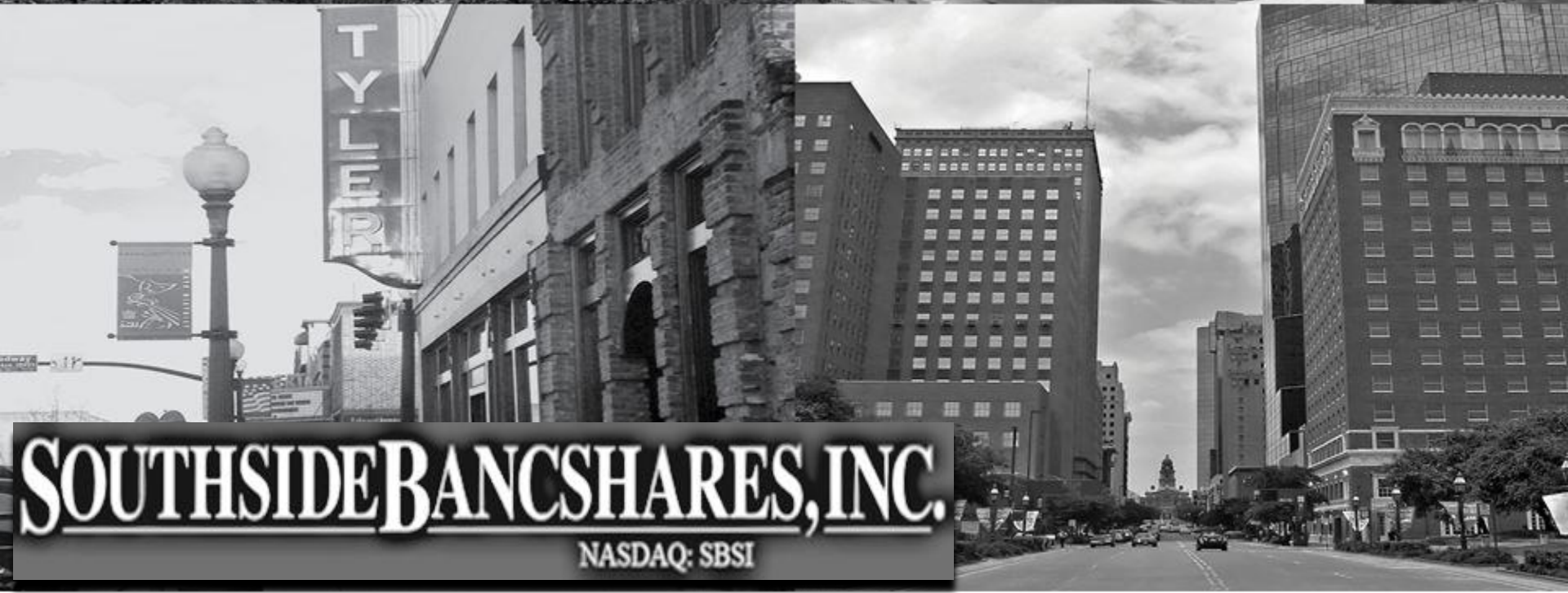


# Gulf South Bank Conference 2017



**SOUTHSIDE BANCSHARES, INC.**  
NASDAQ: SBSI

# Forward-Looking Statements

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- Certain statements of other than historical fact that are contained in this document and in other 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,” “likely,” “intend,” “probability,” “risk,” “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 about trends in asset quality, capital, liquidity, the pace of loan and revenue growth, the Company’s ability to sell nonperforming assets, expense reductions, the benefits of the Share Repurchase Plan, planned operational efficiencies, earnings and certain market risk disclosures, including the impact of interest rates and other economic factors, 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, 2016, 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.

# Key Management Team

## **Lee Gibson**, *President & Chief Executive Officer*

- **Past Chairman, FHLB Dallas and Council of FHLBanks**
- **President of Tyler Junior College Foundation Board**
- **Tyler Economic Development Council Finance Committee**
- **32 years with Southside**

## **Julie Shamburger**, *Executive Vice President & Chief Financial Officer*

- **Chief Accounting Officer of Southside Bank from 2011-2016**
- **34 years with Southside**

# Southside Snapshot

## Company Overview

- Founded in 1960 with headquarters in Tyler, TX
- Community-focused financial institution
- Offers a broad range of personal, commercial and mortgage banking services, as well as trust and investment, and brokerage services
- Diversified branch footprint consisting of 60 banking centers, 17 of which are located in grocery stores
- Approximately 40% deposit market share in Tyler, TX<sup>1</sup>
- Insider ownership equal to 7.3%
- 664 Full-Time Employees

## Financial Highlights (\$mm)

	As of and for the Years Ended December 31,		As of and for the Three Months Ended March 31,
	2015	2016	2017
<b><u>Balance Sheet</u></b>			
Total Assets	\$5,162	\$5,564	\$5,656
Total Loans (Ex. HFS)	2,432	2,557	2,539
Total Deposits	3,455	3,533	3,705
Total Equity	444	518	531
<b><u>Profitability</u></b>			
ROAA	0.90%	0.94%	1.08%
ROATCE <sup>2</sup>	13.39	13.63	14.42
Net Interest Margin	3.40	3.26	3.08
Efficiency Ratio <sup>2</sup>	59.32	54.08	51.60
<b><u>Capital</u></b>			
TCE / TA <sup>2</sup>	6.83%	7.72%	7.84%
Common Equity Tier 1 Ratio	12.71	14.64	14.58
Tier 1 Risk-Based Ratio	14.56	16.37	16.34
Total Risk-Based Ratio	15.27	20.10	20.01
Leverage Ratio	8.61	9.46	9.51
<b><u>Asset Quality</u></b>			
NPAs / Loans and OREO	1.34%	0.59%	0.55%
NCOs / Average Loans	0.09	0.47	0.08
Reserve / Total Loans	0.81	0.70	0.73
Reserve / NPLs	62.31	121.70	135.07
<b><u>Per Share</u></b>			
Tangible Book Value <sup>2</sup>	\$12.97	\$14.79	\$15.24
Diluted Earnings	1.65	1.86	0.52

