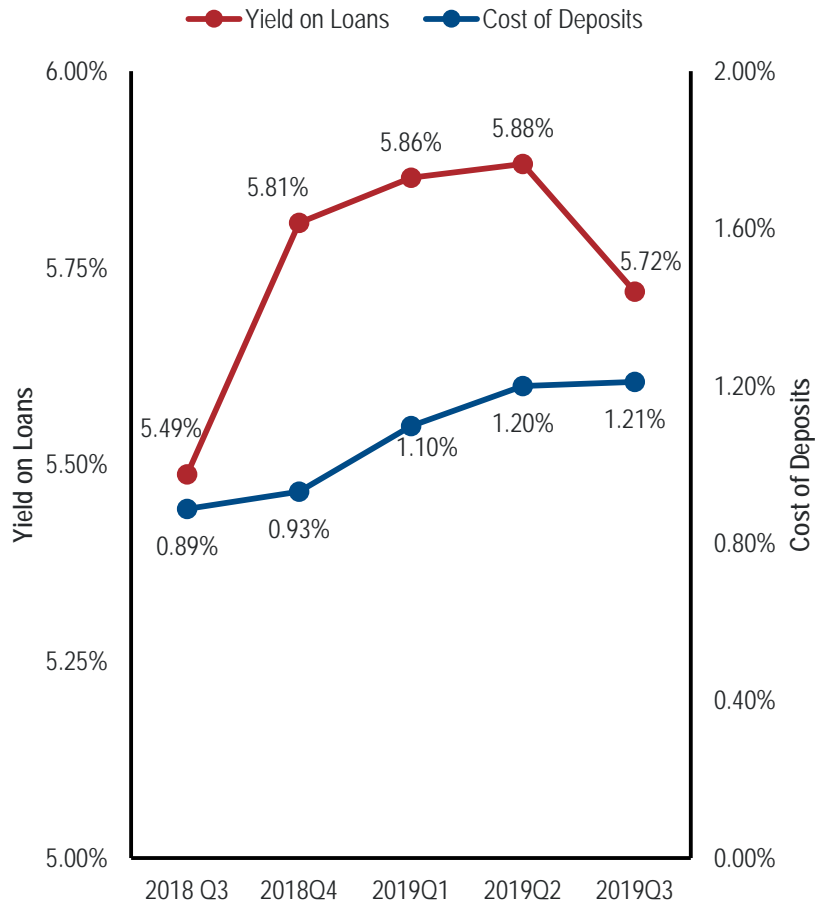
(4) Includes \$3.1 million of acquisition accounting adjustments.

(5) Includes \$2.0 million of acquisition accounting adjustments, \$1.4 million of pre-tax severance expense and a \$676 thousand FDIC Small Bank Assessment Credit.

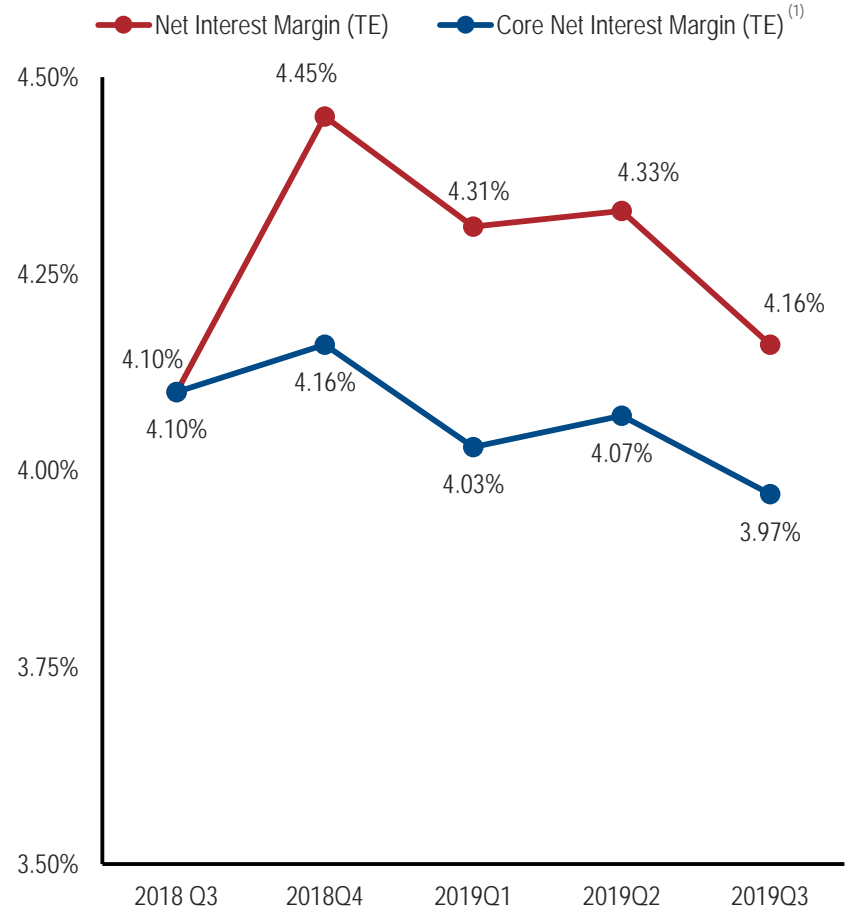
(6) Annualized for the quarter ending September 30 for each respective year.

