

Allegiance Bancshares, Inc.  
Form S-4  
June 22, 2018  
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As filed with the Securities and Exchange Commission on June 22, 2018

Registration No. 333-

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form S-4  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

ALLEGIANCE BANCSHARES, INC.  
(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization)

6022  
(Primary Standard Industrial  
Classification Code Number)

26-3564100  
(I.R.S. Employer  
Identification No.)

**8847 West Sam Houston Pkwy., N., Suite 200**

**Houston, Texas 77040**

**(281) 894-3200**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**George Martinez**

**Chairman and Chief Executive Officer**

**8847 West Sam Houston Pkwy., N., Suite 200**

**Houston, Texas 77040**

**(281) 894-3200**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

**Troy L. Harder**

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**Suite 200**

**Austin, Texas 78701**

**(713) 221-1456**

**Houston, Texas 77040**

**(512) 583-5900**

**(713) 454-8148**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 under the Exchange Act. (check one)

|                         |                                               |                           |
|-------------------------|-----------------------------------------------|---------------------------|
| Large accelerated filer |                                               | Accelerated filer         |
| Non-accelerated filer   | (Do not check if a smaller reporting company) | Smaller reporting company |
|                         |                                               | Emerging growth company   |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered <sup>(1)</sup> | Proposed maximum offering price per share | Proposed maximum aggregate offering price <sup>(2)</sup> | Amount of registration fee <sup>(3)</sup> |
|----------------------------------------------------|----------------------------------------|-------------------------------------------|----------------------------------------------------------|-------------------------------------------|
|----------------------------------------------------|----------------------------------------|-------------------------------------------|----------------------------------------------------------|-------------------------------------------|

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|                                          |           |     |               |          |
|------------------------------------------|-----------|-----|---------------|----------|
| Common Stock, par value \$1.00 per share | 8,701,785 | N/A | \$171,257,865 | \$21,322 |
|------------------------------------------|-----------|-----|---------------|----------|

- (1) Represents the maximum number of shares of the common stock of Allegiance Bancshares, Inc. ( Allegiance ) estimated to be issuable upon completion of the merger of Post Oak Bancshares, Inc. ( Post Oak ) with and into Allegiance. This number represents the sum of (a) the product of (i) 0.7017, the exchange ratio for the merger consideration, and (ii) 11,828,154, which is the number of shares of Post Oak common stock outstanding as of June 19, 2018, and (b) the product of (i) 0.7017 and (ii) 572,850, the number of shares of Post Oak common stock reserved for issuance upon the exercise of outstanding Post Oak stock options as of June 19, 2018, in each case, pursuant to the terms of the Agreement and Plan of Reorganization, dated as of April 30, 2018, by and between Allegiance and Post Oak, which is attached to the joint proxy statement/prospectus as *Annex A*. The number of shares included in the registration fee table does not include the additional shares that could be issued, upon Allegiance's election, to avoid the termination of the merger agreement by Post Oak due to a decrease below a certain specified threshold of the average price of Allegiance common stock over a specified period of time, pursuant to the merger agreement and described in more detail elsewhere in the joint proxy statement/prospectus. The shares that could be issued in that context cannot be determined at this time. If Allegiance elects to avoid termination of the merger agreement by increasing the exchange ratio in accordance with the terms of the merger agreement, then Allegiance will file a registration statement pursuant to Rule 462(b) or Rule 429 under the Securities Act, as applicable, to reflect such increase.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended (the Securities Act ), and computed pursuant to Rule 457(f)(2) under the Securities Act, by multiplying the book value of Post Oak's common stock of approximately \$13.81 per share as of March 31, 2018, the latest practicable date prior to the date of filing this registration statement, by 12,401,004, the estimated maximum number of shares of Post Oak common stock that may be exchanged for shares of Allegiance common stock.
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$124.50 per \$1,000,000 of the proposed maximum aggregate offering price.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION, DATED JUNE 22, 2018**

**PROPOSED MERGER AND SHARE ISSUANCE YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On April 30, 2018, Allegiance Bancshares, Inc., a Texas corporation (which we refer to as *Allegiance*), and Post Oak Bancshares, Inc., a Texas corporation (which we refer to as *Post Oak*), entered into an Agreement and Plan of Reorganization (which we refer to as the *merger agreement*) that provides for the acquisition of Post Oak by Allegiance. Subject to the terms and conditions of the merger agreement, Post Oak will merge with and into Allegiance, with Allegiance continuing as the surviving corporation (which we refer to as the *merger*).

At the effective time of the merger, each outstanding share of the common stock, par value \$0.01 per share, of Post Oak (which we refer to as *Post Oak common stock*), other than shares of Post Oak common stock held by Post Oak and Allegiance and any dissenting shareholder (as defined in this joint proxy statement/prospectus), will be converted into the right to receive 0.7017 of a share (such number being referred to as the *exchange ratio*) of the common stock, par value \$1.00 per share, of Allegiance (which we refer to as the *Allegiance common stock*), together with cash in lieu of a fractional share, subject to adjustment if Post Oak's tangible common equity is less than the minimum equity required by the merger agreement prior to the closing of the merger. More specifically, the merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the volume-weighted average price of Allegiance common stock on the NASDAQ Stock Market, Inc. Global Market System (which we refer to as *NASDAQ*), for the twenty trading-day period ending on and including the fifth trading day before the day of completion of the merger (which we refer to as the *average closing price*) to determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). As of the date of this joint proxy statement/prospectus, Post Oak estimates that, assuming closing occurs on the last business day of October 2018, the Post Oak tangible common equity as of the closing of the merger will be \$154.3 million or greater, resulting in no downward adjustment to the aggregate merger consideration with respect to the Post Oak tangible common equity.

In addition, if the average closing price of Allegiance common stock is less than \$32.52 per share and Allegiance common stock underperforms a selected index of public Texas community bank stocks by more than 20.0%, Post Oak has the right to terminate the merger agreement. Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement).

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Consequently, you will not know the exact per share merger consideration to be paid to Post Oak shareholders as a result of the merger when you vote at your company's special meeting. Assuming no downward adjustment to the aggregate merger consideration, for each share of Post Oak common stock you own, you will be entitled to receive 0.7017 of a share of Allegiance common stock, plus cash in lieu of a fractional share. In this joint proxy statement/prospectus, we refer to the number of shares of Allegiance common stock that a Post Oak shareholder will receive in the merger, together with cash in lieu of a fractional share, as the merger consideration.

Allegiance common stock is listed on NASDAQ under the symbol ABTX. Based on the following closing prices of Allegiance common stock on NASDAQ: (i) \$40.80 on April 27, 2018, the last trading day before public

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announcement of the merger agreement and (ii) \$[ ] on [ ], 2018, the latest practicable trading day before the date of this joint proxy statement/prospectus, the implied value of the per share merger consideration would be approximately \$28.63 and \$[ ], respectively, and the implied value of the total merger consideration would be approximately \$349.9 million and \$[ ] million, respectively. Each of the foregoing examples in the preceding sentence assumes there is no adjustment to the merger consideration.

Neither Allegiance nor Post Oak expects the magnitude of any downward adjustment of the aggregate merger consideration to cause Post Oak to re-solicit proxies from its shareholders.

**We urge you to obtain current market quotations for Allegiance common stock. There are no current market quotations for Post Oak common stock because Post Oak is a privately-owned corporation and its common stock is not traded on any established public trading market.**

Allegiance will hold a special meeting of its shareholders in connection with the merger. At the Allegiance special meeting, the holders of Allegiance common stock (which we refer to as the Allegiance shareholders ) will be asked to vote (i) to adopt the merger agreement and approve the merger (which we refer to as the Allegiance Merger Proposal ), (ii) to approve the issuance of the Allegiance common stock in connection with the merger (which we refer to as the Allegiance Stock Issuance Proposal ), (iii) to approve an amendment to the Amended and Restated Certificate of Formation of Allegiance to increase the amount of authorized capital stock of Allegiance from 41,000,000 shares to 81,000,000 shares (which we refer to as the Allegiance Charter Amendment Proposal ) and (iv) to approve the adjournment of the Allegiance special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal (which we refer to as the Allegiance Adjournment Proposal ). Adoption of each of the Allegiance Merger Proposal and the Allegiance Charter Amendment Proposal requires the affirmative vote of the holders of two-thirds of the outstanding shares of Allegiance common stock. Adoption of each of the Allegiance Stock Issuance Proposal and the Allegiance Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the Allegiance shareholders at the Allegiance special meeting, in person or by proxy, and entitled to vote as of the Allegiance record date.

Post Oak will hold a special meeting of its shareholders in connection with the merger. Post Oak shareholders will be asked to vote (i) to adopt the merger agreement and approve the merger (which we refer to as the Post Oak Merger Proposal ) and (ii) to approve the adjournment of the Post Oak special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Post Oak Merger Proposal (which we refer to as the Post Oak Adjournment Proposal ). Adoption of the Post Oak Merger Proposal requires the affirmative vote of the holders of two-thirds of the outstanding shares of Post Oak common stock. Adoption of the Post Oak Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the Post Oak shareholders on such proposal at the Post Oak special meeting, in person or by proxy, and entitled to vote as of the Post Oak record date.

**Your vote is important regardless of the number of shares that you own.** Whether or not you plan to attend your company's special meeting, please take time to vote by following the voting instructions included in the enclosed proxy card. Submitting a proxy now will not prevent you from being able to vote in person at your company's special meeting.

The Allegiance special meeting will be held on [ ] at [ ], at [ ] local time. The Post Oak special meeting will be held on [ ] at [ ], at [ ] local time.

**Allegiance's board of directors unanimously recommends that the Allegiance shareholders vote FOR the adoption of the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal.**

**Post Oak's board of directors unanimously recommends that Post Oak shareholders vote FOR the adoption of the Post Oak Merger Proposal and the Post Oak Adjournment Proposal.**



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**This joint proxy statement/prospectus describes the Allegiance special meeting, the Post Oak special meeting, the merger, the issuance of the Allegiance common stock in connection with the merger, the documents related to the merger and other related matters. Please carefully read this entire joint proxy statement/prospectus, including Risk Factors, beginning on page 38, for a discussion of the risks relating to the merger. You also can obtain information about Allegiance from documents that it has filed with the Securities and Exchange Commission.**

George Martinez

Roland L. Williams

Chairman and Chief Executive Officer

President, Chairman and Chief Executive Officer

Allegiance Bancshares, Inc.

Post Oak Bancshares, Inc.

Telephone: (281) 894-3200

Telephone: (713) 493-3900

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the merger or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either Allegiance or Post Oak, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this joint proxy statement/prospectus is [ ], 2018, and it is first being mailed or otherwise delivered to the shareholders of Allegiance and Post Oak on or about [ ], 2018.

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**8847 West Sam Houston Parkway, N., Suite 200**

**Houston, Texas 77040**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the Shareholders of Allegiance Bancshares, Inc.:

Notice is hereby given that Allegiance Bancshares, Inc. ( *Allegiance* ) will hold a special meeting of its shareholders on [ ], 2018 at [ ], local time, at [ ] to consider and vote upon the following matters:

a proposal to adopt the Agreement and Plan of Reorganization (the *merger agreement* ), by and between Allegiance and Post Oak Bancshares, Inc. ( *Post Oak* ), and approve the merger, each as more fully described in the accompanying joint proxy statement/prospectus (the *Allegiance Merger Proposal* );

a proposal to approve the issuance of shares of Allegiance common stock in connection with the merger (the *Allegiance Stock Issuance Proposal* );

a proposal to approve an amendment to the Amended and Restated Certificate of Formation of Allegiance to increase the amount of authorized capital stock of Allegiance from 41,000,000 shares to 81,000,000 shares (the *Allegiance Charter Amendment Proposal* ); and

a proposal to adjourn the Allegiance special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal (the *Allegiance Adjournment Proposal* ).

These proposals are described in the accompanying joint proxy statement/prospectus. Allegiance has fixed the close of business on [ ], 2018 as the record date for the Allegiance special meeting. Only holders of record of Allegiance common stock as of the Allegiance record date are entitled to notice of, and to vote at, the Allegiance special meeting, or any adjournment or postponement of the Allegiance special meeting. Adoption of each of the Allegiance Merger Proposal and the Allegiance Charter Amendment Proposal requires the affirmative vote of holders of two-thirds of the outstanding shares of Allegiance common stock. Adoption of each of the Allegiance Stock Issuance Proposal and the Allegiance Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the Allegiance shareholders at the Allegiance special meeting, in person or by proxy, and entitled to vote as of the Allegiance record date.

Allegiance's board of directors has unanimously approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the issuance of Allegiance common stock pursuant to the Allegiance Stock Issuance Proposal, are advisable and in the best interests of Allegiance and its shareholders, and recommends that Allegiance shareholders vote FOR the Allegiance Merger Proposal, FOR the Allegiance Stock Issuance Proposal, FOR the Allegiance Charter Amendment Proposal and FOR the Allegiance Adjournment Proposal.

**Your vote is very important. Allegiance and Post Oak cannot complete the merger unless Allegiance's shareholders approve the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal. Regardless of whether you plan to attend the Allegiance special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record of Allegiance, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in street name through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.**

This joint proxy statement/prospectus provides a detailed description of the Allegiance special meeting, the proposals to be voted on at the Allegiance special meeting, the documents related to such proposals and other related matters. Allegiance urges you to read the joint proxy statement/prospectus, including any documents it refers you to, and its annexes carefully and in their entirety. We look forward to seeing and visiting with you at the Allegiance special meeting.

**BY ORDER OF THE BOARD OF DIRECTORS,**

George Martinez

*Chairman and Chief Executive Officer*

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**2000 West Loop South, Suite 100**

**Houston, Texas 77027**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the Shareholders of Post Oak Bancshares, Inc.:

Notice is hereby given that Post Oak Bancshares, Inc. ( Post Oak ) will hold a special meeting of its shareholders on [ ], 2018 at [ ], local time, at [ ] to consider and vote upon the following matters:

a proposal to adopt the Agreement and Plan of Reorganization (the merger agreement ), by and between Allegiance Bancshares, Inc. ( Allegiance ) and Post Oak, and approve the merger, each as more fully described in the accompanying joint proxy statement/prospectus (the Post Oak Merger Proposal ); and

a proposal to adjourn the Post Oak special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Post Oak Merger Proposal (the Post Oak Adjournment Proposal ).

The proposals are described in the accompanying joint proxy statement/prospectus. Post Oak has fixed the close of business on [ ], 2018 as the record date for the Post Oak special meeting (the Post Oak record date ). Only Post Oak shareholders of record as of the Post Oak record date are entitled to notice of, and to vote at, the Post Oak special meeting, or any adjournment or postponement of the Post Oak special meeting. Approval of the Post Oak Merger Proposal requires the affirmative vote of holders of two-thirds of the outstanding shares of Post Oak common stock. The Post Oak Adjournment Proposal will be approved if a majority of the votes cast on such proposal at the Post Oak special meeting, in person or by proxy, are voted in favor of such proposal.

Post Oak shareholders have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of Post Oak common stock under applicable provisions of the Texas Business Organizations Code (the TBOC ). In order for such Post Oak shareholder to perfect such Post Oak shareholder's right to dissent, such Post Oak shareholder must carefully follow the procedure set forth in the TBOC. A copy of the applicable statutory provisions of the TBOC is included as *Annex F* to the joint proxy statement/prospectus and a summary of the provisions can be found under the section of the joint proxy statement/prospectus entitled The Merger-Dissenters' Rights of Post Oak Shareholders.

Post Oak's board of directors has unanimously approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Post Oak and its shareholders, and unanimously recommends that Post Oak shareholders vote FOR the Post Oak

Merger Proposal and FOR the Post Oak Adjournment Proposal.

**Your vote is very important. Allegiance and Post Oak cannot complete the merger unless Post Oak's shareholders adopt the merger agreement and approve the merger. Regardless of whether you plan to attend the Post Oak special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record of Post Oak, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in street name through a bank or broker, please follow the instructions on the voting instruction card furnished by the bank or broker, as the record holder.**

This joint proxy statement/prospectus provides a detailed description of the Post Oak special meeting, the Post Oak Merger Proposal, the documents related to the merger and other related matters. Post Oak urges you to read the joint proxy statement/prospectus, including any documents it refers you to, and its annexes carefully and in their entirety. We look forward to seeing and visiting with you at the Post Oak special meeting.

**BY ORDER OF THE BOARD OF DIRECTORS,**

Roland L. Williams

*President, Chairman and Chief Executive Officer*

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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus references important business and financial information about Allegiance and Post Oak from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain those documents incorporated by reference in this joint proxy statement/prospectus by accessing the SEC's website maintained at <http://www.sec.gov>, for documents regarding Allegiance, or by requesting copies in writing or by telephone from the appropriate company, as set forth below, for documents regarding either Allegiance or Post Oak:

Allegiance Bancshares, Inc.

Post Oak Bancshares, Inc.

8847 West Sam Houston Parkway, N., Suite 200

2000 West Loop S, Suite 100

Houston, Texas 77040

Houston, Texas 77027

Attention: George Martinez

Attention: Roland L. Williams

Telephone: (281) 894-3200

Telephone: (713) 439-3900

**You will not be charged for any of these documents that you request. To receive timely delivery of these documents in advance of the meetings, you must make your request no later than five business days before the date of your meeting. This means that Allegiance shareholders requesting documents must do so by [ ], in order to receive them before the Allegiance special meeting, and Post Oak shareholders requesting documents must do so by [ ], in order to receive them before the Post Oak special meeting.**

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission (which we refer to as the SEC) by Allegiance (File No. 333-[ ]), constitutes a prospectus of Allegiance under Section 5 of the Securities Act of 1933, as amended (which we refer to as the Securities Act), with respect to the shares of Allegiance common stock to be issued to Post Oak shareholders pursuant to the terms of the merger agreement. This document also constitutes a joint proxy statement for both Allegiance and Post Oak under the Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act). It also constitutes a notice of special meeting with respect to each of the Allegiance special meeting and the Post Oak special meeting.

You should rely only on the information contained in, or incorporated by reference into, this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This joint proxy statement/prospectus is dated [ ], 2018, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of such document. Neither the mailing of this document to Allegiance shareholders or Post Oak shareholders nor the issuance by Allegiance of shares of Allegiance common stock in connection with the merger will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Allegiance has been provided by Allegiance and information contained in this document**

**regarding Post Oak has been provided by Post Oak.**

For more details, see the section of this joint proxy statement/prospectus entitled **Where You Can Find More Information** beginning on page [ ].

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**QUESTIONS AND ANSWERS**

*The following are some questions that you, as an Allegiance shareholder or a Post Oak shareholder, may have about the merger, the Allegiance special meeting and the Post Oak special meeting, as applicable, and brief answers to those questions. Allegiance and Post Oak urge you to read carefully the remainder of this joint proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger, the Allegiance special meeting and the Post Oak special meeting or the proposals presented at those meetings, as applicable. Additional important information is also contained in the annexes to this joint proxy statement/prospectus. For details about where you can find additional important information, please see the section of this joint proxy statement/prospectus entitled *Where You Can Find More Information* beginning on page [ ].*

*Unless the context otherwise requires, references in this joint proxy statement/prospectus to *Allegiance* refer to Allegiance Bancshares, Inc., a Texas corporation, and its affiliates, including Allegiance Bank, a Texas state bank and a wholly-owned subsidiary of Allegiance (which we refer to as *Allegiance Bank* ). Additionally, unless the context otherwise requires, references in this joint proxy statement/prospectus to *Post Oak* refer to Post Oak Bancshares, Inc., a Texas corporation, and its affiliates, including Post Oak Bank, N.A., a national banking association and a wholly-owned subsidiary of Post Oak (which we refer to as *Post Oak Bank* ).*

**Q: What is the merger?**

A: Allegiance and Post Oak entered into the merger agreement on April 30, 2018. Under the merger agreement, Post Oak will merge with and into Allegiance, with Allegiance continuing as the surviving corporation (which we refer to as the *merger* ). Immediately following the merger (or at such later time as Allegiance may determine), Allegiance will cause Post Oak Bank to merge with and into Allegiance Bank, with Allegiance Bank as the surviving bank (which we refer to as the *bank merger* ).

A copy of the merger agreement is included in this joint proxy statement/prospectus as *Annex A*.

The merger cannot be completed unless, among other things:

the holders of at least two-thirds of the outstanding shares of Allegiance common stock vote in favor of Allegiance Merger Proposal;

a majority of the votes cast by the Allegiance shareholders at the Allegiance special meeting, in person or by proxy, are voted in favor of the Allegiance Stock Issuance Proposal; and

the holders of at least two-thirds of the outstanding shares of Post Oak common stock vote in favor of the Post Oak Merger Proposal.

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: Allegiance and Post Oak are delivering this document to you because it is a joint proxy statement being used by both Allegiance's board of directors (which we refer to as the Allegiance Board) and Post Oak's board of directors (which we refer to as the Post Oak Board) to solicit proxies of their respective shareholders entitled to vote on the matters in connection with approval of the merger and the issuance of shares of Allegiance common stock in the merger, as applicable, and related matters.

Allegiance has called a special meeting of its shareholders to consider and vote on the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and other matters described herein. This document serves as the proxy statement for the Allegiance special meeting and describes the proposals to be presented at the Allegiance special meeting. This document also constitutes a notice of special meeting with respect to the Allegiance special meeting.

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Post Oak has called a special meeting of its shareholders to consider the Post Oak Merger Proposal. This document serves as the proxy statement for the Post Oak special meeting and describes the proposals to be presented at the Post Oak special meeting. It also constitutes a notice of special meeting with respect to the Post Oak special meeting.

In addition, this document is a prospectus that is being delivered to Post Oak shareholders because Allegiance is offering shares of Allegiance common stock to Post Oak shareholders in connection with the merger.

This joint proxy statement/prospectus contains important information about the merger, the proposals being voted on at the Allegiance and Post Oak special meetings and important information to consider in connection with an investment in Allegiance common stock. You should read it carefully and in its entirety. The enclosed materials allow you to have your shares of common stock voted by proxy without attending your company's special meeting. Your vote is important, and Allegiance and Post Oak encourage you to submit your proxy as soon as possible.

**Q: What are the Allegiance shareholders being asked to vote on at the Allegiance special meeting?**

A: Allegiance is soliciting proxies from the Allegiance shareholders with respect to the following proposals:

the Allegiance Merger Proposal;

the Allegiance Stock Issuance Proposal;

the Allegiance Charter Amendment Proposal; and

a proposal to adjourn the Allegiance special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal (which we refer to as the Allegiance Adjournment Proposal).

Completion of the merger is not conditioned upon approval of the Allegiance Charter Amendment Proposal or the Allegiance Adjournment Proposal.

**Q: What are Post Oak shareholders being asked to vote on at the Post Oak special meeting?**

A: Post Oak is soliciting proxies from its common shareholders with respect to the following proposals:

the Post Oak Merger Proposal; and

a proposal to adjourn the Post Oak special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Post Oak Merger Proposal (which we refer to as the Post Oak Adjournment Proposal ). Completion of the merger is not conditioned upon approval of the Post Oak Adjournment Proposal.

**Q: What will Post Oak shareholders be entitled to receive in the merger?**

A: If the merger is completed, each outstanding share of Post Oak common stock (other than shares of Post Oak common stock held by Post Oak or Allegiance, and any Post Oak shareholder who has perfected such shareholder's dissenter's rights (which we refer to as a dissenting shareholder ) under applicable law including the terms and provisions of Chapter 10, Subchapter H of the Texas Business Organizations Code (which we refer to as the TBOC )) will be converted into the right to receive 0.7017 of a share (such number being referred to as the exchange ratio ) of Allegiance common stock (and cash in lieu of a fractional share). The aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the volume-weighted average price of Allegiance

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common stock on the NASDAQ Stock Market, Inc. Global Market System (which we refer to as "NASDAQ"), for the twenty trading-day period ending on and including the fifth trading day before the day of completion of the merger (which we refer to as the "average closing price") to determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). As of the date of this joint proxy statement/prospectus, Post Oak estimates that, assuming closing occurs on the last business day of October 2018, the Post Oak tangible common equity as of the closing of the merger will be \$154.3 million or greater, resulting in no downward adjustment to the aggregate merger consideration with respect to the Post Oak tangible common equity.

For a discussion of the possible downward adjustment to the aggregate merger consideration including Post Oak's estimates of its tangible common equity, see "The Merger Agreement Structure of the Merger Adjustments to Merger Consideration" beginning on page [ ].

In addition, if the average closing price of Allegiance common stock is less than \$32.52 per share and Allegiance common stock underperforms a selected index of public Texas community bank stocks by more than 20.0%, Post Oak has the right to terminate the merger agreement. Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement). As a result, the number of shares of Allegiance common stock that Post Oak shareholders will receive in the merger may fluctuate with the market price of Allegiance common stock and will not be known at the time that Post Oak shareholders vote on the merger agreement.

Allegiance will not issue any fractional shares of Allegiance common stock in the merger. Post Oak shareholders who would otherwise be entitled to a fraction of a share of Allegiance common stock upon the completion of the merger will instead receive, for the fraction of a share, an amount in cash determined by multiplying the fractional share by the average closing price of Allegiance common stock.

As a result of the foregoing, based on the number of shares of Allegiance common stock and Post Oak common stock outstanding as of [ ], 2018, the last date before the date of this joint proxy statement/prospectus for which it was practicable to obtain this information, approximately [ ]% of outstanding Allegiance common stock following the merger will be held by shareholders who were holders of Allegiance common stock immediately prior to the effective time and approximately [ ]% of outstanding Allegiance common stock will be held by shareholders who were holders of Post Oak common stock immediately prior to the effective time.

**Q: What will Allegiance shareholders be entitled to receive in the merger?**

A: Allegiance shareholders will not be entitled to receive any merger consideration and will continue to hold the shares of Allegiance common stock that they held immediately prior to the completion of the merger. Following the merger, shares of Allegiance common stock will continue to be traded on NASDAQ under the symbol ABTX.

**Q: Will the value of the merger consideration change between the date of this joint proxy statement/prospectus and the time the merger is completed?**

A: Yes, the value of the aggregate merger consideration will fluctuate between the date of this joint proxy statement/prospectus and the completion of the merger based upon the market value for Allegiance common

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stock. Any fluctuation in the market price of Allegiance common stock after the date of this joint proxy statement/prospectus will change the value of the shares of Allegiance common stock that Post Oak shareholders will be entitled to receive. Consequently, you will not know the exact per share merger consideration to be paid to Post Oak shareholders as a result of the merger when you vote at your company's special meeting.

The table below sets forth the implied value of the per share merger consideration based on the closing price of Allegiance common stock as quoted by NASDAQ on the specified dates assuming 11,828,154 shares of Post Oak common stock were issued and outstanding and the issuance of 572,850 shares upon the exercise of Post Oak options with a weighted average exercise price of \$8.93:

| <b>Date</b>                                               | <b>Closing Price of Allegiance Common Stock</b> | <b>Implied Value of Per Share Stock Consideration<sup>(1)</sup></b> | <b>Aggregate Merger Consideration<sup>(1)</sup></b> |
|-----------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------|
| April 27, 2018 <sup>(2)</sup><br>[ ], 2018 <sup>(3)</sup> | \$ 40.80<br>[ ]                                 | \$ 28.63<br>[ ]                                                     | \$ 349,925,165<br>[ ]                               |

(1) Assumes there is no adjustment to the merger consideration. For a discussion of the possible adjustments to the merger consideration, see The Merger Agreement Structure of the Merger Adjustments to Merger Consideration beginning on page [ ].

(2) The last trading day before public announcement of the merger agreement.

(3) The latest practicable trading day before the date of this joint proxy statement/prospectus.

The aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the average closing price of Allegiance common stock to determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). For a discussion of the possible downward adjustment to the aggregate merger consideration including Post Oak's estimates of its tangible common equity, see The Merger Agreement Structure of the Merger Adjustments to Merger Consideration beginning on page [ ].

In addition, if the average closing price of Allegiance common stock is less than \$32.52 per share and Allegiance common stock underperforms the selected index by more than 20.0%, Post Oak has the right to terminate the merger agreement. Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement). As a result, the number of shares of Allegiance common stock that Post Oak shareholders will receive in the merger may fluctuate with the market price of Allegiance common stock and will not be known at the time that Post Oak shareholders vote on the merger agreement.

**Q: How does the Allegiance Board recommend that I vote at the Allegiance special meeting?**

A:

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The Allegiance Board unanimously recommends that you vote FOR the Allegiance Merger Proposal, FOR the Allegiance Stock Issuance Proposal, FOR the Allegiance Charter Amendment Proposal and FOR the Allegiance Adjournment Proposal.

**Q: How does the Post Oak Board recommend that I vote at the Post Oak special meeting?**

A: The Post Oak Board unanimously recommends that you vote FOR the Post Oak Merger Proposal and FOR the Post Oak Adjournment Proposal.



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**Q: When and where are the special meetings?**

A: The Allegiance special meeting will be held at [ ] on [ ], at [ ] local time.  
The Post Oak special meeting will be held at [ ] on [ ], at [ ] local time.

**Q: What do I need to do now?**

A: After you have carefully read this joint proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at your special meeting. If you hold your shares in your name as a shareholder of record, we request that you complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. If you hold your shares in street name through a bank or broker, we request that you direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker. Street name shareholders who wish to vote in person at their special meeting will need to obtain a legal proxy from the institution that holds their shares.

**Q: What is the difference between a shareholder of record and a street name holder?**

A: If you are an Allegiance shareholder and if your shares of Allegiance common stock are registered directly in your name with Computershare Trust Company, N.A. (which we refer to as Computershare), Allegiance's stock transfer agent, you are considered the shareholder of record with respect to those shares of Allegiance common stock. This joint proxy statement/prospectus and the Allegiance proxy card have been sent directly to you by Computershare at Allegiance's request. On the close of business on [ ], 2018, the record date for the Allegiance special meeting, Allegiance had approximately [ ] holders of record.

If you are a Post Oak shareholder and if your shares of Post Oak common stock are registered directly in your name, you are considered the shareholder of record with respect to those shares of Post Oak common stock. On the close of business on [ ], 2018, the record date for the Post Oak special meeting, Post Oak had approximately [ ] holders of record.

If your shares of Allegiance common stock or Post Oak common stock are held in a stock brokerage account or by a bank or other nominee, the nominee is considered the record holder of those shares. You are considered the beneficial owner of these shares, and your shares are held in street name. This joint proxy statement/prospectus and the Allegiance proxy card or Post Oak proxy card, as applicable, have been forwarded to you by your nominee. As the beneficial owner, you have the right to direct your nominee concerning how to vote your shares by using the voting instructions it included in the mailing or by following its instructions for voting.

**Q: If my shares of Allegiance common stock or Post Oak common stock, as applicable, are held in street name by my bank or broker, will my bank or broker automatically vote my shares for me?**

A:

No. Your bank or broker cannot vote your shares without instructions from you. You should instruct your bank or broker how to vote your shares in accordance with the instructions provided to you. Please check the voting form used by your bank or broker.

**Q: What is a broker non-vote?**

A: A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

If you are an Allegiance shareholder, your broker does not have discretionary authority to vote your shares with respect to the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance

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Charter Amendment Proposal or the Allegiance Adjournment Proposal. If you wish for the vote of your shares to be counted, you must direct your broker how to vote your shares.

If you are a Post Oak shareholder, your broker does not have discretionary authority to vote your shares with respect to the Post Oak Merger Proposal or the Post Oak Adjournment Proposal. If you wish for the vote of your shares to be counted, you must direct your broker how to vote your shares.

**Q: How are broker non-votes and abstentions treated?**

A: Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum.

Abstentions and broker non-votes by Allegiance shareholders will not have the effect of a vote against the Allegiance Stock Issuance Proposal.

Abstentions and broker non-votes will have the effect of a vote against the Allegiance Merger Proposal, the Allegiance Charter Amendment Proposal and the Post Oak Merger Proposal because Texas law requires these proposals to be approved by the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote.

Abstentions and broker non-votes will not have the effect of a vote against the Allegiance Adjournment Proposal or the Post Oak Adjournment Proposal.

**Q: What constitutes a quorum for the Allegiance special meeting?**

A: The presence (in person or by proxy) of holders of at least a majority of the voting power represented by all issued and outstanding shares of Allegiance common stock entitled to be voted at the Allegiance special meeting constitutes a quorum for transacting business at the Allegiance special meeting. All shares of Allegiance common stock present in person or represented by proxy, including abstentions and broker non-votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Allegiance special meeting.

**Q: What constitutes a quorum for the Post Oak special meeting?**

A: The presence (in person or by proxy) of holders of at least a majority of the voting power represented by all issued and outstanding shares of Post Oak common stock entitled to be voted at the Post Oak special meeting constitutes a quorum for transacting business at the Post Oak special meeting. All shares of Post Oak common stock present in person or represented by proxy, including abstentions and broker non-votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Post Oak special meeting.

**Q: What is the vote required to approve each proposal at the Allegiance special meeting?**

A: *Allegiance Merger Agreement Proposal:* The affirmative vote of two-thirds of the outstanding shares of Allegiance common stock is required to approve the Allegiance Merger Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Merger Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Allegiance Stock Issuance Proposal:* The affirmative vote of a majority of the votes cast on the proposal at the Allegiance special meeting, in person or by proxy, is required to approve the Allegiance Stock Issuance Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Stock Issuance Proposal, it will have no effect on the proposal.

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*Allegiance Charter Amendment Proposal:* The affirmative vote of two-thirds of the outstanding shares of Allegiance common stock is required to approve the Allegiance Charter Amendment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Charter Amendment Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Allegiance Adjournment Proposal:* The affirmative vote of a majority of the votes cast on the proposal at the Allegiance special meeting, in person or by proxy, is required to approve the Allegiance Adjournment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Adjournment Proposal, it will have no effect on the proposal.

### **Q: What is the vote required to approve each proposal at the Post Oak special meeting?**

A: *Post Oak Merger Proposal:* The affirmative vote of two-thirds of the outstanding shares of Post Oak common stock is required to approve the Post Oak Merger Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Merger Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Post Oak Adjournment Proposal:* The affirmative vote of a majority of the votes cast on the proposal at the Post Oak special meeting, in person or by proxy, is required to approve the Post Oak Adjournment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Adjournment Proposal, it will have no effect on the proposal.

### **Q: Why is my vote important?**

A: If you do not vote, it will be more difficult for Allegiance or Post Oak to obtain the necessary quorum to hold their respective special meetings and to obtain approval of the proposals to be voted upon at the special meetings. In addition, if you are a Post Oak shareholder, your failure to vote will have the effect of a vote **AGAINST** the Post Oak Merger Proposal, and, if you are an Allegiance shareholder, your failure to vote will have the effect of a vote **AGAINST** the Allegiance Merger Proposal and the Allegiance Charter Amendment Proposal. The Allegiance Board unanimously recommends that you, as an Allegiance shareholder, vote **FOR** the Allegiance Merger Proposal, **FOR** the Allegiance Stock Issuance Proposal and **FOR** the Allegiance Charter Amendment Proposal. The Post Oak Board unanimously recommends that you, as a Post Oak shareholder, vote **FOR** the Post Oak Merger Proposal.

### **Q: Can I attend the special meeting?**

A: All shareholders of Allegiance and Post Oak as of the Allegiance record date and the Post Oak record date, respectively (including shareholders of record and shareholders who hold their shares in street name through

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banks, brokers, nominees or any other holder of record) are invited to attend their respective special meetings. If you plan to attend your special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, all shareholders of Allegiance and Post Oak must bring a form of personal photo identification in order to be admitted.

Allegiance and Post Oak reserve the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meetings is prohibited without Allegiance's or Post Oak's express written consent, respectively.

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**Q: If I attend the special meeting, can I vote my shares in person?**

Holders of record and beneficial owners of Allegiance common stock can vote in person at the Allegiance special meeting. If you are a beneficial owner of Allegiance common stock, you must obtain a proxy card, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the Allegiance special meeting.

Only Post Oak shareholders of record as of the Post Oak record date can vote in person at the Post Oak special meeting. If you are a beneficial owner of Post Oak common stock who holds shares in street name through a broker, bank, trustee or other nominee, you must direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker.

**Q: Can I change my vote?**

A: *Allegiance shareholders:* Yes. If you are a holder of record of Allegiance common stock, you may change your vote or revoke any proxy at any time before the Allegiance special meeting is called to order by (i) delivering a written notice of revocation to Allegiance's Corporate Secretary, (ii) completing, signing and returning a new proxy card with a later date than your original proxy card prior to such time that the proxy card for any such holder of common stock must be received, and any earlier proxy will be revoked automatically, (iii) logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically and following the instructions indicated on the proxy card, or (iv) attending the Allegiance special meeting in person, notifying the Corporate Secretary that you are revoking your proxy and voting by ballot at the Allegiance special meeting. Your attendance by itself at the Allegiance special meeting will not automatically revoke your proxy unless you give written notice of revocation to the Corporate Secretary of Allegiance before the Allegiance special meeting is called to order. A revocation or later-dated proxy received by Allegiance after the Allegiance special meeting is called to order will not be recognized and will not affect the vote. All written notices of revocation and other communications with respect to revocation or proxies should be sent to: Allegiance Bancshares, Inc., 8847 West Sam Houston Parkway, N., Suite 200, Houston, Texas 77040, Attention: Corporate Secretary.

If you hold your shares of Allegiance common stock in street name through a bank or broker, you should contact your bank or broker to change your vote or revoke your proxy.

*Post Oak shareholders:* Yes. If you are a holder of record of Post Oak common stock, you may change your vote or revoke any proxy at any time before it is voted by (i) attending and voting in person at the Post Oak special meeting; (ii) giving notice of revocation of the proxy at the Post Oak special meeting; or (iii) delivering to the Secretary of Post Oak (A) a written notice of revocation or (B) a duly executed proxy card relating to the same shares, bearing a date later than the proxy card previously executed. Attendance at the Post Oak special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by Post Oak after the vote will not be recognized and will not affect the vote. Post Oak's Secretary's mailing address is: 2000 West Loop South, Suite 100, Houston, Texas 77027.

If you hold your shares of Post Oak common stock in street name through a bank or broker, you should contact your bank or broker to change your vote or revoke your proxy.

**Q: What are the expected U.S. federal income tax consequences of the merger?**

A: The obligations of Allegiance and Post Oak to complete the merger are conditioned on, among other things, the receipt by Allegiance and Post Oak of tax opinions from Bracewell LLP ( Bracewell ) and Fenimore, Kay, Harrison & Ford, LLP ( Fenimore Kay ), respectively, dated as of the closing date of the merger, to the effect that, on the basis of facts, representations and assumptions that are consistent with the facts existing at the effective time of the merger and as set forth and referred to in such opinions, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of



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the Internal Revenue Code of 1986, as amended (the Code ). If the merger qualifies as a reorganization under Section 368(a) of the Code, holders of Post Oak common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Post Oak common stock for shares of Allegiance common stock, except with respect to any cash received in lieu of a fractional share of Allegiance common stock. If any of the tax opinion representations and assumptions are incorrect, incomplete or false or are violated, the validity of the opinions described above may be affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus.

For further information, please see Material U.S. Federal Income Tax Consequences of the Merger beginning on page [ ]. The U.S. federal income tax consequences described above may not apply to all holders of Post Oak common stock. Your tax consequences will depend on your individual situation. Accordingly, holders are urged to consult their own tax advisors for a full understanding of the particular tax consequences to them of the merger.

**Q: Are Post Oak shareholders entitled to dissenters' rights?**

A: Yes, Post Oak shareholders may assert dissenters' rights. For further information, see The Merger Dissenters Rights of Post Oak Shareholders beginning on page [ ], which discussion is qualified by the full text of the provisions of the TBOC relating to rights of dissent set forth in *Annex F* hereto.

**Q: If I am a Post Oak shareholder, should I send in my Post Oak stock certificates now?**

A: No. Please do not send in your Post Oak stock certificates with your proxy. After the merger, Allegiance's exchange agent, Computershare, will send you instructions for exchanging Post Oak stock certificates for the per share merger consideration. See The Merger Agreement Conversion of Shares; Exchange of Certificates beginning on page [ ].

**Q: Whom may I contact if I cannot locate my Post Oak stock certificate(s)?**

A: If you are unable to locate your original Post Oak stock certificate(s), you should contact Renee Bourland, at (713) 439-3902 or renee.bourland@postoakbank.com.

**Q: What should I do if I receive more than one set of voting materials?**

A: Allegiance shareholders and Post Oak shareholders may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares of Allegiance common stock or Post Oak common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of Allegiance common stock or Post Oak common stock and your shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a holder of both Allegiance common stock and Post Oak common stock, you will receive one or more separate proxy cards

or voting instruction cards for each company. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this joint proxy statement/prospectus to ensure that you vote every share of Allegiance common stock and/or Post Oak common stock that you own.

**Q: When do you expect to complete the merger?**

A: Allegiance and Post Oak currently expect to complete the merger in the fourth quarter of 2018. However, neither Allegiance nor Post Oak can assure you of when or if the merger will be completed. Before the merger is completed, Allegiance must obtain the approval of Allegiance shareholders for the Allegiance

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Merger Proposal and the Allegiance Stock Issuance Proposal, Post Oak must obtain the approval of Post Oak shareholders for the Post Oak Merger Proposal, necessary regulatory approvals must be obtained and certain other closing conditions must be satisfied.

**Q: What happens if the merger is not completed?**

A: If the merger is not completed, holders of Post Oak common stock will not receive any consideration for their shares in connection with the merger. Instead, Post Oak will remain an independent company. In addition, if the merger agreement is terminated in certain circumstances, Post Oak may be required to pay a termination fee to Allegiance or pay Allegiance's merger-related expenses. See the section of this joint proxy statement/prospectus entitled "The Merger Agreement Termination Fee" beginning on page [ ] for a complete discussion of the circumstances under which termination fees will be required to be paid.

**Q: Whom should I call with questions?**

A: *Allegiance shareholders:* If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of Allegiance common stock, please contact Investor Relations at (281) 894-3200 or [ir@allegiancebank.com](mailto:ir@allegiancebank.com) or Shareholder Services at Computershare at (800) 962-4284.

*Post Oak shareholders:* If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of Post Oak common stock, please contact Renee Bourland, at (713) 439-3902 or [renee.bourland@postoakbank.com](mailto:renee.bourland@postoakbank.com).

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus. It may not contain all of the information that is important to you. Allegiance and Post Oak urge you to read carefully the entire joint proxy statement/prospectus, including the annexes, and the other documents to which they refer in order to fully understand the merger. A copy of the merger agreement is attached as Annex A. In addition, we incorporate by reference into this joint proxy statement/prospectus important business and financial information about Allegiance. See *Where You Can Find More Information* beginning on page [ ]. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.*

**Information about the Companies (page [ ])**

*Allegiance*

Allegiance Bancshares, Inc. is a Texas corporation and registered bank holding company headquartered in Houston, Texas. Through its wholly-owned subsidiary, Allegiance Bank, Allegiance provides a diversified range of commercial banking services primarily to Houston metropolitan area-based small to medium-sized businesses, professionals and individual customers. Allegiance believes the size, growth and increasing economic diversity of the Houston metropolitan area, when combined with its super-community banking strategy, provides it with excellent opportunities for long-term, sustainable growth. Allegiance's super-community banking strategy is designed to foster strong customer relationships while benefitting from a platform and scale that is competitive with larger regional and national banks. Allegiance believes this strategy presents a significant market advantage when serving small to medium-sized business customers and further enables Allegiance to attract talented bankers.

Allegiance currently operates 16 full-service banking locations and one loan production office in the Houston metropolitan area. Allegiance has experienced significant growth since it began banking operations in 2007, resulting from both organic growth, including de novo branching, and two whole-bank acquisitions. As of March 31, 2018, Allegiance had total assets of \$2.89 billion, total gross loans of \$2.29 billion, total deposits of \$2.28 billion and total shareholders' equity of \$312.0 million.

Allegiance's stock is traded on NASDAQ under the symbol ABTX.

Allegiance's principal office is located at 8847 West Sam Houston Parkway, N., Suite 200, Houston, Texas 77040, and its telephone number at that location is (281) 894-3200. Additional information about Allegiance and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See *Where You Can Find More Information*, beginning on page [ ].

*Post Oak*

Formed in 2008, Post Oak is a Texas corporation that owns all of the outstanding shares of common stock of Post Oak Bank, N.A., a national banking association formed in 2004, with operational headquarters in Houston, Texas. Post Oak Bank is a traditional commercial bank offering a variety of banking services to commercial and consumer customers throughout the Houston metropolitan area and Beaumont, Texas. Post Oak Bank offers a range of lending services, including real estate, commercial and consumer loans to individuals and small- to medium-sized business and professional firms that are located in or conduct a substantial portion of their business in Post Oak Bank's market areas.

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Post Oak Bank operates 13 banking locations: 12 located throughout the greater Houston metropolitan area and one in Beaumont, outside of Houston. As of March 31, 2018, Post Oak, on a consolidated basis, reported total assets of \$1.43 billion, total loans of \$1.15 billion, total deposits of \$1.24 billion and shareholders' equity of \$162.7 million. Post Oak does not file reports with the SEC because Post Oak is not a publicly-traded company.

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Post Oak's principal executive offices are located at 2000 West Loop South, Suite 100, Houston, Texas 77027, and its telephone number at that location is (713) 439-3900. Additional information about Post Oak and its subsidiaries is included in documents referred to in the section of this joint proxy statement/prospectus entitled "Where You Can Find More Information," beginning on page [ ].

**In the Merger, Post Oak Shareholders Will Be Entitled To Receive Shares of Allegiance Common Stock***Merger Consideration*

Allegiance and Post Oak are proposing a strategic merger. If the merger is completed, each share of Post Oak common stock (other than shares of Post Oak common stock held by Post Oak, Allegiance and any dissenting shareholder) will be converted into the right to receive 0.7017 of a share of Allegiance common stock. Allegiance will not issue any fractional shares of Allegiance common stock in the merger. Post Oak shareholders who would otherwise be entitled to a fraction of a share of Allegiance common stock upon the completion of the merger will instead receive, for the fraction of a share, an amount in cash determined by multiplying the fractional share by the average closing price of Allegiance common stock.

The Allegiance common stock is listed on NASDAQ under the symbol ABTX. See "Description of Capital Stock of Allegiance" for additional information about the Allegiance common stock. See "Comparison of Shareholders' Rights and Comparative Market Prices and Dividends" for comparative information about the Allegiance common stock and the Post Oak common stock and the rights of holders thereof.

The market value of the shares of Allegiance common stock to be paid as consideration will fluctuate with the market price of Allegiance common stock and will not be known at the time the Post Oak shareholders vote on the Post Oak Merger Proposal and the Allegiance shareholders vote on the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal.

The table below sets forth the implied value of the per share merger consideration based on the closing price of Allegiance common stock as quoted by NASDAQ on the specified dates assuming 11,828,154 shares of Post Oak common stock were issued and outstanding and the issuance of 572,850 shares upon the exercise of Post Oak options with a weighted average exercise price of \$8.93:

| <b>Date</b>                   | <b>Closing Price of Allegiance Common Stock</b> | <b>Implied Value of Per Share Stock Consideration<sup>(1)</sup></b> | <b>Aggregate Merger Consideration</b> |
|-------------------------------|-------------------------------------------------|---------------------------------------------------------------------|---------------------------------------|
| April 27, 2018 <sup>(2)</sup> | \$ 40.80                                        | \$ 28.63                                                            | \$ 349,925,165                        |
| [ ], 2018 <sup>(3)</sup>      | [ ]                                             | [ ]                                                                 | [ ]                                   |

- (1) Assumes there is no adjustment to the merger consideration. For a discussion of the possible adjustments to the merger consideration, see "The Merger Agreement Structure of the Merger Adjustments to Merger Consideration" beginning on page [ ].
- (2) The last trading day before public announcement of the merger agreement.
- (3) The latest practicable trading day before the date of this joint proxy statement/prospectus.

The merger agreement governs the merger. The merger agreement is included in this joint proxy statement/prospectus as *Annex A*. All descriptions in this summary and elsewhere in this joint proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement. Please read the merger agreement carefully for a more complete understanding of the merger.

*Adjustments to Merger Consideration*

The aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the average closing price of Allegiance common stock to

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determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). As of the date of this joint proxy statement/prospectus, Post Oak estimates that, assuming closing occurs on the last business day of October 2018, the Post Oak tangible common equity as of the closing of the merger will be \$154.3 million or greater, resulting in no downward adjustment to the aggregate merger consideration with respect to the Post Oak tangible common equity. For additional information regarding the composition and determination of Post Oak tangible common equity, see "The Merger Agreement Structure of the Merger Adjustments to Merger Consideration" beginning on page [ ].

In addition, if (1) the average closing price of the Allegiance common stock is less than \$32.52 and (2) the number obtained by dividing the average closing price by \$40.65 is less than the number obtained by dividing (A) the Final Index Price by (B) the Initial Index Price and subtracting 0.20 from such quotient, then Post Oak may give notice of its intent to terminate the merger agreement, at which time Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement). The Final Index Price, as such term is used herein, is the average of the daily closing value of the Index for the 20 consecutive trading days ending on and including the fifth trading day preceding the closing date. The Initial Index Price, as such term is used herein, is \$42.75 (the closing value of the Index on the date immediately prior to the date of the merger agreement). The Index, as such term is used herein, means the financial institutions with the following trading symbols on an equal weighted basis: CBTX, FFIN, GNBC, GNTY, IBTX, IBOC, LTXB, PB, SBSI and VBTX. If Allegiance elects to increase the merger consideration, Post Oak will no longer have the right to terminate the merger agreement for these reasons. If Allegiance elects not to increase the merger consideration, Post Oak may terminate the merger agreement.

**The Allegiance Board Unanimously Recommends that Allegiance Shareholders Vote FOR the Allegiance Merger Proposal, FOR the Allegiance Stock Issuance Proposal, FOR the Allegiance Charter Amendment Proposal and FOR the Allegiance Adjournment Proposal (page [ ])**

The Allegiance Board has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement, including the issuance of the Allegiance common stock, are advisable and in the best interests of Allegiance and its shareholders and has unanimously approved the merger agreement. The Allegiance Board recommends that Allegiance shareholders vote FOR the Allegiance Merger Proposal, FOR the Allegiance Stock Issuance Proposal and FOR the Allegiance Adjournment Proposal. For the factors considered by the Allegiance Board in reaching its decision to approve the merger agreement, see "The Merger Allegiance's Reasons for the Merger; Recommendation of the Allegiance Board" beginning on page [ ]. The Allegiance Board has also determined that the amendment to the Amended and Restated Certificate of Formation of Allegiance to increase the number authorized shares of capital stock is advisable and in the best interests of Allegiance and its shareholders. The Allegiance Board recommends that Allegiance shareholders vote FOR the Allegiance Charter Amendment Proposal.

**The Post Oak Board Unanimously Recommends that Post Oak Shareholders Vote FOR the Post Oak Merger Proposal and FOR the Post Oak Adjournment Proposal (page [ ])**

The Post Oak Board has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Post Oak and its shareholders and has unanimously approved the merger agreement. The Post Oak Board unanimously recommends that Post Oak shareholders vote FOR



the Post Oak Merger Proposal and FOR the Post Oak Adjournment Proposal.

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For the factors considered by the Post Oak Board in reaching its decision to approve the merger agreement, see *The Merger-Post Oak's Reasons for the Merger; Recommendation of the Post Oak Board* beginning on page [ ].

**Post Oak Director Support Agreements and Post Oak Voting Agreement (page [ ]); Ownership of Directors, Executive Officers and Affiliates (page [ ])**

In connection with entering into the merger agreement, each of the directors of Post Oak and Post Oak Bank who is not a party to an employment agreement has entered into a Director Support Agreement with Allegiance pursuant to which each has agreed to refrain from harming the goodwill of Allegiance, Post Oak or any of their respective subsidiaries and their respective customer, client and vendor relationships.

The directors and certain officers of Post Oak and Post Oak Bank have entered into a voting agreement with Allegiance, solely in their capacity as shareholders of Post Oak, pursuant to which they have agreed to vote in favor of the Post Oak Merger Proposal and in favor of any other matter required to be approved by the shareholders of Post Oak to facilitate the transactions contemplated by the merger agreement. As of the Post Oak record date, the Post Oak shareholders who are party to the voting agreement beneficially own and are entitled to vote in the aggregate approximately [ ]% of the outstanding shares of Post Oak common stock. For more information regarding the voting agreement, see *The Merger Agreement Post Oak Director Support Agreements and Post Oak Voting Agreement* beginning on page [ ].

As of the Post Oak record date, the directors and executive officers of Post Oak and their affiliates beneficially owned and were entitled to vote, in the aggregate, [ ] shares of Post Oak common stock, representing approximately [ ]% of the shares of Post Oak common stock outstanding on that date. Post Oak currently expects that each of its executive officers will vote their shares of Post Oak common stock in favor of the Post Oak Merger Proposal and the Post Oak Adjournment Proposal. As of the Post Oak record date, Allegiance beneficially owned no shares of Post Oak common stock, and the directors and executive officers of Allegiance and their affiliates beneficially owned, in the aggregate, [ ] shares of Post Oak common stock or [ ]% of the outstanding Post Oak common stock.

As of the Allegiance record date, the directors and executive officers of Allegiance and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Allegiance common stock representing approximately [ ]% of the shares of Allegiance common stock outstanding on that date. Allegiance currently expects that each of its executive officers will vote their shares of Allegiance common stock in favor of the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal, although none of them has entered into any agreement obligating him or her to do so. As of the Allegiance record date, Post Oak beneficially owned no shares of Allegiance common stock, and the directors and executive officers of Post Oak and their affiliates beneficially owned, in the aggregate, [ ] shares of Allegiance common stock or [ ]% of the outstanding Allegiance common stock.

**Opinion of Post Oak's Financial Advisor (page [ ] and Annex D)**

On April 30, 2018, Performance Trust Capital Partners, LLC ( *Performance Trust* ) rendered to the Post Oak Board its written opinion with respect to the fairness, from a financial point of view, to the holders of Post Oak common stock, as of April 30, 2018, of the per share merger consideration plus the assumption and conversion of Post Oak stock options pursuant to the merger agreement (which is defined in the opinion as the *Aggregate Merger Consideration* ). *Performance Trust's* opinion was directed to the Post Oak Board and only addressed the fairness, from a financial point of view, to the holders of Post Oak common stock of the *Aggregate Merger Consideration* and did not address any other aspect or implication of the merger. The references to *Performance Trust's* opinion in this joint proxy statement/prospectus are qualified in their entirety by reference to



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the full text of Performance Trust's written opinion, which is included as *Annex D* to this joint proxy statement/prospectus and Performance Trust's opinion sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Performance Trust in preparing its opinion. However, neither Performance Trust's opinion, nor the summary of its opinion and the related analyses set forth in this joint proxy statement/prospectus is intended to be, and they do not constitute, advice or a recommendation to the Post Oak Board or any shareholder of Post Oak as to how to act or vote with respect to any matter relating to the merger agreement or otherwise. Performance Trust's opinion was furnished for the use and benefit of the Post Oak Board (in its capacity as such) in connection with its evaluation of the merger and should not be construed as creating, and Performance Trust will not be deemed to have, any fiduciary duty to the Post Oak Board, Post Oak, any security holder or creditor of Post Oak or any other person, regardless of any prior or ongoing advice or relationships. See "The Merger Opinion of Post Oak's Financial Advisor" beginning on page [ ].

## **Fairness Opinion to Allegiance's Board of Directors (page [ ] and *Annex E*)**

On April 30, 2018, at the request of the Allegiance Board, representatives of Raymond James & Associates, Inc. (Raymond James) rendered its written opinion, dated April 30, 2018, that as of such date and based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion, the exchange ratio in the merger pursuant to the merger agreement was fair, from a financial point of view, to Allegiance.

The full text of the written opinion of Raymond James, dated April 30, 2018, which sets forth, among other things, the various qualifications, assumptions and limitations on the scope of the review undertaken, is included in this joint proxy statement/prospectus as *Annex E*. Raymond James provided its opinion for the information and assistance of the Allegiance Board (solely in each director's capacity as such) in connection with, and for purposes of, the Allegiance Board's consideration of the merger, and its opinion only addresses whether the exchange ratio was fair, from a financial point of view, to Allegiance as of the date of such opinion. The opinion of Raymond James did not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Allegiance Board or any holder of Allegiance common stock or Post Oak common stock as to how the Allegiance Board, such shareholder or any other person should vote or otherwise act with respect to the merger or any other matter. See "The Merger Opinion of Allegiance's Financial Advisor" beginning on page [ ].

## **How Post Oak Equity-Based Awards Will Be Treated (page [ ])**

### *Restricted Stock Awards*

At the effective time, each restricted stock award granted by Post Oak will become fully vested and each holder of such restricted stock awards will be entitled to receive the per share merger consideration for each share of Post Oak common stock held by such holder.

### *Stock Options*

Upon completion of the merger, each option to purchase shares of Post Oak common stock granted under the Post Oak Bancshares, Inc. Stock Option Plan, as amended, that is outstanding immediately prior to the merger will automatically be converted into an option to purchase shares of Allegiance common stock. The number of shares of Allegiance common stock purchasable under the converted option, as well as the exercise price of these stock options, will be adjusted to reflect the exchange ratio, rounded to the nearest whole share. Each converted option will remain subject to the same terms and conditions as were applicable prior to the merger.



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**Post Oak Will Hold the Post Oak Special Meeting on [ ], 2018 (page [ ])**

The Post Oak special meeting will be held on [ ], at [ ] local time, at [ ]. At the Post Oak special meeting, Post Oak shareholders will be asked to approve the Post Oak Merger Proposal and the Post Oak Adjournment Proposal.

Only holders of record of Post Oak common stock at the close of business on [ ], 2018, the Post Oak record date, will be entitled to notice of and to vote at the Post Oak special meeting. Each share of Post Oak common stock is entitled to one vote on each proposal to be considered at the Post Oak special meeting. As of the Post Oak record date, there were [ ] shares of Post Oak common stock entitled to vote at the Post Oak special meeting. As of the Post Oak record date, the directors and executive officers of Post Oak and their affiliates beneficially owned and were entitled to vote, in the aggregate, [ ] shares of Post Oak common stock representing approximately [ ]% of the shares of Post Oak common stock outstanding on that date.

The Post Oak Merger Proposal will be approved if at least two-thirds of the outstanding shares of Post Oak common stock are voted in favor of such proposal. If you mark **ABSTAIN** on your proxy, fail to submit a proxy or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Merger Proposal, it will have the effect of a vote **AGAINST** the Post Oak Merger Proposal.

The Post Oak Adjournment Proposal will be approved if a majority of the votes cast on the proposal at the Post Oak special meeting are voted in favor of the proposal. If you mark **ABSTAIN** on your proxy, fail to submit a proxy or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Adjournment Proposal, it will have no effect on the proposal.

**Allegiance Will Hold the Allegiance Special Meeting on [ ], 2018 (page [ ])**

The Allegiance special meeting will be held on [ ], at [ ] local time, at [ ]. At the Allegiance special meeting, Allegiance shareholders will be asked to approve the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal.

Only holders of record of Allegiance common stock at the close of business on [ ], 2018, the Allegiance record date, will be entitled to notice of and to vote at the Allegiance special meeting. Each share of Allegiance common stock is entitled to one vote on each proposal to be considered at the Allegiance special meeting. As of the Allegiance record date, there were [ ] shares of Allegiance common stock entitled to vote at the Allegiance special meeting. As of the Allegiance record date, the directors and executive officers of Allegiance and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Allegiance common stock representing approximately [ ]% of the shares of Allegiance common stock outstanding on that date.

Each of the Allegiance Merger Proposal and the Allegiance Charter Amendment Proposal will be approved if at least two-thirds of the outstanding shares of Allegiance common stock are voted in favor of such proposal. If you mark **ABSTAIN** on your proxy, fail to submit a proxy or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Merger Proposal or the Allegiance Charter Amendment Proposal, it will have the effect of a vote **AGAINST** the Allegiance Merger Proposal and the Allegiance Charter Amendment Proposal.

Each of the Allegiance Stock Issuance Proposal and the Allegiance Adjournment Proposal will be approved if a majority of the votes cast at the Allegiance special meeting are voted in favor of each such proposal. If you mark **ABSTAIN** on your proxy, fail to submit a proxy or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to either of the Allegiance Stock Issuance Proposal or the Allegiance

Adjournment Proposal, it will have no effect on such proposal.

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**Material U.S. Federal Income Tax Consequences of the Merger (page [ ])**

The obligations of Allegiance and Post Oak to complete the merger are conditioned on, among other things, the receipt by Allegiance and Post Oak of tax opinions from Bracewell and Fenimore Kay, respectively, dated as of the closing date of the merger, to the effect that, on the basis of facts, representations and assumptions that are consistent with the facts existing at the effective time and as set forth and referred to in such opinions, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

If the merger qualifies as a reorganization under Section 368(a) of the Code, holders of Post Oak common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Post Oak common stock for shares of Allegiance common stock, except with respect to any cash received in lieu of fractional shares of Allegiance common stock. If any of the tax opinion representations and assumptions are incorrect, incomplete or false or are violated, the validity of the opinions described above may be affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus.

