

**Report of Organizational Actions
Affecting Basis of Securities**

OMB No. 1545-2224

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Allegiance Bancshares, Inc.		2 Issuer's employer identification number (EIN) 26-3564100	
3 Name of contact for additional information Laurence L. Lehman III	4 Telephone No. of contact 281-894-3200	5 Email address of contact Larry.Lehman@allegiancebctx.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 41314		7 City, town, or post office, state, and Zip code of contact Houston, Texas 77040	
8 Date of action January 1, 2015		9 Classification and description Common Stock	
10 CUSIP number N/A	11 Serial number(s) N/A	12 Ticker symbol N/A	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On January 1, 2015 (the effective date) Farmers and Merchants Bancshares, Inc. (F&M) was merged into Allegiance Bancshares, Inc. in accordance to the terms and conditions in the Agreement and Plan of Reorganization (the "Merger Agreement") dated July 28, 2014.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Pursuant to the Merger Agreement, each share of F&M common stock outstanding immediately prior to the Effective Date was cancelled and converted into the right to receive (i) 10.909 shares of common stock of Allegiance Bancshares, Inc., which were valued in the Merger Agreement at \$22.00, or (ii) cash of \$240 per share if the share is not held by a bona fide resident of the state of Texas or for fractional shares received in lieu of stock of Allegiance Bancshares, Inc.**

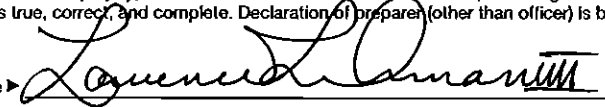
16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **For federal income tax purposes, the aggregate basis of the Allegiance Bancshares, Inc. common shares received by F&M shareholders as a result of the merger (excluding any fractional share interest deemed received and redeemed for cash) will be the same as the aggregate tax basis of the F&M shares surrendered in the exchange therefor, reduced by the amount of cash received on the exchange, and increased by the amount of any gain recognized upon the exchange. A former shareholder of F&M must allocate the tax basis so calculated across the total number of the shareholder's new Allegiance Bancshares, Inc. shares received in the merger. By doing this allocation, a tax basis per share can be computed. The tax basis will differ with respect to each separate former F&M shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by any former F&M shareholder. To the extent that an F&M former shareholder received cash in lieu of a fractional share of common stock, a portion of the total tax basis must be allocated to the fractional share and will be deemed to be received and then exchanged for cash. The holding period of shares of Allegiance Bancshares, Inc. received in the merger will generally include the holding period of the common shares of F&M.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
The merger of F&M into Allegiance Bancshares, Inc. on January 1, 2015 qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. In general, the income tax consequences to the former F&M shareholders are determined under the Internal Revenue Code Sections 354, 356, 358 and 1221. If a former F&M shareholder was required to receive all cash for his, her or its shares, the income tax consequences to him or her are determined under Sections 61 and 1001 of the Internal Revenue Code, or if such shareholder had received his or her shares through an employment or service relationship with F&M or its subsidiary bank, Section 83 of the Internal Revenue Code may apply. A former F&M shareholder should consult his or her own tax advisor with respect to the tax consequences applicable to his or her circumstances.

18 Can any resulting loss be recognized? ▶ F&M shareholders generally will not recognize loss for U.S. federal income tax purposes by reason of the merger (unless in those cases where a shareholder was required to take all cash for his shares of F&M) except with respect to cash received in lieu of a fractional share of Allegiance Bancshares, Inc. common stock. If an F&M shareholder receives cash in lieu of a fractional share of Allegiance Bancshares, Inc. common stock, the F&M shareholder will be treated as having received a fractional share of Allegiance Bancshares, Inc. then exchanging the fractional share for cash in a redemption. The shareholder will recognize gain or loss equal to the difference between the amount of cash received and the tax basis in the Allegiance Bancshares, Inc. fractional share as set forth on line 16 above. This gain or loss generally will be a capital gain or loss, and will be a long-term capital gain or loss if, as of the Effective Date, the F&M shareholder's holding period with respect to the fractional share (including the holding period of the F&M common stock surrendered therefor) exceeds one year. Special rules apply to F&M shareholders who received their F&M common shares through exercise of employee stock options, through a tax qualified retirement plan or otherwise as compensation, and such F&M shareholders are advised to consult their own tax advisors.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
The merger became effective on January 1, 2015; therefore, the reportable tax year is 2015.

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.			
	Signature ▶		Date ▶	<u>2/26/15</u>
Paid Preparer Use Only	Print your name ▶	<u>Laurence L Lehman III</u>	Title ▶	<u>EVP + CFO</u>
	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	Firm's name ▶	Firm's EIN ▶	Phone no.	
	Firm's address ▶			