



NASDAQ/SBSI  
May 13, 2020

# 2020 Annual Meeting of Shareholders



# 2020 Annual Meeting Agenda

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- 1) **Welcome and Introductory Comments**
  - 2) **Annual Business Meeting Call to Order**
  - 3) **Proposals:**
    - a) **Proposal 1- Election of Directors**
    - b) **Proposal 2- Non-binding Advisory Vote on the Compensation of the Named Executive Officers**
    - c) **Proposal 3- Ratification of Independent Registered Accounting Firm, Ernst and Young LLP**
  - 4) **Closing of the Polls and Preliminary Voting Results**
  - 5) **Annual Business Meeting Adjournment**
  - 6) **Presentation by the CEO & CFO**
  - 7) **Question and Answer Session**
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# Forward-Looking Statements

- Certain statements of other than historical fact that are contained in this press release and in other written material, documents 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, planned operational efficiencies, earnings, successful integration of completed acquisitions and certain market risk disclosures, including the impact of interest rates, tax reform 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. The most recent factor that could cause future results to differ materially from those anticipated by our forward-looking statements include the negative impact of the novel coronavirus (“COVID-19”) pandemic on our business, financial position, operations and prospects, including our ability to continue our business activities in certain communities we serve, the duration of the pandemic and its continued effects on financial markets, a reduction in financial transactions and business activities resulting in decreased deposits and reduced loan originations, increases in unemployment rates impacting our borrowers’ ability to repay their loans, our ability to manage liquidity in a rapidly changing and unpredictable market, additional interest rate changes by the Federal Reserve and other government actions in response to the pandemic, including additional quarantines, regulations or laws enacted to counter the effects of the COVID-19 pandemic on the economy.
- 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, 2019, under “Part I - Item 1. Forward Looking Information” and “Part I - 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.

# 2019 Highlights

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- Net Income of \$74.6 million, up 0.6%
- Loans increased 7.7% to \$3.57 billion
- Diluted earnings per share increase of \$0.09 per share, or 4.3%, to \$2.20 from \$2.11
- Decrease in nonperforming assets of \$25.5 million, or 59.3%, to 0.26% of total assets
- ROAA of 1.17%
- ROATCE<sup>(1)</sup> of 13.80%
- Cash dividend increase of 5.0%

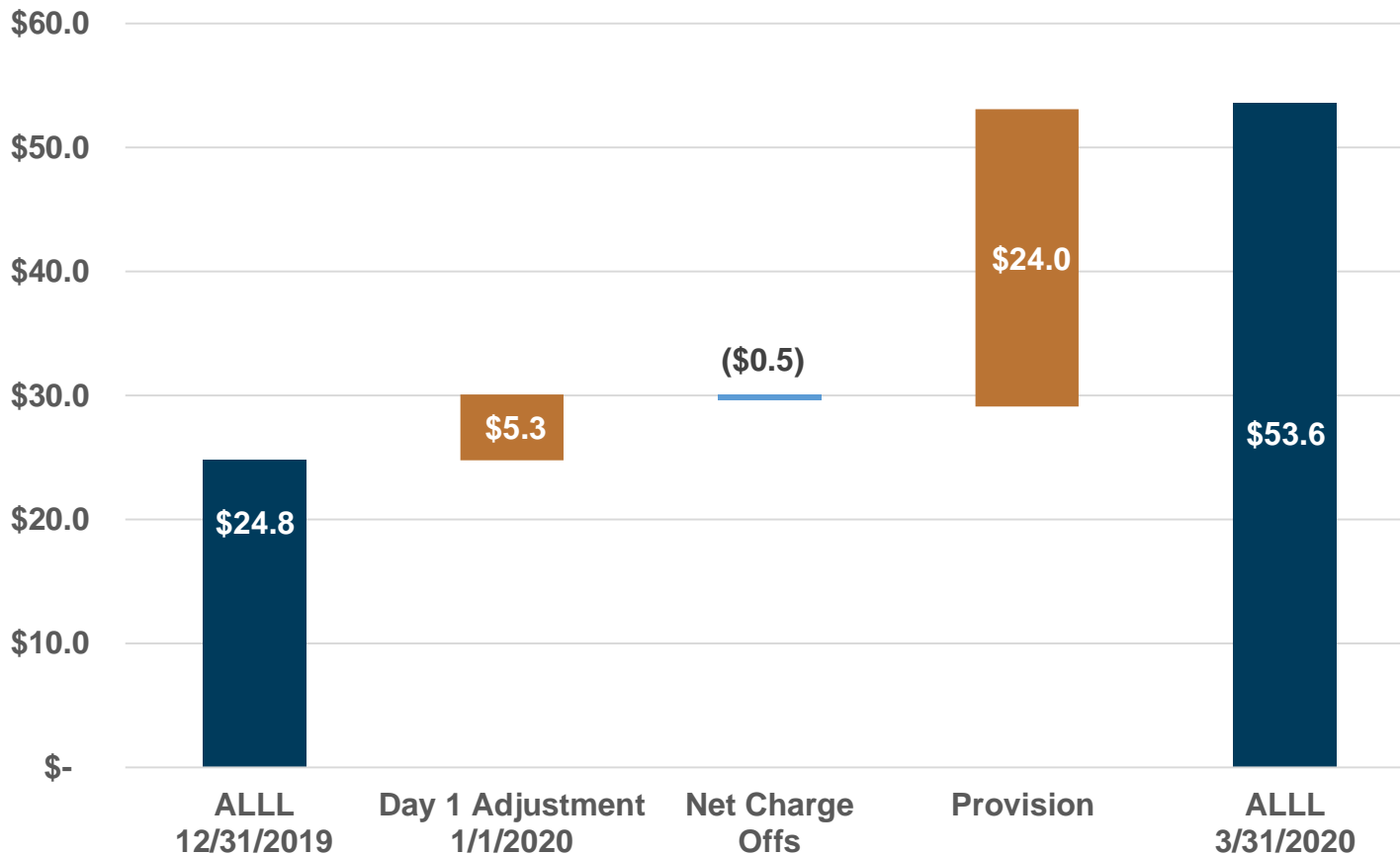
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Three Months Ended March 31, \_\_\_\_\_

	2020	2019	%Chg.
Net Income (in thousands)	\$ 3,953	\$ 18,817	(79.0%)
EPS (diluted)	\$ 0.12	\$ 0.56	(78.6%)
ROAE	1.93%	10.35%	
ROAA	0.23%	1.21%	
Efficiency Ratio (FTE) <sup>(1)</sup>	51.91%	53.66%	