# Yields and Cost Analysis

## Loan Portfolio Reported Yields and Total Deposit Costs



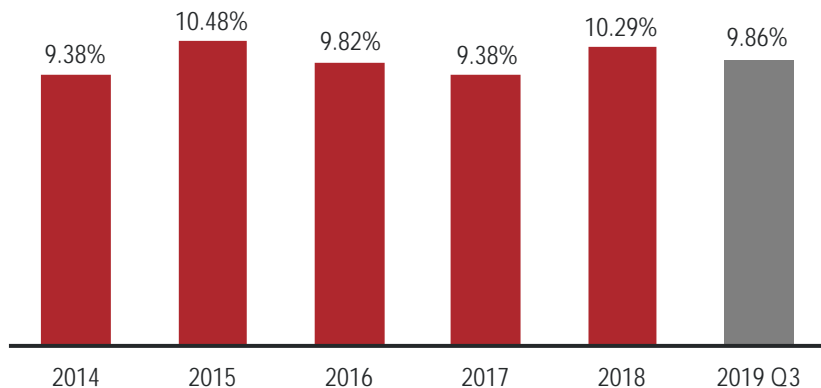
## Net Interest Margin



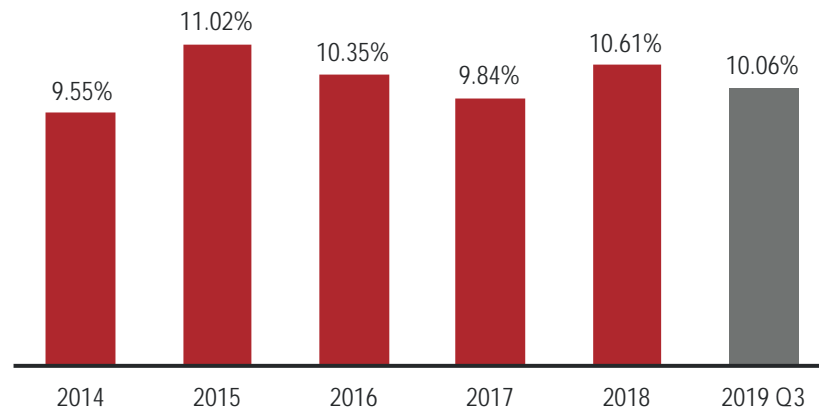
(1) Core net interest margin excludes acquisition accounting adjustments. Please refer to the non-GAAP reconciliation in the appendix.

# Capital Position

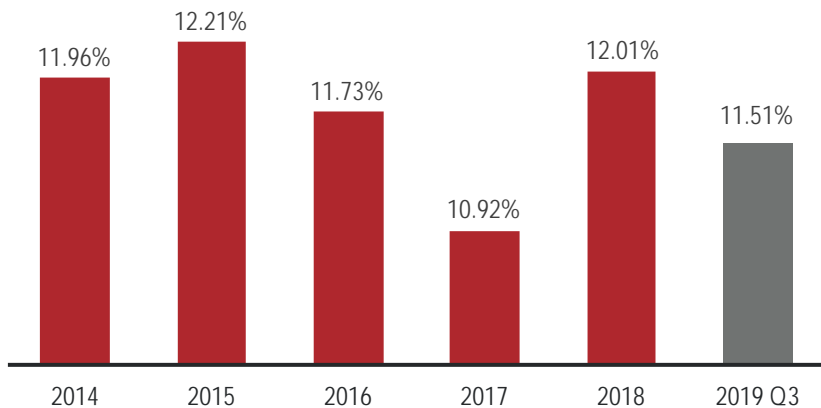
Tangible Equity / Tangible Assets<sup>(1)</sup>



