

Southside Bancshares, Inc.

**KBW Community Bank
Investor Conference
July 28-29, 2020**

NASDAQ: SBSI

Forward-Looking Statements

- Certain statements of other than historical fact that are contained in this presentation 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,” “the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, under Part II - 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*

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

Julie Shamburger, *Chief Financial Officer*

- Chief Accounting Officer of Southside Bank from 2011-2016
- Board member of CASA for Kids of East Texas
- 38 years with Southside

Tim Alexander, *Chief Lending Officer*

- Trustee Board member of The Great Commission Foundation of Episcopal Diocese of Texas
- 14 years with Southside and over 36 years of experience in commercial lending

TL Arnold, *Chief Credit Officer*

- Board member of William Mann Community Development Corporation
- Served as Chief Credit Officer of OmniAmerican Bank from 2008 until the merger in 2014
- 5 years with Southside and 30 years of experience in the banking and financial services industry

Brian McCabe, *Chief Operations Officer*

- Board member of East Texas Lighthouse for the Blind and CHRISTUS Trinity Mother Frances Foundation
- 37 years with Southside

Suni Davis, *Chief Risk Officer*

- Financial Managers Society Audit and Risk Council Member
- 20 years with Southside

Southside Snapshot

Company Overview

- Founded in 1960 with headquarters in Tyler, TX
- Community-focused financial institution
- Offers a broad range of consumer, commercial and mortgage banking services, as well as private banking, wealth management and trust services, and brokerage services
- Diversified branch footprint consisting of 59 branches, 15 of which are located in grocery stores
- Opened new in-store branch in Kingwood, TX during fourth quarter 2019
- Leading deposit market share of approximately 40%⁽¹⁾ and 29%⁽¹⁾ in Smith County (East Texas) and Angelina County (Southeast Texas), respectively
- Insider ownership equal to 4.95%⁽²⁾
- 841 Full-Time Employees

(1) Source: FDIC; As of 6/30/19

(2) Source: Bloomberg as of 7/16/2020

(3) See Non-GAAP Reconciliation

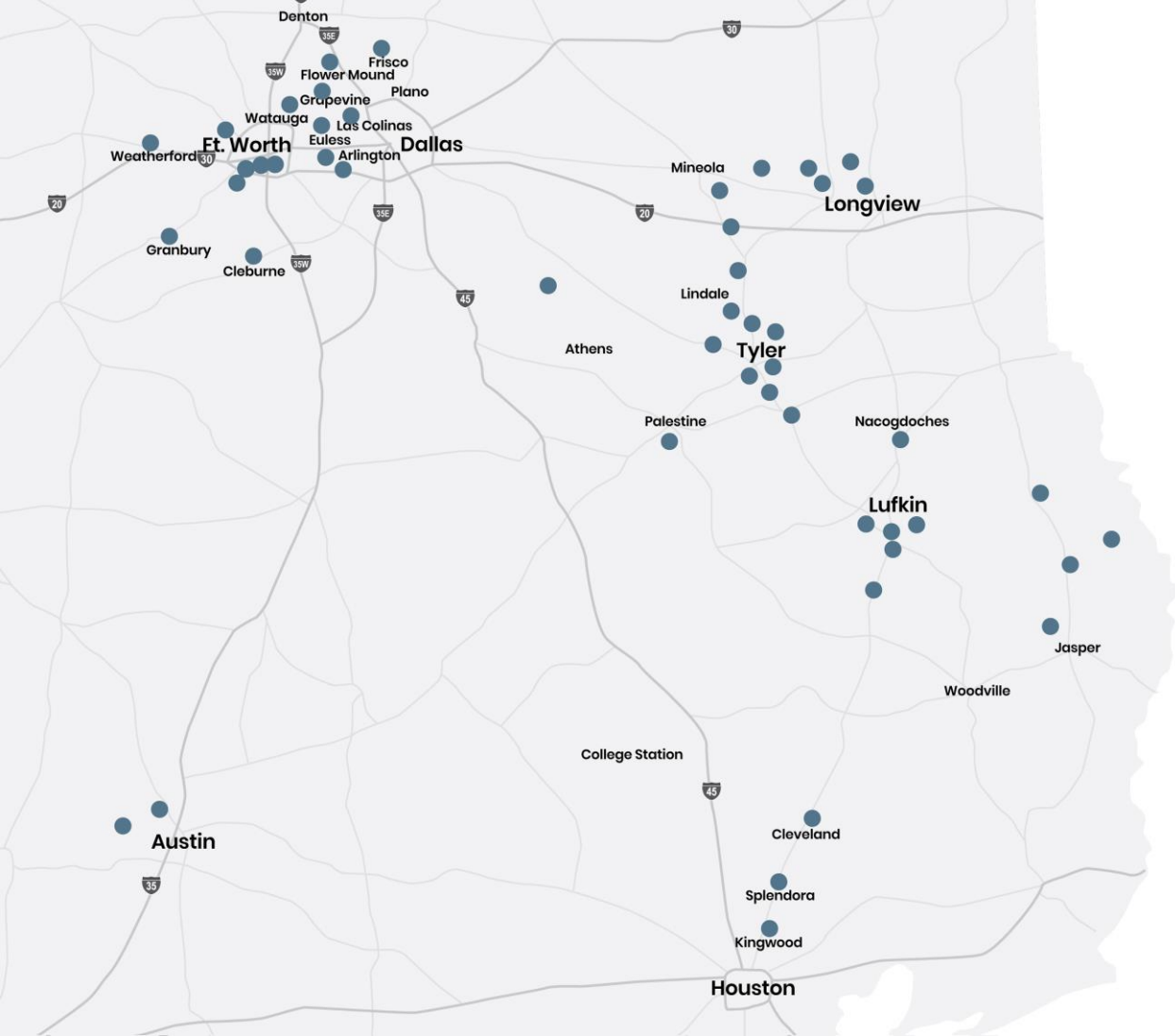
(4) Calculated on a fully taxable-equivalent basis (FTE)

Financial Highlights (\$mm)

	As of and for the Years Ended December 31,		As of and for the Six Months Ended June 30,
	2018	2019	2020
<u>Balance Sheet</u>			
Total Assets	\$6,123	\$6,749	\$7,330
Total Loans (Ex. HFS)	3,313	3,568	3,853
Total Deposits	4,425	4,703	5,071
Total Equity	731	805	818
<u>Profitability</u>			
ROAA	1.19%	1.17%	0.72%
ROATCE ⁽³⁾	14.78	13.80	9.06
Net Interest Margin (FTE) ⁽⁴⁾	3.18	3.06	3.02
Efficiency Ratio (FTE) ⁽³⁾⁽⁴⁾	49.98	52.36	50.06
<u>Capital</u>			
TCE / TA ⁽³⁾	8.68%	9.03%	8.50%
Common Equity Tier 1 Ratio	14.77	14.07	13.68
Tier 1 Risk-Based Ratio	16.29	15.46	15.06
Total Risk-Based Ratio	19.59	18.43	18.51
Leverage Ratio	10.64	10.18	9.05
<u>Asset Quality</u>			
NPAs / Loans and OREO	1.29%	0.49%	0.46%
NCOs / Average Loans	0.07	0.21	0.04
Reserve / Total Loans	0.82	0.69	1.55
Reserve / NPLs	64.79	146.06	352.04
<u>Per Common Share</u>			
Tangible Book Value ⁽³⁾	\$15.19	\$17.45	\$18.32
Diluted Earnings	2.11	2.20	0.76

Geographic Footprint

Footprint consists of 59 branches in Texas, with 15 grocery store branches



SBSI – Investment Highlights

■ Opportunities for Future Growth

- Well-positioned for a changing interest rate environment
- Texas M&A potential given the number of banks in the Texas banking landscape
- Significant opportunities for organic growth in existing markets
- Organic expansion into other Texas markets

■ Consistent Track Record of Growth

- 12.3% CAGR in total assets from 2013 – 2020
- 11.3% CAGR in total deposits from 2013 – 2020
- 17.5% CAGR in total loans from 2013 – 2020

■ Dynamic Markets

- Austin and Dallas/Fort Worth provide attractive business climates as two of the fastest growing markets in the United States
 - 8.5% and 7.4% projected population growth in Austin and Dallas/Fort Worth, respectively, surpasses the national average of 3.3%⁽¹⁾
- Long-standing local relationships in the growing Tyler, TX market (5.9% projected population growth)⁽¹⁾ as well as other growing East Texas markets

■ Loan Portfolio Cushioned from Oil and Gas Volatility

- Only 3.08% of total loan portfolio tied to the energy sector at 06/30/2020

■ Conservative Lending Practices Translate into Solid Asset Quality

- Nonperforming assets to total assets of 0.24% as of 06/30/2020

■ Veteran Management Team

- Southside's Key Management Team each have over 20 years of banking experience

(1) 2020 – 2025 projected growth; source: S&P Global Market Intelligence

Goals for 2020

- 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.