(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

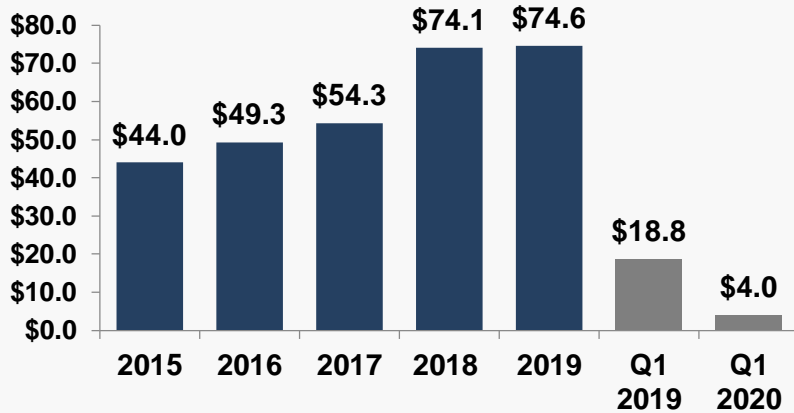
# CECL Impact and Changes to ALLL



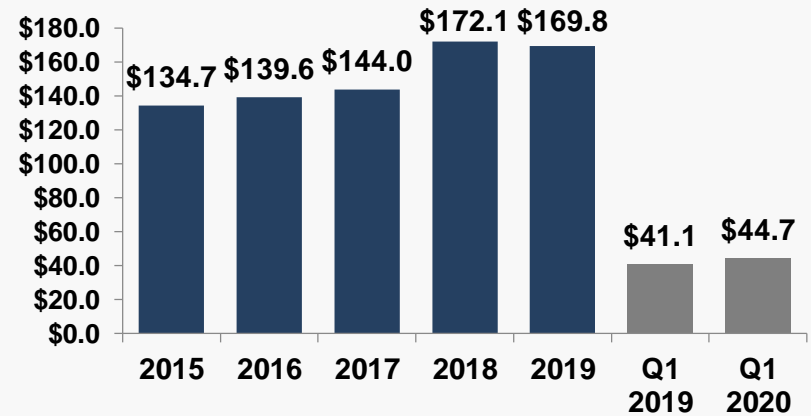
(1) The adoption of ASU 2016-13 (CECL) on January 1, 2020 replaced the incurred loss model with an expected credit loss methodology, as such 12/31/2019 is presented under the incurred loss model and 3/31/2020 is presented under the current expected credit loss model.

# Profitability

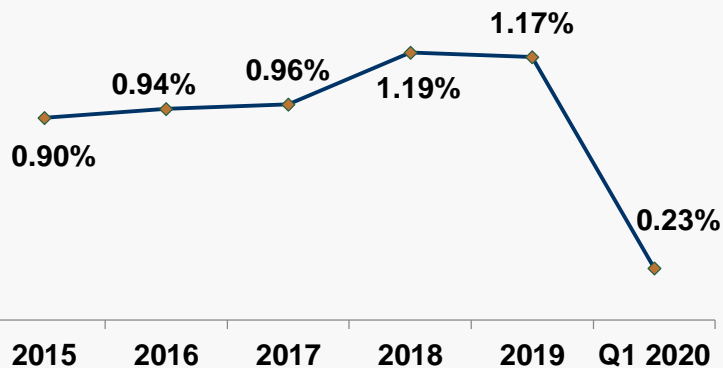
## Net Income to Common Shareholders (\$mm)



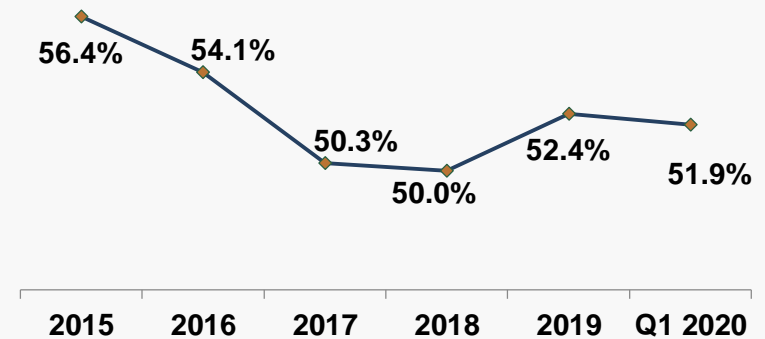
## Net Interest Income (\$mm)