For further information, please see *Material U.S. Federal Income Tax Consequences of the Merger* beginning on page [ ]. The U.S. federal income tax consequences described above may not apply to all holders of Post Oak common stock. Tax matters are complicated, and the tax consequences of the merger to a particular shareholder will depend in part on such shareholder's individual circumstances. Accordingly, holders are urged to consult their own tax advisors for a full understanding of the particular tax consequences to them of the merger.

**Interests of Post Oak's Directors and Executive Officers in the Merger (page [ ])**

In considering the recommendation of the Post Oak Board with respect to the merger agreement, you should be aware that certain of Post Oak's directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of the Post Oak shareholders generally. Interests of directors and executive officers that may be different from or in addition to the interests of the Post Oak shareholders include:

*Retention Payments.* Renee Bourland, Charles Carmouche, Fernando Parra, Robert Phillips, Romi Sandel and Roland L. Williams will receive retention payments in an aggregate amount of approximately \$5.2 million from Post Oak upon closing of the merger.

*Employment Agreements.* Allegiance's obligation to consummate the merger is subject to certain of Post Oak's executive officers having employment and non-competition agreements with Allegiance Bank prior to the completion of the merger. On April 30, 2018, Post Oak Bank and Allegiance Bank entered into employment agreements with each of Roland L. Williams, Renee Bourland, Fernando Parra, Robert Phillips and Romi Sandel.

The agreements with Mr. Williams and Ms. Bourland are for a term of three years after the effective date of the merger and entitle the named individual to receive a base annual salary, a minimum bonus paid quarterly during the three-year period and a restricted stock award of 8,591 and 5,164 shares, respectively, that will vest over two years, plus reimbursement of certain business expenses and participation in certain employee benefit programs. The agreements also contain non-competition and non-solicitation obligations for three years from the effective date of the merger. For the entire three-year term, the aggregate value of the employment agreements (excluding any stock awards andquisites) for Mr. Williams and Ms. Bourland is \$1.45 million and \$750,000, respectively.



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The agreements with Messrs. Parra and Phillips and Ms. Sandel are for a term of two years after the effective date of the merger and entitle the named individual to receive a base annual salary, a

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minimum bonus paid quarterly during the two-year period and a restricted stock award of 6,898, 5,738 and 5,057 shares, respectively, that will vest over four years, plus reimbursement of certain business expenses and participation in certain employee benefit programs. The agreements also contain non-competition and non-solicitation obligations for two years from the effective date of the merger. For the entire two-year term, the aggregate value of the employment agreements (excluding any stock awards and perquisites) for Messrs. Parra and Phillips and Ms. Sandel is \$749,000, \$657,500 and \$582,750, respectively.

The employment agreements entitle each named individual, after termination of employment with Allegiance Bank for any reason other than for cause (as defined in the employment agreement) or as a result of death or disability, to receive payment of base salary and bonus for the remainder of the term of the agreement from Allegiance Bank.

*Accelerated Vesting of Restricted Stock Awards.* At the effective time of the merger, each restricted stock award granted by Post Oak, including an aggregate of 63,720 shares held by Messrs. Williams, Carmouche, Parra and Phillips and Messes. Bourland and Sandel, will become fully vested and each holder of such restricted stock awards will be entitled to receive the per share merger consideration for each share of Post Oak common stock held by such holder.

*Insurance.* Post Oak agreed that it will purchase for a period of not less than four years after the effective date of the merger, past acts insurance coverage for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors and officers insurance policy coverage (or comparable coverage), (2) employment practices liability insurance, (3) current financial institutions bond (or comparable coverage) and (4) bankers professional liability, mortgage errors and omissions and fiduciary liability insurance for each director and officer of Post Oak or one of its subsidiaries currently covered under the comparable policies maintained by Post Oak or one of its subsidiaries.

*Director Arrangements.* Allegiance agreed to expand the Allegiance Board by three, with one new vacancy created in each class of Allegiance's staggered board, and fill such newly created vacancies with Mr. Roland L. Williams and two of the outside directors of the board of Post Oak selected by Post Oak and reasonably acceptable to Allegiance.

*Indemnification.* Allegiance agreed to indemnify and hold harmless the directors and officers of Post Oak or Post Oak Bank as of the effective time and for four years thereafter, subject to the limitations of any regulatory body, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of Post Oak or Post Oak Bank to the fullest extent that the indemnified party would be entitled under the articles of incorporation of Post Oak or the articles of association of Post Oak Bank, as applicable, as in effect on the date of the merger agreement and to the extent permitted by applicable law.

These interests are discussed in more detail in the section of this joint proxy statement/prospectus entitled "The Merger Interests of Post Oak's Directors and Executive Officers in the Merger" beginning on page [ ]. The Post Oak

Board was aware of these interests and considered them, among other matters, in approving the merger agreement.

Post Oak does not anticipate that any of the payments described above will impact the amount of the per share merger consideration payable to the Post Oak shareholders. However, the payments to be made with

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respect to the retention payments and for the tail insurance will be accounted for in determining the Post Oak tangible common equity, as more specifically described in the merger agreement, for purposes of determining whether there would be a downward adjustment to the aggregate merger consideration. For additional information on the potential downward adjustments to the aggregate merger consideration, please see *The Merger Agreement Structure of the Merger Adjustments to Merger Consideration* beginning on page [ ].

In addition, Charles Carmouche, a Post Oak director, is the beneficial owner of 2,056 shares, or less than 1.0%, of Allegiance common stock as of June 19, 2018. Mr. Carmouche disclosed such ownership at the meeting of the Post Oak Board at which the Post Oak Board approved the merger agreement and the transactions contemplated thereby.

### **Post Oak Shareholders Are Entitled to Assert Dissenters' Rights (page [ ] and *Annex F*)**

Post Oak shareholders have the right to dissent from the merger and obtain payment in cash of the fair value of their shares of Post Oak common stock under the TBOC. In order for such Post Oak shareholder to perfect such Post Oak shareholder's right to dissent, such Post Oak shareholder must carefully follow the procedure set forth in the applicable provisions of the TBOC. A copy of the applicable statutory provisions of the TBOC is included as *Annex F* to this joint proxy statement/prospectus and a summary of the provisions can be found under the section of this joint proxy statement/prospectus entitled *The Merger Dissenters' Rights of Post Oak Shareholders* beginning on page [ ].

### **Conditions that Must Be Satisfied or Waived for the Merger to Occur (page [ ])**

Currently, Post Oak and Allegiance expect to complete the merger in the fourth quarter of 2018. As more fully described in this joint proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. Allegiance's and Post Oak's respective obligations to complete the merger are subject to the satisfaction or waiver of the following conditions:

approval of the Post Oak Merger Proposal by the Post Oak shareholders and the approval of the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal by the Allegiance shareholders;

receipt of all required regulatory approvals of transactions contemplated by the merger agreement, including the merger of Post Oak Bank with and into Allegiance Bank, in a manner that does not impose any restrictions on the operations of Allegiance which are reasonably unacceptable to Allegiance;

the registration statement of which this joint proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under state securities laws relating to the issuance or trading of the Allegiance common stock to be issued have been received;

the shares of Allegiance common stock to be issued to Post Oak shareholders being authorized for listing on the NASDAQ;

except as explicitly provided in the merger agreement, the other party's representations and warranties contained in the merger agreement being true and correct as of the date of the merger agreement and being true and correct in all material respects as of the date of the closing and receipt of a certificate signed by an appropriate representative of the other party to that effect;

the absence of a material adverse change in the financial condition, assets, properties, deposits, results of operations, earnings, business or cash flows of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party;

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the performance or compliance in all material respects by each party with its respective covenants and obligations required by the merger agreement to be performed or complied with before the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect; and

receipt by each party of an opinion of such party's counsel to the effect that the merger will qualify as a reorganization under Section 368(a) of the Code.

In addition to the conditions listed above, Post Oak's obligation to complete the merger is subject to certain consents identified in the merger agreement having been obtained by Allegiance, and Post Oak having received evidence thereof in form and substance satisfactory to it.

In addition to the conditions listed above, Allegiance's obligation to complete the merger is subject to the satisfaction of the following conditions:

each of the directors and certain officers of Post Oak and Post Oak Bank must have executed a release agreement, releasing Post Oak and Post Oak Bank and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions, and such releases must remain in full force and effect;

certain officers of Post Oak Bank each having entered into a two-year employment and non-competition agreement with Allegiance Bank, which have been executed, and such employment agreements must remain in full force and effect;

each of the non-employee directors of Post Oak and Post Oak Bank having entered into a support (non-competition) agreement with Allegiance, which have been executed, and such support agreements must remain in full force and effect;

each of the directors and certain officers of Post Oak and Post Oak Bank must have executed a voting agreement, which has been executed;

holders of no more than 5.0% of the outstanding Post Oak common stock have demanded or are entitled to demand payment of the appraised fair value of their shares as dissenting shareholders;

Post Oak's allowance for loan losses as of the closing date must be at a level equal to at least 1.0% of its total loans;

Post Oak's tangible equity capital must not be less than the minimum equity required by the merger agreement;

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Post Oak will have accrued for any costs and expenses, including legal fees and expenses and settlement costs, related to outstanding legal proceedings;

Post Oak, at the request of Allegiance, will have amended or terminated any employee benefit plans; and

Post Oak having delivered to Allegiance all other instruments and documents which Allegiance or its counsel may reasonably request to effectuate the merger and transactions contemplated by the merger agreement.

Neither Post Oak nor Allegiance can provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party, or that the merger will be completed.

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**Termination of the Merger Agreement (page [ ])**

Allegiance and Post Oak can mutually agree at any time to terminate the merger agreement without completing the merger. In addition, either Allegiance or Post Oak may decide, without the consent of the other, to terminate the merger agreement if:

any order, decree or ruling or any other action which seeks to restrain, enjoin or prohibit the merger is issued, and such order, decree, ruling or other action is final and non-appealable;

any of the transactions contemplated by the merger agreement are not approved by the appropriate regulatory authorities or the applications or notices are suggested or recommended to be withdrawn by any regulatory authorities;

the merger has not been completed by October 27, 2018 (unless one or more of the regulatory approvals has not been received on or before October 27, 2018, in which case this deadline will be extended to November 26, 2018) or such later date approved in writing by the boards of directors of Allegiance and Post Oak, unless the failure to complete the merger by that time is due to a violation of the merger agreement by the party that seeks to terminate the merger agreement;

Allegiance shareholders fail to approve either the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal;

Post Oak shareholders fail to approve the Post Oak Merger Proposal; or

the other party materially breaches its representations and warranties or any covenant or agreement contained in the merger agreement and such breach has not been cured within 15 days after the terminating party gives written notice of such failure to the breaching party.

Post Oak may terminate the merger agreement, without the consent of Allegiance, if the board of directors of Post Oak receives an unsolicited, bona fide alternative acquisition proposal (as defined in the merger agreement) and, under certain terms and conditions, determines that it is a superior proposal to that of the merger agreement and that the failure to accept such proposal would be inconsistent with its fiduciary duties; but, Allegiance has the right to adjust the terms and conditions of the merger agreement so that the superior proposal no longer constitutes a superior proposal.

Post Oak may also terminate the merger agreement if (1) the average closing price of the Allegiance common stock is less than \$32.52 and (2) the number obtained by dividing the average closing price by \$40.65 is less than the number obtained by dividing (A) the Final Index Price by (B) the Initial Index Price and subtracting 0.20 from such quotient. Upon receipt of such notice, Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement). The Final Index Price, as



such term is used herein, is the average of the daily closing value of the Index for the 20 consecutive trading days ending on and including the fifth trading day preceding the closing date. The Initial Index Price, as such term is used herein, is \$42.75 (the closing value of the Index on the date immediately prior to the date of the merger agreement). The Index, as such term is used herein, means the financial institutions with the following trading symbols on an equal weighted basis: CBTX, FFIN, GNBC, GNTY, IBTX, IBOC, LTXB, PB, SBSI and VBTX. If Allegiance elects to increase the merger consideration, Post Oak will no longer have the right to terminate the merger agreement for these reasons.

In addition, Allegiance may terminate the merger agreement, without the consent of Post Oak, if:

any required regulatory approval is obtained subject to restrictions or conditions on the operations of Post Oak, Post Oak Bank, Allegiance or Allegiance Bank that are reasonably unacceptable to Allegiance;

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on or prior to July 29, 2018, the results of any environmental inspections or surveys of Post Oak properties identify certain potential or current violations of environmental laws or environmental law requires certain remedial or clean up action that could have a material adverse effect on Post Oak;

Post Oak breaches the non-solicitation obligations set forth in the merger agreement in a manner adverse to Allegiance;

the Post Oak Board agrees to accept a superior proposal (as defined in the merger agreement); or

the Post Oak Board withdraws or modifies, in any manner adverse to Allegiance, its recommendation or approval of the merger agreement or the merger or recommends to Post Oak shareholders acceptance or approval of any alternative acquisition proposal.

### **Termination Fee (page [ ])**

If the merger agreement is terminated under certain circumstances, including circumstances involving an alternative acquisition proposal and changes in the recommendation of the Post Oak Board, Post Oak may be required to pay to Allegiance a termination fee equal to \$14.272 million or up to \$775,000 for its merger-related expenses. This termination fee could discourage other companies from seeking to acquire or merge with Post Oak. Termination fees are discussed in more detail in the section of this joint proxy statement/prospectus entitled "The Merger Agreement - Termination Fee" beginning on page [ ].

### **Regulatory Approvals Required for the Merger (page [ ])**

The merger cannot be completed unless it is approved by the Board of Governors of the Federal Reserve System (which we refer to as the "Federal Reserve") or such approval is waived by the Federal Reserve. On June 14, 2018, Allegiance filed the required documentation with the Federal Reserve Bank of Dallas to request a waiver of its approval.

In addition, the merger of Post Oak Bank with and into Allegiance Bank requires the approval of the Federal Deposit Insurance Corporation (which we refer to as the "FDIC") and the Texas Department of Banking (which we refer to as the "TDB").

We expect to obtain all necessary regulatory approvals, although we cannot be certain if or when we will obtain them. On May 25, 2018, Allegiance Bank filed applications with the FDIC and the TDB to obtain approval of the bank merger. The U.S. Department of Justice will have between 15 and 30 days following approval by the FDIC to challenge the approval on antitrust grounds. While Post Oak and Allegiance do not know of any reason that the Department of Justice would challenge regulatory approval by the FDIC and believe that the likelihood of such action is remote, there can be no assurance that the Department of Justice will not initiate such a proceeding, or if such a proceeding is initiated, as to the result of any such challenge.

Although neither Post Oak nor Allegiance knows of any reason why it cannot obtain these regulatory approvals in a timely manner, Post Oak and Allegiance cannot be certain when or if they will be obtained.

### **The Rights of Post Oak Shareholders Will Change as a Result of the Merger (page [ ])**

The rights of Post Oak shareholders will change as a result of the merger due to differences in Allegiance's and Post Oak's governing documents. See Comparison of Shareholders' Rights beginning on page [ ] for a description of the material differences in shareholders' rights under each of the Allegiance and Post Oak governing documents.

**Market Prices of Securities; Dividends (page [ ])**

Shares of Allegiance common stock are traded on NASDAQ under the ticker symbol ABTX. The last reported sale price of Allegiance common stock on April 27, 2018, the last trading day before public

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announcement of the merger agreement, was \$40.80 per share. The last reported sale price of Allegiance common stock on [ ] was [ ] per share. There is no established public trading market for the shares of Post Oak common stock. Neither Allegiance nor Post Oak has historically paid dividends. See Comparison of Market Prices and Dividends for more information.

**Risk Factors (page 38)**

You should consider all the information contained in this joint proxy statement/prospectus in deciding how to vote for the proposals presented in this joint proxy statement/prospectus. In particular, you should consider the factors described under the section of this joint proxy statement/prospectus entitled Risk Factors beginning on page 38.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF ALLEGIANCE**

The following selected consolidated historical financial data of Allegiance as of and for the three months ended March 31, 2018 and 2017, have been derived from Allegiance's unaudited consolidated financial statements incorporated by reference into this joint proxy statement/prospectus. The following selected consolidated historical financial data of Allegiance as of December 31, 2017 and 2016 and for each of the years ended December 31, 2017, 2016 and 2015, have been derived from Allegiance's audited consolidated financial statements incorporated by reference into this joint proxy statement/prospectus, and the selected consolidated historical financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013, have been derived from Allegiance's audited consolidated financial statements not included or incorporated by reference into this joint proxy statement/prospectus. Allegiance's unaudited consolidated financial statements have been prepared on a basis consistent with Allegiance's audited consolidated financial statements. In the opinion of management of Allegiance, such unaudited consolidated financial data as of and for the three months ended March 31, 2018 and 2017 reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. Allegiance's historical results are not necessarily indicative of the results that may be expected for any future period. See "Where You Can Find More Information" beginning on page [ ].

|  | As of and for the<br>Three Months Ended |      | As of and for the Year Ended December 31, |                     |                     |      |                     |
|--|-----------------------------------------|------|-------------------------------------------|---------------------|---------------------|------|---------------------|
|  | 2018<br>(unaudited)                     | 2017 | 2017                                      | 2016 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2014 | 2013 <sup>(3)</sup> |

(Dollars in thousands, except share and per share data)

| Selected Period<br>End Balance<br>Sheet Data: | 2018<br>(unaudited) | 2017       | 2017       | 2016 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2014       | 2013 <sup>(3)</sup> |
|-----------------------------------------------|---------------------|------------|------------|---------------------|---------------------|------------|---------------------|
| Cash and cash equivalents                     | \$ 190,088          | \$ 184,146 | \$ 182,103 | \$ 142,098          | \$ 148,431          | \$ 167,540 | \$ 213,076          |
| Available for sale securities                 | 307,411             | 317,219    | 309,615    | 316,455             | 165,097             | 84,962     | 87,007              |
| Loans held for sale                           |                     |            |            |                     | 27,887              |            |                     |
| Loans held for investment                     | 2,290,494           | 1,986,438  | 2,270,876  | 1,891,635           | 1,653,165           | 1,002,054  | 836,694             |
| Allowance for loan losses                     | 24,628              | 18,687     | 23,649     | 17,911              | 13,098              | 8,246      | 6,655               |
| Goodwill and intangible assets, net           | 42,468              | 43,249     | 42,663     | 43,444              | 44,619              | 12,891     | 13,044              |
| Total assets                                  | 2,886,484           | 2,592,330  | 2,860,231  | 2,450,948           | 2,084,579           | 1,280,008  | 1,164,759           |
| Noninterest-bearing deposits                  | 694,880             | 615,225    | 683,110    | 593,751             | 620,320             | 373,795    | 325,410             |
| Interest-bearing deposits                     | 1,589,922           | 1,397,344  | 1,530,864  | 1,276,432           | 1,138,813           | 759,889    | 719,921             |
| Total deposits                                | 2,284,802           | 2,012,569  | 2,213,974  | 1,870,183           | 1,759,133           | 1,133,684  | 1,045,331           |
| Total shareholders equity                     | 311,988             | 289,130    | 306,865    | 279,817             | 258,490             | 131,778    | 109,736             |

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|                                                               |            |            |            |            |            |           |           |
|---------------------------------------------------------------|------------|------------|------------|------------|------------|-----------|-----------|
| Total common shareholders equity                              | 311,988    | 289,130    | 306,865    | 279,817    | 258,490    | 131,778   | 109,736   |
| <b>Selected Income Statement Data:</b>                        |            |            |            |            |            |           |           |
| Net interest income                                           | \$ 26,889  | \$ 24,128  | \$ 103,668 | \$ 89,864  | \$ 80,166  | \$ 46,834 | \$ 33,891 |
| Provision for loan losses                                     | 653        | 1,343      | 13,188     | 5,469      | 5,792      | 2,150     | 240       |
| Net interest income after provision for loan losses           | 26,236     | 22,785     | 90,480     | 84,395     | 74,374     | 44,684    | 33,651    |
| Noninterest income                                            | 1,646      | 1,341      | 5,861      | 7,268      | 3,992      | 2,607     | 1,639     |
| Noninterest expense                                           | 18,717     | 16,549     | 69,962     | 59,258     | 54,805     | 33,458    | 24,598    |
| Net income before income taxes                                | 9,165      | 7,577      | 26,379     | 32,405     | 23,561     | 13,833    | 10,692    |
| Net income                                                    | 7,711      | 6,047      | 17,632     | 22,851     | 15,786     | 9,005     | 6,839     |
| Net income attributable to common shareholders <sup>(4)</sup> | 7,711      | 6,047      | 17,632     | 22,851     | 15,227     | 9,005     | 6,839     |
| <b>Selected Per Share Data:</b>                               |            |            |            |            |            |           |           |
| Earnings per common share, basic                              | \$ 0.58    | \$ 0.46    | \$ 1.34    | \$ 1.78    | \$ 1.45    | \$ 1.29   | \$ 1.25   |
| Earnings per common share, diluted                            | 0.57       | 0.45       | 1.31       | 1.75       | 1.43       | 1.26      | 1.22      |
| Book value per common share                                   | 23.46      | 22.10      | 23.20      | 21.59      | 20.17      | 17.62     | 15.78     |
| Weighted average common shares outstanding, basic             | 13,261,755 | 13,020,569 | 13,124,900 | 12,873,326 | 10,470,465 | 6,978,025 | 5,449,700 |
| Weighted average common shares outstanding, diluted           | 13,541,660 | 13,376,952 | 13,457,718 | 13,073,932 | 10,654,003 | 7,142,377 | 5,621,042 |
| Shares outstanding at end of period                           | 13,301,310 | 13,080,383 | 13,226,826 | 12,958,341 | 12,812,985 | 7,477,309 | 6,953,125 |

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|                                                                  | As of and for the<br>Three Months Ended<br>March 31, |        | As of and for the Years Ended December 31, |                     |                     |         |                     |
|------------------------------------------------------------------|------------------------------------------------------|--------|--------------------------------------------|---------------------|---------------------|---------|---------------------|
|                                                                  | 2018                                                 | 2017   | 2017                                       | 2016 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2014    | 2013 <sup>(3)</sup> |
| <b>Selected Performance Metrics:</b>                             |                                                      |        |                                            |                     |                     |         |                     |
| Return on average assets <sup>(5)(10)</sup>                      | 1.09%                                                | 0.96%  | 0.65%                                      | 0.98%               | 0.81%               | 0.75%   | 0.78%               |
| Return on average common equity <sup>(5)(10)</sup>               | 10.10%                                               | 8.61%  | 5.92%                                      | 8.36%               | 7.43%               | 7.73%   | 9.02%               |
| Tax equivalent net interest margin <sup>(5)(6)</sup>             | 4.20%                                                | 4.38%  | 4.34%                                      | 4.37%               | 4.68%               | 4.31%   | 4.19%               |
| Efficiency ratio <sup>(7)</sup>                                  | 65.59%                                               | 64.98% | 63.89%                                     | 62.34%              | 65.27%              | 67.79%  | 69.23%              |
| Loans to deposits ratio                                          | 100.25%                                              | 98.70% | 102.57%                                    | 101.15%             | 95.56%              | 88.39%  | 80.04%              |
| Noninterest expense to average assets <sup>(5)(10)</sup>         | 2.64%                                                | 2.63%  | 2.59%                                      | 2.53%               | 2.83%               | 2.80%   | 2.82%               |
| <b>Selected Credit Quality Ratios:</b>                           |                                                      |        |                                            |                     |                     |         |                     |
| Nonperforming assets to total assets <sup>(8)</sup>              | 0.49%                                                | 0.77%  | 0.49%                                      | 0.75%               | 0.25%               | 0.25%   | 0.25%               |
| Nonperforming loans to total loans <sup>(9)</sup>                | 0.58%                                                | 0.97%  | 0.59%                                      | 0.88%               | 0.31%               | 0.32%   | 0.31%               |
| Allowance for loan losses to nonperforming loans <sup>(9)</sup>  | 1.84%                                                | 96.75% | 177.44%                                    | 107.26%             | 252.66%             | 258.98% | 258.75%             |
| Allowance for loan losses to total loans                         | 1.08%                                                | 0.94%  | 1.04%                                      | 0.95%               | 0.78%               | 0.82%   | 0.80%               |
| Provision for loan losses to average loans <sup>(5)(10)</sup>    | 0.12%                                                | 0.28%  | 0.63%                                      | 0.31%               | 0.38%               | 0.23%   | 0.04%               |
| Net (recoveries) charge-offs to average loans <sup>(5)(10)</sup> | (0.06)%                                              | 0.12%  | 0.36%                                      | 0.04%               | 0.06%               | 0.06%   | 0.02%               |
| <b>Capital Ratios:</b>                                           |                                                      |        |                                            |                     |                     |         |                     |
| Common equity Tier 1 capital ratio                               | 10.82%                                               | 11.10% | 10.54%                                     | 11.30%              | 11.72%              | N/A     | N/A                 |
| Tier 1 risk-based capital                                        | 11.19%                                               | 11.51% | 10.92%                                     | 11.73%              | 12.21%              | 11.96%  | 11.60%              |
| Total risk-based capital                                         | 13.72%                                               | 12.35% | 13.43%                                     | 12.57%              | 12.92%              | 12.80%  | 12.39%              |
| Leverage capital ratio                                           | 9.98%                                                | 10.28% | 9.84%                                      | 10.35%              | 11.02%              | 9.55%   | 9.61%               |

(1) Allegiance completed the sale of two branches acquired from F&M Bancshares, Inc. during the first quarter of 2016.

(2) Allegiance completed the acquisition of F&M Bancshares, Inc. on January 1, 2015.

(3) Allegiance completed the acquisition of Independence Bank, National Association on November 16, 2013.

(4) On January 1, 2015, Allegiance issued shares of Series A and Series B preferred stock, in connection with the acquisition of F&M Bancshares, Inc., which had preferred stock outstanding pursuant to the U.S. Treasury's Troubled Asset Relief Program. Allegiance paid \$559 thousand in preferred dividends during 2015. On July 15, 2015, Allegiance redeemed all of the outstanding shares of Series A and Series B preferred stock with cash on hand for an aggregate redemption price of \$11.7 million (which is the sum of the liquidation amount plus accrued and unpaid dividends up to, but excluding, the redemption date).

(5)

Allegiance calculates average assets and average common equity for a period by dividing the sum of total assets or total common shareholders' equity, as the case may be, as of the close of business on each day in the relevant period, by the number of days in the period. Allegiance calculates return on average assets by dividing net income for that period by average assets. Allegiance calculates return on average common equity for a period by dividing net income attributable to common shareholders for that period by average common equity and average tangible common equity, as the case may be, for that period.

- (6) Net interest margin represents net interest income divided by average interest-earning assets.
- (7) Efficiency ratio represents total noninterest expense divided by the sum of net interest income plus noninterest income, excluding net gains and losses on the sale of loans, securities and assets (including the sale of two Central Texas branches acquired from F&M Bancshares, Inc.). Additionally, taxes and provision for loan losses are not part of this calculation.
- (8) Nonperforming assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, repossessed assets and other real estate.
- (9) Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing interest.
- (10) Interim periods annualized.



**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF POST OAK**

The following selected consolidated historical financial data of Post Oak as of and for the three months ended March 31, 2018 and 2017, have been derived from Post Oak's unaudited consolidated financial statements included elsewhere in this joint proxy statement/prospectus. The following selected consolidated historical financial data of Post Oak as of and for each of the years ended December 31, 2017 and 2016, have been derived from Post Oak's audited consolidated financial statements included elsewhere in this joint proxy statement/prospectus, and the selected consolidated historical financial data as of and for each of the years ended December 31, 2015, 2014 and 2013, have been derived from Post Oak's audited consolidated financial statements not included or incorporated by reference into this joint proxy statement/prospectus. Post Oak's historical results are not necessarily indicative of the results that may be expected for any future period. See [Where You Can Find More Information](#) beginning on page [ ].

**As of and for the Three  
Months Ended  
March 31,  
2018      2017**      **As of and for the Years Ended December 31,  
2017<sup>(1)</sup>      2016      2015<sup>(2)</sup>      2014      2013**  
(unaudited)

(Dollars in thousands, except per share data)

| <b>Selected Period<br/>End Balance<br/>Sheet Data:</b> |                  |                  |                  |                  |                  |                |                |  |
|--------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|--|
| Cash and cash equivalents                              | \$ 199,179       | \$ 115,982       | \$ 199,380       | 136,944          | \$ 132,456       | \$ 156,279     | \$ 143,951     |  |
| Available for sale securities                          | 48,464           | 38,505           | 49,446           | 38,483           | 41,787           | 14,508         | 13,555         |  |
| Loans held for investment                              | 1,146,661        | 956,838          | 1,147,002        | 925,648          | 887,450          | 720,249        | 604,780        |  |
| Allowance for possible credit losses                   | 11,995           | 11,421           | 12,030           | 11,239           | 9,894            | 9,256          | 8,350          |  |
| Goodwill and intangible assets, net                    | 6,057            | 5,156            | 6,190            | 5,217            | 4,741            |                |                |  |
| <b>Total assets</b>                                    | <b>1,432,607</b> | <b>1,142,597</b> | <b>1,429,372</b> | <b>1,129,643</b> | <b>1,092,565</b> | <b>901,653</b> | <b>772,461</b> |  |
| Noninterest-bearing deposits                           | 423,242          | 399,653          | 468,256          | 396,621          | 320,246          | 258,305        | 197,329        |  |
| Interest-bearing deposits                              | 817,909          | 606,671          | 783,590          | 602,013          | 646,967          | 540,739        | 481,987        |  |
| <b>Total deposits</b>                                  | <b>1,241,151</b> | <b>1,006,324</b> | <b>1,251,846</b> | <b>998,634</b>   | <b>967,213</b>   | <b>799,044</b> | <b>679,315</b> |  |
| <b>Total shareholders equity</b>                       | <b>162,736</b>   | <b>132,885</b>   | <b>157,917</b>   | <b>129,823</b>   | <b>122,367</b>   | <b>101,703</b> | <b>92,548</b>  |  |
| <b>Selected Income<br/>Statement Data:</b>             |                  |                  |                  |                  |                  |                |                |  |
| Net interest income                                    | \$ 13,606        | \$ 11,349        | \$ 52,027        | \$ 44,321        | \$ 37,429        | \$ 33,456      | \$ 28,782      |  |
| Provision for possible credit                          | 250              | 200              | 790              | 1,952            | 702              | 1,882          | 1,280          |  |

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|                                                     |            |            |            |            |            |            |            |  |
|-----------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|--|
| losses                                              |            |            |            |            |            |            |            |  |
| Net interest income after provision for loan losses | 13,356     | 11,149     | 51,237     | 42,369     | 36,727     | 31,574     | 27,502     |  |
| Noninterest income                                  | 722        | 674        | 4,572      | 2,481      | 1,192      | 940        | 894        |  |
| Noninterest expense                                 | 8,322      | 7,689      | 31,912     | 28,224     | 23,256     | 21,143     | 18,652     |  |
| Net income before income taxes                      | 5,756      | 4,135      | 23,897     | 16,626     | 14,663     | 11,371     | 9,744      |  |
| Net income                                          | 4,430      | 2,601      | 15,027     | 10,931     | 9,612      | 7,431      | 6,316      |  |
| <b>Selected Per Share Data:</b>                     |            |            |            |            |            |            |            |  |
| Earnings per common share, basic                    | \$ 0.38    | \$ 0.24    | \$ 1.33    | \$ 0.99    | \$ 0.90    | \$ 0.74    | \$ 0.64    |  |
| Earnings per common share, diluted                  | 0.37       | 0.23       | 1.29       | 0.96       | 0.87       | 0.71       | 0.61       |  |
| Book value per common share                         | 13.81      | 12.12      | 13.48      | 11.92      | 11.02      | 9.94       | 9.31       |  |
| Weighted average common shares outstanding, basic   | 11,747,366 | 10,930,226 | 11,302,235 | 10,999,070 | 10,668,976 | 10,085,611 | 9,918,710  |  |
| Weighted average common shares outstanding, diluted | 12,111,531 | 11,341,619 | 11,669,026 | 11,428,920 | 11,023,519 | 10,520,574 | 10,423,985 |  |
| Shares outstanding at end of period                 | 11,782,349 | 10,968,363 | 11,712,382 | 10,892,088 | 11,106,052 | 10,231,899 | 9,939,322  |  |

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|                                                                            | As of and for the Three<br>Months Ended<br>March 31,<br>2018      2017<br>(unaudited) |         | As of and for the Years Ended December 31,<br>2017 <sup>(1)</sup> 2016    2015 <sup>(2)</sup> 2014    2013 |         |         |         |         |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------|------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|
|                                                                            | <b>Selected Performance Metrics:</b>                                                  |         |                                                                                                            |         |         |         |         |
| Return on average assets <sup>(3)(8)</sup>                                 | 1.28%                                                                                 | 0.93%   | 1.15%                                                                                                      | 0.98%   | 1.01%   | 0.90%   | 0.89%   |
| Return on average equity <sup>(3)(8)</sup>                                 | 11.16%                                                                                | 7.97%   | 10.19%                                                                                                     | 8.69%   | 8.84%   | 7.67%   | 7.05%   |
| Tax equivalent net interest margin <sup>(3)(4)</sup>                       | 4.15%                                                                                 | 4.31%   | 4.24%                                                                                                      | 4.24%   | 3.64%   | 4.24%   | 4.22%   |
| Efficiency ratio <sup>(5)</sup>                                            | 58.08%                                                                                | 63.95%  | 57.62%                                                                                                     | 60.31%  | 60.22%  | 61.47%  | 62.85%  |
| Loans to deposits ratio                                                    | 92.39%                                                                                | 95.08%  | 91.62%                                                                                                     | 92.69%  | 91.75%  | 90.14%  | 89.03%  |
| Noninterest expense to average assets <sup>(3)(8)</sup>                    | 2.40%                                                                                 | 2.75%   | 2.44%                                                                                                      | 2.53%   | 2.44%   | 2.57%   | 2.62%   |
| <b>Selected Credit Quality Ratios:</b>                                     |                                                                                       |         |                                                                                                            |         |         |         |         |
| Nonperforming assets to total assets <sup>(6)</sup>                        | 0.56%                                                                                 | 0.51%   | 0.31%                                                                                                      | 0.56%   | 0.46%   | 0.15%   | 0.19%   |
| Nonperforming loans to total loans <sup>(7)</sup>                          | 0.43%                                                                                 | 0.55%   | 0.38%                                                                                                      | 0.57%   | 0.45%   | 0.14%   | 0.23%   |
| Allowance for possible credit losses to nonperforming loans <sup>(7)</sup> | 241.88%                                                                               | 216.39% | 274.09%                                                                                                    | 213.51% | 246.79% | 890.86% | 593.46% |
| Allowance for possible credit losses to total loans                        | 1.05%                                                                                 | 1.19%   | 1.05%                                                                                                      | 1.21%   | 1.11%   | 1.29%   | 1.38%   |
| Provision for possible credit losses to average loans <sup>(3)(8)</sup>    | 0.09%                                                                                 | 0.09%   | 0.07%                                                                                                      | 0.22%   | 0.08%   | 0.28%   | 0.23%   |
| Net charge-offs to average loans <sup>(3)(8)</sup>                         | 0.10%                                                                                 | 0.01%   | 0.00%                                                                                                      | 0.07%   | 0.01%   | 0.15%   | 0.03%   |
| <b>Capital Ratios:</b>                                                     |                                                                                       |         |                                                                                                            |         |         |         |         |
| Common equity Tier 1 capital ratio                                         | 13.61%                                                                                | 12.98%  | 13.10%                                                                                                     | 13.24%  | 13.10%  | N/A     | N/A     |
| Tier 1 risk-based capital                                                  | 13.61%                                                                                | 12.98%  | 13.10%                                                                                                     | 13.24%  | 13.10%  | 14.00%  | 15.10%  |
| Total risk-based capital                                                   | 14.65%                                                                                | 14.13%  | 14.10%                                                                                                     | 14.42%  | 14.20%  | 15.20%  | 16.30%  |
| Leverage capital ratio                                                     | 11.16%                                                                                | 11.32%  | 10.60%                                                                                                     | 10.92%  | 10.40%  | 11.10%  | 11.90%  |

(1) Post Oak completed the acquisition of The State Bank of Texas ( TSBOT ) on April 1, 2017.

(2) Post Oak completed the acquisition of SSB Bancshares, Inc. on December 1, 2015.

(3) Post Oak calculates average assets and average equity for a period by dividing the sum of total assets or total shareholders' equity, as the case may be, as of the close of business on each day in the relevant period, by the number of days in the period. Post Oak calculates return on average assets by dividing net income for that period by average assets. Post Oak calculates return on average equity for a period by dividing net income for that period by average equity for that period.

(4) Net interest margin represents net interest income divided by average interest-earning assets.

(5) Efficiency ratio represents total noninterest expense divided by the sum of net interest income plus noninterest income, excluding net gains and losses on the sale of loans, securities and assets (including the bargain purchase

gain on the TSBOT acquisition in 2017). Additionally, taxes and provision for possible credit losses are not part of this calculation.

- (6) Nonperforming assets include nonaccrual loans, loans past due 90 days or more and still accruing interest, repossessed assets and other real estate.
- (7) Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing interest.
- (8) Interim periods annualized.

**Table of Contents****SELECTED UNAUDITED PRO FORMA FINANCIAL DATA**

The following table shows selected unaudited pro forma combined consolidated financial information about the financial condition and results of operations of Allegiance giving effect to the merger. The selected unaudited pro forma combined consolidated financial information assumes that the merger is accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the assets and liabilities of Post Oak, as of the effective date of the merger, will be recorded by Allegiance at their respective fair values and the excess of the merger consideration over the fair value of Post Oak's net assets will be allocated to goodwill.

The table sets forth the information as if the merger had become effective on March 31, 2018, with respect to financial condition data, and on January 1, 2017, with respect to the results of operations data. The selected unaudited pro forma combined consolidated financial data has been derived from and should be read in connection with the unaudited pro forma combined consolidated financial information, including the notes thereto, which is included in this joint proxy statement/prospectus under Unaudited Pro Forma Combined Consolidated Financial Statements.

The selected unaudited pro forma combined consolidated financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of the period presented. The selected unaudited pro forma combined consolidated financial information also does not consider any potential impacts of current market conditions on revenues, potential revenue enhancements, anticipated cost savings and expense efficiencies or asset dispositions, among other factors. Further, as explained in more detail in the notes accompanying the detailed unaudited pro forma combined consolidated financial information included under Unaudited Pro Forma Combined Consolidated Financial Information, the allocation of the purchase price reflected in the selected unaudited pro forma combined consolidated financial data is subject to adjustments and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Additionally, the final adjustments may be different from the unaudited pro forma adjustments presented in this joint proxy statement/prospectus.

|                                                            | <b>As of<br/>March 31, 2018<br/>(Dollars in<br/>thousands)</b> |
|------------------------------------------------------------|----------------------------------------------------------------|
| <b>Pro Forma Combined Consolidated Balance Sheet Data:</b> |                                                                |
| Cash and cash equivalents                                  | \$ 378,421                                                     |
| Loans, net                                                 | 3,397,294                                                      |
| Total assets                                               | 4,483,917                                                      |
| Deposits                                                   | 3,527,103                                                      |
| Borrowed funds                                             | 257,569                                                        |
| Subordinated debt                                          | 48,719                                                         |
| Other liabilities                                          | 14,252                                                         |
| Total shareholders' equity                                 | 636,274                                                        |

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|                                                                  | <b>For the<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2018</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2017</b> |
|------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------|
| <b>(Dollars in thousands, except per share amounts)</b>          |                                                                      |                                                         |
| <b>Pro Forma Combined Consolidated Statement of Income Data:</b> |                                                                      |                                                         |
| Net interest income                                              | \$ 41,728                                                            | \$ 162,668                                              |
| Provision for loan losses                                        | 903                                                                  | 13,978                                                  |
| Noninterest income                                               | 2,295                                                                | 9,543                                                   |
| Noninterest expense                                              | 27,415                                                               | 103,805                                                 |
| Income before income taxes                                       | 15,705                                                               | 54,428                                                  |
| Net income                                                       | 12,760                                                               | 35,358                                                  |
| <b>Pro Forma Combined Consolidated Per Share Data:</b>           |                                                                      |                                                         |
| Earnings per common share:                                       |                                                                      |                                                         |
| Basic                                                            | \$ 0.59                                                              | \$ 1.65                                                 |
| Diluted                                                          | 0.58                                                                 | 1.61                                                    |
| Weighted average common shares outstanding:                      |                                                                      |                                                         |
| Basic                                                            | 21,529,429                                                           | 21,392,574                                              |
| Diluted                                                          | 22,064,869                                                           | 21,982,769                                              |

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**UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma combined consolidated balance sheet as of March 31, 2018, and the unaudited pro forma combined consolidated statements of income for the three months ended March 31, 2018, and the year ended December 31, 2017, have been prepared to show the impact on Allegiance's historical financial position and results of operations of the consummation of the merger, including the expected issuance of 8,267,674 shares of Allegiance common stock to Post Oak's shareholders based on 11,782,349 shares of Post Oak common stock outstanding at March 31, 2018.

The unaudited pro forma combined consolidated financial information and explanatory notes are based upon the following assumptions:

a closing price of Allegiance common stock of \$39.15 per share, which was the closing price of Allegiance common stock on March 31, 2018, as to the expected issuance of 8,267,674 shares of Allegiance common stock to Post Oak's shareholders;

options to purchase 617,350 shares of Post Oak common stock at a weighted average exercise price of \$8.92 outstanding at March 31, 2018; and

that no adjustment is made to the merger consideration to be received by Post Oak shareholders.

The unaudited pro forma combined consolidated financial statements give effect to the acquisition of Post Oak as a business combination under GAAP. Accordingly, all assets and liabilities were recorded at estimated fair value. Pro forma adjustments are included only to the extent they are (i) directly attributable to the acquisition, (ii) factually supportable and (iii) with respect to the unaudited pro forma combined statement of income, expected to have a continuing impact on the combined results. The pro forma adjustments are based on estimates made for the purpose of preparing these pro forma statements and are described in the accompanying notes. Allegiance's management believes that the estimates used in these pro forma financial statements are reasonable under the circumstances.

The pro forma adjustments included herein are subject to change as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after further valuation analyses under GAAP are performed with respect to the fair values of certain tangible and intangible assets and liabilities as of the date of acquisition. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein. In addition, the pro forma financial statements do not include the effects of any potential cost savings which management believes will result from combining certain operating procedures.

Allegiance anticipates that the acquisition of Post Oak will provide the combined company with the ability to better serve its customers, reach new customers and reduce operating expenses. In addition, certain subjective estimates have been utilized in determining the pro forma adjustments applied to the historical results of operations of Post Oak. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had Allegiance and Post Oak been combined during these periods.

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The unaudited pro forma combined consolidated financial information has been derived from, and should be read in conjunction with, the historical consolidated financial statements and related notes of Allegiance and Post Oak.



**Table of Contents****UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET****AS OF MARCH 31, 2018**

|                                            | As Reported  |              | Pro Forma   |     | Pro          |
|--------------------------------------------|--------------|--------------|-------------|-----|--------------|
|                                            | Allegiance   | Post Oak     | Adjustments |     | Forma        |
|                                            |              |              |             |     | Combined     |
| <b>Assets</b>                              |              |              |             |     |              |
| Cash and cash equivalents                  | \$ 190,088   | \$ 199,179   | \$ (10,846) | (a) | \$ 378,421   |
| Investment securities                      | 307,411      | 48,464       |             |     | 355,875      |
| Loans held for investment                  | 2,290,494    | 1,146,661    | (15,233)    | (b) | 3,421,922    |
| Allowance for loan losses                  | (24,628)     | (11,995)     | 11,995      | (c) | (24,628)     |
| Loans, net                                 | 2,265,866    | 1,134,666    | (3,238)     |     | 3,397,294    |
| Premises and equipment, net                | 18,605       | 21,673       |             |     | 40,278       |
| Other real estate owned                    | 365          | 3,133        |             |     | 3,498        |
| Goodwill                                   | 39,389       | 4,265        | 166,697     | (d) | 210,351      |
| Core deposit intangibles, net              | 3,079        | 1,792        | 12,213      | (e) | 17,084       |
| Other assets                               | 61,681       | 19,435       |             |     | 81,116       |
| Total assets                               | \$ 2,886,484 | \$ 1,432,607 | \$ 164,826  |     | \$ 4,483,917 |
| <b>Liabilities and Shareholders Equity</b> |              |              |             |     |              |
| Deposits:                                  |              |              |             |     |              |
| Noninterest-bearing                        | \$ 694,880   | \$ 423,242   | \$          |     | \$ 1,118,122 |
| Interest-bearing                           | 1,589,922    | 817,909      | 1,150       | (f) | 2,408,981    |
| Total deposits                             | 2,284,802    | 1,241,151    | 1,150       |     | 3,527,103    |
| Borrowed funds                             | 232,569      | 25,000       |             |     | 257,569      |
| Subordinated debt                          | 48,719       |              |             |     | 48,719       |
| Other liabilities                          | 8,406        | 3,720        | 2,126       | (g) | 14,252       |
| Total liabilities                          | 2,574,496    | 1,269,871    | 3,276       |     | 3,847,643    |
| Shareholders equity:                       |              |              |             |     |              |
| Preferred equity                           |              |              |             |     |              |
| Common stock                               | 13,302       | 124          | 8,436       | (h) | 21,862       |
| Capital surplus                            | 219,760      | 104,803      | 221,769     | (h) | 546,332      |
| Retained earnings                          | 82,533       | 65,809       | (76,655)    | (i) | 71,687       |
| Accumulated other comprehensive loss       | (3,607)      | (545)        | 545         | (j) | (3,607)      |
| Treasury stock, at cost                    |              | (7,455)      | 7,455       | (h) |              |
| Total shareholders equity                  | 311,988      | 162,736      | 161,550     |     | 636,274      |
| Total liabilities and shareholders equity  | \$ 2,886,484 | \$ 1,432,607 | \$ 164,826  |     | \$ 4,483,917 |

- (a) Adjustment reflects transaction related expenses expected to be incurred by Allegiance and Post Oak.
- (b) Adjustment to reflect the estimated fair value of Post Oak's loan portfolio.
- (c) Adjustment reflects the elimination of Post Oak's existing allowance for loan losses. Purchased loans in a business combination are recorded at estimated fair value on the purchase date and the carryover of the related allowance for loan losses is prohibited.

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- (d) Adjustment to eliminate Post Oak's goodwill of \$4.3 million and record estimated goodwill associated with the merger of \$171.0 million.

|                                                      |                   |
|------------------------------------------------------|-------------------|
| Assets of Post Oak:                                  |                   |
| Cash and cash equivalents                            | \$ 199,179        |
| Investment securities                                | 48,464            |
| Loans                                                | 1,131,428         |
| Core deposit intangible                              | 14,005            |
| Other assets                                         | 44,241            |
| <b>Total assets acquired</b>                         | <b>1,437,317</b>  |
| Liabilities of Post Oak assumed                      | 1,273,147         |
| <b>Net assets acquired</b>                           | <b>\$ 164,170</b> |
| Merger consideration                                 | \$ 335,132        |
| <b>Net assets acquired</b>                           | <b>164,170</b>    |
| <b>Total goodwill resulting from the acquisition</b> | <b>\$ 170,962</b> |

- (e) Adjustment reflects the elimination of Post Oak's core deposit intangibles in the amount of \$1.8 million and records the new fair value estimate of Post Oak's core deposit intangibles of \$14.0 million. The fair value estimate represents a 1.15% premium on Post Oak's core deposits. The actual amount of such core deposit intangible assets will be determined upon completion of the merger and the estimated pro forma adjustment could change.
- (f) Adjustment to Post Oak's certificates of deposit to account for current market interest rates.
- (g) Adjustment to deferred tax liability for the fair value accounting adjustments related to the acquired assets and assumed liabilities, based on a 21% statutory tax rate.
- (h) Adjustment to remove Post Oak's common stock, additional paid in capital and treasury stock and to record the issuance of shares of Allegiance common stock to Post Oak shareholders.
- (i) Adjustment to eliminate Post Oak's retained earnings that include the impact of acquisition related expenses.
- (j) Adjustment to eliminate Post Oak's accumulated other comprehensive income balance.

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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

|                                                     | As Reported     |                 |                          |                       |
|-----------------------------------------------------|-----------------|-----------------|--------------------------|-----------------------|
|                                                     | Allegiance      | Post<br>Oak     | Pro Forma<br>Adjustments | Pro Forma<br>Combined |
| (Dollars in thousands, except per share amounts)    |                 |                 |                          |                       |
| <b>Interest income</b>                              |                 |                 |                          |                       |
| Interest and fees on loans                          | \$ 30,117       | 14,799          | \$ 1,149 (k)             | \$ 46,065             |
| Interest on investment securities                   | 2,058           | 226             |                          | 2,284                 |
| Interest on deposits at other financial institution | 216             | 565             |                          | 781                   |
| <b>Total interest income</b>                        | <b>32,391</b>   | <b>15,590</b>   | <b>1,149</b>             | <b>49,130</b>         |
| Interest expense on deposits                        | 3,761           | 1,904           | (84) (l)                 | 5,581                 |
| Interest expense on subordinated debt               | 705             |                 |                          | 705                   |
| Interest expense on borrowings                      | 1,036           | 80              |                          | 1,116                 |
| <b>Total interest expense</b>                       | <b>5,502</b>    | <b>1,984</b>    | <b>(84)</b>              | <b>7,402</b>          |
| Net interest income                                 | 26,889          | 13,606          | 1,233                    | 41,728                |
| Provision for loan losses                           | 653             | 250             |                          | 903                   |
| Net interest income after provision for loan losses | 26,236          | 13,356          | 1,233                    | 40,825                |
| <b>Noninterest income</b>                           |                 |                 |                          |                       |
| Service charges on deposit accounts                 | 399             | 504             |                          | 903                   |
| Other income                                        | 1,247           | 218             | (73) (m)                 | 1,392                 |
| <b>Total noninterest income</b>                     | <b>1,646</b>    | <b>722</b>      | <b>(73)</b>              | <b>2,295</b>          |
| <b>Noninterest expenses</b>                         |                 |                 |                          |                       |
| Salaries and employee benefits                      | 12,794          | 5,428           |                          | 18,222                |
| Occupancy and equipment                             | 1,679           | 968             |                          | 2,647                 |
| Core deposit intangibles amortization               | 195             | 132             | 376 (n)                  | 703                   |
| Other                                               | 4,049           | 1,794           |                          | 5,843                 |
| <b>Total noninterest expenses</b>                   | <b>18,717</b>   | <b>8,322</b>    | <b>376</b>               | <b>27,415</b>         |
| Income before income tax                            | 9,165           | 5,756           | 784                      | 15,705                |
| Income tax expense                                  | 1,454           | 1,326           | 165 (o)                  | 2,945                 |
| <b>Net income</b>                                   | <b>\$ 7,711</b> | <b>\$ 4,430</b> | <b>\$ 619</b>            | <b>\$ 12,760</b>      |
| <b>Earnings per common share:</b>                   |                 |                 |                          |                       |
| Basic                                               | \$ 0.58         |                 |                          | \$ 0.59               |

|                                             |    |            |     |            |
|---------------------------------------------|----|------------|-----|------------|
| Diluted                                     | \$ | 0.57       | \$  | 0.58       |
| Weighted average common shares outstanding: |    |            |     |            |
| Basic                                       |    | 13,261,755 | (p) | 21,529,429 |
| Diluted                                     |    | 13,541,660 | (q) | 22,064,869 |

- (k) Adjustment reflects the fair value accretion on Post Oak's loan portfolio for the three months ended March 31, 2018 assuming the merger was consummated on January 1, 2017, based on a preliminary evaluation of the acquired loan portfolio to estimate the necessary credit and interest rate fair value adjustments.
- (l) Adjustment reflects accretion of the premium on acquired Post Oak certificates of deposit for the three months ended March 31, 2018 assuming the merger was consummated on January 1, 2017.
- (m) Adjustment to reverse purchase accounting accretion related to the SSB acquisition recorded during the three months ended March 31, 2018.

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- (n) Adjustment to eliminate Post Oak's amortization expense on core deposit intangible assets and record estimated amortization of acquired core deposit intangible assets for the three months ended March 31, 2018.
- (o) Adjustment to income tax expense to record the income tax effects of pro forma adjustments at the statutory tax rate of 21%.
- (p) Adjustment includes the 8,267,674 shares of Allegiance common stock issued in connection with the merger calculated by using the 0.7017 exchange ratio.
- (q) Adjustment includes the 8,267,674 shares of Allegiance common stock issued in connection with the merger calculated by using the 0.7017 exchange ratio and 255,535 diluted shares of Allegiance common stock as a result of Post Oak stock options converted to Allegiance stock options.

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**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                                            | As Reported                                      |                  | Pro                  |     | Pro Forma         |
|------------------------------------------------------------|--------------------------------------------------|------------------|----------------------|-----|-------------------|
|                                                            | Allegiance                                       | Post<br>Oak      | Forma<br>Adjustments |     | Forma<br>Combined |
|                                                            | (Dollars in thousands, except per share amounts) |                  |                      |     |                   |
| <b>Interest income</b>                                     |                                                  |                  |                      |     |                   |
| Interest and fees on loans                                 | \$ 110,331                                       | \$ 55,250        | \$ 6,243             | (r) | \$ 171,824        |
| Interest on investment securities                          | 8,445                                            | 888              |                      |     | 9,333             |
| Interest on deposits at other financial institution        | 662                                              | 1,593            |                      |     | 2,255             |
| <b>Total interest income</b>                               | <b>119,438</b>                                   | <b>57,731</b>    | <b>6,243</b>         |     | <b>183,412</b>    |
| <b>Interest expense</b>                                    |                                                  |                  |                      |     |                   |
| Interest expense on deposits                               | 12,219                                           | 5,597            | (730)                | (s) | 17,086            |
| Interest expense on subordinated debt                      | 629                                              |                  |                      |     | 629               |
| Interest expense on borrowings                             | 2,922                                            | 107              |                      |     | 3,029             |
| <b>Total interest expense</b>                              | <b>15,770</b>                                    | <b>5,704</b>     | <b>(730)</b>         |     | <b>20,744</b>     |
| <b>Net interest income</b>                                 | <b>103,668</b>                                   | <b>52,027</b>    | <b>6,973</b>         |     | <b>162,668</b>    |
| Provision for loan losses                                  | 13,188                                           | 790              |                      |     | 13,978            |
| <b>Net interest income after provision for loan losses</b> | <b>90,480</b>                                    | <b>51,237</b>    | <b>6,973</b>         |     | <b>148,690</b>    |
| <b>Noninterest income</b>                                  |                                                  |                  |                      |     |                   |
| Service charges on deposit accounts                        | 1,468                                            | 863              |                      |     | 2,331             |
| Other income                                               | 4,393                                            | 3,709            | (890)                | (t) | 7,212             |
| <b>Total noninterest income</b>                            | <b>5,861</b>                                     | <b>4,572</b>     | <b>(890)</b>         |     | <b>9,543</b>      |
| <b>Noninterest expenses</b>                                |                                                  |                  |                      |     |                   |
| Salaries and employee benefits                             | 44,745                                           | 20,192           |                      |     | 64,937            |
| Occupancy and equipment                                    | 4,400                                            | 3,807            |                      |     | 8,207             |
| Core deposit intangibles amortization                      | 781                                              | 382              | 1,931                | (u) | 3,094             |
| Other                                                      | 20,036                                           | 7,531            |                      |     | 27,567            |
| <b>Total noninterest expenses</b>                          | <b>69,962</b>                                    | <b>31,912</b>    | <b>1,931</b>         |     | <b>103,805</b>    |
| <b>Income before income tax</b>                            | <b>26,379</b>                                    | <b>23,897</b>    | <b>4,152</b>         |     | <b>54,428</b>     |
| Income tax expense                                         | 8,747                                            | 8,870            | 1,453                | (v) | 19,070            |
| <b>Net income</b>                                          | <b>\$ 17,632</b>                                 | <b>\$ 15,027</b> | <b>\$ 2,699</b>      |     | <b>\$ 35,358</b>  |

Earnings per common share:

|                                             |            |                |
|---------------------------------------------|------------|----------------|
| Basic                                       | \$ 1.34    | \$ 1.65        |
| Diluted                                     | \$ 1.31    | \$ 1.61        |
| Weighted average common shares outstanding: |            |                |
| Basic                                       | 13,124,900 | (w) 21,392,574 |
| Diluted                                     | 13,457,718 | (x) 21,982,769 |

- (r) Adjustment reflects the fair value accretion on Post Oak's loan portfolio assuming the merger was consummated on January 1, 2017, based on a preliminary evaluation of the acquired loan portfolio to estimate the necessary credit and interest rate fair value adjustments.
- (s) Adjustment reflects accretion of the premium on acquired Post Oak certificates of deposit assuming the merger was consummated on January 1, 2017.
- (t) Adjustment to reverse purchase accounting accretion related to the SSB acquisition recorded during the year 2017.



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- (u) Adjustment for the year ended December 31, 2017 to eliminate Post Oak amortization expense on core deposit intangible assets and record estimated amortization of acquired core deposit intangible assets.
- (v) Adjustment to income tax expense to record the income tax effects of pro forma adjustments at the statutory tax rate of 21%.
- (w) Adjustment includes the 8,267,674 shares of Allegiance common stock issued in connection with the merger calculated by using the 0.7017 exchange ratio.
- (x) Adjustment includes the 8,267,674 shares of Allegiance common stock issued in connection with the merger calculated by using the 0.7017 exchange ratio and 257,377 diluted shares as a result of Post Oak stock options converted to Allegiance stock options.

**Table of Contents****UNAUDITED COMPARATIVE PER SHARE DATA**

The following table shows unaudited earnings and book value per share data for Allegiance and Post Oak on a historical and pro forma combined company basis after giving effect to the acquisition of Post Oak by Allegiance as of and for the three months ended March 31, 2018 and year ended December 31, 2017. The information should be read together with the historical consolidated financial statements of Allegiance and Post Oak and the pro forma combined consolidated financial statements, including the notes thereto, which are incorporated by reference or included elsewhere in this joint proxy statement/prospectus.

The selected unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under a set of assumptions including the effect of the merger, does not reflect the impact of other factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies or asset dispositions, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of Post Oak will be reflected in the consolidated financial statements of Allegiance on a prospective basis.

The per equivalent Post Oak share data shows the effect of the merger and the 0.7017 exchange ratio.

|                                    | <b>Allegiance<br/>Historical</b> | <b>Post<br/>Oak<br/>Historical</b> | <b>Pro Forma<br/>Combined<br/>(Unaudited)</b> | <b>Per<br/>Equivalent<br/>Post Oak<br/>Share</b> |
|------------------------------------|----------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------------|
| <b>Book value per share</b>        |                                  |                                    |                                               |                                                  |
| At March 31, 2018                  | \$ 23.46                         | \$ 13.81                           | \$ 29.50                                      | \$ 20.70                                         |
| <b>Basic earnings per share:</b>   |                                  |                                    |                                               |                                                  |
| Three months ended March 31, 2018  | \$ 0.58                          | \$ 0.38                            | \$ 0.59                                       | \$ 0.42                                          |
| Year ended December 31, 2017       | 1.34                             | 1.33                               | 1.65                                          | 1.16                                             |
| <b>Diluted earnings per share:</b> |                                  |                                    |                                               |                                                  |
| Three months ended March 31, 2018  | \$ 0.57                          | \$ 0.37                            | \$ 0.58                                       | \$ 0.41                                          |
| Year ended December 31, 2017       | 1.31                             | 1.29                               | 1.61                                          | 1.13                                             |

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**RISK FACTORS**

*An investment by Post Oak's shareholders in Allegiance common stock as a result of the exchange of shares of Allegiance common stock for shares of Post Oak common stock in the merger involves certain risks. Similarly, a decision on the part of Allegiance shareholders to approve the merger and the issuance of shares of Allegiance common stock in connection with that merger also involves risks for the shareholders of Allegiance, who will continue to hold their shares of Allegiance common stock after the merger. Certain material risks and uncertainties connected with the merger and ownership of Allegiance common stock are discussed below. In addition, Allegiance discusses certain other material risks connected with the ownership of Allegiance common stock and with Allegiance's business under the caption "Risk Factors" appearing in Allegiance's Annual Report on Form 10-K most recently filed with the SEC and may include additional or updated disclosures of such material risks in its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that it files with the SEC after the date of this joint proxy statement/prospectus, each of which reports is or will be incorporated by reference in this joint proxy statement/prospectus.*

*Holdings of Post Oak common stock and holders of Allegiance common stock should carefully read and consider all of these risks and all other information contained in this joint proxy statement/prospectus, including the discussions of risk factors included in the documents incorporated by reference in this joint proxy statement/prospectus, in deciding whether to vote for approval of the various proposals for which they may vote at the special meeting of the Post Oak shareholders or the special meeting of the Allegiance shareholders described herein. If any of the risks described in this joint proxy statement/prospectus or those documents incorporated by reference herein result in effects on Allegiance or Allegiance Bank, the value of Allegiance common stock that you, as an existing Allegiance shareholder, currently hold or that you, as an existing Post Oak shareholder, would hold upon consummation of the merger could decline significantly, and the current holders of Allegiance common stock and/or the holders of Post Oak common stock could lose all or part of their respective investments in the Allegiance common stock.*

**Risks Relating to the Merger**

***The merger may not be consummated unless important conditions are satisfied.***

Allegiance and Post Oak expect the merger to close during the fourth quarter of 2018, but the acquisition is subject to a number of closing conditions. Satisfaction of many of these conditions is beyond Allegiance's control. If these conditions are not satisfied or waived, the merger will not be completed or may be delayed and each of Allegiance and Post Oak may lose some or all of the intended benefits of the merger. Certain of the conditions that remain to be satisfied include, but are not limited to:

the continued accuracy of the representations and warranties made by the parties in the merger agreement;

the performance by each party of its respective obligations under the merger agreement;

the receipt of required regulatory approvals, including the waiver by the Federal Reserve and the approval of the FDIC and TDB;

the absence of any injunction, order or decree restraining, enjoining or otherwise prohibiting the merger;

the absence of any material adverse change in the financial condition, business or results of operations of Post Oak or Post Oak Bank;

receipt by Allegiance and Post Oak from their respective tax counsel of a federal tax opinion that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code;

the effectiveness of the registration statement covering the shares of Allegiance common stock that are expected to be issued to Post Oak shareholders as consideration for the merger;

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the approval of Allegiance's shareholders with respect to the shares of its common stock that are expected to be issued to Post Oak's shareholders as consideration for the merger; and

the approval by Post Oak's shareholders of the merger agreement and the merger.

