

NASDAQ/SBSI  
May 12, 2021

# 2021 Annual Meeting of Shareholders

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60 YEARS OF  
**CONTINUED  
EXCELLENCE**

# 2021 Annual Meeting Agenda

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- 1) Welcome and Introductory Comments
- 2) Annual 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 Certified Public Accounting Firm, Ernst and Young LLP
- 4) Closing of the Polls and Preliminary Voting Results
- 5) Adjournment
- 6) Financial Presentation
- 7) Question and Answer Session

# Forward-Looking Statements

- Certain statements of other than historical fact that are contained in this press release and in other written materials, 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,” “might,” “will,” “would,” “seek,” “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 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, including the impact of the COVID-19 pandemic on the economy and our operations, 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 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 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, 2020, under “Part I - Item 1. Forward Looking Information” 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.

# A Year in Review

- Ranked a Top 10 Banking Powerhouse in America by Bank Director, based on 20 years of performance;
- Assisted small businesses with over 3,100 PPP loans;
- Successfully navigated COVID-19;
- Opened Loan Production Office in Houston with three experienced Commercial Lenders; and
- Celebrated Southside Bank's 60<sup>th</sup> Anniversary.

# Goals for 2021

- Build on a successful 2020;
- Focus on organic loan & deposit growth;
- Add additional talented commercial lenders to further enhance revenue growth;
- Maintain asset quality;
- Further enhance digital/technology strategies;
- Identify acquisition opportunities that enhance our Texas franchise;
- Capitalize on operational process efficiency; and
- Navigate the low interest rate environment.

# 2020 Financial Highlights

- Record net income of \$82.2 million, up 10.2%;
- EPS (diluted) of \$2.47, up 12.3%;
- ROATCE<sup>(1)</sup> of 13.79%;
- Nonperforming assets remained low at 0.25% of total assets;
- Efficiency Ratio<sup>(1)</sup> of 49.36%;
- Cash dividend increase of 3.2%.

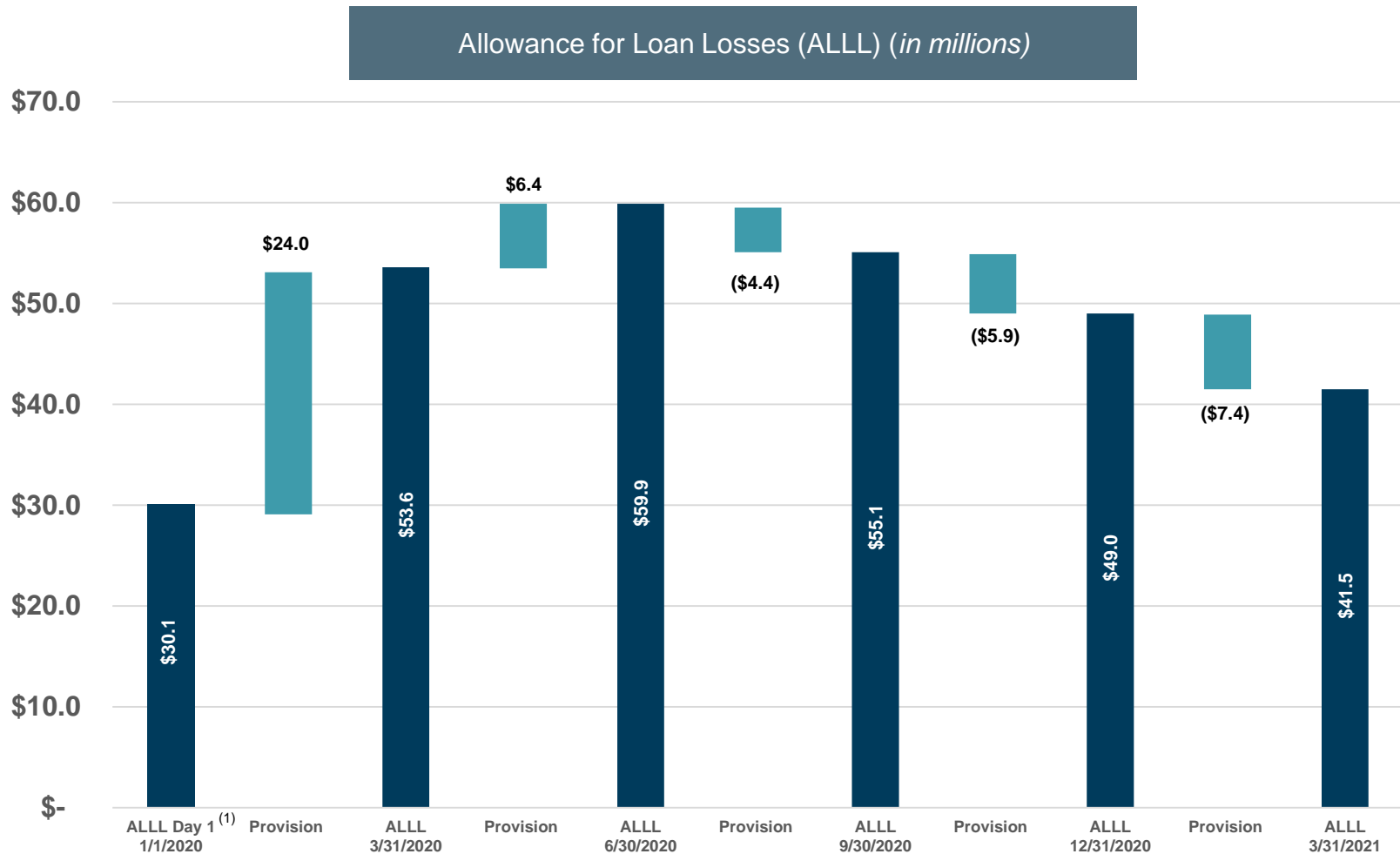
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Financial Results Three Months Ended

	3/31/2021	3/31/2020	%Chg.
Net Income (in thousands)	\$ 34,091	\$ 3,953	762.4%
EPS (diluted)	\$ 1.04	\$ 0.12	766.7%
ROATCE <sup>(1)</sup>	21.22%	3.11%	
ROAA	1.99%	0.23%	
Efficiency Ratio (FTE) <sup>(1)</sup>	50.44%	51.91%	