## ROAA



## Efficiency Ratio (FTE)<sup>(1)</sup>

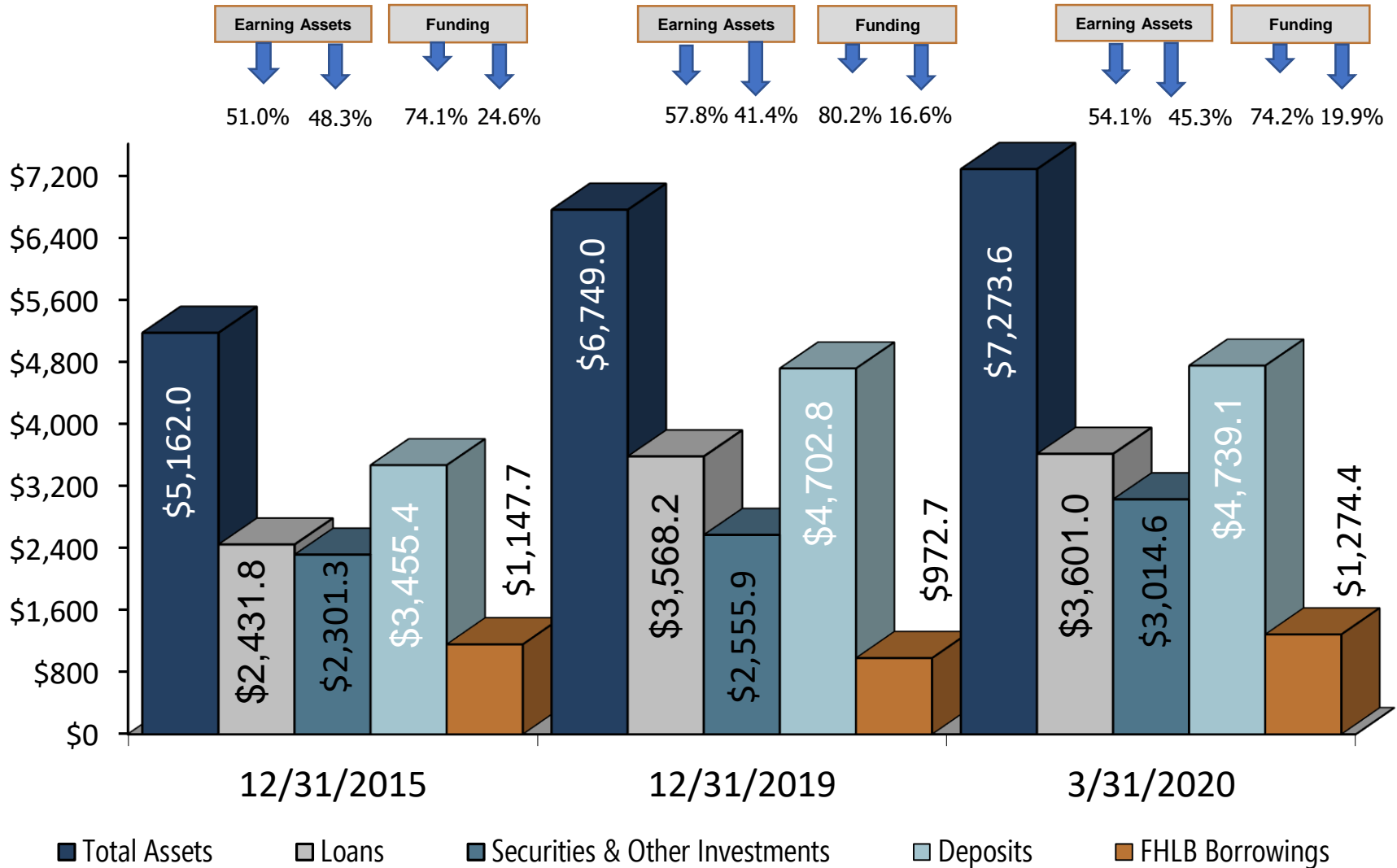


(1) See Non-GAAP Reconciliation

Note: Completed acquisition of OmniAmerican Bancorp, Inc. on 12/17/14 resulting in pre-tax merger expenses \$5.5mm in 2015. Completed acquisition of Diboll State Bancshares, Inc. on 11/30/17 resulting in pre-tax merger expenses of \$4.4mm and \$2.4mm in 2017 and 2018, respectively.

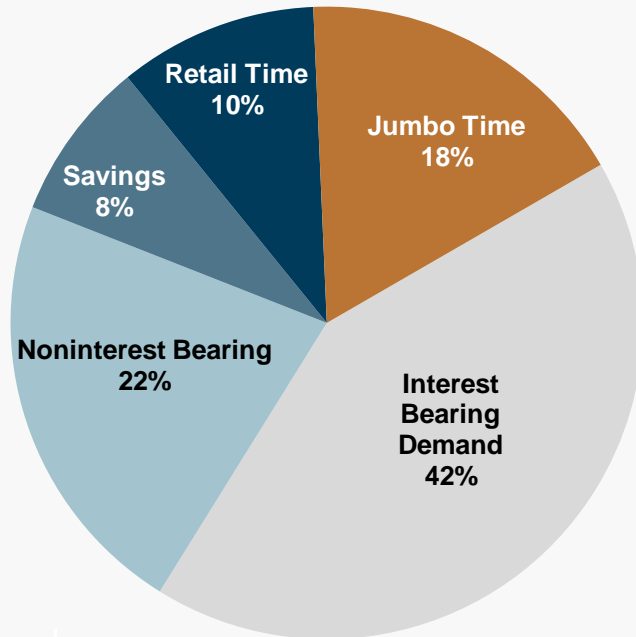
# Balance Sheet Mix

(Dollars in Millions)



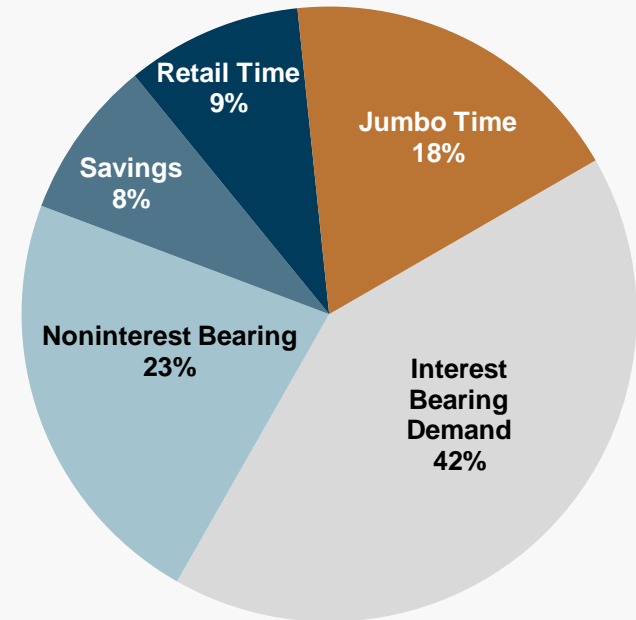
# Deposit Mix

12/31/2019



Deposit Type	\$mm	%
Interest Bearing Demand	\$1,984	42%
Noninterest Bearing	1,040	22%
Savings	385	8%
Retail Time	478	10%
Jumbo Time	816	18%
<b>Total</b>	<b>\$4,703</b>	<b>100%</b>

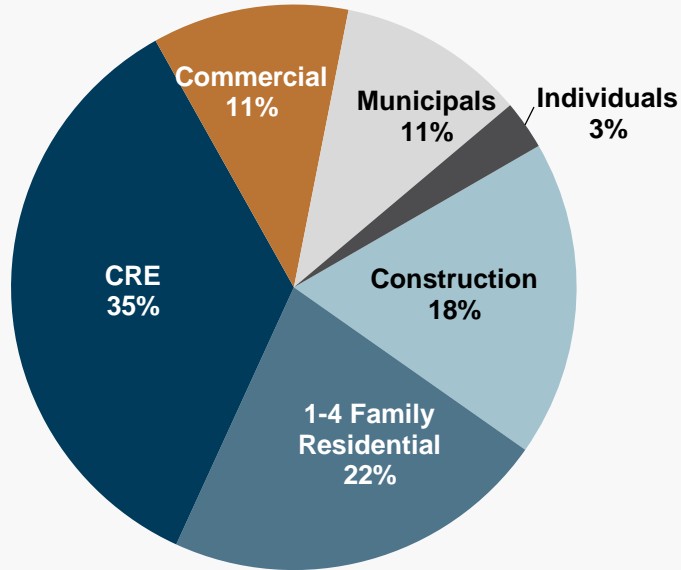
3/31/2020



Deposit Type	\$mm	%
Interest Bearing Demand	\$1,970	42%
Noninterest Bearing	1,066	23%
Savings	397	8%
Retail Time	438	9%
Jumbo Time	868	18%
<b>Total</b>	<b>\$4,739</b>	<b>100%</b>

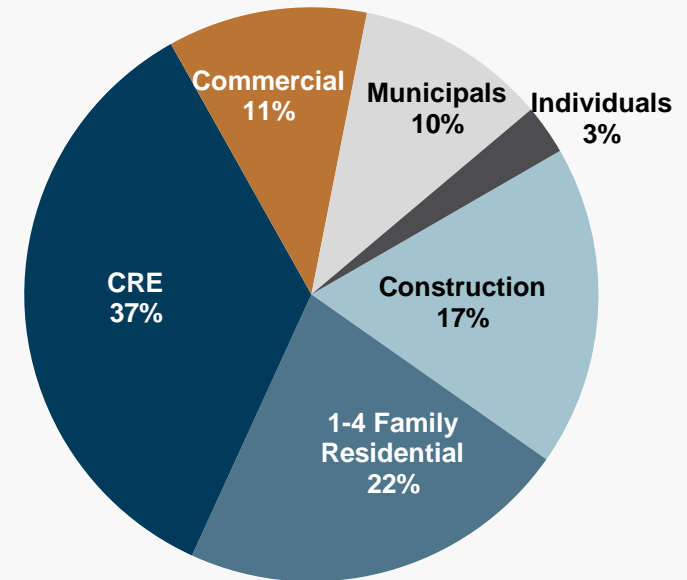
# Loan Portfolio Composition

12/31/2019



Loan Type	\$mm	%
<b>Real Estate Loans:</b>		
Construction	\$645	18%
1-4 Family Residential	788	22%
CRE	1,250	35%
Commercial	401	11%
Municipals	384	11%
Individuals	100	3%
<b>Total</b>	<b>\$3,568</b>	<b>100%</b>