As a result, the merger may not close as scheduled or at all. In addition, either Allegiance or Post Oak may terminate the merger agreement under certain circumstances. For additional information regarding the conditions to the merger, see "The Merger Agreement - Conditions to Complete the Merger."

***Because the market price of Allegiance common stock will fluctuate, Post Oak shareholders cannot be certain of the precise value of the merger consideration they will be entitled to receive.***

Upon completion of the merger, each outstanding share of Post Oak common stock will be converted into the right to receive 0.7017 of a share of Allegiance common stock, together with cash in lieu of a fractional share, subject to adjustment if Post Oak's tangible common equity is less than the minimum equity required by the merger agreement immediately prior to the closing of the merger, as more fully described below. In addition, if the Allegiance average closing price is less than \$32.52 per share and Allegiance common stock underperforms the selected index by more than 20.0%, Allegiance has the right to increase the merger consideration to prevent a termination of the merger agreement by Post Oak. For a discussion of the possible upward adjustment to the aggregate merger consideration, see "The Merger Agreement - Structure of the Merger - Adjustments to Merger Consideration." There will be a lapse of time between each of the date of this joint proxy statement/prospectus, the date of the Allegiance special meeting, the date of the Post Oak special meeting and the date on which Post Oak shareholders entitled to receive the merger consideration actually receive the merger consideration. The market value of Allegiance common stock may fluctuate during these periods as a result of a variety of factors, including general market and economic conditions, changes in Allegiance's businesses, operations and prospects and regulatory considerations. Many of these factors are outside of the control of Allegiance and Post Oak. Consequently, at the time Post Oak shareholders must decide whether to approve the merger agreement, they will not know the actual market value of the shares of Allegiance common stock they may receive when the merger is completed. The value of the merger consideration will depend on the market value of shares of Allegiance common stock on the date the merger consideration is received. This value will not be known at the time of the Post Oak special meeting and may be more or less than the current price of Allegiance common stock or the price of Allegiance common stock at the time of the Post Oak special meeting.

***The merger consideration could be reduced if Post Oak's tangible common equity is less than the minimum equity required by the merger agreement immediately prior to the closing of the merger.***

The aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the average closing price of Allegiance common stock to determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October).

Post Oak's tangible common equity as calculated prior to the closing of the merger will depend in part on the results of Post Oak's business operations and the management of expenses by Post Oak prior to the closing of the merger. If Post Oak's earnings are less than it expects or if its expenses are greater than Post Oak expects, Post Oak's tangible common equity may be less than the minimum equity required by the merger agreement.

Shareholders will not know the exact value of the aggregate merger consideration they will be entitled to receive when they vote with respect to the merger. For a discussion of the possible downward adjustment to the aggregate merger consideration including Post Oak's estimates of its tangible common equity, see "The Merger Agreement" Structure of the Merger Adjustments to Merger Consideration.

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***Regulatory approvals may not be received, may take longer than expected or may impose conditions that Allegiance does not anticipate or that cannot be met.***

Before the merger may be completed, various approvals or waivers must be obtained from bank regulatory authorities, including the Federal Reserve, the FDIC and the TDB. These regulators may impose conditions on the completion of, or require changes to the terms of, the merger. Such conditions or changes and the process of obtaining regulatory approvals or waivers could have the effect of delaying completion of the merger or of imposing additional costs or limitations on Allegiance following the completion of the merger. The regulatory approvals or waivers may not be received at all, may not be received in a timely fashion or may contain conditions on the completion of the merger that are burdensome, not anticipated or cannot be met. If the completion of the merger is delayed, including by a delay in receipt of necessary governmental approvals or waivers, the business, financial condition and results of operations of Allegiance and Post Oak may also be materially adversely affected.

***The market price of Allegiance common stock after the merger may be affected by factors different from those affecting Post Oak common stock or Allegiance common stock currently.***

The businesses of Allegiance and Post Oak differ in some respects and, accordingly, the results of operations of the combined company and the market price of Allegiance's shares of common stock after the merger may be affected by factors different from those currently affecting the results of operations of each of Allegiance and Post Oak. For a discussion of the business of Allegiance and of certain factors to consider in connection with that business, see the documents incorporated by reference into this joint proxy statement/prospectus and referred to under [Where You Can Find More Information](#).

***Post Oak will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Post Oak and consequently, if the merger occurs, on Allegiance. These uncertainties may impair Post Oak's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Post Oak to seek to change existing business relationships with Post Oak, which could negatively affect Post Oak's results of operations. Retention of certain employees may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Allegiance. If key employees depart, Allegiance's business following the merger could be harmed. In addition, the merger agreement restricts Post Oak from making certain acquisitions and loans and taking other specified actions until the merger occurs without the consent of Allegiance. These restrictions may prevent Post Oak from pursuing attractive business opportunities that may arise prior to the completion of the merger. See the section entitled [The Merger Agreement](#) [Covenants and Agreements](#) [Conduct of Business Prior to the Completion of the Merger](#) of this joint proxy statement/prospectus for a description of the restrictive covenants to which Post Oak is subject.

***Combining the two companies may be more difficult, costly or time consuming than expected, and the anticipated benefits and cost savings of the merger may not be realized.***

Allegiance and Post Oak have operated and, until the completion of the merger, will continue to operate, separately. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on Allegiance's ability to successfully combine and integrate the businesses of Allegiance and Post Oak in a manner that permits growth opportunities and does not materially disrupt existing customer relations nor result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors, employees and

other constituents or to achieve the anticipated benefits and cost savings of the merger. The loss of key employees could adversely affect Allegiance's ability to successfully



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conduct its business, which could have an adverse effect on Allegiance's financial results and the value of its common stock. If Allegiance experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause Allegiance and/or Post Oak to lose customers or cause customers to remove their accounts from Allegiance and/or Post Oak and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Post Oak and Allegiance during this transition period and on the combined company for an undetermined period after completion of the merger. In addition, the actual cost savings of the merger could be less than anticipated.

***Allegiance's and Post Oak's historical and pro forma combined consolidated financial information may not be representative of Allegiance's results as a combined company.***

The unaudited pro forma combined financial statements in this joint proxy statement/prospectus are presented for illustrative purposes only and are not necessarily indicative of what Allegiance's actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma combined financial statements reflect adjustments to illustrate the effect of the merger had they been completed on the dates indicated. Such unaudited pro forma combined financial statements are based upon preliminary estimates to record the Post Oak identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation for the merger reflected in this joint proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the identifiable assets and identifiable liabilities of Post Oak as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this joint proxy statement/prospectus. For more information, see the section of this joint proxy statement/prospectus entitled "Unaudited Pro Forma Combined Consolidated Financial Statements."

***Allegiance will incur significant transaction and integration costs in connection with the merger.***

Allegiance expects to incur significant costs associated with completing the merger and integrating Post Oak's operations into Allegiance's operations and is continuing to assess the impact of these costs. Although Allegiance believes that the elimination of duplicate costs, as well as the realization of other efficiencies related to the integration of Post Oak's business with Allegiance's business, will offset incremental transaction and integration costs over time, this net benefit may not be achieved in the near term, or at all.

***Post Oak's officers and directors have interests in the merger in addition to or different from the interests that they share with you as a Post Oak shareholder.***

Some of Post Oak's executive officers participated in negotiations of the merger agreement with Allegiance, and the Post Oak Board approved the merger agreement and is recommending that Post Oak shareholders vote to approve the merger agreement. In considering these facts and the other information included in or incorporated by reference into this joint proxy statement/prospectus, you should be aware that certain of Post Oak's executive officers and directors have economic interests in the merger that are different from or in addition to the interests that they share with you as a Post Oak shareholder. These interests include, as a result of the merger, the payment of certain benefits to Roland L. Williams, Chairman, Chief Executive Officer and President, and Renee C. Bourland, Executive Vice President and Chief Financial Officer, among other Post Oak officers, are entitled under existing agreements and arrangements with Post Oak. For further discussion of the interests of Post Oak's directors and officers in the merger, see "The Merger Interests of Directors and Officers of Post Oak in the Merger."



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Holders of Post Oak common stock and Allegiance common stock currently have the right to vote in the election of the board of directors and on other matters affecting Post Oak and Allegiance, respectively. Upon the completion of the merger, each Post Oak shareholder who receives shares of Allegiance common stock will become an Allegiance shareholder with a percentage ownership of Allegiance that is smaller than the shareholder's percentage ownership of Post Oak. It is currently expected that the former Post Oak shareholders as a group will receive shares in the merger constituting approximately [ ]% of the outstanding shares of Allegiance common stock immediately after the merger. As a result, current Allegiance shareholders as a group will own approximately [ ]% of the outstanding shares of Allegiance common stock immediately after the merger. Because of this reduced ownership percentage, Post Oak shareholders may have less influence on the management and policies of Allegiance than they now have on the management and policies of Post Oak, and current Allegiance shareholders may have less influence than they now have on the management and policies of Allegiance. Upon consummation of the merger, Allegiance has agreed to appoint Roland L. Williams and two other current members of the Post Oak Board to the Allegiance Board and the board of directors of Allegiance Bank.

***The merger agreement limits Post Oak's ability to pursue alternatives to the merger.***

The merger agreement prohibits Post Oak from initiating, soliciting, encouraging or facilitating certain third-party acquisition proposals. In addition, Post Oak has agreed to pay Allegiance a termination fee of \$14.272 million if the transaction is terminated because Post Oak decides to enter into or close another acquisition transaction or up to \$775,000 in Allegiance's expenses if Post Oak fails to call or does not receive the required vote at the Post Oak special meeting and an acquisition proposal (as defined in the merger agreement) exists. These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Post Oak from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share price than that proposed in the merger, or might result in a potential competing acquirer proposing to pay a lower per share price to acquire Post Oak than it might otherwise have proposed to pay.

***The fairness opinions rendered to the boards of directors of Allegiance and Post Oak by their respective financial advisors were based on the respective financial analyses performed by each of the financial advisors. The financial advisors considered factors such as market and other conditions then in effect, and financial forecasts and other information made available to such firm, as of the date of their respective opinions. As a result, these opinions do not reflect changes in events or circumstances after the date of these opinions. Allegiance and Post Oak have not obtained, and do not expect to obtain, updated fairness opinions from their respective financial advisors reflecting changes in circumstances that may have occurred since the signing of the merger agreement.***

The opinions rendered on April 30, 2018 by Raymond James, financial advisor to Allegiance, and by Performance Trust, financial advisor to Post Oak, were based on the respective financial analyses performed, which considered market and other conditions then in effect, and financial forecasts and other information made available to them, as of the date of their respective opinions, which may have changed, or may change, after the date of the opinions. Neither opinion has been updated to reflect changes that may occur or may have occurred after the date on which it was delivered, including changes to the operations and prospects of Allegiance or Post Oak, changes in general market and economic conditions or other changes. Any such changes may alter the relative value of Allegiance or Post Oak or the prices of shares of Allegiance common stock or Post Oak common stock by the time the merger is completed. The opinions do not speak as of the date the merger will be completed or as of any date other than the date of such opinions. For a description of the opinion that Allegiance received from its financial advisor, please see "The Merger Opinion of Allegiance's Financial Advisor." For a description of the opinion that Post Oak received from its

financial advisor, please see The Merger Opinion of Post Oak's Financial Advisor.

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***The shares of Allegiance common stock to be received by Post Oak shareholders as a result of the merger will have different rights than the shares of Post Oak common stock and in some cases may be less favorable.***

The rights associated with Post Oak common stock are different from the rights associated with Allegiance common stock. In some cases, the rights associated with the Allegiance common stock may be less favorable to shareholders than those associated with the Post Oak common stock. For example, holders of Post Oak common stock currently elect each member of their board of directors at each annual meeting of the Post Oak shareholders. Upon consummation of the merger, the holders of Post Oak common stock will hold Allegiance common stock that provides that the members of only one of three classes of directors are elected at each annual meeting of Allegiance shareholders, which could have an anti-takeover effect and may delay, discourage or prevent an attempted acquisition or change in control of Allegiance. See **Comparison of Shareholders' Rights** for a more detailed description of the shareholder rights of each of Allegiance and Post Oak.

***The dissenters' rights appraisal process relating to shares of the Post Oak common stock is uncertain.***

Holders of Post Oak common stock may or may not be entitled to receive more than the amount provided for in the merger agreement for their shares of Post Oak common stock if they elect to exercise their right to dissent from the proposed merger, depending on the appraisal of the fair value of the Post Oak common stock pursuant to the dissenting shareholder procedures under the TBOC. See **The Merger Dissenters' Rights of Post Oak Shareholders** and **Annex F**. For this reason, the amount of cash that such shareholders might be entitled to receive should they elect to exercise their right to dissent to the merger may be more or less than the value of the merger consideration to be paid pursuant to the merger agreement. In addition, it is a condition in the merger agreement that the holders of not more than 5.0% of the outstanding shares of Post Oak common stock shall have exercised their statutory dissenters' rights under the TBOC. The number of shares of Post Oak common stock for which holders will exercise dissenters' rights under the TBOC is not known and therefore there is no assurance that this closing condition will be satisfied.

***Allegiance and Post Oak have structured the merger to qualify as a reorganization for U.S. federal income tax purposes. However, no ruling has been or will be sought from the IRS regarding the U.S. federal income tax consequences of the merger.***

The obligations of Allegiance and Post Oak to complete the merger are conditioned on, among other things, the receipt by Allegiance and Post Oak of tax opinions from Bracewell and Fenimore Kay, respectively, dated as of the closing date of the merger, to the effect that, on the basis of facts, representations and assumptions that are consistent with the facts existing at the effective time of the merger and as set forth and referred to in such opinions, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. However, no ruling has been or will be sought from the U.S. Internal Revenue Service (referred to as the IRS) as to the U.S. federal income tax consequences of the merger. There can be no assurance that the IRS will not successfully challenge the intended tax treatment of the merger. In addition, these opinions will be based on certain tax opinion representations and assumptions (as defined in the section entitled **Material U.S. Federal Income Tax Consequences of the Merger**). If any of the tax opinion representations and assumptions are incorrect, incomplete or false, or are violated, the validity of the opinions described above may be affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus.

Each shareholder is urged to read the discussion under **Material U.S. Federal Income Tax Consequences of the Merger**, and to consult its own tax advisor for a full understanding of the tax consequences to such shareholder of the merger.



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**Risk Related to the Charter Amendment Proposal**

*If the proposed amendment to Allegiance's Amended and Restated Certificate of Formation is approved, Allegiance will be able to issue additional shares of its common stock in the future, which may adversely affect the market price of Allegiance common stock and dilute the holdings of existing shareholders.*

The proposed amendment to Allegiance's Amended and Restated Certificate of Formation, if approved by Allegiance shareholders, will increase the number of authorized shares of Allegiance's common stock by 40,000,000 shares. In the future, Allegiance may issue additional shares of Allegiance common stock in connection with another acquisition, to increase its capital resources or to raise additional capital if Allegiance's or Allegiance Bank's capital ratios fall below or near the regulatory required minimums. Significant issuances of common stock may dilute the holdings of Allegiance's existing shareholders or reduce the market price of Allegiance common stock, or both. Holders of Allegiance common stock are not entitled to preemptive rights or other protections against dilution.

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated by reference or deemed incorporated by reference into this joint proxy statement/prospectus and any other written or oral statements made by Allegiance and Post Oak from time to time may contain forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. All statements, other than statements of historical fact, included in this joint proxy statement/prospectus and the documents incorporated by reference herein and therein, regarding strategy, future operations, financial position, estimated revenues and income or losses, projected costs and capital expenditures, prospects, plans and objectives of management are forward-looking statements. When used in this joint proxy statement/prospectus and the documents incorporated by reference herein and therein, the words plan, endeavor, will, would, could, believe, anticipate, intend, estimate, expect, project, forecast and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are (or were when made) based on current expectations and assumptions about future events and are (or were when made) based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described in the Risk Factors section of this joint proxy statement/prospectus.

There are or will be important factors that could cause Allegiance's or Post Oak's actual results to differ materially from those expressed in the forward-looking statements, including, but not limited to, the following:

risks related to the merger, including the failure of Post Oak's shareholders to approve the Post Oak Merger Proposal or the failure of Allegiance's shareholders to approve either the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal;

the ability of Allegiance and Post Oak to obtain the required regulatory approvals of the merger and the bank merger on the proposed terms and schedule;

the ability of Allegiance to successfully combine and integrate the businesses of Allegiance and Post Oak;

risks related to the concentration of Allegiance's business in the Houston metropolitan area, including risks associated with volatility or decreases in oil and gas prices or prolonged periods of lower oil and gas prices;

general market conditions and economic trends nationally, regionally and particularly in the Houston metropolitan area;

Allegiance's ability to retain executive officers and key employees and their customer and community relationships;

Allegiance's ability to recruit and retain successful bankers that meet Allegiance's expectations in terms of customer and community relationships and profitability;



risks related to Allegiance's strategic focus on lending to small to medium-sized businesses;

Allegiance's ability to implement Allegiance's growth strategy, including through the identification of acquisition candidates that will be accretive to Allegiance's financial condition and results of operations, as well as permitting decision-making authority at the branch level;

risks related to any businesses Allegiance acquires in the future, including exposure to potential asset and credit quality risks and unknown or contingent liabilities, the time and costs associated with integrating systems, technology platforms, procedures and personnel, the need for additional capital to finance such transactions and possible failures in realizing the anticipated benefits from such acquisitions;

risks associated with Allegiance's owner-occupied commercial real estate loan and other commercial real estate loan portfolios, including the risks inherent in the valuation of the collateral securing such loans;

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risks associated with Allegiance's commercial and industrial loan portfolio, including the risk for deterioration in value of the general business assets that generally secure such loans;

the accuracy and sufficiency of the assumptions and estimates Allegiance makes in establishing reserves for potential loan losses and other estimates;

risk of deteriorating asset quality and higher loan charge-offs, as well as the time and effort necessary to resolve nonperforming assets;

potential changes in the prices, values and sales volumes of commercial and residential real estate securing Allegiance's real estate loans;

changes in market interest rates that affect the pricing of Allegiance's loans and deposits and Allegiance's net interest income;

potential fluctuations in the market value and liquidity of the securities Allegiance holds for sale;

risk of impairment of investment securities, goodwill, other intangible assets or deferred tax assets;

the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services, which may adversely affect Allegiance's pricing and terms;

risks associated with negative public perception of Allegiance;

Allegiance's ability to maintain an effective system of disclosure controls and procedures and internal controls over financial reporting;

risks associated with fraudulent and negligent acts by Allegiance's customers, employees or vendors;

Allegiance's ability to keep pace with technological change or difficulties when implementing new technologies;

risks associated with system failures or failures to protect against cybersecurity threats, such as breaches of Allegiance's network security;

Allegiance's ability to comply with privacy laws and properly safeguard personal, confidential or proprietary information;

risks associated with data processing system failures and errors;

potential risk of environmental liability related to owning or foreclosing on real property;

the institution and outcome of litigation and other legal proceeding against Allegiance or to which it becomes subject;

Allegiance's ability to maintain adequate liquidity and to raise necessary capital to fund Allegiance's acquisition strategy and operations or to meet increased minimum regulatory capital levels;

Allegiance's ability to comply with various governmental and regulatory requirements applicable to financial institutions;

the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by Allegiance's regulators, such as the further implementation of the Dodd-Frank Act;

governmental monetary and fiscal policies, including the policies of the Federal Reserve;

Allegiance's ability to comply with supervisory actions by federal and state banking agencies;

changes in the scope and cost of FDIC insurance and other coverage;

systemic risks associated with the soundness of other financial institutions;

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the effects of war or other conflicts, acts of terrorism (including cyberattacks) or other catastrophic events, including storms, droughts, tornadoes and flooding, that may affect general economic conditions; and

other risks and uncertainties listed from time to time in Allegiance's reports and documents filed with the SEC.

Other factors not identified above, including those described under the headings "Risk Factors" in this joint proxy statement/prospectus and Allegiance's Annual Report on Form 10-K for the year ended December 31, 2017 and the other documents incorporated by reference into this joint proxy statement/prospectus, may also cause actual results to differ materially from those described in any forward-looking statements. Most of these factors are difficult to anticipate, are generally beyond the control of Allegiance and Post Oak and may prove to be inaccurate. You should consider these factors in connection with considering any forward-looking statements.

All forward-looking statements, expressed or implied, included in or incorporated by reference into this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary note. This cautionary note should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

**Except as otherwise required by applicable law, Allegiance and Post Oak disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect new information obtained or events or circumstances that occur after the date any such forward-looking statement is made.**

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**THE POST OAK SPECIAL MEETING**

This section contains information for Post Oak shareholders about the Post Oak special meeting that Post Oak has called to allow its shareholders to consider and vote on the Post Oak Merger Proposal. Post Oak is mailing this joint proxy statement/prospectus to you, as a Post Oak shareholder, on or about [ ], 2018. This joint proxy statement/prospectus is accompanied by a notice of the Post Oak special meeting and a form of proxy card that the Post Oak Board is soliciting for use at the Post Oak special meeting and at any adjournments or postponements of the Post Oak special meeting.

**Date, Time and Place of the Post Oak Special Meeting**

The Post Oak special meeting will be held at [ ], at [ ] local time, on [ ]. On or about [ ], 2018, Post Oak commenced mailing this document and the enclosed form of proxy card to its shareholders entitled to vote at the Post Oak special meeting.

**Matters to Be Considered**

At the Post Oak special meeting, you, as a Post Oak shareholder, will be asked to consider and vote upon the following matters:

the Post Oak Merger Proposal; and

the Post Oak Adjournment Proposal.

Completion of the merger is conditioned on, among other things, Post Oak shareholder approval of the merger agreement and the transactions contemplated thereby, including the merger. No other business may be conducted at the Post Oak special meeting.

**Recommendation of the Post Oak Board**

On April 25, 2018, the Post Oak Board unanimously approved the merger agreement and the transactions contemplated thereby. Based on Post Oak's reasons for the merger described in the section of this joint proxy statement/prospectus entitled "The Merger Post Oak's Reasons for the Merger; Recommendation of the Post Oak Board," the Post Oak Board believes that the merger is in the best interests of the Post Oak shareholders.

Accordingly, the Post Oak Board recommends that you vote FOR the Post Oak Merger Proposal and FOR the Post Oak Adjournment Proposal.

**Post Oak Record Date and Quorum**

The Post Oak Board has fixed the close of business on [ ], 2018 as the Post Oak record date for determining the holders of Post Oak common stock entitled to receive notice of and to vote at the Post Oak special meeting.

As of the Post Oak record date, there were [ ] shares of Post Oak common stock outstanding and entitled to notice of, and to vote at, the Post Oak special meeting or any adjournment thereof, and such outstanding shares of Post Oak common stock were held by approximately [ ] holders of record. Each share of Post Oak common stock entitles the

holder to one vote at the Post Oak special meeting on each proposal to be considered at the Post Oak special meeting.

No business may be transacted at the Post Oak special meeting unless a quorum is present. The presence (in person or by proxy) of holders of at least a majority of the voting power represented by all issued and outstanding shares of Post Oak common stock entitled to be voted at the Post Oak special meeting constitutes a quorum for transacting business at the Post Oak special meeting. All shares of Post Oak common stock present in person or represented by proxy, including abstentions and broker-non votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Post Oak special meeting.

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**Required Vote; Treatment of Abstentions; Broker Non-Votes and Failure to Vote**

*Post Oak Merger Proposal:* The affirmative vote of the holders of two-thirds of the outstanding shares of Post Oak common stock is required to approve the Post Oak Merger Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Merger Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Post Oak Adjournment Proposal:* The affirmative vote of a majority of votes cast on the Post Oak Adjournment Proposal at the Post Oak special meeting, in person or by proxy, is required to approve the Post Oak Adjournment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Post Oak special meeting or fail to instruct your bank or broker how to vote with respect to the Post Oak Adjournment Proposal, it will have no effect on the proposal.

**Shares Held by Officers and Directors**

As of the Post Oak record date, the directors and executive officers of Post Oak and their affiliates beneficially owned and were entitled to vote, in the aggregate, [ ] shares of Post Oak common stock, representing approximately [ ]% of the shares of Post Oak common stock outstanding on that date. The directors and certain officers of Post Oak and Post Oak Bank have entered into a voting agreement with Allegiance, solely in their capacity as shareholders of Post Oak, pursuant to which they have agreed to vote in favor of the merger agreement and the transactions contemplated thereby. The Post Oak shareholders who are party to the voting agreement beneficially own and are entitled to vote in the aggregate approximately [ ]% of the outstanding shares of Post Oak common stock as of the Post Oak record date. Post Oak currently expects that each of its executive officers will vote their shares of Post Oak common stock in favor of the Post Oak Merger Proposal and the Post Oak Adjournment Proposal. As of the Post Oak record date, Allegiance beneficially owned no shares of Post Oak common stock, and the directors and executive officers of Allegiance and their affiliates beneficially owned, in the aggregate, [ ] shares of Post Oak common stock or [ ]% of the outstanding Post Oak common stock.

**Voting by Proxy or in Person; Incomplete Proxies**

A Post Oak shareholder of record as of the Post Oak record date may vote by proxy or in person at the Post Oak special meeting. If you hold your shares of Post Oak common stock in your name as a Post Oak shareholder of record as of the Post Oak record date, to submit a proxy we ask that you complete and return the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Post Oak requests that Post Oak shareholders vote by completing and signing the accompanying proxy card and returning it to Post Oak as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy card is returned properly executed, the shares of Post Oak common stock represented by it will be voted at the Post Oak special meeting in accordance with the instructions contained on the proxy card. If any proxy card is returned without indication as to how to vote, the shares of Post Oak common stock represented by the proxy card will be voted as recommended by the Post Oak Board.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker.

**Every Post Oak shareholder's vote is important.** Accordingly, each Post Oak shareholder should sign, date and return the enclosed proxy card whether or not the Post Oak shareholder plans to attend the Post Oak special meeting in person. Sending in your proxy card will not prevent you from voting your shares personally at the meeting because

you may revoke your proxy at any time before it is voted.

**Shares Held in Street Name**

Banks, brokers and other nominees who hold shares of Post Oak common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals



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when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be non-routine, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Post Oak special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. The Post Oak Merger Proposal and the Post Oak Adjournment Proposal are non-routine matters. If your broker, bank or other nominee holds your shares of Post Oak common stock in street name, your broker, bank or other nominee will vote your shares of Post Oak common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this joint proxy statement/prospectus.

### **Revocability of Proxies and Changes to a Post Oak Shareholder's Vote**

If you are a shareholder of record, you have the power to change your vote at any time before your shares of Post Oak common stock are voted at the Post Oak special meeting by:

attending and voting in person at the Post Oak special meeting;

giving notice of revocation of the proxy at the Post Oak special meeting; or

delivering to the Secretary of Post Oak at 2000 West Loop S, Suite 100, Houston, Texas 77027 (i) a written notice of revocation or (ii) a duly executed proxy card relating to the same shares, bearing a date later than the proxy card previously executed. Attendance at the Post Oak special meeting will not in and of itself constitute a revocation of a proxy.

If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the Post Oak special meeting.

If your shares are held in street name by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

### **Solicitation of Proxies**

In addition to solicitation by mail, Post Oak's directors, officers, and employees may solicit proxies by personal interview, telephone or electronic mail. Post Oak reimburses brokerage houses, custodians, nominees, and fiduciaries for their expenses in forwarding proxies and proxy material to their principals. Post Oak will bear the entire cost of soliciting proxies from you.

### **Attending the Post Oak Special Meeting**

All Post Oak shareholders, including holders of record as of the Post Oak record date and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Post Oak special meeting. **Only Post Oak shareholders of record as of the Post Oak record date can vote in person at the Post Oak special meeting.** If you are a Post Oak shareholder of record as of the Post Oak record date and you wish to attend the Post Oak special meeting, please bring your proxy card and evidence of your stock ownership, such as your

most recent account statement, to the Post Oak special meeting. You should also bring valid picture identification.

A Post Oak shareholder who holds shares in street name through a broker, bank, trustee or other nominee (which we refer to as a beneficial owner ) who desires to attend the Post Oak special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner s shares, a brokerage account statement or the voting instruction form provided by the broker. You should also bring valid picture identification.

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**Assistance**

If you need assistance in completing your proxy card, have questions regarding Post Oak's special meeting or would like additional copies of this joint proxy statement/prospectus, please contact Renee Bourland at (713) 439-3902 or renee.bourland@postoakbank.com.

**POST OAK PROPOSALS**

**Proposal No. 1 Post Oak Merger Proposal**

Post Oak is asking its shareholders to adopt the merger agreement and approve the merger. Holders of Post Oak common stock should read this joint proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this joint proxy statement/prospectus as *Annex A*.

After careful consideration, the Post Oak Board, by a unanimous vote of all directors, approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interests of Post Oak and the shareholders of Post Oak. See "The Merger Post Oak's Reasons for the Merger; Recommendation of the Post Oak Board" for a more detailed discussion of the Post Oak Board's recommendation.

**The Post Oak Board recommends a vote FOR the Post Oak Merger Proposal.**

**Proposal No. 2 Post Oak Adjournment Proposal**

The Post Oak special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Post Oak special meeting to adopt the Post Oak Merger Proposal.

If, at the Post Oak special meeting, the number of shares of Post Oak common stock present or represented and voting in favor of the Post Oak Merger Proposal is insufficient to adopt the Post Oak Merger Proposal, Post Oak intends to move to adjourn the Post Oak special meeting in order to enable the Post Oak Board to solicit additional proxies for approval of the Post Oak Merger Proposal. In that event, Post Oak will ask its shareholders to vote upon the Post Oak Adjournment Proposal, but not the Post Oak Merger Proposal.

In this proposal, Post Oak is asking its shareholders to authorize the holder of any proxy solicited by the Post Oak Board on a discretionary basis to vote in favor of adjourning the Post Oak special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Post Oak shareholders who have previously voted.

**The Post Oak Board recommends a vote FOR the Post Oak Adjournment Proposal.**

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**THE ALLEGIANCE SPECIAL MEETING**

This section contains information for Allegiance shareholders about the Allegiance special meeting that Allegiance has called to allow its shareholders to consider and vote on the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal. Allegiance is mailing this joint proxy statement/prospectus to you, as an Allegiance shareholder, on or about [ ], 2018. This joint proxy statement/prospectus is accompanied by a notice of the Allegiance special meeting of Allegiance shareholders and a form of proxy card that the Allegiance Board is soliciting for use at the Allegiance special meeting and at any adjournments or postponements of the Allegiance special meeting.

**Date, Time and Place of Allegiance Special Meeting**

The Allegiance special meeting will be held on [ ], 2018 at [ ], at [ ] local time.

**Matters to Be Considered**

At the Allegiance special meeting, you, as an Allegiance shareholder, will be asked to consider and vote upon the following matters:

the Allegiance Merger Proposal;

the Allegiance Stock Issuance Proposal;

the Allegiance Charter Amendment Proposal; and

the Allegiance Adjournment Proposal.

**Recommendation of the Allegiance Board**

After careful consideration, the Allegiance Board determined that the merger agreement and the transactions contemplated thereby, including the merger and the related Allegiance share issuance, are advisable and in the best interests of Allegiance and its shareholders. The Allegiance Board unanimously recommends that Allegiance shareholders vote FOR the Allegiance Merger Proposal, FOR the Allegiance Stock Issuance Proposal, FOR the Allegiance Charter Amendment Proposal and FOR the Allegiance Adjournment Proposal. See the section of this joint proxy statement/prospectus entitled The Merger Allegiance's Reasons for the Merger; Recommendation of the Allegiance Board for a more detailed discussion of the Allegiance Board's recommendation.

**Allegiance Record Date and Quorum**

The Allegiance Board has fixed the close of business on [ ], 2018 as the Allegiance record date for determining the holders of Allegiance common stock entitled to receive notice of and to vote at the Allegiance special meeting.

As of the Allegiance record date, there were [ ] shares of Allegiance common stock outstanding and entitled to vote at the Allegiance special meeting held by approximately [ ] holders of record. Each share of Allegiance common stock

entitles the holder to one vote at the Allegiance special meeting on each proposal to be considered at the Allegiance special meeting.

The presence in person or by proxy of a majority of the Allegiance common stock outstanding on the Allegiance record date will constitute a quorum. All shares of Allegiance common stock present in person or represented by proxy, including abstentions and broker non-votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Allegiance special meeting.

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### **Vote Required; Treatment of Abstentions; Broker Non-Votes and Failure to Vote**

*Allegiance Merger Proposal:* The affirmative vote of the holders of two-thirds of the outstanding shares of Allegiance common stock is required to approve the Allegiance Merger Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Merger Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Allegiance Stock Issuance Proposal:* The affirmative vote of a majority of the votes cast on the proposal at the Allegiance special meeting, in person or by proxy, is required to approve the Allegiance Stock Issuance Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Stock Issuance Proposal, it will have no effect on the proposal.

*Allegiance Charter Amendment Proposal:* The affirmative vote of the holders of two-thirds of the outstanding shares of Allegiance common stock is required to approve the Allegiance Charter Amendment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Charter Amendment Proposal, it will have the effect of a vote **AGAINST** the proposal.

*Allegiance Adjournment Proposal:* The affirmative vote of a majority of the votes cast on the proposal at the Allegiance special meeting, in person or by proxy, is required to approve the Allegiance Adjournment Proposal. If you mark **ABSTAIN** on your proxy card, fail to submit a proxy card or vote in person at the Allegiance special meeting or fail to instruct your bank or broker how to vote with respect to the Allegiance Adjournment Proposal, it will have no effect on the proposal.

### **Shares Held by Officers and Directors**

As of the Allegiance record date, there were [ ] shares of Allegiance common stock entitled to vote at the Allegiance special meeting. As of the Allegiance record date, the directors and executive officers of Allegiance and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Allegiance common stock representing approximately [ ]% of the shares of Allegiance common stock outstanding on that date. Allegiance currently expects that each of its executive officers will vote their shares of Allegiance common stock in favor of the Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal, although none of them has entered into any agreement obligating him or her to do so. As of the Allegiance record date, Post Oak beneficially owned no shares of Allegiance common stock, and the directors and executive officers of Post Oak and their affiliates beneficially owned, in the aggregate, [ ] shares of Allegiance common stock or [ ]% of the outstanding Allegiance common stock.

### **Voting by Proxy or in Person; Incomplete Proxies**

Each copy of this joint proxy statement/prospectus mailed to holders of Allegiance common stock is accompanied by a form of proxy card with instructions for voting. If you hold shares of Allegiance common stock in your name as an Allegiance shareholder of record as of the Allegiance record date, you should complete and return the proxy card accompanying this joint proxy statement/prospectus, regardless of whether you plan to attend the Allegiance special meeting. You may also vote your shares through the Internet. Information and applicable deadlines for voting through the Internet are set forth in the enclosed proxy card instructions.

Edgar Filing: Allegiance Bancshares, Inc. - Form S-4

If you hold your stock in street name through a bank or broker, you must direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker.

All shares represented by valid proxies that Allegiance receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on

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your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted as recommended by the Allegiance Board. No matters other than the matters described in this joint proxy statement/prospectus are anticipated to be presented for action at the Allegiance special meeting or at any adjournment or postponement of the Allegiance special meeting.

## **Shares Held in Street Name**

Under stock exchange rules, banks, brokers and other nominees who hold shares of Allegiance common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be non-routine, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Allegiance special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. The Allegiance Merger Proposal, the Allegiance Stock Issuance Proposal, the Allegiance Charter Amendment Proposal and the Allegiance Adjournment Proposal are all non-routine matters. If your broker, bank or other nominee holds your shares of Allegiance common stock in street name, your broker, bank or other nominee will vote your shares of Allegiance common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this joint proxy statement/prospectus.

## **Revocability of Proxies and Changes to an Allegiance Shareholder's Vote**

If you hold stock in your name as an Allegiance shareholder of record as of the Allegiance record date, you may revoke any proxy at any time before the Allegiance special meeting is called to order by (i) signing and returning a proxy card with a later date, (ii) voting by the Internet at a later time, (iii) delivering a written revocation letter to Allegiance's Corporate Secretary or (iv) attending the Allegiance special meeting in person, notifying the Corporate Secretary and voting by ballot at the Allegiance special meeting.

Any Allegiance shareholder entitled to vote in person at the Allegiance special meeting may vote in person regardless of whether a proxy has been previously given, but your attendance by itself at the Allegiance special meeting will not automatically revoke your proxy unless you give written notice of revocation to the Corporate Secretary of Allegiance before the Allegiance special meeting is called to order.

Written notices of revocation and other communications about revoking your proxy card should be addressed to:

Allegiance Bancshares, Inc.

8847 West Sam Houston Parkway, N., Suite 200

Houston, Texas 77040

Attention: Corporate Secretary

If your shares are held in street name by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

## **Solicitation of Proxies**



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Allegiance is soliciting your proxy in conjunction with the Allegiance share issuance. Allegiance will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Allegiance will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Allegiance common stock and secure their voting instructions. Allegiance will reimburse the record holders for

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their reasonable expenses in taking those actions. If necessary, Allegiance may use its directors and several of its regular employees, who will not be specially compensated, to solicit proxies from the Allegiance shareholders, either personally or by telephone, facsimile, letter or electronic means.

**Attending the Allegiance Special Meeting**

All holders of Allegiance common stock, including holders of record as of the Allegiance record date and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Allegiance special meeting. Allegiance shareholders of record as of the Allegiance record date can vote in person at the Allegiance special meeting. If you are not an Allegiance shareholder of record as of the Allegiance record date, you must obtain a proxy executed in your favor from the record holder of your shares of Allegiance common stock, such as a broker, bank or other nominee, to be able to vote in person at the Allegiance special meeting. If you plan to attend the Allegiance special meeting, you must hold your shares of Allegiance common stock in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Allegiance reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the Allegiance special meeting is prohibited without Allegiance's express written consent.

**Assistance**

If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of Allegiance common stock, please contact Investor Relations at (281) 894-3200 or [ir@allegiancebank.com](mailto:ir@allegiancebank.com) or Shareholder Services at Computershare at (800) 962-4284.

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**ALLEGIANCE PROPOSALS**

**Proposal No. 1 Allegiance Merger Proposal**

Allegiance is asking its shareholders to adopt the merger agreement and approve the merger. Holders of Allegiance common stock should read this joint proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this joint proxy statement/prospectus as *Annex A*.

After careful consideration, the Allegiance Board unanimously approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interests of Allegiance and the shareholders of Allegiance. See *The Merger Allegiance's Reasons for the Merger; Recommendation of the Allegiance Board* for a more detailed discussion of the Allegiance Board's recommendation.

**The Allegiance Board recommends that Allegiance shareholders vote**

**FOR the Allegiance Merger Proposal.**

**Proposal No. 2 Allegiance Stock Issuance Proposal**

Under the NASDAQ Listing Rules, a company listed on NASDAQ is required to obtain shareholder approval prior to the issuance of common stock in connection with the acquisition of the stock of another company if the common stock will have upon issuance voting power equal to or in excess of 20.0% of the voting power outstanding before the issuance of stock, or the number of shares of common stock to be issued is or will be equal to or in excess of 20.0% of the number of shares of common stock outstanding before the issuance of the stock. If Allegiance and Post Oak complete the merger, the number of shares of Allegiance common stock issued in the merger will exceed 20.0% of the shares of Allegiance common stock outstanding before such issuance. Accordingly, Allegiance must obtain the approval of Allegiance shareholders for the issuance of shares of Allegiance common stock in connection with the merger.

Allegiance is asking its shareholders to approve the issuance of Allegiance common stock in accordance with the terms and conditions of the merger agreement. Holders of Allegiance common stock should read this joint proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the merger agreement, the merger and the Allegiance share issuance. A copy of the merger agreement is attached to this joint proxy statement/prospectus as *Annex A*.

After careful consideration, the Allegiance Board unanimously approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger and the issuance of Allegiance common stock, to be advisable and in the best interests of Allegiance and the Allegiance shareholders. See the section of this joint proxy statement/prospectus entitled *The Merger Allegiance's Reasons for the Merger; Recommendation of the Allegiance Board* for a more detailed discussion of the Allegiance Board's recommendation.

**The Allegiance Board recommends that Allegiance shareholders vote**

**FOR the Allegiance Stock Issuance Proposal.**

**Proposal No. 3 Allegiance Charter Amendment Proposal**

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Allegiance is proposing to amend its Amended and Restated Certificate of Formation to authorize the issuance of 81,000,000 shares of capital stock, consisting of: (A) one class of 80,000,000 shares of common stock with a par value of \$1.00 per share, and (B) one class of 1,000,000 shares of preferred stock with a par value of \$1.00 per share.

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Currently, Allegiance has the authority to issue 41,000,000 shares of capital stock, consisting of (A) one class of 40,000,000 shares of common stock with a par value of \$1.00 per share, and (B) one class of 1,000,000 shares of preferred stock with a par value of \$1.00 per share. As of [ ], 2018, [ ] shares of common stock were issued and outstanding, [ ] shares were reserved for issuance pursuant to stock awards and approximately [ ] shares will be reserved for issuance as consideration in the merger and for existing Post Oak stock awards. As such, approval of the Allegiance Charter Amendment Proposal is not necessary to complete the merger. Allegiance is asking its shareholders to approve the Charter Amendment Proposal so that Allegiance will continue to have the flexibility to pursue future acquisitions, expand its equity compensation and for other general corporate purposes.

After careful consideration, the Allegiance Board unanimously determined that an increase in the number of authorized shares of capital stock is advisable and in the best interests of Allegiance and the shareholders of Allegiance.

**The Allegiance Board recommends that Allegiance shareholders vote**

**FOR the Allegiance Charter Amendment Proposal.**

**Proposal No. 4 Allegiance Adjournment Proposal**

The Allegiance special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies if necessary to obtain additional votes in favor of the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal.

If, at the Allegiance special meeting, the number of shares of Allegiance common stock present or represented and voting in favor of the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal is insufficient to approve either proposal, Allegiance intends to move to adjourn the Allegiance special meeting in order to solicit additional proxies for the approval of such proposal. In that event, Allegiance will ask its shareholders to vote upon the Allegiance Adjournment Proposal, but not the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal. In accordance with the Allegiance bylaws (which we refer to as Allegiance's bylaws), a vote to approve the proposal to adjourn the Allegiance special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Allegiance special meeting to approve the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal may be taken in the absence of a quorum.

In this proposal, Allegiance is asking its shareholders to authorize the holder of any proxy solicited by the Allegiance Board on a discretionary basis to vote in favor of adjourning the Allegiance special meeting to another time and place for the purpose of soliciting additional proxies, including the solicitation of proxies from Allegiance shareholders who have previously voted.

**The Allegiance Board recommends that Allegiance shareholders vote**

**FOR the Allegiance Adjournment Proposal.**

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**INFORMATION ABOUT POST OAK**

Post Oak is a Texas corporation that owns all of the outstanding shares of common stock of Post Oak Bank, N.A., a national bank, with operational headquarters in Houston, Texas. Post Oak Bank offers full commercial and consumer banking services to customers throughout its market areas in and around Houston, Texas. Post Oak Bank has 13 banking locations: 12 located throughout the greater Houston metropolitan area and one in Beaumont, outside of Houston.

Post Oak's principal executive offices are located at 2000 West Loop South, Suite 100, Houston, Texas 77027, and its telephone number at that location is (713) 439-3900. Additional information about Post Oak and its subsidiary is included in documents incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

**Information about Post Oak's Business**

*General.* Post Oak was incorporated as a Texas corporation in 2008 to serve as a bank holding company for Post Oak Bank. Post Oak does not, as an entity, engage in separate business activities of a material nature apart from the activities it performs for Post Oak Bank. Its primary activities are to provide assistance in the management and coordination of Post Oak Bank's financial resources. Post Oak's principal asset is the outstanding common stock of Post Oak Bank. Post Oak derives its revenues primarily from the operations of Post Oak Bank in the form of dividends received from Post Oak Bank.

Post Oak Bank is a national banking association chartered in 2004, and has served since that time as a community-based financial institution with operations centered in the Houston metropolitan area.

As a bank holding company, Post Oak is subject to supervision and regulation by the Federal Reserve, in accordance with the requirements set forth in the BHC Act and by the rules and regulations issued by the Federal Reserve.

As of March 31, 2018, Post Oak, on a consolidated basis, reported total assets of \$1.43 billion, total loans of \$1.15 billion, total deposits of \$1.24 billion and shareholders' equity of \$162.7 million. Post Oak does not file reports with the SEC.

*Products and Services.* Post Oak Bank is a traditional commercial bank offering a variety of banking services to consumer and commercial customers throughout the Houston metropolitan area and Beaumont, Texas. Post Oak Bank offers a range of lending services, including real estate, commercial and consumer loans to individuals and small- to medium-sized business and professional firms that are located in or conduct a substantial portion of their business in Post Oak Bank's market areas. Real estate loans offered by Post Oak Bank are secured by first or second mortgages on the subject collateral, and often relate to owner-occupied office and retail buildings. Commercial loans offered include loans to small- and medium-sized businesses for the purpose of purchasing equipment, inventory, facilities or for working capital. Consumer loans offered include loans for the purpose of purchasing automobiles, recreational vehicles, personal residences, household goods, home improvements or for educational needs.

Post Oak Bank offers depository services and various checking account services. Post Oak Bank also offers commercial treasury management services, safe deposit boxes, debit card services, merchant bank card services, wire transfer services, cashier's checks, telephone banking, Internet banking, direct deposit and automatic transfers between accounts. Post Oak Bank has ATMs at most of its locations. Post Oak Bank's business is not seasonal in any material respect.

Post Oak Bank funds its lending activities primarily from the core deposit base. Post Oak Bank obtains deposits from its local markets and is not heavily dependent on any single depositor.

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*Competition.* The table below summarizes certain key demographic information relating to Post Oak's target markets and Post Oak's presence within those markets.

| <b>Metropolitan Statistical Area ( MSA )</b> | <b>Market Rank<sup>(1)</sup></b> | <b>Branch Count</b> | <b>Deposits in Market (in thousands)</b> | <b>Market Share (%)</b> |
|----------------------------------------------|----------------------------------|---------------------|------------------------------------------|-------------------------|
| Houston MSA                                  | 22                               | 12                  | \$ 1,113,742                             | 0.46                    |
| Beaumont-Port Arthur MSA                     | 11                               | 1                   | 64,167                                   | 1.25                    |

(1) Deposit information used to determine market rank was provided by the FDIC's Summary of Deposits as of June 30, 2017.

Each activity in which Post Oak is engaged involves competition with other banks, as well as with nonbanking financial institutions and nonfinancial enterprises. In addition to competing with other commercial banks within and outside its primary service area, Post Oak competes with other financial institutions engaged in the business of making loans or accepting deposits, such as savings and loan associations, credit unions, industrial loan associations, insurance companies, small loan companies, financial companies, mortgage companies, real estate investment trusts, certain governmental agencies, credit card organizations and other enterprises. Banks and other financial institutions with which Post Oak competes may have capital resources and legal loan limits substantially higher than those maintained by Post Oak.

*Employees.* As of April 30, 2018, Post Oak had 189 full-time employees, three part-time employees and one temporary employee, none of whom are covered by a collective bargaining agreement.

**Information about Post Oak's Properties**

Post Oak Bank leases its principal executive offices, which are located at 2000 West Loop South, Suite 100, Houston, Texas 77027. Post Oak Bank also leases its branches located at 1302A West Davis Street, Conroe, Texas 77304; 1600 Highway 6 South, Suite 150 Sugar Land, Texas 77478; 1800 Hughes Landing Blvd., Suite 100, The Woodlands, Texas 77380; and 790 W Sam Houston Parkway N, Suite 100, Houston, Texas 77024. Post Oak Bank owns its branches located at 1500 Miller St, Anahuac, Texas 77514; 3330 Antoine Dr., Houston, Texas 77092; 55 Interstate 10 N, Beaumont, Texas 77707; 501 N. Cleveland St, Dayton, Texas 77535; 14770 Northwest Freeway, Houston, Texas 77040; 1302 N. Main St, Liberty, Texas 77575; 4420 East Sam Houston Pkwy S, Pasadena, Texas 77505; and 13010 Murphy Rd., Stafford, Texas 77477.

**Post Oak Legal Proceedings**

From time to time, Post Oak or Post Oak Bank may become a party to various litigation matters incidental to the conduct of its business. Neither Post Oak nor Post Oak Bank is presently a party to any legal proceeding the resolution of which, in the opinion of Post Oak's management, would be expected to have a material adverse effect on Post Oak's business, operating results, financial condition or prospects.



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**Table of Contents****POST OAK MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis is intended to provide an overview of the significant factors affecting the financial condition and results of operations of Post Oak for the three months ended March 31, 2018 and 2017 and the years ended December 31, 2017 and 2016. The following discussion and analysis should be read in conjunction with the sections of this joint proxy statement/prospectus entitled "Special Cautionary Note Regarding Forward-Looking Statements," "Risk Factors," "Selected Consolidated Historical Financial Data of Post Oak" and "Post Oak's consolidated financial statements and the accompanying notes included elsewhere in this joint proxy statement/prospectus. As used in this section, unless the context otherwise requires, references to "Post Oak" refer to Post Oak Bancshares, Inc. and Post Oak Bank, N.A. on a consolidated basis. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that Post Oak believes are reasonable but may prove to be inaccurate. Post Oak assumes no obligation to update any of these forward-looking statements.*

**Overview**

Post Oak is a Texas corporation that owns all of the outstanding shares of common stock of Post Oak Bank, N.A., a national banking association, with operational headquarters in Houston, Texas. Post Oak Bank offers full consumer and commercial banking services to customers throughout its market areas in and around Houston, Texas. Post Oak Bank has 13 banking locations: 12 located throughout the greater Houston metropolitan area and one in Beaumont, outside of the Houston metropolitan area. As of March 31, 2018, Post Oak had total assets of \$1.43 billion, total loans of \$1.15 billion, total deposits of \$1.24 billion and total shareholders' equity of \$162.7 million.

Post Oak generates most of its income from interest income on loans, service charges on customer accounts and interest income from deposits in other financial institutions. Post Oak incurs interest expense on deposits and other borrowed funds and noninterest expenses such as salaries and employee benefits and occupancy expenses. Net interest income is the largest source of Post Oak's revenue. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits and shareholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources.

Changes in the market interest rates and interest rates Post Oak earns on interest-earning assets or pays on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and shareholders' equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in Post Oak's loan portfolio are affected by, among other factors, economic and competitive conditions in Texas and specifically in the Houston metropolitan area, as well as developments affecting the real estate, technology, financial services, insurance, transportation, manufacturing and energy sectors within Post Oak's target market.

On April 1, 2017, Post Oak completed the acquisition of The State Bank of Texas ("TSBOT"), an independent community bank headquartered in Houston, Texas. TSBOT operated two branches, one in Houston, Texas and one in Stafford, Texas. The financial results for the year ended 2017 reflect earnings for the combined entity for the last nine months of the year.

***Results of Operations for the Three Months Ended March 31, 2018 and 2017***

Net income was \$4.4 million for the three months ended March 31, 2018 compared with \$2.6 million for the three months ended March 31, 2017, an increase of \$1.8 million, or 70.4%. The increase in net income was

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primarily the result of a \$2.3 million increase in net interest income partially offset by a \$633 thousand increase in noninterest expense. Annualized returns on average equity were 11.16% and 7.97% and annualized returns on average assets were 1.28% and 0.93%, for the three months ended March 31, 2018 and 2017, respectively.

***Net Interest Income***

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Tax equivalent net interest margin is the ratio of taxable-equivalent net interest income to average earning assets for the period. The level of interest rates and the volume and mix of earning assets and interest-bearing liabilities impact net interest income and net interest margin.

*Three months ended March 31, 2018 compared to March 31, 2017.* Net interest income before the provision for possible credit losses for the three months ended March 31, 2018 was \$13.6 million compared with \$11.3 million for the three months ended March 31, 2017, an increase of \$2.3 million, or 19.9%. The increase in net interest income was primarily due to the increase in average interest-earning assets of \$261.1 million, or 24.4%, for the three months ended March 31, 2018 compared to the same period in 2017 primarily due to the acquisition of TSBOT and organic loan growth.

Interest income was \$15.6 million for the three months ended March 31, 2018, an increase of \$3.2 million, or 25.8%, compared with the three months ended March 31, 2017 primarily due to an increase of \$2.8 million of interest income and fees on loans during the three months ended March 31, 2018 compared to the same period in 2017 as a result of the increase in average loans outstanding of \$218.0 million for the same period.

Interest expense was \$2.0 million for the three months ended March 31, 2018, an increase of \$938 thousand, or 89.7%, compared with the three months ended March 31, 2017. This increase was primarily due to an increase in average interest-bearing liabilities and an increase in the funding costs on interest-bearing liabilities. Average interest-bearing liabilities increased \$219.7 million, or 36.5%, for the three months ended March 31, 2018 compared to the three months ended March 31, 2017. The increase in average-bearing liabilities was primarily due to the increase in average interest-bearing deposits of \$200.0 million, or 33.2%, during the three months ended March 31, 2018 compared to the same period in 2017. The increase in interest-bearing deposits for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was impacted by the increase in average money market and savings deposits of \$111.7 million, or 36.7%. Additionally, interest expense increased due to the increase in the average cost of interest-bearing liabilities to 98 basis points for the three months ended March 31, 2018 compared to 70 basis points for the same period in 2017.

Tax equivalent net interest margin, defined as net interest income adjusted for tax-free income divided by average interest-earning assets, for the three months ended March 31, 2018 was 4.15%, a decrease of 16 basis points compared to 4.31% for the three months ended March 31, 2017. The average yield on interest earning assets and the average rate paid on interest-bearing liabilities increased over the prior year. The average yield on interest-earning assets of 4.75% and the average rate paid on interest-bearing liabilities, 0.98%, as of March 31, 2018, were primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of the underlying assets and liabilities. Tax equivalent adjustments to net interest margin are the result of increasing income from tax-free securities by an amount equal to the taxes that would have been paid if the income were fully taxable based on a 21.0% and 35.0% federal tax rate for the three months ended March 31, 2018 and 2017, respectively, thus making tax-exempt yields comparable to taxable asset yields.



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The following table presents, for the periods indicated, the total dollar amount of average balances, interest income from average interest-earning assets and the annualized resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates. Any nonaccruing loans have been included in the table as loans carrying a zero yield.

|                                            | Three Months Ended March 31, |                                   |                        | 2017            |                                   |                        |
|--------------------------------------------|------------------------------|-----------------------------------|------------------------|-----------------|-----------------------------------|------------------------|
|                                            | 2018                         |                                   |                        | 2017            |                                   |                        |
|                                            | Average Balance              | Interest Earned/<br>Interest Paid | Average Yield/<br>Rate | Average Balance | Interest Earned/<br>Interest Paid | Average Yield/<br>Rate |
| (Dollars in thousands)                     |                              |                                   |                        |                 |                                   |                        |
| <b>Assets</b>                              |                              |                                   |                        |                 |                                   |                        |
| Interest-Earning Assets:                   |                              |                                   |                        |                 |                                   |                        |
| Loans                                      | \$ 1,149,346                 | \$ 14,799                         | 5.22%                  | \$ 931,380      | \$ 11,971                         | 5.21%                  |
| Securities                                 | 48,992                       | 226                               | 1.87%                  | 38,328          | 168                               | 1.78%                  |
| Deposits in other financial institutions   | 132,501                      | 565                               | 1.73%                  | 100,050         | 256                               | 1.04%                  |
| Total interest-earning assets              | 1,330,839                    | 15,590                            | 4.75%                  | 1,069,758       | 12,395                            | 4.70%                  |
| Allowance for loan losses                  | (12,060)                     |                                   |                        | (11,309)        |                                   |                        |
| Noninterest-earning assets                 | 88,509                       |                                   |                        | 75,526          |                                   |                        |
| Total assets                               | \$ 1,407,288                 |                                   |                        | \$ 1,133,975    |                                   |                        |
| <b>Liabilities and Shareholders Equity</b> |                              |                                   |                        |                 |                                   |                        |
| Interest-Bearing Liabilities:              |                              |                                   |                        |                 |                                   |                        |
| Interest-bearing demand deposits           | \$ 53,065                    | 46                                | 0.35%                  | \$ 42,360       | 36                                | 0.34%                  |
| Money market and savings deposits          | 415,686                      | 928                               | 0.91%                  | 304,018         | 416                               | 0.55%                  |
| Certificates and other time deposits       | 333,485                      | 930                               | 1.13%                  | 255,887         | 594                               | 0.94%                  |
| Borrowed funds                             | 19,694                       | 80                                | 1.65%                  |                 |                                   | 0.00%                  |
| Total interest-bearing liabilities         | 821,930                      | 1,984                             | 0.98%                  | 602,265         | 1,046                             | 0.70%                  |
| Noninterest-Bearing Liabilities:           |                              |                                   |                        |                 |                                   |                        |
| Noninterest-bearing demand deposits        | 423,188                      |                                   |                        | 396,974         |                                   |                        |
| Other liabilities                          | 1,071                        |                                   |                        | 2,490           |                                   |                        |
| Total liabilities                          | 1,246,189                    |                                   |                        | 1,001,729       |                                   |                        |
| Shareholders equity                        | 161,099                      |                                   |                        | 132,246         |                                   |                        |
| Total liabilities and shareholders equity  | \$ 1,407,288                 |                                   |                        | \$ 1,133,975    |                                   |                        |

|                                                     |           |       |           |       |
|-----------------------------------------------------|-----------|-------|-----------|-------|
| Net interest rate spread                            |           | 3.77% |           | 4.00% |
| Net interest income and margin (1)                  | \$ 13,606 | 4.15% | \$ 11,349 | 4.30% |
| Net interest income and margin (tax equivalent) (2) | \$ 13,620 | 4.15% | \$ 11,372 | 4.31% |

- (1) The net interest margin is equal to annualized net interest income divided by average interest-earning assets.
- (2) In order to make pretax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax-equivalent adjustment has been computed using a federal income tax rate of 21.0% and 35.0% for the three months ended March 31, 2018 and 2017, respectively, and other applicable effective tax rates.

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The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and changes in interest rates. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

|                                                   | <b>For the Three Months Ended<br/>2018 vs. 2017</b> |                 |                 |
|---------------------------------------------------|-----------------------------------------------------|-----------------|-----------------|
|                                                   | <b>Increase<br/>(Decrease)</b>                      |                 |                 |
|                                                   | <b>Due to Change in</b>                             |                 | <b>Total</b>    |
|                                                   | <b>Volume</b>                                       | <b>Rate</b>     |                 |
|                                                   | <b>(Dollars in thousands)</b>                       |                 |                 |
| <b>Interest-Earning assets:</b>                   |                                                     |                 |                 |
| Loans                                             | \$ 2,802                                            | \$ 26           | \$ 2,828        |
| Securities                                        | 47                                                  | 11              | 58              |
| Deposits in other financial institutions          | 83                                                  | 226             | 309             |
| <b>Total increase in interest income</b>          | <b>2,932</b>                                        | <b>263</b>      | <b>3,195</b>    |
| <b>Interest-Bearing liabilities:</b>              |                                                     |                 |                 |
| Interest-bearing demand deposits                  | 9                                                   | 1               | 10              |
| Money market and savings deposits                 | 153                                                 | 359             | 512             |
| Certificates and other time deposits              | 180                                                 | 156             | 336             |
| Borrowed funds                                    |                                                     | 80              | 80              |
| <b>Total increase in interest expense</b>         | <b>342</b>                                          | <b>596</b>      | <b>938</b>      |
| <b>Increase (decrease) in net interest income</b> | <b>\$ 2,590</b>                                     | <b>\$ (333)</b> | <b>\$ 2,257</b> |

***Provision for Possible Credit Losses***

Post Oak's provision for possible credit losses is a charge to income in order to bring its allowance for possible credit losses to a level deemed appropriate by management. The provision for possible credit losses was \$250 thousand for the three months ended March 31, 2018 compared to \$200 thousand for the same period in 2017, an increase of \$50 thousand, or 25.0%. The increase in provision expense was due to growth in the overall loan portfolio as well as an increase in the level of specific reserves needed to cover impaired loans.

