



SOUTHSIDE BANCSHARES, INC.

NASDAQ: SBSI

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2016

Southside Key Roles

Name	Position	Background	Years with Southside
Sam Dawson	Chief Executive Officer	<ul style="list-style-type: none"> - President and Secretary of Southside Bank from 1998 to 2012 - East Texas Medical Center and Tyler Junior College Foundation Director 	42
Lee Gibson	President	<ul style="list-style-type: none"> - Past Chairman, FHLB Dallas and Council of FHLBanks - President of Tyler Junior College Foundation Board - Tyler Economic Development Council Director 	32
Julie Shamburger	Executive Vice President and Chief Financial Officer	<ul style="list-style-type: none"> - Chief Accounting Officer of Southside Bank from 2011-2016 - Audit Committee Member of East Texas Area Council of Boy Scouts 	34
Deborah Wilkinson	Executive Vice President and Investor Relations Officer	<ul style="list-style-type: none"> - Immediate Past Senior Executive Vice President and Chief Financial Officer OmniAmerican Bancorp, Inc. 	10

Forward-Looking Statements

- Certain statements of other than historical fact that are contained in this document and in written material, press releases and oral statements issued by or on behalf of the Company; may be considered to be “forward-looking statements” within the meaning of and subject to the safe harbor protections of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management’s views as of any subsequent date. These statements may include words such as “expect,” “estimate,” “project,” “anticipate,” “appear,” “believe,” “could,” “should,” “may,” “might,” “will,” “would,” “seek,” “likely,” “intend,” “probability,” “risk,” “goal,” “target,” “objective,” “plans,” “potential,” and similar expressions. Forward-looking statements are statements with respect to the Company’s beliefs, plans, expectations, objectives, goals, anticipations, assumptions, and, estimates, about the Company’s future performance and are subject to significant known and unknown risks and uncertainties, which could cause the Company’s actual results to differ materially from the results discussed in the forward-looking statements. For example, discussions of the effect of our expansion, trends in asset quality and earnings from growth, and certain market risk disclosures are based upon information presently available to management and are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future.
- Additional information concerning the Company and its business, including additional factors that could materially affect the Company’s financial results, is included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 under “Forward-Looking Information” and Item 1A. “Risk Factors,” and in the Company’s other filings with the Securities and Exchange Commission. The Company disclaims any obligation to update any factors or to announce publicly the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

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Southside: A Brief Overview

Overview

- Headquartered in Tyler, TX
- Founded in 1960
- Paid a cash dividend every year since 1970
 - 5-year CAGR of 8.47%
 - 5% stock dividend every year since 1993
- 39.26% market share in Tyler, TX
- In two of the top growth markets in the U.S.
 - Austin
 - DFW – Dallas/Fort Worth
- Insider ownership 7.7%

(1) Market capitalization is as of July 25, 2016.

Financial Snapshot (6/30/16)

Balance Sheet (\$000s)

Total Assets	\$5,035,005
Total Loans	2,384,321
Total Deposits	3,570,249
Total Shareholders' Equity	472,300
Market Capitalization (\$mm) ⁽¹⁾	850.25

2016 Performance (Six Months Ended)

Net Income (\$000s)	\$24,911
Return on Average Assets	0.99%
Return on Average Shareholders' Equity	10.93%
Efficiency Ratio	55.22%