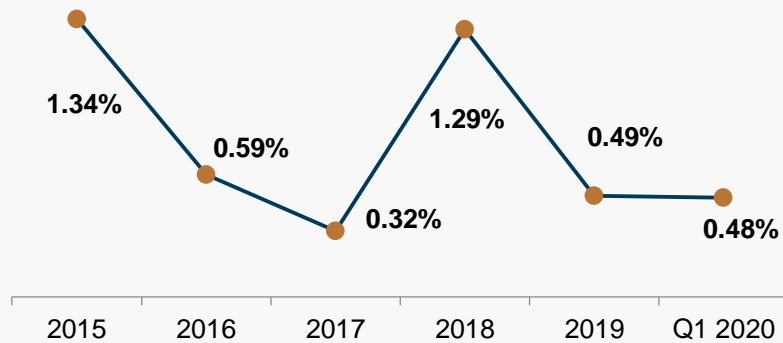
3/31/2020



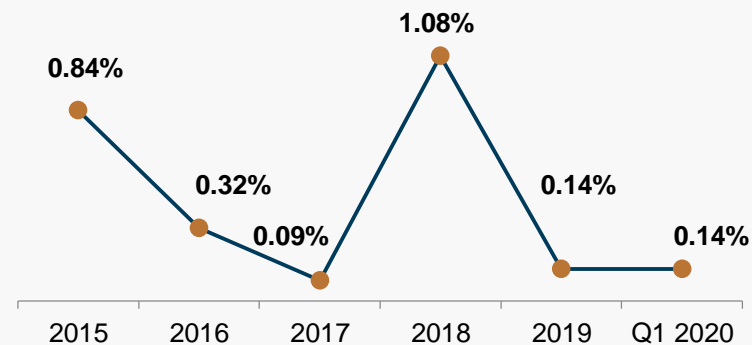
Loan Type	\$mm	%
<b>Real Estate Loans:</b>		
Construction	\$604	17%
1-4 Family Residential	788	22%
CRE	1,351	37%
Commercial	384	11%
Municipals	376	10%
Individuals	98	3%
<b>Total</b>	<b>\$3,601</b>	<b>100%</b>

# Asset Quality

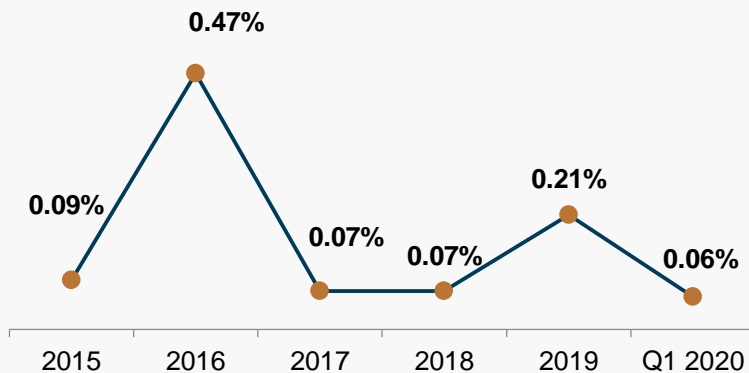
## NPAs / Loans and OREO<sup>(1)</sup>



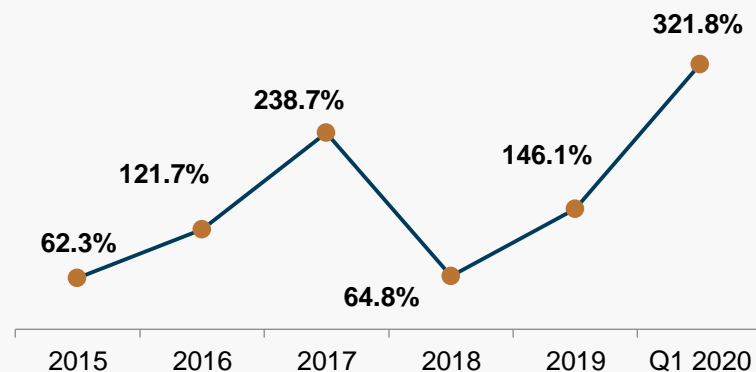
## Nonaccrual Loans / Loans<sup>(1)</sup>



## NCOs / Average Loans



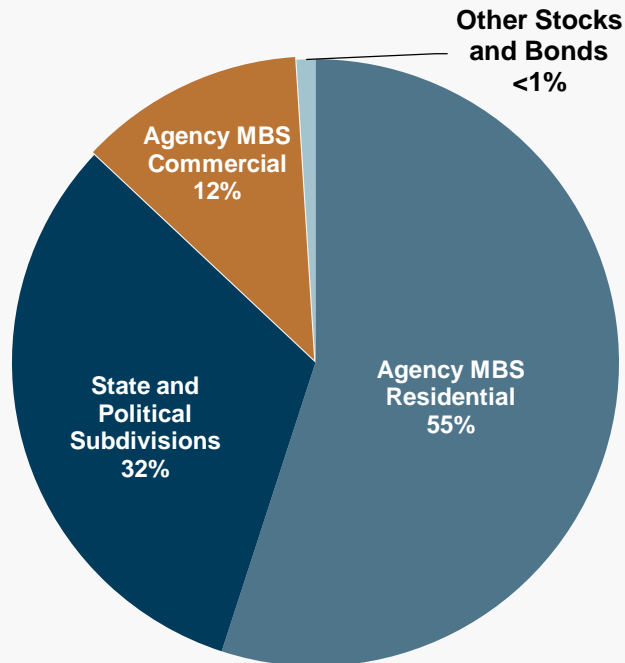
## ALLL / NPLs



(1) Excluded purchased credit impaired (PCI) loans, prior to the adoption of CECL, measured at fair value if the timing and amount of cash flows expected to be collected from those sales could be reasonably estimated.