***Noninterest Income***

Post Oak's primary sources of noninterest income are debit card and ATM card income and service charges on deposit accounts. Noninterest income does not include loan origination fees, which are recognized over the life of the related loan as an adjustment to yield using the straight-line method.

*Three months ended March 31, 2018 compared with the three months ended March 31, 2017.* Noninterest income totaled \$722 thousand for the three months ended March 31, 2018 compared to \$674 thousand for the same period in 2017, an increase of \$48 thousand, or 7.1%.





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The following table presents, for the periods indicated, the major categories of noninterest income:

|                                     | <b>For the Three Months<br/>Ended</b> |                           | <b>Increase<br/>(Decrease)</b> |
|-------------------------------------|---------------------------------------|---------------------------|--------------------------------|
|                                     | <b>March 31,<br/>2018</b>             | <b>March 31,<br/>2017</b> |                                |
|                                     | <b>(Dollars in thousands)</b>         |                           |                                |
| Service charges on deposit accounts | \$ 218                                | \$ 221                    | \$ (3)                         |
| Debit card and ATM card income      | 195                                   | 170                       | 25                             |
| Bank owned life insurance income    | 24                                    | 24                        |                                |
| Wire transfer fees                  | 31                                    | 29                        | 2                              |
| Rebate from correspondent bank      | 62                                    | 32                        | 30                             |
| Other                               | 192                                   | 198                       | (6)                            |
| <b>Total noninterest income</b>     | <b>\$ 722</b>                         | <b>\$ 674</b>             | <b>\$ 48</b>                   |

**Noninterest Expense**

Three months ended March 31, 2018 compared with three months ended March 31, 2017. Noninterest expense was \$8.3 million for the three months ended March 31, 2018 compared to \$7.7 million for the three months ended March 31, 2017, an increase of \$633 thousand, or 8.2%. This increase was primarily due to increased expenses related to supporting strategic growth initiatives and the TSBOT acquisition, partially offset by a decrease in professional fees.

The following table presents, for the periods indicated, the major categories of noninterest expense:

|                                           | <b>For the Three Months<br/>Ended March 31,</b> |                 | <b>Increase<br/>(Decrease)</b> |
|-------------------------------------------|-------------------------------------------------|-----------------|--------------------------------|
|                                           | <b>2018</b>                                     | <b>2017</b>     |                                |
|                                           | <b>(Dollars in thousands)</b>                   |                 |                                |
| Salaries and employee benefits            | \$ 5,428                                        | \$ 4,722        | \$ 706                         |
| Occupancy and equipment expense           | 968                                             | 865             | 103                            |
| Data processing                           | 543                                             | 534             | 9                              |
| Regulatory assessments and FDIC insurance | 275                                             | 236             | 39                             |
| Professional fees                         | 279                                             | 592             | (313)                          |
| Office expense                            | 79                                              | 101             | (22)                           |
| Marketing and business development        | 183                                             | 168             | 15                             |
| Loans and other real estate               | 84                                              | 59              | 25                             |
| Core deposit intangible amortization      | 132                                             | 61              | 71                             |
| Other                                     | 351                                             | 351             |                                |
| <b>Total noninterest expense</b>          | <b>\$ 8,322</b>                                 | <b>\$ 7,689</b> | <b>\$ 633</b>                  |

*Salaries and Employee Benefits.* Salaries and benefits increased \$706 thousand, or 15.0%, for the three months ended March 31, 2018 compared to the same period in 2017. This increase was primarily attributable to an increase in employees as a result of the TSBOT acquisition.

*Professional Fees.* Professional fees decreased \$313 thousand, or 52.9%, for the three months ended March 31, 2018 compared to the same period in 2017 primarily due to expenses incurred during the first quarter of 2017 related to the TSBOT acquisition.

***Efficiency Ratio***

The efficiency ratio is a supplemental financial measure utilized in management's internal evaluation of Post Oak's performance and is not calculated based on generally accepted accounting principles. A GAAP-based efficiency ratio is calculated by dividing total noninterest expense, excluding credit loss provisions, by net interest income plus total noninterest income, as shown in the Consolidated Statements of Income. The efficiency

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ratio is calculated by excluding from noninterest income the net gains and losses on the sale of securities, which can vary widely from period to period. Additionally, taxes and provision for loan losses are not included in this calculation. An increase in the efficiency ratio indicates that more resources are being utilized to generate the same volume of income and/or being invested to generate future income, while a decrease would indicate a more efficient allocation of resources. Post Oak's efficiency ratio was 58.08% for the three months ended March 31, 2018 compared to 63.95% for the three months ended March 31, 2017.

***Income Taxes***

The amount of federal and state income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the amount of other nondeductible expenses. Income tax expense decreased \$208 thousand, or 13.6%, to \$1.3 million for the three months ended March 31, 2018 compared with \$1.5 million for the same period in 2017. Post Oak's effective tax rates were 23.0% and 37.1% for the three months ended March 31, 2018 and 2017, respectively. Post Oak's effective tax rate decreased for the three months ended March 31, 2018 compared to the same period in 2017 primarily due to the reduction in the U.S. federal statutory income tax rate to 21.0% for 2018 from 35.0% for periods prior to 2018 under the Tax Cuts and Jobs Act enacted on December 22, 2017.

***Results of Operations for the Years Ended December 31, 2017 and 2016***

Net income was \$15.0 million for the year ended December 31, 2017 compared with \$10.9 million for the year ended December 31, 2016, an increase of \$4.1 million, or 37.5%. The increase in net income was primarily the result of a \$7.7 million increase in net interest income partially offset by a \$3.7 million increase in noninterest expense. Returns on average equity were 10.19% and 8.69% and returns on average assets were 1.15% and 0.98%, for the years ended December 31, 2017 and 2016, respectively.

*Year ended December 31, 2017 compared with the year ended December 31, 2016.* Net interest income before the provision for loan losses for the year ended December 31, 2017 was \$52.0 million compared with \$44.3 million for the year ended December 31, 2016, an increase of \$7.7 million, or 17.4%. The increase in net interest income was primarily due to the increase in average interest-earning assets of \$181.9 million, or 17.4%, for the year ended December 31, 2017 compared with the year ended December 31, 2016. The increase in average interest-earning assets during the year ended December 31, 2017 as compared to the year ended 2016 was primarily due to the TSBOT acquisition and organic loan growth.

Interest income was \$57.7 million for the year ended December 31, 2017, an increase of \$9.2 million, or 19.0%, compared with the year ended December 31, 2016 primarily due to an increase of \$8.3 million of interest income and fees on loans during the year ended December 31, 2017 compared to the same period in 2016 as a result of the increase in average loans outstanding of \$168.8 million for the same period.

Interest expense was \$5.7 million for the year ended December 31, 2017, an increase of \$1.5 million, or 36.4%, compared with the year ended December 31, 2016. This increase was primarily due to an increase in average interest-bearing liabilities and an increase in the funding costs on interest-bearing liabilities. Average interest-bearing liabilities increased \$91.2 million, or 14.4%, for the year ended December 31, 2017 compared with the year ended December 31, 2016, driven partly by the TSBOT acquisition. The increase in average interest-bearing liabilities was primarily due to the increase in average interest-bearing deposits of \$82.4 million, or 13.0%, and the use of borrowed funds in an average amount of \$8.8 million during the year ended December 31, 2017. The increase in interest-bearing deposits for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the increase in average certificates and other time deposits of \$50.3 million, or 18.4%.

Tax equivalent net interest margin was 4.24% for both of the years ended December 31, 2017 and 2016. The average yield on interest-earning assets and the average rate paid on interest-bearing liabilities are primarily impacted by changes in market interest rates as well as changes in the volume and relative mix of the underlying assets and liabilities. Tax equivalent adjustments to net interest margin are the result of increasing income from

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tax-free securities by an amount equal to the taxes that would have been paid if the income were fully taxable based on a 35.0% federal tax rate, thus making tax-exempt yields comparable to taxable asset yields. The tax equivalent yields and net interest margin during the comparable periods are presented based upon a tax rate of 35.0%. Beginning January 1, 2018, tax equivalent yields and the net interest margin will be based upon a tax rate of 21.0% as a result of the Tax Cuts and Jobs Act enacted on December 22, 2017.

The following table presents, for the periods indicated, the total dollar amount of average balances, interest income from average interest-earning assets and the annualized resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates. Any nonaccruing loans have been included in the table as loans carrying a zero yield.

|                                            | Years Ended December 31, |                                   |                        |                 |                                   |                        |
|--------------------------------------------|--------------------------|-----------------------------------|------------------------|-----------------|-----------------------------------|------------------------|
|                                            | 2017                     |                                   |                        | 2016            |                                   |                        |
|                                            | Average Balance          | Interest Earned/<br>Interest Paid | Average Yield/<br>Rate | Average Balance | Interest Earned/<br>Interest Paid | Average Yield/<br>Rate |
| (Dollars in thousands)                     |                          |                                   |                        |                 |                                   |                        |
| <b>Assets</b>                              |                          |                                   |                        |                 |                                   |                        |
| Interest-Earning Assets:                   |                          |                                   |                        |                 |                                   |                        |
| Loans                                      | \$ 1,061,420             | \$ 55,250                         | 5.21%                  | \$ 892,660      | \$ 46,956                         | 5.26%                  |
| Securities                                 | 51,115                   | 888                               | 1.74%                  | 42,114          | 708                               | 1.68%                  |
| Deposits in other financial institutions   | 116,866                  | 1,593                             | 1.36%                  | 112,692         | 840                               | 0.75%                  |
| Total interest-earning assets              | 1,229,401                | \$ 57,731                         | 4.70%                  | 1,047,466       | \$ 48,504                         | 4.63%                  |
| Allowance for loan losses                  | (11,718)                 |                                   |                        | (10,858)        |                                   |                        |
| Noninterest-earning assets                 | 88,888                   |                                   |                        | 78,274          |                                   |                        |
| Total assets                               | \$ 1,306,571             |                                   |                        | \$ 1,114,882    |                                   |                        |
| <b>Liabilities and Shareholders Equity</b> |                          |                                   |                        |                 |                                   |                        |
| Interest-Bearing Liabilities:              |                          |                                   |                        |                 |                                   |                        |
| Interest-bearing demand deposits           | \$ 45,811                | \$ 159                            | 0.35%                  | \$ 47,090       | \$ 168                            | 0.36%                  |
| Money market and savings deposits          | 344,579                  | 2,386                             | 0.69%                  | 311,265         | 1,513                             | 0.49%                  |
| Certificates and other time deposits       | 323,378                  | 3,052                             | 0.94%                  | 273,039         | 2,502                             | 0.92%                  |
| Borrowed funds                             | 8,843                    | 107                               | 1.21%                  | 1               |                                   | 0.00%                  |
| Total interest-bearing liabilities         | 722,611                  | \$ 5,704                          | 0.79%                  | 631,395         | \$ 4,183                          | 0.66%                  |
| Noninterest-Bearing Liabilities:           |                          |                                   |                        |                 |                                   |                        |
| Noninterest-bearing demand deposits        | 431,606                  |                                   |                        | 354,336         |                                   |                        |
| Other liabilities                          | 4,946                    |                                   |                        | 3,291           |                                   |                        |
| Total liabilities                          | 1,159,163                |                                   |                        | 989,022         |                                   |                        |
| Shareholders equity                        | 147,408                  |                                   |                        | 125,860         |                                   |                        |

|                                                     |              |       |              |       |
|-----------------------------------------------------|--------------|-------|--------------|-------|
| Total liabilities and shareholders' equity          | \$ 1,306,571 |       | \$ 1,114,882 |       |
| Net interest rate spread                            |              | 3.91% |              | 3.97% |
| Net interest income and margin (1)                  | \$ 52,027    | 4.23% | \$ 44,321    | 4.23% |
| Net interest income and margin (tax equivalent) (2) | \$ 52,151    | 4.24% | \$ 44,417    | 4.24% |

- (1) The net interest margin is equal to net interest income divided by average interest-earning assets.
- (2) In order to make pretax income and resultant yields on tax-exempt investments and loans comparable to those on taxable investments and loans, a tax-equivalent adjustment has been computed using a federal income tax rate of 35.0% for the years ended December 31, 2017 and 2016 and other applicable effective tax rates.

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The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and changes in interest rates. For purposes of this table, changes attributable to both rate and volume that cannot be segregated have been allocated to rate.

|                                                   | <b>For the Years Ended December 31,<br/>2017 vs. 2016</b> |                 |                 |
|---------------------------------------------------|-----------------------------------------------------------|-----------------|-----------------|
|                                                   | <b>Increase<br/>(Decrease)</b>                            |                 |                 |
|                                                   | <b>Due to Change in</b>                                   |                 | <b>Total</b>    |
|                                                   | <b>Volume</b>                                             | <b>Rate</b>     |                 |
|                                                   | <b>(Dollars in thousands)</b>                             |                 |                 |
| <b>Interest-Earning assets:</b>                   |                                                           |                 |                 |
| Loans                                             | \$ 8,877                                                  | \$ (583)        | \$ 8,294        |
| Securities                                        | 151                                                       | 29              | 180             |
| Deposits in other financial institutions          | 31                                                        | 722             | 753             |
| <b>Total increase in interest income</b>          | <b>9,059</b>                                              | <b>168</b>      | <b>9,227</b>    |
| <b>Interest-Bearing liabilities:</b>              |                                                           |                 |                 |
| Interest-bearing demand deposits                  | (5)                                                       | (4)             | (9)             |
| Money market and savings deposits                 | 162                                                       | 711             | 873             |
| Certificates and other time deposits              | 461                                                       | 89              | 550             |
| Borrowed funds                                    |                                                           | 107             | 107             |
| <b>Total increase in interest expense</b>         | <b>618</b>                                                | <b>903</b>      | <b>1,521</b>    |
| <b>Increase (decrease) in net interest income</b> | <b>\$ 8,441</b>                                           | <b>\$ (735)</b> | <b>\$ 7,706</b> |

**Provision for Possible Credit Losses**

The provision for possible credit losses for the year ended December 31, 2017 was \$790 thousand compared with \$2.0 million for the year ended December 31, 2016. The decreased provision in 2017 was due to minimal charge-offs for that year.

**Noninterest Income**

Post Oak's primary sources of noninterest income are debit card and ATM card income and service charges on deposit accounts. Noninterest income does not include loan origination fees which are recognized over the life of the related loan as an adjustment to yield using the interest method.

*Year ended December 31, 2017 compared with the year ended December 31, 2016.* Noninterest income totaled \$4.6 million for the year ended December 31, 2017 compared to \$2.5 million for the year ended December 31, 2016, an increase of \$2.1 million, or 84.3%. This increase was primarily due to the \$1.2 million bargain purchase gain recorded as a result of the TSBOT acquisition, which was primarily due to the excess in appraised value of the acquired premises in excess of TSBOT's amortized cost, net of deferred tax adjustments.





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The following table presents, for the periods indicated, the major categories of noninterest income:

|                                          | <b>For the Years Ended</b>    |                              | <b>Increase<br/>(Decrease)</b> |
|------------------------------------------|-------------------------------|------------------------------|--------------------------------|
|                                          | <b>December 31,<br/>2017</b>  | <b>December 31,<br/>2016</b> |                                |
|                                          | <b>(Dollars in thousands)</b> |                              |                                |
| Service charges on deposit accounts      | \$ 863                        | \$ 879                       | \$ (16)                        |
| Debit card and ATM card income           | 732                           | 622                          | 110                            |
| Bargain purchase gain                    | 1,220                         |                              | 1,220                          |
| Bank owned life insurance income         | 98                            | 99                           | (1)                            |
| (Loss) gain on sale of other real estate | (111)                         | 7                            | (118)                          |
| Wire transfer fees                       | 121                           | 83                           | 38                             |
| Rebate from correspondent bank           | 295                           |                              | 295                            |
| Other                                    | 1,354                         | 791                          | 563                            |
| <b>Total noninterest income</b>          | <b>\$ 4,572</b>               | <b>\$ 2,481</b>              | <b>\$ 2,091</b>                |

**Noninterest Expense**

Year ended December 31, 2017 compared with the year ended December 31, 2016. Noninterest expense was \$31.9 million for the year ended December 31, 2017 compared to \$28.2 million for the year ended December 31, 2016, an increase of \$3.7 million, or 13.1%. This increase was primarily due to additional expenses incurred related to the TSBOT acquisition.

The following table presents, for the periods indicated, the major categories of noninterest expense:

|                                           | <b>For the Years Ended</b>    |                              | <b>Increase<br/>(Decrease)</b> |
|-------------------------------------------|-------------------------------|------------------------------|--------------------------------|
|                                           | <b>December 31,<br/>2017</b>  | <b>December 31,<br/>2016</b> |                                |
|                                           | <b>(Dollars in thousands)</b> |                              |                                |
| Salaries and employee benefits            | \$ 20,192                     | \$ 18,265                    | \$ 1,927                       |
| Occupancy and equipment                   | 3,871                         | 3,514                        | 357                            |
| Data processing                           | 2,237                         | 1,732                        | 505                            |
| Regulatory assessments and bank insurance | 1,258                         | 1,181                        | 77                             |
| Professional fees                         | 1,516                         | 1,071                        | 445                            |
| Office expense                            | 852                           | 739                          | 113                            |
| Marketing and business development        | 623                           | 615                          | 8                              |
| Loans and other real estate               | 386                           | 304                          | 82                             |
| Core deposit intangible amortization      | 382                           | 243                          | 139                            |
| Other                                     | 595                           | 560                          | 35                             |
| <b>Total noninterest expense</b>          | <b>\$ 31,912</b>              | <b>\$ 28,224</b>             | <b>\$ 3,688</b>                |

*Salaries and Employee Benefits.* Salaries and benefits were \$20.2 million for the year ended December 31, 2017, an increase of \$1.9 million, or 10.6%, compared to the year ended December 31, 2016. This increase was primarily attributable to the employees added as a result of the TSBOT acquisition. The number of Post Oak full-time employees increased to 186 at December 31, 2017 from 167 employees at December 31, 2016.

*Occupancy and Equipment.* Occupancy and equipment expenses increased \$357 thousand, or 10.2%, for the year ended December 31, 2017 to \$3.9 million compared to \$3.5 million for the year ended December 31, 2016. This increase was primarily due to additional costs incurred as a result of the TSBOT acquisition.

*Data Processing.* Data processing increased \$505 thousand, or 29.2%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase was primarily due to additional expenses incurred related to the TSBOT acquisition.

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*Professional Fees.* Professional fees increased \$445 thousand, or 41.5%, for the year ended December 31, 2017 to \$1.5 million from \$1.1 million for the year ended December 31, 2016 due to additional expenses incurred related to the TSBOT acquisition.

**Efficiency Ratio**

Post Oak calculates the efficiency ratio by dividing total noninterest expense by the sum of net interest income and noninterest income, excluding net gains and losses on the sale of securities and the bargain purchase gain as a result of the TSBOT acquisition. Additionally, taxes and provision for loan losses are not part of this calculation. The efficiency ratio was 57.62% for the year ended December 31, 2017 compared with 60.31% for the year ended December 31, 2016.

**Income Taxes**

The amount of federal and state income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the amount of other nondeductible expenses. Income tax expense increased \$3.2 million, or 55.8%, to \$8.9 million for the year ended December 31, 2017 compared with \$5.7 million for the same period in 2016 primarily due to an increase in pre-tax net income.

The effective tax rates were 37.1% and 34.3% for the years ended December 31, 2017 and 2016, respectively. The effective tax rate for 2017 was impacted by the adjustment of Post Oak's deferred tax assets related to the reduction in the U.S. federal statutory income tax rate to 21.0% under the Tax Cuts and Jobs Act enacted on December 22, 2017, substantially offset by the tax free bargain purchase gain and the tax free income from the purchase of additional municipal securities.

**Financial Condition****Loan Portfolio**

At March 31, 2018, total loans decreased \$341 thousand from December 31, 2017. Total loans at December 31, 2017 were \$1.15 billion, an increase of \$221.4 million, or 23.9%, compared to \$925.6 million as of December 31, 2016 primarily due to the 2017 acquisition of TSBOT in addition to the organic growth within the loan portfolio.

Total loans as a percentage of deposits were 92.4%, 91.6% and 92.7% as of March 31, 2018, December 31, 2017 and December 31, 2016, respectively. Total loans as a percentage of assets were 80.0%, 80.2% and 81.9% as of March 31, 2018, December 31, 2017 and December 31, 2016, respectively.

The following table summarizes Post Oak's loan portfolio by type of loan as of the dates indicated:

|                           | March 31, 2018                |         | December 31, 2017 |         | December 31, 2016 |         |
|---------------------------|-------------------------------|---------|-------------------|---------|-------------------|---------|
|                           | Amount                        | Percent | Amount            | Percent | Amount            | Percent |
|                           | <b>(Dollars in thousands)</b> |         |                   |         |                   |         |
| Real estate               | \$ 893,059                    | 78.0%   | \$ 890,847        | 77.7%   | \$ 744,407        | 80.5%   |
| Commercial and industrial | 206,040                       | 18.0%   | 205,574           | 17.9%   | 142,513           | 15.4%   |
| Agriculture               | 7,345                         | 0.6%    | 8,280             | 0.7%    | 9,324             | 1.0%    |
| Consumer                  | 31,390                        | 2.7%    | 33,029            | 2.9%    | 11,519            | 1.2%    |

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|                                      |              |        |              |        |            |        |
|--------------------------------------|--------------|--------|--------------|--------|------------|--------|
| Other                                | 8,827        | 0.7%   | 9,272        | 0.8%   | 17,885     | 1.9%   |
| Total loans                          | 1,146,661    | 100.0% | 1,147,002    | 100.0% | 925,648    | 100.0% |
| Allowance for possible credit losses | (11,995)     |        | (12,030)     |        | (11,239)   |        |
| Loans, net                           | \$ 1,134,666 |        | \$ 1,134,972 |        | \$ 914,409 |        |

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Post Oak has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. Diversification of the loan portfolio is a means of managing the risks associated with fluctuations in economic conditions.

In order to manage the diversification of the portfolio, Post Oak segments loans into classes. The real estate loan segment is sub-segmented into classes that primarily include commercial real estate mortgage loans, construction and land development loans, farmland loans, 1-4 family residential loans and multi-family residential loans. Post Oak segments consumer loans into classes that primarily include automobiles and other consumer loans, which include revolving credit plans. Post Oak analyzes the overall ability of the borrower and guarantors to repay a loan. Information and risk management practices specific to Post Oak's loan segments and classes follows.

**Real estate.** Post Oak makes commercial real estate mortgage loans which are primarily viewed as cash flow loans and secondarily as loans secured by real estate. The properties securing Post Oak's commercial real estate loans can be owner occupied or nonowner occupied. Concentrations within the various types of commercial properties are monitored by management in order to assess the risks in the portfolio. The real estate loan portfolio increased \$2.2 million, or 0.2%, to \$893.1 million as of March 31, 2018 compared to \$890.8 million as of December 31, 2017. Total real estate loans as of December 31, 2017 increased \$146.4 million, or 19.7%, compared to \$744.4 million as of December 31, 2016.

The repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. Post Oak seeks to minimize these risks in a variety of ways in connection with underwriting these loans, including giving careful consideration to the property's operating history, future operating projections, current and projected occupancy, location and physical condition.

Construction and land development loans are generally nonowner occupied and are subject to certain risks attributable to the fact that loan funds are advanced over the construction phase and the project is of uncertain value prior to its completion. Construction loans are generally based upon estimates of costs and value associated with the completed project with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay the loan. Post Oak has underwriting and funding procedures designed to address what it believes to be the risks associated with such loans; however, no assurance can be given the procedures will prevent losses resulting from the risks described above.

Post Oak's real estate lending activities also include the origination of 1-4 family residential and multi-family residential loans. The terms of these loans typically range from three to ten years and are secured by the properties financed. Post Oak requires the borrowers to maintain mortgage title insurance and hazard insurance. Post Oak retains all 1-4 family residential loans for its own portfolio rather than selling such loans into the secondary market.

**Commercial and Industrial.** Post Oak's commercial and industrial loans represent credit extended to small to medium sized businesses primarily for the purpose of providing working capital and equipment purchase financing. Commercial and industrial loans often are dependent on the profitable operations of the borrower. These credits are primarily made based on the expected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may also incorporate a personal guarantee. Some shorter term loans may be extended on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect

amounts due from its customers. The cash flows of borrowers may not be as expected and the collateral securing these loans may fluctuate, increasing the risk associated with this loan

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segment. As a result of the additional complexities, variables, and risks, commercial loans typically require more thorough underwriting and servicing than other types of loans. The commercial and industrial loan portfolio increased \$466 thousand, or 0.2%, to \$206.0 million as of March 31, 2018 compared to \$205.6 million as of December 31, 2017. Total commercial and industrial loans as of December 31, 2017 increased \$63.1 million, or 44.2%, compared to \$142.5 million as of December 31, 2016.

***Agriculture.*** Post Oak provides crop production and farm equipment loans to local area farmers. Post Oak evaluates these borrowers primarily based on their historical profitability, level of experience in their particular agricultural industry, overall financial capacity and the secondary collateral, including crop insurance, to withstand economic and national fluctuations common to the industry. The agriculture loan portfolio decreased \$935 thousand, or 11.3%, to \$7.3 million as of March 31, 2018 compared to \$8.3 million as of December 31, 2017. Total agriculture loans as of December 31, 2017 decreased \$1.0 million, or 11.2%, compared to \$9.3 million as of December 31, 2016.

***Consumer.*** Post Oak's consumer loans include automobile loans, home improvement loans, home equity loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans. The terms of these loans typically range from 1 to 7 years and vary based on the nature of collateral and size of the loan. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus more likely to be adversely affected by job loss, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as deemed appropriate by Post Oak's management. The consumer loan portfolio decreased \$1.6 million, or 5.0%, to \$31.4 million as of March 31, 2018 compared to \$33.0 million as of December 31, 2017. Total consumer loans as of December 31, 2017 increased \$21.5 million, or 186.7%, compared to \$11.5 million as of December 31, 2016. This increase was primarily due to a significant consumer loan acquired in the TSBOT acquisition.

***Other loans.*** Other loans consist primarily of amounts funded to mortgage companies which are secured by the assignment of various notes receivables representing mortgages on single family residences. In addition, other loans consists of smaller loans to business entities and individuals for various personal and business purposes and overdraft lines of credit principally extended to individuals.

***Concentrations of Credit***

The vast majority of Post Oak's lending activity occurs in the Houston metropolitan area. Post Oak's loans are primarily secured by real estate, including commercial and residential construction, owner occupied and nonowner occupied and multi-family commercial real estate, raw land and other real estate based loans located in the Houston metropolitan area. As of March 31, 2018, December 31, 2017 and 2016, real estate loans represented 77.9%, 77.7% and 80.4%, respectively, of Post Oak's total loans.

***Asset Quality***

***Nonperforming Assets and Potential Problem Loans.*** Post Oak has procedures in place to assist in maintaining the overall quality of its loan portfolio. Post Oak has established underwriting guidelines to be followed by its officers to monitor Post Oak's delinquency levels for any negative or adverse trends.

Post Oak had \$5.0 million, \$4.4 million and \$5.3 million in nonaccrual loans as of March 31, 2018, December 31, 2017 and 2016, respectively.





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The following table presents information regarding nonperforming assets as of the dates indicated:

|                                         | As of<br>March 31, 2018 | As of<br>December 31, 2017 | As of<br>December 31, 2016 |
|-----------------------------------------|-------------------------|----------------------------|----------------------------|
|                                         | (Dollars in thousands)  |                            |                            |
| <b>Nonaccrual loans:</b>                |                         |                            |                            |
| Real estate                             | \$ 4,174                | \$ 3,817                   | \$ 4,780                   |
| Commercial and industrial               | 632                     | 413                        | 484                        |
| Agriculture                             |                         |                            |                            |
| Consumer                                | 153                     | 159                        |                            |
| Other                                   |                         |                            |                            |
| <b>Total nonaccrual loans</b>           | <b>4,959</b>            | <b>4,389</b>               | <b>5,264</b>               |
| Accruing loans 90 or more days past due |                         |                            |                            |
| <b>Total nonperforming loans</b>        | <b>4,959</b>            | <b>4,389</b>               | <b>5,264</b>               |
| Other real estate                       | 3,133                   |                            | 1,087                      |
| Other repossessed assets                |                         |                            |                            |
| <b>Total nonperforming assets</b>       | <b>\$ 8,092</b>         | <b>\$ 4,389</b>            | <b>\$ 6,351</b>            |
| Restructured loans (1)                  | \$ 1,148                | \$ 1,166                   | \$ 2,289                   |
| Nonperforming assets to total assets    | 0.56%                   | 0.31%                      | 0.56%                      |
| Nonperforming loans to total loans      | 0.43%                   | 0.38%                      | 0.57%                      |

- (1) Restructured loans represent the balance at the end of the respective period for those performing loans modified in a troubled debt restructuring that are not already presented as a nonperforming loan.

***Allowance for Possible Credit Losses***

The allowance for possible credit losses is a valuation allowance that is established through charges to earnings in the form of a provision for possible credit losses. The amount of the allowance for possible credit losses is affected by the following: (1) charge-offs of loans that decrease the allowance, (2) subsequent recoveries on loans previously charged off that increase the allowance and (3) provisions for loan losses charged to income that increase the allowance. For purposes of determining the allowance for possible credit losses, Post Oak considers the loans in its portfolio by segment, class and risk grade. Management uses judgment to determine the estimation method that fits the credit risk characteristics of each portfolio segment or loan class. To assist in the assessment of risk, management reviews reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. Post Oak utilizes an independent third party loan review service to review the credit risk assigned to loans on a periodic basis and the results are presented to management for review.

At March 31, 2018 and December 31, 2017, the allowance for possible credit losses amounted to \$12.0 million, or 1.05%, of total loans, as of both dates compared with \$11.2 million, or 1.21%, as of December 31, 2016. Post Oak believes that the allowance for possible credit losses at March 31, 2018, December 31, 2017 and December 31, 2016 was adequate to cover probable incurred losses in the loan portfolio as of such date.



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The following table presents, as of and for the periods indicated, an analysis of the allowance for possible credit losses and other related data:

|                                                             | <b>For the Three Months Ended For the Year Ended For the Year Ended</b> |                     |                     |
|-------------------------------------------------------------|-------------------------------------------------------------------------|---------------------|---------------------|
|                                                             | <b>March 31,</b>                                                        | <b>December 31,</b> | <b>December 31,</b> |
|                                                             | <b>2018</b>                                                             | <b>2017</b>         | <b>2016</b>         |
|                                                             | <b>(Dollars in thousands)</b>                                           |                     |                     |
| Average loans outstanding                                   | \$ 1,149,346                                                            | \$ 1,061,420        | \$ 892,660          |
| Gross loans outstanding at end of period                    | 1,146,661                                                               | 1,147,002           | 925,648             |
| Allowance for possible credit losses at beginning of period | 12,030                                                                  | 11,239              | 9,894               |
| Provision for possible credit losses                        | 250                                                                     | 790                 | 1,952               |
| <b>Charge-offs:</b>                                         |                                                                         |                     |                     |
| Real estate                                                 |                                                                         | (15)                | (58)                |
| Commercial and industrial                                   | (290)                                                                   | (20)                | (572)               |
| Agriculture                                                 |                                                                         | (9)                 |                     |
| Consumer                                                    | (1)                                                                     |                     |                     |
| Other                                                       |                                                                         |                     |                     |
| <b>Total charge-offs for all loan types</b>                 | <b>(291)</b>                                                            | <b>(44)</b>         | <b>(630)</b>        |
| <b>Recoveries:</b>                                          |                                                                         |                     |                     |
| Real estate                                                 |                                                                         |                     |                     |
| Commercial and industrial                                   | 6                                                                       | 45                  | 23                  |
| Agriculture                                                 |                                                                         |                     |                     |
| Consumer                                                    |                                                                         |                     |                     |
| Other                                                       |                                                                         |                     |                     |
| <b>Total recoveries for all loan types</b>                  | <b>6</b>                                                                | <b>45</b>           | <b>23</b>           |
| <b>Net charge-offs</b>                                      | <b>(285)</b>                                                            | <b>1</b>            | <b>(607)</b>        |
| Allowance for possible credit losses at end of period       | \$ 11,995                                                               | \$ 12,030           | \$ 11,239           |
| Allowance for possible credit losses to total loans         | 1.05%                                                                   | 1.05%               | 1.21%               |
| Net charge-offs to average loans (1)                        | 0.10%                                                                   | 0.00%               | 0.07%               |
| Allowance for possible credit losses to nonperforming loans | 241.88%                                                                 | 274.09%             | 213.51%             |

(1) Interim period annualized.

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The following table shows the allocation of the allowance for possible credit losses among Post Oak's loan categories and the percentage of the respective loan category to total loans held for investment as of the dates indicated. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur. The total allowance is available to absorb losses from any loan category.

|                                                                | <b>As of March 31, 2018</b>   |                    | <b>As of December 31, 2017</b> |                    | <b>As of December 31, 2016</b> |                    |
|----------------------------------------------------------------|-------------------------------|--------------------|--------------------------------|--------------------|--------------------------------|--------------------|
|                                                                | <b>Percent of</b>             |                    | <b>Percent of</b>              |                    | <b>Percent of</b>              |                    |
|                                                                | <b>Loans to</b>               |                    | <b>Loans to</b>                |                    | <b>Loans to</b>                |                    |
|                                                                | <b>Amount</b>                 | <b>Total Loans</b> | <b>Amount</b>                  | <b>Total Loans</b> | <b>Amount</b>                  | <b>Total Loans</b> |
|                                                                | <b>(Dollars in thousands)</b> |                    |                                |                    |                                |                    |
| Balance of allowance for possible credit losses applicable to: |                               |                    |                                |                    |                                |                    |
| Real estate                                                    | \$ 9,337                      | 78.0%              | \$ 9,338                       | 77.7%              | \$ 9,034                       | 80.5%              |
| Commercial and industrial                                      | 2,155                         | 18.0%              | 2,155                          | 17.9%              | 1,730                          | 15.4%              |
| Agriculture                                                    | 77                            | 0.6%               | 87                             | 0.7%               | 113                            | 1.0%               |
| Consumer                                                       | 328                           | 2.7%               | 346                            | 2.9%               | 140                            | 1.2%               |
| Other                                                          | 98                            | 0.7%               | 104                            | 0.8%               | 222                            | 1.9%               |
| <b>Total allowance for possible credit losses</b>              | <b>\$ 11,995</b>              | <b>100.0%</b>      | <b>\$ 12,030</b>               | <b>100.0%</b>      | <b>\$ 11,239</b>               | <b>100.0%</b>      |

In addition to the allowance for possible credit losses at March 31, 2018, December 31, 2017 and 2016, Post Oak held \$22 thousand for each of these years in reserve in other liabilities for unfunded loan commitments to provide for the risk of loss inherent in its unfunded lending related commitments.

**Available for Sale Securities**

As of March 31, 2018, the carrying amount of investment securities totaled \$48.5 million, a decrease of \$982 thousand, or 2.0%, compared with \$49.4 million as of December 31, 2017. The carrying amount of investment securities at December 31, 2017 increased \$11.0 million, or 28.5%, compared with \$38.5 million as of December 31, 2016. Securities represented 3.4%, 3.5% and 3.4% of total assets as of March 31, 2018, December 31, 2017 and 2016, respectively.

All of the securities in the portfolio are classified as available for sale. Securities classified as available for sale are measured at fair value in the financial statements with unrealized gains and losses reported, net of tax, as accumulated comprehensive income or loss until realized. Interest earned on securities is included in interest income.

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The following table summarizes the amortized cost and fair value of the securities in the securities portfolio as of the dates shown:

|                                        | <b>March 31, 2018</b>         |                   |                   |                   |
|----------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
|                                        | <b>Amortized</b>              | <b>Gross</b>      | <b>Gross</b>      | <b>Fair Value</b> |
|                                        | <b>Cost</b>                   | <b>Unrealized</b> | <b>Unrealized</b> |                   |
|                                        |                               | <b>Gains</b>      | <b>Losses</b>     |                   |
|                                        | <b>(Dollars in thousands)</b> |                   |                   |                   |
| <b>Available for Sale</b>              |                               |                   |                   |                   |
| U.S. Government and agency securities: |                               |                   |                   |                   |
| Bonds                                  | \$ 16,468                     | \$ 9              | \$ (73)           | \$ 16,404         |
| Agency mortgage-backed securities      | 16,580                        | 1                 | (464)             | 16,117            |
| Municipal securities                   | 16,107                        | 3                 | (167)             | 15,943            |
| Total                                  | \$ 49,155                     | \$ 13             | \$ (704)          | \$ 48,464         |

|                                        | <b>December 31, 2017</b>      |                   |                   |                   |
|----------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
|                                        | <b>Amortized</b>              | <b>Gross</b>      | <b>Gross</b>      | <b>Fair Value</b> |
|                                        | <b>Cost</b>                   | <b>Unrealized</b> | <b>Unrealized</b> |                   |
|                                        |                               | <b>Gains</b>      | <b>Losses</b>     |                   |
|                                        | <b>(Dollars in thousands)</b> |                   |                   |                   |
| <b>Available for Sale</b>              |                               |                   |                   |                   |
| U.S. Government and agency securities: |                               |                   |                   |                   |
| Bonds                                  | \$ 16,461                     | \$ 12             | \$ (51)           | \$ 16,422         |
| Agency mortgage-backed securities      | 17,217                        | 3                 | (239)             | 16,981            |
| Municipal securities                   | 16,171                        |                   | (128)             | 16,043            |
| Total                                  | \$ 49,849                     | \$ 15             | \$ (418)          | \$ 49,446         |

|                                        | <b>December 31, 2016</b>      |                   |                   |                   |
|----------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
|                                        | <b>Amortized</b>              | <b>Gross</b>      | <b>Gross</b>      | <b>Fair Value</b> |
|                                        | <b>Cost</b>                   | <b>Unrealized</b> | <b>Unrealized</b> |                   |
|                                        |                               | <b>Gains</b>      | <b>Losses</b>     |                   |
|                                        | <b>(Dollars in thousands)</b> |                   |                   |                   |
| <b>Available for Sale</b>              |                               |                   |                   |                   |
| U.S. Government and agency securities: |                               |                   |                   |                   |
| Bonds                                  | \$ 6,993                      | \$ 4              | \$ (23)           | \$ 6,974          |
| Agency mortgage-backed securities      | 19,459                        | 12                | (384)             | 19,087            |
| Municipal securities                   | 12,569                        | 1                 | (148)             | 12,422            |
| Total                                  | \$ 39,021                     | \$ 17             | \$ (555)          | \$ 38,483         |

Post Oak does not have the intent to sell any of the securities classified as available for sale while in a loss position and believes that it is not likely that it will have to sell any of these securities before a recovery of cost. The unrealized losses are attributable primarily to changes in market interest rates relative to those available when the securities were acquired. The fair value of these securities is expected to recover as the securities reach their maturity or re-pricing date, or if market rates for such investments decline.

Post Oak does not believe that any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2018, December 31, 2017 and 2016, Post Oak believes the impairments were temporary, and no impairment loss has been realized in its consolidated statements of income for the periods then ended.

The average yield of Post Oak's securities portfolio was 1.87% during the three months ended 2018 compared to 1.78% for the same period in 2017. The average yield for the year ended December 31, 2017 was 1.74% compared with 1.68% for the year ended December 31, 2016.

**Table of Contents*****Goodwill and Core Deposit Intangibles***

The balance of goodwill as of March 31, 2018, December 31, 2017 and 2016 was \$4.3 million. Goodwill resulting from business combinations represents the excess of the consideration paid over the fair value of the net assets acquired. Goodwill is assessed annually for impairment or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Post Oak's core deposit intangibles, net as of March 31, 2018, December 31, 2017 and 2016 was \$1.8 million, \$1.9 million and \$952 thousand, respectively. Core deposit intangibles are amortized using a straight-line amortization method over its estimated useful life of five years.

***Deposits***

Post Oak's lending and investing activities are primarily funded by deposits. Post Oak offers a variety of deposit accounts having a range of interest rates and terms including demand, savings, money market and certificates and other time accounts.

Total deposits at March 31, 2018, were \$1.24 billion, a decrease of \$10.7 million, or 0.9%, compared with \$1.25 billion at December 31, 2017 due to a decrease of \$45.0 million in noninterest-bearing deposits partially offset by a \$34.3 million increase in interest-bearing deposits. Deposits at December 31, 2017 increased \$253.2 million, or 25.4%, compared with \$998.6 million at December 31, 2016. The deposit growth experienced in 2017 was largely the result of the acquisition of TSBOT and organic deposit growth during 2017.

Post Oak's ratio of average noninterest-bearing deposits to average total deposits was 34.5% for the three months ended March 31, 2018 and 37.7% and 35.9% for the years ended December 31, 2017 and 2016, respectively.

***Borrowings***

Post Oak has an available line of credit with the Federal Home Loan Bank of Dallas (which we refer to as FHLB), which allows Post Oak to borrow on a collateralized basis. FHLB advances are used to manage liquidity as needed. At March 31, 2018, December 31, 2017 and 2016, Post Oak had an available line of credit with the FHLB, which allows it to borrow up to \$500.1 million, \$483.8 million and \$399.2 million, respectively, on a collateralized basis. Any borrowings would be collateralized by a blanket lien on eligible commercial loans and loans secured by real estate. As of March 31, 2018, outstanding balances with the FHLB were \$25.0 million at a weighted average rate of 1.66%. At December 31, 2017, outstanding balances with the FHLB were \$15.0 million at a fixed rate of 1.36%. At December 31, 2016, there were no funds borrowed from the FHLB.

***Contractual Obligations***

Post Oak leases office facilities and equipment under operating leases. Future minimum lease payments under the noncancelable operating leases are as follows:

|                       | <b>More than 1<br/>year but less<br/>than 3<br/>years</b> | <b>3 years or<br/>more but less<br/>than 5<br/>years</b> | <b>5 years or<br/>more</b> | <b>Total</b> |
|-----------------------|-----------------------------------------------------------|----------------------------------------------------------|----------------------------|--------------|
| <b>1 year or less</b> |                                                           |                                                          |                            |              |

**(Dollars in thousands)**

|                  |          |          |          |          |
|------------------|----------|----------|----------|----------|
| Operating leases | \$ 1,136 | \$ 2,254 | \$ 1,216 | \$ 4,606 |
|------------------|----------|----------|----------|----------|

***Off-Balance Sheet Items***

Post Oak is party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit under commercial lines of credit, revolving credit lines, overdraft protection agreements and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in



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excess of the amounts recognized in the consolidated balance sheets. The contract amounts of the instruments reflect the extent of the Post Oak's involvement in particular classes of financial instruments. Post Oak's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. Post Oak uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

Post Oak evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by Post Oak upon extension of credit, is based on management's credit evaluation of the customer.

The following is a summary of the various financial instruments entered into by Post Oak as of the dates indicated:

|                                              | <b>March 31,<br/>2018</b>     | <b>December 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|----------------------------------------------|-------------------------------|------------------------------|------------------------------|
|                                              | <b>(Dollars in thousands)</b> |                              |                              |
| Commitments to extend credit - fixed rate    | \$ 48,184                     | \$ 56,269                    | \$ 28,775                    |
| Commitments to extend credit - variable rate | 188,534                       | 180,533                      | 144,531                      |
| Standby letters of credit                    | 4,674                         | 6,332                        | 4,612                        |

*Commitments to Extend Credit.* Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. Some of the loans that have outstanding commitments may be subject to participation agreements in which Post Oak will sell off a percentage of the commitment when funded, pursuant to the participation agreement.

*Standby Letters of Credit.* Standby letters of credit are conditional commitments issued by Post Oak to guarantee the performance of a customer to a third party. Post Oak's credit risk involved in issuing letters of credit is essentially the same as that involved in funding loans facilities.

***Liquidity and Capital Resources******Liquidity***

Liquidity is the measure of Post Oak's ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting Post Oak's operating, capital and strategic cash flow needs and to maintain reserve requirements to operate on an ongoing basis and manage unexpected events, all at a reasonable cost. For the three months ended March 31, 2018 and the years ended December 31, 2017 and 2016, Post Oak's liquidity needs have been met by core deposits, borrowed funds, security and loan maturities and amortizing investment and loan portfolios. Post Oak has access to purchased funds from correspondent banks, and advances from the FHLB are available under a security and pledge agreement to take advantage of investment opportunities.

***Capital Resources***

Post Oak is subject to various regulatory capital requirements administered by bank regulators. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures and risk weighting 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 about components, risk weighting and other factors.

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Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Post Oak's consolidated financial statements. Post Oak believes, as of March 31, 2018, December 31, 2017 and December 31, 2016, that it met all of the capital adequacy requirements to which it is subject.

As of September 30, 2017, the most recent notification from the Office of the Comptroller of the Currency, Post Oak Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that Post Oak believes has changed Post Oak Bank's prompt corrective action category.

The following table provides a comparison of Post Oak Bancshares, Inc. and Post Oak Bank's leverage and risk-weighted capital ratios as of March 31, 2018 and December 31, 2017 to the minimum and well-capitalized regulatory standards:

|                                                           | Actual     |        | For Capital Adequacy Purposes |       | To Be Categorized As Well Capitalized Under Prompt Corrective Action Provisions |       |
|-----------------------------------------------------------|------------|--------|-------------------------------|-------|---------------------------------------------------------------------------------|-------|
|                                                           | Amount     | Ratio  | Amount                        | Ratio | Amount                                                                          | Ratio |
| <b>POST OAK BANCSHARES, INC.</b>                          |            |        |                               |       |                                                                                 |       |
| <b>(Consolidated)</b>                                     |            |        |                               |       |                                                                                 |       |
| <b>As of March 31, 2018</b>                               |            |        |                               |       |                                                                                 |       |
| Total Capital<br>(to risk weighted assets)                | \$ 169,241 | 14.65% | \$ 92,390                     | 8.00% | N/A                                                                             | N/A   |
| Common Equity Tier 1 Capital<br>(to risk weighted assets) | 157,224    | 13.61% | 51,969                        | 4.50% | N/A                                                                             | N/A   |
| Tier 1 Capital<br>(to risk weighted assets)               | 157,224    | 13.61% | 69,292                        | 6.00% | N/A                                                                             | N/A   |
| Tier 1 Capital<br>(to average tangible assets)            | 157,224    | 11.16% | 56,335                        | 4.00% | N/A                                                                             | N/A   |
| <b>As of December 31, 2017</b>                            |            |        |                               |       |                                                                                 |       |
| Total Capital<br>(to risk weighted assets)                | \$ 162,300 | 14.10% | \$ 91,967                     | 8.00% | N/A                                                                             | N/A   |
| Common Equity Tier 1 Capital<br>(to risk weighted assets) | 150,248    | 13.10% | 51,731                        | 4.50% | N/A                                                                             | N/A   |
| Tier 1 Capital<br>(to risk weighted assets)               | 150,248    | 13.10% | 68,975                        | 6.00% | N/A                                                                             | N/A   |
| Tier 1 Capital<br>(to average tangible assets)            | 150,248    | 10.60% | 56,531                        | 4.00% | N/A                                                                             | N/A   |

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|                                                           | Actual                 |        | For Capital Adequacy Purposes |       | To Be Categorized As Well Capitalized Under Prompt Corrective Action Provisions |        |
|-----------------------------------------------------------|------------------------|--------|-------------------------------|-------|---------------------------------------------------------------------------------|--------|
|                                                           | Amount                 | Ratio  | Amount                        | Ratio | Amount                                                                          | Ratio  |
|                                                           | (Dollars in thousands) |        |                               |       |                                                                                 |        |
| <b>POST OAK BANK, N.A.</b>                                |                        |        |                               |       |                                                                                 |        |
| <b>As of March 31, 2018</b>                               |                        |        |                               |       |                                                                                 |        |
| Total Capital<br>(to risk weighted assets)                | \$ 166,108             | 14.40% | \$ 92,242                     | 8.00% | \$ 115,303                                                                      | 10.00% |
| Common Equity Tier 1 Capital<br>(to risk weighted assets) | 154,091                | 13.36% | 51,886                        | 4.50% | 74,947                                                                          | 6.50%  |
| Tier 1 Capital<br>(to risk weighted assets)               | 154,091                | 13.36% | 69,182                        | 6.00% | 92,242                                                                          | 8.00%  |
| Tier 1 Capital<br>(to average tangible assets)            | 154,091                | 11.00% | 56,019                        | 4.00% | 70,024                                                                          | 5.00%  |
| <b>As of December 31, 2017</b>                            |                        |        |                               |       |                                                                                 |        |
| Total Capital<br>(to risk weighted assets)                | \$ 159,538             | 13.90% | \$ 91,819                     | 8.00% | \$ 114,774                                                                      | 10.00% |
| Common Equity Tier 1 Capital<br>(to risk weighted assets) | 147,485                | 12.90% | 51,648                        | 4.50% | 74,603                                                                          | 6.50%  |
| Tier 1 Capital<br>(to risk weighted assets)               | 147,485                | 12.90% | 68,864                        | 6.00% | 91,819                                                                          | 8.00%  |
| Tier 1 Capital<br>(to average tangible assets)            | 147,485                | 10.50% | 56,258                        | 4.00% | 70,323                                                                          | 5.00%  |

Total shareholder's equity was \$162.7 million at March 31, 2018 compared with \$157.9 million at December 31, 2017, an increase of \$4.8 million, or 3.1%, primarily due to net income of \$4.4 million for the three months ended March 31, 2018. Total shareholder's equity increased at December 31, 2017 compared to \$129.8 million at December 31, 2016, an increase of \$28.1 million, or 21.6%. This increase was primarily due to net income of \$15.0 million for the year ended December 31, 2017.

**Table of Contents****Quantitative and Qualitative Disclosures about Market Risk**

Post Oak manages market risk, which for Post Oak is primarily interest rate risk related to the operations of its subsidiary bank, through the Asset-Liability Committee of Post Oak Bank. This committee is composed of certain members of the Post Oak Bank board of directors in accordance with asset liability and funds management policies approved by the full board of directors of Post Oak Bank. Post Oak Bank uses an interest rate risk simulation model and shock analysis to test the interest rate sensitivity of net interest income and fair value of equity, and the impact of changes in interest rates on other financial metrics.

The following table summarizes the simulated change in net interest income and the economic value of equity over a 12-month horizon as of the dates indicated:

| Change in Interest<br>Rates (Basis Points) | Percent Change in<br>Net Interest Income |                      | Percent Change in<br>Economic Value of Equity |                      |
|--------------------------------------------|------------------------------------------|----------------------|-----------------------------------------------|----------------------|
|                                            | As of March 31, 2018                     | of December 31, 2017 | of March 31, 2018                             | of December 31, 2017 |
| +300                                       | 8.8%                                     | 9.4%                 | 5.9%                                          | 6.5%                 |
| +200                                       | 6.1%                                     | 6.5%                 | 4.0%                                          | 4.4%                 |
| +100                                       | 2.7%                                     | 2.9%                 | 1.7%                                          | 2.0%                 |
| Base                                       | 0.0%                                     | 0.0%                 | 0.0%                                          | 0.0%                 |
| -100                                       | (5.1)%                                   | (5.0)%               | (2.4)%                                        | (2.4)%               |

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

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**THE MERGER**

The following information describes material aspects of the merger. It is not intended to be a complete description of all information relating to the merger and is qualified in its entirety by reference to more detailed information contained in the Annexes to this document, including the merger agreement. A copy of the merger agreement is included as *Annex A* and is incorporated herein by reference. You are urged to read the Annexes in their entirety.

**Terms of the Merger**

The merger agreement provides for, among other things, the merger of Post Oak with and into Allegiance. If the shareholders of Post Oak and Allegiance approve the merger agreement at their respective special meetings, and if the required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in the fourth quarter of 2018, although delays could occur. As a result of the merger, holders of Post Oak common stock will be entitled to receive whole shares of Allegiance common stock, with cash paid in lieu of fractional shares, and will no longer be owners of Post Oak stock. As a result of the merger, certificates for Post Oak common stock will only represent the right to receive the merger consideration pursuant to the merger agreement, and otherwise will be null and void after completion of the merger.

In connection with the merger, each outstanding share of Post Oak common stock will be converted into the right to receive 0.7017 of a share of Allegiance common stock (plus cash in lieu of a fractional share), subject to adjustment under certain circumstances, in the manner set forth in the merger agreement and discussed below. In addition, each outstanding option to purchase a share of Post Oak common stock will be converted into an option to purchase 0.7017 of a share of Allegiance common stock and the exercise price will be the exercise price for the Post Oak option divided by 0.7017.

If Post Oak's tangible equity capital as of the fifth business day preceding the closing date (which we refer to as the calculation date) is less than the minimum equity required by the merger agreement, the aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the average closing price of Allegiance common stock to determine the number of shares to be subtracted from the aggregate merger consideration). The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). Pursuant to the terms of the merger agreement, tangible equity capital is defined as the sum of the capital stock, capital surplus and retained earnings of Post Oak (as determined pursuant to GAAP), minus goodwill and core deposit intangibles, net of accumulated amortization, on a consolidated basis. For purposes of calculating the minimum equity required, Post Oak must include adjustments made for certain items related to the merger as more fully described in the merger agreement.

In addition, if (1) the average closing price of the Allegiance common stock is less than \$32.52 and (2) the number obtained by dividing the average closing price by \$40.65 is less than the number obtained by dividing (A) the Final Index Price by (B) the Initial Index Price and subtracting 0.20 from such quotient, then Post Oak may give notice of its intent to terminate the merger agreement, at which time Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price in accordance with the merger agreement). The Final Index Price, as such term is used herein, is the average of the daily closing value of the Index for the 20 consecutive trading days ending on and including the fifth trading day preceding the closing date. The

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Initial Index Price, as such term is used herein, is \$42.75 (the closing value of the Index on the date immediately prior to the date of the merger agreement). The Index, as such term is used herein, means the financial institutions with the following trading symbols on an equal weighted basis: CBTX, FFIN,

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GNBC, GNTY, IBTX, IBOC, LTXB, PB, SBSI and VBTX. If Allegiance elects to increase the merger consideration, Post Oak will no longer have the right to terminate the merger agreement for these reasons. If Allegiance elects not to increase the merger consideration, Post Oak may terminate the merger agreement.

As noted above, Allegiance will not issue any fractional shares of Allegiance common stock in connection with the merger but will instead pay cash for any fractional share interests. The amount of cash will be determined by multiplying the fractional share interest by the average closing price of Allegiance common stock as determined pursuant to the merger agreement.

## **Background of the Merger**

From time to time, the Post Oak Board has engaged in reviews and discussions of Post Oak's long-term strategies and objectives, considering ways that it might enhance shareholder value and Post Oak's performance and prospects in light of competitive and other relevant factors. Strategic options considered by the Post Oak Board have included expanding organically, raising additional capital through private placements or public offerings of equity or debt securities, and merging with another financial institution.

The Allegiance Board and senior management of Allegiance regularly conduct reviews of Allegiance's corporate strategies, business objectives and long-term prospects to assess whether there are opportunities to better maximize shareholder value and the overall success of their organization. The Allegiance Board and senior management consider, without limitation, the historical and projected future financial performance, including projected organic growth; the state of the banking industry, generally and in the greater Houston metropolitan area specifically, including consolidation trends and likely opportunities for acquisitive growth; the state of the national and local economies; the business cycle and stock market performance; and the current and prospective regulatory environment and related compliance costs. These reviews include periodic assessment of whether the organization's corporate strategies, business objectives and long-term prospects could be advanced through business combinations or strategic acquisitions. Since Allegiance's initial public offering in October 2015, George Martinez, Allegiance's Chairman and Chief Executive Officer, and Steve Retzloff, Allegiance's President, have been actively engaged in establishing and maintaining relationships with executives of Houston-based banks that could represent logical potential business combinations for Allegiance, including Post Oak.

On October 10, 2017, the Post Oak Board engaged Performance Trust Capital Partners, LLC to act as independent financial advisor with respect to Post Oak's ongoing strategic planning and the Post Oak Board's consideration of alternative strategies to continue to enhance long-term shareholder value. The Post Oak Board specifically requested that Performance Trust explore a value enhancement process for Post Oak. As part of its engagement, Performance Trust worked with the management of Post Oak to review Post Oak's financial performance, reviewed strategic alternatives, and periodically presented to management and the Post Oak Board on matters of strategic interest. As part of the analysis of various strategic alternatives for Post Oak, Performance Trust and Post Oak's management and the Post Oak Board considered an initial public offering for Post Oak. As a result of such analysis, the Post Oak Board determined to not pursue an initial public offering for Post Oak due to the cost and timing of such a transaction.

During the first two quarters of 2017, Performance Trust had discussions with many potential buyers for Post Oak that were known to Performance Trust to have an interest in the Houston metropolitan area. Post Oak received expressions of interest from six financial institutions regarding the possibility of a strategic transaction. Discussions with these institutions continued throughout the third quarter of 2017, with some institutions indicating a greater level of interest than others. Such discussions included initial offers and expressions of interest ranging from \$295.6 million to \$333.0 million in aggregate consideration. As a result of these initial offers, Post Oak entered into a non-binding letter of interest with a potential purchaser which provided for a 60-day exclusivity period in which the potential purchaser



and Post Oak each would perform due diligence on the other. Following the performance of due diligence, the Post Oak Board determined that the potential purchaser was not a good cultural fit for Post Oak, and the letter of intent expired by its terms without the execution of a definitive agreement.

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During December 2017 and January 2018, Performance Trust contacted four parties that had been previously identified during the strategic planning process to gauge their interest in a potential strategic transaction with Post Oak. These parties were selected in consultation with Post Oak based upon their size, capacity to pay, stock liquidity and strategic interest in Post Oak or banks in the Texas marketplace. Allegiance was one of the parties contacted by Performance Trust during this process. These discussions resulted in written offers ranging from \$325.0 million to \$340.0 million.

On February 13, 2018, Allegiance entered into a non-disclosure agreement and was given access to preliminary diligence materials regarding Post Oak. On February 27, 2018, Post Oak entered into a non-disclosure agreement and was given access to preliminary diligence materials regarding Allegiance.

On March 1, 2018, Mr. Retzloff and Paul Egge, Allegiance's Chief Financial Officer, attended a meeting at Performance Trust's office with Roland L. Williams to discuss the potential merits of the proposed transaction.

On March 5, 2018, Allegiance provided Post Oak a non-binding letter of interest that contemplated Allegiance acquiring all of the issued and outstanding Post Oak common stock in a transaction for shares of Allegiance common stock, subject to among other things completion of due diligence and entry into a definitive agreement.

On March 8, 2018, Mr. Williams and Mr. Retzloff met and discussed the terms of the letter of interest. Post Oak and Allegiance continued discussions following the meeting and continued negotiating terms of the non-binding letter of interest.

On March 12, 2018, Post Oak engaged Fenimore Kay, as legal counsel, to assist with matters related to a proposed transaction. On March 13, 2018, Allegiance engaged Bracewell, as legal counsel, to assist with matters related to a proposed transaction.

On March 14, 2018, Allegiance submitted a revised non-binding letter of interest to Post Oak. The non-binding letter of interest contemplated Allegiance acquiring all of the issued and outstanding Post Oak common stock in a transaction for 8,470,000 shares of Allegiance common stock.

On March 15, 2018, the Post Oak Board reviewed and considered the proposed transaction during its regular monthly meeting. At the meeting, representatives of Performance Trust and Fenimore Kay explained the terms of the non-binding letter of interest to Post Oak.

On March 16, 2018, Allegiance and Post Oak executed the non-binding letter of interest, and both parties commenced reciprocal due diligence on the other. Allegiance management informed the Allegiance Board of the non-binding letter of interest after it was executed.

Allegiance provided an initial draft of the merger agreement to Post Oak on March 28, 2018. During the next few weeks, Fenimore Kay and management of Post Oak discussed and negotiated with Bracewell and management of Allegiance the various legal and business terms of the merger agreement and the potential acquisition transaction. Primary subjects of these negotiations included the amount and scope of adjustments to the aggregate merger consideration calculation; treatment of stock options; tax, accounting and contract issues relating to executive compensation; representations, warranties and covenants of Post Oak; and the amount of any fees upon termination.

On April 12, 2018, Allegiance entered into a confidentiality agreement with Raymond James to discuss the proposed transaction and to allow Raymond James to start reviewing confidential information regarding the proposed transaction. On April 20, 2018, Allegiance officially engaged Raymond James to provide a fairness opinion for the

proposed transaction.

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On April 19, 2018, the Post Oak Board held a special meeting to review and consider the proposed transaction with Allegiance. At that meeting, representatives of Fenimore Kay explained the terms of the merger agreement and related transaction documents. Also at the meeting, representatives of Performance Trust reviewed the financial aspects of the proposed merger and summarized the strategic and financial rationale for the transaction for both parties and responded to questions by the Post Oak Board. At that time, the Post Oak Board determined that there continued to be open legal and business issues relating to the merger agreement and related transaction documents. The Post Oak Board requested that Fenimore Kay and Performance Trust continue negotiations with the legal and financial advisors for Allegiance.