1. Deposit market share for the Tyler, TX MSA; Source: SNL Financial, FDIC; As of 6/30/2016

2. See Non-GAAP reconciliation on page 23

Note: Completed acquisition of OmniAmerican Bancorp. Inc. on December 17, 2014

# Investment Portfolio Performance

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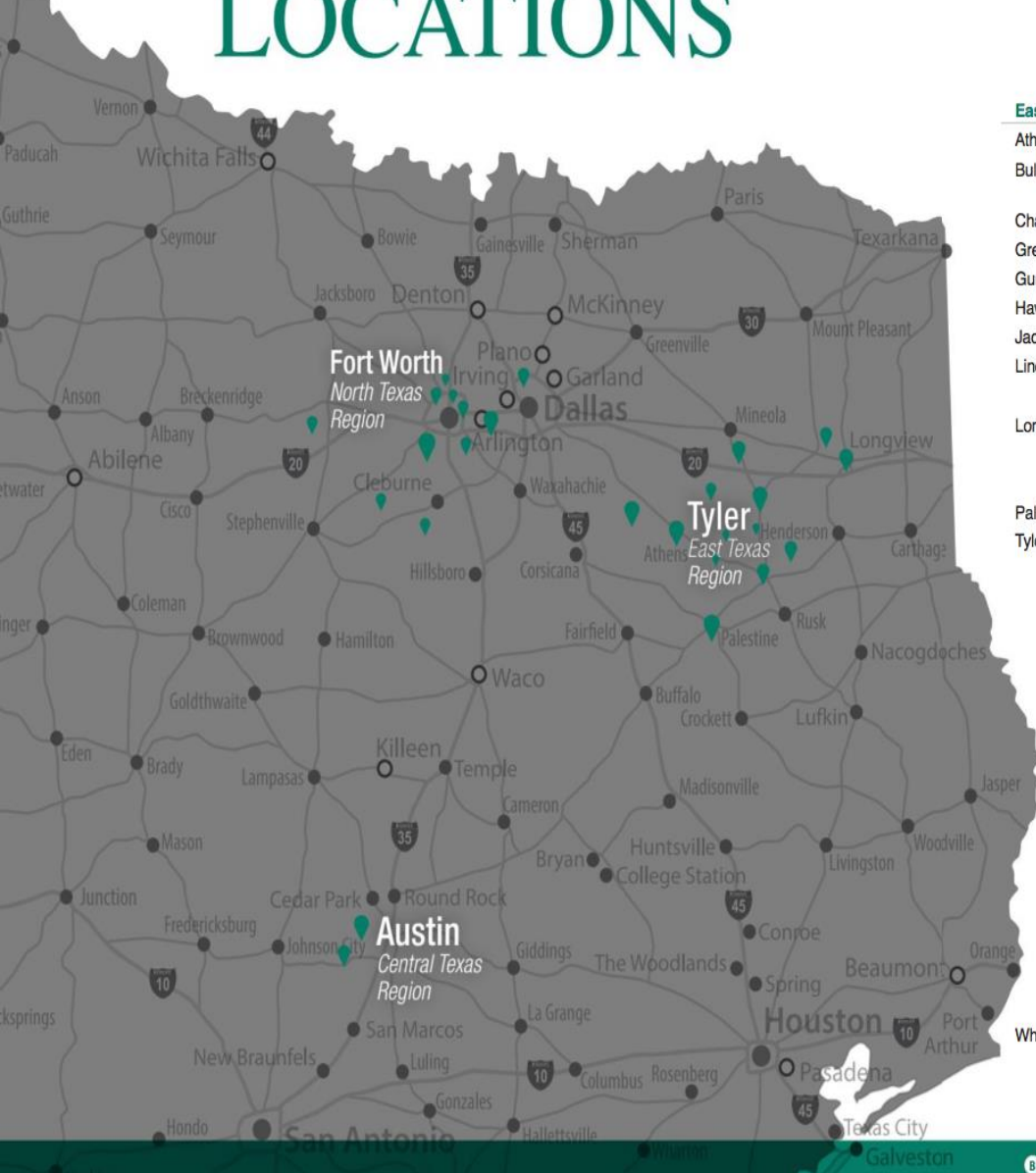
## Southside Bank Performance

One Year	95 <sup>th</sup> Percentile
Three Year	93 <sup>rd</sup> Percentile
Five Year	91 <sup>st</sup> Percentile
Overall Rank	94 <sup>th</sup> Percentile

Distributions by percentile of 5,639 banks in the U.S. based on total return; all investments marked-to-market.

Source: IDC Report Period 12/31/2016

# Southside Bank LOCATIONS



## East Texas

Athens	807 East Tyler Street	G
Bullard	213 North Doctor M. Roper Parkway	G
Chandler	703 State Highway 31 East	G
Gresham	16691 FM 2493	B
Gun Barrel City	901 West Main Street	B
Hawkins	1477 Beaulah Street	G
Jacksonville	1015 South Jackson Street	B
Lindale	2510 South Main Street	B
	521 South Main Street	G
Longview	2001 Judson Road	B
	1217 East Marshall Avenue	G
	2301 West Loop 281	G
Palestine	2107 South Loop 256	G
Tyler	1201 South Beckham Avenue	C/B
	1305 South Beckham Avenue	
	1010 East First Street	M
	113 West Ferguson Street	B
	2121 West Gentry Parkway	B
	2111 West Gentry Parkway	M
	6201 South Broadway Avenue	B
	6019 South Broadway Avenue	M
	3815 State Highway 64 West	B
	6991 Old Jacksonville Highway	G
	2020 Roseland Boulevard	G
	20100 Highway 155 South	G
	113 NNW Loop 323	G
	100 Rice Road	G
	2734 East Fifth Street	G
	3828 Troup Highway	G
	6801 South Broadway Avenue	G
	901 Highway 110 North	B
	601 Highway 110 North	G

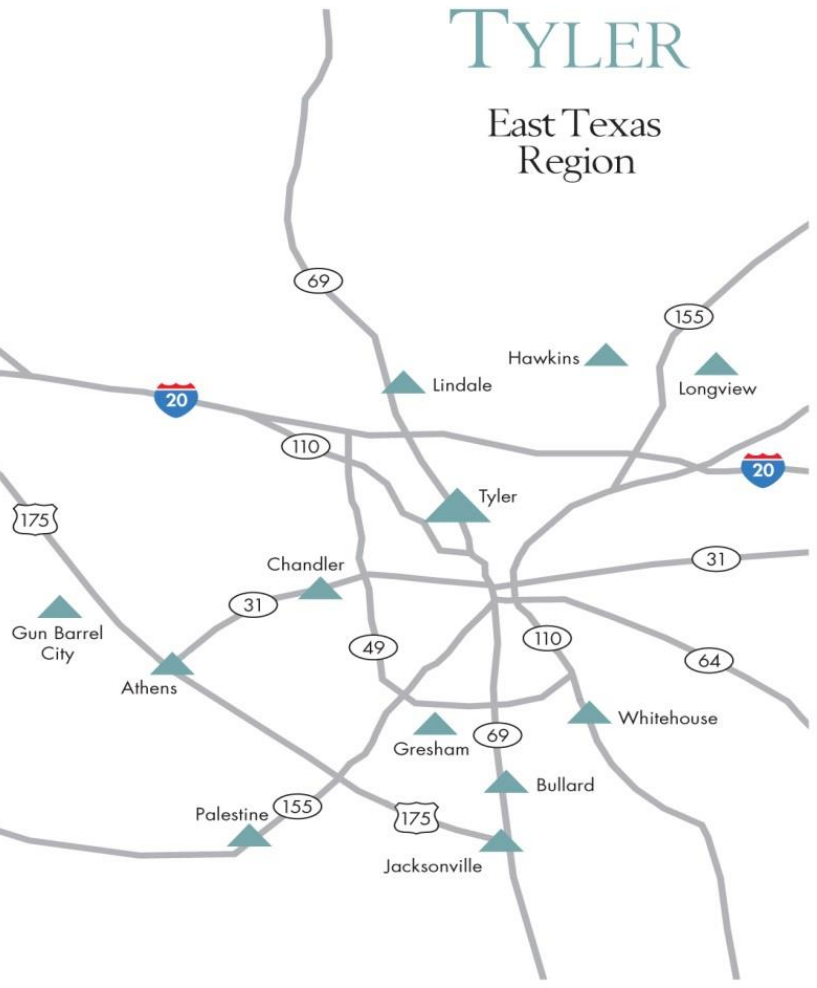
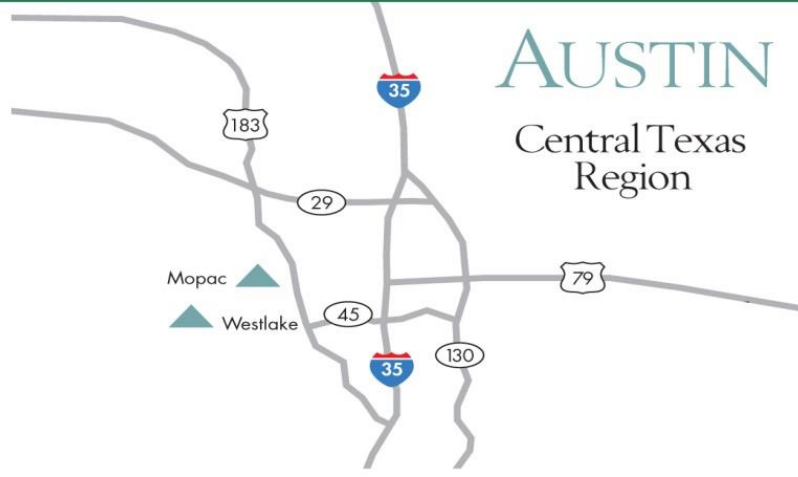
## North Texas