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

# CECL Impact and Changes To ALLL

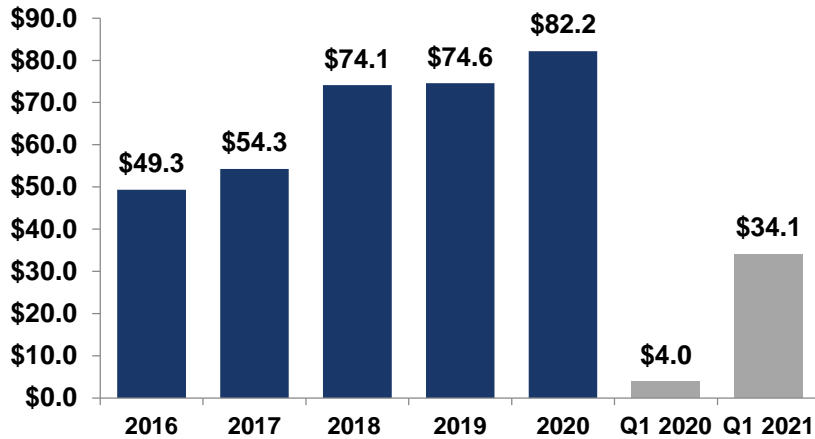


- Day 1 CECL adoption resulted in an ALLL increase of \$5.3 million, to \$30.1 million.
- Provision expense is largely driven by the economic forecast. The reversal of provision for Q1-2021 was driven by an improved economic forecast.
- ALLL totaled 1.12% of total loans at 3/31/2021 compared to 1.49% of total loans at 3/31/2020.

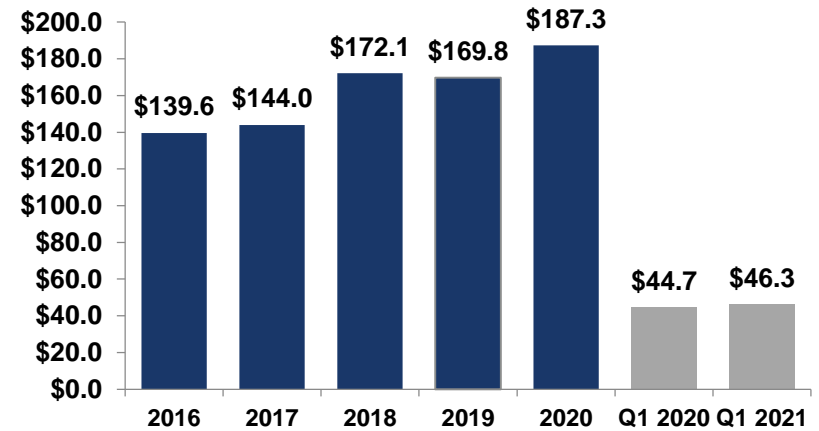
(i) The adoption of ASU 2016-13 (CECL) on January 1, 2020 replaced the incurred loss model with an expected credit loss methodology.

# Profitability

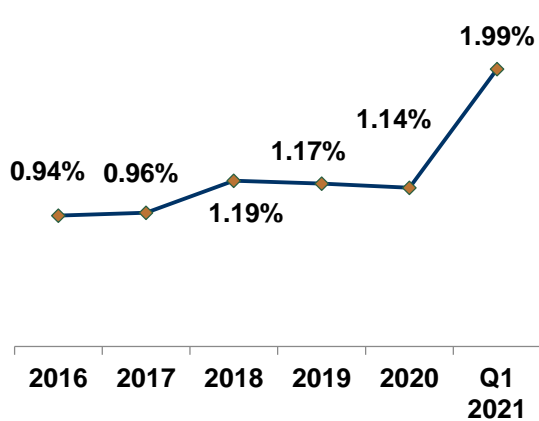
## Net Income (\$mm)



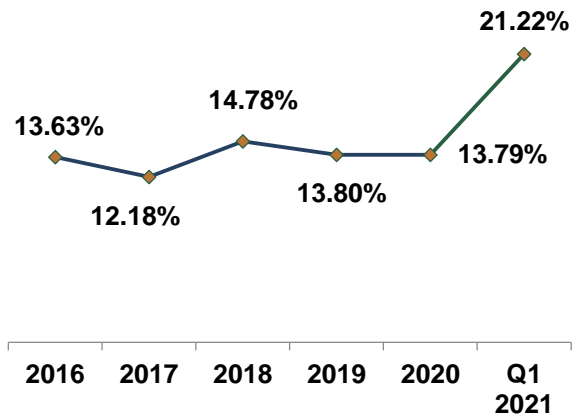
## Net Interest Income (\$mm)