On April 23, 2018, the Allegiance Board held a special meeting to review and consider that status and terms of the proposed transaction with Post Oak. Representatives of Raymond James reviewed with the Allegiance Board the financial aspects of the proposed merger. Raymond James then informed the Allegiance Board that it believed it was in a position to render its opinion as to the fairness of the exchange ratio from a financial point of view when requested by the Allegiance Board. On April 30, 2018, Raymond James delivered its opinion to the Allegiance Board to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Raymond James as set forth in its opinion, the exchange ratio was fair, from a financial point of view, to Allegiance. After further discussion among the directors, including with respect to the factors described in *The Merger Allegiance's Reasons for the Merger; Recommendation of the Allegiance Board*, the Allegiance Board unanimously determined that the merger and the merger agreement were advisable, fair to, and in the best interests of, Allegiance and its shareholders, and unanimously approved the merger agreement and the transactions contemplated thereby and recommended the adoption and approval of the merger agreement and transactions to the Allegiance shareholders.

On April 25, 2018, the Post Oak Board held a second special meeting to review and consider the status and terms of the proposed transaction with Allegiance. Representatives of Fenimore Kay provided an update to the Post Oak Board on the negotiations with Allegiance and the status of the terms and conditions of the merger agreement and the related transaction documents. Representatives of Performance Trust updated the Post Oak Board on the financial aspects of the proposed merger. At the Post Oak Board's request, Performance Trust then delivered its oral opinion, which was confirmed in writing and later updated as of April 30, 2018, to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Performance Trust as set forth in its opinion, the Aggregate Merger Consideration was fair, from a financial point of view, to the holders of Post Oak common stock. After further discussion among the directors and Post Oak's advisors, including with respect to the factors described in *The Merger Post Oak's Reasons for the Merger; Recommendation of the Post Oak Board*, the Post Oak Board unanimously determined that the merger and the merger agreement were advisable, fair to, and in the best interests of, Post Oak and its shareholders, and unanimously approved the merger agreement and related actions and recommended the adoption and approval of such agreement and transactions to the Post Oak shareholders. After this meeting, the parties continued work to finalize the merger agreement and entered into the merger agreement and announced the transaction in a joint press release following the close of trading on April 30, 2018.

## **Recommendation of Post Oak's Board and Its Reasons for the Merger**

After careful consideration, at its meeting on April 25, 2018, the Post Oak Board determined that the merger is in the best interests of Post Oak and its shareholders and that the consideration to be received in the merger is fair to the Post Oak shareholders. Accordingly, the Post Oak Board unanimously approved the merger agreement and the transactions contemplated thereby and recommended that the Post Oak shareholders vote **FOR** the Post Oak Merger Proposal.

The Post Oak Board believes that partnering with Allegiance and becoming the largest locally-focused community bank in the Houston metropolitan area will maximize the long-term value of its shareholders

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investment in Post Oak, and that the merger will provide the combined company with additional resources necessary to compete more effectively in the Houston metropolitan area and Beaumont, Texas.

In reaching its decision to approve the merger agreement and recommend the merger to its shareholders, the Post Oak Board evaluated the merger and the merger agreement, in consultation with Post Oak's management, as well as its legal and financial advisors, and considered a number of positive factors, including the following material factors, which are not presented in order of priority:

the strong business, operations, financial and regulatory condition, earnings and prospects of Allegiance;

its knowledge of the current environment in the financial services industry, including national and regional economic conditions, increased regulatory burdens, evolving trends in technology, increasing competition, the current financial market and regulatory conditions and the likely effects of these factors on the potential growth of Post Oak and Allegiance, development, productivity, profitability and strategic options;

the complementary aspects of Post Oak's and Allegiance's respective businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' management and operating styles;

the Post Oak Board's belief that a merger with Allegiance would allow Post Oak shareholders to participate in the future performance of a combined company that would have better future prospects than Post Oak was likely to achieve on a stand-alone basis or through other strategic alternatives;

the Post Oak Board's belief that Post Oak and Allegiance share a similar strategic vision;

Allegiance's commitment to enhancing its strategic position in its markets;

the fact that the merger consideration paid in the form of Allegiance common stock would allow former Post Oak shareholders to participate as Allegiance shareholders in the growth of Allegiance and in any synergies resulting from the merger;

the limited liquidity that Post Oak shareholders have with respect to their investment in Post Oak, for which there is no active public market, and the fact that as Allegiance shareholders, Post Oak's shareholders would be expected to have increased liquidity in the form of a publicly-traded, NASDAQ-listed security;

the value of the merger consideration compared to the current and projected book value of Post Oak and compared to similar recent transactions in the industry;

the fact that the merger consideration paid in the form of Allegiance common stock is expected to be tax-free to Post Oak shareholders;

the terms of the merger agreement, and the presentation by Post Oak's legal advisors regarding the merger and the merger agreement;

the financial presentation of Performance Trust, dated April 25, 2018, to the Post Oak Board and the opinion of Performance Trust, dated April 30, 2018, to the Post Oak Board to the effect that, as of April 30, 2018, and subject to the assumptions, limitations and qualifications set forth in the opinion, the Aggregate Merger Consideration was fair, from a financial point of view, to the holders of Post Oak common stock, as more fully described below under the section of this joint proxy statement/prospectus entitled "Opinion of Post Oak's Financial Advisor";

the likelihood that the regulatory and other approvals needed to complete the merger will be obtained within a reasonable time and without unacceptable conditions; and

the likelihood of Allegiance consummating the merger based upon Allegiance's history of completing other merger transactions.

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The Post Oak Board also considered potential risks and potentially negative factors concerning the merger in connection with its deliberations of the proposed transaction, including the following material factors:

the challenges of combining the businesses, assets and workforces of two financial institutions;

the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the risks and costs to Post Oak if the merger is not completed;

the fact that the merger consideration, which consists of shares of Allegiance common stock, provides less certainty of value to Post Oak shareholders compared to a transaction in which they would receive only cash consideration due to the potential for a decline in the value of Allegiance common stock whether before or after consummation of the merger which would reduce the value of the consideration received by Post Oak shareholders;

the provisions of the merger agreement restricting Post Oak's solicitation of third party acquisition proposals and the fact that Post Oak would be obligated to pay a termination fee or Allegiance's expenses following the termination of the merger agreement in certain circumstances;

the potential for unintended delays in the regulatory approval process; and

the interests of certain of Post Oak's directors and executive officers in the merger that are different from, or in addition to, their interests as Post Oak shareholders, which are further described in the section of this joint proxy statement/prospectus entitled "Interests of Post Oak's Directors and Executive Officers in the Merger."

The foregoing discussion of the factors considered by the Post Oak Board is not intended to be exhaustive, but is believed to include the material factors considered by the Post Oak Board. The Post Oak Board collectively reached the unanimous conclusion to approve the merger agreement and the merger in light of the various factors described above and other factors that each member of the Post Oak Board determined was appropriate. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, the Post Oak Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of the Post Oak Board may have given different weight to different factors. The Post Oak Board conducted an overall analysis of the factors described above including thorough discussions with Post Oak management and Post Oak's advisors, and considered the factors overall to be favorable to, and to support, its determination.

**POST OAK'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE MERGER AGREEMENT AND THE MERGER.**

**Opinion of Post Oak's Financial Advisor**



On October 10, 2017, Performance Trust was engaged to advise the Post Oak Board with respect to ongoing strategic planning and the consideration of alternative strategies, including a possible merger. On April 30, 2018, Performance Trust rendered to the Post Oak Board its written opinion with respect to the fairness, from a financial point of view, to the holders of Post Oak common stock, of the Aggregate Merger Consideration.

Performance Trust's opinion was directed to the Post Oak Board and only addressed the fairness, from a financial point of view, to the holders of Post Oak common stock of the Aggregate Merger Consideration and did not address any other aspect or implication of the merger. The references to Performance Trust's opinion in this joint proxy statement/prospectus are qualified in their entirety by reference to the full text of Performance Trust's written opinion, which is included as *Annex D* to this joint proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Performance Trust in preparing its opinion. However, neither Performance Trust's

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opinion, nor the summary of its opinion and the related analyses set forth in this joint proxy statement/prospectus are intended to be, and they do not constitute, advice or a recommendation to the Post Oak Board or any shareholder of Post Oak as to how to act or vote with respect to any matter relating to the merger agreement or otherwise.

Performance Trust's opinion was furnished for the use and benefit of the Post Oak Board (in its capacity as such) in connection with its evaluation of the merger and should not be construed as creating, and Performance Trust will not be deemed to have, any fiduciary duty to the Post Oak Board, Post Oak, any security holder or creditor of Post Oak or any other person, regardless of any prior or ongoing advice or relationships.

In issuing its opinion, among other things, Performance Trust:

reviewed a draft, dated April 30, 2018, of the merger agreement;

reviewed certain publicly available business and financial information relating to Post Oak, Post Oak Bank, Allegiance and Allegiance Bank;

reviewed certain other business, financial and operating information relating to Post Oak, Post Oak Bank, Allegiance, and Allegiance Bank provided to Performance Trust by the management of Post Oak and the management of Allegiance, including financial forecasts for Post Oak for the 2018 to 2022 fiscal years ending December 31, and financial forecasts for Allegiance for the 2018 to 2022 fiscal years ending December 31;

met with, either by phone or in person, certain members of the management of Post Oak and Allegiance to discuss the business and prospects of Post Oak and Allegiance and the proposed merger;

reviewed certain financial terms of the proposed transaction and compared certain of those terms with the publicly available financial terms of certain transactions that have recently been effected or announced;

reviewed certain financial data of Post Oak and Allegiance, and compared that data with similar data for companies with publicly traded equity securities that Performance Trust deemed relevant;

reviewed the stock price performance of Allegiance since January 1, 2018 and since its IPO and compared that to the performance of selected companies and indexes;

reviewed and compared certain financial metrics of Post Oak with certain financial metrics of Allegiance that Performance Trust deemed relevant; and

considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that Performance Trust deemed relevant.

In connection with its review, Performance Trust has not independently verified any of the foregoing information and Performance Trust has assumed and relied upon such information being complete and accurate in all material respects. With respect to the financial forecasts for Post Oak that Performance Trust used in its analyses, the management of Post Oak has advised Performance Trust, and it has assumed, that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Post Oak as to the future financial performance of Post Oak and Performance Trust expresses no opinion with respect to such estimates or the assumptions on which they are based. Performance Trust has relied upon and assumed, without independent verification, that there has been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of Post Oak and Allegiance since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Performance Trust that would be material to its analyses or its opinion, and that there is no information or any facts that would make any of the information reviewed by Performance Trust incomplete or misleading. Performance Trust has also assumed, with Post Oak's consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Post Oak, Allegiance or the contemplated benefits of the merger and that the merger will be consummated in accordance with the terms of the merger

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agreement without waiver, modification or amendment of any term, condition or provision thereof that would be material to Performance Trust's analyses or its opinion. Performance Trust has assumed, with Post Oak's consent, that the merger agreement, when executed by the parties thereto, conformed to the draft reviewed by Performance Trust in all respects material to its analyses.

Performance Trust's opinion only addresses the fairness, from a financial point of view, of the Aggregate Merger Consideration to the holders of Post Oak common stock in the manner set forth in the full text of its opinion, which is included as *Annex D*, and the opinion does not address any other aspect or implication of the merger or any agreement, arrangement or understanding entered into in connection with the merger or otherwise, including, without limitation, the amount or nature of, or any other aspect relating to, any compensation to any officers, trustees, directors or employees of any party to the merger, or class of such persons, relative to the merger consideration or otherwise.

The issuance of Performance Trust's opinion was approved by an authorized internal committee of Performance Trust.

Performance Trust's opinion was necessarily based upon information made available to it as of the date the opinion was delivered of April 30, 2018, and financial, economic, market and other conditions as they existed and could be evaluated on the date the opinion was delivered. Performance Trust has no obligation to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring after the date the opinion was delivered. Performance Trust's opinion does not address the relative merits of the merger as compared to alternative transactions or strategies that might be available to Post Oak, nor does it address the underlying business decision of Post Oak or the Board to approve, recommend or proceed with the merger. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, Performance Trust has relied on, with Post Oak's consent, advice of the outside counsel and the independent accountants of Post Oak, and on the assumptions of the management of Post Oak, as to all legal, regulatory, accounting, insurance and tax matters with respect to Post Oak, Allegiance, and the merger.

In preparing its opinion to the Post Oak Board, Performance Trust performed a variety of analyses, including those described below. The summary of Performance Trust's analyses is not a complete description of the analyses underlying Performance Trust's opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of those methods to the unique facts and circumstances presented. As a consequence, neither Performance Trust's opinion nor the analyses underlying its opinion are readily susceptible to partial analysis or summary description. Performance Trust arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, Performance Trust believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In performing its analyses, Performance Trust considered business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. While the results of each analysis were taken into account in reaching its overall conclusion with respect to fairness, Performance Trust did not make separate or quantifiable judgments regarding individual analyses. The implied value reference ranges indicated by Performance Trust's analyses are illustrative and not necessarily indicative of actual values nor predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities



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actually may be sold, which may depend on a variety of factors, many of which are beyond Post Oak's control, Allegiance's control and Performance Trust's control. Much of the information used in, and accordingly the results of, Performance Trust's analyses are inherently subject to substantial uncertainty.

Performance Trust's opinion and analyses were provided to the Post Oak Board in connection with its consideration of the proposed merger and were among many factors considered by the Post Oak Board in evaluating the proposed merger. Neither Performance Trust's opinion nor its analyses were determinative of the merger consideration or of the views of Post Oak Board with respect to the proposed merger.

The following is a summary of the material financial analyses performed in connection with Performance Trust's opinion rendered to the Post Oak Board on April 30, 2018. No company or transaction used in the analyses described below is identical or directly comparable to Post Oak or the proposed transaction. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Performance Trust's analyses.

*Summary of Aggregate Merger Consideration and Implied Transaction Metrics*

Performance Trust reviewed the financial terms of the proposed merger. Based on an assumption that each outstanding share of Post Oak common stock would be converted into the right to receive 0.7017 of a share of Allegiance common stock and that each outstanding option of Post Oak would be converted into an option of Allegiance, with the number of options and strike price adjusted for the exchange ratio, and based on Allegiance's closing stock price of \$41.65 as of April 24, 2018, Performance Trust calculated an aggregate implied transaction value of \$356.9 million. Based upon historical financial information for Post Oak as of or for the last 12 months (LTM) ended December 31, 2017 and projected financial information for 2018 as provided by the senior management of Post Oak, Performance Trust calculated the implied transaction metrics listed in the table below. Note that Post Oak's reported LTM earnings were adjusted to exclude the impact of the corporate tax rate change in the fourth quarter of 2017 and to exclude the bargain purchase gain and transaction expenses resulting from Post Oak's acquisition of The State Bank of Texas.

|                                         |              |
|-----------------------------------------|--------------|
| Transaction Value / Tangible Book Value | <b>235%</b>  |
| Transaction Value / LTM Earnings        | <b>22.9x</b> |
| Transaction Value / 2018E Earnings      | <b>16.1x</b> |
| Transaction Value / Assets              | <b>25.0%</b> |
| Core Deposit Premium                    | <b>21.6%</b> |

*Selected Nationwide Transactions Analysis.* Performance Trust analyzed publicly available financial information relating to selected nationwide business combinations and other transactions Performance Trust deemed relevant. Performance Trust considered transactions with publicly disclosed deal values announced between November 8, 2016 and April 24, 2018 involving targets with total assets between \$1.0 billion and \$3.0 billion, last 12 months' return on average assets between 0.75% and 1.5%, tangible equity to tangible assets between 8.0% and 12.0% and nonperforming assets to assets less than 2.0%. These transactions were selected because the target companies were deemed to be similar to Post Oak in one or more respects. Except as described above, no specific numeric or other similar criteria were used to select the selected transactions. Performance Trust identified a sufficient number of transactions for purposes of its analysis but may not have included all transactions that might be deemed comparable to the proposed merger. The 20 selected transactions used in this analysis included (buyer / seller announce date):

CenterState Bank Corporation / Charter Financial Corporation April 24, 2018

WesBanco, Inc. / Farmers Capital Bank Corporation April 19, 2018

Ameris Bancorp / Hamilton State Bancshares, Inc. January 26, 2018

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TriCo Bancshares / FNB Bancorp December 11, 2017

Midland States Bancorp, Inc. / Alpine Bancorporation, Inc. October 16, 2017

Arvest Bank Group, Inc. / Bear State Financial, Inc. August 22, 2017

Pacific Premier Bancorp, Inc. / Plaza Bancorp August 9, 2017

Old National Bancorp / Anchor Bancorp, Inc. August 8, 2017

Southside Bancshares, Inc. / Diboll State Bancshares, Inc. June 12, 2017

Carolina Financial Corporation / First South Bancorp, Inc. June 12, 2017

Sandy Spring Bancorp, Inc. / WashingtonFirst Bankshares, Inc. May 16, 2017

TowneBank / Paragon Commercial Corporation April 27, 2017

Home BancShares, Inc. / Stonegate Bank March 27, 2017

Heartland Financial USA, Inc. / Citywide Banks of Colorado, Inc. February 13, 2017

First Busey Corporation / First Community Financial Partners February 6, 2017

Simmons First National Corporation / First Texas BHC, Inc. January 23, 2017

Columbia Banking System, Inc. / Pacific Continental Corp. January 9, 2017

Veritex Holdings, Inc. / Sovereign Bancshares, Inc. December 14, 2016

Pacific Premier Bancorp, Inc. / Heritage Oaks Bancorp December 13, 2016



Independent Bank Group, Inc. / Carlisle Bancshares, Inc. November 21, 2016

Performance Trust reviewed financial data for the selected transactions, including transaction value to tangible book value, transaction value to LTM earnings, transaction value to total assets and premium to core deposits, which were defined as total deposits excluding CDs greater than \$100,000. Furthermore, Performance Trust applied the median, 25th percentile and 75th percentile multiples of the selected transactions to Post Oak's corresponding financial metrics as of December 31, 2017 to determine the implied aggregate deal value and then compared those implied aggregate deal values to the implied merger consideration of \$356.9 million in the proposed transaction, which was based on Allegiance's April 24, 2018 closing stock price of \$41.65. The results of the selected transactions analysis are summarized below.

|                                         | <b>Proposed<br/>Transaction<br/>Multiples</b> | Selected<br>Transactions<br>Median | Selected<br>Transactions<br>25th Percentile | Selected<br>Transactions<br>75th Percentile |
|-----------------------------------------|-----------------------------------------------|------------------------------------|---------------------------------------------|---------------------------------------------|
| Transaction Value / Tangible Book Value | <b>235%</b>                                   | 205%                               | 191%                                        | 244%                                        |
| Transaction Value / LTM Earnings        | <b>22.9x</b>                                  | 21.6x                              | 18.6x                                       | 24.0x                                       |
| Transaction Value / Assets              | <b>25.0%</b>                                  | 21.7%                              | 16.4%                                       | 22.6%                                       |
| Core Deposit Premium                    | <b>21.6%</b>                                  | 15.7%                              | 13.0%                                       | 19.5%                                       |

| (in thousands)                          | <b>Proposed<br/>Merger<br/>Consideration</b> | Implied Price<br>Median | Implied<br>Price<br>25th Percentile | Implied<br>Price<br>75th Percentile |
|-----------------------------------------|----------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|
| Transaction Value / Tangible Book Value | <b>\$ 356,929</b>                            | \$ 311,011              | \$ 289,704                          | \$ 370,105                          |
| Transaction Value / LTM Earnings        | <b>\$ 356,929</b>                            | \$ 337,073              | \$ 290,333                          | \$ 374,504                          |
| Transaction Value / Assets              | <b>\$ 356,929</b>                            | \$ 309,745              | \$ 234,703                          | \$ 323,181                          |
| Core Deposit Premium                    | <b>\$ 356,929</b>                            | \$ 301,472              | \$ 275,249                          | \$ 337,046                          |

*Selected Regional Transactions Analysis.* Performance Trust analyzed publicly available financial information relating to selected regional business combinations and other transactions Performance Trust deemed

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relevant. Performance Trust considered transactions with publicly disclosed deal values announced between January 1, 2016 and April 24, 2018 involving targets headquartered in TX, CO or OK with total assets between \$750.0 million and \$5.0 billion and LTM return on average assets above 0.50%. The selected transactions were selected because the target companies were deemed to be similar to Post Oak in one or more respects. Except as described above, no specific numeric or other similar criteria were used to select the selected transactions. Performance Trust identified a sufficient number of transactions for purposes of its analysis but may not have included all transactions that might be deemed comparable to the proposed merger. The 10 selected transactions used in this analysis included (buyer / seller announce date):

BancorpSouth Bank / Icon Capital Corporation April 18, 2018

Heartland Financial USA, Inc. / First Bank Lubbock Bancshares December 12, 2017

Independent Bank Group, Inc. / Integrity Bancshares, Inc. November 28, 2017

Southside Bancshares, Inc. / Diboll State Bancshares, Inc. June 12, 2017

Heartland Financial USA, Inc. / Citywide Banks of Colorado, Inc. February 13, 2017

Simmons First National Corp. / First Texas BHC, Inc. January 23, 2017

Veritex Holdings, Inc. / Sovereign Bancshares, Inc. December 14, 2016

Simmons First National Corp. / Southwest, Inc. December 14, 2016

Independent Bank Group, Inc. / Carlile Bancshares, Inc. November 21, 2016

Guaranty Bancorp / Home State Bancorp March 16, 2016

Performance Trust reviewed financial data for the selected transactions, including transaction value to tangible book value, transaction value to LTM earnings, transaction value to total assets and premium to core deposits, which were defined as total deposits excluding CDs greater than \$100,000. Furthermore, Performance Trust applied the median, 25th percentile and 75th percentile multiples of the selected transactions to Post Oak's corresponding financial metrics as of December 31, 2017 to determine the implied aggregate deal value and then compared those implied aggregate deal values to the implied merger consideration of \$356.9 million in the proposed transaction. The results of the selected transactions analysis are summarized below.

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|                                         | <b>Proposed<br/>Transaction<br/>Multiples</b> | Selected<br>Transactions<br>Median | Selected<br>Transactions<br>25th Percentile | Selected<br>Transactions<br>75th Percentile |
|-----------------------------------------|-----------------------------------------------|------------------------------------|---------------------------------------------|---------------------------------------------|
| Transaction Value / Tangible Book Value | <b>235%</b>                                   | 214%                               | 187%                                        | 242%                                        |
| Transaction Value / LTM Earnings        | <b>22.9x</b>                                  | 18.9x                              | 18.2x                                       | 22.3x                                       |
| Transaction Value / Assets              | <b>25.0%</b>                                  | 20.0%                              | 15.9%                                       | 22.0%                                       |
| Core Deposit Premium                    | <b>21.6%</b>                                  | 16.5%                              | 12.6%                                       | 18.1%                                       |

| (in thousands)                          | <b>Proposed<br/>Merger<br/>Consideration</b> | Implied Price<br>Median | Implied<br>Price<br>25th Percentile | Implied<br>Price<br>75th Percentile |
|-----------------------------------------|----------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|
| Transaction Value / Tangible Book Value | <b>\$ 356,929</b>                            | \$ 324,894              | \$ 283,013                          | \$ 367,336                          |
| Transaction Value / LTM Earnings        | <b>\$ 356,929</b>                            | \$ 293,839              | \$ 283,712                          | \$ 346,733                          |
| Transaction Value / Assets              | <b>\$ 356,929</b>                            | \$ 286,089              | \$ 226,770                          | \$ 314,355                          |
| Core Deposit Premium                    | <b>\$ 356,929</b>                            | \$ 308,288              | \$ 271,562                          | \$ 323,631                          |

*Post Oak Selected Public Companies Analysis.* Performance Trust considered certain financial information for Post Oak and compared it with selected companies whose equity is publicly traded that Performance Trust deemed relevant. The selected public companies listed below include banks headquartered in TX, LA or UT with total assets between \$1.0 billion and \$3.5 billion. Allegiance was excluded from the group of selected companies as were targets of announced mergers. The selected companies were selected because they were deemed similar

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to Post Oak in one or more respects. Except as described above, no specific numeric or other similar criteria were used to select the selected companies, and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. Performance Trust identified a sufficient number of companies for purposes of its analysis but may not have included all publicly traded companies that might be deemed comparable to Post Oak. The nine selected companies used in this analysis included:

Triumph Bancorp, Inc. Dallas, TX

CBTX, Inc. Beaumont, TX

Veritex Holdings, Inc. Dallas, TX

Home Bancorp, Inc. Lafayette, LA

People's Utah Bancorp American Fork, UT

Guaranty Bancshares, Inc. Mount Pleasant, TX

First Guaranty Bancshares, Inc. Hammond, LA

Investar Holding Corporation Baton Rouge, LA

Business First Bancshares, Inc. Baton Rouge, LA

Performance Trust reviewed financial data for the selected companies, including trading value to tangible book value, trading value to LTM earnings and trading value to estimated 2018 earnings. Furthermore, Performance Trust applied the median, 25th percentile and 75th percentile multiples of the selected companies to Post Oak's corresponding financial metrics as of December 31, 2017 to determine the implied aggregate deal value and then compared those implied aggregate deal values to the implied merger consideration of \$356.9 million in the proposed transaction. The analysis was based on pricing data as of April 24, 2018. LTM earnings for the selected public companies were adjusted to exclude the impact of the corporate tax rate change in the fourth quarter of 2017. The 2018 estimated earnings for the selected companies were based on consensus analyst earnings estimates as reported by S&P Global Market Intelligence. The results of the Post Oak selected companies analysis are summarized below.

| <b>Proposed<br/>Transaction<br/>Multiples</b> | Selected<br>Companies<br>Median | Selected<br>Companies<br>25th Percentile | Selected<br>Companies<br>75th Percentile |
|-----------------------------------------------|---------------------------------|------------------------------------------|------------------------------------------|
|-----------------------------------------------|---------------------------------|------------------------------------------|------------------------------------------|

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|                                         |              |       |       |       |
|-----------------------------------------|--------------|-------|-------|-------|
| Transaction Value / Tangible Book Value | <b>235%</b>  | 197%  | 170%  | 239%  |
| Transaction Value / LTM Earnings        | <b>22.9x</b> | 21.4x | 18.7x | 26.8x |
| Transaction Value / 2018E Earnings      | <b>16.1x</b> | 16.2x | 14.4x | 17.3x |

| (in thousands)                          | <b>Proposed<br/>Merger<br/>Consideration</b> | Implied Price<br>Median | Implied<br>Price<br>25th Percentile | Implied<br>Price<br>75th Percentile |
|-----------------------------------------|----------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|
| Transaction Value / Tangible Book Value | <b>\$ 356,929</b>                            | \$ 298,694              | \$ 258,368                          | \$ 362,907                          |
| Transaction Value / LTM Earnings        | <b>\$ 356,929</b>                            | \$ 333,195              | \$ 291,678                          | \$ 417,582                          |
| Transaction Value / 2018E Earnings      | <b>\$ 356,929</b>                            | \$ 358,722              | \$ 319,730                          | \$ 383,298                          |

*Dividend Discount Analysis.* Performance Trust analyzed the discounted present value of Post Oak's projected free cash flows to equity for the years ending December 31, 2018 through December 31, 2022 on a standalone basis. Performance Trust calculated cash flows assuming Post Oak would maintain an 8.0% tangible common equity to tangible assets ratio, and that it would retain sufficient earnings to maintain that ratio and dividend out any excess cash flows. This analysis was based on the financial forecasts for Post Oak prepared by Post Oak management and approved for use in this analysis by Post Oak management.

Performance Trust applied price to tangible book value multiples, ranging from 160% to 240%, to Post Oak's projected December 31, 2022 tangible book value and price to earnings multiples, ranging from 13.0x to

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17.0x, to Post Oak's projected calendar year 2022 net income in order to derive a range of projected terminal values for Post Oak at December 31, 2022. The projected cash flows and terminal values were discounted using rates ranging from 13.75% to 15.75%, which reflected the cost of equity capital for Post Oak using a discount rate build-up method based on the sum of the risk-free rate, industry equity risk premium, size premium and specific company risk factor. Performance Trust reviewed the range of aggregate prices derived in the dividend discount analysis and compared them to the implied merger consideration of \$356.9 million in the proposed transaction. The results of the dividend discount analysis are summarized below.

| (in thousands)                       | Proposed<br>Merger<br>Consideration | Implied<br>Value<br>Midpoint | Implied Value<br>Minimum | Implied Value<br>Maximum |
|--------------------------------------|-------------------------------------|------------------------------|--------------------------|--------------------------|
| Terminal Value Based on TBV Multiple | \$ 356,929                          | \$ 254,730                   | \$ 217,679               | \$ 294,835               |
| Terminal Value Based on P/E Multiple | \$ 356,929                          | \$ 315,952                   | \$ 278,184               | \$ 356,744               |

*Allegiance Selected Public Companies Analysis.* Performance Trust considered certain financial information for Allegiance and compared it with selected companies whose equity is publicly traded that Performance Trust deemed relevant. The selected public companies listed below include banks headquartered in TX, CO, LA, OK or UT with total assets between \$2.0 billion and \$8.0 billion. The selected companies were selected because they were deemed similar to Allegiance in one or more respects. Except as described above, no specific numeric or other similar criteria were used to select the selected companies, and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. Performance Trust identified a sufficient number of companies for purposes of its analysis but may not have included all publicly traded companies that might be deemed comparable to Allegiance. The 12 selected companies used in this analysis included:

First Financial Bankshares, Inc. Abilene, TX

BancFirst Corporation Oklahoma City, OK

Southside Bancshares, Inc. Tyler, TX

National Bank Holdings Corp. Greenwood Village, CO

Green Bancorp, Inc. Houston, TX

CoBiz Financial, Inc. Denver, CO

Guaranty Bancorp Denver, CO

Triumph Bancorp, Inc. Dallas, TX

CBTX, Inc. Beaumont, TX

Veritex Holdings, Inc. Dallas, TX

Home Bancorp, Inc. Lafayette, LA

People's Utah Bancorp American Fork, UT

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Performance Trust reviewed financial data for the selected companies, including trading value to tangible book value, trading value to LTM earnings, trading value to estimated 2018 earnings and trading value to estimated 2019 earnings. The analysis was based on pricing data as of April 24, 2018. LTM earnings for Allegiance and for the selected public companies were adjusted to exclude the impact of the corporate tax rate change in the fourth quarter of 2017. The 2018 and 2019 estimated earnings for the selected companies were based on consensus analyst earnings estimates as reported by S&P Global Market Intelligence. The table below indicates the selected financial data for Allegiance and the median, 25th percentile and 75th percentile for the Allegiance selected companies peer group.

|                                     | <b>Allegiance<br/>Multiples</b> | Selected<br>Companies<br>Median | Selected<br>Companies<br>25th Percentile | Selected<br>Companies<br>75th Percentile |
|-------------------------------------|---------------------------------|---------------------------------|------------------------------------------|------------------------------------------|
| Trading Value / Tangible Book Value | <b>209%</b>                     | 245%                            | 209%                                     | 262%                                     |
| Trading Value / LTM Earnings        | <b>27.7x</b>                    | 21.5x                           | 20.3x                                    | 26.9x                                    |
| Trading Value / 2018E Earnings      | <b>16.3x</b>                    | 16.0x                           | 14.9x                                    | 17.9x                                    |
| Trading Value / 2019E Earnings      | <b>13.7x</b>                    | 14.2x                           | 12.6x                                    | 16.5x                                    |

*Allegiance Stock Trading History.* Performance Trust reviewed the historical stock price performance of Allegiance common stock for the year-to-date period ended April 24, 2018 and the period from Allegiance's IPO on October 7, 2015 through April 24, 2018. Performance Trust then compared the relationship between the stock price performance of the Allegiance common stock to movements in the Allegiance Peer Group (as described in the Allegiance Selected Public Companies Analysis) as well as certain stock indices.

**Allegiance Year-to-Date Stock Price Performance**

|                       | <b>January 1,<br/>2018</b> | <b>Year-to-Date<br/>(through<br/>April 24,<br/>2018)</b> |
|-----------------------|----------------------------|----------------------------------------------------------|
| Allegiance            | 100%                       | 111%                                                     |
| Allegiance Peer Group | 100%                       | 110%                                                     |
| NASDAQ Bank Index     | 100%                       | 105%                                                     |
| S&P 500 Index         | 100%                       | 98%                                                      |

**Allegiance Since-IPO Stock Price Performance**

|                       | <b>October 7,<br/>2015</b> | <b>Since-IPO<br/>(through<br/>April 24,<br/>2018)</b> |
|-----------------------|----------------------------|-------------------------------------------------------|
| Allegiance            | 100%                       | 198%                                                  |
| Allegiance Peer Group | 100%                       | 169%                                                  |
| NASDAQ Bank Index     | 100%                       | 132%                                                  |
| S&P 500 Index         | 100%                       | 148%                                                  |



*Relative Contribution Analysis.* Performance Trust considered certain standalone operating and financial metrics of Post Oak and Allegiance and reviewed the relative standalone contribution of Post Oak and Allegiance to certain operating and financial metrics of the combined company. To perform this analysis, Performance Trust used balance sheet data as of December 31, 2017, net income results for the year ended December 31, 2017, projected net income for Post Oak for 2018 and 2019 based on the financial forecasts prepared by Post Oak management and projected net income for Allegiance for 2018 and 2019 based on consensus research analyst estimates as reported by S&P Global Market Intelligence. The relative contribution analysis did not give effect to the impact of any synergies resulting from the proposed merger.

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The results of the relative contribution analysis are summarized below.

|                                                    | <b>Contribution</b> |                   |
|----------------------------------------------------|---------------------|-------------------|
|                                                    | <b>Post Oak</b>     | <b>Allegiance</b> |
| Total Assets                                       | 33%                 | 67%               |
| Gross Loans Held for Investment                    | 34%                 | 66%               |
| Total Deposits                                     | 36%                 | 64%               |
| Tangible Common Equity                             | 36%                 | 64%               |
| 2017 Net Income (Tax-Normalized)                   | 44%                 | 56%               |
| 2018E Net Income                                   | 40%                 | 60%               |
| 2019E Net Income                                   | 37%                 | 63%               |
| <b>Proposed Ownership at 0.7017 Exchange Ratio</b> | <b>39%</b>          | <b>61%</b>        |

**Pro Forma Merger Analysis**

Performance Trust analyzed certain potential pro forma effects of the merger, assuming the merger closes at the end of the third quarter of 2018. In performing this analysis, Performance Trust utilized the following information: (i) closing balance sheet estimates as of September 30, 2018 for Allegiance and Post Oak, (ii) consensus street estimates for Allegiance for 2018 and 2019 and assumed long-term strategic plan and earnings growth rate provided by Allegiance management and discussed with Post Oak management, (iii) Post Oak management earnings projections for 2018 to 2020 and long-term earnings growth rate as provided by Post Oak management and (iv) pro forma assumptions (including the cost savings and related expenses expected to result from the merger and other adjustments assumed with respect thereto) as discussed with Post Oak management and Allegiance management. Performance Trust analyzed the potential financial impact of the proposed merger on certain projected financial results of Allegiance. This analysis indicated the proposed merger could be accretive to Allegiance's 2019 estimated earnings per share (excluding the impact of restructuring charges which may be realized during 2018 and 2019) and accretive to Allegiance's 2020 estimated earnings per share and dilutive to Allegiance's estimated tangible book value per share as of September 30, 2018.

In connection with this analysis, Performance Trust considered and discussed with the Post Oak Board how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

*Other Matters.* Post Oak engaged Performance Trust as financial advisor in connection with the potential merger based on Performance Trust's experience, reputation and familiarity with Post Oak's business. Performance Trust has an investment banking division and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions. Assuming the merger is completed, Performance Trust will receive a fee for its services equal to one percent of the aggregate merger consideration. Post Oak paid Performance Trust a \$25,000 retainer and a fee of \$250,000 upon delivery of its fairness opinion, which, if the merger is completed, will both be credited against Performance Trust's investment banking fee. The balance of the one percent fee is payable upon consummation of the merger. In addition, Post Oak has agreed to indemnify Performance Trust and certain related parties for certain liabilities arising out of or related to the engagement and to reimburse Performance Trust for certain expenses incurred in connection with its engagement. Performance Trust has not previously been engaged by Post Oak. Performance Trust has provided fixed income services to Allegiance beginning in late 2017, for which it received customary fees.

Performance Trust is a broker-dealer engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, Performance Trust and its affiliates may acquire, hold or sell, for its and its affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of Post

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Oak, Allegiance and certain of their affiliates as well as provide investment banking and other financial services to such companies and entities.

**Allegiance's Reasons for the Merger; Recommendation of Allegiance Board**

After careful consideration, the Allegiance Board, by written consent signed after a meeting held on April 23, 2018, unanimously approved the merger agreement and the transactions contemplated thereby. Accordingly, the Allegiance Board unanimously recommends that Allegiance shareholders vote **FOR** the Allegiance Merger Proposal and **FOR** the Allegiance Stock Issuance Proposal.

In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, and to recommend that its shareholders approve the Allegiance Merger Proposal and Allegiance Stock Issuance Proposal, the Allegiance Board evaluated the merger agreement and the merger in consultation with members of Allegiance's management, as well as Allegiance's legal counsel and financial advisors, and considered a number of factors in favor of the merger, including the following material factors, which are not presented in order of priority:

the fact that the merger is consistent with Allegiance's long-term strategic goal of creating shareholder value by being and remaining a preeminent community bank in the Houston area, including through growth by acquisitions;

the fact that the merger is expected to create the largest locally-headquartered community bank in the Houston area and bring together two well-known financial services brands in the local community;

the fact that Post Oak is among the few, and most attractive, acquisition targets of scale in the Houston area;

the complementary branch footprints of Allegiance and Post Oak;

the fact that the merger would respond immediately to Allegiance's need for more scale in the attractive Houston market;

the complementary cultures of Allegiance and Post Oak and prospects for a smooth integration of key personnel and systems;

the employment agreements entered into with numerous of Post Oak's employees to help maintain continuity of Post Oak's key personnel, customers and loan and deposit portfolios;

each of Allegiance's and Post Oak's businesses, operations, financial condition, earnings and prospects, including the view of the Allegiance Board that Post Oak's business and operations complement Allegiance's

existing operations and lines of business;

the nature and quality of Post Oak's loan portfolio and deposit base;

the fact that the merger will enhance Allegiance's operating scale at reasonable pricing;

the current and prospective environment in which Allegiance and Post Oak operate, including national, regional and local economic conditions, the competitive environment for financial institutions generally and the likely effect of these factors on Allegiance both with and without the merger;

its review and discussions with Allegiance's management and its legal counsel and financial advisors concerning the due diligence investigation of Post Oak and the potential financial impact of the merger on the combined company;

management's expectation that Allegiance will retain its strong capital position upon completion of the merger;

the financial presentation, dated April 30, 2018, of Raymond James to the Allegiance Board and the opinion, dated April 30, 2018, of Raymond James to the Allegiance Board as to the fairness, from a

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financial point of view and as of the date of the opinion, to Allegiance of the exchange ratio, as more fully described below under the section of this joint proxy statement/prospectus entitled "Opinion of Allegiance's Financial Advisor";

the terms of the merger agreement, including the expected tax treatment and deal protection and termination fee provisions, which it reviewed with Allegiance's legal and financial advisors; and

the expectation that the regulatory and other approvals required in connection with the merger will be received in a timely manner and without the imposition of unacceptable conditions.

The Allegiance Board also considered potential risks associated with the merger in connection with its deliberations of the merger, including (a) the potential risk of diverting management attention and resources from the operation of Allegiance's business and towards the completion of the merger; (b) the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Post Oak's business, operations and workforce with those of Allegiance; and (c) the other risks identified in the sections of this joint proxy statement/prospectus entitled "Risk Factors" and "Cautionary Notice Regarding Forward-Looking Statements."

The foregoing discussion of the factors considered by the Allegiance Board is not intended to be exhaustive, but, rather, includes the material factors considered by the Allegiance Board in reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Allegiance Board did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Allegiance Board considered all these factors as a whole and overall considered the factors to be favorable to, and to support, its determination. It should be noted that this explanation of the Allegiance Board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the section of this joint proxy statement/prospectus entitled "Cautionary Notice Regarding Forward-Looking Statements."

For the reasons set forth above, the Allegiance Board approved the merger agreement and the transactions contemplated thereby. The Allegiance Board unanimously recommends that the Allegiance shareholders vote "FOR" the Allegiance Merger Proposal, "FOR" the Allegiance Stock Issuance Proposal and "FOR" the Allegiance Adjournment Proposal.

### **Opinion of Allegiance's Financial Advisor**

The Allegiance Board retained Raymond James as its advisor on April 20, 2018 solely to deliver an opinion as to the fairness of the exchange ratio, from a financial point of view, to Allegiance.

On April 30, 2018, at the request of the Allegiance Board, representatives of Raymond James rendered its written opinion, dated April 30, 2018, that as of such date and based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion, the exchange ratio in the merger pursuant to the merger agreement was fair, from a financial point of view, to Allegiance.

**The full text of the written opinion of Raymond James is attached as *Annex E* to this document and is incorporated by reference herein. The summary of the opinion of Raymond James set forth in this document is qualified in its entirety by reference to the full text of such written opinion. Holders of Allegiance common stock are urged to read such opinion carefully in its entirety. Raymond James' opinion speaks only as of the date of such opinion. Raymond James' opinion does not reflect any developments that may occur or may have**

**occurred after the date of its opinion and prior to the completion of the merger.**

Raymond James provided its opinion for the information of the Allegiance Board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the merger agreement and its opinion only addresses whether the exchange ratio was fair, from a financial point of view, to Allegiance as of the date of such

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opinion. The opinion of Raymond James does not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Allegiance Board or to any holder of Allegiance common stock or Post Oak common stock as to how the Allegiance Board, such shareholder or any other person should vote or otherwise act with respect to the merger agreement or any other matter. Raymond James does not express any opinion as to the likely trading range of Allegiance common stock following the date of its opinion or the completion of the merger, which in either case may vary depending on numerous factors that generally impact the price of securities or on the financial condition of Allegiance at that time. Raymond James also does not express any opinion as to Allegiance's future financial condition or results of operation.

In connection with its review of the proposed merger and the preparation of its opinion, Raymond James, among other things:

reviewed the financial terms and conditions stated in the draft of the merger agreement dated as of April 30, 2018;

reviewed certain information related to the historical, current and future operations, financial condition and prospects of Post Oak and Allegiance made available to Raymond James by Allegiance, including, but not limited to, financial projections prepared by the management of Allegiance relating to Post Oak and Allegiance for the periods ending December 31, 2018 through December 31, 2023, as approved by Allegiance for Raymond James' use in connection with rendering its opinion (the "Projections");

reviewed certain pro forma financial adjustments made available to Raymond James by Allegiance that are expected to occur as a result of the merger and that are reflected in the Projections, as approved by Allegiance for Raymond James' use in connection with rendering its opinion (the "Pro Forma Financial Adjustments");

reviewed Allegiance's and Post Oak's recent public filings and certain other publicly available information regarding Allegiance and Post Oak;

reviewed financial, operating and other information regarding Allegiance, Post Oak and the industry in which those companies operate;

reviewed the financial and operating performance of Allegiance, Post Oak and those of other selected public companies that Raymond James deemed to be relevant;

considered the publicly available financial terms of certain transactions Raymond James deemed to be relevant;



reviewed the current and historical market prices and trading volume for Allegiance's common stock and the current market prices and trading volumes of the publicly traded securities of certain other companies that Raymond James deemed to be relevant;

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Raymond James deemed appropriate;

reviewed a certificate, dated April 30, 2018, addressed to Raymond James from an executive officer of Allegiance regarding, among other things, the accuracy of financial information and data provided to, or discussed with, Raymond James by or on behalf of Allegiance, including, but not limited to, the Projections and the Pro Forma Financial Adjustments; and

discussed with members of the senior management of Allegiance certain information relating to the aforementioned and any other matters which Raymond James deemed relevant to its inquiry.

With Allegiance's consent, Raymond James assumed and relied upon the accuracy and completeness of all written and oral information supplied by or on behalf of Allegiance, or otherwise reviewed by or discussed with Raymond James, and Raymond James did not undertake any duty or responsibility to, nor did Raymond James

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independently verify any of such information. Raymond James is not an expert in GAAP in general or specifically regarding the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for loan and lease losses or any other reserves; accordingly, Raymond James assumed that such allowances and reserves were in the aggregate adequate to cover such losses. Raymond James did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of Allegiance or Post Oak. With respect to projections and any other information and data provided to or otherwise reviewed by or discussed with Raymond James, Raymond James, with Allegiance's consent, assumed that projections and data were reasonably prepared in good faith on assumptions reflecting the best currently available estimates and judgments of management of Allegiance, and Raymond James relied upon Allegiance to promptly advise Raymond James if any information previously provided became inaccurate or was required to be updated during the period of its review. Raymond James expressed no opinion with respect to the Projections or the assumptions on which they were based. Raymond James relied upon and assumed, without independent verification, that the final form of the merger agreement would be substantially similar to the draft reviewed by Raymond James in all respects material to its analysis, and that the merger would be consummated in accordance with the terms of the merger agreement without waiver of or amendment to any of the conditions thereto and without adjustment to the Aggregate Stock Consideration (as defined in the merger agreement). Furthermore, Raymond James assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement were true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the merger agreement, and that the conditions precedent in the merger agreement will not be waived. Raymond James also relied upon and assumed, without independent verification, that (i) the merger would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an effect on the merger or Allegiance that would be material to its analysis or opinion.

Raymond James expressed no opinion as to the underlying business decision to effect the merger, the structure or tax consequences of the merger, or the availability or advisability of any alternatives to the merger. The Raymond James opinion is limited to the fairness of the exchange ratio, from a financial point of view, to Allegiance. Raymond James expressed no opinion with respect to any other reasons (legal, business or otherwise) that may support the decision of Allegiance's Board to approve or consummate the merger. Furthermore, no opinion, counsel or interpretation was intended by Raymond James on matters that require legal, accounting or tax advice. Raymond James assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, Raymond James relied, with the consent of Allegiance, on the fact that Allegiance was assisted by legal, accounting and tax advisors, and, with the consent of Allegiance, relied upon and assumed the accuracy and completeness of the assessments by Allegiance and its advisors, as to all legal, accounting and tax matters with respect to Allegiance and the merger including, without limitation, that Post Oak's and the Allegiance's financial statements have been prepared in accordance with GAAP and that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

In formulating its opinion, Raymond James considered only the exchange ratio, and Raymond James did not consider, and its opinion did not address, the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Post Oak, or such class of persons, in connection with the merger, whether relative to the exchange ratio or otherwise. Raymond James was not requested to opine as to, and its opinion did not express an opinion as to or otherwise address, among other things: (1) the fairness of the merger to the holders of any class of securities, creditors or other constituencies of Allegiance, or to any other party, except and only to the extent expressly set forth in the last sentence of its opinion or (2) the fairness of the merger to any one class or group of Allegiance's or any other party's security holders or other constituents vis-à-vis any other class or group of Allegiance's or such other party's security holders or other constituents (including, without limitation, the allocation of any

consideration to be received in the merger amongst or within such classes or groups of security holders or other constituents). Raymond James expressed no opinion as to the

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impact of the merger on the solvency or viability of Allegiance or Post Oak or the ability of Allegiance or Post Oak to pay their respective obligations when they come due.

The financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses. Accordingly, Raymond James believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create an incomplete or potentially misleading view of the process underlying its analyses and opinion. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on or before April 27, 2018 (the last trading day before the date of the Raymond James opinion), and is not necessarily indicative of current market conditions.

*Material Financial Analyses*

The following summarizes the material financial analyses Raymond James considered in rendering its opinion. No company or transaction used in the analyses described below is identical or directly comparable to Allegiance, Post Oak or the merger.

*Contribution Analysis.* Raymond James analyzed the relative contribution of Allegiance and Post Oak to certain financial and operating metrics for the pro forma combined company resulting from the merger. Such financial and operating metrics included: (i) gross loans; (ii) deposits; (iii) tangible common equity; (iv) LTM net income; (v) LTM net income adjusted to exclude the impact of deferred tax asset adjustments that took place in the fourth quarter of 2017 due to revisions in the U.S. corporate tax rate pursuant to the Tax Cuts and Jobs Act ( adjusted net income ); (vi) 2018 estimated net income based on the Projections; and (vii) 2019 estimated net income based on the Projections. The relative contribution analysis did not give effect to any synergies or purchase accounting adjustments as a result of the merger. The results of this analysis are summarized in the table below:

|                         | Relative Contribution |          | Implied<br>Exchange Ratio |
|-------------------------|-----------------------|----------|---------------------------|
|                         | Allegiance            | Post Oak |                           |
| Gross Loans             | 66.6%                 | 33.4%    | 0.5651x                   |
| Deposits                | 64.8%                 | 35.2%    | 0.6132x                   |
| Tangible Common Equity  | 63.2%                 | 36.8%    | 0.6561x                   |
| LTM Net Income          | 54.5%                 | 45.5%    | 0.9421x                   |
| LTM Adjusted Net Income | 55.7%                 | 44.3%    | 0.8966x                   |
| 2018E Net Income        | 60.7%                 | 39.3%    | 0.7310x                   |
| 2019E Net Income        | 63.2%                 | 36.8%    | 0.6585x                   |

Exchange Ratio in the Merger 0.7017x

*Discounted Cash Flow Analysis.* Raymond James performed a discounted cash flow analysis of Allegiance and Post Oak based on the Projections. Consistent with the periods included in the Projections, Raymond James used calendar year 2023 as the final year for the analysis and applied multiples, ranging from 14.0x to 16.0x, to calendar year 2023 earnings in order to derive a range of terminal values for Allegiance and Post Oak in 2023.

For Allegiance, Raymond James used discount rates ranging from 11.0% to 13.0%. For Post Oak, Raymond James used discount rates ranging from 11.9% to 13.9%. Raymond James arrived at its discount rate ranges by using the

Modified CAPM methodology as presented in the 2017 Duff & Phelps Valuation Handbook. Raymond James reviewed the ranges of implied per share values indicated by the discounted cash flow analysis for each of Allegiance and Post Oak and calculated a range of implied exchange ratios by dividing the maximum implied per share value of Post Oak common stock by the minimum implied per share value of Allegiance common stock to calculate the maximum implied exchange ratio, and by dividing the minimum implied per share value of Post Oak common stock by the maximum implied per share value of Allegiance common stock to calculate the

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minimum implied exchange ratio. The results of the discounted cash flow analysis are summarized in the table below (dollars in thousands):

|                              | Implied Aggregate Equity Value |            |            |            | Implied Exchange Ratio |           |
|------------------------------|--------------------------------|------------|------------|------------|------------------------|-----------|
|                              | Allegiance                     |            | Post Oak   |            | Low/High               | High/Low  |
|                              | Low                            | High       | Low        | High       |                        |           |
| Net Income Terminal Multiple | \$ 524,293                     | \$ 637,052 | \$ 330,903 | \$ 393,111 | 0.5863x                | - 0.8463x |
| Exchange Ratio in the Merger |                                |            |            |            | 0.7017x                |           |

*Selected Companies Analysis.* Raymond James reviewed certain data for selected companies with publicly traded equity securities that it deemed relevant for its analysis. The selected group represents companies Raymond James believed relevant to Allegiance and Post Oak. Raymond James selected certain companies that (i) are headquartered in Texas; (ii) have total assets between \$750.0 million and \$10.0 billion; and (iii) are traded on the NASDAQ, NYSE or NYSEAM exchanges. The selected group excludes mutual holding companies, targets of announced mergers and Triumph Bancorp, Inc., which is not comparable due to its unique business model. No company used in the analysis described below is identical or directly comparable to Allegiance or Post Oak. The selected companies Raymond James deemed relevant include the following:

**Selected Companies**

LegacyTexas Financial Group, Inc.  
Independent Bank Group, Inc.  
First Financial Bankshares, Inc.  
Southside Bancshares, Inc.

Green Bancorp, Inc.  
CBTX, Inc.  
Veritex Holdings, Inc.  
Guaranty Bancshares, Inc.

Raymond James calculated various financial multiples for each selected public company, including: closing price per share on April 27, 2018 compared to (i) tangible book value ( TBV ) per share at March 31, 2018; (ii) LTM earnings per share ( EPS ) for the most recent LTM period reported; (iii) LTM adjusted earnings per share ( LTM Adjusted EPS ), which adjusts LTM earnings to remove the impact of deferred tax asset write downs in the fourth quarter of 2017 due to the change in the corporate tax rate; and (iv) consensus forward operating EPS for the 2018 and 2019 fiscal years based on FactSet Research Systems Inc. data and as shown by S&P Global Market Intelligence. The estimates published by Wall Street research analysts were not prepared in connection with the merger or at the request of Raymond James and may or may not prove to be accurate. All financial multiples TBV per share, LTM EPS, LTM Adjusted EPS, 2018 forward EPS and 2019 forward EPS greater than two standard deviations away from the unadjusted mean were considered not meaningful. Raymond James reviewed the 75th percentile, mean, median and 25th percentile relative valuation multiples of the selected public companies. The results of the selected companies analysis are summarized below:

|                     | Selected Companies |       |
|---------------------|--------------------|-------|
|                     | 25th               | 75th  |
| Tangible Book Value | 210%               | 243%  |
| LTM EPS             | 22.1x              | 24.2x |
| LTM Adjusted EPS    | 19.3x              | 21.3x |
| 2018E EPS           | 13.9x              | 16.0x |

|           |       |       |
|-----------|-------|-------|
| 2019E EPS | 12.8x | 13.8x |
|-----------|-------|-------|

Taking into account the results of the selected companies analysis, Raymond James applied the 75th and 25th percentiles of the price to tangible book value ratio and earnings per share multiples to corresponding financial data for each of Allegiance and Post Oak. Raymond James reviewed the ranges of implied per share values and calculated a range of implied exchange ratios by dividing the higher implied per share value of Post Oak common stock by the lower implied per share value of Allegiance common stock to calculate the implied exchange ratio, and by dividing the lower implied per share value of Post Oak common stock by the higher

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implied per share value of Allegiance common stock to calculate the low implied exchange ratio. The results of the selected companies analysis are summarized below (dollars in thousands):

|                              | Implied Aggregate Equity Value |            |            |            | Implied Exchange Ratio |   |          |
|------------------------------|--------------------------------|------------|------------|------------|------------------------|---|----------|
|                              | Allegiance                     |            | Post Oak   |            | Low/High               | - | High/Low |
|                              | 25th                           | 75th       | 25th       | 75th       |                        |   |          |
| Tangible Book Value          | \$ 564,960                     | \$ 654,941 | \$ 328,424 | \$ 380,732 | 0.5660x                | - | 0.7607x  |
| LTM EPS                      | \$ 426,983                     | \$ 467,301 | \$ 356,372 | \$ 390,023 | 0.8608x                | - | 1.0310x  |
| LTM Adjusted EPS             | \$ 422,099                     | \$ 465,933 | \$ 335,284 | \$ 370,103 | 0.8122x                | - | 0.9897x  |
| 2018E EPS                    | \$ 463,294                     | \$ 531,105 | \$ 300,058 | \$ 343,976 | 0.6377x                | - | 0.8380x  |
| 2019E EPS                    | \$ 518,658                     | \$ 561,676 | \$ 302,605 | \$ 327,703 | 0.6081x                | - | 0.7132x  |
| Exchange Ratio in the Merger |                                |            |            |            |                        |   | 0.7017x  |

*Selected Transaction Analysis.* Raymond James analyzed publicly available information relating to selected transactions announced since November 1, 2016 involving targets headquartered in Texas with target assets between \$750.0 million and \$3.0 billion. Financial data for the selected targets was based on the most recent 12 month period reported prior to announcement of the respective transaction. The selected transactions (with respective transaction announcement dates shown) used in the analysis included:

***Selected Transactions***

Acquisition of Icon Capital Corporation by BancorpSouth Bank (Announced 4/18/18)

Acquisition of First Bank Lubbock Bancshares, Inc. by Heartland Financial USA, Inc. (Announced 12/12/17)

Acquisition of Integrity Bancshares, Inc. by Independent Bank Group, Inc. (Announced 11/28/17)

Acquisition of Diboll State Bancshares, Inc. by Southside Bancshares, Inc. (Announced 6/12/17)

Acquisition of First Texas BHC, Inc. by Simmons First National Corporation (Announced 1/23/17)

Acquisition of Sovereign Bancshares, Inc. by Veritex Holdings, Inc. (Announced 12/14/16)

Acquisition of Carlile Bancshares, Inc. by Independent Bank Group, Inc. (Announced 11/21/16)



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Raymond James examined valuation multiples of transaction value compared to the target companies (i) most recent quarter TBV per share; (ii) most recent LTM net income, (iii) LTM adjusted net income, which adjusts LTM earnings to remove the impact of deferred tax asset write downs in the fourth quarter of 2017 due to the change in the corporate tax rate; (iv) next 12 months net income; and (v) premium to tangible book value divided by core deposits (total deposits less time deposits greater than \$100,000). Where available, forward operating EPS multiples for the next 12 months (NTM EPS) were based on mean analyst estimates per FactSet Research Systems Inc. and public filings including merger prospectuses; where NTM earnings were not available earnings for the next fiscal year were used. The estimates published by Wall Street research analysts and the companies involved in the selected transaction analysis were not prepared in connection with the merger or at the request of Raymond James and may or may not prove to be accurate. All financial multiples TBV, LTM Net Income, LTM Adjusted Net Income, NTM Net Income and core deposit premiums greater than two standard deviations away from the unadjusted mean were considered not meaningful. Raymond James applied the 25th percentile and 75th percentile tangible book value multiple, LTM net income multiple, LTM adjusted net income multiple, NTM net income multiple, and core deposit premium to the corresponding Post Oak metrics to create the range of exchange ratios used for its analysis based on Allegiance's 20-day average closing stock price as of April 27, 2018. The results of the selected transactions analysis are summarized below (dollars in thousands):

|                              | Post Oak<br>Statistic | Percentiles |       | Post Oak<br>Implied Aggregate<br>Equity Value |            | Implied<br>Exchange Ratio |               |
|------------------------------|-----------------------|-------------|-------|-----------------------------------------------|------------|---------------------------|---------------|
|                              |                       | 25th        | 75th  | 25th                                          | 75th       | 25th<br>Pctl.             | 75th<br>Pctl. |
|                              |                       |             |       |                                               |            |                           |               |
| Tangible Book Value          | \$ 156,678            | 207%        | 218%  | \$ 324,972                                    | \$ 376,624 | 0.6785x                   | - 0.7863x     |
| LTM Net Income               | \$ 16,105             | 18.3x       | 21.6x | \$ 294,220                                    | \$ 381,821 | 0.6143x                   | 0.7972x       |
| LTM Adjusted Net Income      | \$ 17,409             | 18.3x       | 21.6x | \$ 318,047                                    | \$ 412,743 | 0.6640x                   | - 0.8617x     |
| NTM Net Income               | \$ 21,540             | 16.4x       | 21.6x | \$ 353,070                                    | \$ 414,434 | 0.7371x                   | 0.8653x       |
| Premium to Core Deposits     | \$ 938,673            | 15.8%       | 16.7% | \$ 148,645                                    | \$ 160,765 | 0.6375x                   | - 0.6628x     |
| Exchange Ratio in the Merger |                       |             |       |                                               |            |                           | 0.7017x       |

*Pro Forma Impact Analysis.* Raymond James performed a pro forma financial impact analysis that combined projected income statement and balance sheet information of Allegiance and Post Oak. Using (i) closing balance sheet estimates as of September 30, 2018 for Allegiance and Post Oak based on Allegiance management estimates; (ii) financial forecasts and projections of Allegiance and Post Oak for the years ending 2018, 2019 and 2020 as provided by Allegiance management and (iii) pro forma assumptions (including, without limitation, the cost savings expected to result from the merger, as well as the purchase accounting adjustments and restructuring charges assumed with respect thereto) provided by Allegiance management. Raymond James analyzed the estimated financial impact of the merger on certain projected financial results. This analysis indicated that the merger could be dilutive to Allegiance's estimated tangible book value per share at September 30, 2018, dilutive to Allegiance's estimated full year 2018 earnings per share (excluding the impact of one-time deal charges) and accretive to Allegiance's estimated 2019 and 2020 earnings per share. For all of the above analyses, the actual results achieved by Allegiance following the merger may vary from the projected results, and the variations may be material.

*Additional Considerations.* The preparation of a fairness opinion is a complex process and is not susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying its opinion. In addition, Raymond James considered the results of all such analyses and did not assign relative weights to any of the analyses, but rather made qualitative judgments as to significance and

relevance of each analysis and factor, so the ranges of valuations resulting from any particular analysis described above should not be construed to be the view of Raymond James as to the actual value of Allegiance.