Southside COVID-19 Response

Our priority remains our Employees and Customers

- Business continuity plan quickly went into place with approximately 45% of team members capable 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, automated telephone, internet and mobile banking products and lobby appointments available to customers during temporary closures of traditional branch lobbies and grocery store branches;
- Actively worked with customers on payment deferral requests;
- Participated in the CARES Act Paycheck Protection Program, funded over \$300 million in loans to assist over 2,000 small businesses across Texas.

Financial Results Three Months Ended

	6/30/2020	06/30/2019	%Chg.
Net Income (in thousands)	\$ 21,554	\$ 18,610	15.8%
EPS (diluted)	\$ 0.65	\$ 0.55	18.2%
ROAE	10.82%	9.68%	
ROAA	1.17%	1.20%	
Efficiency Ratio (FTE) ⁽¹⁾	48,29%	51.44%	

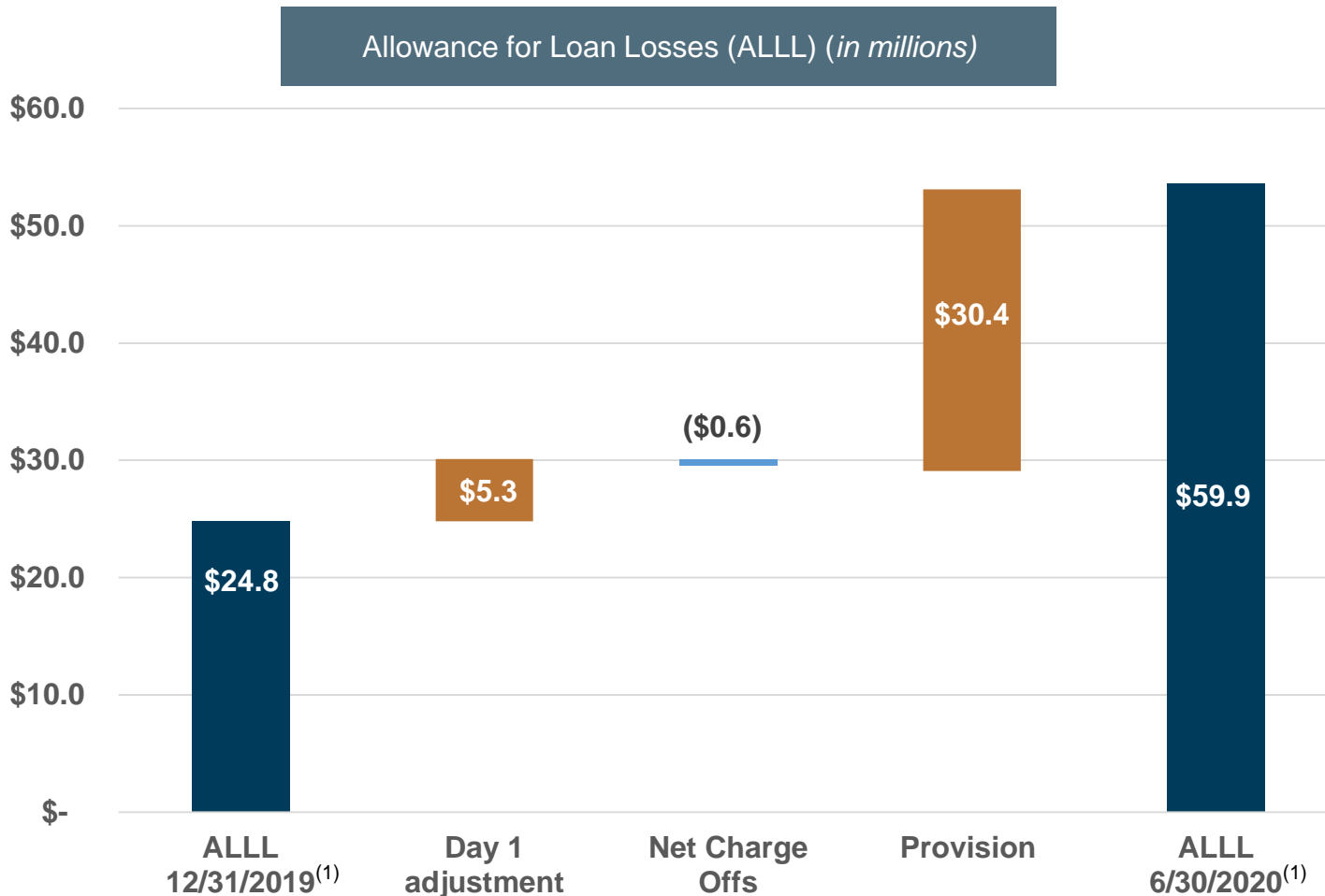
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

Financial Results Six Months Ended

	6/30/2020	06/30/2019	%Chg.
Net Income (in thousands)	\$ 25,507	\$37,427	(31.8%)
EPS (diluted)	\$ 0.76	\$ 1.11	(31.5%)
ROAE	6.31%	10.00%	
ROAA	0.72%	1.20%	
Efficiency Ratio (FTE) ⁽¹⁾	50.06%	52.53%	

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

CECL Impact and Changes to ALLL



- Day 1 CECL adoption resulted in an ALLL increase of \$5.3 million, including \$0.2 million for PCD loans
- Q1'20 provision expense was largely due to COVID-19's impact on CECL economic assumptions
- ALLL totaled 1.55% of totals loans at 6/30/2020 compared to 0.69% of total loans at 12/31/2019

(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 6/30/2020 is presented under the current expected credit loss model.

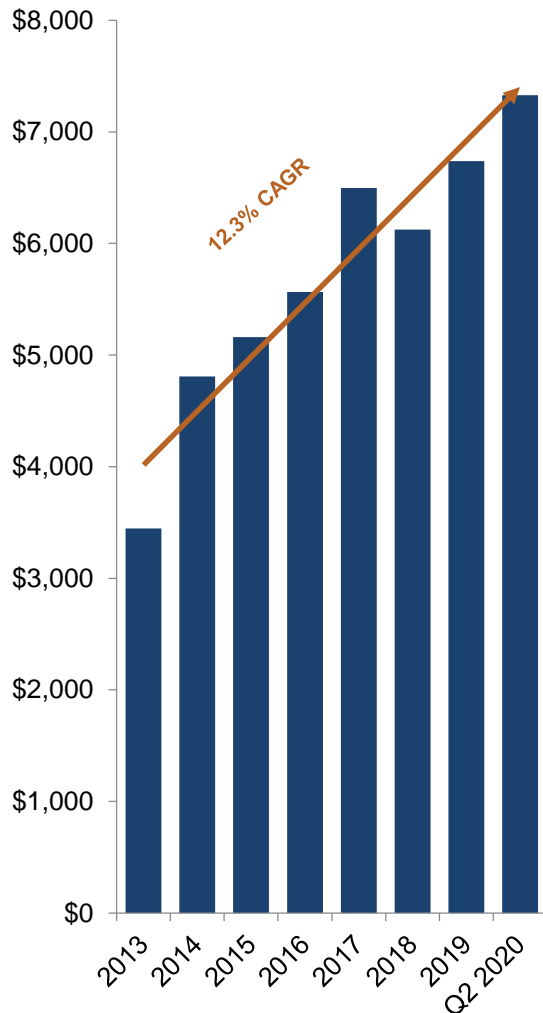
Financial Results Year Ended December 31,