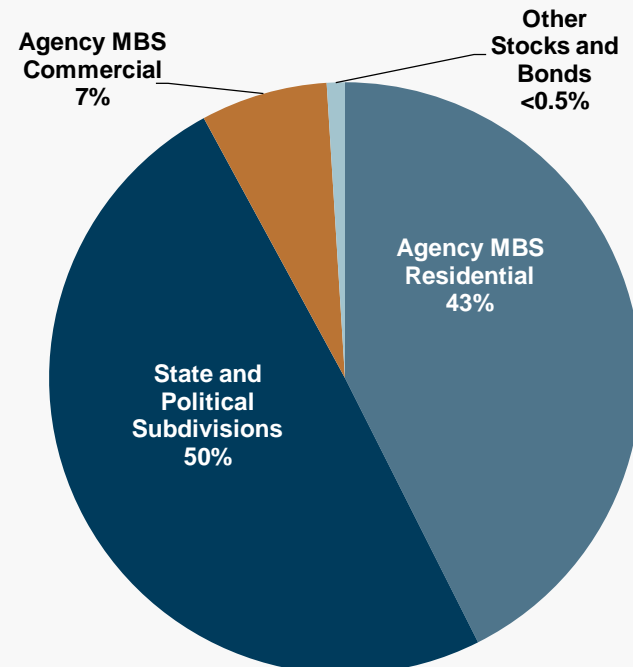
# Securities Portfolio

12/31/2019



Securities (\$mm)	AFS	HTM	Total	%
State and Political Subdivisions	\$803	\$3	\$806	32%
Agency MBS Residential	1,311	60	1,371	55%
Other Stocks and Bonds	10	0	10	<1%
Agency MBS Commercial	235	72	307	12%
<b>Total</b>	<b>\$2,359</b>	<b>\$135</b>	<b>\$2,494</b>	<b>100%</b>

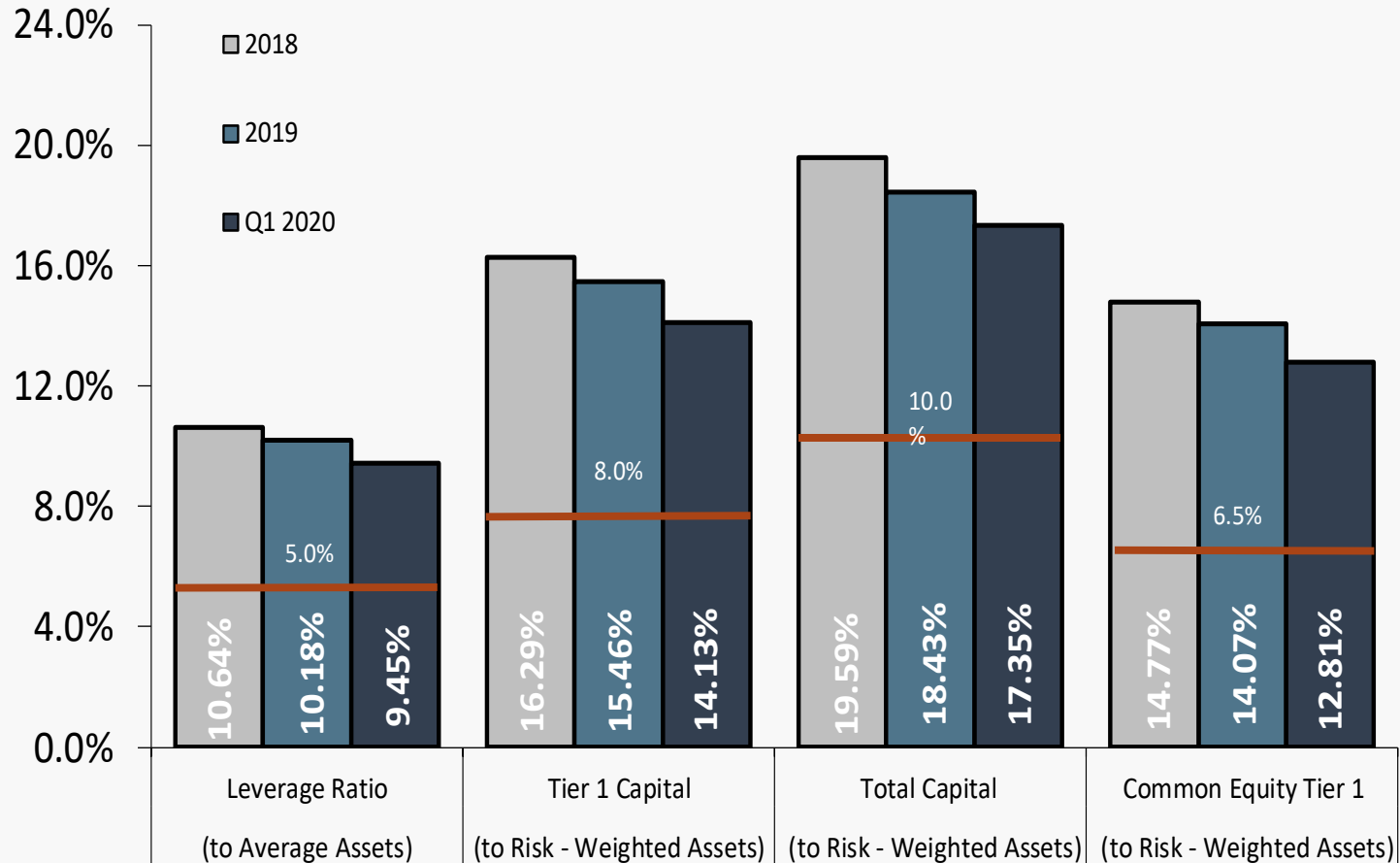
3/31/2020



Securities (\$mm)	AFS	HTM	Total	%
State and Political Subdivisions	\$1,466	\$3	\$1,469	50%
Agency MBS Residential	1,211	60	1,271	43%
Other Stocks and Bonds	9	0	9	0%
Agency MBS Commercial	127	72	199	7%
<b>Total</b>	<b>\$2,813</b>	<b>\$135</b>	<b>\$2,948</b>	<b>100%</b>