In performing its analyses, Raymond James made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond

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the control of Allegiance. The analyses performed by Raymond James are not necessarily indicative of actual values, trading values or actual future results which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were provided to the Allegiance Board (solely in each director's capacity as such) and were prepared solely as part of the analysis of Raymond James of the fairness of the exchange ratio, from a financial point of view, to Allegiance. The analyses do not purport to be appraisals or to reflect the prices at which companies may actually be sold, and such estimates are inherently subject to uncertainty. The opinion of Raymond James was one of many factors taken into account by the Allegiance Board in making its determination to approve the merger. Neither Raymond James' opinion, nor the analyses described above, should be viewed as determinative of the Allegiance Board's nor Allegiance management's views with respect to Allegiance, Post Oak or the merger. Raymond James did not determine the amount of consideration, recommend any specific amount of consideration or recommend that any specific consideration constituted appropriate consideration for the merger. Allegiance placed no limits on the scope of the analyses performed, or opinion expressed, by Raymond James.

The Raymond James opinion was necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to it as of April 30, 2018, and any material change in such circumstances and conditions may affect the opinion of Raymond James, but Raymond James does not have any obligation to update, revise or reaffirm its opinion. Raymond James relied upon and assumed, without independent verification, that there had been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of Allegiance or Post Oak since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Raymond James that would be material to its analyses or its opinion, and that there was no information or any facts that would make any of the information reviewed by Raymond James incomplete or misleading in any material respect.

For services rendered in connection with the delivery of its opinion, Allegiance paid Raymond James a customary investment banking fee of \$300,000 upon delivery of its opinion. Allegiance has agreed to reimburse Raymond James for its reasonable expenses incurred in connection with its services, including the fees and expenses of its counsel and will indemnify Raymond James against certain liabilities arising out of its engagement.

Raymond James is actively involved in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. Raymond James and its affiliates have not in the past provided investment banking or financial services to Allegiance or Post Oak. In the ordinary course of business, Raymond James may trade in the securities of Allegiance for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. Raymond James may provide investment banking, financial advisory and other financial services to Allegiance and/or Post Oak or other participants in the merger in the future, for which Raymond James may receive compensation, although as of the date of Raymond James' opinion, there was no agreement to do so. One of the members of the Allegiance Board, James J. Kearney, is employed by Raymond James. Mr. Kearney's employment was considered and discussed by the Allegiance Board and disclosed in the engagement letter between Allegiance and Raymond James. Mr. Kearney did not receive any consideration from Raymond James or Allegiance in connection with the proposed merger or as a result of the engagement by Allegiance of Raymond James.

## **Certain Unaudited Prospective Financial Info**

Allegiance and Post Oak do not as a matter of course publicly disclose forecasts or internal projections as to future performance, revenues, earnings, financial condition or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates and the inherent difficulty of accurately predicting financial performance for future periods. However, in connection with the proposed merger, Post Oak provided to the Allegiance Board, the Post Oak Board and the parties' respective financial advisors, for purposes of performing the financial analyses

described above under The Merger Opinion of Post Oak s Financial

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Advisor, and The Merger Opinion of Allegiance's Financial Advisor, certain unaudited prospective financial information with respect to Post Oak. Allegiance also utilized these projections to derive other projections with respect to Post Oak utilized in the pro forma merger analyses prepared by Performance Trust and Raymond James. Post Oak and Allegiance have included in this joint proxy statement/prospectus certain limited unaudited financial information for Post Oak to give Allegiance and Post Oak shareholders access to certain nonpublic information provided to the Post Oak Board and the Allegiance Board, respectively, and their respective financial advisors, for purposes of considering and evaluating the merger.

The projections were not prepared with a view toward public disclosure, and the inclusion of the projections in this joint proxy statement/prospectus should not be regarded as an indication that Post Oak, Allegiance or any other recipient of the projections considered, or now considers, them to be necessarily predictive of actual future results, or that it should be construed as financial guidance, and it should not be relied on as such. This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to Post Oak's business, all of which are difficult to predict and many of which are beyond the control of Allegiance and Post Oak.

The projections also reflect assumptions as to certain business decisions that are subject to change. The projections reflect subjective judgment in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the projections constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such prospective information, including, but not limited to, Post Oak's performance, industry performance, general business and economic conditions, customer requirements, competition, adverse changes in applicable laws, regulations or rules. For other factors that could cause the actual results to differ, please see the Risk Factors section and Cautionary Notice Regarding Forward-Looking Statements in this joint proxy statement/prospectus.

None of Allegiance, Post Oak or their respective affiliates assumes any responsibility for the accuracy, completeness or validity of the projections. The projections were not prepared with a view toward complying with the guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation or presentation of financial information. None of Allegiance's current independent registered public accounting firm, Crowe Horwath LLP, Post Oak's former independent auditors, Harper & Pearson Company, P.C. or any other independent accountants, have compiled, examined or performed any procedures with respect to the projections included below, or expressed any opinion or any other form of assurance on such information or its achievability.

For purposes of performing its valuation and pro forma merger analyses of Post Oak, Performance Trust used projections of Post Oak net income as prepared by Post Oak management of \$22.2 million for the year ended December 31, 2018, \$24.7 million for the year ended December 31, 2019, and \$26.8 million for the year ended December 31, 2020. Based on the guidance provided by Post Oak management, Performance Trust assumed an annual growth rate with respect to Post Oak's net income of 6.0% for the years thereafter.

For purposes of performing its valuation and pro forma merger analyses of Post Oak, Raymond James used projections of Post Oak's net income as derived by Allegiance management of \$21.5 million for the year ended December 31, 2018, and \$23.7 million for the year ended December 31, 2019. Based on the guidance of Allegiance management, Raymond James assumed an annual growth rate with respect to Post Oak's net income of 10.0% for the years thereafter.

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Allegiance is covered by equity research analysts. Consensus estimates based on the earnings per share estimates published by such analysts are compiled by a nationally recognized earnings estimate consolidator. The publicly available earnings per share consensus street estimates or median analyst earnings per share

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estimates for Allegiance were utilized by the parties' financial advisors in connection with the performance of their respective analyses as more specifically discussed under the captions 'The Merger Opinion of Post Oak's Financial Advisor' and 'The Merger Opinion of Allegiance's Financial Advisor'. For purposes of those analyses, Raymond James and Performance Trust used consensus median earnings per share estimates for Allegiance common stock of \$2.48 for the year ended December 31, 2018 and \$3.01 for the year ended December 31, 2019. In addition, based on the guidance of Allegiance's management, each of the financial advisors used an assumed annual growth rate with respect to Allegiance's earnings per share of 10.0% for the years thereafter.

**Financial Interests of Directors and Officers of Post Oak in the Merger**

In considering the recommendation of the Post Oak Board to vote for the Post Oak Merger Proposal, you should be aware that certain directors and officers of Post Oak have interests in the merger that are in addition to, or different from, their interests as shareholders of Post Oak. The Post Oak Board was aware of these interests and considered them in approving the merger agreement. These interests include the following:

*Retention Payments.* Renee Bourland, Charles Carmouche, Fernando Parra, Robert Phillips, Romi Sandel and Roland L. Williams will receive retention payments from Post Oak upon closing of the merger in the following amounts:

|                    |                     |
|--------------------|---------------------|
| Renee Bourland     | \$ 665,160          |
| Charles Carmouche  | 638,940             |
| Fernando Parra     | 757,780             |
| Robert Phillips    | 665,160             |
| Romi Sandel        | 610,710             |
| Roland L. Williams | 1,845,678           |
|                    | <b>\$ 5,183,428</b> |

*Employment Agreements.* Allegiance's obligation to consummate the merger is subject to certain of Post Oak's executive officers having employment and non-competition agreements with Allegiance Bank prior to the completion of the merger. On April 30, 2018, Post Oak Bank and Allegiance Bank entered into employment agreements with, among others, Roland L. Williams, Renee Bourland, Fernando Parra, Robert Phillips and Romi Sandel.

The agreements with Mr. Williams and Ms. Bourland are for a term of three years after the effective date of the merger and entitle the named individual to receive a base annual salary, a minimum bonus paid quarterly during the three-year period and a restricted stock award of 8,591 and 5,164 shares, respectively, that will vest over two years, plus reimbursement of certain business expenses and participation in certain employee benefit programs. The agreements also contain non-competition and non-solicitation obligations for three years from the effective date of the merger. For the entire three-year term, the aggregate value of the employment agreements (excluding any stock awards and perquisites) for Mr. Williams and Ms. Bourland is \$1.45 million and \$750,000, respectively.

The agreements with Messrs. Parra and Phillips and Ms. Sandel are for a term of two years after the effective date of the merger and entitle the named individual to receive a base annual salary, a minimum bonus paid quarterly during the two-year period and a restricted stock award of 6,898, 5,738 and 5,057 shares, respectively, that will vest over four years, plus reimbursement of certain business expenses and participation in certain employee benefit programs. The agreements also contain non-competition and non-solicitation obligations for two years from the effective date of the merger. For the entire two-year term, the aggregate value of the employment agreements (excluding any stock awards and perquisites) for Messrs. Parra and Phillips and Ms. Sandel is \$749,000, \$657,500 and \$582,750, respectively.





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The employment agreements entitle each named individual, after termination of employment by Allegiance Bank for any reason other than for cause (as defined in the employment agreement) or as a result of death or disability, to receive payment of base salary and bonus for the remainder of the term of the agreement from Allegiance Bank.

*Accelerated Vesting of Restricted Stock Awards.* At the effective time, each restricted stock award granted by Post Oak, including an aggregate of 63,720 shares held by Messrs. Williams, Carmouche, Parra and Phillips and Messes. Bourland and Sandel, will become fully vested and each holder of such restricted stock awards will be entitled to receive the per share merger consideration for each share of Post Oak common stock held by such holder.

*Insurance.* Post Oak agreed that it will purchase for a period of not less than four years after completion of the merger past acts insurance coverage for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors and officers insurance policy coverage (or comparable coverage), (2) employment practices liability insurance, (3) current financial institutions bond (or comparable coverage) and (4) bankers professional liability, mortgage errors and omissions and fiduciary liability insurance for each director and officer of Post Oak or one of its subsidiaries currently covered under the comparable policies maintained by Post Oak or one of its subsidiaries.

*Director Arrangements.* Allegiance agreed to expand the Allegiance Board by three, with one new vacancy created in each class of Allegiance's staggered board, and fill such newly created vacancies with Mr. Roland L. Williams and two of the outside directors of the board of Post Oak selected by Post Oak and reasonably acceptable to Allegiance.

*Indemnification.* Allegiance agreed to indemnify and hold harmless the directors and officers of Post Oak or Post Oak Bank as of the effective time and for four years thereafter, subject to the limitations of any regulatory body, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of Post Oak or Post Oak Bank to the fullest extent that the indemnified party would be entitled under the articles of incorporation of Post Oak or the articles of association of Post Oak Bank, as applicable, as in effect on the date of the merger agreement and to the extent permitted by applicable law.

In addition, Charles Carmouche, a Post Oak director, is the beneficial owner of 2,056 shares, or less than 1.0%, of Allegiance common stock as of June 19, 2018. Mr. Carmouche disclosed such ownership at the meeting of the Post Oak Board at which the Post Oak Board approved the merger agreement and the transactions contemplated thereby.

## **Public Trading Markets**

Allegiance common stock is listed for trading on NASDAQ under the symbol `ABTX`. Following the merger, shares of Allegiance common stock will continue to be traded on NASDAQ under the symbol `ABTX`. Under the merger agreement, Allegiance will cause the shares of Allegiance common stock to be issued in the merger to be approved for listing on NASDAQ, subject to notice of issuance, and the merger agreement provides that neither Allegiance nor Post Oak will be required to complete the merger if such shares are not authorized for listing on NASDAQ, subject to notice of issuance.

## **Allegiance's Dividend Policy**

Allegiance has not historically declared or paid cash dividends on its common stock and it does not expect to pay dividends on Allegiance common stock for the foreseeable future. Instead, Allegiance anticipates that all



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of its future earnings will be retained to support its operations and to finance the growth and development of Allegiance's business. In addition, the payment of dividends by bank holding companies is generally subject to legal and regulatory limitations. For further information, see Comparative Market Prices and Dividends.

## **Restrictions on Resale of Allegiance Common Stock**

The shares of Allegiance common stock to be issued in connection with the merger will be registered under the Securities Act, and will be freely transferable, except for shares issued to any shareholder who may be deemed to be an affiliate of Allegiance for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates of Allegiance include individuals or entities that control, are controlled by, or are under common control with Allegiance and may include the executive officers, directors and significant shareholders of Allegiance.

## **Dissenters' Rights in the Merger**

*General.* If you hold one or more shares of Post Oak common stock, you have the right to dissent from the merger and have the appraised fair value of your shares of Post Oak common stock as of the date immediately prior to the effective date of the merger paid to you in cash under Chapter 10, Subchapter H of the TBOC. The appraised fair value may be more or less than the value of the shares of Allegiance common stock being paid in the merger in exchange for shares of Post Oak common stock. If you are contemplating exercising your right to dissent, we urge you to read carefully the provisions of Chapter 10, Subchapter H of the TBOC, a copy of which is attached to this joint proxy statement/prospectus as *Annex F* and which qualify in all respects the following discussion of those provisions, and consult with your legal counsel before electing or attempting to exercise these rights. The following discussion describes the steps you must take if you want to exercise your right to dissent. You should read this summary and the full text of the law carefully.

*How to Exercise and Perfect Your Right to Dissent.* To be eligible to exercise your right to dissent to the merger:

you must, prior to the Post Oak special meeting, provide Post Oak with a written objection to the merger that states that you intend to exercise your right to dissent if the merger agreement is approved and the merger is completed and that provides an address to which a notice of effectiveness of the merger should be delivered or mailed to you if the merger is completed;

you must vote your shares of Post Oak common stock against approval of the merger agreement at the Post Oak special meeting in person or by proxy;

you must, not later than the 20th day after Allegiance (which will be the successor to Post Oak) sends you notice that the merger was completed, deliver to Allegiance a written demand for payment of the fair value of the shares of Post Oak common stock you own that states the number and class of shares of Post Oak common stock you own, your estimate of the fair value of such stock and an address to which a notice relating to the dissent and appraisal procedures may be sent; and

you must, not later than the 20th day after you make your demand for payment to Allegiance as described above, submit your certificates representing Post Oak common stock to Allegiance.

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If you intend to exercise your right to dissent from the merger, prior to the special meeting you must send the notice of objection to Post Oak, addressed to:

Post Oak Bancshares, Inc.  
2000 West Loop South, Suite 100  
Houston, Texas 77027  
Attention: Charles Carmouche

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If you fail to send the written objection to the merger in the proper form and prior to the special meeting, to vote your shares of Post Oak common stock at the Post Oak special meeting against the approval of the merger agreement or to submit your demand for payment in the proper form and on a timely basis, you will lose your right to dissent from the merger. If you fail to submit to Allegiance on a timely basis the certificates representing the shares of Post Oak common stock after you have submitted the demand for payment as described above, Allegiance will have the option to terminate your right of dissent as to your shares of Post Oak common stock. In any instance of a termination or loss of your right of dissent, you will instead receive the merger consideration as set forth in the merger agreement. If you comply with the first two items above and the merger is completed, Allegiance will send you a written notice advising you that the merger has been completed. Allegiance must deliver this notice to you within ten days after the merger is completed.

*Your Demand for Payment.* If the merger is completed, you have provided your written objection to the merger to Post Oak in a timely manner and in proper form and you have voted against the merger agreement at the Post Oak special meeting as described above and you desire to receive the fair value of your shares of Post Oak common stock in cash, you must, within 20 days of the date on which Allegiance sends to you the notice of the effectiveness of the merger, give Allegiance a written demand for payment of the fair value of your shares of Post Oak common stock. The fair value of your shares of Post Oak common stock will be the value of the shares on the day immediately preceding the merger, excluding any appreciation or depreciation in anticipation of the merger. After the merger is completed, your written demand and any notice sent to Allegiance must be addressed to:

Allegiance Bancshares, Inc.

8847 West Sam Houston Parkway, N., Suite 200

Houston, Texas 77040

Attention: President and Secretary

Your written demand must include a demand for payment for your shares for which rights of dissent and appraisal are sought and must state the number of shares and class of Post Oak common stock you own and your estimate of the fair value of your shares of Post Oak common stock and an address to which a notice relating to the dissent and appraisal procedures may be sent. This written demand must be delivered to Allegiance within 20 days of the date on which Allegiance sends to you the notice of the effectiveness of the merger. If your written demand for payment in proper form is not received by Allegiance within that 20-day period, you will be bound by the merger and you will not be entitled to receive a cash payment representing the fair value of your shares of Post Oak common stock. Instead, you will receive shares of Allegiance common stock as the merger consideration set forth in the merger agreement.

*Delivery of Stock Certificates.* If you have satisfied the requirements for the exercise of your right to dissent described above, including the delivery of the written demand for payment to Allegiance as described above, you must, not later than the 20th day after you make your written demand for payment to Allegiance, submit to Allegiance your certificate or certificates representing the shares of Post Oak common stock you own. You may submit those certificates with your demand for payment if you prefer. In accordance with the provisions of the TBOC, Allegiance will note on each such certificate that you have demanded payment of the fair value of the shares of Post Oak common stock that were represented by such certificate under the provisions of the TBOC relating to the rights of dissenting owners. After making those notations on those certificates, Allegiance will return each such certificate to you at your request. If you fail to submit all of the certificates representing the shares of Post Oak common stock for which you have exercised the right of dissent in a timely fashion, Allegiance will have the right to terminate your rights of dissent and appraisal with respect to all of your shares of Post Oak common stock unless a court, for good cause shown,

directs Allegiance not to terminate those rights.

*Allegiance's Actions Upon Receipt of Your Demand for Payment.* Within 20 days after Allegiance receives your written demand for payment and your estimate of the fair value of your shares of Post Oak common stock submitted as described above, Allegiance must send you written notice stating whether or not it accepts your estimate of the fair value of your shares.

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If Allegiance accepts your estimate, Allegiance will notify you that it will pay the amount of your estimated fair value within 90 days after the effective date of the merger. Allegiance will make this payment to you only if you have surrendered the share certificates representing your shares of Post Oak common stock, duly endorsed for transfer, to Allegiance.

If Allegiance does not accept your estimate, Allegiance will notify you of this fact and will make an offer of an alternative estimate of the fair value of your shares that it is willing to pay you within 120 days after the effective date of the merger, which you may accept within 90 days after the effective date of the merger or decline.

*Payment of the Fair Value of Your Shares of Post Oak Common Stock Upon Agreement of an Estimate.* If you and Allegiance have reached an agreement on the fair value of your shares of Post Oak common stock within 90 days after the effective date of the merger, Allegiance must pay you the agreed amount within 120 days after the effective date of the merger, provided that you have surrendered the share certificates representing your shares of Post Oak common stock, duly endorsed for transfer, to Allegiance.

*Commencement of Legal Proceedings if a Demand for Payment Remains Unsettled.* If you and Allegiance have not reached an agreement as to the fair market value of your shares of Post Oak common stock within 90 days after the effective date of the merger, you or Allegiance may, within 60 days after the expiration of the 90 day period, commence proceedings in Harris County, Texas asking the court to determine the fair value of your shares of Post Oak common stock. The court will determine if you have complied with the provisions of the TBOC regarding your right of dissent and if you have become entitled to receive payment for your shares of Post Oak common stock. The court will appoint one or more qualified persons to act as appraisers to determine the fair value of your shares in the manner prescribed by the TBOC. The appraisers will determine the fair value of your shares and will report this value to the court. Once the appraisers' report is filed with the court, you will receive a notice from the court indicating that the report has been filed. You will be responsible for obtaining a copy of the report from the court. If you or Allegiance objects to the report or any part of it, the court will hold a hearing to determine the fair value of your shares of Post Oak common stock. Both you and Allegiance may address the court about the report. The court will determine the fair value of your shares and direct Allegiance to pay that amount, plus interest, which will begin to accrue 91 days after the merger is completed. The court may require you to share in the court costs relating to the matter to the extent the court deems it fair and equitable that you do so.

*Rights as a Shareholder.* If you have made a written demand on Allegiance for payment of the fair value of your shares of Post Oak common stock, you will not thereafter be entitled to vote or exercise any other rights as a shareholder of Allegiance, but will only have the right to receive payment for your shares as described herein and the right to maintain an appropriate action to obtain relief on the ground that the merger would be or was fraudulent. In the absence of fraud in the transaction, your right under the dissent provisions described herein is the exclusive remedy for the recovery of the value of your shares of Post Oak common stock or money damages with respect to the merger.

*Withdrawal of Demand.* If you have made a written demand on Allegiance for payment of the fair value of your Post Oak common stock, you may withdraw such demand at any time before payment for your shares has been made or before a petition has been filed with a court for determination of the fair value of your shares. If you withdraw your demand or are otherwise unsuccessful in asserting your dissenters' rights, you will be bound by the merger and you will have the same rights to receive the merger consideration with respect to your shares of Post Oak common stock as you would have had if you had not made a demand for payment as to those shares, as well as to participate to the appropriate extent in any dividends or distributions on the shares of Allegiance common stock that may have been paid to Allegiance shareholders after the effective date of the merger. Such rights will, however, be subject to any change in or adjustment to those shares made because of an action taken after the date your demand for payment.





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*Beneficial Owners.* Persons who beneficially own shares of Post Oak common stock that are held of record in the name of another person, such as a broker, bank, trustee or other nominee, and who desire to have the right of dissent exercised as to those shares must act promptly to cause the record holder of those shares to take the actions required under Texas law to exercise the dissenter's rights with respect to those shares. Only the persons in whose names shares of Post Oak common stock are registered on the share transfer records of Post Oak may exercise the right of dissent and appraisal discussed above.

*U.S. Federal Income Tax Consequences.* See Material U.S. Federal Income Tax Consequences of the Merger for a discussion of the federal income tax consequences of your action if you elect to dissent from the merger.

You should remember that if you return a signed proxy card, but fail to provide instructions as to how your shares of Post Oak common stock are to be voted, you will be considered to have voted in favor of the merger agreement, and you will not be able to assert dissenter's rights. You should also remember that if you otherwise vote at the Post Oak special meeting in favor of the merger agreement, you will not be able to assert dissenter's rights.

The foregoing summary is not intended to be a complete statement of the procedures for exercising dissenter's rights under the TBOC and is qualified in its entirety by reference to the full text of Chapter 10, Subchapter H of the TBOC, a copy of which is attached as *Annex F* to this joint proxy statement/prospectus. Post Oak urges any shareholder wishing to exercise dissenter's rights, if any, to read this summary and the TBOC provisions carefully, and to consult legal counsel before attempting to exercise dissenter's rights. Failure to comply strictly with all of the procedures set forth in of Chapter 10, Subchapter H of the TBOC may result in the loss of your statutory dissenter's rights.

## **Regulatory Approvals Required for the Merger**

The merger must be approved by the Federal Reserve, unless such approval is waived by the Federal Reserve. On June 14, 2018, Allegiance filed the required documentation with the Federal Reserve Bank of Dallas to request a waiver of its approval.

The merger of Post Oak Bank with and into Allegiance Bank requires the approval of the FDIC and the TDB. On May 25, 2018, Allegiance Bank filed the required application with the FDIC and the TDB. Although neither Post Oak nor Allegiance knows of any reason why it cannot obtain these regulatory approvals in a timely manner, Post Oak and Allegiance cannot be certain when or if they will be obtained.

The U.S. Department of Justice has between 15 and 30 days following approval by the FDIC to challenge the approval on antitrust grounds. While Allegiance and Post Oak do not know of any reason that the Department of Justice would challenge regulatory approval by the FDIC and believe that the likelihood of such action is remote, there can be no assurance that the Department of Justice will not initiate such a proceeding, or if such a proceeding is initiated, as to the result of any such challenge.

Notifications and/or applications requesting approval may be submitted to various other federal and state regulatory authorities and self-regulatory organizations.

The approval of any notice or application merely implies satisfaction of regulatory criteria for approval, and does not include review of the merger from the standpoint of the adequacy of the consideration to be received by, or fairness to, shareholders. Regulatory approval does not constitute an endorsement or recommendation of the proposed transaction.

Allegiance and Post Oak are not aware of any material governmental approvals or actions that are required prior to the parties' completion of the merger other than those described in this joint proxy statement/prospectus.



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If any additional governmental approvals or actions are required, the parties presently intend to seek those approvals or actions. However, the parties cannot assure you that any of these additional approvals or actions will be obtained.

**THE MERGER AGREEMENT**

The following describes certain aspects of the merger, including certain material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this joint proxy statement/prospectus as *Annex A* and is incorporated by reference into this joint proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

**Structure of the Merger**

Each of the Allegiance Board and the Post Oak Board has unanimously approved the merger agreement. Under the merger agreement, Post Oak will merge with and into Allegiance, with Allegiance being the surviving corporation. Immediately following the merger (or at such later time as Allegiance may determine in its sole discretion), Allegiance will cause Post Oak Bank to merge with and into Allegiance Bank, with Allegiance Bank surviving the bank merger.

Prior to the effective time, Allegiance and Post Oak may, by mutual agreement, change the method or structure of effecting the combination of Post Oak and Allegiance, except that no such change may (i) change in kind or reduce the amount of merger consideration to be paid to the holders of Post Oak common stock, (ii) adversely affect the tax treatment of Post Oak's shareholders, or (iii) materially delay or jeopardize the receipt of any required regulatory approvals.

*Merger Consideration*

If the merger is completed, each share of Post Oak common stock (other than shares of Post Oak common stock held by Post Oak, Allegiance and any dissenting shareholder) will be converted into the right to receive 0.7017 of a share of Allegiance common stock. Allegiance will not issue any fractional shares of Allegiance common stock in the merger. Post Oak shareholders who would otherwise be entitled to a fraction of a share of Allegiance common stock upon the completion of the merger will instead receive, for the fraction of a share, an amount in cash determined by multiplying the fractional share by the average closing price of Allegiance common stock.

The Allegiance common stock is listed on NASDAQ under the symbol ABTX. The market value of the shares of Allegiance common stock to be paid as consideration will fluctuate with the market price of Allegiance common stock and will not be known at the time the Post Oak shareholders vote on the Post Oak Merger Proposal and the Allegiance shareholders vote on the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal.

The table below sets forth the implied value of the per share merger consideration based on the closing price of Allegiance common stock as quoted by NASDAQ on the specified dates assuming 11,828,154 shares of Post Oak common stock were issued and outstanding and the issuance of 572,850 shares upon the exercise of Post Oak options with a weighted average exercise price of \$8.93:

| <b>Date</b> | <b>Closing Price of Allegiance Common</b> | <b>Implied Value of Per Share Stock</b> | <b>Aggregate Merger Consideration (1)</b> |
|-------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
|-------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|

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|                               | <b>Stock</b> | <b>Consideration (1)</b> |               |
|-------------------------------|--------------|--------------------------|---------------|
| April 27, 2018 <sup>(2)</sup> | \$40.80      | \$28.63                  | \$349,925,165 |
| [ ], 2018 <sup>(3)</sup>      | [ ]          | [ ]                      | [ ]           |

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- (1) Assumes there is no adjustment to the merger consideration. For a discussion of the possible adjustments to the merger consideration, see *The Merger Agreement* Structure of the Merger Adjustments to Merger Consideration.
- (2) The last trading day before public announcement of the merger agreement.
- (3) The latest practicable trading day before the date of this joint proxy statement/prospectus.

Based on the number of shares of Allegiance common stock and Post Oak common stock outstanding as of [ ], 2018, the last date before the date of this joint proxy statement/prospectus for which it was practicable to obtain this information, approximately [ ]% of outstanding Allegiance common stock following the merger will be held by shareholders who were holders of Allegiance common stock immediately prior to the effective time and approximately [ ]% of outstanding Allegiance common stock will be held by shareholders who were holders of Post Oak common stock immediately prior to the effective time.

The merger agreement governs the merger. The merger agreement is included in this joint proxy statement/ prospectus as *Annex A*. All descriptions in this summary and elsewhere in this joint proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement. Please read the merger agreement carefully for a more complete understanding of the merger.

#### *Adjustments to Merger Consideration*

The aggregate merger consideration that Post Oak shareholders would be entitled to receive in the merger will be reduced on a dollar-for-dollar basis (using the average closing price of Allegiance common stock to determine the number of shares to be subtracted from the aggregate merger consideration) to the extent by which Post Oak's tangible common equity, as defined in the merger agreement, is less than the minimum equity required by the merger agreement. The minimum equity required by the merger agreement is set at approximately \$154.3 million if closing were to occur on the last business day of October 2018, and increases by \$1.8 million for each month after October (and decreases by \$1.8 million for each month prior to October). As of the date of this joint proxy statement/prospectus, Post Oak estimates that, assuming closing occurs on the last business day of October 2018, the Post Oak tangible common equity as of the closing of the merger will be \$154.3 million or greater, resulting in no downward adjustment to the aggregate merger consideration with respect to the Post Oak tangible common equity.

In addition, if (1) the average closing price of the Allegiance common stock is less than \$32.52 and (2) the number obtained by dividing the average closing price by \$40.65 is less than the number obtained by dividing (A) the Final Index Price by (B) the Initial Index Price and subtracting 0.20 from such quotient, then Post Oak may give notice of its intent to terminate the merger agreement, at which time Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price). The Final Index Price, as such term is used herein, is the average of the daily closing value of the Index for the 20 consecutive trading days ending on and including the fifth trading day preceding the closing date. The Initial Index Price, as such term is used herein, is \$42.75 (the closing value of the Index on the date immediately prior to the date of the merger agreement). The Index, as such term is used herein, means the financial institutions with the following trading symbols on an equal weighted basis: CBTX, FFIN, GNBC, GNTY, IBTX, IBOC, LTXB, PB, SBSI and VBTX. If Allegiance elects to increase the merger consideration, Post Oak will no longer have the right to terminate the merger agreement for these reasons. If Allegiance elects not to increase the merger consideration, Post Oak may terminate the merger agreement.

#### *Fractional Shares*

Allegiance will not issue any fractional shares of Allegiance common stock in the merger. Post Oak shareholders who would otherwise be entitled to a fraction of a share of Allegiance common stock upon the

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completion of the merger will instead be entitled to receive, in lieu of the fraction of a share, an amount in cash (rounded to the nearest cent) determined by multiplying (i) the volume-weighted average price of Allegiance common stock on NASDAQ for the twenty trading-day period ending on and including the fifth trading day before the day of completion of the merger by (ii) the fraction of a share of Allegiance common stock which such shareholder would otherwise be entitled to receive.

### *Governing Documents; Directors and Officers; Governance Matters*

At the effective time, the certificate of formation and bylaws of Allegiance in effect immediately prior to the effective time will be the certificate of formation and bylaws of the surviving corporation after completion of the merger, until thereafter amended in accordance with applicable law. The directors of Allegiance immediately prior to the effective time shall be the initial directors of the surviving corporation and shall hold office until their respective successors and assigns are duly elected and qualified, or their earlier death, resignation or removal. The officers of Allegiance immediately prior to the effective time shall be the initial officers of the surviving corporation, each to hold office until the earlier of their death, resignation or removal in accordance with the surviving corporation's certificate of formation and bylaws.

In accordance with the merger agreement, contemporaneously with the closing of the merger, the Allegiance Board will increase the size of the board by three, with one new vacancy created in each class of Allegiance's staggered board, and fill such newly created vacancies with Roland L. Williams and two of the outside directors of the Post Oak Board selected by Post Oak and reasonably acceptable to Allegiance.

Roland L. Williams is the Chairman, President and Chief Executive Officer of both Post Oak and Post Oak Bank. Mr. Williams was a founding member of Post Oak Bank and has over 40 years of banking experience. Prior to founding Post Oak Bank, Mr. Williams served as Chairman, President and Chief Executive Officer of Langham Creek National Bank and Market Chief Executive Officer of SouthTrust Bank. In addition, Mr. Williams previously served as a member of the Federal Reserve Bank of Dallas Community Depository Institutions Advisory Council and a board member for the Texas Bankers Association. Mr. Williams has also served as an advisory board member and board member of Outreach Center of West Houston and on the Bauer College of Business Banking Certificate Board Committee at the University of Houston. Mr. Williams received a Bachelor of Science degree in business administration from McNeese State University in Lake Charles, Louisiana, and graduated from the Southwestern Graduate School of Banking at Southern Methodist University. Mr. Williams's extensive business experience in the community banking industry qualifies him to serve on the Allegiance Board.

### **Treatment of Post Oak Equity Awards**

#### *Restricted Stock Awards*

Immediately prior to the effective time, each restricted stock award granted in respect of a share of Post Oak common stock that is outstanding immediately prior to the effective time and which is subject to vesting criteria shall vest in full in accordance with its terms and be converted into and represent only the right to receive the per share merger consideration for each share of Post Oak common stock then subject to such restricted stock award. There are 128,305 shares of Post Oak common stock issuable upon accelerated vesting of Post Oak restricted stock awards in connection with the merger.

#### *Stock Options*

Upon completion of the merger, each option to purchase shares of Post Oak common stock granted under the Post Oak Bancshares, Inc. Stock Option Plan, as amended, that is outstanding immediately prior to the merger will automatically be converted into an option to purchase shares of Allegiance common stock. The number of shares of Allegiance common stock purchasable under the converted option, as well as the exercise



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price of these stock options, will be adjusted to reflect the exchange ratio, rounded to the nearest whole share. Each converted option will remain subject to the same terms and conditions as were applicable prior to the merger.

### **Closing and Effective Time**

The merger will become effective at the date and time specified in the certificate of merger to be issued by the Secretary of State of Texas. If the shareholders of Post Oak approve the Post Oak Merger Proposal and the shareholders of Allegiance approve the Allegiance Merger Proposal and the Allegiance Stock Issuance Proposal at their respective special meetings, and if all required regulatory approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in the fourth quarter of 2018, although delays could occur.

We cannot assure you that we can obtain the necessary shareholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

### **Conversion of Shares; Exchange of Certificates**

The conversion of Post Oak common stock into the right to receive the merger consideration will occur automatically at the effective time. After completion of the merger, the exchange agent will exchange certificates representing shares of Post Oak common stock for the merger consideration to be received pursuant to the terms of the merger agreement.

If you are a shareholder of Post Oak, as soon as practicable after the effective time of the merger, Allegiance's transfer and exchange agent, Computershare, will mail a letter of transmittal and instructions to you for use in surrendering your Post Oak stock certificates. When you properly surrender your certificates or provide other satisfactory evidence of ownership, and return the letter of transmittal duly executed and completed in accordance with its instructions, Computershare will promptly cancel the surrendered stock certificates and deliver to you the number of shares of Allegiance common stock and cash, if any, to which you are entitled under the merger agreement.

***You should not send in your certificates until you receive the letter of transmittal and instructions.***

At the effective time of the merger, and until surrendered as described above, each outstanding Post Oak stock certificate will be deemed for all purposes to represent only the right to receive the merger consideration to be paid pursuant to the merger agreement. If a Post Oak stock certificate has been lost, stolen or destroyed, Computershare will issue the merger consideration upon receipt of (i) an affidavit of that fact by the claimant and (ii) if required by Allegiance or Computershare, the posting of a bond in an amount as Computershare may direct as indemnity against any claim that may be made against it with respect to such certificate. After the effective time of the merger, Post Oak's transfer books will be closed and no transfer of the shares of Post Oak stock outstanding immediately prior to the effective time will be made on Allegiance's stock transfer books.

To the extent permitted by law, you will be entitled to vote after the effective time of the merger at any meeting of Allegiance's shareholders the number of whole shares of Allegiance common stock into which your shares of Post Oak are converted, regardless of whether you have exchanged your Post Oak stock certificates for Allegiance stock certificates. If and when Allegiance declares a dividend or other distribution on the Allegiance common stock which has a record date after the effective time, the declaration will include dividends or other distributions on all shares of Allegiance common stock issuable pursuant to the merger agreement. However, no dividend or other distribution payable to the holders of record of Allegiance common stock will be delivered to you until you surrender your Post Oak stock certificates for exchange as described above. Upon surrender of your Post Oak stock certificates, the certificate representing the Allegiance common stock into which your shares of Post Oak common stock have been

converted, together with any cash in lieu of any fractional share of Allegiance common stock to which you would otherwise be entitled and any undelivered dividends, will be delivered and paid to you, without interest.

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**Representations and Warranties**

The representations, warranties and covenants described below and included in the merger agreement were made by Allegiance and Post Oak for purposes of the merger agreement and as of specific dates, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between Allegiance and Post Oak rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to investors. You should not rely on the representations, warranties, covenants or any description thereof as characterizations of the actual state of facts or condition of Allegiance, Post Oak or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Allegiance or Post Oak. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

The merger agreement contains customary representations and warranties of each of Allegiance and Post Oak relating to their respective businesses. The representations and warranties in the merger agreement do not survive the effective time.

The merger agreement contains representations and warranties made by Post Oak relating to a number of matters, including the following:

corporate organization and existence;

capitalization;

authority and power to execute the merger agreement and to complete the transactions contemplated by the merger agreement;

the absence of conflicts between the execution of the merger agreement and completion of the transactions contemplated by the merger agreement and certain other agreements;

pending or threatened litigation and other proceedings;

the accuracy of their financial statements and reports;

compliance with applicable laws and regulatory filings and its ability to receive required regulatory approval;

the absence of certain changes and events;

compliance with tax laws, payment of taxes and filing of tax returns;

its brokers , finders and financial advisors fees; and

its receipt of a fairness opinion.

Post Oak also has made additional representations and warranties to Allegiance with respect to (among other things):

its investments;

its loan portfolio and reserve for loan losses;

the existence of certain loan agreements and related matters;

Post Oak Bank s performance of fiduciary responsibilities;

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its real property and leases;

its personal property;

its compliance with environmental laws;

the existence of certain contracts and commitments;

its fidelity bonds and insurance coverage;

actions taken by regulatory authorities;

certain employee matters;

its compensation and benefit plans;

the absence of post-retirement agreements;

its accounting controls;

the absence of derivative contracts;

its deposit accounts;

its intellectual property rights;

its shareholders list;

its status concerning SEC filings and registration of shares;

dissenting shareholders; and

anti-takeover laws.

Allegiance has also made additional representations and warranties to Post Oak with respect to its compliance with its SEC reporting obligations and the accuracy of such reports.

Certain representations and warranties of Allegiance and Post Oak are qualified as to materiality or material adverse effect. For purposes of the merger agreement, a material adverse effect, when used in reference to either Post Oak, Allegiance or the surviving corporation, means a material adverse effect (i) that prevents or materially impairs any party from consummating the merger, or any of the transactions contemplated by the merger agreement, including the bank merger or (ii) on the financial condition, assets, properties, deposits, results of operations, earnings, business or cash flows other than any effect caused by (A) changes in laws and regulations or interpretations thereof that are generally applicable to the banking or savings industries; (B) changes in GAAP or regulatory accounting principles that are generally applicable to the banking or savings industries; (C) changes in global, national or regional political conditions or general economic or market conditions in the United States or the State of Texas, including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets affecting other companies in the financial services industry; (D) general changes in the credit markets or general downgrades in the credit markets; (E) actions or omissions of a party required by the merger agreement or taken with the prior informed written consent of the other party or parties in contemplation of the transactions contemplated by the merger agreement; or (F) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism; except to the extent that the effects of such changes in the foregoing (A) through (F) disproportionately affect such entity and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such entity and its subsidiaries operate.

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**Covenants and Agreements**

*Conduct of Businesses Prior to the Completion of the Merger*

From the date of the merger agreement to and including the closing date, Post Oak has agreed to, and has agreed to cause Post Oak Bank to:

conduct its affairs (including the making of or agreeing to make any loans or other extensions of credit) only in the ordinary course of business consistent with past practices and safe and sound banking principles;

use commercially reasonable efforts to preserve intact its present business organization, keep available the services of its present officers, directors, employees and agents, and preserve its relationships and goodwill with customers and advantageous business relationships;

promptly give written notice to Allegiance of (a) any material changes in its business, operations or prospects, (b) any complaints, investigations or hearings (or communications indicating the same may be contemplated) of any regulatory authority, (c) the institution or threat of any proceeding or litigation against Post Oak or Post Oak Bank or (d) the occurrence of any event or the failure of any event to occur or the existence of any circumstance that would reasonably be expected to cause a breach of any covenant, condition or agreement contained in the merger agreement, any of the representations or warranties of Post Oak in the merger agreement to be materially untrue or a material adverse effect on Post Oak; and

except as required by law or regulation or expressly permitted by the merger agreement, take no action which would adversely affect or delay the ability of Post Oak or Allegiance to obtain any regulatory or other approvals required for the completion of the merger or to perform its obligations and agreements under the merger agreement.

From the date of the merger agreement to and including the effective time of the merger, unless otherwise permitted by the merger agreement, required by law or a regulatory order or policy and unless Allegiance otherwise consents in writing, Post Oak has agreed not to, and has agreed not to permit Post Oak Bank to:

adjust, split, combine or reclassify any of the Post Oak common stock;

make, acquire, modify or renew or agree to make, acquire, modify or renew any loans, loan participations or other extensions of credit to any borrower that (1) would be a material violation of policies and procedures in effect as of the date of the merger agreement, (2) would not be in the ordinary course of business consistent with past practices and safe and sound banking principles, (3) would be in excess of \$10.0 million individually or in the aggregate to any new borrower with respect to any new loan to be made or acquired, or (4) would exceed \$15.0 million individually or in the aggregate to any existing borrower with respect to any existing loan to be modified or renewed (except pursuant to commitments made before the date of the merger agreement and not covered by items (1) or (2), or loans fully secured by a certificate of

deposit at Post Oak Bank);

issue or sell or obligate itself to issue or sell any shares of its capital stock or any warrants, rights or options to acquire, or any securities convertible into, any shares of its capital stock;

grant any stock appreciation rights, stock appreciation units, restricted stock, stock options or other form of incentive compensation, or voluntarily accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options, restricted stock, or other stock-based compensation;

open, close or relocate any branch office, or acquire or sell or agree to acquire or sell any branch office or any deposit liabilities;

enter into, amend or terminate certain agreements specified in the merger agreement or any other material agreement, or acquire or dispose of any material amount of assets or liabilities or make any change in any of its leases, except in the ordinary course of business consistent with past practices and safe and sound banking practices;



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hire any employee or independent contractor with an annual salary in excess of \$85,000;

grant any severance or termination payment to, or enter into any collective bargaining, change-in-control, retention, noncompetition, retirement, parachute, severance or indemnification agreement with, any officer, director, employee or agent of Post Oak or one of its subsidiaries, either individually or as part of a class of similarly situated persons

increase in any manner the compensation or fringe benefits of any of its employees, directors, consultants or other service providers other than in the ordinary course of business consistent with past practice and pursuant to policies in effect as of the date of the merger agreement, or pay any perquisite such as automobile allowance, club membership or dues or other similar benefits other than in accordance with past practice, or institute any employee welfare, retirement or similar plan or arrangement;

amend any Post Oak employee plan, other than as required to maintain the tax qualified status of such plan or as contemplated under the merger agreement;

(1) declare, pay or set aside for payment any dividend or other distribution (whether in cash, stock or property) in respect of Post Oak common stock or preferred stock, other than the payment of dividends from Post Oak Bank to Post Oak, or (2) directly or indirectly, purchase, redeem or otherwise acquire any shares of Post Oak common stock;

make any change in accounting methods, principles and practices, except as may be required by GAAP or any governmental authority;

sell, transfer, convey, mortgage, encumber or otherwise dispose of any material properties or assets (including other real estate owned) or interest therein, other than the other real estate owned properties under contract for sale as of the date of the merger agreement;

foreclose upon or otherwise acquire any commercial real property before receipt and approval by Allegiance of a Phase I environmental review thereof;

increase or decrease the rate of interest paid on deposit accounts, except in a manner and pursuant to policies consistent with Post Oak's past practices and safe and sound banking practices;

unless requested by a governmental authority, charge-off any loan or other extension of credit greater than \$250,000 before review and approval by Allegiance of the amount of such charge-off;

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(1) establish any new subsidiary or affiliate or enter into any new line of business, or (2) except pursuant to contracts or agreements in force at the date of or permitted by the merger agreement, make any equity investment in, or purchase outside the ordinary course of business any property or assets of, any other individual, corporation or other entity;

materially deviate from policies and procedures existing as of the date of the merger agreement with respect to (1) classification of assets, (2) the allowance for loan losses and (3) accrual of interest on assets, except as otherwise required by the provisions of the merger agreement, applicable law or regulation or any governmental authority;

amend or change any provision of the certificate of formation, bylaws or the governing documents of Post Oak or Post Oak Bank;

make any capital expenditure which would exceed an aggregate of \$100,000;

excluding deposits and certificates of deposit, incur or modify any indebtedness for borrowed money, including FHLB advances;

prepay any indebtedness or other similar arrangements so as to cause Post Oak to incur any prepayment penalty thereunder;

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settle any claim, action or proceeding involving payment by Post Oak or Post Oak Bank of money damages in excess of \$50,000 in the aggregate or impose any restriction on the operations of Post Oak or any of its subsidiaries;

make any changes to its investment securities portfolio from that as of December 31, 2017, or the manner in which the portfolio is classified or reported, except that Post Oak and Post Oak Bank may sell investment securities and purchase U.S. governmental agency securities, mortgage-backed securities and municipal securities having a maturity date no greater than three years;

make or change any tax election or tax method of accounting, settle or compromise any tax liability, enter into any tax closing agreement, surrender any right to claim a return of taxes, file any amended tax return, or consent to any extension or waiver of any statute of limitations; or

agree to do any of the foregoing.

For a complete description of such restrictions on the conduct of the business of Post Oak, we refer you to the merger agreement, which is attached as *Annex A* to this joint proxy statement/prospectus.

*Regulatory Matters*

Allegiance and Post Oak have agreed to take all reasonable actions to aid and assist in the completion of the merger and use commercially reasonable efforts to take or cause to be taken all other actions necessary, proper or advisable to complete the transactions contemplated by the merger agreement, including such actions which are necessary, proper or advisable in connection with filing applications with, or obtaining approvals from all regulatory authorities having jurisdiction over the transactions contemplated by the merger agreement.

Allegiance agreed, at its expense, to file all notices and applications for all regulatory approvals required to be obtained by Allegiance or Allegiance Bank in connection with the merger agreement and the transactions contemplated thereby and to provide Post Oak copies of such filings for which confidential treatment has not been requested. Post Oak agreed to cause Post Oak Bank to cooperate with Allegiance and Allegiance Bank as necessary in conjunction with all approvals, filings and other steps necessary to cause the completion of the combination of Post Oak Bank with Allegiance Bank, with Allegiance Bank surviving, through merger, purchase and assumption or otherwise after the effective time of the merger. In addition, Post Oak agreed, to the extent permitted by law, to provide Allegiance all information concerning Post Oak required for inclusion in this joint proxy statement/prospectus, or any other application, filing, statement or document to be made or filed in connection with the merger and the other transactions contemplated by the merger agreement.

*Employee Benefit Matters*

Post Oak agreed to execute and deliver such instruments and take such actions as Allegiance reasonably requires to cause the amendment or termination of any of Post Oak's employee benefit plans and Allegiance agreed that the employees of Post Oak and its subsidiaries who continue their employment after the closing of the merger will be entitled to participate as employees in the employee benefit plans and programs maintained for employees of Allegiance and Allegiance Bank, such employees will be entitled to credit for prior service with Post Oak, and Allegiance will take all necessary acts to facilitate such coverage, including, without limitation, waiving any eligibility waiting periods and pre-existing condition exclusions, to the extent allowed by Allegiance's plans and applicable law

and subject to the provisions set forth in the merger agreement.

*Director and Officer Indemnification and Insurance*

Allegiance agreed to indemnify and hold harmless the directors and officers of Post Oak or Post Oak Bank as of the effective time and for four years thereafter, subject to the limitations of any regulatory body, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim,

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action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of Post Oak or Post Oak Bank to the fullest extent that the indemnified party would be entitled under the articles of incorporation of Post Oak or the articles of association of Post Oak Bank, as applicable, as in effect on the date of the merger agreement and to the extent permitted by applicable law.

Post Oak agreed that it will purchase for a period of not less than four years after completion of the merger past acts insurance coverage for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors and officers insurance policy coverage (or comparable coverage), (2) employment practices liability insurance, (3) current financial institutions bond (or comparable coverage) and (4) bankers professional liability, mortgage errors and omissions and fiduciary liability insurance for each director and officer of Post Oak or one of its subsidiaries currently covered under the comparable policies maintained by Post Oak or one of its subsidiaries.

### **Agreement Not to Solicit Other Offers**

Post Oak agreed that neither it, any of its subsidiaries, nor any of their respective directors, officers, agents or representatives will directly or indirectly take any action to solicit, initiate, encourage or facilitate the making of any inquiries, or provide any information to, conduct any assessment of or negotiate with any other party, with respect to any acquisition proposal or which could reasonably be expected to lead to an acquisition proposal.

If Post Oak or any of its representatives receives an unsolicited bona fide acquisition proposal before the special meeting that the Post Oak Board has:

determined in its good faith judgment (after consultation with its financial advisors and outside legal counsel) that such acquisition proposal constitutes or would reasonably be expected to result in a superior proposal;

determined in its good faith judgment (after consultation with outside legal counsel) that the failure to take such action would cause, or would be reasonably expected to cause, it to violate its fiduciary duties under applicable law; and

obtained from such person or entity an executed confidentiality agreement, then Post Oak or its representatives may furnish information to and enter into discussions and negotiations with such other party.

Post Oak agreed to notify Allegiance in writing within three business days after receipt of any unsolicited acquisition proposal and provide reasonable detail as to the identity of the person making such proposal and the material terms of such acquisition proposal.

### **Conditions to Complete the Merger**

The merger agreement contains a number of conditions to the obligations of Allegiance and Post Oak to complete the merger which must be satisfied as of the closing date, including, but not limited to, the following:

approval of the merger agreement by the Post Oak shareholders and the approval of the Allegiance share issuance by the Allegiance shareholders;

receipt of all required regulatory approvals of transactions contemplated by the merger agreement, including the merger of Post Oak Bank with and into Allegiance Bank, in a manner that does not impose any restrictions on the operations of Allegiance which are reasonably unacceptable to Allegiance;

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the registration statement of which this joint proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under state securities laws relating to the issuance or trading of the Allegiance common stock to be issued have been received;

the shares of Allegiance common stock to be issued to Post Oak shareholders being authorized for listing on the NASDAQ;

except as explicitly provided in the merger agreement, the other party's representations and warranties contained in the merger agreement being true and correct as of the date of the merger agreement and being true and correct in all material respects as of the date of the closing and receipt of a certificate signed by an appropriate representative of the other party to that effect;

the absence of a material adverse change in the financial condition, assets, properties, deposits, results of operations, earnings, business or cash flows of either party or any event that could reasonably be expected to cause or result in a material adverse effect on either party;

the performance or compliance in all material respects by each party with its respective covenants and obligations required by the merger agreement to be performed or complied with before the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect; and

receipt by each party of an opinion of such party's counsel to the effect that the merger will qualify as a reorganization under Section 368(a) of the Code.

In addition to the conditions listed above, Post Oak's obligation to complete the merger is subject to certain consents identified in the merger agreement having been obtained by Allegiance, and Post Oak having received evidence thereof in form and substance satisfactory to it.

In addition to the conditions listed above, Allegiance's obligation to complete the merger is subject to the satisfaction of the following conditions:

each of the directors and certain officers of Post Oak and Post Oak Bank must have executed a release agreement, releasing Post Oak and Post Oak Bank and their respective successors from any and all claims of such directors and officers, subject to certain limited exceptions, and such releases must remain in full force and effect;

certain officers of Post Oak Bank each having entered into a two-year employment and non-competition agreement with Allegiance Bank, which have been executed, and such employment agreements must remain in full force and effect;

each of the non-employee directors of Post Oak and Post Oak Bank having entered into a support (non-competition) agreement with Allegiance, which have been executed, and such support agreements must remain in full force and effect;

each of the directors and certain officers of Post Oak and Post Oak Bank must have executed a voting agreement, which has been executed;

holders of no more than 5.0% of the outstanding Post Oak common stock have demanded or are entitled to demand payment of the appraised fair value of their shares as dissenting shareholders;

Post Oak's allowance for loan losses as of the closing date must be at a level equal to at least 1.0% of its total loans;

Post Oak's tangible equity capital must not be less than the minimum equity required by the merger agreement;



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Post Oak will have accrued for any costs and expenses, including legal fees and expenses and settlement costs, related to outstanding legal proceedings;

Post Oak, at the request of Allegiance, will have amended or terminated any employee benefit plans; and

Post Oak will deliver to Allegiance all other instruments and documents which Allegiance or its counsel may reasonably request to effectuate the merger and transactions contemplated by the merger agreement.

Any condition to the completion of the merger, except the required shareholder and regulatory approvals, and the absence of an order or ruling prohibiting the merger, may be waived in writing by the party to the merger agreement entitled to the benefit of such condition.

**Additional Agreements**

In addition to the agreements described above, each party has agreed in the merger agreement to take certain other actions, including but not limited to:

Post Oak has agreed to give Allegiance access to all of its properties, books and records and to provide additional financial and operating data and other information about its business and properties;

each party has agreed to hold in confidence documents and information concerning the other in accordance with the terms of the letter of intent dated March 16, 2018, between Allegiance and Post Oak;

each party has agreed that it will not issue or cause the publication of any press release or public announcement with respect to the transactions contemplated by the merger agreement without the consent of the other party except as required by applicable law or securities exchange rules or in connection with the regulatory approval process;

Post Oak agreed to deliver or make available to Allegiance all unaudited monthly and quarterly financial statements and all call reports filed by Post Oak Bank;

Post Oak agreed that it will provide, for a period of at least four years after the effective time of the merger, past acts and extended reporting period insurance for no less than the four-year period immediately preceding the effective time of the merger under its (1) current directors and officers insurance policy (or comparable coverage), (2) employment practices liability insurance, (3) financial institutions bond (or comparable coverage) and (4) bankers professional liability, mortgage errors and omissions and fiduciary liability insurance for each director and officer of Post Oak or one its subsidiaries currently covered under comparable policies held by Post Oak or any of its subsidiaries;

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Post Oak agreed to make such accounting entries consistent with GAAP as Allegiance may reasonably request in order to conform the accounting records of Post Oak to the accounting policies and practices of Allegiance, but such adjustments will not affect the calculation of Post Oak's tangible equity capital;

Post Oak agreed to maintain its allowance for loan losses at a level consistent with Post Oak Bank's historical methodology, past practices, existing policies and in compliance with GAAP, and, if the allowance for loan losses plus the purchase discount on purchased loans is less than 1.0% of total loans on the business day immediately before the closing date, Post Oak will take all action necessary to increase the allowance for loan losses to an amount equal to 1.0% of total loans on that date;

Post Oak agreed to use commercially reasonable efforts to ensure that, at Allegiance's request, its current data processing contracts and contracts related to the provision of other electronic banking services will be terminated on a mutually agreeable date after the merger is completed;

Post Oak agreed to use its commercially reasonable efforts to obtain all consents, approvals, authorizations or waivers as described on a disclosure schedule;

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Post Oak agreed to cause Post Oak Bank to cooperate with Allegiance and Allegiance Bank as necessary in conjunction with all approvals, filings and other steps necessary to cause the completion of the combination of Post Oak Bank with Allegiance Bank, with Allegiance Bank surviving, through merger, purchase and assumption or otherwise after the effective time of the merger;

Allegiance agreed, at its expense, to file all notices and applications for all regulatory approvals required to be obtained by Allegiance or Allegiance Bank in connection with the merger agreement and the transactions contemplated thereby and to provide Post Oak copies of such filings for which confidential treatment has not been requested;

Allegiance agreed to file all documents required to be filed to have the shares of the Allegiance common stock to be issued pursuant to the merger agreement included for listing on the NASDAQ and use its commercially reasonable efforts to effect said listing;

Allegiance agreed to prepare and file a registration statement with the SEC with respect to the shares of Allegiance common stock to be issued pursuant to the merger agreement, and use its commercially reasonable efforts to cause the registration statement to become effective;

Allegiance agreed to expand the Allegiance Board by three, with one new vacancy created in each class of Allegiance's staggered board, and fill such newly created vacancies with Mr. Roland L. Williams and two of the outside directors of the board of Post Oak selected by Post Oak and reasonably acceptable to Allegiance; and

Allegiance agreed to indemnify and hold harmless the directors and officers of Post Oak or Post Oak Bank as of the effective time and for four years thereafter, subject to the limitations of any regulatory body, against costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of Post Oak or Post Oak Bank to the fullest extent that the indemnified party would be entitled under the articles of incorporation of Post Oak or the articles of association of Post Oak Bank, as applicable, as in effect on the date of the merger agreement and to the extent permitted by applicable law.

### **Termination of the Merger Agreement**

Allegiance and Post Oak can mutually agree at any time to terminate the merger agreement without completing the merger. In addition, either Allegiance or Post Oak may decide, without the consent of the other, to terminate the merger agreement if:

any order, decree or ruling or any other action which seeks to restrain, enjoin or prohibit the merger is issued, and such order, decree, ruling or other action is final and non-appealable;

any of the transactions contemplated by the merger agreement are not approved by the appropriate regulatory authorities or the applications or notices are suggested or recommended to be withdrawn by any regulatory authorities;

the merger has not been completed by October 27, 2018 (unless one or more of the regulatory approvals has not been received on or before October 27, 2018, in which case this deadline will be extended to November 26, 2018) or such later date approved in writing by the boards of directors of Allegiance and Post Oak, unless the failure to complete the merger by that time is due to a violation of the merger agreement by the party that seeks to terminate the merger agreement;

Allegiance shareholders fail to approve the Allegiance Merger Proposal or the Allegiance Stock Issuance Proposal;

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Post Oak shareholders fail to approve the Post Oak Merger Proposal; or

the other party materially breaches its representations and warranties or any covenant or agreement contained in the merger agreement and such breach has not been cured within 15 days after the terminating party gives written notice of such failure to the breaching party.

Post Oak may terminate the merger agreement, without the consent of Allegiance, if the Post Oak Board receives an unsolicited, bona fide alternative acquisition proposal (as defined in the merger agreement) and, under certain terms and conditions, determines that it is a superior proposal to that of the merger agreement and that the failure to accept such proposal would be inconsistent with its fiduciary duties; but, Allegiance has the right to adjust the terms and conditions of the merger agreement so that the superior proposal no longer constitutes a superior proposal.

Post Oak may also terminate the merger agreement if (1) the average closing price of the Allegiance common stock is less than \$32.52 and (2) the number obtained by dividing the average closing price by \$40.65 is less than the number obtained by dividing (A) the Final Index Price by (B) the Initial Index Price and subtracting 0.20 from such quotient. Upon receipt of such notice, Allegiance has the discretion, but not the obligation, to increase the merger consideration by increasing the number of shares of Allegiance common stock in the aggregate merger consideration such that the value of the aggregate merger consideration is equal to at least \$278,564,572 (valuing the aggregate stock consideration based on the average closing price). The Final Index Price, as such term is used herein, is the average of the daily closing value of the Index for the 20 consecutive trading days ending on and including the fifth trading day preceding the closing date. The Initial Index Price, as such term is used herein, is \$42.75 (the closing value of the Index on the date immediately prior to the date of the merger agreement). The Index, as such term is used herein, means the financial institutions with the following trading symbols on an equal weighted basis: CBTX, FFIN, GNBC, GNTY, IBTX, IBOC, LTXB, PB, SBSI and VBTX. If Allegiance elects to increase the merger consideration, Post Oak will no longer have the right to terminate the merger agreement for these reasons.

In addition, Allegiance may terminate the merger agreement, without the consent of Post Oak, if:

any required regulatory approval is obtained subject to restrictions or conditions on the operations of Post Oak, Post Oak Bank, Allegiance or Allegiance Bank that are reasonably unacceptable to Allegiance;

on or prior to July 29, 2018, the results of any environmental inspections or surveys of Post Oak properties identify certain potential or current violations of environmental laws or environmental law requires certain remedial or clean up action that could have a material adverse effect on Post Oak;

Post Oak breaches the non-solicitation obligations set forth in the merger agreement in a manner adverse to Allegiance;

the Post Oak Board agrees to accept a superior proposal (as defined in the merger agreement); or

the Post Oak Board withdraws or modifies, in any manner adverse to Allegiance, its recommendation or approval of the merger agreement or the merger or recommends to Post Oak shareholders acceptance or

approval of any alternative acquisition proposal.

**Termination Fee**

If the merger agreement is terminated by:

Allegiance because the Post Oak Board agrees to accept another acquisition proposal;

Allegiance because the Post Oak Board withdraws or modifies, in any manner adverse to Allegiance, its recommendation or approval of the merger agreement or the merger or recommends to Post Oak's shareholders acceptance or approval of any alternative acquisition proposal;

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Allegiance because Post Oak breaches the non-solicitation obligations set forth in the merger agreement in a manner adverse to Allegiance;

Post Oak because the Post Oak Board receives an unsolicited, bona fide alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the merger agreement taking into account any adjustments made by Allegiance to the merger consideration; or

Allegiance or Post Oak because Post Oak's shareholders fail to approve the merger agreement by October 27, 2018 (or November 26, 2018, if regulatory approval has not been obtained by October 27, 2018) and, within 12 months of termination of the merger agreement, Post Oak enters into an acquisition agreement with a third party,

then Post Oak will be required to pay Allegiance a termination fee of \$14.272 million.

