

CAPITAL MARKETS ANNOUNCEMENT

Happy Bancshares, Inc. (Private; Amarillo, TX) Closes \$65.0 Million Offering of Subordinated Notes due 2025

Sandler O'Neill + Partners, L.P. served as lead placement agent for this offering.

This transaction represents the 23rd subordinated note or senior note transaction for a community bank since January 1, 2014 in which Sandler O'Neill acted as a placement agent, sole underwriter or book-runner, more than any other investment bank during that period.^{1, 2} Sandler O'Neill has achieved a 77% market share during this period.^{1, 2}

About the Offering:

HAPPY, TX, August 6, 2015 – Happy Bancshares, Inc. (the “Company”), a Texas corporation and holding company of Happy State Bank & Trust Co. (the “Bank”), announced the closing of its \$65 million private placement of subordinated notes.

The notes have a maturity date of August 1, 2025 and carry a fixed rate of interest of 5.875% for the first five years. Thereafter, the notes will pay interest at 3 month LIBOR plus 412 basis points, resetting quarterly. The notes include a right of prepayment without penalty on or after August 1, 2020. The subordinated notes have been structured to qualify as Tier 2 capital for regulatory purposes.

The Company plans to use the proceeds from the placement of the subordinated notes to redeem the \$31.9 million outstanding of its preferred stock issued in connection with the Small Business Lending Fund, and for general corporate purposes including, but not limited to, contributing capital to the Bank to fund future growth.

This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.

About the Company:

Happy Bancshares, Inc., the Texas bank holding company for Happy State Bank, had \$2.66 billion in assets as of June 30, 2015. Happy State Bank was founded in Happy, Texas and is headquartered in Amarillo, Texas. The Bank currently operates through a network of 34 branches located in 24 communities in the Texas Panhandle, South Plains and DFW Metroplex. The Bank's mission is to “Work hard, have fun, make money, while providing outstanding customer service and following the Golden Rule.”

(1) Source: SNL Financial.

(2) Includes all public offerings and private placements of subordinated notes or senior notes since 1/1/14 for banks and thrifts with assets less than \$25 billion; excludes unreported offerings and offerings with unreported underwriters or placement agents

(3) Source: Company management; financial data is not pro forma for the offering

July 31, 2015

Subordinated Notes
due 2025**\$65.0 Million**

Placement Agent

SANDLER O'NEILL + PARTNERS

Financial Highlights (as of 6/30/2015)³

\$ in millions

| | |
|--|---------|
| Total Assets | \$2,655 |
| Gross Loans | \$1,959 |
| Total Deposits | \$2,203 |
| Total Equity | \$268 |
| Tangible Common Equity / Tangible Assets | 7.29% |
| Tier 1 Leverage Ratio | 9.27% |
| Tier 1 Risk-Based Capital Ratio | 10.30% |
| Total Risk-Based Capital Ratio | 11.54% |

Sandler O'Neill Contacts:

Bob Kleinert
Managing Principal
(212) 466-7806

Jacques de Saint Phalle
Principal
(212) 466-7721

Chris Murray
Principal
(212) 442-7952

Jennifer Docherty
Managing Director
(212) 466-7796

Susan Weinberg
Managing Director
(212) 466-7807

James Furey
Associate Director
(212) 466-7934

Jocelyn Kukulka
Vice President
(212) 466-8032

Jess Martino
Analyst
(212) 466-7776

SANDLER O'NEILL + PARTNERS, L.P.

New York – Atlanta – Boston – Chicago – San Francisco