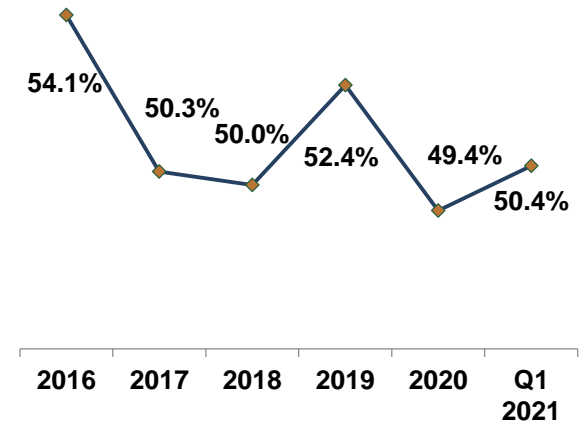
## ROAA



## ROATCE<sup>(1)</sup>



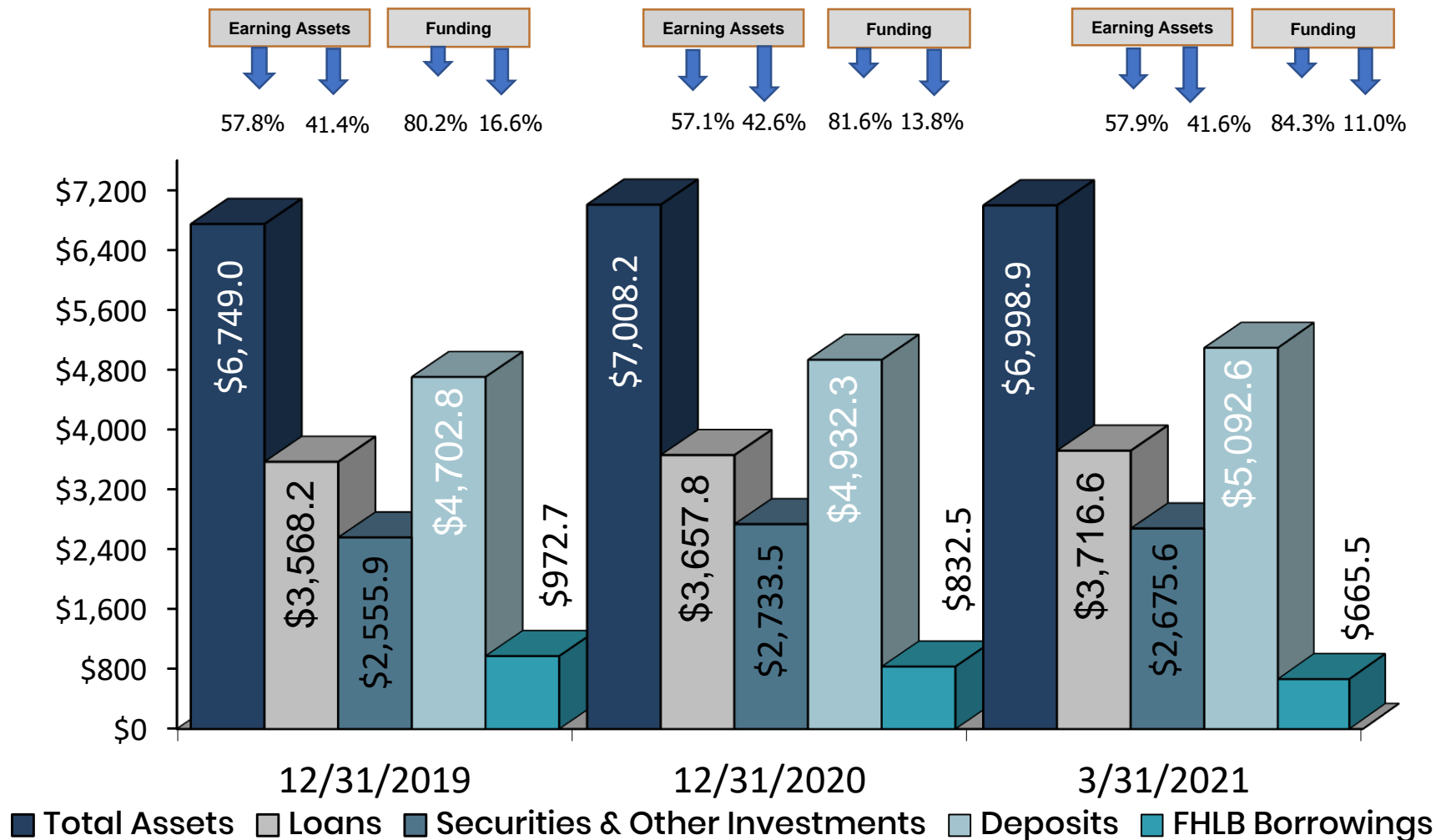
## Efficiency Ratio (FTE)<sup>(1)</sup>



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

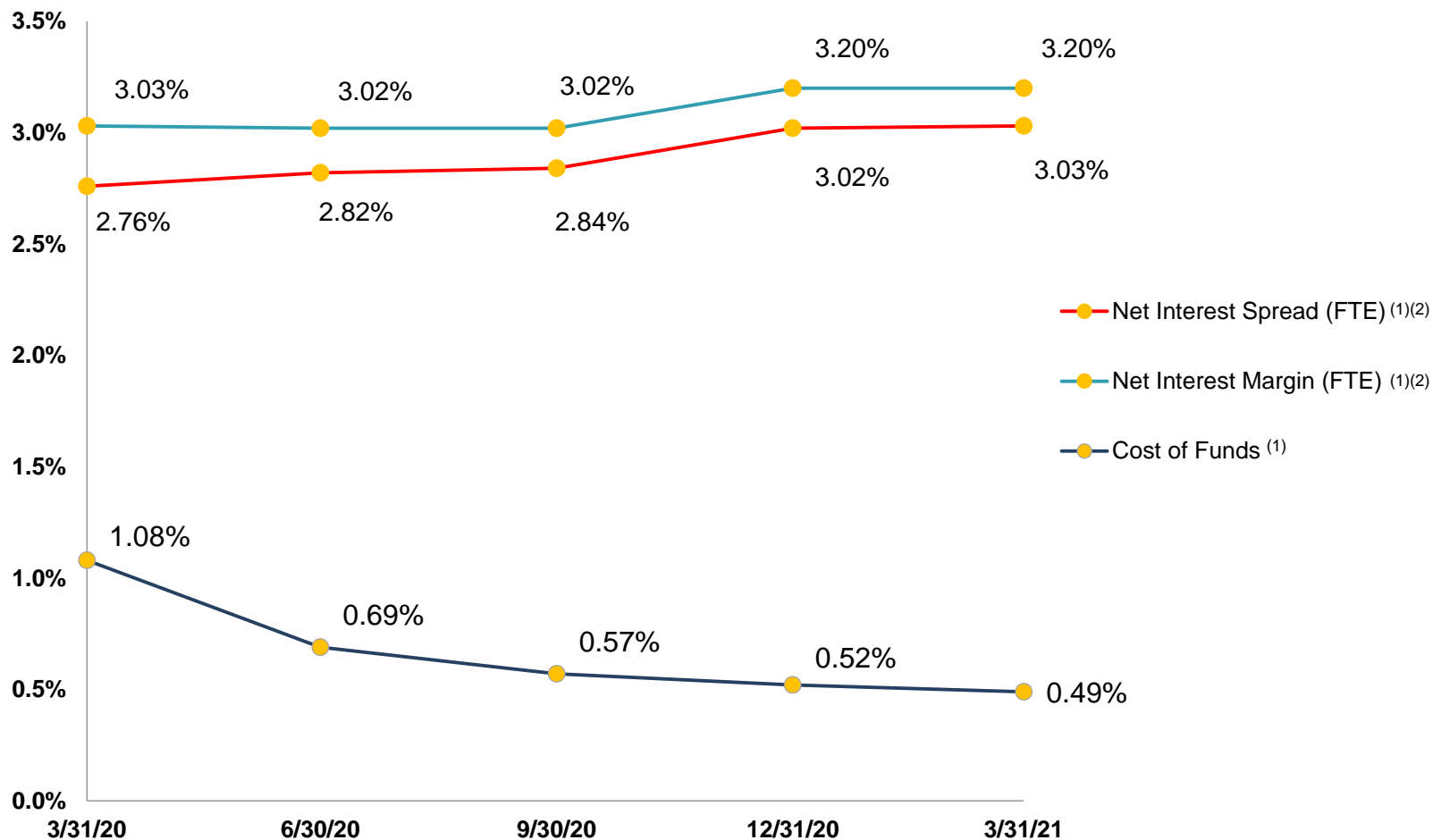
# Balance Sheet Mix

(Dollars in Millions)