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

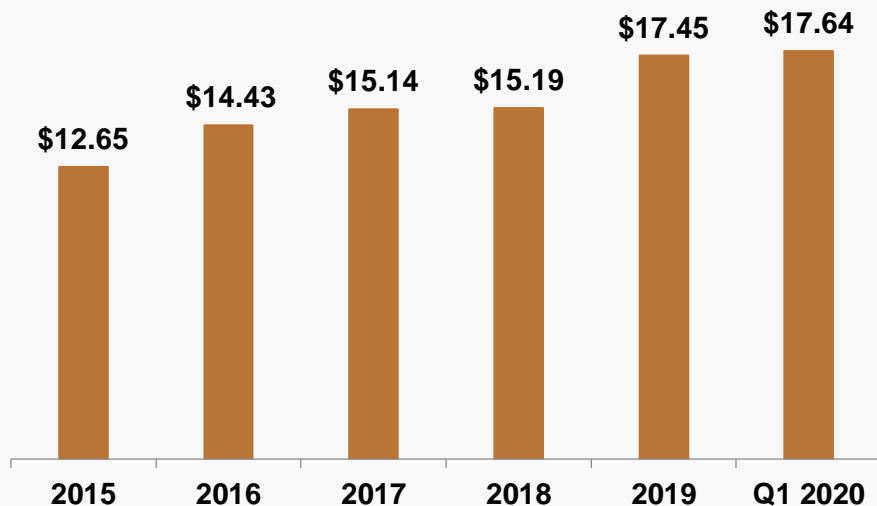
# Capital Ratios



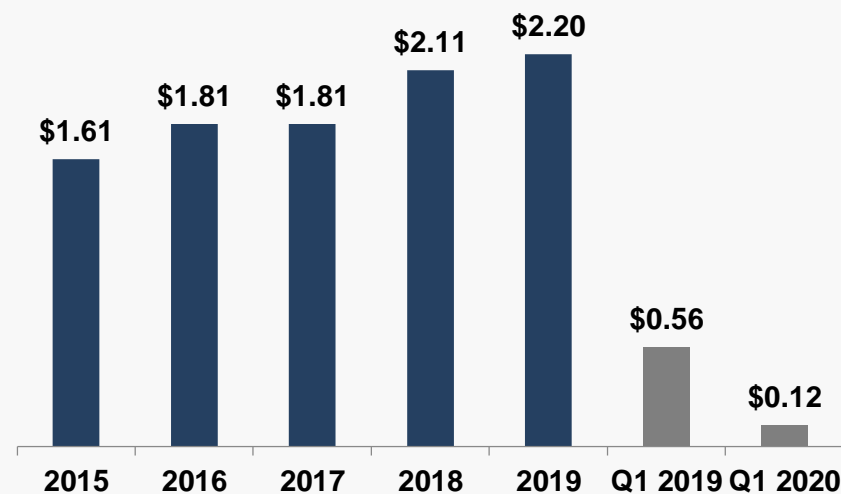
Well Capitalized —

# Shareholder Returns

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



Diluted Earnings per Share(\$)

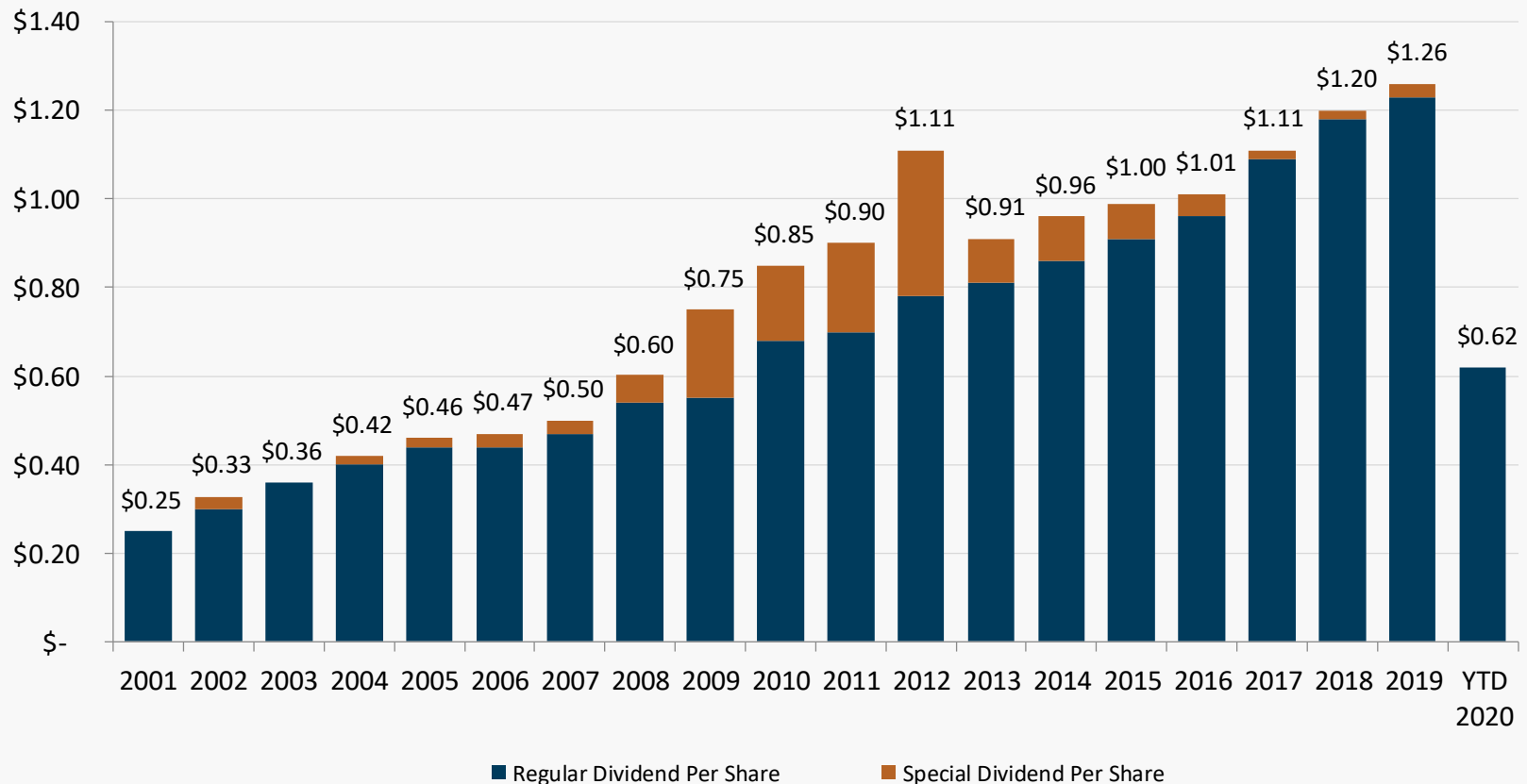


(1) See Non-GAAP Reconciliation

Note: Completed acquisition of OmniAmerican Bancorp, Inc. on 12/17/14 resulting in pre-tax merger expenses \$5.5mm in 2015. Completed acquisition of Diboll State Bancshares, Inc. on 11/30/17 resulting in pre-tax merger expenses of \$4.4mm and \$2.4mm in 2017 and 2018, respectively.