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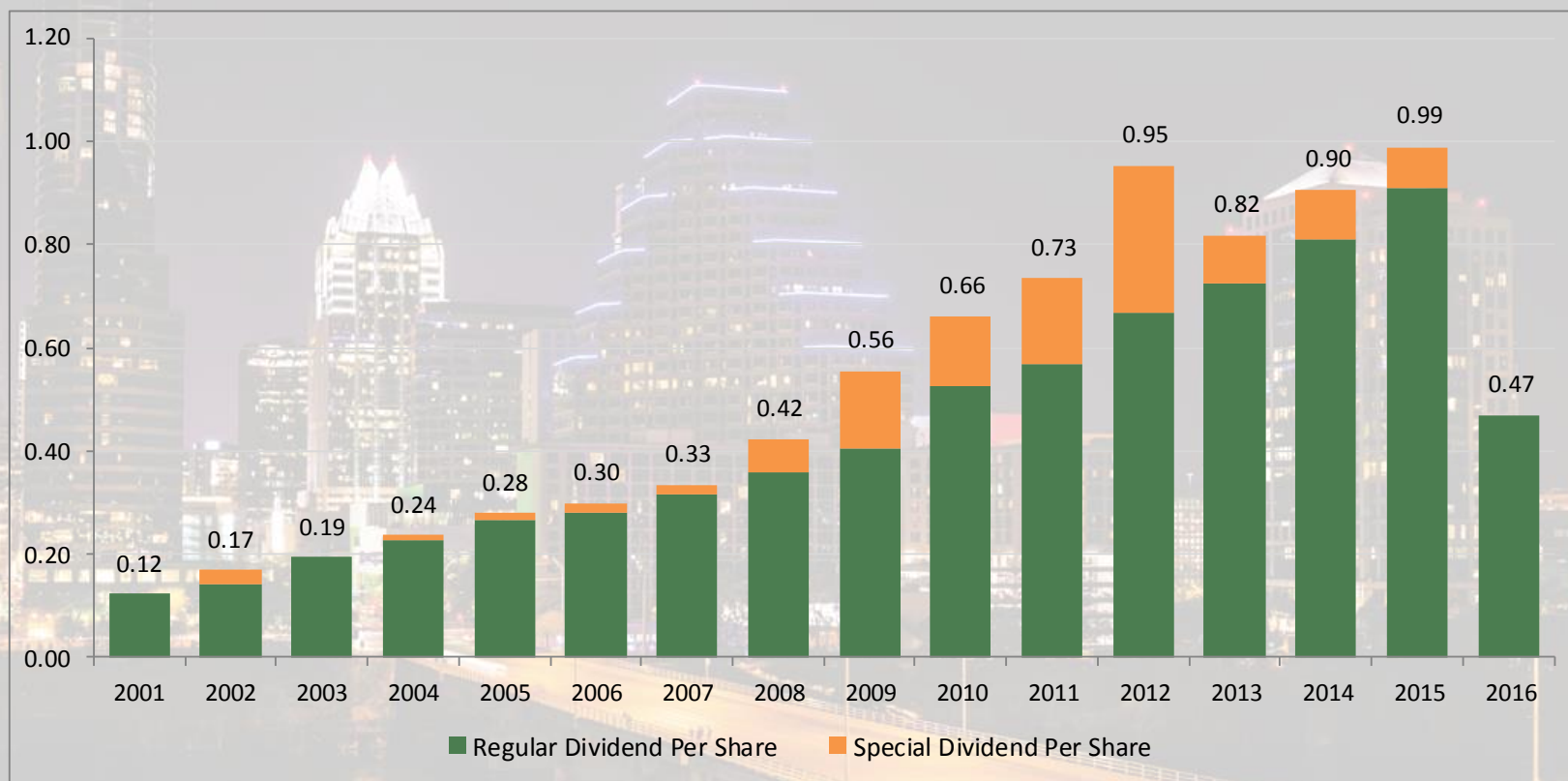
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Dividends

- Southside has paid a cash dividend every year since 1970
- In addition, we have paid an annual 5% stock dividend since 1993



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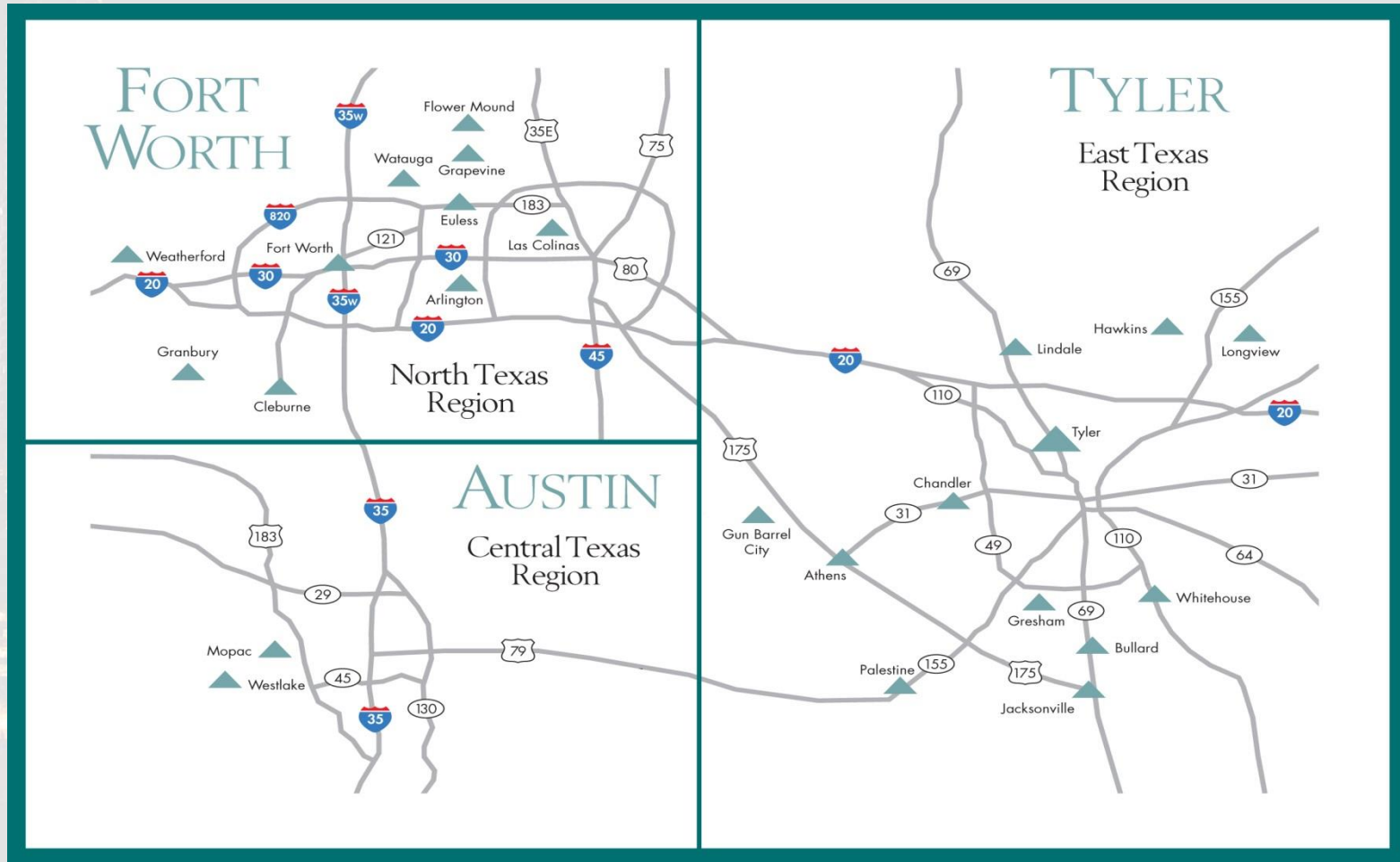
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Expanded Footprint