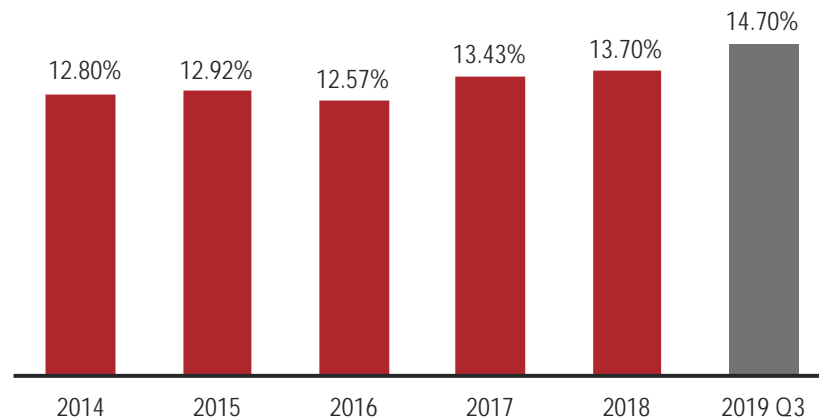
Tier 1 Leverage Ratio



Tier 1 Risk-Based Ratio



Total Risk-Based Ratio

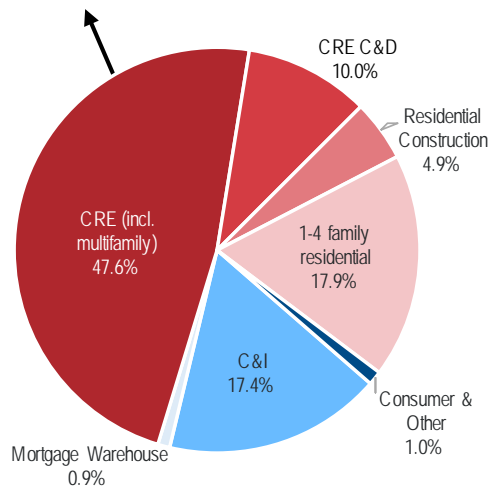


(1) Please refer to the non-GAAP reconciliation in the appendix.