NOTE: PPP Loans are included in the 12/31/2020 and 3/31/2021 loan balances in the amount of \$214.8m and \$220.9m, respectively.

# Quarterly Yield & Costs Trends

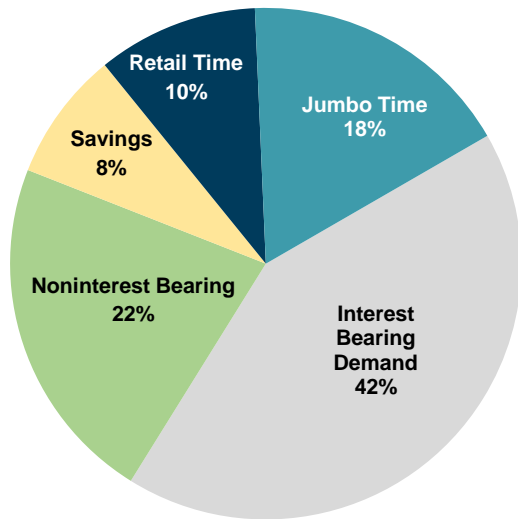


(1) Annualized

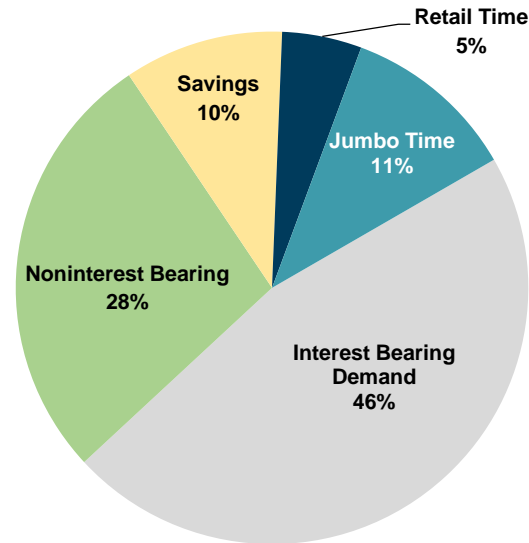
(2) Calculated on a fully taxable-equivalent basis (FTE), a non-GAAP measure. See non-GAAP reconciliation.