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Commercial Oil & Gas Exposure

	<u>Amount (\$000s)</u>	<u>As a Percent of Loans</u>
Oil & Gas Extraction and Wells	\$ 16,084	0.67%
Support Activities for Oil & Gas Operations	<u>12,304</u>	<u>0.52</u>
Total Oil & Gas Industry Exposure	<u>\$ 28,388</u>	<u>1.19%</u>

Goals for 2016

- Maintain Quality Loan Growth
- Maintain Asset Quality
- Implement and Capitalize on Operational Process Efficiency

Goals for 2016

- Expansion Opportunities
 - Austin/DFW/East Texas, and all points in between
 - LPO in Frisco (just north of Dallas) opening third quarter of 2016
- Navigate Challenging
 - Interest Rate Environment
 - Regulatory Environment



Southside Bancshares, Inc.

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Three Months Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>%Chg.</u>
Net Income (in thousands)	\$ 11,395	\$ 11,164	2.1%
EPS (diluted)	\$ 0.43	\$ 0.42	2.4%
ROE	9.91%	10.30%	
ROA	0.90%	0.93%	
Efficiency Ratio	52.85%	60.43%	

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Six Months Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>%Chg.</u>
Net Income (in thousands)	\$ 24,911	\$ 20,543	21.3%
EPS (diluted)	\$ 0.94	\$ 0.77	22.1%
ROE	10.93%	9.55%	
ROA	0.99%	0.86%	
Efficiency Ratio	55.22%	61.14%	

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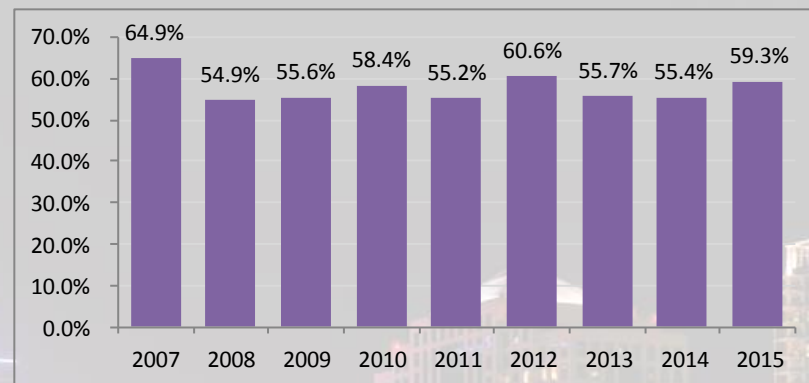
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Historical Performance