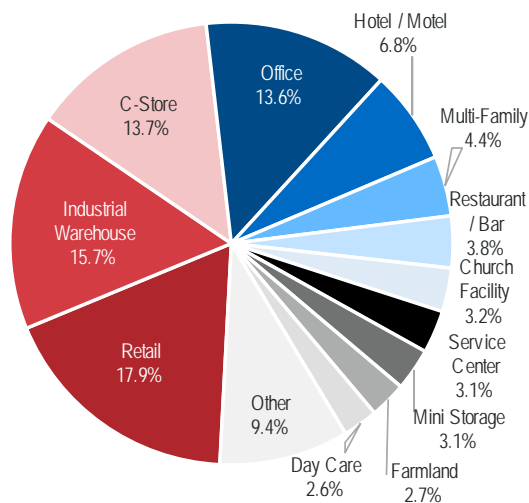
# Loan Portfolio Composition

## Total Loan Portfolio Composition

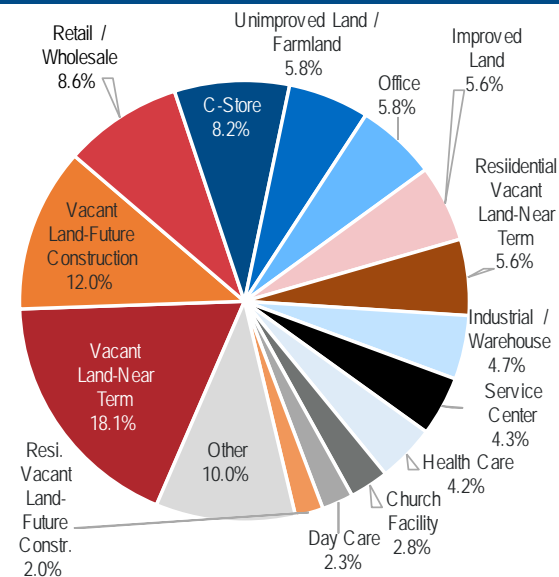
53.6% of CRE is Owner-Occupied



## CRE (incl. multi-family) by Property Type



## CRE Construction by Property Type



Loan Category	(\$)	(%)
C&I	\$ 675.1	17.3%
Mortgage Warehouse	36.6	0.9%
CRE (incl. multifamily)	1,859.7	47.9%
CRE C&D	386.7	10.0%
1-4 family residential	695.5	17.9%
Residential construction	189.6	4.9%
Consumer & Other	42.8	1.1%
<b>Total</b>	<b>\$ 3,886.0</b>	<b>100.0%</b>

Property Type	(\$)	(%)
Retail	\$ 334.6	17.9%
Industrial Warehouse	292.9	15.7%
C-Store	253.9	13.7%
Office	253.1	13.6%
Hotel / Motel	126.6	6.8%
Multi-Family	81.3	4.4%
Restaurant / Bar	70.5	3.8%
Church Facility	59.2	3.2%
Service Center	58.0	3.1%
Mini Storage	57.1	3.1%
Farmland	49.8	2.7%
Day Care	47.5	2.6%
Other <sup>(1)</sup>	175.2	9.4%
<b>Total</b>	<b>\$ 1,859.7</b>	<b>100.0%</b>

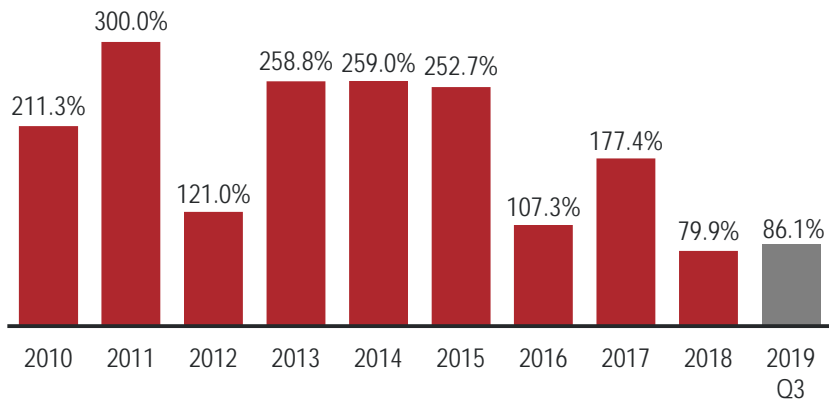
Property Type	(\$)	(%)
Vacant Land-Near Term	69.8	18.1%
Vacant Land-Future Construction	46.3	12.0%
Retail / Wholesale	33.1	8.6%
C-Store	31.9	8.2%
Unimproved Land / Farmland	22.6	5.8%
Office	22.4	5.8%
Improved Land	21.7	5.6%
Residential Vacant Land-Near Term	21.5	5.6%
Industrial / Warehouse	18.1	4.7%
Service Center	16.8	4.3%
Health Care	16.2	4.2%
Church Facility	10.9	2.8%
Day Care	8.8	2.3%
Resi. Vacant Land-Future Constr.	7.8	2.0%
Other <sup>(1)</sup>	38.8	10.0%
<b>Total</b>	<b>\$ 386.7</b>	<b>100.0%</b>

Note: Dollars in millions, unless otherwise noted. As of the quarter ended September 30, 2019.

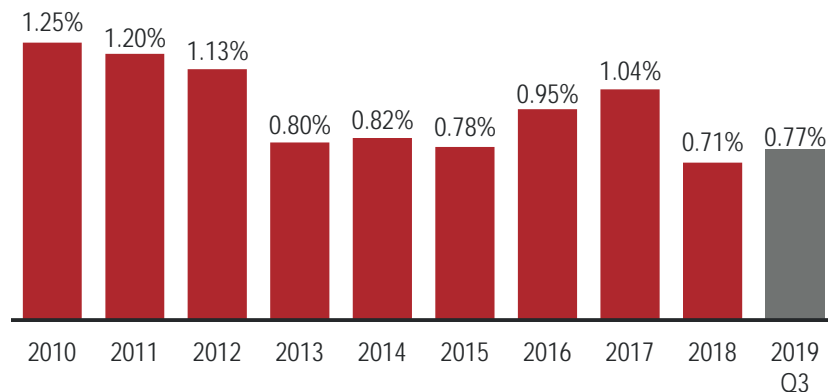
(1) Includes classifications less than 2.0% of total composition.