	2019	2018	%Chg.
Net Income (in thousands)	\$ 74,554	\$ 74,138	0.6%
EPS (diluted)	\$ 2.20	\$ 2.11	4.3%
ROAE	9.53%	9.87%	
ROAA	1.17%	1.19%	
Efficiency Ratio (FTE) ⁽¹⁾	52.36%	49.98%	

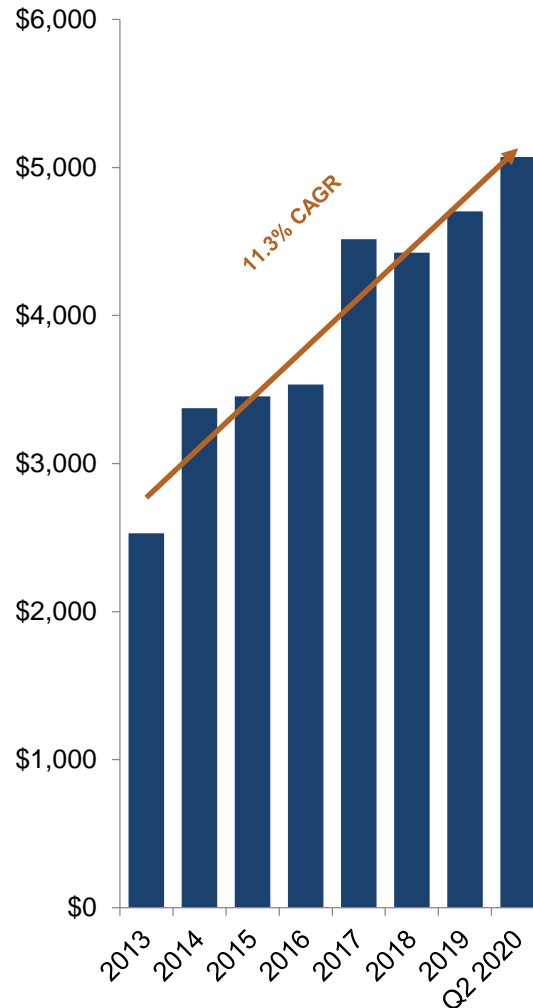
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

Balance Sheet Growth

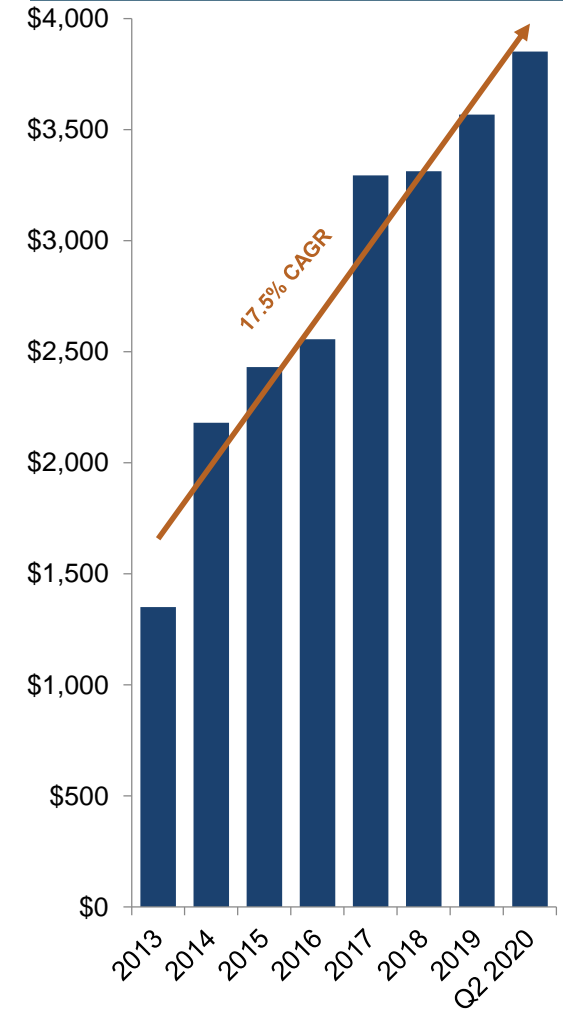
Total Assets (\$mm)



Total Deposits (\$mm)



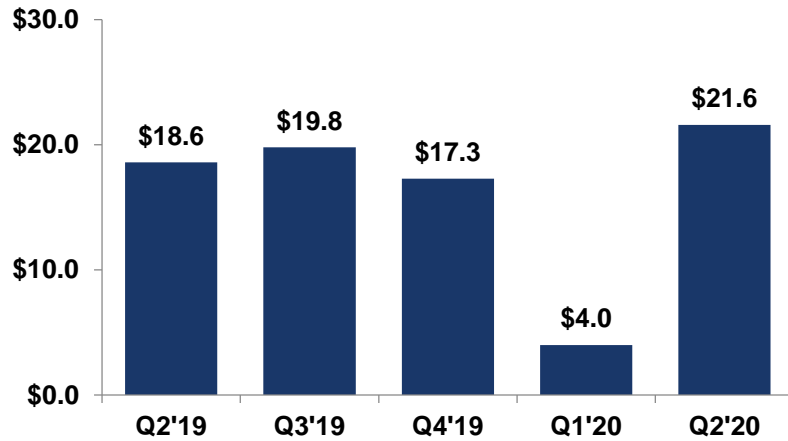
Loans HFI (\$mm)



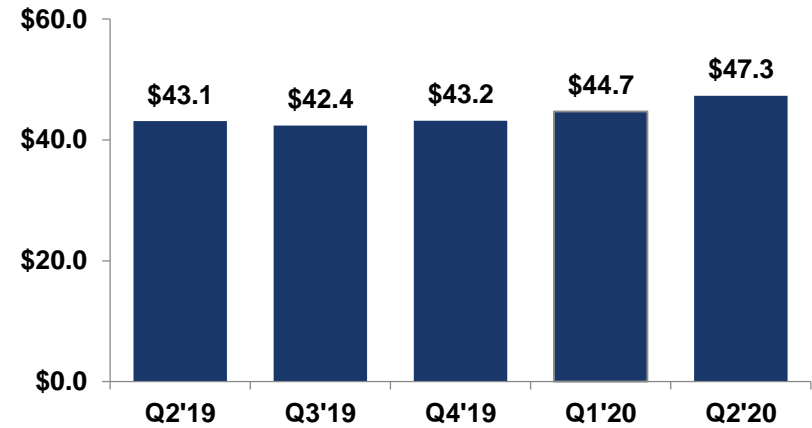
Note: Completed acquisition of OmniAmerican Bancorp, Inc. on 12/17/14 and completed acquisition of Diboll State Bancshares, Inc. on 11/30/17.