# Deposit Composition

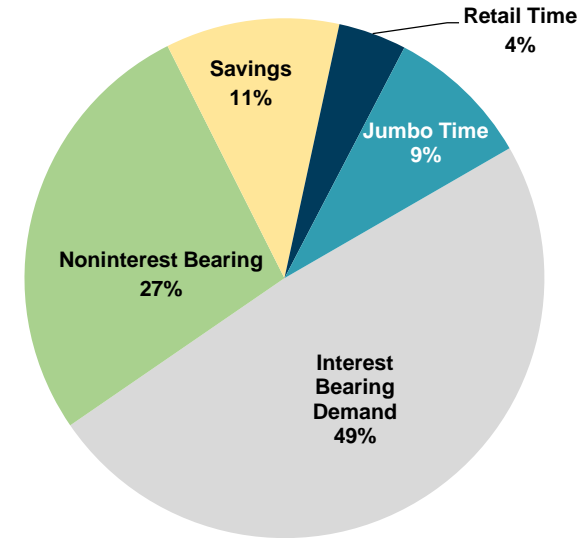
12/31/2019



12/31/2020



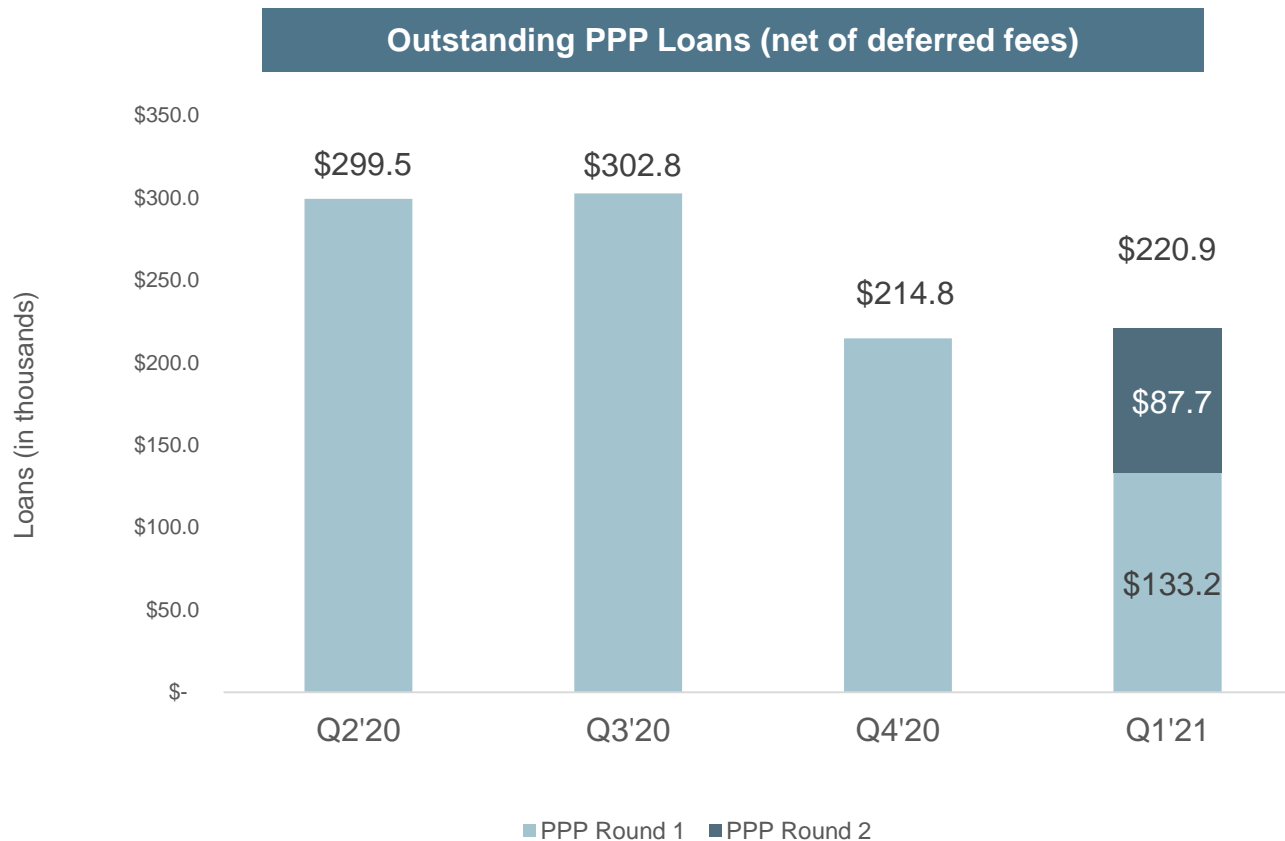
3/31/2021



Deposit Type (\$mm)	12/31/2019		12/31/2020		3/31/2021	
Interest Bearing Demand	\$1,984	42%	\$2,290	46%	\$2,483	49%
Noninterest Bearing	1,040	22%	1,355	28%	1,383	27%
Savings	385	8%	496	10%	551	11%
Retail Time	478	10%	248	5%	216	4%
Jumbo Time	816	18%	543	11%	460	9%
<b>Total</b>	<b>\$4,703</b>	<b>100%</b>	<b>\$4,932</b>	<b>100%</b>	<b>\$5,093</b>	<b>100%</b>

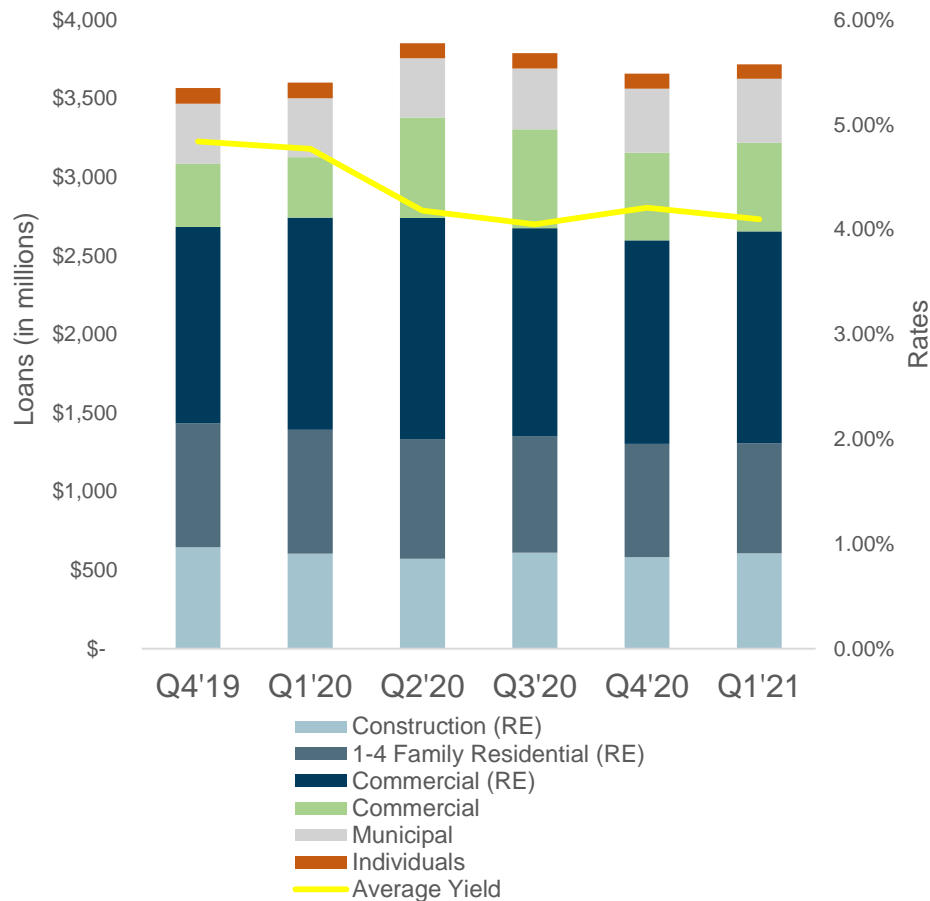
# Paycheck Protection Program (“PPP”)

- Assisted business customers through the SBA’s PPP, originating over 2,100 loans during Round 1 in 2020 and over 1,000 loans during Round 2 as of March 31, 2021.