Arlington	2831 West Park Row	B
	950 West Arbrook Boulevard	B
Cleburne	1204 West Henderson Street	B
Euless	2311 West Euless Boulevard	B
Flower Mound	2341 Justin Road (FM 407)	B
Fort Worth	9516 Clifford Street	B
	1320 South University Drive, Suite 106	B
	7800 White Settlement Road	B
	6001 Bryant Irvin Road	B
	1000 Pennsylvania Avenue	B
	2330 East Rosedale Street	B
Frisco	5665 Dallas Parkway, Suite 100	L
Granbury	1030 East Highway 377, Suite 138	B
Grapevine	1616 West Northwest Highway	B
Las Colinas	1401 Walnut Hill Lane	B
Watauga	8024 Denton Highway	B
Weatherford	318 South Main Street	B

## Central Texas

Austin	8200 North Mopac Expressway, Suite 100	B
	1250 South Capital of Texas Hwy, Building 1, Suite 101	B

# Current Footprint



# SBSI – Investment Highlights

## ▪ Opportunities for Future Growth

- Well-positioned for a rising interest rate environment
- Texas M&A environment appears poised for a rebound in 2017 after a dearth of activity over the last three years
- Significant opportunities for organic growth
- Completed integration of OmniAmerican Bancorp, Inc. acquisition

## ▪ Consistent Track Record of Growth

- 14% CAGR in total assets from 2012 – 1Q 2017
- 11% CAGR in total deposits from 2012 – 1Q 2017
- 18% CAGR in total loans from 2012 – 1Q 2017

## ▪ Dynamic Markets

- Austin and Dallas/Fort Worth provide attractive business climates as two of the fastest growing markets in the United States
  - 10.0% and 8.1% projected population growth in Austin and Dallas/Fort Worth, respectively, surpass the national average of 3.8%<sup>1</sup>
- Long-standing local relationships in the growing Tyler, TX market (6.0% projected population growth<sup>1</sup>)

## ▪ Loan Portfolio Cushioned from Oil and Gas Volatility

- Only 1.14% of total loan portfolio tied to the oil and gas sector in 1Q 2017; no corporate presence in Houston, TX

## ▪ Conservative Lending Practices Translate into Strong Asset Quality

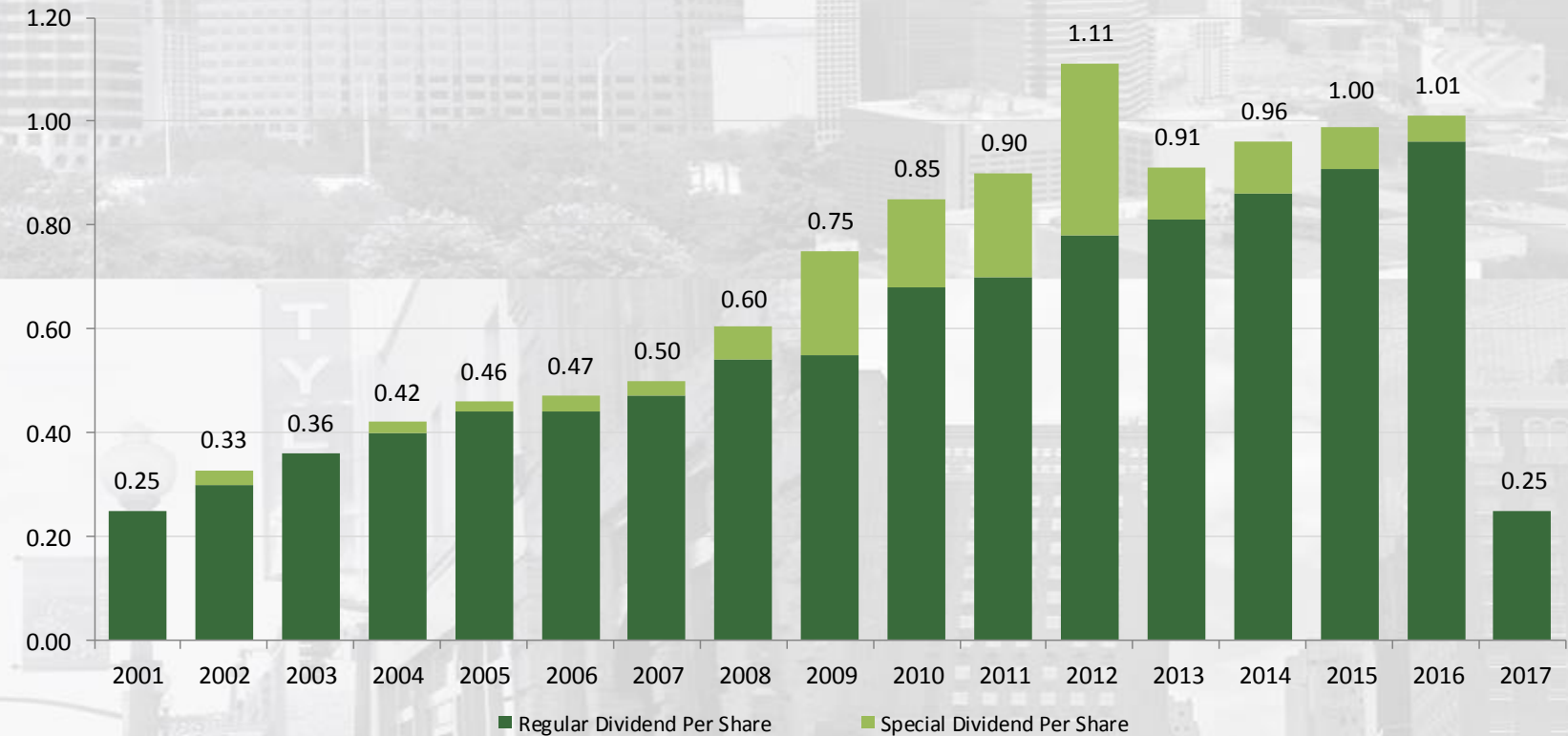
- NPAs / Loans and OREO of 0.55% in 1Q 2017

## ▪ Veteran Management Team

- Southside's key management individuals each have over 30 years of banking experience