Profitability

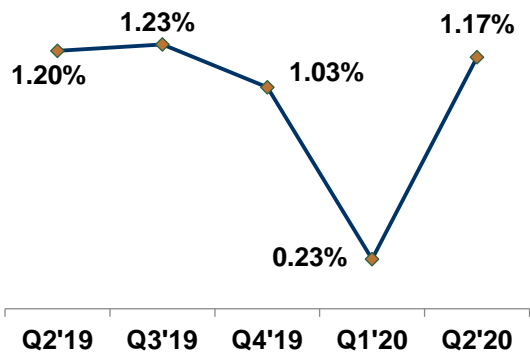
Net Income (\$mm)



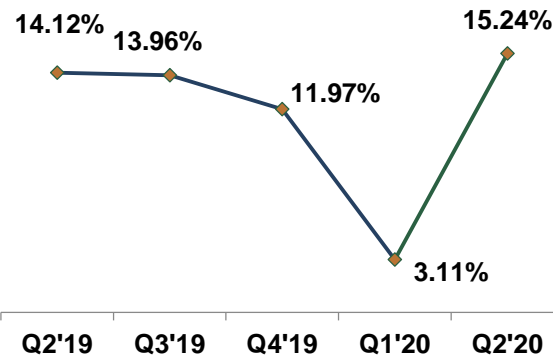
Net Interest Income (\$mm)