# Dividend

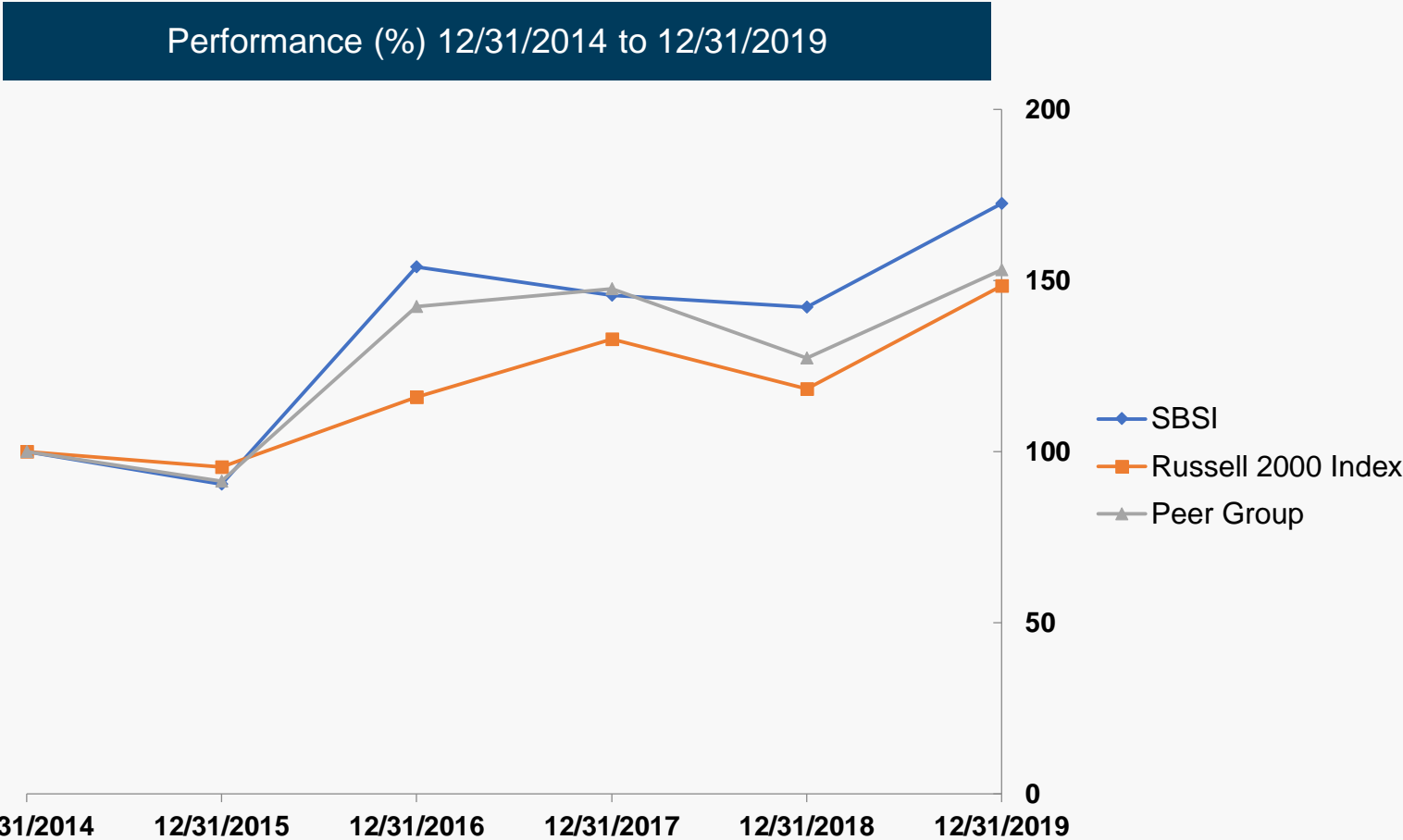
- Southside has Paid a Cash Dividend Every Year Since 1970
- Consistent Record of Dividend Increases
- Dividend Payout Ratio (diluted) of 57.27% as of 12/31/2019



NOTE: YTD 2020 amount reflects Q1 dividend of \$0.31 per share paid on March 5, 2020 and Q2 dividend declared on May 7, 2020 to be paid on June 5, 2020.

# Total Return Performance

- \$100,000 invested in SBSI on 12/31/2014 was worth \$172,560 on 12/31/2019



Source: S&P Global Market Intelligence  
Peer group index includes Cullen/Frost Bankers, Inc.(CFR), First Financial Bankshares, Inc.(FFIN), Hilltop Holdings (HTH), Independent Bank Group, Inc. (IBTX), Prosperity Bancshares, Inc. (PB), Texas Capital Bancshares, Inc. (TCBI) and Veritex Holdings, Inc. (VBTX).

# Goals for 2020

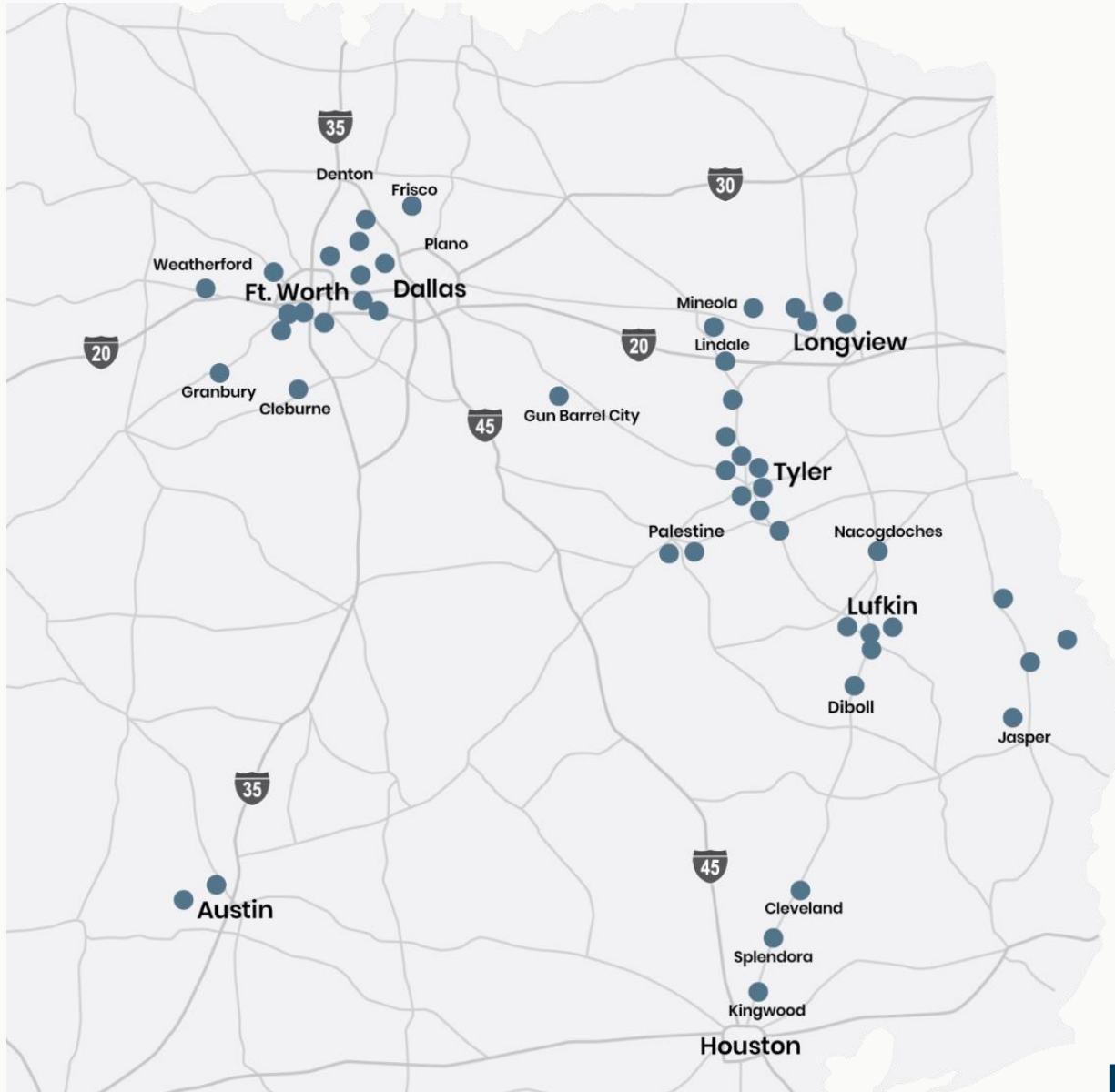
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- Maintain asset quality
- Added focus on exceptional customer service
- Further enhance Digital/Technology Strategies
- Review operational strategies in light of changing pandemic conditions
- Capitalize on Operational Process Efficiency
- Continued focus on growing Non-Maturity Deposits
- Navigate the low interest rate environment