If either Allegiance or Post Oak terminates the merger agreement (1) after October 27, 2018 (or November 26, 2018, if regulatory approval has not been obtained by October 27, 2018) and, at the time of termination, the registration statement has been declared effective at least 25 business days prior to such date and Post Oak has failed to call, give notice of, convene and hold the shareholder meeting in accordance with merger agreement, or (2) because Post Oak's shareholders do not approve the merger agreement and an acquisition proposal exists at the time of termination, Post Oak will be required to pay Allegiance up to \$775,000 for its merger-related expenses related to the proposed transaction.

Except with respect to termination fees and expenses, as discussed above, in the event of the termination of the merger agreement without breach by any party, the merger agreement will be void and have no effect, without liability on the part of any party or the directors, officers or shareholders of any party, except as specifically contemplated in the merger agreement.

### **Effect of Termination**

If the merger agreement is terminated, it will become void and have no effect, except that (i) each of Allegiance and Post Oak will remain liable for any liabilities or damages arising out of its breach of any provision of the merger agreement and (ii) designated provisions of the merger agreement will survive the termination, including those relating to payment of fees and expenses and the confidential treatment of information.

### **Expenses and Fees**

Except with respect to the expenses related to termination discussed above, Post Oak and Allegiance will each pay their respective expenses incurred in connection with the preparation and performance of their respective obligations under the merger agreement, whether or not the transactions provided for in the merger agreement are completed, including, but not limited to, fees and expenses of their own counsel, financial or other consultants, investment bankers and accountants, and filing, registration, application and printing fees. Similarly, each of Post Oak and Allegiance agreed to indemnify the other party against any cost, expense or liability (including reasonable attorneys fees) in respect of any claim made by any party for a broker's or finder's fee in connection with the merger other than one based on communications between the party and the claimant seeking indemnification.

### **Amendment, Waiver and Extension of the Merger Agreement**

No termination, cancellation, modification, amendment, deletion, addition or other change in the merger agreement, or any provision thereof, or waiver of any right or remedy therein provided, is effective for any purpose unless specifically set forth in a writing signed by the party or parties to be bound thereby. The waiver of any right or remedy in respect to any occurrence or event on one occasion is not deemed a waiver of such right or remedy in respect to such occurrence or event on any other occasion.



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At any time prior to the completion of the merger, the parties may, to the extent legally allowed, extend the time for the performance of any of the obligations or other acts of the other party, waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, and waive compliance with any of the agreements or satisfaction of any conditions contained in the merger agreement, except that after adoption of the merger agreement by the respective shareholders of Allegiance or Post Oak, there may not be, without further approval of such shareholders, any extension or waiver of the merger agreement or any portion thereof that requires further approval under applicable law.

## **Post Oak Director Support Agreements and Post Oak Voting Agreement**

### *Post Oak Support Agreements*

In connection with entering into the merger agreement, each of the directors of Post Oak and Post Oak Bank that is not a party to an employment agreement has entered into a Director Support Agreement with Allegiance pursuant to which they agree to refrain from harming the goodwill of Allegiance, Post Oak or any of their respective subsidiaries and their respective customer, client and vendor relationships. By entering such Post Oak director support agreements, each director also agreed to certain additional restrictive covenants.

The foregoing description of the Post Oak director support agreements is subject to, and qualified in its entirety by reference to, the Post Oak director support agreements, the form of which is attached to this joint proxy statement/prospectus as *Annex C* and is incorporated by reference into this joint proxy statement/prospectus.

### *Post Oak Voting Agreement*

In connection with entering into the merger agreement, Allegiance entered into a Voting Agreement with Post Oak and certain shareholders of Post Oak. The shareholders who are party to the Post Oak voting agreement beneficially own in the aggregate approximately [ ]% of the outstanding shares of Post Oak common stock. The Post Oak voting agreement requires, among other things, that the shareholders party thereto vote all of their shares of Post Oak common stock in favor of the merger and the other transactions contemplated by the merger agreement and against alternative transactions and generally prohibits them from transferring their shares of Post Oak common stock prior to the termination of the Post Oak voting agreement. The Post Oak voting agreement will terminate upon the earlier of the termination of the merger agreement in accordance with its terms or the effective time.

The foregoing description of the Post Oak voting agreement is subject to, and qualified in its entirety by reference to, the Post Oak voting agreement, the form of which is attached to this joint proxy statement/prospectus as *Annex B* and is incorporated by reference into this joint proxy statement/prospectus.

## **ACCOUNTING TREATMENT**

The accounting principles applicable to the merger as described in FASB ASC 805 provide transactions that represent business combinations are to be accounted for under the acquisition method. The acquisition method requires all of the following steps: (1) identifying the acquirer; (2) determining the acquisition date; (3) recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; and (4) recognizing and measuring goodwill or a gain from a bargain purchase.

The appropriate accounting treatment for the merger is as a business combination under the acquisition method. On the acquisition date, as defined by ASC 805, Allegiance (the acquirer) will record at fair value the identifiable assets acquired and liabilities assumed, any noncontrolling interest, and goodwill (or a gain from a bargain purchase). The

results of operations for the combined company will be reported prospectively subsequent to the acquisition date.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

The following discussion constitutes the opinion of Bracewell and Fenimore Kay, subject to assumptions and qualifications set forth below and in their respective tax opinions, which have been filed as Exhibits 8.1 and 8.2 to the registration statement to which this joint proxy/prospectus is a part, as to material U.S. federal income tax consequences of the merger to U.S. Holders (as defined below) of Post Oak common stock. This discussion is based on the Code, Treasury regulations, administrative rulings and judicial decisions, all as in effect as of the effective date of this joint proxy statement/prospectus and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. Accordingly, the U.S. federal income tax consequences of the merger to holders of Post Oak common stock could differ from those described below.

This discussion applies only to U.S. Holders that hold their Post Oak common stock, and will hold the Allegiance common stock received in exchange for their Post Oak common stock, as a capital asset within Section 1221 of the Code at all relevant times (generally, assets held for investment). In addition, this discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, the Medicare tax on net investment income or any tax consequences of the merger under any U.S. federal tax laws other than those pertaining to income tax. Further, this discussion does not address all aspects of U.S. federal taxation that may be relevant to a particular U.S. Holder in light of such holder's personal circumstances or to a U.S. Holder that is subject to special treatment under U.S. federal income tax laws, including, without limitation:

financial institutions or mutual funds,

tax-exempt organizations,

insurance companies,

dealers in securities or foreign currency,

traders in securities who elect to apply a mark-to-market method of accounting,

partnerships and other pass-through entities and arrangements treated as partnerships for U.S. federal income tax purposes and investors in such entities,

controlled foreign corporations or passive foreign investment companies,

regulated investment companies and real estate investment trusts,

broker-dealers,

holders liable for the alternative minimum tax,

holders that have a functional currency other than the U.S. dollar,

holders who received, or have a right to receive, their Post Oak common stock through the exercise of employee stock options, through a tax-qualified retirement plan, deferred stock award or otherwise as compensation,

holders who hold Post Oak common stock as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment, and

U.S. expatriates or certain former citizens or long-term residents of the United States.

For purposes of this discussion, a U.S. Holder is a beneficial owner of Post Oak common stock who is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia; (iii) an estate that is subject to U.S. federal income tax on its income regardless of its source; or (iv) a trust (A) if a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) that was in existence on August 20, 1996, and has made a valid

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election to be treated as a United States person for U.S. federal income tax purposes. Holders of Post Oak common stock who are not U.S. Holders may have different tax consequences than those described below and are urged to consult their own tax advisors regarding the tax treatment of the merger under United States and non-United States tax laws.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of Post Oak common stock, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Such partners and partnerships are urged to consult their own tax advisors regarding the particular tax consequences of the merger to them.

Determining the actual U.S. federal income tax consequences of the merger to a U.S. Holder may be complex and will depend, in part, on the holder's particular circumstances. Each U.S. Holder of Post Oak common stock should consult such holder's own tax advisor with respect to the particular tax consequences of the merger to such holder.

**U.S. Federal Income Tax Consequences of the Merger**

The obligations of Allegiance and Post Oak to complete the merger are conditioned on, among things, the receipt by Allegiance and Post Oak of tax opinions from Bracewell, and Fenimore Kay, respectively, dated as of the closing date of the merger, to the effect that, on the basis of facts, representations and assumptions that are consistent with the facts existing at the effective time and as set forth and referred to in such opinions, the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on representations and covenants, including those contained in certificates of officers of Allegiance and Post Oak and on customary factual assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the merger strictly in accordance with the merger agreement and the registration statement of which this joint proxy statement/prospectus forms a part. The opinions described herein represent Bracewell's and Fenimore Kay's best legal judgment, but do not bind the courts and do not preclude the IRS from adopting a position contrary to the ones expressed in the opinions. Additionally, the IRS has not issued (and is not expected to issue) any ruling as to the qualification of the merger as a reorganization under Section 368(a) of the Code. Accordingly, there can be no assurance that the IRS will not assert, and a court will not sustain, a position contrary to any of the tax consequences set forth below. If any of the assumptions, representations or covenants upon which these opinions are based is incorrect or inaccurate in any way, these opinions and the U.S. federal income tax consequences of the merger could be adversely affected and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus. The following discussion regarding the U.S. federal income tax consequences of the merger assumes that the merger will be consummated as described in the merger agreement and this joint proxy statement/prospectus.

Subject to the conditions and limitations of the preceding section, as well as the certificates of officers of Allegiance and Post Oak delivered in connection with the opinions set forth in Exhibits 8.1 and 8.2 to this registration statement, it is the opinion of Bracewell and Fenimore Kay that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

*Exchange for Allegiance Common Stock.* A U.S. Holder who receives Allegiance common stock in the exchange for such holder's Post Oak common stock generally will not recognize gain or loss as a result of the merger (excluding cash received in lieu of a fractional share of Allegiance common stock and excluding dissenters, the U.S. federal income tax treatment of each of which is discussed below).

The aggregate tax basis of the shares of Allegiance common stock received (including any fractional share of Allegiance common stock deemed received and redeemed for cash as described below) by a U.S. Holder will be equal

to such holder's aggregate tax basis in the shares of Post Oak common stock surrendered in exchange

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for the shares of Allegiance common stock. The holding period for shares of Allegiance common stock received in the merger (including any fractional share of Allegiance common stock deemed received and redeemed for cash as described below) by a U.S. Holder will include such holder's holding period for the Post Oak common stock surrendered in exchange for the Allegiance common stock. If Post Oak common stock was purchased or acquired by a U.S. Holder on different dates or at different prices, such holder should consult his, her or its tax advisor for purposes of determining the basis and holding period of the Allegiance common stock received in the merger.

*Cash Received in Lieu of a Fractional Share.* A U.S. Holder who receives cash in lieu of a fractional share of Allegiance common stock will be treated as having received the fractional share in the merger and then as having exchanged the fractional share for cash in redemption by Allegiance. As a result, the U.S. Holder generally will recognize gain or loss equal to the difference between the amount of cash received and such U.S. Holder's tax basis allocable to the fractional share. The gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the fractional share exchanged (including the holding period for the Post Oak common stock exchanged therefor) for more than one year at the effective date of the merger. The deductibility of capital losses is subject to limitations.

*Dissenters.* Upon the proper exercise of dissenters' rights, a U.S. Holder will exchange all of the shares of Post Oak common stock actually owned by such holder solely for cash and generally will recognize gain or loss equal to the difference between the amount of cash received and such holder's tax basis in the shares of Post Oak common stock surrendered. The gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period with respect to the Post Oak common stock surrendered is more than one year. The deductibility of capital losses is subject to limitations. In some cases, if the U.S. Holder actually or constructively owns shares of Allegiance common stock after the merger, the cash received could be treated as a dividend, in which case such holder may recognize dividend income up to the entire amount of the cash received (and not only on the excess of cash received over such U.S. Holder's tax basis in the shares of Post Oak common stock exchanged).

## **Information Reporting and Backup Withholding**

Payments of cash (such as cash received in lieu of fractional shares) to a U.S. Holder pursuant to the merger may be subject to information reporting and backup withholding under certain circumstances, unless the U.S. Holder receiving such payments:

furnishes a correct taxpayer identification number to the exchange agent and certifies that such holder is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal received and otherwise complies with applicable requirements of the backup withholding rules;  
or

otherwise establishes an exemption from backup withholding.

Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against a holder's U.S. federal income tax liability, provided such holder furnishes the required information to the IRS.

## **Reporting Requirements**

A U.S. Holder who receives shares of Allegiance common stock upon completion of the merger and who is considered a significant holder will be required to retain records pertaining to the merger and to file with such holder's U.S. federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger. For this purpose, a U.S. Holder is a significant holder if the person owns at least 1.0% by vote or value of Post Oak's outstanding shares or has a tax basis of \$1,000,000 or more in such holder's Post Oak common stock and securities. Such statement must include the U.S. Holder's tax basis in and fair market value of such holder's Post Oak common stock and securities surrendered in the merger.



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**This discussion of certain material U.S. federal income tax consequences is for general information only and is not tax advice. Allegiance and Post Oak urge holders of Post Oak common stock to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, the applicability or effect of the alternative minimum tax or Medicare tax on net investment income, any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction and of changes in those laws.**

### **DESCRIPTION OF CAPITAL STOCK OF ALLEGIANCE**

As a result of the merger, Post Oak shareholders who receive shares of Allegiance common stock in the merger will become shareholders of Allegiance. Your rights as a shareholder of Allegiance will be governed by Texas law and the Allegiance certificate of formation and the Allegiance bylaws. The following briefly summarizes the material terms of Allegiance capital stock. This discussion does not purport to be a complete description of these rights and may not contain all of the information regarding Allegiance's capital stock that is important to you. These rights can be determined in full only by reference to federal and state banking laws and regulations, the TBOC and the Allegiance certificate of formation and Allegiance bylaws, copies of which are filed with the SEC as exhibits to the registration statement of which this joint proxy statement/prospectus is a part, and applicable law, which Allegiance and Post Oak urge you to read. Copies of Allegiance's governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, as well as the copies of Post Oak's governing documents, see [Where You Can Find More Information](#).

#### **Overview**

Allegiance's certificate of formation authorizes it to issue up to 40,000,000 shares of common stock, par value \$1.00 per share, and 1,000,000 shares of preferred stock, par value \$1.00 per share. The authorized but unissued shares of Allegiance's capital stock will be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange.

Based on 13,340,610 shares outstanding as of June 19, 2018, and assuming the issuance of 8,299,815 shares to Post Oak shareholders in the merger, immediately following the completion of the merger, Allegiance expects to have 21,640,425 shares of Allegiance common stock outstanding, which does not include any shares of Allegiance common stock that may be issued pursuant to restricted stock grants or option exercises. Also, as of June 19, 2018, there were outstanding options to purchase 643,960 shares of Allegiance common stock held by Allegiance's employees, officers and directors under Allegiance's 2015 Amended and Restated Stock Awards and Incentive Plan, and 401,968 shares of Allegiance common stock would be reserved for converted Post Oak options (based on the 572,850 Post Oak options outstanding as of June 19, 2018 times the 0.7017 exchange ratio).

#### **Allegiance Common Stock**

*Voting Rights.* Subject to any special voting rights that may be given to any series of preferred stock that Allegiance may issue in the future, holders of Allegiance common stock are entitled to one vote per share in the election of directors and on all other matters submitted to a vote of its shareholders. Shareholders are not entitled to cumulate their votes with respect to the election of directors. Directors are elected by a plurality of the votes cast.

*Dividends.* Holders of Allegiance common stock are entitled to dividends when, as and if declared by the Allegiance Board out of funds legally available therefor.

*Liquidation Rights.* Upon any voluntary or involuntary liquidation, dissolution or winding up of Allegiance's affairs, all shares of Allegiance common stock will be entitled to share equally in all remaining

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assets after the holders of shares of preferred stock or other senior securities have received the liquidation preference of their shares plus any declared but unpaid dividends, if any, and after all other indebtedness has been retired.

*Preemptive Rights; Other.* Allegiance common stock has no preemptive or conversion rights and is not entitled to the benefits of any redemption or sinking fund provision.

### **Allegiance Preferred Stock**

Allegiance is authorized to issue 1,000,000 shares of preferred stock, par value \$1.00 per share.

Allegiance's certificate of formation permits it to issue one or more series of preferred stock and authorizes the Allegiance Board to designate the designations, preferences, limitations and relative rights of any such series of preferred stock, in each case, without any further action by Allegiance shareholders. Each share of a series of preferred stock will have the same relative rights as, and be identical in all respects with, all the other shares of the same series. Preferred stock may have voting rights, subject to applicable law and the determination at issuance by the Allegiance Board. While the terms of preferred stock may vary from series to series, holders of Allegiance common stock should assume that all shares of preferred stock will be senior to Allegiance common stock in respect of distributions and on liquidation.

Although the creation and authorization of preferred stock does not, in and of itself, have any effect on the rights of the holders of Allegiance common stock, the issuance of one or more series of preferred stock may affect the holders of Allegiance common stock in a number of respects, including the following:

by subordinating Allegiance common stock to the preferred stock with respect to dividend rights, liquidation preferences, and other rights, preferences, and privileges;

by diluting the voting power of Allegiance common stock;

by diluting the earnings per share of Allegiance common stock; and

by issuing Allegiance common stock, upon the conversion of the preferred stock, at a price below the fair market value or original issue price of the Allegiance common stock that is outstanding prior to such issuance.

### **Business Combinations under Texas Law**

A number of provisions of Texas law and Allegiance's certificate of formation and bylaws could have an anti-takeover effect and make any potential acquisition of Allegiance by means of a tender offer, a proxy contest or otherwise and the removal of incumbent directors more difficult. These provisions are intended to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Allegiance to negotiate first with the Allegiance Board.

Allegiance is subject to the provisions of Title 2, Chapter 21, Subchapter M of the TBOC (the Texas Business Combination Law), which provides that a Texas corporation that qualifies as an issuing public corporation (as defined

in the Texas Business Combination Law) may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of that person, who is an affiliated shareholder. For purposes of this law, an affiliated shareholder is, or was, during the prior three years, the beneficial owner of 20.0% or more of the corporation's voting shares. The prohibition on certain transactions with such affiliated shareholders extends for a three-year period from the date such shareholder first becomes an affiliated shareholder. These prohibitions do not apply if:

the business combination or the acquisition of shares by the affiliated shareholder was approved by the board of directors of the corporation before the affiliated shareholder became an affiliated shareholder; or

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the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder or an affiliate or associate of the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder.

As Allegiance currently has more than 100 shareholders, it is considered an issuing public corporation for purposes of this law. The Texas Business Combination Law does not apply to the following:

the business combination of an issuing public corporation: where the corporation's original certificate of formation or bylaws contain a provision expressly electing not to be governed by the Texas Business Combination Law; or that adopts an amendment to its certificate of formation or bylaws, by the affirmative vote of the holders, other than affiliated shareholders, of at least two-thirds of the outstanding voting shares of the corporation, expressly electing not to be governed by the Texas Business Combination Law and so long as the amendment does not take effect for 18 months following the date of the vote and does not apply to a business combination with an affiliated shareholder who became affiliated on or before the effective date of the amendment;

a business combination of an issuing public corporation with an affiliated shareholder that became an affiliated shareholder inadvertently, if the affiliated shareholder divests itself, as soon as possible, of enough shares to no longer be an affiliated shareholder and would not at any time within the three-year period preceding the announcement of the business combination have been an affiliated shareholder but for the inadvertent acquisition;

a business combination with an affiliated shareholder who became an affiliated shareholder through a transfer of shares by will or intestacy and continuously was an affiliated shareholder until the announcement date of the business combination; and

a business combination of a corporation with its wholly owned subsidiary if the subsidiary is a Texas entity and not an affiliate or associate of the affiliated shareholder other than by reason of the affiliated shareholder's beneficial ownership of voting shares of the corporation.

Neither Allegiance's certificate of formation nor its bylaws contains any provision expressly providing that Allegiance will not be subject to the Texas Business Combination Law. As a result, the Texas Business Combination Law may prevent a non-negotiated merger or other business combination involving Allegiance, even if such a merger or combination would be beneficial to Allegiance shareholders.

## **Action by Consent**

Under Texas law, no action required or permitted to be taken at an annual or special meeting of shareholders may be taken by written consent in lieu of a meeting of shareholders without the unanimous written consent of all shareholders entitled to vote on the action unless the certificate of formation specifically allows action to be taken by a written consent of the shareholders holding the minimum number of shares necessary to take the action that is subject to that consent at a meeting of shareholders, even though such consent is not signed by all of the corporation's shareholders. Allegiance's certificate of formation does not provide for shareholder action by less than unanimous written consent.

**Certain Certificate of Formation and Bylaw Provisions Potentially Having an Anti-takeover Effect**

Allegiance's certificate of formation and bylaws contain certain provisions which may have an anti-takeover effect and thus discourage potential takeover attempts and make it more difficult for Allegiance shareholders to change management or receive a premium for their shares. These provisions include:

staggered terms for directors, who may be removed from office only for cause;

a prohibition on cumulative voting in the election of directors;

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authority for the board of directors to issue shares of preferred stock without shareholder approval and upon such terms as the board of directors may determine;

a provision establishing certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals; and

a provision that any special meeting of shareholders may be called only by a majority of the board of directors, the President or a holder or group of holders of at least 50.0% of Allegiance's shares entitled to vote at the meeting.

In addition to these provisions of Allegiance's certificate of formation and bylaws, banking laws impose notice, approval, and ongoing regulatory requirements on any shareholder or other party that seeks to acquire direct or indirect control of an FDIC-insured depository institution. These laws include the BHC Act and the Change in Bank Control Act. These laws could delay or prevent an acquisition.

## **Exclusive Forum**

Allegiance's certificate of formation provides that, subject to certain exceptions, the state and federal courts located in Harris County, Texas, the county in which the City of Houston lies, shall be the sole and exclusive forum for certain shareholder litigation matters. Although Allegiance believes this provision benefits it by providing increased consistency in the application of Texas law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against Allegiance directors and officers and may limit shareholders' ability to obtain a favorable judicial forum for disputes with Allegiance. However, it is possible that a court could rule that this provision is unenforceable or inapplicable to a particular dispute.

## **Limitation of Liability and Indemnification of Officers and Directors**

Allegiance's certificate of formation provides that its directors and officers will be indemnified by Allegiance to the fullest extent permitted under the TBOC and applicable federal laws and regulations, against all reasonable expenses incurred in connection with their service for or on its behalf. Allegiance's certificate of formation also makes mandatory the indemnification permitted under Section 8.101 of the TBOC and makes mandatory the payment or reimbursement of reasonable expenses under Section 8.10 of the TBOC, and extends this mandatory indemnification and mandatory payment or reimbursement of expenses to all former or present officers of Allegiance and all persons who were serving at the request of Allegiance as the director, officer, partner, agent or trustee of another foreign or domestic entity. In addition, Allegiance's certificate of formation provides that its directors and officers will not be personally liable for monetary damages to Allegiance to the fullest extent permitted by the TBOC.

Allegiance has indemnification agreements with its officers and directors pursuant to which they are indemnified as described above and will be advanced costs and expenses subject to the condition that an indemnitee shall reimburse the indemnitor for all the amounts paid if a final judicial determination is made that the indemnitee is not entitled to be so indemnified under applicable law and regulation.

## **Transfer Agent and Registrar**

The transfer agent and registrar for Allegiance common stock is Computershare Trust Company, N.A.

## **Listing**

Allegiance common stock is listed on the NASDAQ Global Market under the symbol ABTX.



**Table of Contents****COMPARISON OF SHAREHOLDERS RIGHTS**

If the merger is completed, holders of Post Oak common stock will be entitled to receive shares of Allegiance common stock in exchange for their shares of Post Oak common stock. Allegiance is organized under the laws of the state of Texas, and Post Oak is organized under the laws of the state of Texas. The following is a summary of the material differences between (1) the current rights of Post Oak shareholders under the TBOC, the Post Oak certificate of formation and the Post Oak bylaws and (2) the current rights of Allegiance shareholders under the TBOC, the Allegiance certificate of formation and the Allegiance bylaws.

Allegiance and Post Oak believe that this summary describes the material differences between the rights of the holders of Allegiance common stock as of the date of this joint proxy statement/prospectus and the rights of the holders of Post Oak common stock as of the date of this joint proxy statement/prospectus; however, it does not purport to be a complete description of those differences. Copies of Allegiance's governing documents have been filed with the SEC. Copies of the Post Oak certificate of formation and the Post Oak bylaws are available upon written request from Post Oak. To find out where copies of these documents can be obtained, see [Where You Can Find More Information](#).

**Allegiance****Post Oak****Authorized Capital Stock**

Allegiance's certificate of formation authorizes the issuance of up to 41,000,000 shares divided into (A) one class of 40,000,000 shares of common stock with a par value of \$1.00 per share, and (B) one class of 1,000,000 shares of preferred stock with a par value \$1.00 per share, which may be divided into and issued in series as set forth in the certificate of formation. As of the Allegiance record date for the Allegiance special meeting, there were [ ] shares of Allegiance common stock outstanding.

Post Oak's certificate of formation authorizes it to issue up to 20,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share. As of the Post Oak record date for the Post Oak special meeting, there were [ ] shares of Post Oak common stock outstanding.

In connection with this joint proxy statement/prospectus, Allegiance is asking the holders of Allegiance common stock to approve an amendment to the Allegiance certificate of formation to increase the number of authorized shares of capital stock to 81,000,000 shares.

**Voting Limitations**

The Allegiance certificate of formation and the Allegiance bylaws do not impose voting restrictions on shares of Allegiance common stock.

The Post Oak certificate of formation and the Post Oak bylaws do not impose voting restrictions on shares of Post Oak common stock.

**Size Of Board Of Directors**

The Allegiance bylaws provide that the Allegiance Board will consist of no less than three directors, which shall be

The Post Oak bylaws provide that the Post Oak Board will consist of no less than one director, as may be

determined from time to time by a resolution adopted by a majority of the Allegiance Board; provided that no decrease in the number of directors which would have the effect of shortening the term of an incumbent director may be made by the Allegiance Board. The Allegiance Board currently has 16 directors and two advisory directors.

determined by the Post Oak Board from time to time, but no decrease in the number of directors will have the effect of shortening the term of any incumbent director. The Post Oak Board currently has 13 directors.

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Under Texas law, there are no preemptive rights unless expressly provided in the corporation's certificate of formation.

Allegiance's certificate of formation expressly denies preemptive rights to any shareholder of any class of stock, other than such rights as the Allegiance Board may determine from time to time.

Allegiance common stock is not convertible into any other securities of Allegiance.

Under Texas law, directors are elected by a plurality of the votes cast by the shareholders entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present, unless otherwise provided in the certificate of formation or the bylaws of a corporation.

Directors of Allegiance are elected by a plurality of the votes cast by the holders entitled to vote at the meeting. The persons receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed elected. Each share of Allegiance stock has one vote for each nominee for director. Allegiance's certificate of formation expressly prohibits cumulative voting for the election of directors. Directors need not be shareholders of Allegiance.

**Removal Of Directors, Board Vacancies And Classes Of Directors**

Unless otherwise provided in the certificate of formation or the bylaws of a corporation, Texas law provides that at any meeting of shareholders called expressly for the purpose of removing a director, any director or the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

**Preemptive Rights**

Under Texas law, there are no preemptive rights unless expressly provided in the corporation's certificate of formation.

Holders of Post Oak common stock are not entitled to preemptive rights with respect to any shares that may be issued.

Post Oak common stock is not convertible into any other securities of Post Oak.

**Election Of Directors**

Under Texas law, directors are elected by a plurality of the votes cast by the shareholders entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present, unless otherwise provided in the certificate of formation or the bylaws of a corporation.

Directors of Post Oak are elected by a plurality of the votes cast by the holders entitled to vote at the meeting. Each share of Post Oak stock has one vote for each nominee for director. Post Oak's certificate of formation prohibits cumulative voting for the election of directors.

Unless otherwise provided in the certificate of formation or the bylaws of a corporation, Texas law provides that at any meeting of shareholders called expressly for the purpose of removing a director, any director or the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

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Allegiance's bylaws provide that any director may be removed only for cause and only by the affirmative vote of a majority of the votes entitled to be cast by the shares of the then outstanding capital stock of Allegiance present in person or represented by proxy and entitled to vote generally in the election of

Post Oak's bylaws provide that any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of shares then entitled to vote at an election of directors.

Any vacancy on the Post Oak Board, including a vacancy created by reason of an increase in the

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directors at a duly constituted meeting of shareholders. Whenever the holders of any class or series of shares are entitled to elect one or more directors by the provisions of the certificate of formation, only the holders of shares of that class or series shall be entitled to vote for or against the removal of any director elected by the holder of that class or series. The Allegiance Board may remove any advisory director, with or without cause, upon majority vote of the Allegiance Board.

Any vacancies occurring on the Allegiance Board may also be filled at an annual or special meeting of the shareholders called for that purpose, or by the affirmative vote of a majority of the directors then in office even if the remaining directors constitute less than a quorum of the Allegiance Board. Any director so chosen shall hold office for the remainder of the term to which the director has been selected and until such director's successor shall have been elected and qualified.

The Allegiance Board has three classes of directors. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the full Allegiance Board. Advisory directors shall serve in an advisory capacity to the Allegiance Board and may be appointed to a committee, but shall not have the right to vote.

A majority of the number of directors shall constitute a quorum for the transaction of business of the Allegiance Board.

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of Allegiance shareholders for the transaction of business, except as otherwise provided by statute or the Allegiance certificate of formation. The shareholders present at a duly organized meeting may continue to

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number of directors, may be filled by the affirmative vote of the majority of the directors then in office, although less than a quorum, or by a sole remaining director; and any directors so chosen shall hold office until the next annual meeting held for the election of directors and until such director's successor shall have been elected and qualified, or until such director's earlier death, resignation or removal.

The Post Oak Board is not divided into classes.

A majority of the number of directors shall constitute a quorum for the transaction of business of the Post Oak Board.

The holders of a majority of the shares entitled to vote, present in person or represented by proxy, constitute a quorum for the transaction of business at any meeting of Post Oak shareholders, except as otherwise provided by law. If a quorum fails to attend any meeting, the holders of a majority of the shares of stock of Post Oak entitled to vote who are present, in person or by proxy,

transact business until adjournment, even if the withdrawal of enough shareholders leaves less than a quorum. If a quorum fails to attend any meeting, the shareholders entitled to vote who are present in person or represented by proxy may adjourn the meeting.

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**Notice Of Shareholder Meeting**

Written notice of any meeting of Allegiance shareholders shall be given not less than 10 nor more than 60 days before the day of the meeting. The notice shall include the place, date and time of the meeting, and in the case of special meetings, the purpose or purposes of the meeting.

Written notice of the place, date, and hour of all Post Oak meetings, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the President, the Secretary, or the officer of person(s) calling the meeting to each Post Oak shareholder entitled to vote thereat not less than 10 nor more than 60 days before the date of the meeting.

A written waiver of any notice signed by an Allegiance shareholder, whether before or after the time of the event for which notice is to be given, will be deemed equivalent to the notice required to be given to such shareholder.

Attendance of a person, including a director, at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the sole purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Vote Required For Certain Shareholder Actions**

Texas law provides that on matters other than the election of directors, the affirmative vote of the holders of a majority of the shares entitled to vote on, and who voted for, against, or expressly abstained with respect to the matter, will be the act of the shareholders, unless the vote of a greater number is required by law, the certificate of formation or the bylaws.

Texas law provides that on matters other than the election of directors, the affirmative vote of the holders of a majority of the shares entitled to vote on, and who voted for, against, or expressly abstained with respect to the matter, will be the act of the shareholders, unless the vote of a greater number is required by law, the certificate of formation or the bylaws.

Under Texas law, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation entitled to vote is required to approve a fundamental business transaction, unless a different vote but not less than a majority of the shares entitled to vote on the matter, is specified in the certificate of formation.

Under Texas law, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation entitled to vote is required to approve a fundamental business transaction, unless a different vote but not less than a majority of the shares entitled to vote on the matter, is specified in the certificate of formation.

Under Texas law, a corporation's certificate of formation may provide that the affirmative vote of the holders of a specified portion of the shares, not less than a majority, entitled to vote on the matter will be the act of the shareholders, rather than the specified portion of shares required under Texas law.

Under Texas law, a corporation's certificate of formation may provide that the affirmative vote of the holders of a specified portion of the shares, not less than a majority, entitled to vote on the matter will be the act of the shareholders, rather than the specified

portion of shares required under Texas law.

Each share of Allegiance common stock has one vote for each matter properly brought before the shareholders. The Allegiance Board may submit any act or contract for approval or ratification at any annual meeting of the shareholders. Any act or contract shall be approved or be ratified by the vote of the

Each share of Post Oak common stock has one vote for each matter properly brought before the shareholders. Post Oak's bylaws provide that, except as otherwise required by law, a majority of votes actually cast shall decide any matter properly before



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shareholders holding a majority of the issued and outstanding shares of stock of Allegiance entitled to vote and present in person or by proxy at such meeting.

Allegiance's bylaws and certificate of formation do not provide for a number of votes less than that required by the TBOC, except that directors shall be elected by plurality of the votes cast.

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the Post Oak shareholders at a meeting at which a quorum is present, except that directors shall be elected by plurality of the votes actually cast.

**Amendment Of Certificate Of Formation**

Under Texas law, a corporation's certificate of formation may be amended by the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote on the amendment, and, if entitled to vote by class or series of shares, by the holders of two-thirds of the outstanding shares of each class or series entitled to vote on the amendment, unless a different number, not less than a majority of shares entitled to vote on the matter or class or series entitled to vote on the matter, is specified in the corporation's certificate of formation.

Under Texas law, a corporation's certificate of formation may be amended by the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote on the amendment, and, if entitled to vote by class or series of shares, by the holders of two-thirds of the outstanding shares of each class or series entitled to vote on the amendment, unless a different number, not less than a majority of shares entitled to vote on the matter or class or series entitled to vote on the matter, is specified in the corporation's certificate of formation.

Allegiance's certificate of formation does not specifically address amendment of the certificate of formation.

Post Oak's certificate of formation does not specifically address amendment of the certificate of formation.

**Amendment Of Bylaws**

Under Texas law, unless a corporation's certificate of formation or a bylaw adopted by the shareholders provides otherwise, a corporation's shareholders may amend the bylaws regardless of whether they may also be amended by the board of directors.

Under Texas law, unless a corporation's certificate of formation or a bylaw adopted by the shareholders provides otherwise, a corporation's shareholders may amend the bylaws regardless of whether they may also be amended by the board of directors.

Allegiance's certificate of formation provides that the Allegiance Board shall have the power to amend, modify or repeal the Allegiance bylaws. The shareholders of Allegiance shall not have the power to adopt, amend or repeal the Allegiance bylaws.

Post Oak's bylaws provide that the bylaws may be altered, amended or repealed from time to time by the board of directors, subject to the right of the shareholders entitled to vote with respect thereto to amend or repeal such bylaws as adopted or amended by the board of directors.

Allegiance's bylaws provide that the Allegiance Board shall have the power to adopt, amend and repeal from

time to time the Allegiance bylaws. The shareholders of Allegiance shall not have the power to adopt, amend or repeal the Allegiance bylaws.

**Shareholder Actions Without A Meeting**

Under Texas law, shareholders may act without a meeting if a written consent is signed by all of the shareholders entitled to vote on the matter, unless the corporation's certificate of formation allow less than

Under Texas law, shareholders may act without a meeting if a written consent is signed by all of the shareholders entitled to vote on the matter, unless the corporation's certificate of formation allow less than

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unanimous consent (but not less than the number of votes necessary to take the action at the meeting).

Allegiance's certificate of formation does not provide for less than unanimous consent when shareholder action is taken without a meeting, and therefore, no action may be taken by written consent unless all shareholders agree.

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unanimous consent (but not less than the number of votes necessary to take the action at the meeting).

Post Oak's bylaws provide that any action required or permitted to be taken at a meeting of shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a unanimous vote of the shareholders.

**Special Meetings Of Shareholders**

Under Texas law, special meetings of the shareholders of a corporation may be called by the president, by the board of directors or by any other person authorized to call special meetings by the certificate of formation or bylaws of the corporation. A special meeting may also be called by the holder of the percentage of shares specified in the certificate of formation, not to exceed 50.0% of the shares entitled to vote, or if no percentage is specified, at least 10.0% of all of the shares of the corporation entitled to vote at the proposed special meeting.

Under Texas law, special meetings of the shareholders of a corporation may be called by the president, by the board of directors or by any other person authorized to call special meetings by the certificate of formation or bylaws of the corporation. A special meeting may also be called by the holder of the percentage of shares specified in the certificate of formation, not to exceed 50.0% of the shares entitled to vote, or if no percentage is specified, at least 10.0% of all of the shares of the corporation entitled to vote at the proposed special meeting.

Allegiance's bylaws provide that special meetings of the shareholders may be called at any time by the Chairman of the Board, by the Chief Executive Officer, by the President, by a majority of the Allegiance Board, or by the holders of 50.0% of the outstanding shares of Allegiance entitled to vote at the proposed special meeting. Business transacted at the special meeting shall be confined to the purpose or purposes stated in the notice of such meeting.

Special meetings of the Post Oak shareholders may be called by the President, by a majority of the Post Oak Board or the holders of not less than 25.0% of all shares entitled to vote at the proposed special meeting.

**Nomination Of Directors**

Any shareholder entitled to vote in the election of Allegiance directors generally may recommend to the Allegiance Board or the Nominating Committee of the Allegiance Board, if applicable, one or more persons as a nominee for election as directors at a meeting. A shareholder, however, must provide timely notice in proper written form of his intent to make such nomination

The certificate of formation and bylaws of Post Oak do not provide for any specific requirements relating to nominations for election to the Post Oak Board of directors.

or nominations. To be timely, a shareholder's notice given in the context of an annual meeting of shareholders shall be delivered to or mailed and received at the principal executive office of Allegiance not less than 120 days in advance of the first anniversary of the date of Allegiance notice to shareholders in connection with the previous year's

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annual meeting of shareholders. To be in proper written form, a shareholder's notice to the Secretary shall set forth:

(i) the name and address of the shareholder who intends to make the nominations and of the person or persons to be nominated;

(ii) a representation that the shareholder is a holder of record of stock of Allegiance entitled to vote at such meeting and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and

(iii) if applicable, a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder.

A notice not made in compliance with the bylaws shall not be eligible to be voted upon by shareholders at the meeting.

**Shareholder Proposal Of Business**

Proposals for business to be brought before any shareholder meeting may be made by the Allegiance Board or by any shareholder entitled to vote in such meeting. However, any such shareholder may propose business to be brought before a meeting only if such shareholder has given timely notice in proper written form of his intent to propose such business. To be timely, a shareholder's notice given in the context of an annual meeting of shareholder shall be delivered to or mailed and received at the principal executive office of Allegiance not less than 120 days in advance of the first anniversary of the date of Allegiance's notice to shareholders in connection with the previous year's annual

The certificate of formation and bylaws of Post Oak do not provide for any specific requirements relating to proposals for business to be brought before any shareholder meeting.

meeting of shareholders. To be in proper written form, a shareholder's notice to the Secretary shall set forth:

(i) the nature of the proposed business with reasonable particularity, including the exact text of any proposal to be presented for adoption and any supporting statement, which proposal and supporting statement shall not in the aggregate exceed 500 words, and his reasons for conducting such business at the meeting;

(ii) any material interest of the shareholder in such business;

(iii) the name and record address of the shareholder;

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(iv) the class and number of shares of Allegiance which are held of record or beneficially owned by the shareholder; and

(v) the dates upon which the shareholder acquired such shares of stock and documentary support for any claims of beneficial ownership.

The chairman of any meeting of shareholders shall determine whether business has been properly brought before the meeting and, if the facts so warrant, may refuse to transact any business at such meeting which has not been properly brought before the meeting.

**Indemnification**

Under Texas law, a corporation must indemnify a director for his service at the corporation and for service at the corporation as a representative of another entity against reasonable expenses actually incurred by the director in connection with a proceeding because of such service if the director is wholly successful, on the merits or otherwise, in the defense of the proceeding. If a court determines that a director, former director or representative is entitled to indemnification, the court will order indemnification by the corporation and award the person expenses incurred in securing the indemnification. Texas law also permits corporations to indemnify present or former directors and representatives of other entities serving as such directors in certain situations where indemnification is not mandated by law; however, such permissive indemnification is subject to various limitations. Under Texas law, a court may also order indemnification under various circumstances, and officers must be indemnified to the same extent as directors.

Allegiance's certificate of formation and bylaws provide for mandatory indemnification to the fullest extent allowed by Texas law for all persons who are or were serving at the request of Allegiance as a director, officer, partner or trustee of another foreign or domestic

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Under Texas law, a corporation must indemnify a director for his service at the corporation and for service at the corporation as a representative of another entity against reasonable expenses actually incurred by the director in connection with a proceeding because of such service if the director is wholly successful, on the merits or otherwise, in the defense of the proceeding. If a court determines that a director, former director or representative is entitled to indemnification, the court will order indemnification by the corporation and award the person expenses incurred in securing the indemnification. Texas law also permits corporations to indemnify present or former directors and representatives of other entities serving as such directors in certain situations where indemnification is not mandated by law; however, such permissive indemnification is subject to various limitations. Under Texas law, a court may also order indemnification under various circumstances, and officers must be indemnified to the same extent as directors.

Post Oak's certificate of formation and bylaws provide for mandatory indemnification to the fullest extent allowed by Texas law for all former or present directors or officers and all persons who were serving

corporation, partnership, joint venture, trust or employee benefit plan, to the same extent that Allegiance is obligated to indemnify and pay or reimburse expenses to directors.

at the request of Post Oak as a director, officer, partner or trustee of another entity.

Post Oak's certificate of formation and bylaws provide that Post Oak shall have the power to purchase and maintain insurance on behalf of the directors against any liability incurred by directors in such a capacity or arising out of such person's status. Post Oak also has the power to purchase and maintain insurance on behalf of any person who is or was a



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director, officer, employee, or agent of Post Oak or who is or was serving at the request of Post Oak as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another business, foreign, domestic or non-profit corporation, partnership, joint venture, sole proprietorship, trust or other enterprise or employee benefit plan, against any liability asserted against such person and incurred by such person in such a capacity or arising out of such person's status as such a person, whether or not Post Oak would have the power to indemnify such person against that liability under the provisions of the certification of formation or the TBOC, except to the extent limited or prohibited by state or federal law or regulation.

**Limitation Of Director Liability**

Texas law provides that the certificate of formation of a corporation may provide that a director of the corporation is not liable, or is liable only to the extent provided by the certificate of formation to the corporation or its shareholders for monetary damages for an act or omission by the person in the person's capacity as a director.

Texas law provides that the certificate of formation of a corporation may provide that a director of the corporation is not liable, or is liable only to the extent provided by the certificate of formation to the corporation or its shareholders for monetary damages for an act or omission by the person in the person's capacity as a director.

Allegiance's certificate of formation provides that no director of Allegiance will be liable to Allegiance or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except to the extent the foregoing exemption from liability is not permitted under Texas law. Any amendment, modification, or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of Allegiance existing hereunder with respect to any act or omission prior to such amendment, modification, or repeal.

No director of Post Oak shall be personally liable to Post Oak or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except for liability for any of the following:

- (1) a breach of the director's duty of loyalty to Post Oak or its shareholders;
- (2) an act of omission not in good faith that constitutes a breach of the director's duty to Post Oak;
- (3) an act or omission that involves intentional misconduct or a knowing violation of the law;

Allegiance's certificate of formation and bylaws provide that Allegiance shall have the power to purchase and maintain insurance on behalf of any person who is or was a director against any liability asserted against or incurred by directors in such a capacity or arising out of such person's status.

(4) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; or

(5) an act or omission for which the director's liability is provided expressly by an applicable statute.

**Right Of First Refusal**

Allegiance common stock is not subject to a right of first refusal in favor of Allegiance.

Post Oak common stock is not subject to a right of first refusal in favor of Post Oak.

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**Shareholder Rights Plan**

Allegiance does not currently have a shareholder rights plan.

Post Oak does not currently have a shareholder rights plan.

**Texas Anti-Takeover Statutes**

Allegiance is subject to the affiliated business combinations provisions of Chapter 21, Subchapter M of the TBOC (Sections 21.601 through 21.610), which provide that a Texas corporation may not engage in certain business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of such person, who is an Affiliated Shareholder (generally defined as the holder of 20.0% or more of the corporation's voting shares) for a period of three years from the date such person became an Affiliated Shareholder unless: (1) the business combination or purchase or acquisition of shares made by the Affiliated Shareholder was approved by the board of directors of the corporation before the Affiliated Shareholder became an Affiliated Shareholder or (2) the business combination was approved by the affirmative vote of the holders of an at least two-thirds majority of the outstanding voting shares of the corporation not beneficially owned by the Affiliated Shareholder, at a meeting of shareholders called for that purpose (and not by written consent), not less than six months after the Affiliated Shareholder became an Affiliated Shareholder.

Post Oak is subject to the affiliated business combinations provisions of Chapter 21, Subchapter M of the TBOC (Sections 21.601 through 21.610), which provide that a Texas corporation may not engage in certain business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of such person, who is an Affiliated Shareholder (generally defined as the holder of 20.0% or more of the corporation's voting shares) for a period of three years from the date such person became an Affiliated Shareholder unless: (1) the business combination or purchase or acquisition of shares made by the Affiliated Shareholder was approved by the board of directors of the corporation before the Affiliated Shareholder became an Affiliated Shareholder or (2) the business combination was approved by the affirmative vote of the holders of an at least two-thirds majority of the outstanding voting shares of the corporation not beneficially owned by the Affiliated Shareholder, at a meeting of shareholders called for that purpose (and not by written consent), not less than six months after the Affiliated Shareholder became an Affiliated Shareholder.

The affiliated business combinations provisions of the TBOC are not applicable to:

The affiliated business combinations provisions of the TBOC are not applicable to:

the business combination of a corporation: (a) where the corporation's original certificate of formation or bylaws contain a provision expressly electing not to be governed by the affiliated business combinations provisions of the TBOC; (b) that adopted an amendment to its certificate of formation or bylaws before December 31, 1997, expressly electing not to be governed by the affiliated business combinations provisions of the TBOC; or (c) that adopts an amendment to its certificate of formation or bylaws after December 31, 1997, by the affirmative vote of the holders, other than Affiliated

the business combination of a corporation: (a) where the corporation's original certificate of formation or bylaws contain a provision expressly electing not to be governed by the affiliated business combinations provisions of the TBOC; (b) that adopted an amendment to its certificate of formation or bylaws before December 31, 1997, expressly electing not to be governed by the affiliated business combinations provisions of the TBOC; or (c) that adopts an amendment to its certificate of formation or bylaws

Shareholders, of an at least two-thirds majority of the outstanding voting shares of the corporation, expressly electing not to be governed by the affiliated business combinations provisions of the TBOC;

after December 31, 1997, by the affirmative vote of the holders, other than Affiliated Shareholders, of an at least two-thirds majority of the outstanding voting shares of the corporation, expressly electing not to be governed by the affiliated business combinations provisions of the TBOC;

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a business combination of a corporation with an Affiliated Shareholder that became an Affiliated Shareholder inadvertently, if the Affiliated Shareholder: (a) as soon as practicable divests itself of enough shares to no longer be an Affiliated Shareholder; and (b) would not at any time within the three-year period preceding the announcement of the business combination have been an Affiliated Shareholder but for the inadvertent acquisition;

a business combination of a corporation with an Affiliated Shareholder that became an Affiliated Shareholder inadvertently, if the Affiliated Shareholder: (a) as soon as practicable divests itself of enough shares to no longer be an Affiliated Shareholder; and (b) would not at any time within the three-year period preceding the announcement of the business combination have been an Affiliated Shareholder but for the inadvertent acquisition;

a business combination with an Affiliated Shareholder that was the beneficial owner of 20.0% or more of the outstanding voting shares of the corporation on December 31, 1996, and continuously until the announcement date of the business combination;

a business combination with an Affiliated Shareholder that was the beneficial owner of 20.0% or more of the outstanding voting shares of the corporation on December 31, 1996, and continuously until the announcement date of the business combination;

a business combination with an Affiliated Shareholder who became an Affiliated Shareholder through a transfer of shares of the corporation by will or intestate succession and continuously was such an Affiliated Shareholder until the announcement date of the business combination; or

a business combination with an Affiliated Shareholder who became an Affiliated Shareholder through a transfer of shares of the corporation by will or intestate succession and continuously was such an Affiliated Shareholder until the announcement date of the business combination; or

a business combination of a corporation with a wholly owned subsidiary if the subsidiary is not an affiliate or associate of the Affiliated Shareholder other than by reason of the Affiliated Shareholder's beneficial ownership of the voting shares of the corporation.

a business combination of a corporation with a wholly owned subsidiary if the subsidiary is not an affiliate or associate of the Affiliated Shareholder other than by reason of the Affiliated Shareholder's beneficial ownership of the voting shares of the corporation.

Neither Allegiance's certificate of formation nor Allegiance's bylaws contains any provision expressly providing that Allegiance will not be subject to the affiliated business combinations provisions of the TBOC. The affiliated business combinations provisions of the TBOC may have the effect of inhibiting a non-negotiated merger or other business combination involving Allegiance, even if such event(s) would be beneficial to its shareholders.

Neither Post Oak's certificate of formation nor Post Oak's bylaws contains any provision expressly providing that Post Oak will not be subject to the affiliated business combinations provisions of the TBOC. The affiliated business combinations provisions of the TBOC may have the effect of inhibiting a non-negotiated merger or other business combination involving Post Oak, even if such event(s) would be

beneficial to its shareholders.

**Table of Contents****COMPARATIVE MARKET PRICES AND DIVIDENDS****Allegiance**

Since October 8, 2015, Allegiance common stock has been traded on the NASDAQ Global Market. Quotations of the sales volume and the closing sales prices of the common stock of Allegiance are listed daily under the symbol ABTX in the NASDAQ Global Market's listings. As of [ ], 2018, there were approximately [ ] holders of record of Allegiance common stock.

The following table sets forth, for the periods indicated, the high and low intraday sales prices for Allegiance common stock as reported by NASDAQ Global Market:

|      |                                         | High     | Low      |
|------|-----------------------------------------|----------|----------|
| 2016 | First Quarter                           | \$ 23.49 | \$ 14.38 |
|      | Second Quarter                          | 25.49    | 17.99    |
|      | Third Quarter                           | 28.98    | 23.10    |
|      | Fourth Quarter                          | 37.00    | 25.16    |
| 2017 | First Quarter                           | \$ 39.41 | \$ 31.20 |
|      | Second Quarter                          | 40.45    | 36.05    |
|      | Third Quarter                           | 39.90    | 31.75    |
|      | Fourth Quarter                          | 40.53    | 36.10    |
| 2018 | First Quarter                           | \$ 41.45 | \$ 36.50 |
|      | Second Quarter (through June [ ], 2018) | \$ [ ]   | \$ [ ]   |

Post Oak shareholders are advised to obtain the current stock quotation for Allegiance common stock. The market price of Allegiance common stock will fluctuate from the date of this joint proxy statement/prospectus through the closing of the merger.

**Allegiance Dividend Policy**

Allegiance has not historically declared or paid cash dividends on Allegiance common stock and does not expect to pay dividends on Allegiance common stock for the foreseeable future. Instead, Allegiance anticipates that all of Allegiance's future earnings will be retained to support Allegiance's operations and to finance the growth and development of Allegiance's business. Any future determination to pay dividends on Allegiance common stock will be made by the Allegiance Board and will depend on a number of factors, including:

Allegiance's historical and projected financial condition, liquidity and results of operations;

Allegiance's capital levels and requirements;

statutory and regulatory prohibitions and other limitations;

any contractual restriction on Allegiance's ability to pay cash dividends, including pursuant to the terms of any of Allegiance's credit agreements or other borrowing arrangements;

Allegiance's business strategy;

tax considerations;

any acquisitions or potential acquisitions that Allegiance may examine;

general economic conditions; and

other factors deemed relevant by the Allegiance Board.

Allegiance is not obligated to pay dividends on its common stock.



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As a Texas corporation, Allegiance is subject to certain restrictions on dividends under the TBOC. Generally, a Texas corporation may pay dividends to its shareholders out of its surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year, or both. In addition, if the capital of a Texas corporation is diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, the directors of such corporation cannot declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets is repaired. Allegiance is also subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. For more information, see Item 1. Business-Regulation and Supervision-Regulatory Limits on Dividends and Distributions in Allegiance's Annual Report on Form 10-K for the year ended December 31, 2017.

Since Allegiance is a bank holding company and does not engage directly in business activities of a material nature, Allegiance's ability to pay dividends to its shareholders depends, in large part, upon Allegiance's receipt of dividends from Allegiance Bank, which is also subject to numerous limitations on the payment of dividends under federal and state banking laws, regulations and policies. The present and future dividend policy of Allegiance Bank is subject to the discretion of its board of directors. Allegiance Bank is not obligated to pay dividends.

**Post Oak**

There is no established public trading market for the shares of Post Oak common stock, and no market for Post Oak common stock is expected to develop if the merger does not occur. No registered broker/dealer makes a market in Post Oak common stock, and Post Oak common stock is not listed for trading or quoted on any stock exchange or automated quotation system. Post Oak acts as the transfer agent and registrar for its own shares. As of the Post Oak record date, there were approximately [ ] holders of record of Post Oak common stock.

Post Oak becomes aware of trades of shares in its capacity as transfer agent for the shares of its common stock and sometimes learns of the prices at which these trades are made. The following table sets forth the high and low sales prices known to management of Post Oak for trades of its common stock for the periods shown:

|      |                                         | <b>High</b> | <b>Low</b> | <b>Number of Trades</b> | <b>Number of Shares Traded</b> |
|------|-----------------------------------------|-------------|------------|-------------------------|--------------------------------|
| 2016 | First Quarter                           | \$ 13.50    | \$ 13.50   | 6                       | 29,400                         |
|      | Second Quarter                          | 13.75       | 12.00      | 25                      | 711,000                        |
|      | Third Quarter                           | 13.75       | 13.75      | 7                       | 29,953                         |
|      | Fourth Quarter                          | 13.75       | 13.75      | 7                       | 9,445                          |
| 2017 | First Quarter                           | \$ 18.75    | \$ 18.75   | 2                       | 850                            |
|      | Second Quarter                          | 18.75       | 18.75      | 26                      | 29,710                         |
|      | Third Quarter                           | 18.75       | 18.75      | 9                       | 17,816                         |
|      | Fourth Quarter                          | 18.75       | 18.75      | 12                      | 12,851                         |
| 2018 | First Quarter                           | \$ 21.75    | \$ 18.75   | 18                      | 13,458                         |
|      | Second Quarter (through June [ ], 2018) | [ ]         | [ ]        | [ ]                     | [ ]                            |

The most recent trade of Post Oak's common stock occurred in the 2nd quarter of 2018, when 2,500 shares were traded at a price of \$21.75 per share. There have been other limited transfers of Post Oak's common stock that are not

reflected in the table above which were excluded as they were transferred between related parties (as gifts or to trusts or estates). Because of limited trading, the prices described above may not be representative of the actual or fair value of Post Oak's common stock.

Post Oak is not obligated to register its common stock or, upon any registration, to create a market for its common stock.

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Post Oak's general dividend policy is to retain earnings to augment capital and to fund growth. Accordingly, Post Oak has not historically paid dividends on its outstanding common stock.

Post Oak's shareholders are entitled to receive dividends out of legally available funds when, as and if declared by the Post Oak Board, in its sole discretion. As a Texas corporation, Post Oak is subject to certain restrictions on dividends under the TBOC. Generally, a Texas corporation may pay dividends to its shareholders out of its surplus (the excess of its assets over its liabilities and stated capital) unless the corporation is insolvent or the payment of the dividend would render the corporation insolvent.

Consistent with its policy that bank holding companies should serve as a source of financial strength for their subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of dividends to shareholders unless its net income available has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears consistent with the bank holding company's capital needs, asset quality and overall financial condition.

Post Oak does not engage in separate business activities of a material nature. As a result, Post Oak's ability to pay dividends depends upon the dividends received from Post Oak Bank. As a national banking association, Post Oak Bank's ability to pay distributions is restricted by certain laws and regulations. Under the National Bank Act, Post Oak Bank generally may not declare a distribution without prior OCC approval if the total amount of all distributions declared by the bank in any calendar year exceeds the bank's total net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits Post Oak Bank from paying distributions that would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan and lease losses.

Under the Federal Deposit Insurance Corporation Improvement Act, Post Oak may not pay any distribution if the payment of the distribution would cause Post Oak to become undercapitalized or if Post Oak is undercapitalized. The FDIC may further restrict the payment of distributions by requiring that Post Oak maintain a higher level of capital than would otherwise be required to be adequately capitalized for regulatory purposes. If, in the opinion of the FDIC, Post Oak is engaged in an unsound practice (which could include the payment of distributions), the FDIC may require, generally after notice and hearing, that Post Oak cease such practice. The FDIC has indicated that paying distributions that deplete a depository institution's capital base to an inadequate level would be an unsafe banking practice. The FDIC also has issued policy statements providing that insured depository institutions generally should pay distributions only out of current operating earnings.

Under regulatory capital guidelines, Post Oak Bank must maintain a common equity Tier 1 capital to total risk-weighted assets ratio of at least 4.5%, a Tier 1 capital to total risk-weighted assets ratio of 6.0%, a total capital to total risk-weighted assets ratio of 8.0% and a Tier 1 capital to average total assets ratio of 4.0%. As of March 31, 2018, Post Oak Bank had a ratio of common equity Tier 1 capital to total risk-weighted assets of 13.4%, a ratio of Tier 1 capital to total risk-weighted assets of 13.4%, a ratio of total capital to total risk-weighted assets of 14.4%, and a ratio of Tier 1 capital to average total assets of 11.0%.

**Table of Contents****BENEFICIAL OWNERSHIP OF ALLEGIANCE COMMON STOCK****BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF ALLEGIANCE**

The following table sets forth certain information regarding the beneficial ownership of Allegiance common stock as of June 19, 2018 by: (i) directors and named executive officers of Allegiance; (ii) each person who is known by Allegiance to beneficially own 5% or more of Allegiance common stock; and (iii) all directors and executive officers of Allegiance as a group. Unless otherwise indicated, based on information furnished by such shareholders, the management of Allegiance believes that each person has sole voting and dispositive power over the shares indicated as owned by such person.

| Name of Beneficial Owner                                        | Number of Shares<br>Beneficially Owned | Percentage Beneficially<br>Owned <sup>(1)</sup> |
|-----------------------------------------------------------------|----------------------------------------|-------------------------------------------------|
| <b>Directors and Executive Officers:</b>                        |                                        |                                                 |
| John B. Beckworth                                               | 132,837 <sup>(3)</sup>                 | *                                               |
| Daryl D. Bohls                                                  | 15,766 <sup>(4)</sup>                  | *                                               |
| Paul P. Egge                                                    | 9,934                                  | *                                               |
| Matthew H. Hartzell                                             | 11,913 <sup>(5)</sup>                  | *                                               |
| Robert Ivany                                                    | 889                                    | *                                               |
| Umesh (Mike) Jain                                               | 132,761                                | *                                               |
| Frances H. Jeter                                                | 8,360                                  | *                                               |
| James J. Kearney                                                | 19,193 <sup>(6)</sup>                  | *                                               |
| Shanna Kuzdzal                                                  | 8,300                                  | *                                               |
| P. Michael Mann, M.D.                                           | 193,965 <sup>(7)</sup>                 | 1.45%                                           |
| George Martinez                                                 | 286,567 <sup>(8)</sup>                 | 2.15%                                           |
| David B. Moulton                                                | 23,193 <sup>(9)</sup>                  | *                                               |
| William S. Nichols III                                          | 74,160 <sup>(10)</sup>                 | *                                               |
| Thomas A. Reiser                                                | 161,676 <sup>(11)</sup>                | 1.21%                                           |
| Steven F. Retzloff                                              | 300,049 <sup>(12)</sup>                | 2.25%                                           |
| Raimundo Riojas E.                                              | 205,434 <sup>(13)</sup>                | 1.54%                                           |
| Fred S. Robertson                                               | 57,860 <sup>(14)</sup>                 | *                                               |
| Ramon A. Vitulli III                                            | 33,839 <sup>(15)</sup>                 | *                                               |
| <b>Directors and Executive Officers as a group (18 persons)</b> | <b>1,676,696<sup>(16)</sup></b>        | <b>12.57%</b>                                   |
| <b>Principal shareholders:</b>                                  |                                        |                                                 |
| FMR LLC                                                         | 1,183,217 <sup>(17)</sup>              | 8.87%                                           |

\* Indicates ownership which does not exceed 1.0%.

- (1) The address of each Allegiance director and officer is c/o Allegiance Bancshares, Inc., 8847 West Sam Houston Parkway, N., Suite 200, Houston, Texas 77040.
- (2) Percentage is based on 13,340,610 shares of Allegiance common stock issued and outstanding as of June 19, 2018 and assumes the exercise by the shareholder or group named in each row of all options for the purchase of common stock held by such shareholder or group and exercisable within 60 days.
- (3) Consists of 9,027 shares held of record by Mr. Beckworth, 57,143 shares held of record by John Beckworth & Laura H. Beckworth Ten Com and 66,667 shares held of record by the Laura Hobby Beckworth 1999 WPH Trust, of which his spouse is trustee.
- (4)

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Consists of 5,000 shares held of record by an IRA rollover account for the benefit of Mr. Bohls, 1,427 shares held of record by Mr. Bohls and 9,339 shares that can be acquired pursuant to the exercise of outstanding stock options.