# Dividends

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



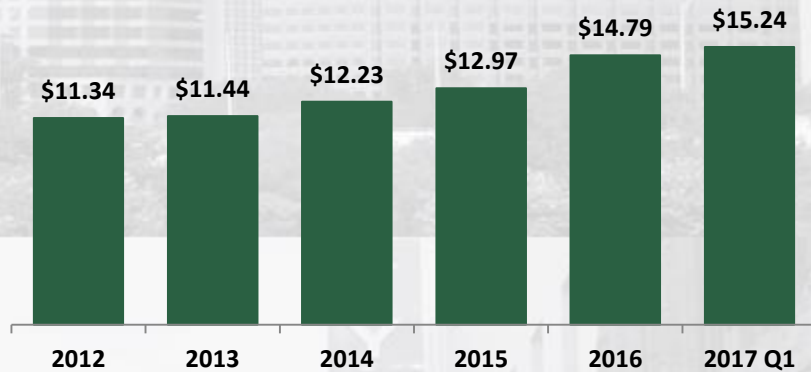
# Commercial Oil & Gas Exposure

March 31, 2017

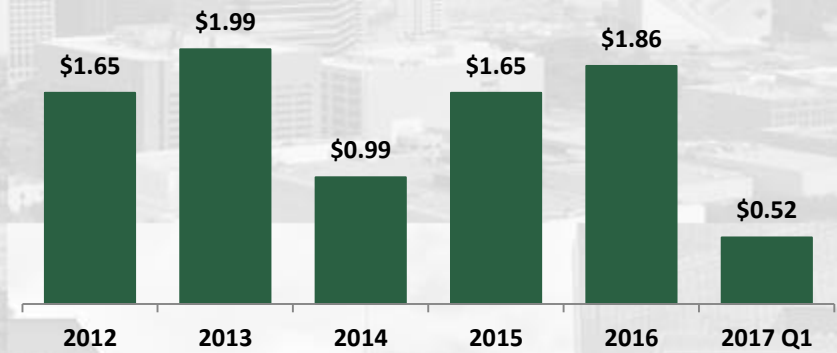
	<u>Amount</u> <u>(\$000s)</u>	<u>As a Percent</u> <u>of Loans</u>
Oil & Gas Extraction and Wells	\$ 16,067	0.63%
Support Activities for Oil & Gas Operations	12,923	0.51
Total Oil & Gas Industry Exposure	<u>\$ 28,990</u>	<u>1.14%</u>

# Shareholder Returns

Tangible Book Value Per Share<sup>1</sup> (\$)



Diluted Earnings Per Share (\$)

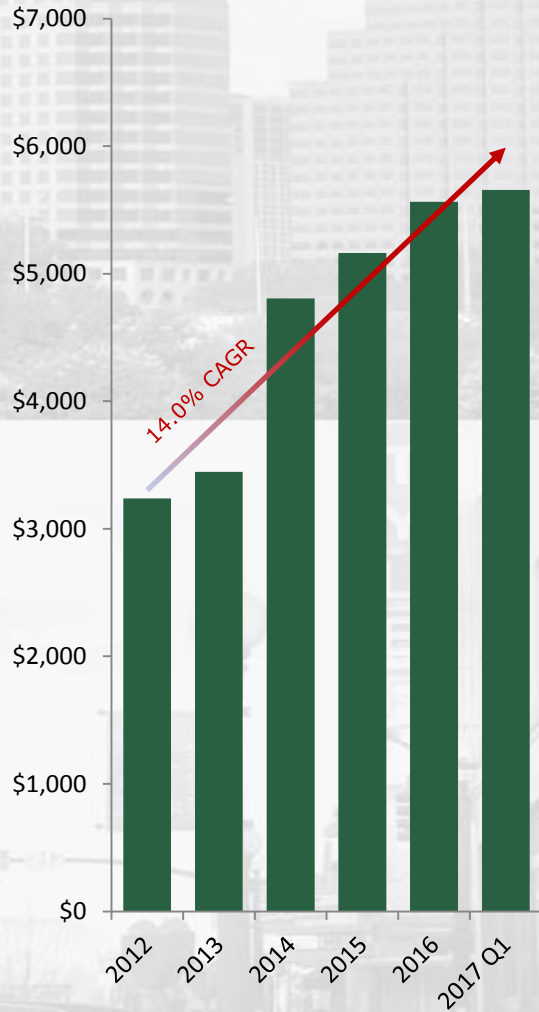


1. See Non-GAAP reconciliation on page 23

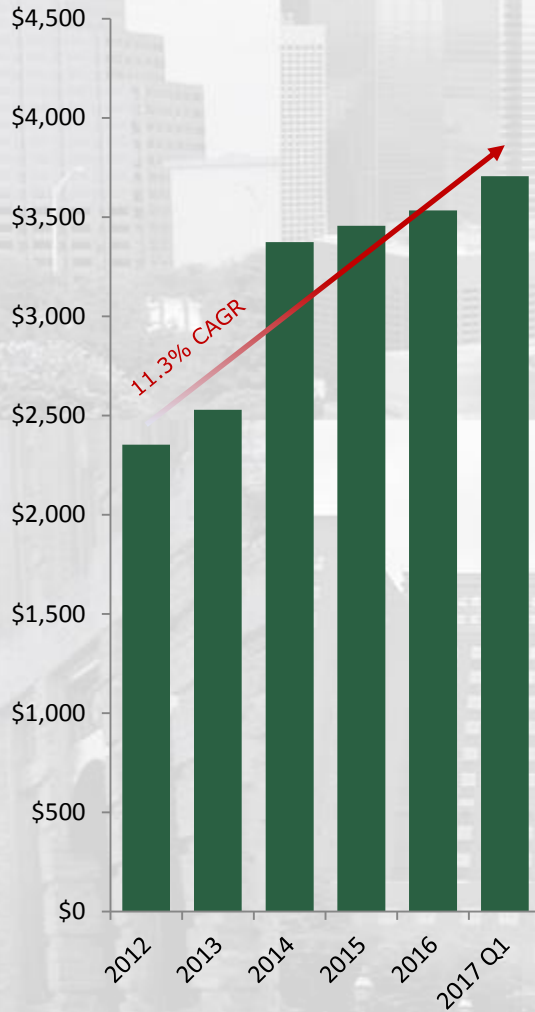
Note: Completed acquisition of OmniAmerican Bancorp, Inc. on December 17, 2014 resulting in pre-tax merger expenses of \$15.9mm and \$5.5mm in 2014 and 2015, respectively, as well as \$2.8mm in impairment charges in 2014 relating to the exit of SFG