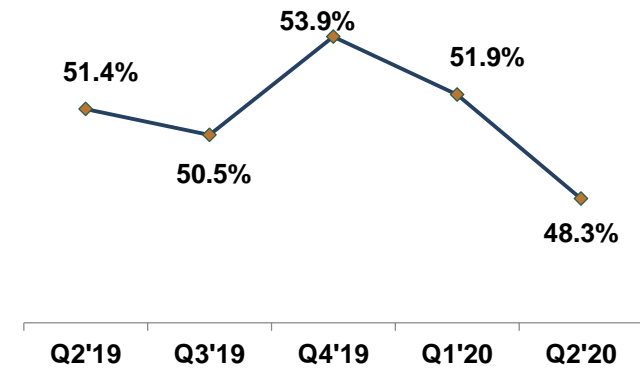
ROAA



ROATCE⁽¹⁾

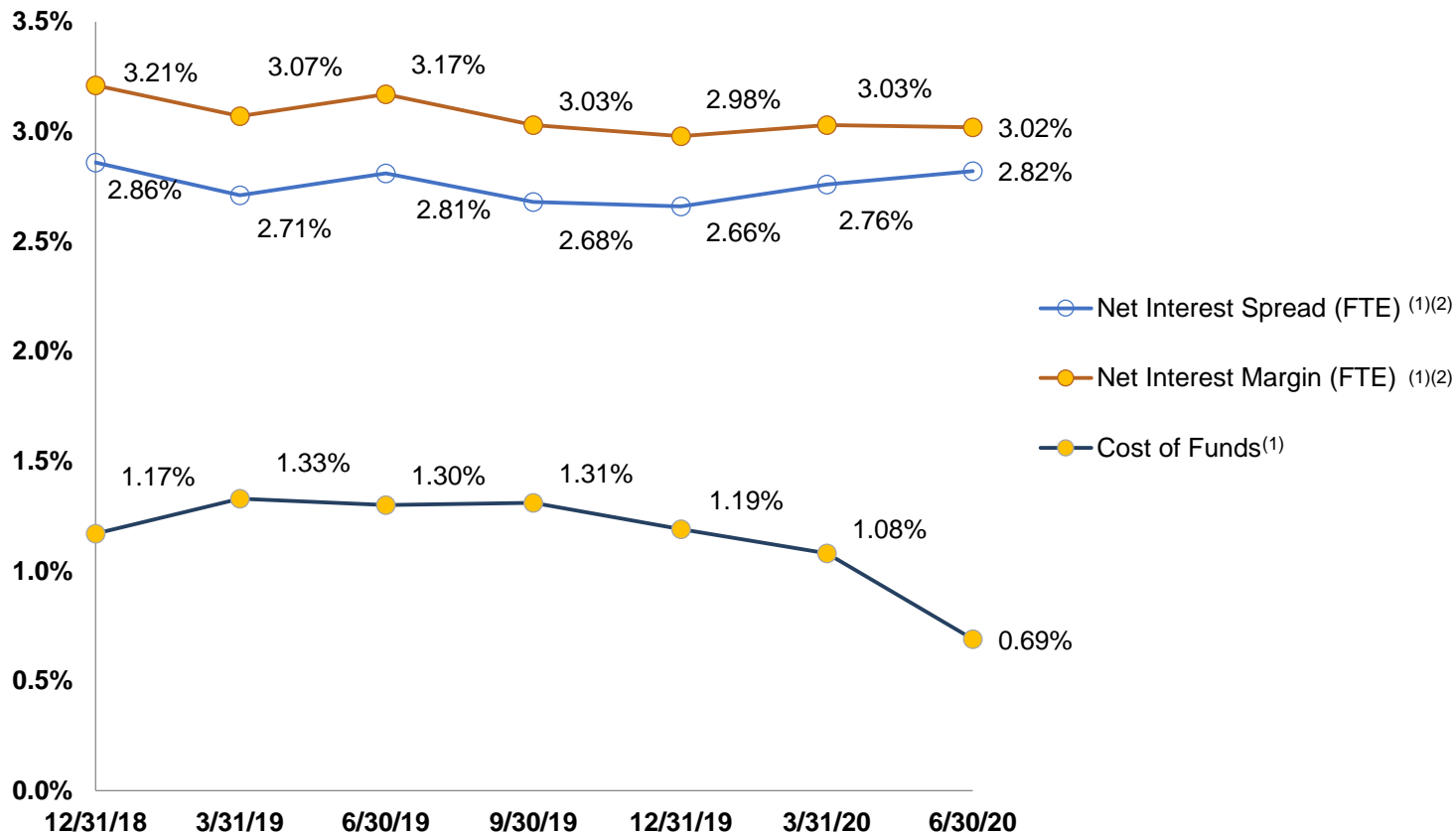


Efficiency Ratio (FTE)⁽¹⁾



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

Selected Performance Measures

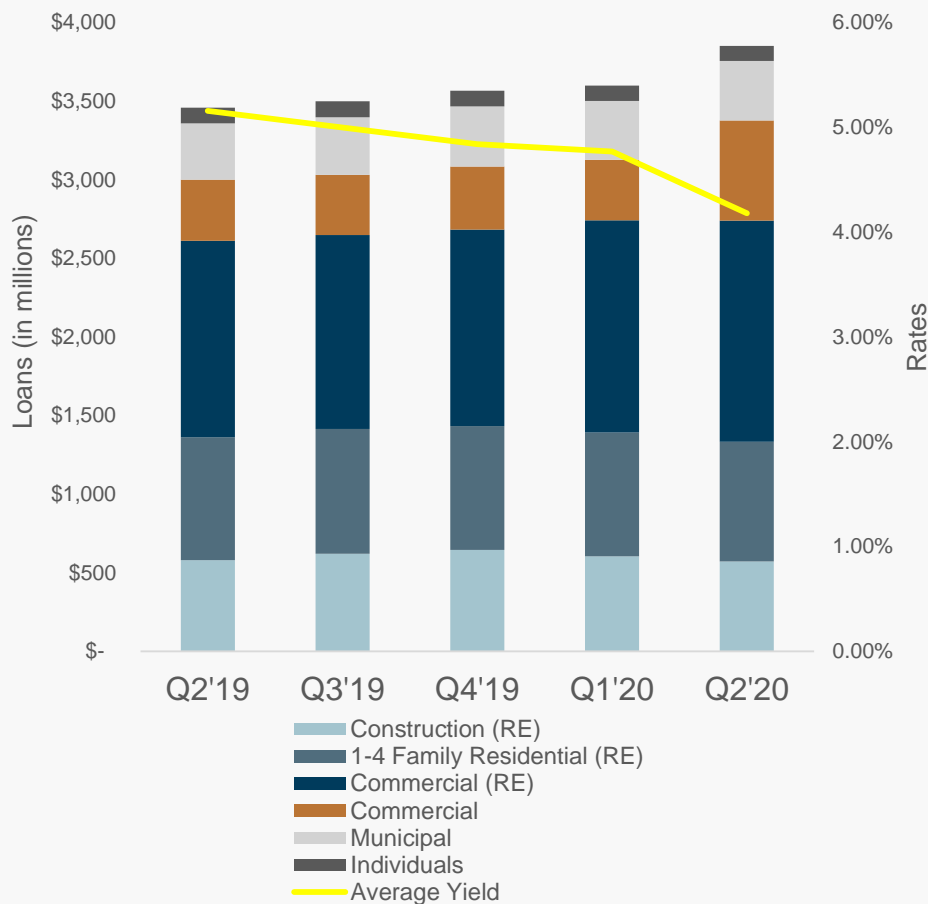


(1) Annualized

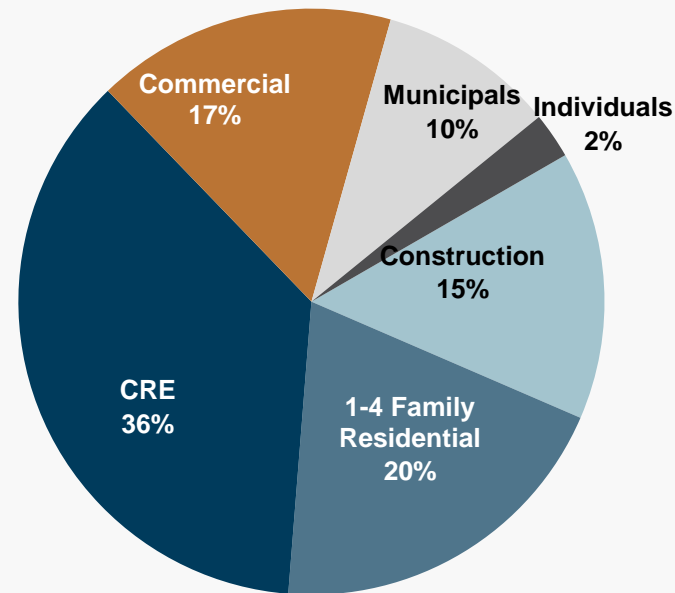
(2) Calculated on a fully taxable-equivalent basis (FTE), a non-GAAP measure. See non-GAAP reconciliation in our Earnings Release.

Loan Portfolio

Loan Balances



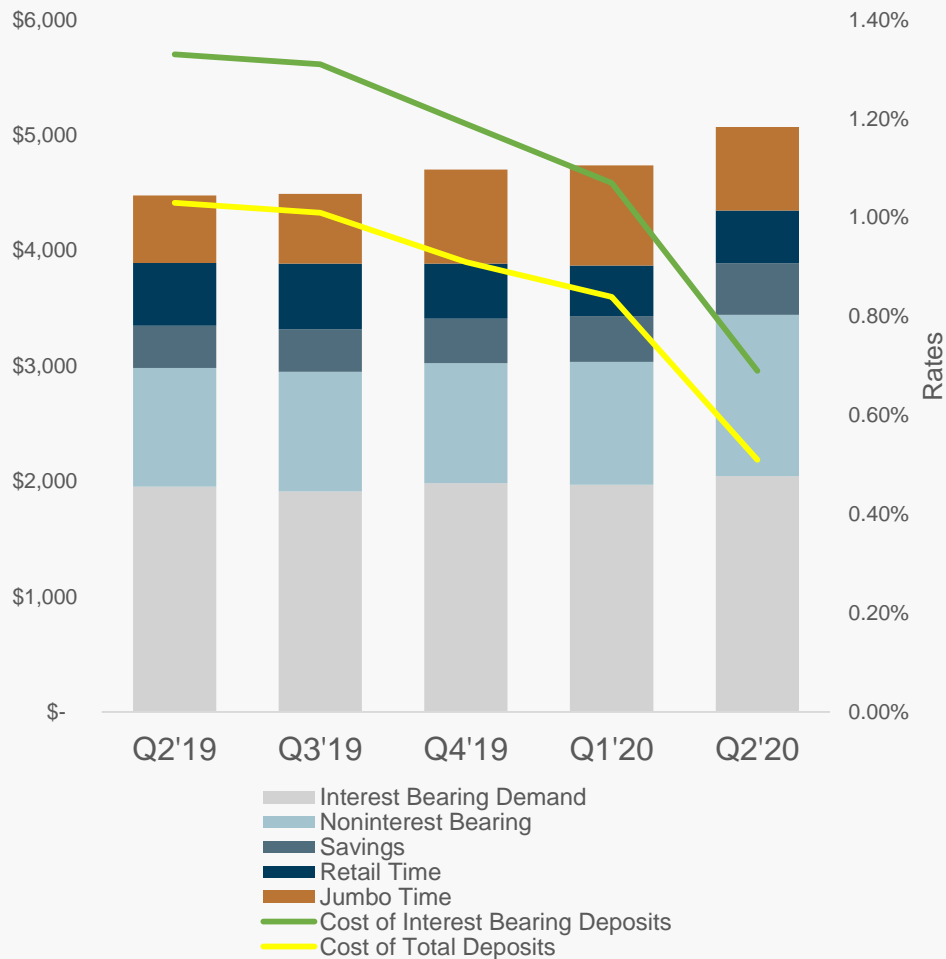
Loans 06/30/2020



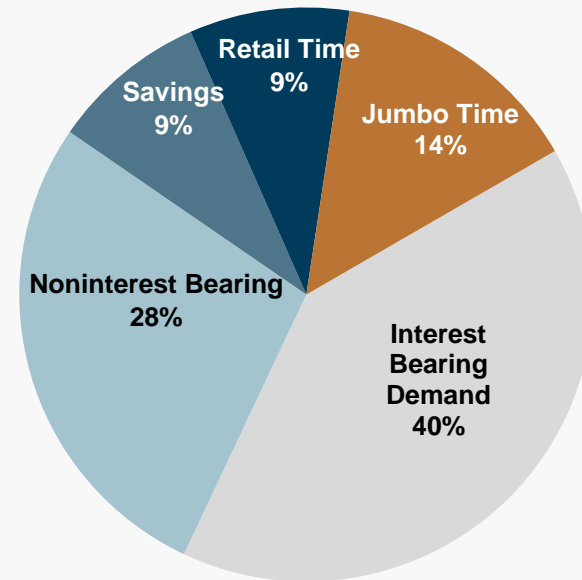
Loan Type	\$mm	%
Real Estate Loans (RE):		
Construction	\$571	15%
1-4 Family Residential	762	20%
CRE	1,407	36%
Commercial	639	17%
Municipals	377	10%
Individuals	97	2%
Total	\$3,853	100%