# Strong Asset Quality

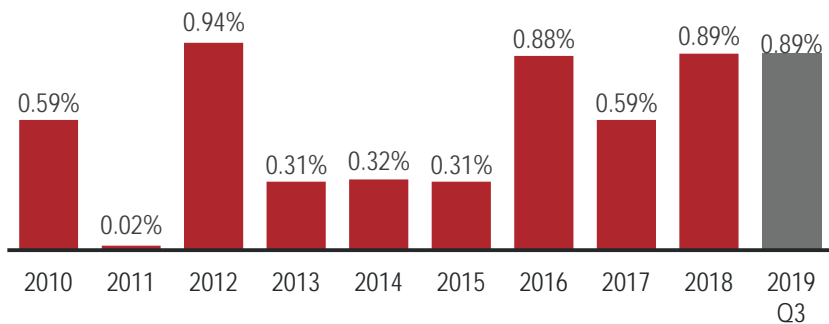
Allowance / Nonperforming Loans



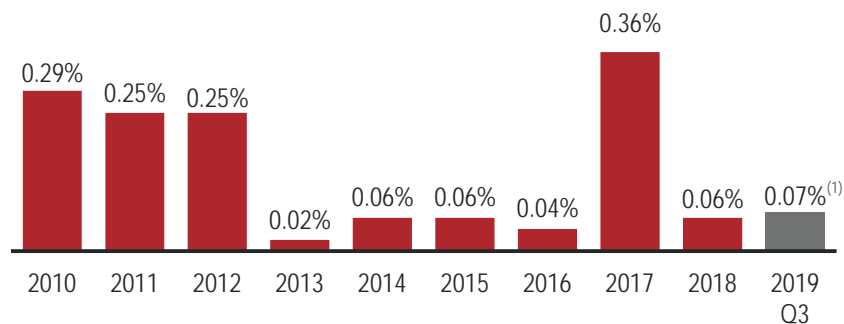
Allowance / Total Loans



Nonperforming Loans / Total Loans



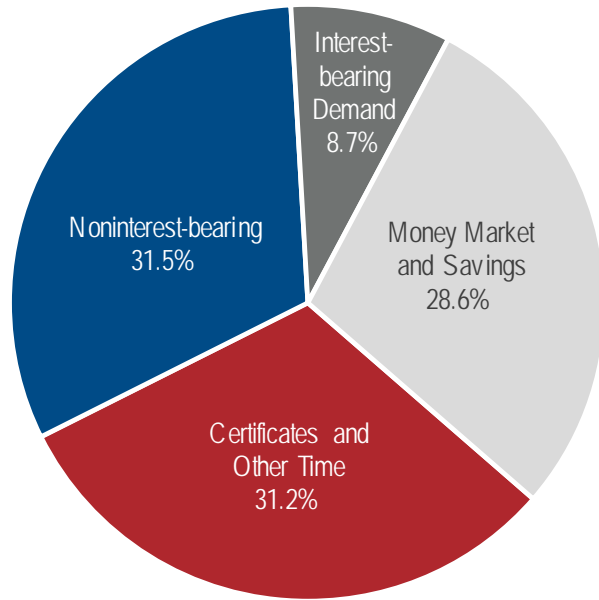
Net Charge-offs / Average Loans



(1) Annualized for the quarter ending September 30, 2019.