# Financial Performance: Growth

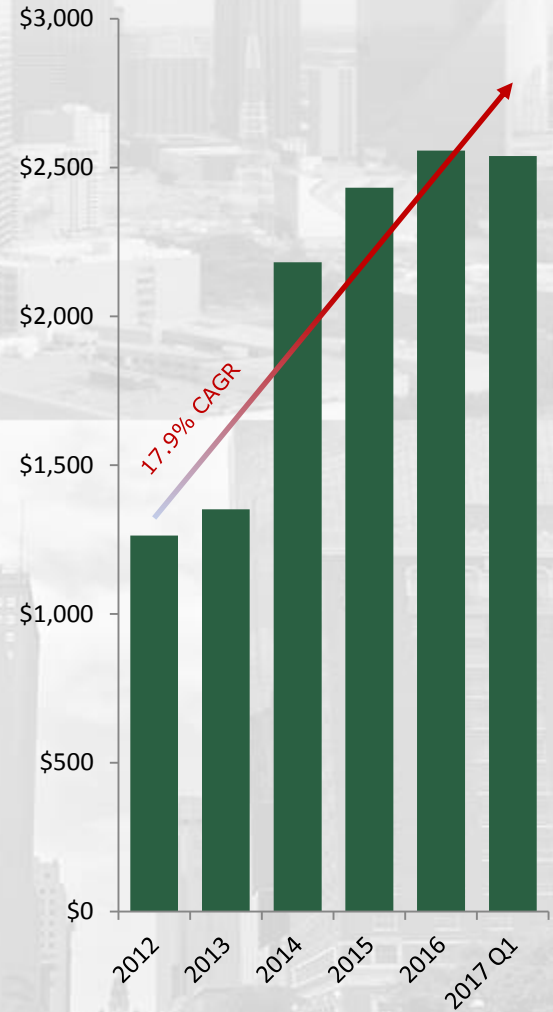
**Total Assets (\$mm)**



**Total Deposits (\$mm)**



**Loans HFI (\$mm)**



Note: Completed acquisition of OmniAmerican Bancorp, Inc. on December 17, 2014

# Financial Performance: Profitability

## Net Income to Common Shareholders (\$mm)



## Net Interest Income (\$mm)



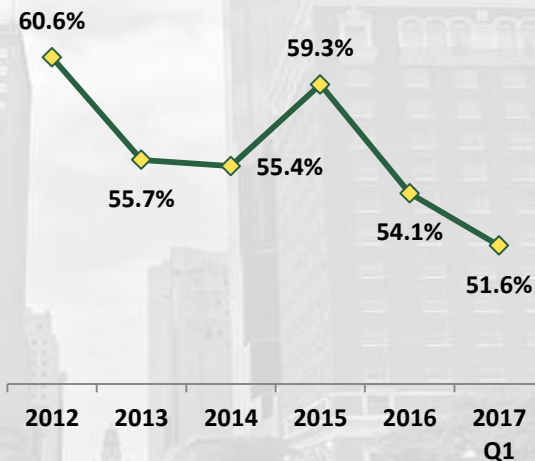
## ROAA



## ROATCE<sup>1</sup>



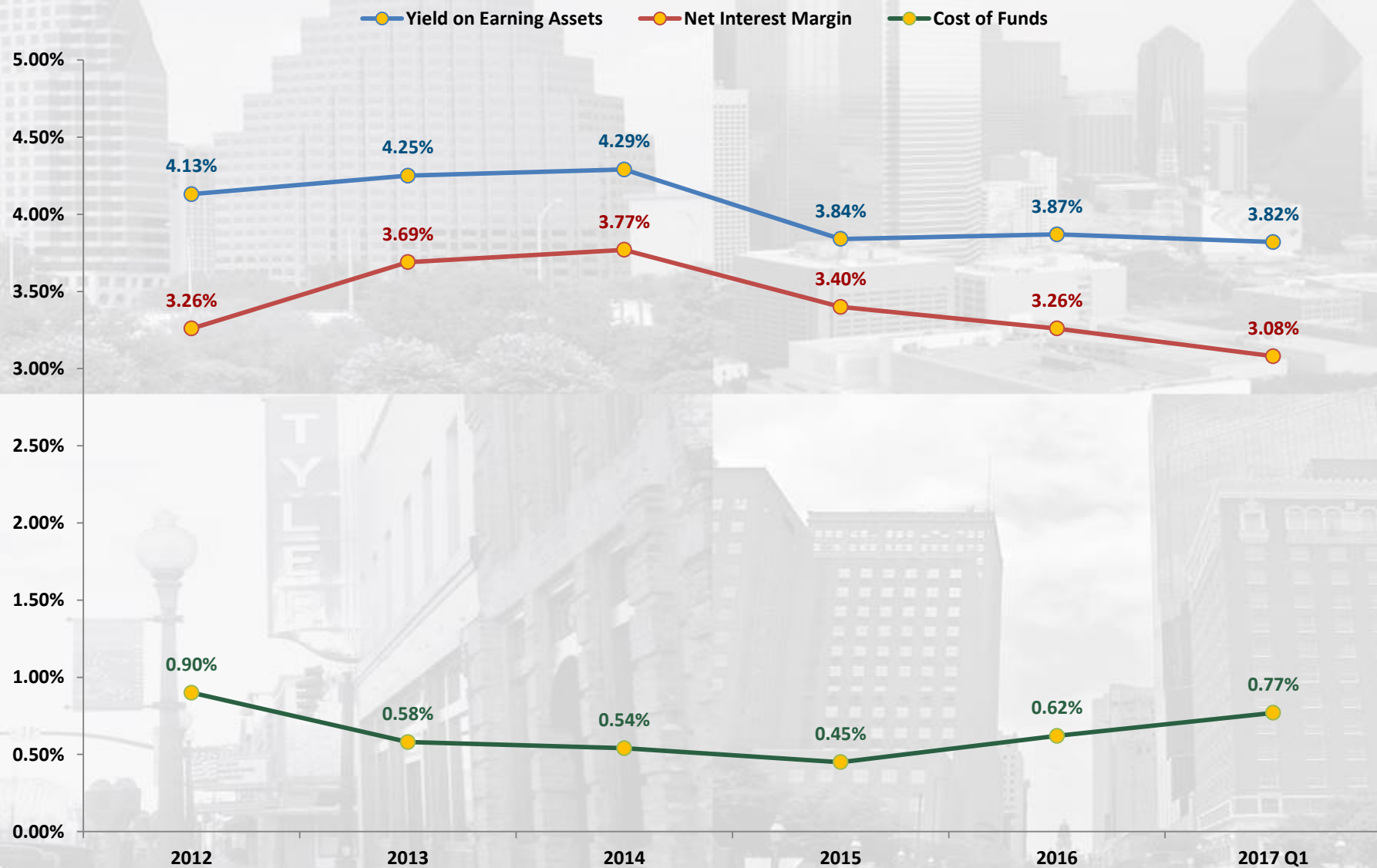
## Efficiency Ratio<sup>1</sup>



1. See Non-GAAP reconciliation on page 23

Note: Completed acquisition of OmniAmerican Bancorp, Inc. on December 17, 2014 resulting in pre-tax merger expenses of \$15.9mm and \$5.5mm in 2014 and 2015, respectively, as well as \$2.8mm in impairment charges in 2014 relating to the exit of SFG