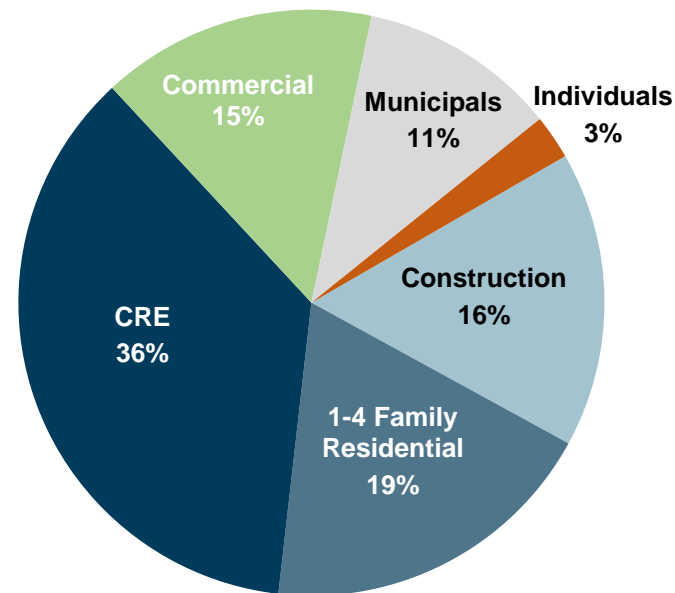


# Loan Portfolio

## Loan Balances



## Loans 3/31/2021

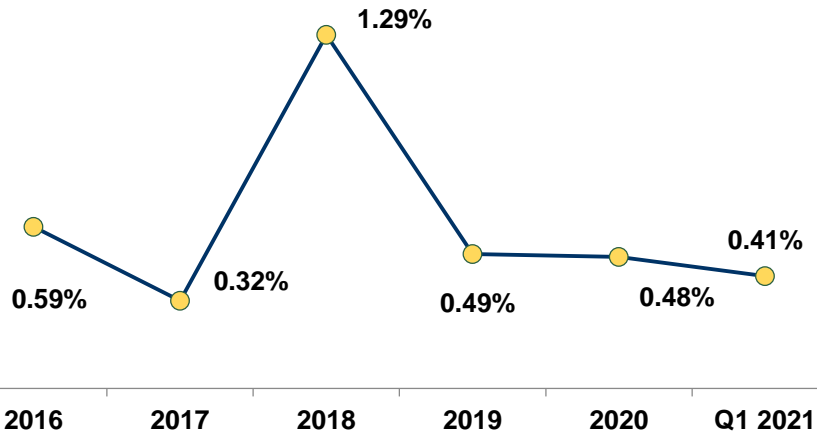


Loan Type	\$mm	%
<b>Real Estate Loans (RE):</b>		
Construction	\$606	16%
1-4 Family Residential	700	19%
CRE	1,349	36%
Commercial	565	15%
Municipals	406	11%
Individuals	91	3%
<b>Total</b>	<b>\$3,717</b>	<b>100%</b>

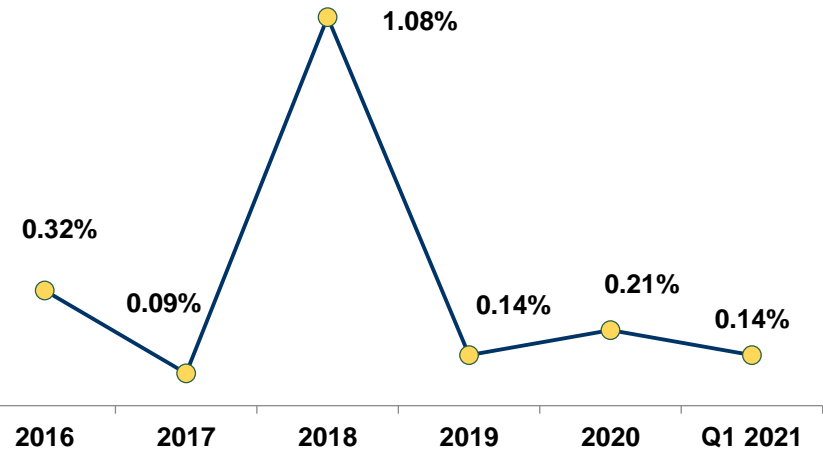
NOTE: PPP loans in the amounts of \$299.5m, \$302.8m, \$214.8m and \$220.9m are included in the 6/30/20, 9/30/20, 12/31/20 and 3/31/21 Commercial Loan balances, respectively.

# Asset Quality Trends

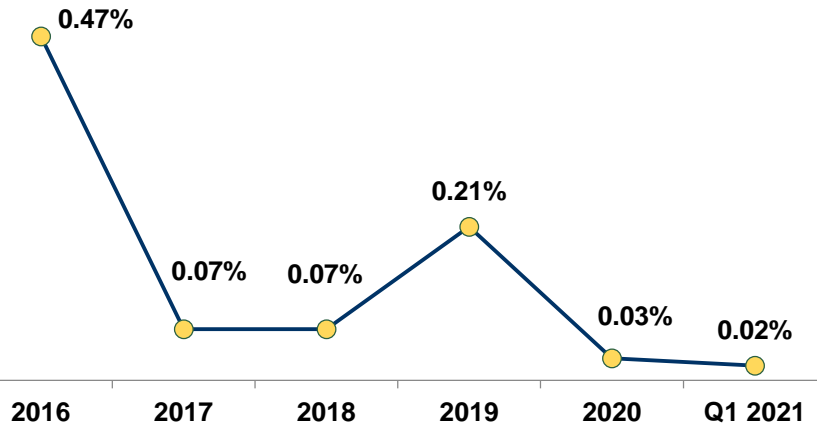
## NPAs / Loans and OREO<sup>(1)</sup>



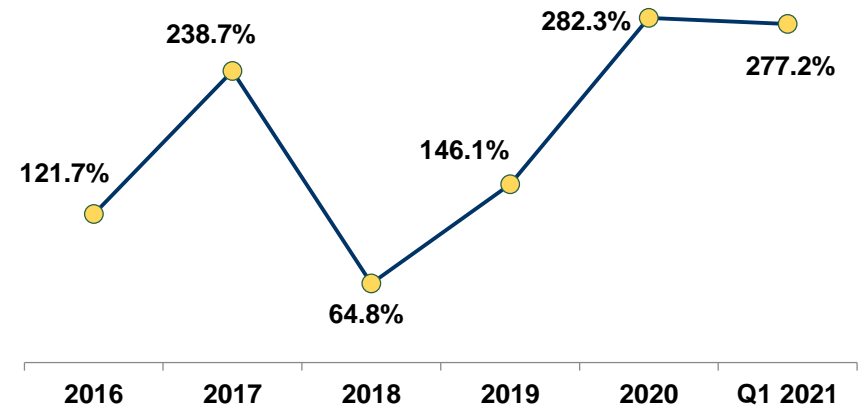
## Nonaccrual Loans / Loans<sup>(1)</sup>