Deposit Composition

Deposit Balances



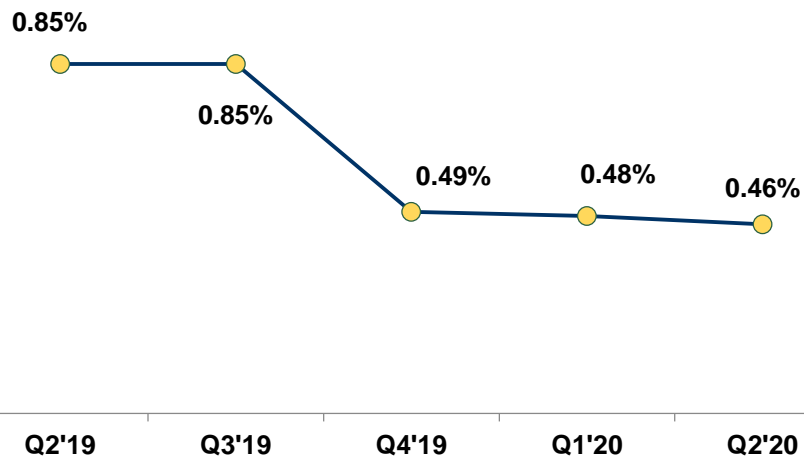
Deposit Mix 06/30/2020



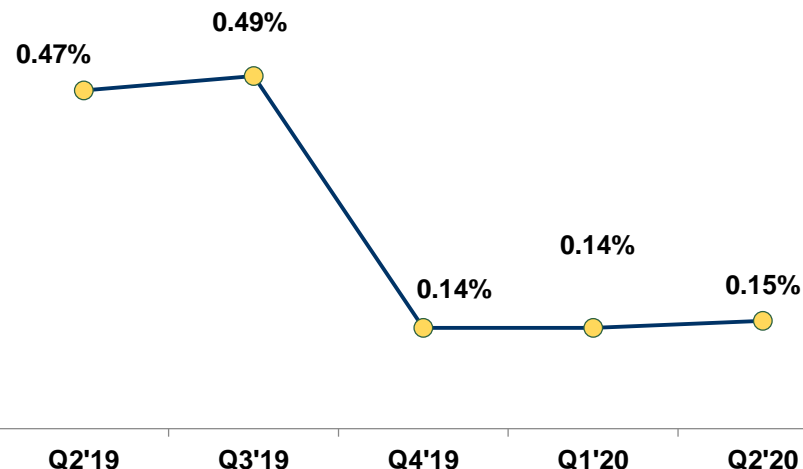
Deposit Type	\$mm	%
Interest Bearing Demand	\$2,046	40%
Noninterest Bearing	1,398	28%
Savings	447	9%
Retail Time	457	9%
Jumbo Time	723	14%
Total	\$5,071	100%

Asset Quality Trends

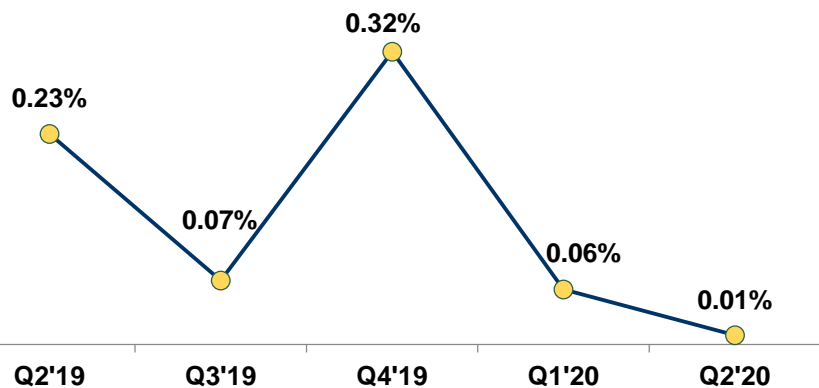
NPAs / Loans and OREO⁽¹⁾



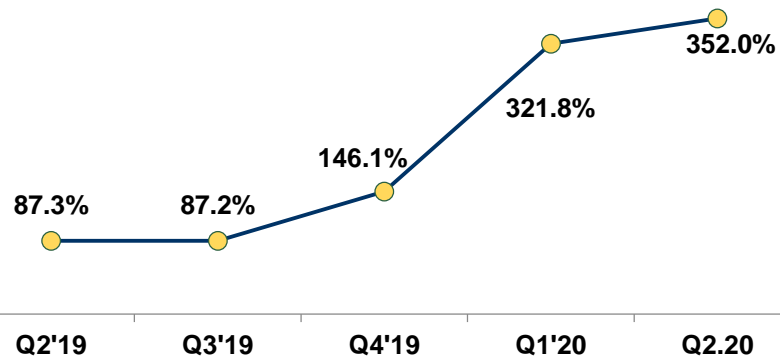
Nonaccrual Loans / Loans⁽¹⁾



NCOs / Average Loans



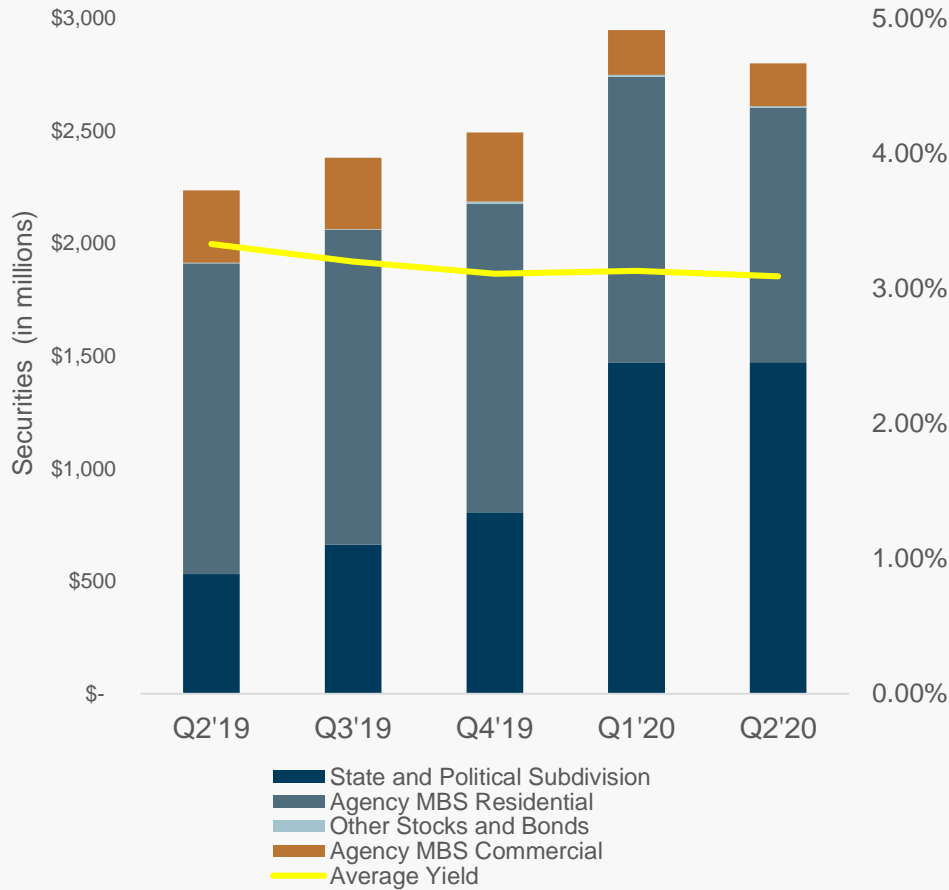
ALLL / NPLs



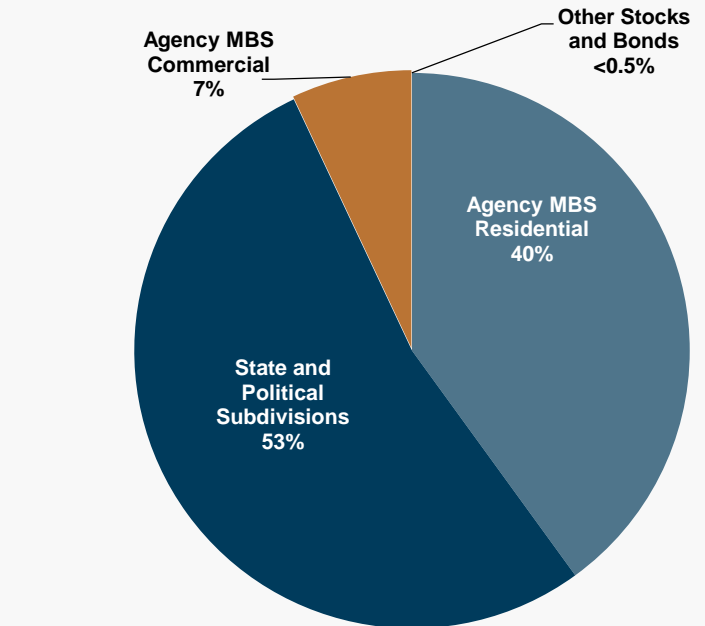
(1) Prior to the adoption of CECL, excluded purchased credit impaired loans measured at fair value at acquisition if the timing and amount of cash flows expected to be collected from those sales could be reasonably estimated.