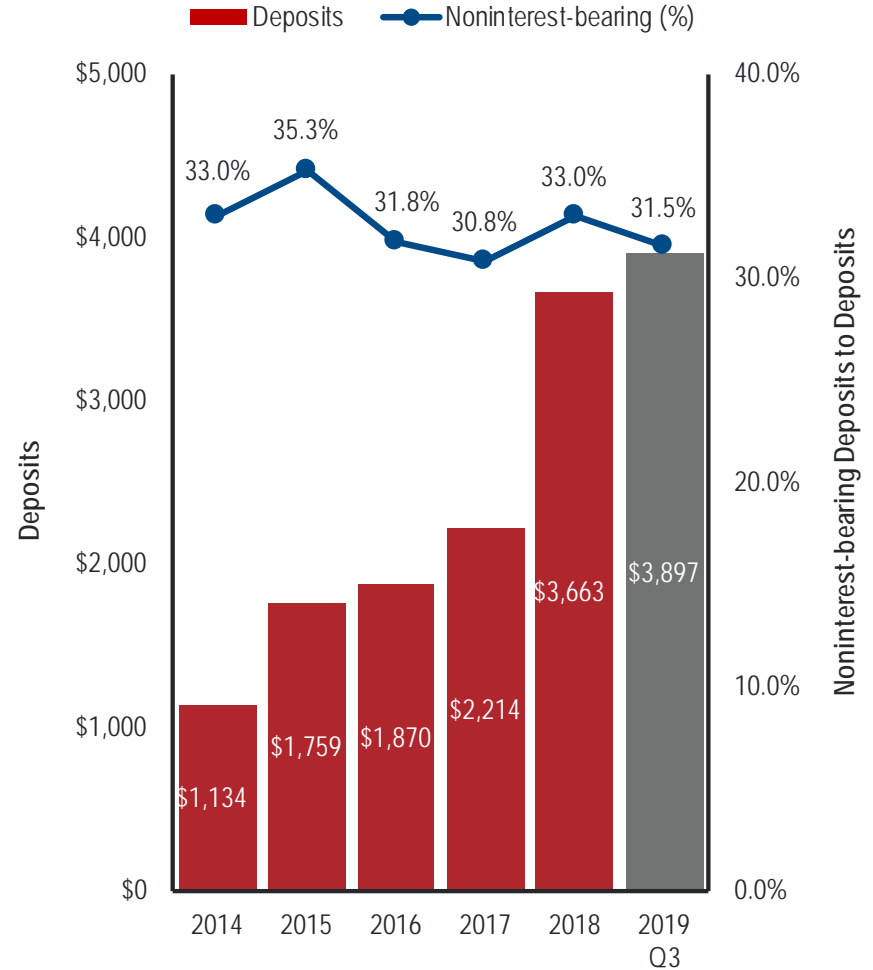
# Deposit Composition and Growth

## Deposit Composition



Deposit Category	(\$)	(%)
Noninterest-bearing	\$ 1,227.8	31.5%
Interest-bearing Demand	340.8	8.7%
Money Market and Savings	1,114.2	28.6%
Certificates and Other Time	1,214.7	31.2%
<b>Total</b>	<b>\$ 3,897.5</b>	<b>100.0%</b>

## Deposit Growth Trend



Note: Dollars in millions. As of the quarter ended September 30, 2019.

# Non-GAAP Reconciliation

Our management uses these non-GAAP financial measures in its analysis of our performance:

- ❖ **“Tangible Shareholders’ Equity”** is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. Tangible shareholders’ equity is defined as total shareholders’ equity reduced by goodwill and core deposit intangibles, net of accumulated amortization. This measure is important to investors interested in changes from period to period in shareholders’ equity, exclusive of changes in intangible assets. For tangible shareholders’ equity, the most directly comparable financial measure calculated in accordance with GAAP is total shareholders’ equity. Goodwill and other intangible assets have the effect of increasing total shareholders’ equity while not increasing our tangible shareholders’ equity.
- ❖ **“Tangible Equity to Tangible Assets”** is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. Tangible equity to tangible assets is defined as total shareholders’ equity reduced by goodwill and core deposit intangibles, net of accumulated amortization, divided by tangible assets, which are total assets reduced by goodwill and core deposit intangibles, net of accumulated amortization. This measure is important to investors interested in changes from period to period in equity and total assets, each exclusive of changes in intangible assets. For tangible equity to tangible assets, the most directly comparable financial measure calculated in accordance with GAAP is total shareholders’ equity to total assets. Goodwill and other intangible assets have the effect of increasing both total shareholders’ equity and assets while not increasing our tangible common equity or tangible assets.