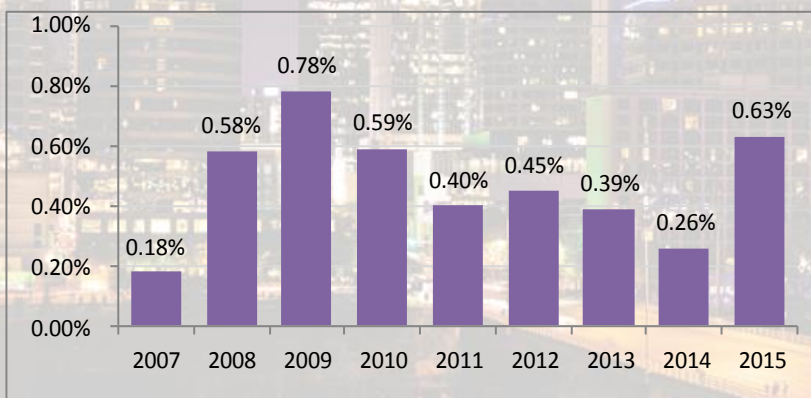
Return on Average Shareholders' Equity



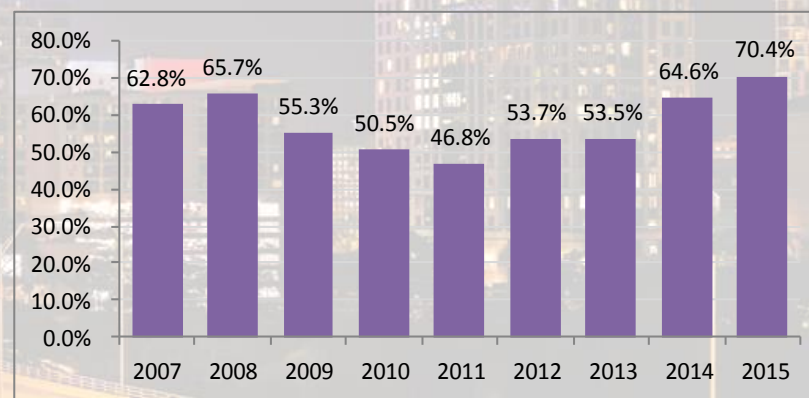
Efficiency Ratio



NPAs ⁽¹⁾ / Loans + OREO



Loans / Deposits



(1) NPAs include nonaccrual loans, loans 90+ days past due, accruing TDRs and OREO.

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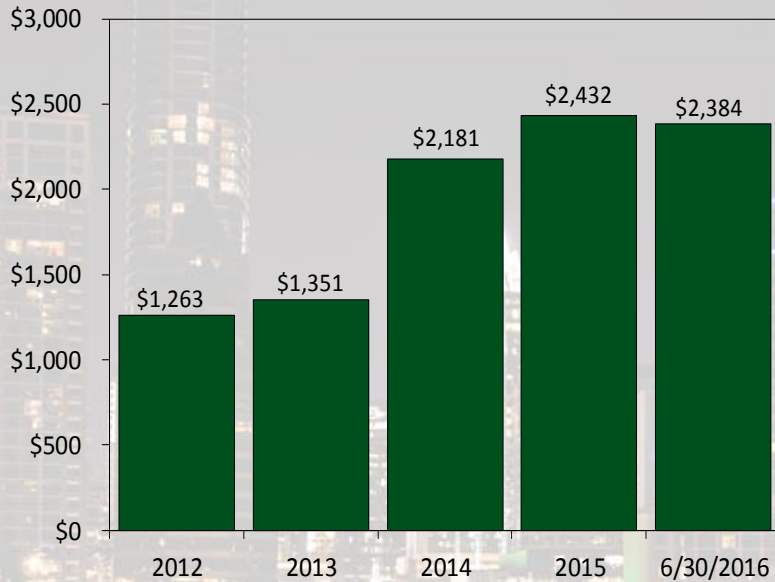
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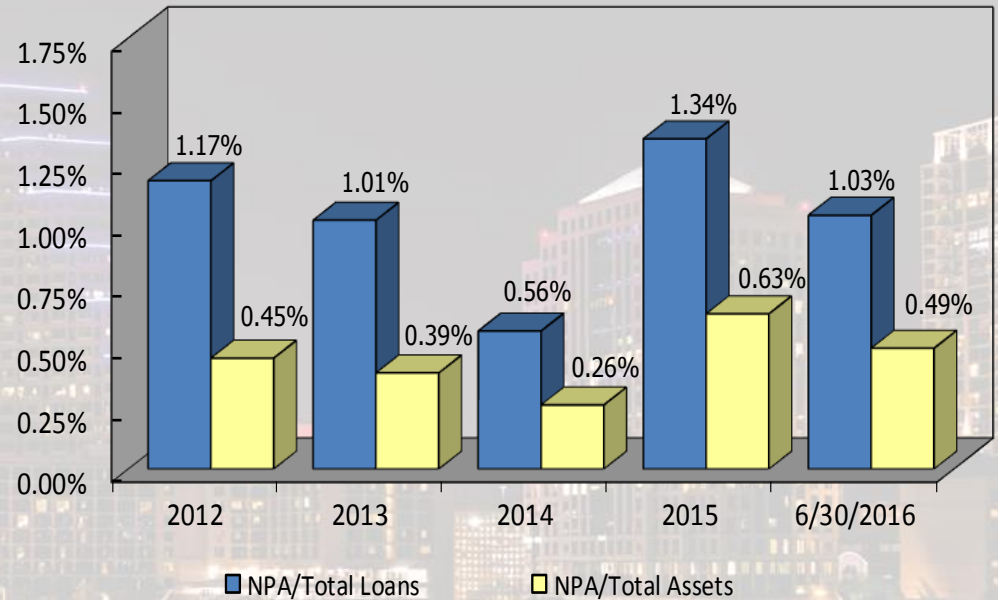
Loan Growth

Total Loans Outstanding
(In Millions)