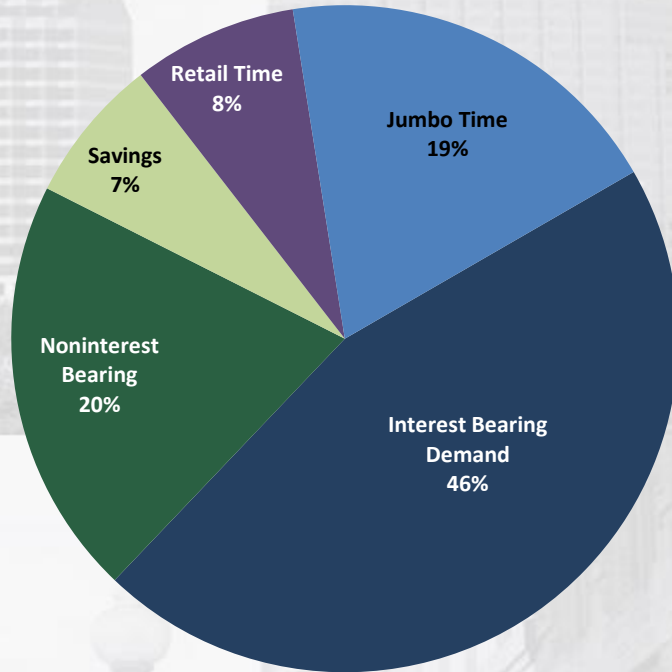
# Net Interest Margin



Note: Completed acquisition of OmniAmerican Bancorp, Inc. on December 17, 2014

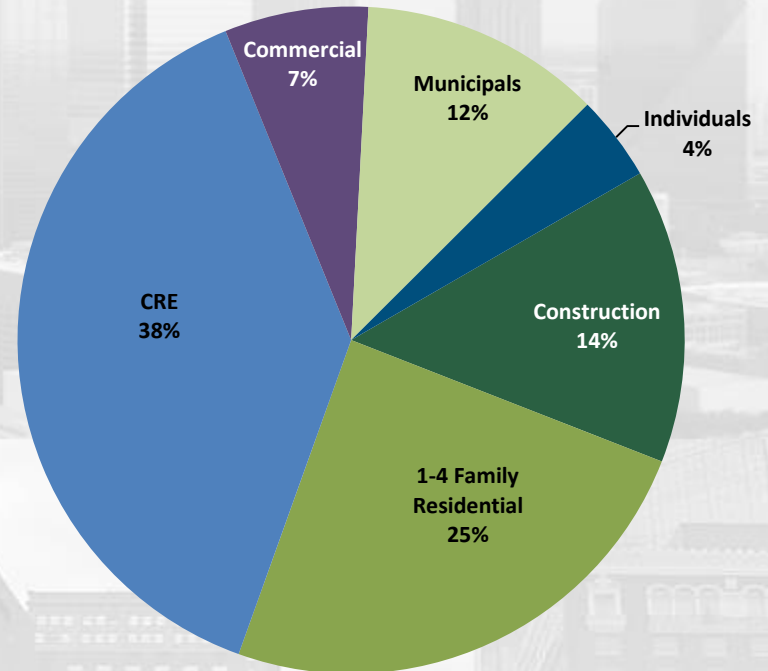
# Loan and Deposit Composition

## Deposit Composition as of 3/31/2017



Deposit Type	Amount \$mm	%
Interest Bearing Demand	\$1,684	46%
Noninterest Bearing	753	20%
Savings	262	7%
Retail Time	296	8%
Jumbo Time	710	19%
<b>Total</b>	<b>\$3,705</b>	<b>100%</b>

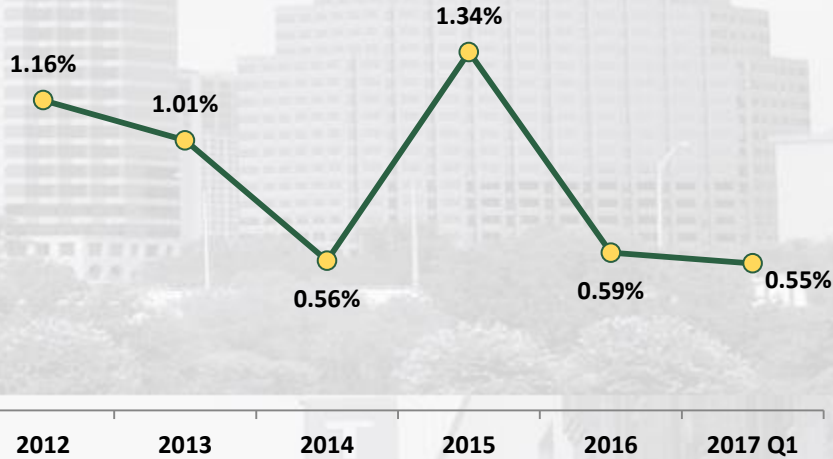
## Loan Portfolio by Type as of 3/31/2017



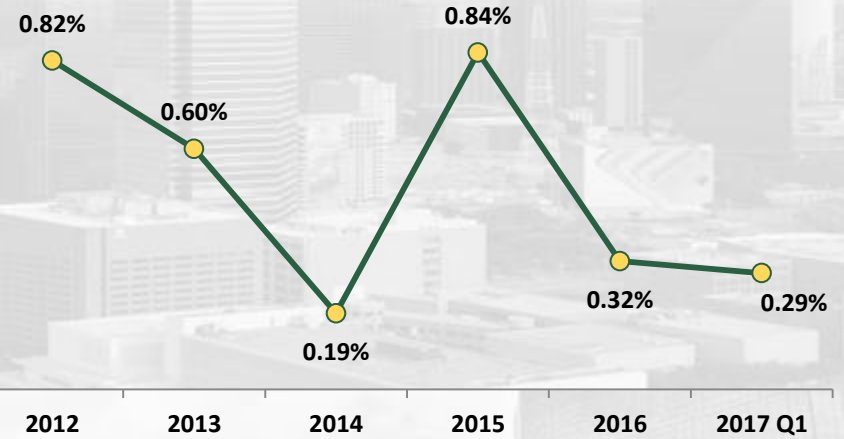
Loan Type	Amount \$mm	%
<b>Real Estate Loans:</b>		
Construction	\$362	14%
1-4 Family Residential	623	25%
CRE	974	38%
Commercial	177	7%
Municipals	298	12%
Individuals	105	4%
<b>Total</b>	<b>\$2,539</b>	<b>100%</b>

# Asset Quality Trends

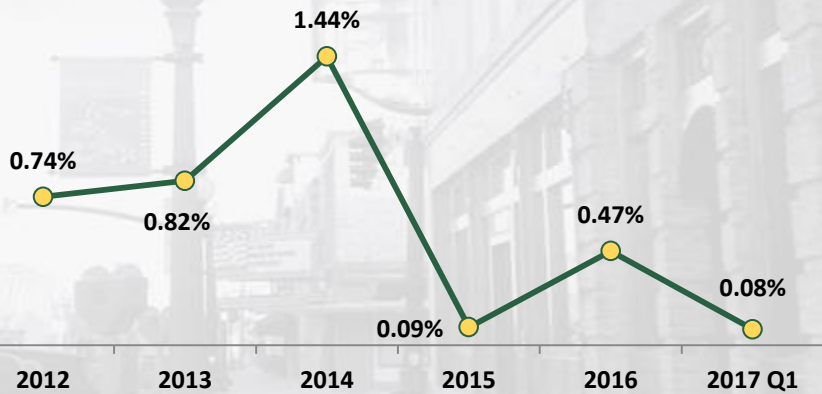
### NPAs / Loans and OREO<sup>1</sup>



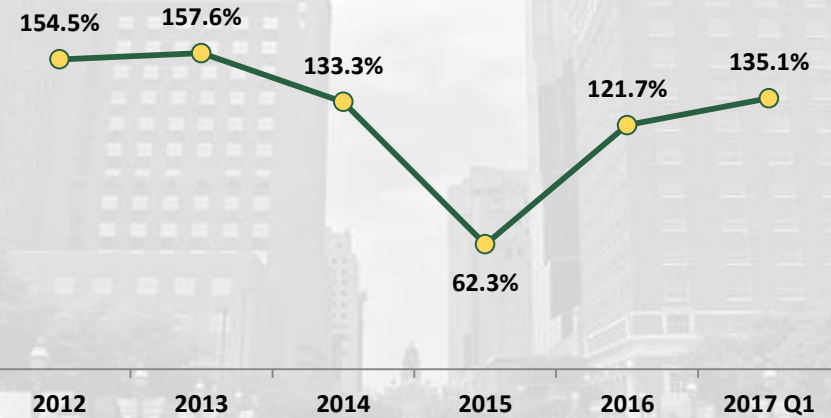
### Nonaccrual Loans / Loans<sup>1</sup>