	For the Years Ended, December 31,					For the Quarters Ended September 30,	
	2014	2015	2016	2017	2018	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>
Total Shareholders' Equity	\$ 131,778	\$ 258,490	\$ 279,817	\$ 306,865	\$ 702,984	\$ 328,131	\$ 706,308
Less: Goodwill and Core Deposit Intangibles, net	12,891	44,619	43,444	42,663	249,712	42,077	246,695
<b>Tangible Shareholders' Equity</b>	<b>\$ 118,887</b>	<b>\$ 213,871</b>	<b>\$ 236,373</b>	<b>\$ 264,202</b>	<b>\$ 453,272</b>	<b>\$ 286,054</b>	<b>\$ 459,613</b>
Total Assets	\$ 1,280,008	\$ 2,084,579	\$ 2,450,948	\$ 2,860,231	\$ 4,655,249	\$ 3,035,539	\$ 4,905,840
Less: Goodwill and Core Deposit Intangibles, net	12,891	44,619	43,444	42,663	249,712	42,077	246,695
Tangible Assets	\$ 1,267,117	\$ 2,039,960	\$ 2,407,504	\$ 2,817,568	\$ 4,405,537	\$ 2,993,462	\$ 4,659,145
<b>Tangible Equity to Tangible Assets</b>	<b>9.38%</b>	<b>10.48%</b>	<b>9.82%</b>	<b>9.38%</b>	<b>10.29%</b>	<b>9.56%</b>	<b>9.86%</b>

	For the Years Ended, December 31,										For the Quarters Ended September 30,	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	
Net Income Attributable to Shareholders	\$ 2,013	\$ 2,995	\$ 4,555	\$ 6,839	\$ 9,005	\$ 15,227	\$ 22,851	\$ 17,632	\$ 37,309	\$ 8,879	\$ 12,047	
Average Shareholders' Equity	42,297	47,523	61,699	75,787	116,460	204,935	273,211	297,627	413,441	326,204	710,044	
Less: Average Goodwill and Core Deposit Intangibles, net	-	-	-	1,615	13,007	45,055	43,880	43,050	80,384	42,203	247,404	
Average Tangible Common Shareholders' Equity	\$ 42,297	\$ 47,523	\$ 61,699	\$ 74,172	\$ 103,453	\$ 159,880	\$ 229,331	\$ 254,577	\$ 333,057	\$ 284,001	\$ 462,640	
<b>Return on Average Tangible Common Equity</b>	<b>4.76%</b>	<b>6.30%</b>	<b>7.38%</b>	<b>9.22%</b>	<b>8.70%</b>	<b>9.52%</b>	<b>9.96%</b>	<b>6.93%</b>	<b>11.20%</b>	<b>12.40%</b>	<b>10.33%</b>	

Note: Dollars in thousands.

(1) Annualized for each respective quarter.

# Non-GAAP Reconciliation, continued

- ❖ **“Core Net Interest Margin (TE)”** is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. Core net interest margin is defined as net interest income, net of related acquisition accounting adjustments, divided average earnings assets. This measure is important to investors interested in changes from period to period in net interest income, exclusive of the impact from related acquisition accounting adjustments. For core net interest margin, the most directly comparable financial measure calculated in accordance with GAAP is net interest margin.

	For the Three Months Ended,				
	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019
Interest Income	\$ 35,336	\$ 56,303	\$ 57,149	\$ 58,946	\$ 58,665
Interest Expense	7,300	10,465	12,546	13,375	13,828
Tax Equivalent Adjustment	256	262	202	113	87
<b>Net Interest Income (TE)</b>	<b>28,292</b>	<b>46,100</b>	<b>44,805</b>	<b>45,684</b>	<b>44,924</b>
Less: Acquisition Accounting Adjustments	-	(3,069)	(2,965)	(2,755)	(2,045)
<b>Core Net Interest Income (TE)</b>	<b>\$ 28,292</b>	<b>\$ 43,031</b>	<b>\$ 41,840</b>	<b>\$ 42,929</b>	<b>\$ 42,879</b>
Average Earning Assets	\$ 2,736,738	\$ 4,108,645	\$ 4,212,669	\$ 4,233,653	\$ 4,284,667
<b>Net Interest Margin (TE) <sup>(1)</sup></b>	<b>4.10%</b>	<b>4.45%</b>	<b>4.31%</b>	<b>4.33%</b>	<b>4.16%</b>
<b>Core Net Interest Margin (TE) <sup>(1)</sup></b>	<b>4.10%</b>	<b>4.16%</b>	<b>4.03%</b>	<b>4.07%</b>	<b>3.97%</b>

Note: Dollars in thousands.

(1) Annualized for each respective quarter.