Asset Quality

Non-Performing Assets



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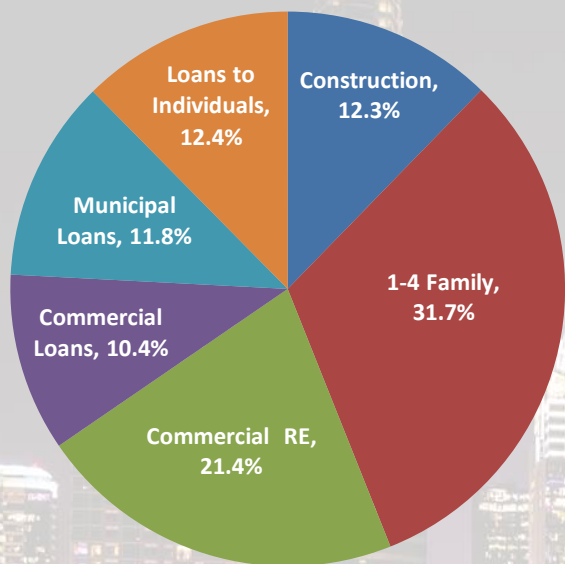
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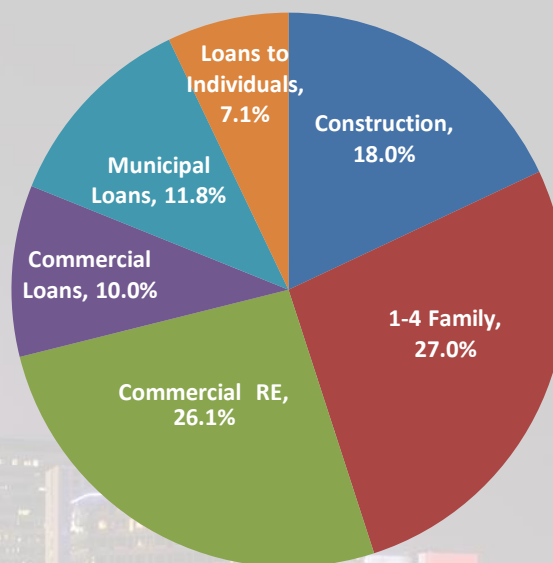
Loan Portfolio Composition

2014



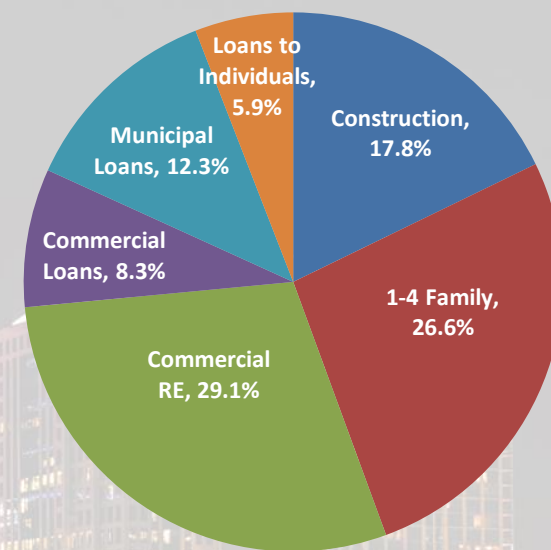
	Amount (\$mm)	% of Total
Construction	\$ 267.8	12.3%
1-4 Family	690.9	31.7%
Commercial RE	468.2	21.4%
Commercial Loans	226.4	10.4%
Municipal Loans	257.5	11.8%
Loans to Individuals	270.3	12.4%
Total	\$ 2,181.1	100.0%

2015



	Amount (\$mm)	% of Total
Construction	\$ 438.3	18.0%
1-4 Family	655.4	27.0%
Commercial RE	635.2	26.1%
Commercial Loans	242.5	10.0%
Municipal Loans	288.1	11.8%
Loans to Individuals	172.3	7.1%
Total	\$ 2,431.8	100.0%

06/30/2016



	Amount (\$mm)	% of Total
Construction	\$ 425.6	17.8%
1-4 Family	633.4	26.6%
Commercial RE	694.3	29.1%
Commercial Loans	197.9	8.3%
Municipal Loans	292.9	12.3%
Loans to Individuals	140.2	5.9%
Total	\$ 2,384.3	100.0%