### NCOs / Average Loans



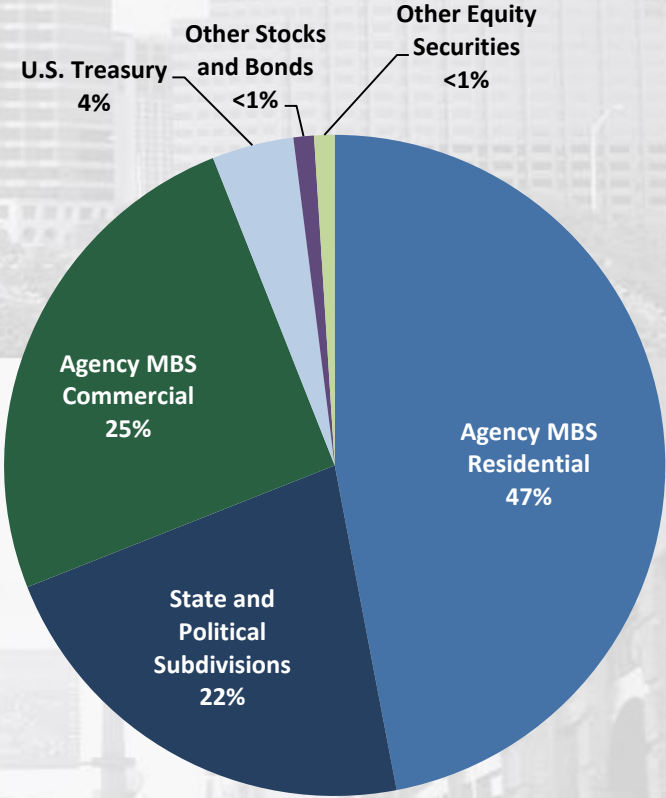
### Reserves / NPLs



1. 2014 excludes purchased credit impaired loans measured at fair value at acquisition of OmniAmerican Bancorp, Inc.

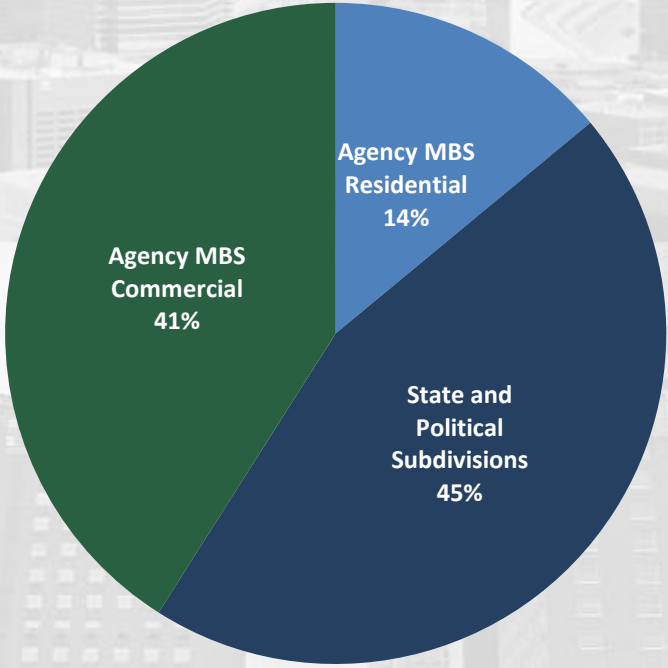
# Securities Composition

Available for Sale as of 3/31/2017 (Fair Value)



**\$1.4 billion**

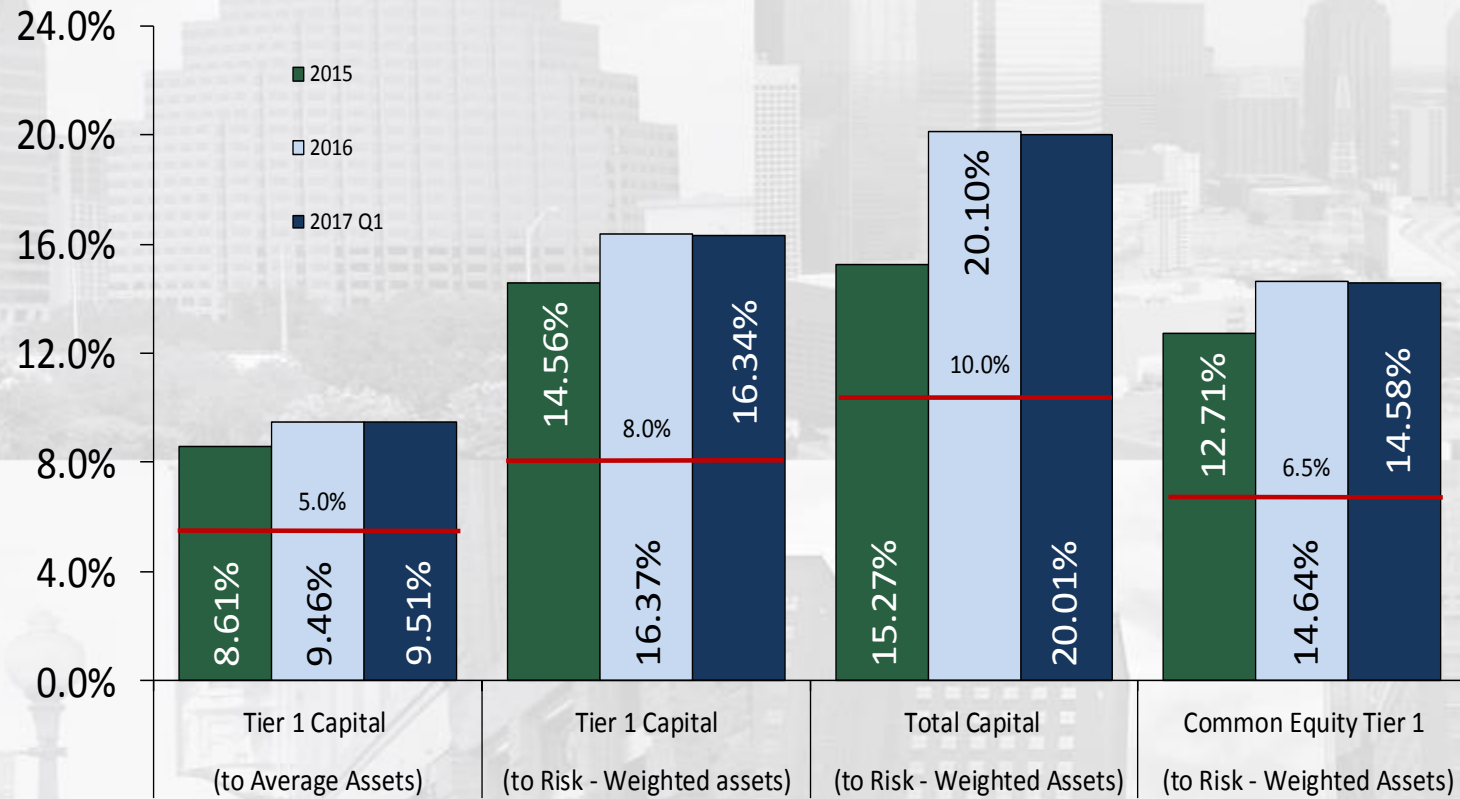
Held To Maturity as of 3/31/2017 (Carrying Value)