Securities Portfolio

Total Securities

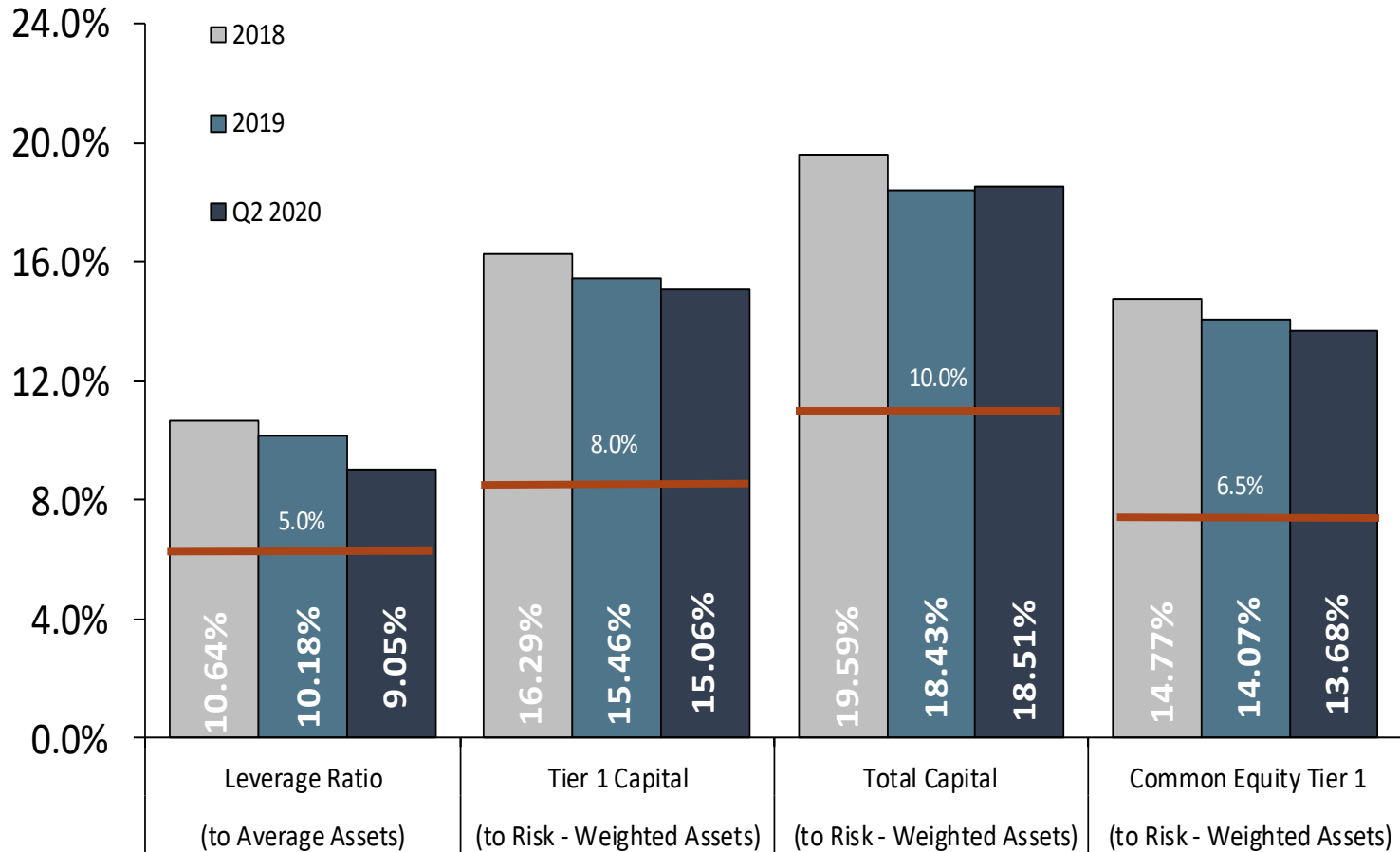


Securities 06/30/2020



Securities (\$mm)	AFS	HTM	Total	%
State and Political Subdivisions	\$1,469	\$3	\$1,472	53%
Agency MBS Residential	1,073	57	1,130	40%
Other Stocks and Bonds	7	0	7	0%
Agency MBS Commercial	131	60	191	7%
Total	\$2,680	\$120	\$2,800	100%