## NCOs / Average Loans



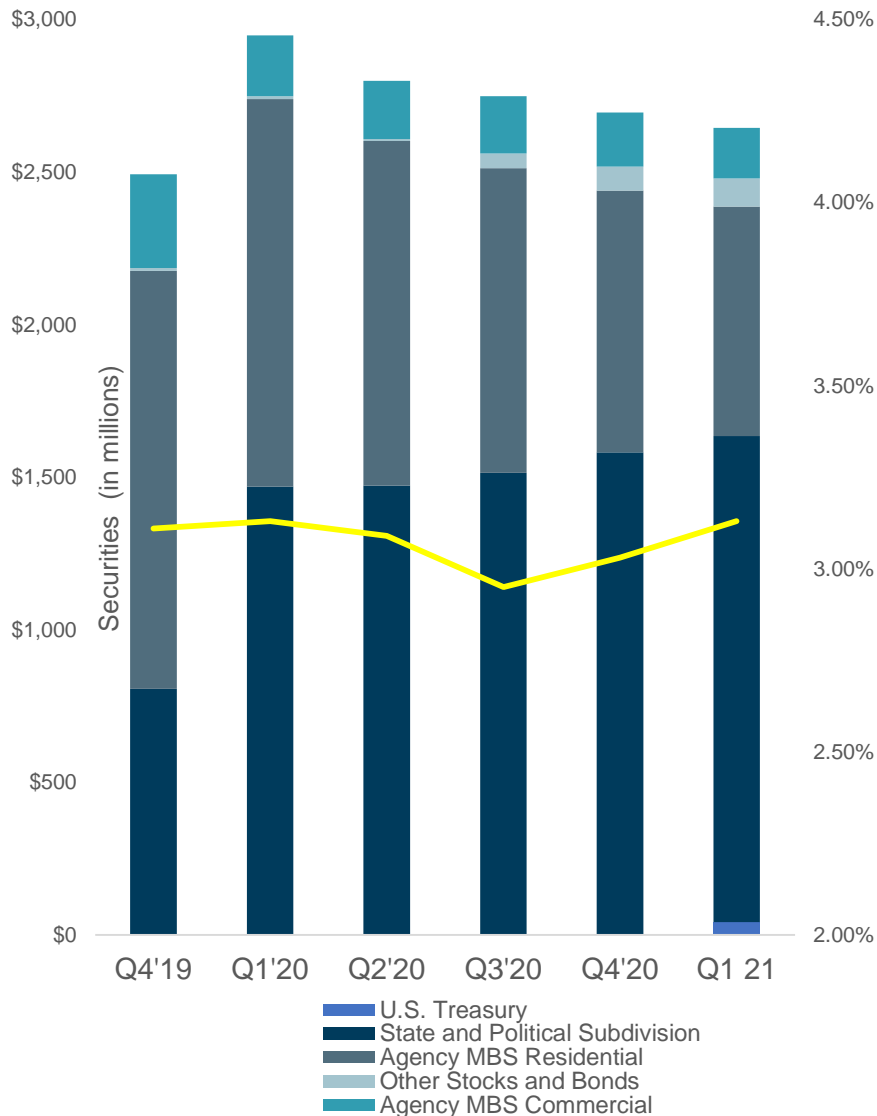
## ALLL / NPLs



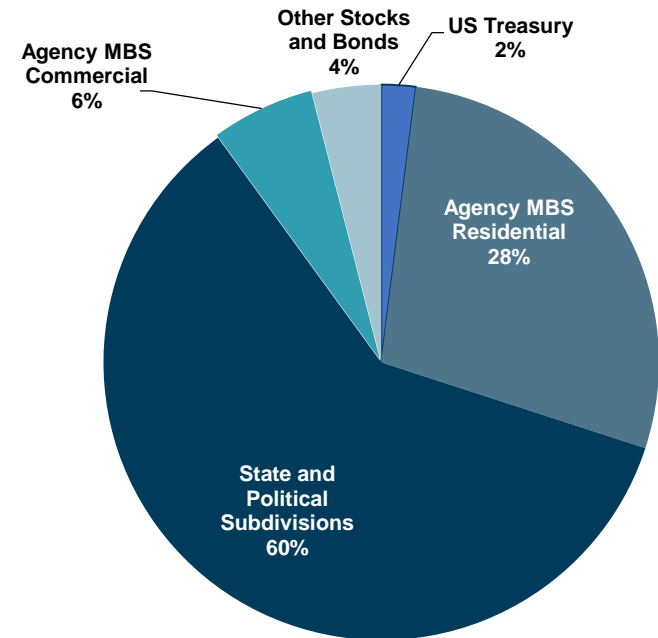
(1) Prior to the adoption of CECL, on January 1, 2020, excluded purchased credit impaired loans measured at fair value at acquisition if the timing and amount of cash flows expected to be collected from those sales could be reasonably estimated.