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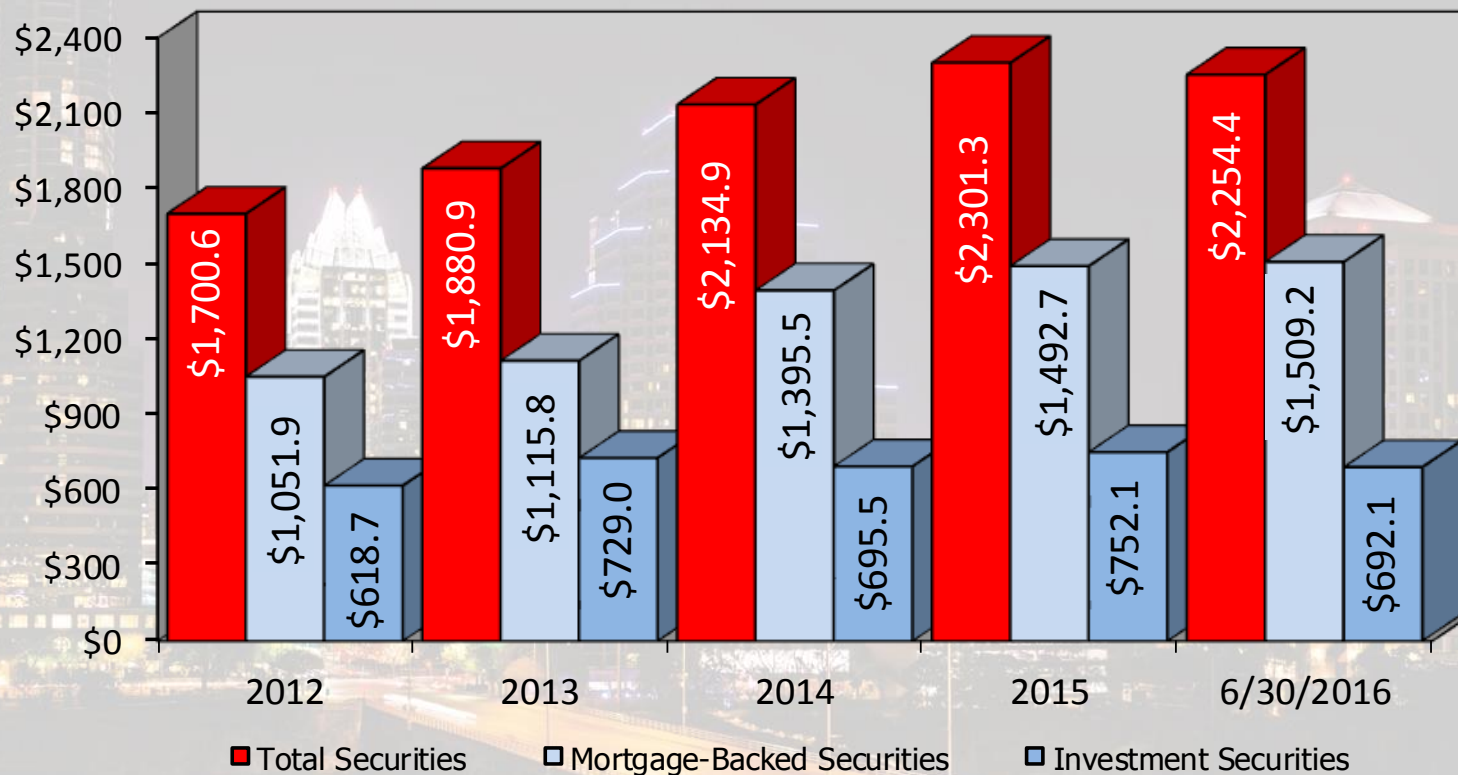
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Securities Portfolio

(In Millions)



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Investment Portfolio Performance

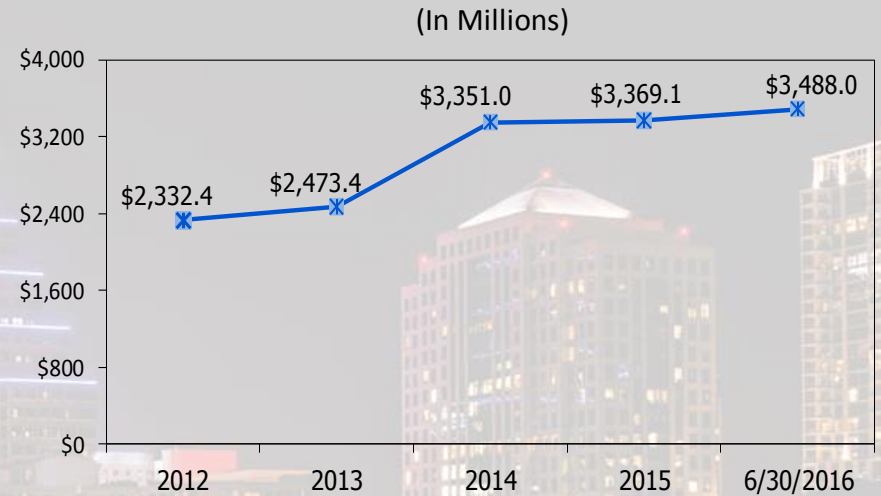
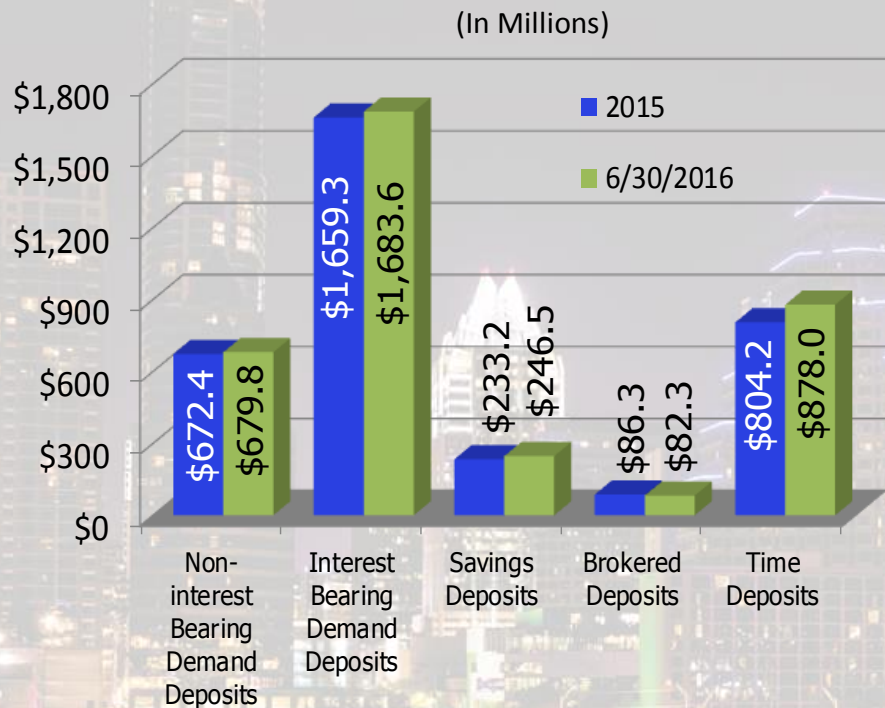
Southside Bank Performance