**\$0.9 billion**

Note: All mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government sponsored enterprises

# Capital Levels



Well Capitalized

# Quarter Ended March 31,

	<u>2017</u>	<u>2016</u>	<u>%Chg.</u>
Net Income (in thousands)	\$ 14,989	\$13,516	10.9%
EPS (diluted)	\$ 0.52	\$ 0.51	2.0%
ROE	11.57%	11.96%	
ROA	1.08%	1.07%	
Efficiency Ratio	51.60%	57.47%	

# Year Ended December 31,

	<u>2016</u>	<u>2015</u>	<u>%Chg.</u>
Net Income (in thousands)	\$ 49,349	\$ 43,997	12.2%
EPS (diluted)	\$ 1.86	\$ 1.65	12.7%
ROE	10.54%	10.04%	
ROA	0.94%	0.90%	
Efficiency Ratio	54.08%	59.32%	



# Appendix



# Non-GAAP Reconciliation

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This presentation contains certain financial information determined by methods other than in accordance with accounting principles generally accepted in the United States (“GAAP”). These non-GAAP financial measures include return on average tangible common equity, tangible book value per share, tangible common equity to tangible assets, and efficiency ratio.

In calculating return on average tangible common equity, Southside (i) adds back the after tax amortization expense to net income available to common shareholders and (ii) subtracts average intangible assets from average common equity. In calculating tangible book value per share, Southside subtracts intangible assets from common equity. In calculating the ratio of tangible common equity to tangible assets, Southside subtracts intangible assets both from common equity and total assets. Management believes that the presentation of these measures excluding the impact of intangible assets provides useful supplemental information that is helpful in understanding Southside’s financial condition and results of operations, as they provide a method to assess management’s success in utilizing Southside’s tangible capital as well as its capital strength. Management also believes that providing measures that exclude balances of intangible assets, which are subjective components of valuation, facilitates the comparison of Southside’s performance with the performance of its peers. In addition, management believes that these are standard financial measures used in the banking industry to evaluate performance.

The efficiency ratio on a tax-equivalent basis is a non-GAAP measure that provides a measure of productivity in the banking industry. This ratio is calculated to measure the cost of generating one dollar of revenue. The ratio is designed to reflect the percentage of one dollar which must be expended to generate that dollar of revenue. Southside calculates this ratio by dividing noninterest expense, excluding amortization of intangibles and certain non-recurring expenses, by the sum of net interest income on a tax-equivalent basis and noninterest income, excluding net gains (losses) on sales of available for sale investment securities and certain non-recurring income.

These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Because not all companies use the same calculation of non-GAAP measures, this presentation may not be comparable to other similarly titled measures as calculated by other companies.

# Non-GAAP Reconciliation (cont'd)

(in thousands)	As of and for the Year Ended					As of and for the
	December 31,					Three Months
	2012	2013	2014	2015	2016	Ended March 31, 2017
Net income available to common	\$34,695	\$41,190	\$20,833	\$43,997	\$49,349	\$14,989
Plus: After-tax amortization expense (35% tax rate)	133	98	133	1,496	1,261	280
<b>Adjusted net income available to common</b>	<b>(a) \$34,828</b>	<b>\$41,288</b>	<b>\$20,966</b>	<b>\$45,493</b>	<b>\$50,610</b>	<b>\$15,269</b>
Average common equity	\$270,358	\$249,709	\$287,768	\$438,427	\$468,424	\$525,458
Less: Average intangible assets	22,460	22,287	25,377	98,702	97,123	95,964
<b>Average tangible common equity</b>	<b>(b) \$247,898</b>	<b>\$227,422</b>	<b>\$262,391</b>	<b>\$339,725</b>	<b>\$371,301</b>	<b>\$429,494</b>
<b>Return on average tangible common equity (ROATCE)</b>	<b>(a) / (b) 14.05%</b>	<b>18.15%</b>	<b>7.99%</b>	<b>13.39%</b>	<b>13.63%</b>	<b>14.42% [A]</b>
Common equity at period end	\$257,763	\$259,518	\$425,243	\$444,062	\$518,274	\$531,466
Less: Intangible assets at period end	22,358	22,212	100,216	98,068	96,128	95,697
<b>Tangible common equity at period end</b>	<b>(c) \$235,405</b>	<b>\$237,306</b>	<b>\$325,027</b>	<b>\$345,994</b>	<b>\$422,146</b>	<b>\$435,769</b>
Total assets at period end	\$3,237,309	\$3,445,574	\$4,807,176	\$5,161,996	\$5,563,767	\$5,656,249 [B]
Less: Intangible assets at period end	22,358	22,212	100,216	98,068	96,128	95,697
<b>Tangible assets at period end</b>	<b>(d) \$3,214,951</b>	<b>\$3,423,362</b>	<b>\$4,706,960</b>	<b>\$5,063,928</b>	<b>\$5,467,639</b>	<b>\$5,560,552</b>
<b>Tangible common equity/tangible assets (TCE/TA)</b>	<b>(c) / (d) 7.32%</b>	<b>6.93%</b>	<b>6.91%</b>	<b>6.83%</b>	<b>7.72%</b>	<b>7.84%</b>
Common shares outstanding at period end	(e) 20,756	20,749	26,587	26,670	28,543	28,587 [C]
<b>Tangible book value per share</b>	<b>(c) / (e) \$11.34</b>	<b>\$11.44</b>	<b>\$12.23</b>	<b>\$12.97</b>	<b>\$14.79</b>	<b>\$15.24</b>
Noninterest expense	\$76,107	\$81,713	\$97,704	\$112,954	\$109,522	\$25,858
Less: Pre-tax amortization expense	204	151	204	2,301	1,940	431
Less: Non-recurring expense	228	1,268	15,838	527	2,375	17
<b>Adjusted noninterest expense</b>	<b>(f) \$75,675</b>	<b>\$80,294</b>	<b>\$81,662</b>	<b>\$110,126</b>	<b>\$105,207</b>	<b>\$25,410</b>
Net interest income (Taxable Equivalent)	\$100,128	\$117,317	\$122,946	\$151,400	\$157,555	\$39,690
Plus: Noninterest income	40,021	35,245	24,489	37,895	39,411	9,673
Less: Non-recurring income	15,256	8,430	75	3,660	2,426	122
<b>Total Revenue</b>	<b>(g) \$124,893</b>	<b>\$144,132</b>	<b>\$147,360</b>	<b>\$185,635</b>	<b>\$194,540</b>	<b>\$49,241</b>
<b>Efficiency Ratio</b>	<b>(f) / (g) 60.59%</b>	<b>55.71%</b>	<b>55.42%</b>	<b>59.32%</b>	<b>54.08%</b>	<b>51.60%</b>

- (A) Annualized  
 (B) Prior period amounts have been reclassified to conform to current year presentation in connection with the adoption of ASU 2015-03 "Interest-Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs."  
 (C) Prior period shares adjusted for stock dividends

# Gulf South Bank Conference 2017

