

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-2224

Part I	Reporting Issuer
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1 Issuer's name

2 Issuer's employer identification number (EIN)

Southside Bancshares, Inc.

75-1848732

3 Name of contact for additional information

4 Telephone No. of contact

5 Email address of contact

Julie Shamburger

903-531-7134

julie.shamburger@southside.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact

7 City, town, or post office, state, and Zip code of contact

1201 South Beckham Avenue

Tyler, Texas 75701

8 Date of action

9 Classification and description

November 30, 2017

Common Stock

10 CUSIP number

11 Serial number(s)

12 Ticker symbol

13	Account number(s)
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84470P109

N/A

SBSI

N/A

Part II	Organizational Action Attach additional statements if needed. See back of form for additional questions.	
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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 ► **See Statement 1**

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 ► **See Statement 2**

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 ► **See Statement 2**

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 Mergers qualify 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 Diboll shareholders are determined under the Internal Revenue Code sections 354, 356 and 358.

18 Can any resulting loss be recognized? ► **Diboll shareholders generally will not recognize loss for U.S. federal income tax purposes by reason of the Mergers, except with respect to cash received in lieu of a fractional share of Southside Bancshares, Inc. common stock, in certain circumstances.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ►

The Mergers became effective on November 30, 2017, therefore, the reportable tax year is 2017 for those shareholders that report income on the basis of a calendar year.

**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 ► **/s/ Julie Shamburger**

Date ► **11-30-17**

Print your name ► **Julie Shamburger**

Title ► **SEVP and Chief Financial Officer**

**Paid
Preparer
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if
self-employed

PTIN

Firm's name ►

Firm's EIN ►

Firm's address ►

Phone no.

Statement 1

Part II – Question 14

On November 30, 2017 (the "Effective Date"), pursuant to the Agreement and Plan of Merger, dated as of June 12, 2017 (the "Plan of Merger"), by and among Southside Bancshares, Inc., a Texas corporation ("Southside"), Rocket Merger Sub, Inc., a Texas corporation and wholly-owned subsidiary of Southside ("Merger Sub"), and Diboll State Bancshares, Inc., a Texas corporation ("Diboll"), Merger Sub merged with and into Diboll (the "First Merger"), with Diboll as the surviving corporation (the "Surviving Corporation"). Immediately after the First Merger, the Surviving Corporation merged with and into Southside (the "Second Merger," and together with the First Merger, the "Mergers"), with Southside as the surviving corporation.

Statement 2

Part II, Questions 15 & 16

Pursuant to the Plan of Merger, each outstanding share of common stock of Diboll received 6.5021 shares of Southside common stock and \$28.12 in cash. Cash was paid in lieu of fractional shares.

The aggregate tax basis of the Southside common stock received (including any fractional share interests deemed received and redeemed for cash) by a former Diboll shareholder that exchanged its Diboll shares for a combination of Southside common stock and cash as a result of the Mergers will be the same as the aggregate tax basis of the Diboll shares surrendered in exchange therefor, reduced by the amount of cash received on the exchange (excluding cash received in lieu of a fractional share of Southside common stock) plus the amount of any gain recognized upon the exchange (excluding any gain recognized as a result of any cash received in lieu of a fractional share of Southside common stock). The holding period of the Southside common stock received (including any fractional share deemed received and redeemed) will include the holding period of the Diboll shares surrendered. A former Diboll shareholder must allocate the tax basis so calculated across the total number of the shareholder's new Southside common shares received in the merger. By doing this allocation, a tax basis per share can be computed. The actual tax basis will differ with respect to each separate former Diboll shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by any former Diboll shareholder. To the extent that an Diboll shareholder received cash in lieu of a fractional Southside common share, a portion of the total tax basis must be allocated to the fractional share and such fractional share will be deemed to be received and then exchanged for cash. The holding period of any shares of Southside common stock received by Diboll shareholders in the merger generally will include the holding period of the shares of Diboll common stock exchanged for such Southside common stock.

This description of certain material U.S. federal income tax consequences is for general information only and is not tax advice. Holders of Diboll common stock are urged 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, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.