One Year	83 rd Percentile
Three Year	94 th Percentile
Five Year	91 st Percentile
Overall Rank	89 th Percentile

Distributions by percentile of 5,941 banks in the U.S. based on total return; all investments marked-to-market.

Source: IDC Report Period 03/31/2016

Deposit Composition and Growth



(Net of Brokered Deposits)

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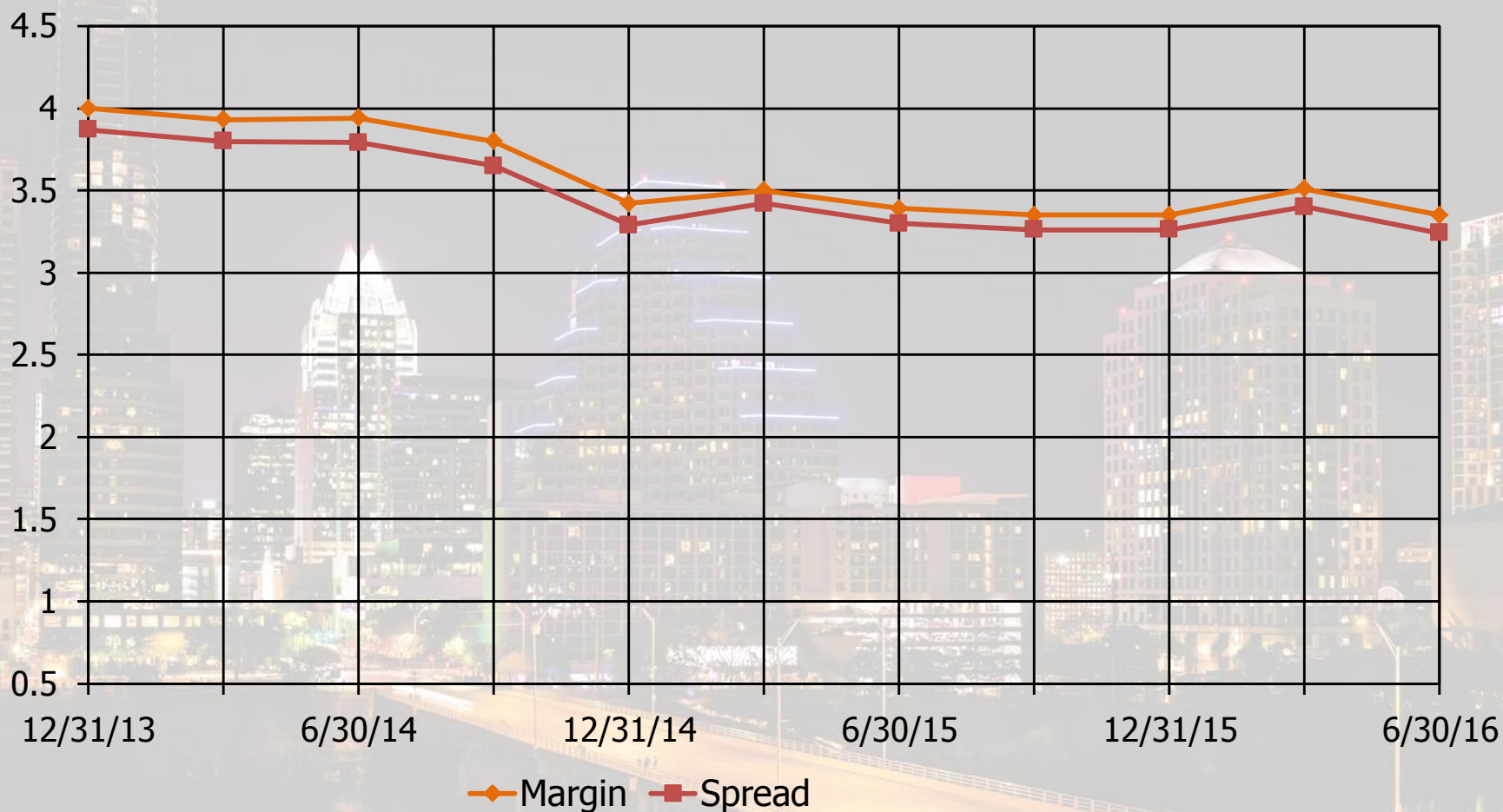
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Net Interest - Spread and Margin