- (5) Consists of 6,660 shares held of record by Mr. Hartzell and 5,253 shares held by an IRA account for the benefit of Mr. Hartzell.
- (6) Consists of 2,360 shares held of record by Mr. Kearney and 16,833 shares held of record by Mr. Kearney and his wife. Mr. Kearney has pledged 16,833 shares as security for indebtedness.
- (7) Consists of 33,838 shares of record by Dr. Mann, 9,400 shares held of record by an IRA for the benefit of Dr. Mann, 37,500 shares held of record by White House Realty, LLC, of which Dr. Mann is President and

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- 113,477 shares held of record by MCRP Interests Ltd., of which Dr. Mann is President. Dr. Mann has pledged 170,000 shares as security for indebtedness.
- (8) Consists of 285,567 shares held of record by Martinez 2007 Family Partnership Ltd., of which Mr. Martinez is a limited partner and 1,000 shares held of record by Mr. Martinez. Mr. Martinez has pledged 120,167 shares as security for indebtedness.
- (9) Consists of 9,860 shares held of record by Mr. Moulton and 13,333 shares held of record by an IRA for the benefit of Mr. Moulton.
- (10) Consists of 2,360 shares held of record by Mr. Nichols, 55,800 shares held of record by Nichols Realty Investments I, LTD., of which Mr. Nichols is the President of the managing partner, Nichols GP Investment, Inc., and 16,000 shares held of record by Nichols Rising Star Partners II, LTD., of which Mr. Nichols is the President of the managing partner, Nichols GP Investment, Inc.
- (11) Consists of 4,564 shares held of record by Mr. Reiser, 23,000 shares held of record by an IRA for the benefit of Mr. Reiser and 134,112 held of record by Fenchurch Investments, LLC, of which Mr. Reiser is the sole member.
- (12) Consists of 21,500 shares held of record by Mr. Retzloff and his wife, 266,667 shares held of record by Retzloff Holdings, LTD., of which Mr. Retzloff is a limited partner, 8,882 shares held of record by SF Retzloff Family Limited Partnership, LTD., of which Mr. Retzloff is a limited partner and 3,000 shares of record by Retzloff Industries, Inc. of which Mr. Retzloff is the President.
- (13) Consists of 2,360 shares held of record by Mr. Riojas and 203,074 shares held of record by Glencox Investments, Inc., of which Mr. Riojas is President.
- (14) Consists of 1,602 shares held of record by Mr. Robertson, 2,500 shares held of record by an IRA for the benefit of Mr. Robertson and 53,758 shares held of record by The Robertson Family Trust, of which Mr. Robertson is the trustee.
- (15) Consists of 6,489 shares held of record by an IRA account for the benefit of Mr. Vitulli and 27,350 shares that can be acquired pursuant to the exercise of outstanding stock options.
- (16) Includes 36,689 shares that can be acquired pursuant to outstanding stock options that are exercisable within 60 days.
- (17) The information concerning FMR LLC is based solely on information contained in its Schedule 13G/A filed with the SEC on February 13, 2018. FMR LLC's principal business address is 245 Summer Street, Boston, Massachusetts 02210.

**Table of Contents****BENEFICIAL OWNERSHIP OF POST OAK COMMON STOCK****BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS OF POST OAK**

The following table sets forth certain information regarding the beneficial ownership of Post Oak common stock as of June 19, 2018 by: (i) each person who is known by Post Oak to beneficially own 5.0% or more of Post Oak's common stock; (ii) each director of Post Oak; (iii) the principal executive officer and the two other most highly compensated executive officers of Post Oak; and (iv) all directors and executive officers of Post Oak as a group. Unless otherwise indicated, based on information furnished by such shareholders, the management of Post Oak believes that each person has sole voting and dispositive power over the shares indicated as owned by such person. Unless otherwise indicated, the address for each of the listed beneficial owners is c/o Post Oak Bancshares, Inc., 2000 West Loop South, Suite 100, Houston, Texas 77027.

| <b>Name of Beneficial Owner</b>                                 | <b>Number of Shares Beneficially Owned</b> | <b>Percentage Beneficially Owned<sup>(1)</sup></b> |
|-----------------------------------------------------------------|--------------------------------------------|----------------------------------------------------|
| <b>Directors and Executive Officers:</b>                        |                                            |                                                    |
| Renee C. Bourland                                               | 149,216 <sup>(2)</sup>                     | 1.25%                                              |
| Charles H. Carmouche                                            | 119,903 <sup>(3)</sup>                     | 1.01%                                              |
| Charles M. Giesen                                               | 42,455 <sup>(4)</sup>                      | *                                                  |
| E. Doug Hodo, Jr.                                               | 120,473 <sup>(5)</sup>                     | 1.02%                                              |
| Frank C. Liang                                                  | 363,900 <sup>(6)</sup>                     | 3.07%                                              |
| D. Wayne McDonnell                                              | 157,300 <sup>(7)</sup>                     | 1.33%                                              |
| Robert E. McKee, III                                            | 201,386                                    | 1.70%                                              |
| Randall S. Nelson                                               | 435,011                                    | 3.68%                                              |
| Jim W. Nokes                                                    | 226,210                                    | 1.91%                                              |
| Fernando D. Parra                                               | 163,826 <sup>(8)</sup>                     | 1.38%                                              |
| Robert A. Phillips                                              | 178,128 <sup>(9)</sup>                     | 1.50%                                              |
| H. John Riley, Jr.                                              | 216,050                                    | 1.83%                                              |
| Marcus C. Rowland                                               | 95,611 <sup>(10)</sup>                     | *                                                  |
| Romi L. Sandel                                                  | 55,914 <sup>(11)</sup>                     | *                                                  |
| Louis A. Waters, Jr.                                            | 159,000 <sup>(12)</sup>                    | 1.34%                                              |
| Michael E. Wiley                                                | 351,550 <sup>(13)</sup>                    | 2.97%                                              |
| Roland L. Williams                                              | 432,676 <sup>(14)</sup>                    | 3.61%                                              |
| <b>Directors and Executive Officers as a group (17 persons)</b> | <b>3,468,609<sup>(15)</sup></b>            | <b>28.20%</b>                                      |

\* Indicates ownership which does not exceed 1.0%.

- (1) The percentage beneficially owned was calculated on a fully-diluted basis based on 11,828,154 shares of Post Oak common stock issued and outstanding as of June 19, 2018 or subject to options. The percentage assumes the exercise by the shareholder or group named in each row of all options for the purchase of Post Oak common stock held by such shareholder or group and exercisable within 60 days.
- (2) Includes 63,000 shares that may be acquired pursuant to the exercise of options under the Post Oak Bancshares, Inc. Stock Option Plan ( Plan ) and 4,589 shares allocated to the account of the shareholder pursuant to the Post Oak Bancshares, Inc. Employee Stock Ownership Plan ( ESOP ).
- (3)

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Includes 39,000 shares that may be acquired pursuant to the exercise of options under the Plan and 4,403 shares allocated to the account of the shareholder pursuant to the ESOP.

- (4) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (5) Includes 17,100 shares that may be acquired pursuant to the exercise of options under the Plan.
- (6) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (7) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (8) Includes 15,600 shares that may be acquired pursuant to the exercise of options under the Plan and 4,976 shares allocated to the account of the shareholder pursuant to the ESOP.



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- (9) Includes 63,000 shares that may be acquired pursuant to the exercise of options under the Plan and 4,578 shares allocated to the account of the shareholder pursuant to the ESOP.
- (10) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (11) Includes 1,200 shares that may be acquired pursuant to the exercise of options under the Plan and 3,904 shares allocated to the account of the shareholder pursuant to the ESOP.
- (12) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (13) Includes 20,500 shares that may be acquired pursuant to the exercise of options under the Plan.
- (14) Includes 148,500 shares that may be acquired pursuant to the exercise of options under the Plan and 4,976 shares allocated to the account of the shareholder pursuant to the ESOP.
- (15) Includes 470,400 shares that may be acquired pursuant to the exercise of options under the Plan.

**LEGAL MATTERS**

The validity of the Allegiance common stock to be issued in the merger will be passed upon for Allegiance by Bracewell. Certain U.S. federal income tax consequences relating to the merger will also be passed upon for Allegiance by Bracewell and for Post Oak by Fenimore Kay.

**EXPERTS**

The audited consolidated financial statements of Allegiance Bancshares, Inc. incorporated by reference in this joint proxy statement/prospectus have been so incorporated by reference in reliance upon the report of Crowe Horwath LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Post Oak Bancshares, Inc. as of and for the years ended December 31, 2017 and 2016 have been included herein and have been audited by Harper & Pearson Company, P.C., independent auditors, in reliance upon the report of such firm appearing elsewhere herein, and upon the authority of such firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

Allegiance has filed with the SEC a registration statement on Form S-4 under the Securities Act to register the shares of Allegiance common stock that Post Oak shareholders will be entitled to receive in connection with the merger. This joint proxy statement/prospectus is a part of that registration statement. The registration statement, including the attached annexes, exhibits and schedules, contains additional relevant information about Allegiance and Allegiance common stock. The rules and regulations of the SEC allow Allegiance to omit certain information included in the registration statement from this joint proxy statement/prospectus.

Allegiance also files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of the materials Allegiance files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information about issuers who file electronically with the SEC. The address of that site is <http://www.sec.gov>. General information about Allegiance, including Allegiance's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through Allegiance's website at [www.allegiancebank.com](http://www.allegiancebank.com) as soon as reasonably practicable after Allegiance files them with, or furnishes them to, the SEC. Information on Allegiance's website is not incorporated into this joint proxy statement/prospectus or Allegiance's other securities filings and is not a part of these filings.



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The SEC allows Allegiance to incorporate by reference into this joint proxy statement/prospectus certain information that Allegiance files with the SEC, which means that Allegiance can disclose important information to you without actually including the specific information in this joint proxy statement/prospectus by referring you to those documents. The information incorporated by reference is an important part of this joint proxy statement/prospectus. You should not assume that the information in this joint proxy statement/prospectus is current as of any date other than the date of this joint proxy statement/prospectus or that any information incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference (or, with respect to particular information contained in such document, as of any date other than the date set forth within such document as the date as of which such particular information is provided). Allegiance incorporates by reference into this joint proxy statement/prospectus the documents listed below and any future filings it makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act following the date of this joint proxy statement/prospectus and prior to the termination of the offering covered by this joint proxy statement/prospectus, in each case, other than information furnished to the SEC (including, but not limited to, information furnished under Items 2.02 or 7.01 of Form 8-K and any corresponding information furnished with respect to such Items under Item 9.01 or as an exhibit) and which is not deemed filed under the Exchange Act:

Allegiance's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 9, 2018;

Allegiance's Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed with the SEC on May 8, 2018;

the information specifically incorporated by reference into Allegiance's Annual Report on Form 10-K for the year ended December 31, 2017 from Allegiance's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 15, 2018;

Allegiance's Current Reports on Form 8-K, two of which were filed with the SEC on May 1, 2018; and

the description of Allegiance common stock contained in its Form 8-A filed with the SEC on October 6, 2015, including any amendment to that form that Allegiance may file with the SEC in the future for the purpose of updating the description of its common stock.

Any statement contained in this joint proxy statement/prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this joint proxy statement/prospectus to the extent that a statement contained in this joint proxy statement/prospectus or in any subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this joint proxy statement/prospectus.

Information about Allegiance can also be found in additional documents that Allegiance may file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this joint proxy statement/prospectus and the date of Post Oak's special meeting (other than the portions of those documents not deemed to be filed). These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly

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Reports on Form 10-Q, and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents referred to above through Allegiance or from the SEC through the SEC's Internet site at the address described above. Documents incorporated by reference are available from Allegiance without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this joint proxy statement/prospectus. You can obtain documents incorporated by reference into this joint proxy statement/prospectus by requesting them in writing or by telephone from Allegiance at the following address:

Allegiance Bancshares, Inc.

8847 West Sam Houston Parkway, N., Suite 200

Houston, Texas 77040

Attention: George Martinez

Telephone: (281) 894-3200

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Post Oak is a private company and accordingly does not file reports or other information with the SEC. If you would like to request documents from Post Oak, please send a request in writing or by telephone to Post Oak at the following address:

Post Oak Bancshares, Inc.  
2000 West Loop S, Suite 100  
Houston, Texas 77027  
Attention: Roland L. Williams  
Telephone: (713) 439-3900

To receive timely delivery of these documents in advance of the meetings, you must make your request no later than five business days before the date of your meeting. This means that Allegiance shareholders requesting documents must do so by [ ], in order to receive them before the Allegiance special meeting, and Post Oak shareholders requesting documents must do so by [ ], in order to receive them before the Post Oak special meeting. If you request any incorporated documents from Allegiance, then Allegiance will mail them to you by first-class mail, or another equally prompt means, within one business day after Allegiance receives your request.

Allegiance has supplied all information contained in or incorporated by reference into this joint proxy statement/prospectus relating to Allegiance, and Post Oak has supplied all information contained in this joint proxy statement/prospectus relating to Post Oak.

Neither Allegiance nor Post Oak has authorized anyone to give any information or make any representation about the merger, the Allegiance share issuance or their companies that is different from, or in addition to, that contained in this joint proxy statement/prospectus or in any of the materials that have been incorporated by reference into this joint proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this joint proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this joint proxy statement/prospectus does not extend to you. The information contained herein speaks only as of the date of this joint proxy statement/prospectus unless the information specifically indicates that another date applies.

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**Post Oak Audited Financial Statements**

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**POST OAK BANCSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
**MARCH 31, 2018 AND DECEMBER 31, 2017**

|                                                      | March 31,<br>2018       | December 31,<br>2017    |
|------------------------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                        |                         |                         |
| Cash and due from banks                              | \$ 141,314,467          | \$ 143,735,430          |
| Money market deposits at banks                       | 43,994,553              | 42,793,097              |
| Federal funds sold and reverse repurchase agreements | 759,779                 | 834,902                 |
| <b>Total Cash and Cash Equivalents</b>               | <b>186,068,799</b>      | <b>187,363,429</b>      |
| Time deposits at banks                               | 13,869,922              | 12,851,918              |
| Securities available for sale                        | 48,464,314              | 49,446,320              |
| Other investments                                    | 5,229,411               | 4,996,354               |
| Loans                                                | 1,146,660,976           | 1,147,001,691           |
| Less allowance for possible credit losses            | (11,994,845)            | (12,029,724)            |
| <b>Loans, net</b>                                    | <b>1,134,666,131</b>    | <b>1,134,971,967</b>    |
| Premises and equipment, net                          | 21,672,817              | 21,905,318              |
| Goodwill                                             | 4,264,878               | 4,264,878               |
| Core deposit intangible                              | 1,792,358               | 1,924,634               |
| Bank owned life insurance                            | 3,429,896               | 3,405,736               |
| Accrued interest receivable                          | 3,849,324               | 4,124,346               |
| Other real estate owned                              | 3,132,865               |                         |
| Prepaid expenses, net                                | 1,104,430               | 1,141,845               |
| Deferred income tax, net                             | 2,132,550               | 2,072,131               |
| Other assets                                         | 2,929,368               | 902,929                 |
| <b>Total Assets</b>                                  | <b>\$ 1,432,607,063</b> | <b>\$ 1,429,371,805</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>           |                         |                         |
| <b>Liabilities</b>                                   |                         |                         |
| Deposits:                                            |                         |                         |
| Non-interest bearing                                 | \$ 423,242,087          | \$ 468,255,847          |
| Interest bearing checking and savings                | 481,765,268             | 448,776,086             |
| Interest bearing certificates of deposit             | 336,143,379             | 334,814,041             |
| <b>Total Deposits</b>                                | <b>1,241,150,734</b>    | <b>1,251,845,974</b>    |
| Stock redemption liability                           | 398,972                 | 433,647                 |

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|                                                  |                         |                         |
|--------------------------------------------------|-------------------------|-------------------------|
| Federal Home Loan Bank borrowings                | 25,000,000              | 15,000,000              |
| Accrued interest payable                         | 703,765                 | 685,418                 |
| Other liabilities                                | 2,617,545               | 3,489,484               |
| <b>Total Liabilities</b>                         | <b>1,269,871,016</b>    | <b>1,271,454,523</b>    |
| <b>Shareholders Equity</b>                       |                         |                         |
| Common stock                                     | 124,366                 | 123,866                 |
| Treasury stock, at cost                          | (7,455,439)             | (7,595,438)             |
| Capital surplus                                  | 104,803,242             | 104,327,528             |
| Retained earnings                                | 65,810,043              | 61,380,202              |
| Accumulated other comprehensive loss             | (546,165)               | (318,876)               |
| <b>Total Shareholders Equity</b>                 | <b>162,736,047</b>      | <b>157,917,282</b>      |
| <b>Total Liabilities and Shareholders Equity</b> | <b>\$ 1,432,607,063</b> | <b>\$ 1,429,371,805</b> |

See condensed notes to interim consolidated financial statements.

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Table of Contents**POST OAK BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

|                                                                       | <b>For the Three Months Ended March 31,</b> |                   |
|-----------------------------------------------------------------------|---------------------------------------------|-------------------|
|                                                                       | 2018                                        | 2017              |
| <b>INTEREST INCOME</b>                                                |                                             |                   |
| Interest and fees on loans                                            | \$ 14,799,153                               | \$ 11,970,106     |
| Securities available for sale                                         | 226,229                                     | 168,181           |
| Cash and cash equivalents                                             | 521,426                                     | 221,412           |
| Other investments                                                     | 43,708                                      | 35,211            |
| Total Interest Income                                                 | 15,590,516                                  | 12,394,910        |
| <b>INTEREST EXPENSE</b>                                               |                                             |                   |
| Deposits                                                              | 1,904,489                                   | 1,045,716         |
| Other                                                                 | 79,782                                      |                   |
| Total Interest Expense                                                | 1,984,271                                   | 1,045,716         |
| <b>NET INTEREST INCOME</b>                                            | <b>13,606,245</b>                           | <b>11,349,194</b> |
| <b>PROVISION FOR POSSIBLE CREDIT LOSSES</b>                           | <b>250,000</b>                              | <b>200,000</b>    |
| <b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE CREDIT LOSSES</b> | <b>13,356,245</b>                           | <b>11,149,194</b> |
| <b>NONINTEREST INCOME</b>                                             |                                             |                   |
| Deposit account service charges                                       | 217,686                                     | 220,761           |
| ATM, bank card, and credit card fees                                  | 195,025                                     | 170,498           |
| Wire transfer fees                                                    | 31,082                                      | 28,669            |
| Net (loss) on sale of other real estate and other assets              |                                             | (19,153)          |
| Discounted loan income                                                | 72,985                                      | 115,992           |
| Increase in cash surrender value of bank owned life insurance         | 24,160                                      | 24,474            |
| Other                                                                 | 181,202                                     | 133,128           |
| Total Noninterest Income                                              | 722,140                                     | 674,369           |
| <b>NONINTEREST EXPENSES</b>                                           |                                             |                   |
| Salaries and employee benefits                                        | 5,428,328                                   | 4,722,133         |

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|                                             |                         |                         |
|---------------------------------------------|-------------------------|-------------------------|
| Occupancy and equipment expense             | 968,114                 | 865,027                 |
| Data processing                             | 543,258                 | 533,541                 |
| Regulatory and bank insurance               | 274,652                 | 236,234                 |
| Professional fees                           | 279,378                 | 592,086                 |
| Office expense                              | 78,851                  | 100,647                 |
| Marketing and business development          | 182,956                 | 167,878                 |
| Loans and other real estate                 | 83,650                  | 59,021                  |
| Core deposit intangible amortization        | 132,277                 | 60,763                  |
| Other                                       | 350,985                 | 351,703                 |
| <br>Total Noninterest Expenses              | <br>8,322,449           | <br>7,689,033           |
| <b>NET INCOME BEFORE INCOME TAX EXPENSE</b> | <b>5,755,936</b>        | <b>4,134,530</b>        |
| <b>INCOME TAX EXPENSE</b>                   | <b>(1,326,095)</b>      | <b>(1,533,945)</b>      |
| <br><b>CONSOLIDATED NET INCOME</b>          | <br><b>\$ 4,429,841</b> | <br><b>\$ 2,600,585</b> |

See accompanying notes to consolidated financial statements

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Table of Contents**POST OAK BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)****FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

|                                                                | For the Three Months Ended March 31, |              |
|----------------------------------------------------------------|--------------------------------------|--------------|
|                                                                | 2018                                 | 2017         |
| Consolidated net income                                        | \$ 4,429,841                         | \$ 2,600,585 |
| Other comprehensive (loss) gain:                               |                                      |              |
| Change in net unrealized loss on securities available for sale | (287,707)                            | 186,719      |
| Change in related deferred tax liability                       | 60,418                               | (59,976)     |
| Other comprehensive (loss) gain                                | (227,289)                            | 126,743      |
| Total comprehensive income                                     | \$ 4,202,552                         | \$ 2,727,328 |

See condensed notes to interim consolidated financial statements.

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## POST OAK BANCSHARES, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

|                                                               | Common<br>Stock | Treasury<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total          |
|---------------------------------------------------------------|-----------------|-------------------|--------------------|----------------------|-----------------------------------------------|----------------|
| Balance, December 31,<br>2016                                 | \$ 115,349      | \$ (7,006,332)    | \$ 90,715,955      | \$ 46,353,332        | \$ (354,810)                                  | \$ 129,823,494 |
| Exercise of stock<br>options                                  | 312             |                   | 237,776            |                      |                                               | 238,088        |
| Redemption of treasury<br>stock (850 shares)                  |                 | (15,938)          |                    |                      |                                               | (15,938)       |
| Restricted stock grants                                       | 459             |                   | (459)              |                      |                                               |                |
| Stock based<br>compensation restricted<br>stock               |                 |                   | 98,614             |                      |                                               | 98,614         |
| Stock based<br>compensation options                           |                 |                   | 13,123             |                      |                                               | 13,123         |
| Consolidated net<br>income                                    |                 |                   |                    | 2,600,585            |                                               | 2,600,585      |
| Change in net<br>unrealized loss on<br>securities, net of tax |                 |                   |                    |                      | 126,743                                       | 126,743        |
| Balance, March 31,<br>2017                                    | 116,120         | (7,022,270)       | 91,065,009         | 48,953,917           | (228,067)                                     | 132,884,709    |
| Balance, December 31,<br>2017                                 | \$ 123,866      | \$ (7,595,438)    | \$ 104,327,528     | \$ 61,380,202        | \$ (318,876)                                  | \$ 157,917,282 |
| Exercise of stock<br>options                                  | 45              |                   | 38,755             |                      |                                               | 38,800         |
| Shares forfeited                                              | (3)             |                   | 3                  |                      |                                               |                |
| Issuance of treasury<br>stock to ESOP                         |                 | 139,999           | 295,000            |                      |                                               | 434,999        |
| Restricted stock grants                                       | 458             |                   | (458)              |                      |                                               |                |
| Stock based<br>compensation restricted<br>stock               |                 |                   | 142,056            |                      |                                               | 142,056        |

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|                                                         |         |             |             |            |           |  |             |
|---------------------------------------------------------|---------|-------------|-------------|------------|-----------|--|-------------|
| Stock based compensation options                        |         |             |             | 358        |           |  | 358         |
| Consolidated net income                                 |         |             |             | 4,429,841  |           |  | 4,429,841   |
| Change in net unrealized loss on securities, net of tax |         |             |             |            | (227,289) |  | (227,289)   |
| Balance, March 31, 2018                                 | 124,366 | (7,455,439) | 104,803,242 | 65,810,043 | (546,165) |  | 162,736,047 |

See condensed notes to interim consolidated financial statements.

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## POST OAK BANCSHARES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

|                                                                                                | For the Three Months Ended March 31, |              |
|------------------------------------------------------------------------------------------------|--------------------------------------|--------------|
|                                                                                                | 2018                                 | 2017         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                   |                                      |              |
| Consolidated net income                                                                        | \$ 4,429,841                         | \$ 2,600,585 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                                      |              |
| Provision for possible credit losses                                                           | 250,000                              | 200,000      |
| Depreciation and amortization                                                                  | 326,309                              | 200,697      |
| Amortization and accretion of premiums and discounts on investment securities, net             | 72,230                               | 81,288       |
| Increase in cash surrender value of bank owned life insurance                                  | (24,160)                             | (24,474)     |
| Net loss (gain) on sale of other real estate and other assets                                  |                                      | (19,153)     |
| Deferred income taxes                                                                          |                                      | 150,818      |
| Stock based compensation expense                                                               | 142,414                              | 111,737      |
| Change in operating assets and liabilities:                                                    |                                      |              |
| Accrued interest receivable                                                                    | 275,022                              | 99,683       |
| Prepaid expenses and other assets                                                              | (1,951,182)                          | (997,930)    |
| Accrued interest payable                                                                       | 18,347                               | (30,855)     |
| Other liabilities                                                                              | (1,013,995)                          | 2,248,986    |
| Total adjustments                                                                              | (1,905,015)                          | 2,020,797    |
| Net cash provided by operating activities                                                      | 2,524,826                            | 4,621,382    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                   |                                      |              |
| Purchases of securities available for sale                                                     |                                      | (1,151,009)  |
| Maturities, calls, and paydowns of securities available for sale                               | 622,068                              | 1,189,475    |
| Sales of securities available for sale                                                         |                                      | 45,971       |
| Purchases of other investments                                                                 | (225,757)                            | 37,059       |
| (Increase) decrease in time deposits at banks                                                  | (1,018,004)                          | 250,000      |
| Net increase in loans                                                                          | (3,004,544)                          | (31,091,878) |
| Purchases of premises and equipment                                                            | (71,859)                             | (37,975)     |
| Proceeds from sale of other real estate owned, net                                             |                                      | 549,195      |
| Purchase of Federal Home Loan Bank stock                                                       | (7,300)                              |              |
| Net cash used by investing activities                                                          | (3,705,396)                          | (30,209,162) |

|                                                            |                       |                       |
|------------------------------------------------------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>               |                       |                       |
| Net (decrease) increase in noninterest-bearing deposits    | (45,013,760)          | 3,031,064             |
| Net increase in interest-bearing deposits                  | 34,318,520            | 4,657,930             |
| Proceeds from borrowed funds                               | 10,000,000            |                       |
| Decrease in stock redemption liability                     | (34,675)              |                       |
| Proceeds from exercise of options                          | 475,856               | 238,088               |
| Issuance of treasury stock to ESOP                         | 139,999               |                       |
| Redemption of treasury stock                               |                       | (15,938)              |
| <b>Net cash (used by) provided by financing activities</b> | <b>(114,060)</b>      | <b>7,911,144</b>      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>           | <b>(1,294,630)</b>    | <b>(17,676,636)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>      | <b>187,363,429</b>    | <b>124,163,476</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>            | <b>\$ 186,068,799</b> | <b>\$ 106,486,840</b> |

See condensed notes to interim consolidated financial statements.

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**POST OAK BANCSHARES, INC.**

**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**Nature of Operations** Post Oak Bancshares, Inc. (the Company), through its wholly owned subsidiary Post Oak Bank, N. A. (the Bank), provides a broad line of financial products and services to small and medium sized businesses and consumers through its nine banking offices in the greater Houston, Texas area and four offices in the southeast Texas region. The Bank's primary sources of revenue are from investing funds received from depositors and from providing loans and other banking services to its customers.

**Basis of Presentation** The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany transactions and accounts have been eliminated.

The accounting and reporting policies of the Company conform, in all material respects, to accounting principles generally accepted in the United States of America (U.S. GAAP) and to the prevailing practices within the financial services industry.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company on a consolidated basis, and all such adjustments are of a normal recurring nature. Transactions with the subsidiary have been eliminated. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto for the fiscal year ended December 31, 2017. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

**Use of Estimates** The preparation of financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for possible credit losses and the estimated fair values of financial instruments.

**Significant Accounting and Reporting Policies:**

The Company's significant accounting and reporting policies and recent accounting standards and disclosure requirements can be found in Note A of the Company's annual financial statements included elsewhere in this Prospectus.





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## POST OAK BANCSHARES, INC.

## CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

## NOTE B SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair values of securities available for sale at March 31, 2018 and December 31, 2017 are summarized in the following table.

|                             | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
|-----------------------------|-------------------|------------------------------|-------------------------------|----------------------------|
| <u>March 31, 2018</u>       |                   |                              |                               |                            |
| U.S. Government Agency:     |                   |                              |                               |                            |
| Bonds                       | \$ 16,468,355     | \$ 8,713                     | \$ (72,818)                   | \$ 16,404,250              |
| Mortgaged-backed securities | 16,579,540        | 1,053                        | (464,380)                     | 16,116,213                 |
| Municipal Bonds             | 16,107,767        | 3,279                        | (167,195)                     | 15,943,851                 |
|                             | \$49,155,662      | \$13,045                     | \$(704,393)                   | \$48,464,314               |
| <u>December 31, 2017</u>    |                   |                              |                               |                            |
| U.S. Government Agency:     |                   |                              |                               |                            |
| Bonds                       | \$ 16,461,483     | \$ 11,707                    | \$ (51,000)                   | \$ 16,422,190              |
| Mortgaged-backed securities | 17,217,120        | 3,013                        | (238,742)                     | 16,981,391                 |
| Municipal Bonds             | 16,171,358        | 455                          | (129,074)                     | 16,042,739                 |
|                             | \$49,849,961      | \$15,175                     | \$(418,816)                   | \$49,446,320               |

*Maturities*

The amortized cost and estimated fair value of securities at March 31, 2018, by contractual maturities, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| Amortized<br>Cost | Estimated<br>Fair<br>Value |
|-------------------|----------------------------|
|-------------------|----------------------------|

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| Amounts Maturing In:           |               |               |
|--------------------------------|---------------|---------------|
| 1 year or less                 | \$ 16,784,151 | \$ 16,753,398 |
| After 1 year through 5 years   | 9,273,969     | 9,171,264     |
| After 5 years through 10 years | 9,547,145     | 9,375,638     |
| After 10 years                 | 13,550,397    | 13,164,014    |
|                                | \$ 49,155,662 | \$ 48,464,314 |

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Table of Contents**POST OAK BANCSHARES, INC.****CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017***Unrealized Losses*

For securities in an unrealized loss position, the following table shows gross unrealized losses and fair value by length of time that individual securities have been in a continuous unrealized loss position. At March 31, 2018 and December 31, 2017, there were 78 and 79 securities, respectively, in a continuous loss position as follows:

|                            | Less Than Twelve Months       |                            | Twelve Months or More         |                            |
|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
|                            | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
| <u>March 31, 2018</u>      |                               |                            |                               |                            |
| U.S. Government Agency:    |                               |                            |                               |                            |
| Bonds                      | \$ 60,312                     | \$ 8,414,405               | \$ 12,506                     | \$ 2,991,920               |
| Mortgage-backed securities | 165,464                       | 6,407,735                  | 298,916                       | 9,594,058                  |
| Municipal Bonds            | 125,989                       | 10,029,524                 | 41,206                        | 3,916,428                  |
|                            | \$ 351,765                    | \$ 24,851,664              | \$ 352,628                    | \$ 16,502,406              |
| <u>December 31, 2017</u>   |                               |                            |                               |                            |
| U.S. Government Agency:    |                               |                            |                               |                            |
| Bonds                      | \$ 37,751                     | \$ 8,432,145               | \$ 13,249                     | \$ 2,992,820               |
| Mortgage-backed securities | 62,446                        | 7,253,199                  | 176,296                       | 8,984,295                  |
| Municipal Bonds            | 70,674                        | 10,843,064                 | 58,400                        | 4,228,829                  |
|                            | \$ 170,871                    | \$ 26,528,408              | \$ 247,945                    | \$ 16,205,944              |

Management does not have the intent to sell any of the securities classified as available for sale while in a loss position and believes that it is not likely that the Company will have to sell any of these securities before a recovery of cost. The unrealized losses are attributable primarily to changes in market interest rates relative to those available when the securities were acquired. The fair value of these securities is expected to recover as the securities reach their maturity or re-pricing date, or if market rates for such investments decline.

Management does not believe that any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2018 and December 31, 2017, management believes the impairments were temporary, and no

impairment loss has been realized in the Company's consolidated statements of income for the years then ended.

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## POST OAK BANCSHARES, INC.

## CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

## NOTE C LOANS

Loans at March 31, 2018 and December 31, 2017 are summarized by portfolio segment as follows:

|                                           | March 31,<br>2018 | December 31,<br>2017 |
|-------------------------------------------|-------------------|----------------------|
| Real estate                               | \$ 893,059,357    | \$ 890,846,357       |
| Commercial and industrial                 | 206,039,783       | 205,574,905          |
| Agriculture                               | 7,345,511         | 8,280,303            |
| Consumer                                  | 31,390,028        | 33,028,588           |
| Other loans                               | 9,375,503         | 9,880,897            |
|                                           | 1,147,210,182     | 1,147,611,050        |
| Less deferred loan fees, net              | (549,206)         | (609,359)            |
| Less allowance for possible credit losses | (11,994,845)      | (12,029,724)         |
|                                           | \$ 1,134,666,131  | \$ 1,134,971,967     |

## NOTE D LOAN PERFORMANCE

The following is an analysis of past due and nonaccrual loans, segregated by loan class, as of March 31, 2018 and December 31, 2017.

|                                   | Current and<br>accruing | 30 - 89<br>days<br>past due<br>and<br>still<br>accruing | Nonaccrual<br>loans | Total loans    |
|-----------------------------------|-------------------------|---------------------------------------------------------|---------------------|----------------|
| <u>March 31, 2018</u>             |                         |                                                         |                     |                |
| Commercial real estate mortgage   | \$ 411,424,152          | \$                                                      | \$ 577,017          | \$ 412,001,169 |
| Construction and land development | 180,743,852             |                                                         | 313,290             | 181,057,142    |

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|                           |                  |            |              |                  |
|---------------------------|------------------|------------|--------------|------------------|
| Farmland                  | 21,338,813       |            |              | 21,338,813       |
| 1-4 family residential    | 263,054,900      | 598,774    | 3,189,938    | 266,843,612      |
| Multi-family residential  | 11,724,633       |            | 93,988       | 11,818,621       |
| Agriculture               | 7,345,511        |            |              | 7,345,511        |
| Commercial and industrial | 205,307,380      | 100,000    | 632,403      | 206,039,783      |
| Consumer automobile       | 2,514,526        |            |              | 2,514,526        |
| Consumer other            | 28,722,957       |            | 152,545      | 28,875,502       |
| Other loans               | 9,375,503        |            |              | 9,375,503        |
|                           | \$ 1,141,552,227 | \$ 698,774 | \$ 4,959,181 | \$ 1,147,210,182 |

|                                   |                  |              |              |                  |
|-----------------------------------|------------------|--------------|--------------|------------------|
| <u>December 31, 2017</u>          |                  |              |              |                  |
| Commercial real estate mortgage   | \$ 402,505,115   | \$ 3,090,148 | \$ 620,124   | \$ 406,215,387   |
| Construction and land development | 177,069,562      | 151,474      | 3,857        | 177,224,893      |
| Farmland                          | 25,995,497       |              |              | 25,995,497       |
| 1-4 family residential            | 261,231,854      | 4,206,832    | 3,193,147    | 268,631,833      |
| Multi-family residential          | 12,679,987       | 98,760       |              | 12,778,747       |
| Agriculture                       | 8,280,303        |              |              | 8,280,303        |
| Commercial and industrial         | 205,013,104      | 149,250      | 412,551      | 205,574,905      |
| Consumer automobile               | 2,416,499        |              |              | 2,416,499        |
| Consumer other                    | 30,452,944       |              | 159,145      | 30,612,089       |
| Other loans                       | 9,880,897        |              |              | 9,880,897        |
|                                   | \$ 1,135,525,762 | \$ 7,696,464 | \$ 4,388,824 | \$ 1,147,611,050 |

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## POST OAK BANCSHARES, INC.

## CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

*Troubled Debt Restructurings*

At March 31, 2018 and December 31, 2017, the Company had troubled debt restructurings of \$3,773,247 and \$3,876,566 respectively.

## NOTE E ALLOWANCE FOR POSSIBLE CREDIT LOSSES

The following table presents a detail of the activity in the allowance for possible credit losses segregated by portfolio segment for the three months ended March 31, 2018 and 2017.

|                           | Balance,<br>beginning of<br>year | Provisions        | Charge-offs         | Recoveries      | Balance, end<br>of<br>year |
|---------------------------|----------------------------------|-------------------|---------------------|-----------------|----------------------------|
| <u>March 31, 2018</u>     |                                  |                   |                     |                 |                            |
| Real estate               | \$ 9,338,212                     | \$ (1,634)        | \$                  | \$              | \$ 9,336,578               |
| Commercial and industrial | 2,154,919                        | 283,500           | (290,090)           | 6,516           | 2,154,845                  |
| Agriculture               | 86,798                           | (9,794)           |                     |                 | 77,004                     |
| Consumer                  | 346,219                          | (16,566)          | (1,305)             |                 | 328,348                    |
| Other loans               | 103,576                          | (5,506)           |                     |                 | 98,070                     |
| <b>Total</b>              | <b>\$ 12,029,724</b>             | <b>\$ 250,000</b> | <b>\$ (291,395)</b> | <b>\$ 6,516</b> | <b>\$ 11,994,845</b>       |
| <u>March 31, 2017</u>     |                                  |                   |                     |                 |                            |
| Real estate               | \$ 9,034,097                     | \$ (168,563)      | \$                  | \$              | \$ 8,865,534               |
| Commercial and industrial | 1,729,527                        | 310,375           |                     | 5,940           | 2,045,842                  |
| Agriculture               | 113,151                          | (30,747)          |                     |                 | 82,404                     |
| Consumer                  | 139,799                          | 204,101           | (15,206)            |                 | 328,694                    |
| Other loans               | 222,469                          | (115,166)         | (8,970)             |                 | 98,333                     |
| <b>Total</b>              | <b>\$ 11,239,043</b>             | <b>\$ 200,000</b> | <b>\$ (24,176)</b>  | <b>\$ 5,940</b> | <b>\$ 11,420,807</b>       |

In addition to the allowance for possible credit losses at March 31, 2018 and December 31, 2017, the Company held \$22,000 in reserve in other liabilities for unfunded loan commitments to provide for the risk of loss inherent in its



unfunded lending related commitments.

*Risk Grading*

As part of the on-going monitoring of the credit quality of the Company's loan portfolio and methodology for calculating the allowance for possible credit losses, management assigns and tracks loan grades to be used as credit quality indicators. The following is a general description of the loan grades used as of March 31, 2018 and December 31, 2017.

Grades 1 through 4 This category of assets are considered *pass* which indicates prudent underwriting and a normal amount of risk. The range of risk within these credits can vary from little to no risk with cash securing a credit, to a level of risk that requires a strong secondary source of repayment on the debt. Pass credits with a higher level of risk may be to borrowers that are highly leveraged, under-capitalized or in an industry or economic area that is known to carry a higher level of risk, volatility, or susceptibility to weaknesses in the economy.

In addition to the above, an asset may be graded *Pass/Watch* which indicates acceptable credit risk but warrants more than the normal level of supervision due to circumstances and related events that raise doubts about performance prospects or that could have an adverse effect on the obligor's financial position.

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**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

Grade 5 Assets in this category contain more than the normal amount of risk and are referred to as *other assets especially mentioned*, or OAEM, in accordance with regulatory guidelines. These assets possess clearly identifiable temporary weaknesses or trends that, if not corrected or revised, will result in a condition that exposes the Company to a higher level of risk of loss.

Grade 6 Assets in this category are *substandard* in accordance with regulatory guidelines and of unsatisfactory credit quality with well-defined weaknesses or weaknesses that jeopardize the liquidation of the debt. Assets in this category are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. These credits are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Often, the assets in this category will have a valuation allowance representative of management's estimated loss that is probable to be incurred.

Grade 7 Assets in this category are considered *doubtful* in accordance with regulatory guidelines, are placed on nonaccrual status and may be dependent upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. Generally, these credits will have a valuation allowance based upon management's best estimate of the losses probable to occur in the liquidation of the debt.

Grade 8 Assets in this category are considered *loss* in accordance with regulatory guidelines and are considered uncollectible and of such little value as to question their continued existence as assets on the Company's consolidated financial statements. Such assets are to be charged off or charged down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. This category does not intend to imply that the debt, or some portion of it will never be paid, nor does it in any way imply that the debt will be forgiven.

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## POST OAK BANCSHARES, INC.

## CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

The following table presents loans by risk grade and loan class at March 31, 2018 and December 31, 2017:

|                                   | Grades 1-4       | Grade 5       | Grade 6       | Total loans      |
|-----------------------------------|------------------|---------------|---------------|------------------|
| <u>March 31, 2018</u>             |                  |               |               |                  |
| Commercial real estate mortgage   | \$ 399,800,251   | \$ 3,114,886  | \$ 9,086,032  | \$ 412,001,169   |
| Construction and land development | 180,316,140      | 120,788       | 620,214       | 181,057,142      |
| Farmland                          | 19,952,144       | 1,386,669     |               | 21,338,813       |
| 1-4 family residential            | 259,767,786      | 631,817       | 6,444,009     | 266,843,612      |
| Multi-family residential          | 11,581,736       | 142,397       | 94,488        | 11,818,621       |
| Agriculture                       | 6,188,460        | 1,157,051     |               | 7,345,511        |
| Commercial and industrial         | 194,628,799      | 4,921,355     | 6,489,629     | 206,039,783      |
| Consumer automobile               | 2,474,983        |               | 39,543        | 2,514,526        |
| Consumer other                    | 28,381,018       | 330,371       | 164,113       | 28,875,502       |
| Other loans                       | 9,375,503        |               |               | 9,375,503        |
| Total                             | \$ 1,112,466,820 | \$ 11,805,334 | \$ 22,938,028 | \$ 1,147,210,182 |
| <u>December 31, 2017</u>          |                  |               |               |                  |
| Commercial real estate mortgage   | \$ 390,228,771   | \$ 3,141,068  | \$ 12,845,548 | \$ 406,215,387   |
| Construction and land development | 176,859,176      | 128,537       | 237,180       | 177,224,893      |
| Farmland                          | 24,767,613       | 1,227,884     |               | 25,995,497       |
| 1-4 family residential            | 258,504,391      | 635,351       | 9,492,091     | 268,631,833      |
| Multi-family residential          | 12,636,561       | 142,186       |               | 12,778,747       |
| Agriculture                       | 7,537,712        | 742,591       |               | 8,280,303        |
| Commercial and industrial         | 195,468,371      | 1,432,616     | 8,673,918     | 205,574,905      |
| Consumer automobile               | 2,374,987        |               | 41,512        | 2,416,499        |
| Consumer other                    | 30,378,188       | 61,491        | 172,410       | 30,612,089       |
| Other loans                       | 9,880,897        |               |               | 9,880,897        |
| Total                             | \$ 1,108,636,667 | \$ 7,511,724  | \$ 31,462,659 | \$ 1,147,611,050 |

At March 31, 2018 and December 31, 2017, the Company had no loans graded 7 or 8 (doubtful or loss).

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Loans, by portfolio segment, evaluated for impairment at March 31, 2018 and December 31, 2017 are as follows:

|                           | Individually<br>evaluated for<br>impairment | Purchased<br>credit-impaired<br>loans | Collectively<br>evaluated for<br>impairment | Total loans             |
|---------------------------|---------------------------------------------|---------------------------------------|---------------------------------------------|-------------------------|
| <u>March 31, 2018</u>     |                                             |                                       |                                             |                         |
| Real estate               | \$ 4,905,919                                | \$                                    | \$ 888,153,438                              | \$ 893,059,357          |
| Commercial and industrial | 582,451                                     | 1,898,746                             | 203,558,586                                 | 206,039,783             |
| Agriculture               |                                             |                                       | 7,345,511                                   | 7,345,511               |
| Consumer                  | 152,545                                     |                                       | 31,237,483                                  | 31,390,028              |
| Other loans               |                                             |                                       | 9,375,503                                   | 9,375,503               |
| <b>Total loans</b>        | <b>\$ 5,640,915</b>                         | <b>\$ 1,898,746</b>                   | <b>\$ 1,139,670,521</b>                     | <b>\$ 1,147,210,182</b> |
| <u>December 31, 2017</u>  |                                             |                                       |                                             |                         |
| Real estate               | \$ 4,652,509                                | \$                                    | \$ 886,193,848                              | \$ 890,846,357          |
| Commercial and industrial | 274,162                                     | 2,247,816                             | 203,052,927                                 | 205,574,905             |
| Agriculture               |                                             |                                       | 8,280,303                                   | 8,280,303               |
| Consumer                  | 159,145                                     |                                       | 32,869,443                                  | 33,028,588              |
| Other loans               |                                             |                                       | 9,880,897                                   | 9,880,897               |
| <b>Total loans</b>        | <b>\$ 5,085,816</b>                         | <b>\$ 2,247,816</b>                   | <b>\$ 1,140,277,418</b>                     | <b>\$ 1,147,611,050</b> |

*Impaired Loans*

The recorded investment in impaired loans includes the Company's outstanding principal balance, accrued interest, and net deferred loan fees. The unpaid principal balance for impaired loans represents the outstanding principal balance under the original terms of the loan, including any amounts charged off by the Company.

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## POST OAK BANCSHARES, INC.

## CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

At March 31, 2018 and December 31, 2017, the Company's unpaid principal balance and recorded investment in impaired loans, by loan class, is as follows:

|                                   | Unpaid<br>Principal<br>Balance | Recorded<br>Investment | Specific<br>Allowance |
|-----------------------------------|--------------------------------|------------------------|-----------------------|
| <u>March 31, 2018</u>             |                                |                        |                       |
| Commercial real estate mortgage   | \$ 1,687,377                   | \$ 1,554,730           | \$                    |
| Construction and land development | 478,675                        | 472,466                |                       |
| Multifamily                       | 94,488                         | 94,488                 |                       |
| 1-4 family residential            | 3,358,038                      | 3,190,939              |                       |
| Commercial and industrial         | 996,512                        | 632,403                | (12,421)              |
| Consumer other                    | 175,549                        | 164,113                |                       |
| Total loans                       | \$ 6,790,639                   | \$ 6,109,139           | \$ (12,421)           |
| <u>December 31, 2017</u>          |                                |                        |                       |
| Commercial real estate mortgage   | \$ 1,682,851                   | \$ 1,613,456           | \$                    |
| Construction and land development | 169,756                        | 163,709                |                       |
| Farmland                          |                                |                        |                       |
| 1-4 family residential            | 3,359,388                      | 3,193,146              |                       |
| Commercial and industrial         | 857,897                        | 412,551                | (92,912)              |
| Consumer other                    | 181,020                        | 172,410                |                       |
| Total loans                       | \$ 6,250,912                   | \$ 5,555,272           | \$ (92,912)           |

For the three months ended March 31, 2018 and the year ended December 31, 2017, interest income recorded on impaired loans was not considered material. At March 31, 2018 and December 31, 2017, the Company had no commitments to loan additional funds to borrowers whose loans were classified as impaired.

## NOTE F COMMITMENTS AND CONTINGENCIES

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The following is a summary of the various financial instruments entered into by the Company as of March 31, 2018 and December 31, 2017:

|                                              | March 31,<br>2018 | December 31,<br>2017 |
|----------------------------------------------|-------------------|----------------------|
| Commitments to extend credit Fixed Rate      | \$ 48,184,041     | \$ 56,268,928        |
| Commitments to extend credit Variable Rate   | \$ 188,533,812    | \$ 180,532,702       |
| Standby letters of credit                    | \$ 4,673,370      | \$ 6,331,740         |
| Commitment for additional investment in SBIC | \$ 1,443,642      | \$ 1,669,399         |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected

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**POST OAK BANCSHARES, INC.**

**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. Some of the loans that have outstanding commitments may be subject to participation agreements in which the Company will sell off a percentage of the commitment when funded, pursuant to the participation agreement.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company's credit risk involved in issuing letters of credit is essentially the same as that involved in funding loans facilities.

**NOTE G REGULATORY MATTERS**

*Regulatory Capital*

The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures and risk weighting 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 about components, risk weighting, and other factors.

Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that if undertaken, could have a direct material effect on the Company's consolidated financial statements. Management believes, as of March 31, 2018, that the Company and the Bank meet all the capital adequacy requirements to which they are subject.

As of September 30, 2017, the most recent notification from the Office of the Comptroller of the Currency, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank must maintain certain minimum Total risk-based, Tier I risk-based, Common Equity Tier I and Tier I leverage capital ratios. There are no conditions or events since that notification that management believes have changed the Bank's prompt corrective action category.



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The following is a summary of capital ratios for the Company and Bank at March 31, 2018 and December 31, 2017.

|                                                        | Actual         |        | For Capital Adequacy Purposes |       | To Be Categorized As Well Capitalized Under Prompt Corrective Action Provisions |        |
|--------------------------------------------------------|----------------|--------|-------------------------------|-------|---------------------------------------------------------------------------------|--------|
|                                                        | Amount         | Ratio  | Amount                        | Ratio | Amount                                                                          | Ratio  |
| <b>POST OAK BANCSHARES, INC.</b>                       |                |        |                               |       |                                                                                 |        |
| <b>(Consolidated)</b>                                  |                |        |                               |       |                                                                                 |        |
| <b>As of March 31, 2018</b>                            |                |        |                               |       |                                                                                 |        |
| Total Capital (to risk weighted assets)                | \$ 169,241,000 | 14.65% | \$ 92,390,000                 | 8.00% | N/A                                                                             | N/A    |
| Common Equity Tier 1 Capital (to risk weighted assets) | 157,224,000    | 13.61% | 51,969,000                    | 4.50% | N/A                                                                             | N/A    |
| Tier I Capital (to risk weighted assets)               | 157,224,000    | 13.61% | 69,292,000                    | 6.00% | N/A                                                                             | N/A    |
| Tier I Capital (to average tangible assets)            | 157,224,000    | 11.16% | 56,335,000                    | 4.00% | N/A                                                                             | N/A    |
| <b>As of December 31, 2017</b>                         |                |        |                               |       |                                                                                 |        |
| Total Capital (to risk weighted assets)                | \$ 162,300,000 | 14.10% | \$ 91,967,000                 | 8.00% | N/A                                                                             | N/A    |
| Common Equity Tier 1 Capital (to risk weighted assets) | 150,248,000    | 13.10% | 51,731,000                    | 4.50% | N/A                                                                             | N/A    |
| Tier I Capital (to risk weighted assets)               | 150,248,000    | 13.10% | 68,975,000                    | 6.00% | N/A                                                                             | N/A    |
| Tier I Capital (to average tangible assets)            | 150,248,000    | 10.60% | 56,531,000                    | 4.00% | N/A                                                                             | N/A    |
| <b>POST OAK BANK, N.A.</b>                             |                |        |                               |       |                                                                                 |        |
| <b>As of March 31, 2018</b>                            |                |        |                               |       |                                                                                 |        |
| Total Capital (to risk weighted assets)                | \$ 166,108,000 | 14.40% | \$ 92,242,000                 | 8.00% | \$ 115,303,000                                                                  | 10.00% |
| Common Equity Tier 1 Capital (to risk weighted assets) | 154,091,000    | 13.36% | 51,886,000                    | 4.50% | 74,947,000                                                                      | 6.50%  |

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|                                                           |                |        |               |       |                |        |
|-----------------------------------------------------------|----------------|--------|---------------|-------|----------------|--------|
| Tier I Capital<br>(to risk weighted assets)               | 154,091,000    | 13.36% | 69,182,000    | 6.00% | 92,242,000     | 8.00%  |
| Tier I Capital<br>(to average tangible assets)            | 154,091,000    | 11.00% | 56,019,000    | 4.00% | 70,024,000     | 5.00%  |
| <b>As of December 31, 2017</b>                            |                |        |               |       |                |        |
| Total Capital<br>(to risk weighted assets)                | \$ 159,538,000 | 13.90% | \$ 91,819,000 | 8.00% | \$ 114,774,000 | 10.00% |
| Common Equity Tier 1 Capital<br>(to risk weighted assets) | 147,485,000    | 12.90% | 51,648,000    | 4.50% | 74,603,000     | 6.50%  |
| Tier I Capital<br>(to risk weighted assets)               | 147,485,000    | 12.90% | 68,864,000    | 6.00% | 91,819,000     | 8.00%  |
| Tier I Capital<br>(to average tangible assets)            | 147,485,000    | 10.50% | 56,258,000    | 4.00% | 70,323,000     | 5.00%  |

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**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

**NOTE H FAIR VALUE DISCLOSURES**

*Financial Instruments Recorded at Fair Value*

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach, and or/the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability.

*Fair Value Hierarchy*

U.S. GAAP specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are observable or unobservable. These inputs are summarized in the three broad levels listed below.

Level 1 Level 1 inputs are based upon quoted prices in active markets for identical assets or liabilities.

Level 2 Level 2 inputs are based upon other significant observable inputs (including quoted prices in active or inactive markets for similar assets or liabilities), or other inputs that are observable or can be corroborated by observable market data.

Level 3 Level 3 inputs are based upon unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets or liabilities include those whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as the use of significant management judgment or estimation.

During the years ended March 31, 2018 and December 31, 2017, there were no transfers between levels of the fair value hierarchy.

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 observable market-based parameters as inputs. Valuation adjustments may be made to ensure that assets or liabilities are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and creditworthiness, the underlying value of collateral pledged to loans, and other unobservable parameters. Any such valuation adjustments are applied consistently over time.

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets or liabilities could result in a different estimate of fair value at the reporting date.

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**Table of Contents****POST OAK BANCSHARES, INC.****CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017***Financial Assets and Liabilities Recorded at Fair Value*

**Recurring** The following table summarizes financial assets measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017. There were no financial instruments measured at fair value on a recurring basis using Level 1 or Level 3 valuations as inputs at March 31, 2018 and December 31, 2017.

|                               | March 31,<br>2018 | December 31,<br>2017 |
|-------------------------------|-------------------|----------------------|
| <b>Level 2:</b>               |                   |                      |
| Securities available for sale | \$ 48,464,314     | \$ 49,446,320        |

**Nonrecurring** Certain financial instruments 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. The following table summarizes financial assets measured at fair value on a nonrecurring basis as of March 31, 2018 and December 31, 2017. There were no financial instruments measured at fair value on a nonrecurring basis using Level 1 or Level 2 valuations as inputs at March 31, 2018 and December 31, 2017.

|                                 | March 31,<br>2018 | December 31,<br>2017 |
|---------------------------------|-------------------|----------------------|
| <b>Level 3:</b>                 |                   |                      |
| Impaired loans                  | \$ 6,096,718      | \$ 5,555,272         |
| Purchased credit-impaired loans | \$ 1,898,746      | \$ 2,247,816         |

*Nonfinancial Assets and Liabilities Recorded at Fair Value*

**Recurring** At March 31, 2018 and December 31, 2017, the Company has no nonfinancial assets or liabilities measured at fair value on a recurring basis.

**Nonrecurring** The Company has certain nonfinancial assets that are recorded at fair value on a nonrecurring basis. At March 31, 2018 and December 31, 2017, the fair value of other real estate owned was measured on a nonrecurring

basis using Level 2 inputs. At March 31, 2018 and December 31, 2017, the Company had no nonfinancial instruments measured at fair value on a nonrecurring basis with Level 1 valuation inputs. At March 31, 2018 and December 31, 2017, the Company's goodwill and core deposit intangible were measured at fair value on a nonrecurring basis with Level 3 valuation inputs.

#### NOTE I SUBSEQUENT EVENT

On April 30, 2018, the Company entered into a definitive agreement with Allegiance Bancshares, Inc. ( Allegiance ), the holding company of Allegiance Bank, whereby the Company will be merged with and into Allegiance. Under the terms of the agreement, Allegiance will issue 0.7017 shares of Allegiance common stock for each outstanding share of, and option to purchase a share of, Post Oak capital stock, subject to certain conditions and potential adjustments.

The merger has been approved by the boards of directors of both companies and is expected to close during the fourth quarter of 2018, although delays may occur. The transaction is subject to certain conditions, including the approval by Allegiance and Post Oak shareholders and customary regulatory approvals.

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**INDEPENDENT AUDITOR S REPORT**

To the Board of Directors

Post Oak Bancshares, Inc.

Houston, Texas

We have audited the accompanying consolidated financial statements of Post Oak Bancshares, Inc., which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements. We also have audited Post Oak Bancshares, Inc.'s internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR-Y9C), as of December 31, 2017 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management s Assessment of Internal Control over Financial Reporting.

**Auditor s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Post Oak Bancshares, Inc.'s internal control over financial reporting based on our audits. We conducted our audits of the consolidated financial statements 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 consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of the 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.

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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 based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances.

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

## **Definition and Inherent Limitations of Internal Control**

An entity's internal control over financial reporting is a process affected 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 Post Oak Bancshares, Inc.'s internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR-Y9C). 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 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 in the first paragraph present fairly, in all material respects, the financial position of Post Oak Bancshares, Inc. as of December 31, 2017 and 2016, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, Post Oak Bancshares, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*.

/s/ Harper & Pearson Company, P.C.

Houston, Texas

March 26, 2018

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ROLAND WILLIAMS  
Chairman, President & CEO

(713) 439-3901  
roland.williams@postoakbank.com

March 26, 2018

Management's Assessment of Internal Controls over Financial Reporting

Post Oak Bancshares, Inc.'s (the Company) internal control over financial reporting is a process designed and effected by those charged with governance, management, and other personnel, 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. the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). The Company'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 Company; (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 financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition use, or disposition of the Company'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 is responsible for establishing and maintaining effective internal control over financial reporting including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statement for Bank Holding Companies (FR Y-9C) as of December 31, 2017 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on that assessment, management concluded that, as of December 31, 2017, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank

Holding Companies (FR Y-9C), is effective based on the criteria established in *Internal Control - Integrated Framework (2013)*. Post Oak Bank, N.A., the subsidiary institution of the Company, is subject to Part 363 and is included in this assessment of the effectiveness of internal control over financial reporting.

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The effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C), as of December 31, 2017, has been audited by Harper & Pearson Company, P. C., an independent public accounting firm, as stated in their report dated March 26, 2018.

Post Oak Bancshares, Inc.

/s/ Roland L. Williams

Roland L. Williams, Chief Executive Officer

/s/ Renee C. Bourland

Renee C. Bourland, Chief Financial Officer

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**POST OAK BANCSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

|                                                      | 2017                    | 2016                    |
|------------------------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                        |                         |                         |
| Cash and due from banks                              | \$ 143,735,430          | \$ 70,849,912           |
| Money market deposits at banks                       | 42,793,097              | 49,172,182              |
| Federal funds sold and reverse repurchase agreements | 834,902                 | 4,141,382               |
| <b>Total Cash and Cash Equivalents</b>               | <b>187,363,429</b>      | <b>124,163,476</b>      |
| Time deposits at banks                               | 12,851,918              | 12,780,257              |
| Securities available for sale                        | 49,446,320              | 38,483,707              |
| Other investments                                    | 4,996,354               | 3,174,264               |
| Loans                                                | 1,147,001,691           | 925,648,169             |
| Less allowance for possible credit losses            | (12,029,724)            | (11,239,043)            |
| <b>Loans, net</b>                                    | <b>1,134,971,967</b>    | <b>914,409,126</b>      |
| Premises and equipment, net                          | 21,905,318              | 16,993,675              |
| Goodwill                                             | 4,264,878               | 4,264,878               |
| Core deposit intangible                              | 1,924,634               | 951,949                 |
| Bank owned life insurance                            | 3,405,736               | 3,307,307               |
| Accrued interest receivable                          | 4,124,346               | 3,168,566               |
| Other real estate owned                              |                         | 1,087,032               |
| Prepaid expenses, net                                | 1,141,845               | 1,203,794               |
| Deferred income tax, net                             | 2,072,131               | 5,432,042               |
| Other assets                                         | 902,929                 | 223,356                 |
| <b>Total Assets</b>                                  | <b>\$ 1,429,371,805</b> | <b>\$ 1,129,643,429</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>           |                         |                         |
| <b>Liabilities</b>                                   |                         |                         |
| Deposits:                                            |                         |                         |
| Non-interest bearing                                 | \$ 468,255,847          | \$ 396,621,351          |
| Interest bearing checking and savings                | 448,776,086             | 344,484,130             |
| Interest bearing certificates of deposit             | 334,814,041             | 257,529,166             |
| <b>Total Deposits</b>                                | <b>1,251,845,974</b>    | <b>998,634,647</b>      |
| Stock redemption liability                           | 433,647                 | 345,964                 |
| Federal Home Loan Bank borrowings                    | 15,000,000              |                         |
| Accrued interest payable                             | 685,418                 | 461,494                 |

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|                             |                      |                    |
|-----------------------------|----------------------|--------------------|
| Other liabilities           | 3,489,484            | 377,830            |
| <b>Total Liabilities</b>    | <b>1,271,454,523</b> | <b>999,819,935</b> |
| <b>Shareholders' Equity</b> |                      |                    |
| Common stock                | 123,866              | 115,349            |