## Our priority remains our Employees and Customers

- Business continuity plan in place with approximately 45% of team members working remotely;
- All non-essential business travel suspended;
- Flexible scheduling and compensation arrangements for employees affected by the pandemic;
- Introduced heightened sanitary precautions and protective supplies to keep employees and customers safe;
- Drive-thru locations, ATMs and ITMs operational, traditional branch lobbies available by appointment, grocery store branches currently closed, all have either an ATM or ITM available;
- Actively working with customers on payment deferral requests;
- Participating in the CARES Act Paycheck Protection Program, we have funded over \$300 million in loans to assist over 2,000 small businesses across Texas.

# Southside Locations – 100% in Texas



# Appendix

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# 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 common share, tangible common equity to tangible assets, and efficiency ratio on a fully taxable-equivalent (FTE) basis.

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 for the period from average shareholders' equity. In calculating tangible book value per common share, Southside subtracts intangible assets for the period from shareholders' equity. In calculating the ratio of tangible common equity to tangible assets, Southside subtracts intangible assets both from shareholders' equity and total assets at the end of the period. 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 (FTE) 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. We calculate this ratio by dividing noninterest expense, excluding amortization expense on intangibles and certain nonrecurring expense by the sum of net interest income (FTE) and noninterest income, excluding net gain (loss) on sale of securities available for sale and certain nonrecurring impairments. The most directly comparable financial measure calculated in accordance with GAAP is our efficiency ratio.

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 financial 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 December 31,					As of and for the Three Months Ended March 31,
	2015	2016	2017	2018	2019	2020
Net income available to common shareholders	\$43,997	\$49,349	\$54,312	\$74,138	\$74,554	\$3,953
Plus: After-tax amortization expense (35% tax rate for 2014-2017, 21% tax rate for 2018-Q1 2019)	1,496	1,261	1,271	4,118	3,490	774
<b>Adjusted net income available to common shareholders</b>	<b>[a] \$45,493</b>	<b>\$50,610</b>	<b>\$55,583</b>	<b>\$78,256</b>	<b>\$78,044</b>	<b>\$4,727</b>
Average shareholders' equity	\$438,427	\$468,424	\$563,023	\$751,262	\$782,367	\$824,759
Less: Average intangible assets for the period	98,702	97,123	106,747	221,650	216,733	214,104
<b>Average tangible shareholders' equity</b>	<b>[b] \$339,725</b>	<b>\$371,301</b>	<b>\$456,276</b>	<b>\$529,612</b>	<b>\$565,634</b>	<b>\$610,655</b>
<b>Return on average tangible common equity (ROATCE)</b>	<b>[a] / [b] 13.39%</b>	<b>13.63%</b>	<b>12.18%</b>	<b>14.78%</b>	<b>13.80%</b>	<b>3.11%</b>
Common equity at end of period	\$444,062	\$518,274	\$754,140	\$731,291	\$804,580	\$795,800
Less: Intangible assets at end of period	98,068	96,128	224,239	218,895	214,477	213,497
<b>Tangible common shareholders' equity at end of period</b>	<b>[c] \$345,994</b>	<b>\$422,146</b>	<b>\$529,901</b>	<b>\$512,396</b>	<b>\$590,103</b>	<b>\$582,303</b>
Total assets at end of period	\$5,161,996	\$5,563,767	\$6,498,097	\$6,123,494	\$6,748,913	\$7,273,638
Less: Intangible assets at end of period	98,068	96,128	224,239	218,895	214,477	213,497
<b>Tangible assets at end of period</b>	<b>[d] \$5,063,928</b>	<b>\$5,467,639</b>	<b>\$6,273,858</b>	<b>\$5,904,599</b>	<b>\$6,534,436</b>	<b>\$7,060,141</b>
<b>Tangible common equity/tangible assets (TCE/TA)</b>	<b>[c] / [d] 6.83%</b>	<b>7.72%</b>	<b>8.45%</b>	<b>8.68%</b>	<b>9.03%</b>	<b>8.25%</b>
Common shares outstanding at end of period	[e] 27,341	29,261	35,000	33,725	33,823	33,012
<b>Tangible book value per common share</b>	<b>[c] / [e] \$12.65</b>	<b>\$14.43</b>	<b>\$15.14</b>	<b>\$15.19</b>	<b>\$17.45</b>	<b>\$17.64</b>
Net interest income (FTE) <sup>(1)</sup>	\$151,400	\$157,555	\$161,480	\$181,422	\$177,443	\$47,000
Plus: Noninterest income	37,895	39,411	37,473	40,773	42,368	15,498
Less: Nonrecurring income (loss)	3,660	2,426	191	(1,198)	470	5,541
<b>Total Revenue</b>	<b>[f] \$185,635</b>	<b>\$194,540</b>	<b>\$198,762</b>	<b>\$223,393</b>	<b>\$219,341</b>	<b>\$56,957</b>
Noninterest expense	\$112,954	\$109,522	\$106,335	\$120,099	\$119,297	\$30,520
Less: Pre-tax amortization expense	2,301	1,940	1,955	5,213	4,418	980
Less: Nonrecurring expense	6,000	2,375	4,394	3,236	26	(29)
<b>Adjusted noninterest expense</b>	<b>[g] \$104,653</b>	<b>\$105,207</b>	<b>\$99,986</b>	<b>\$111,650</b>	<b>\$114,853</b>	<b>\$29,569</b>
<b>Efficiency Ratio (FTE)<sup>(1)</sup></b>	<b>[g] / [f] 56.38%</b>	<b>54.08%</b>	<b>50.30%</b>	<b>49.98%</b>	<b>52.36%</b>	<b>51.91%</b>

Note: Completed acquisition of Diboll State Bancshares, Inc. on 11/30/17.

Note: Prior period shares adjusted for stock dividends, where applicable.

(1) Fully taxable-equivalent (FTE)



NASDAQ/SBSI  
May 13, 2020

# 2020 Annual Meeting of Shareholders