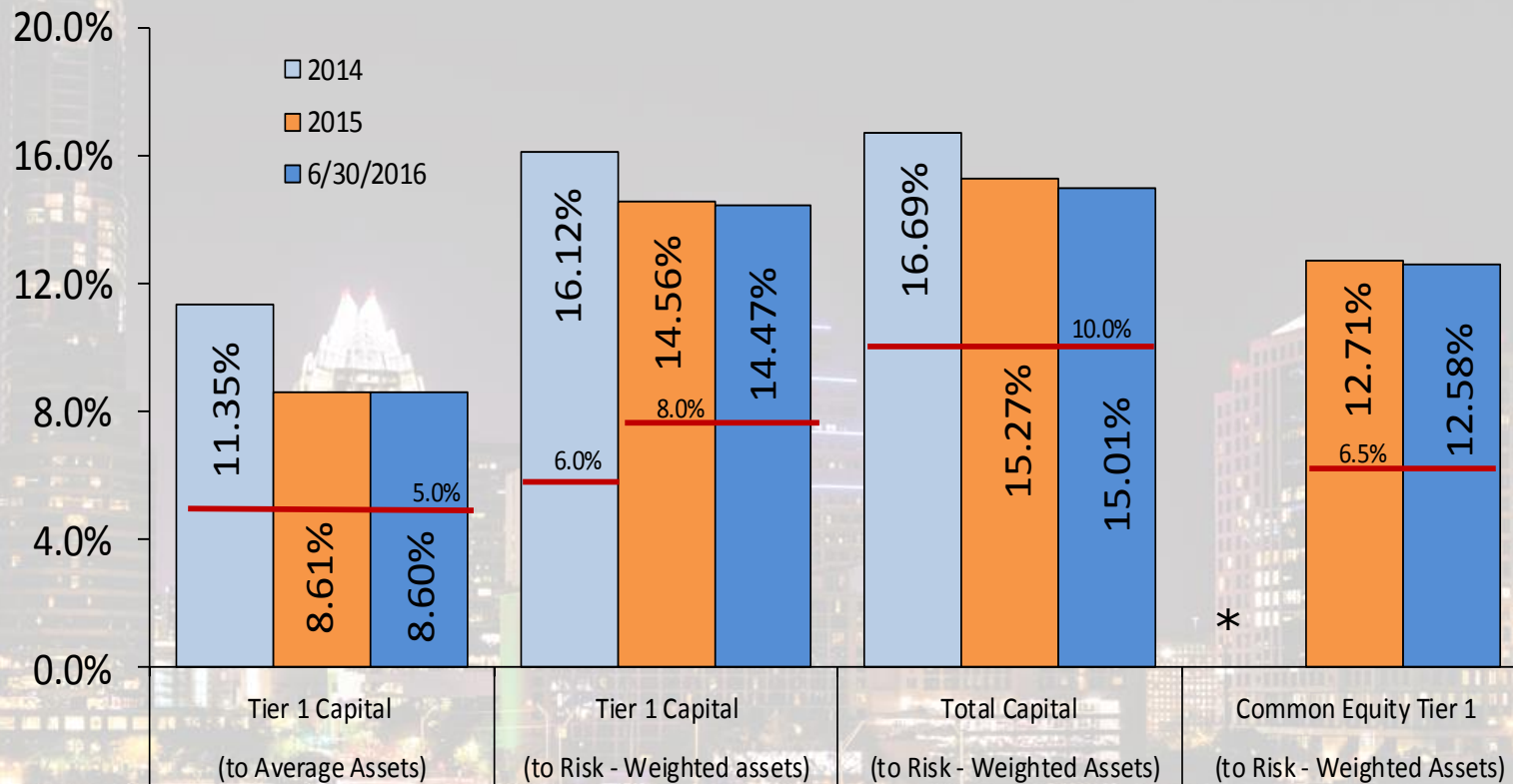
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Capital Levels



* As of 01/01/2015, New Capital Requirements, Common Equity Tier 1, became applicable under the Updated Capital Rules.



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