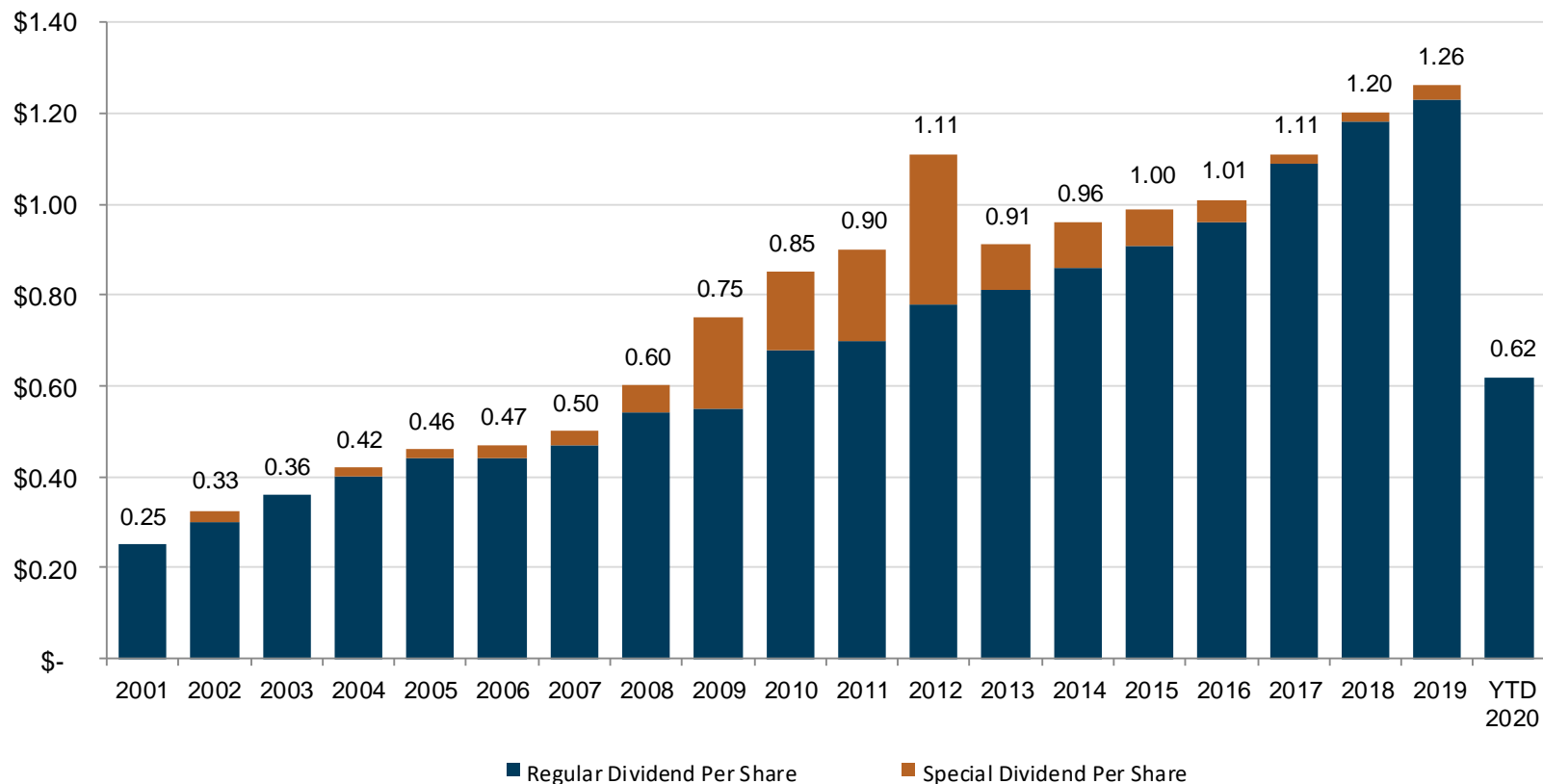
Capital Ratios



Well Capitalized —

Dividends

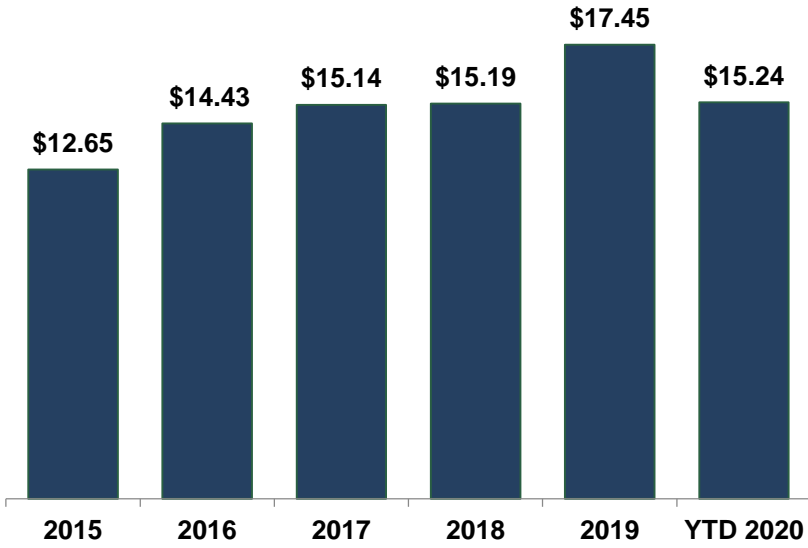
- Southside has Paid a Cash Dividend Every Year Since 1970
- Consistent Record of Dividend Increases
- Dividend Payout Ratio (diluted) of 57.27% as of 12/31/2019



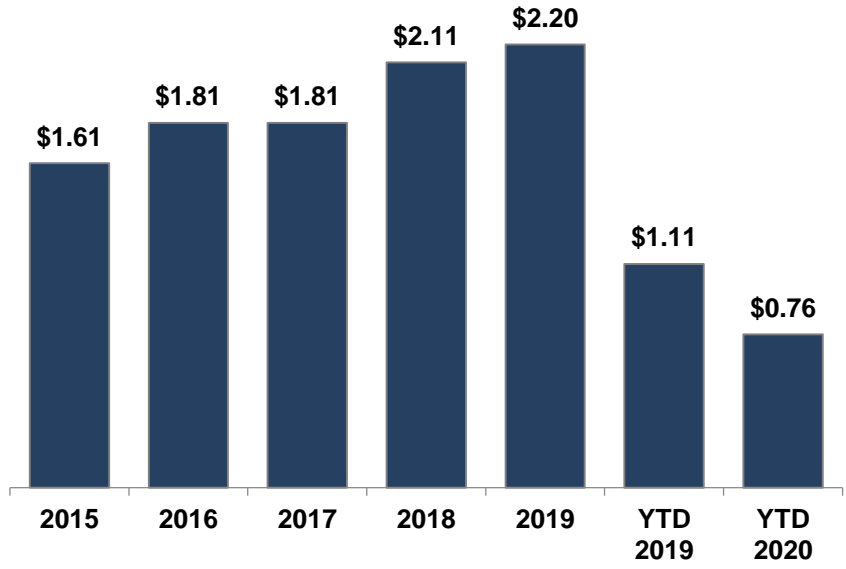
NOTE: YTD 2020 amount reflects Q1 and Q2 dividends, both at \$0.31 per share.

Shareholder Returns

Tangible Book Value Per Common Share⁽¹⁾ (\$)



Diluted Earnings Per Common Share (\$)



(1) See Non-GAAP Reconciliation.
 Note: Completed acquisition of OmniAmerican Bancorp, Inc. on 12/17/14 resulting in pre-tax merger expenses of \$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.

Appendix

Non-GAAP Reconciliation

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 (continued)

(dollars in thousands)	As of and for the Three Months Ended				
	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Net income available to common shareholders	\$18,610	\$19,792	\$17,335	\$3,953	\$21,554
Plus: After-tax amortization expense	892	853	814	774	735
Adjusted net income available to common shareholders [a]	\$19,502	\$20,645	\$18,149	\$4,727	\$22,289
Average shareholders' equity	\$771,344	\$802,953	\$816,848	\$824,759	\$801,413
Less: Average intangible assets for the period	217,266	216,169	215,101	214,104	213,135
Average tangible shareholders' equity [b]	\$554,078	\$586,784	\$601,747	\$610,655	\$588,278
Return on average tangible common equity (ROATCE) [a] / [b]	14.12%	13.96%	11.97%	3.11%	15.24% ⁽¹⁾
Net interest income (FTE) ⁽²⁾	\$44,715	\$44,175	\$45,216	\$47,000	\$50,289
Plus: Noninterest income	11,254	11,111	10,465	15,498	12,193
Less: Nonrecurring income	557	42	42	5,541	2,662
Total Revenue [c]	\$55,412	\$55,244	\$55,639	\$56,957	\$59,820
Noninterest expense	\$29,700	\$29,026	\$30,944	\$30,520	\$29,856
Less: Pre-tax amortization expense	1,129	1,080	1,030	980	931
Less: Nonrecurring expense	67	33	(56)	(29)	39
Adjusted noninterest expense [d]	\$28,504	\$27,913	\$29,970	\$29,569	\$28,886
Efficiency Ratio (FTE) ⁽²⁾ [d] / [c]	51.44%	50.53%	53.87%	51.91%	48.29%

(1) Annualized

(2) Fully taxable-equivalent (FTE)

Non-GAAP Reconciliation (continued)

(dollars in thousands, except per share data)	As of and for the Year Ended December 31,		As of and for the Six Months Ended June 30,
	2018	2019	2020
Net income available to common shareholders	\$74,138	\$74,554	\$25,507
Plus: After-tax amortization expense	4,118	3,490	1,510
Adjusted net income available to common shareholders [a]	\$78,256	\$78,044	\$27,017
Average shareholders' equity	\$751,262	\$782,367	\$813,086
Less: Average intangible assets for the period	221,650	216,733	213,620
Average tangible shareholders' equity [b]	\$529,612	\$565,634	\$599,466
Return on average tangible common equity (ROATCE) [a] / [b]	14.78%	13.80%	9.06% ⁽¹⁾
Common equity at end of period	\$731,291	\$804,580	\$817,605
Less: Intangible assets at end of period	218,895	214,477	212,566
Tangible common shareholders' equity at end of period [c]	\$512,396	\$590,103	\$605,039
Total assets at end of period	\$6,123,494	\$6,748,913	\$7,329,611
Less: Intangible assets at end of period	218,895	214,477	212,566
Tangible assets at end of period [d]	\$5,904,599	\$6,534,436	\$7,117,045
Tangible common equity/tangible assets (TCE/TA) [c] / [d]	8.68%	9.03%	8.50%
Common shares outstanding at end of period	33,725	33,823	33,032
Tangible book value per common share [c] / [e]	\$15.19	\$17.45	\$18.32
Noninterest expense	\$120,099	\$119,297	\$60,376
Less: Pre-tax amortization expense	5,213	4,418	1,911
Less: Nonrecurring expense	3,236	26	10
Adjusted noninterest expense [f]	\$111,650	\$114,853	\$58,455
Net interest income (FTE) ⁽²⁾	\$181,422	\$177,443	\$97,289
Plus: Noninterest income	40,773	42,368	27,691
Less: Nonrecurring income (loss)	(1,198)	470	8,203
Total Revenue [g]	\$223,393	\$219,341	\$116,777
Efficiency Ratio (FTE) ⁽²⁾ [f] / [g]	49.98%	52.36%	50.06%

(1) Annualized

(2) Fully taxable-equivalent (FTE)

Southside Bancshares, Inc.

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