# Securities Portfolio

## Total Securities

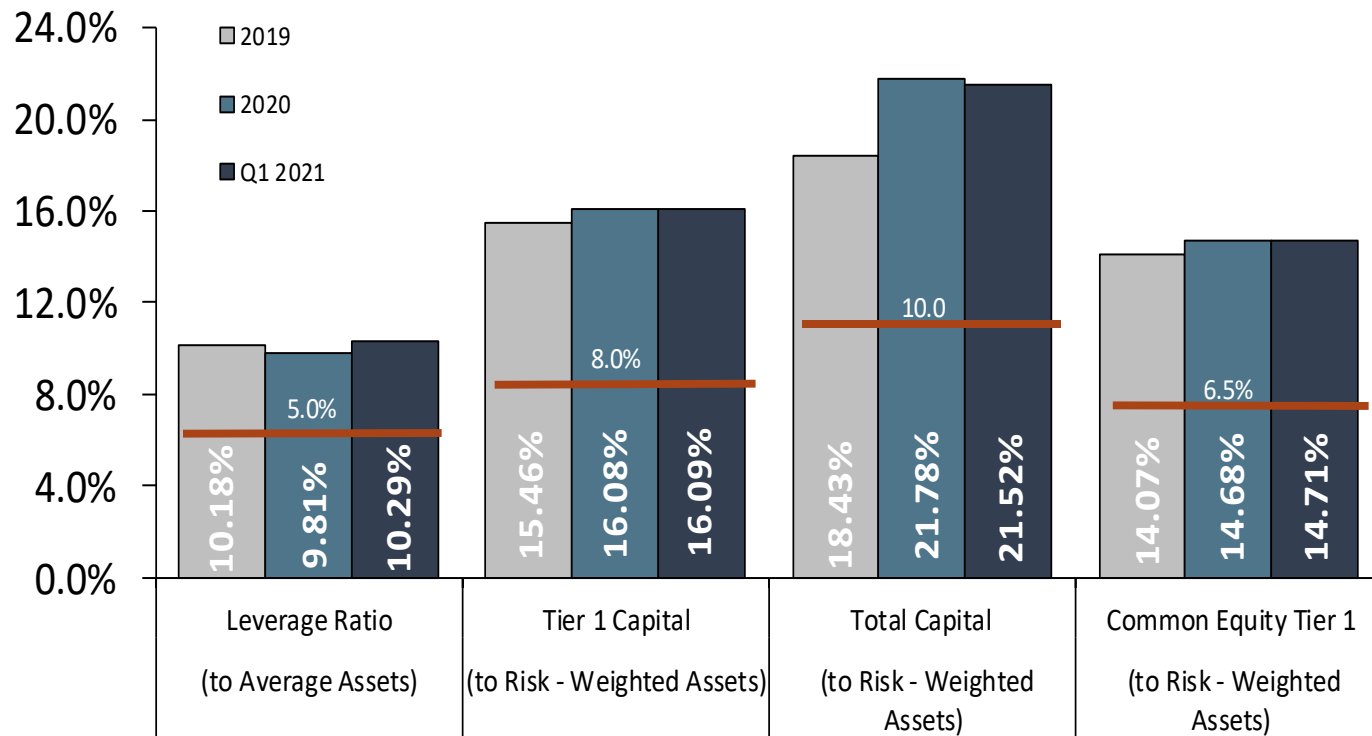


## Securities 3/31/2021



Securities (\$mm)	AFS	HTM	Total	%
U.S. Treasury	\$42	\$0	\$42	2%
State and Political Subdivisions	1,592	1	1,593	60%
Agency MBS Residential	707	45	752	28%
Other Stocks and Bonds	93	0	93	4%
Agency MBS Commercial	113	52	165	6%
<b>Total</b>	<b>\$2,547</b>	<b>\$98</b>	<b>\$2,645</b>	<b>100%</b>

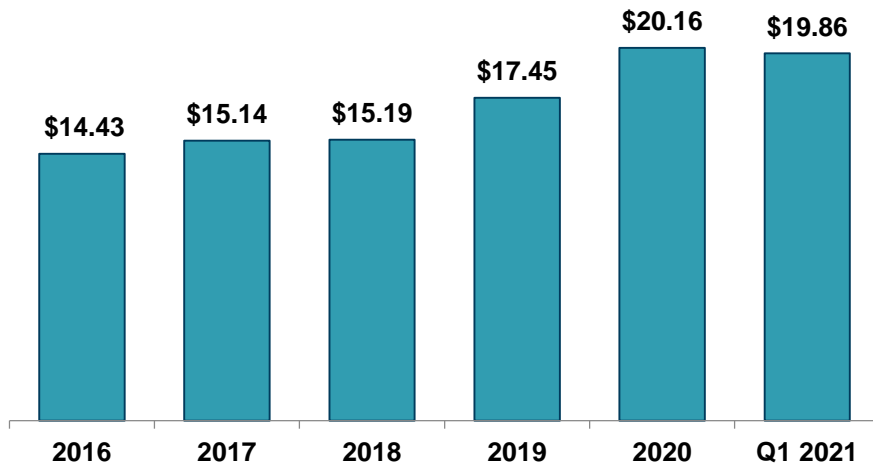
# Capital Ratios



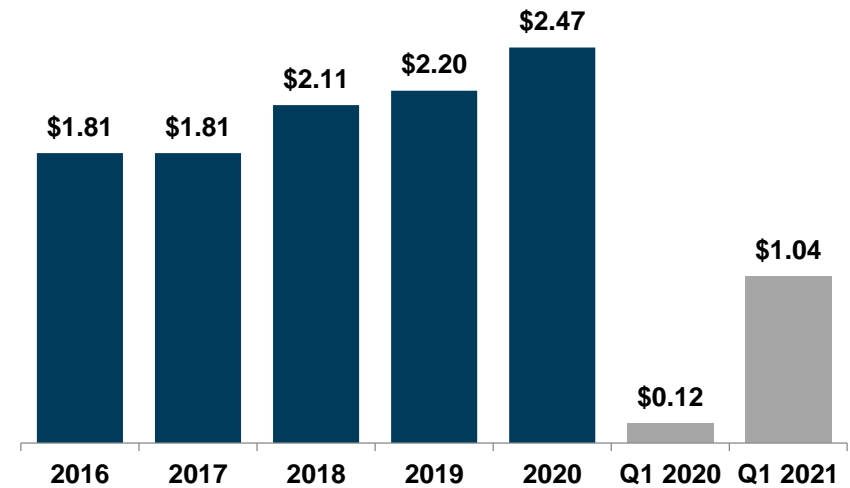
Well Capitalized 

# Shareholder Returns

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



## Diluted Earnings Per Common Share (\$)

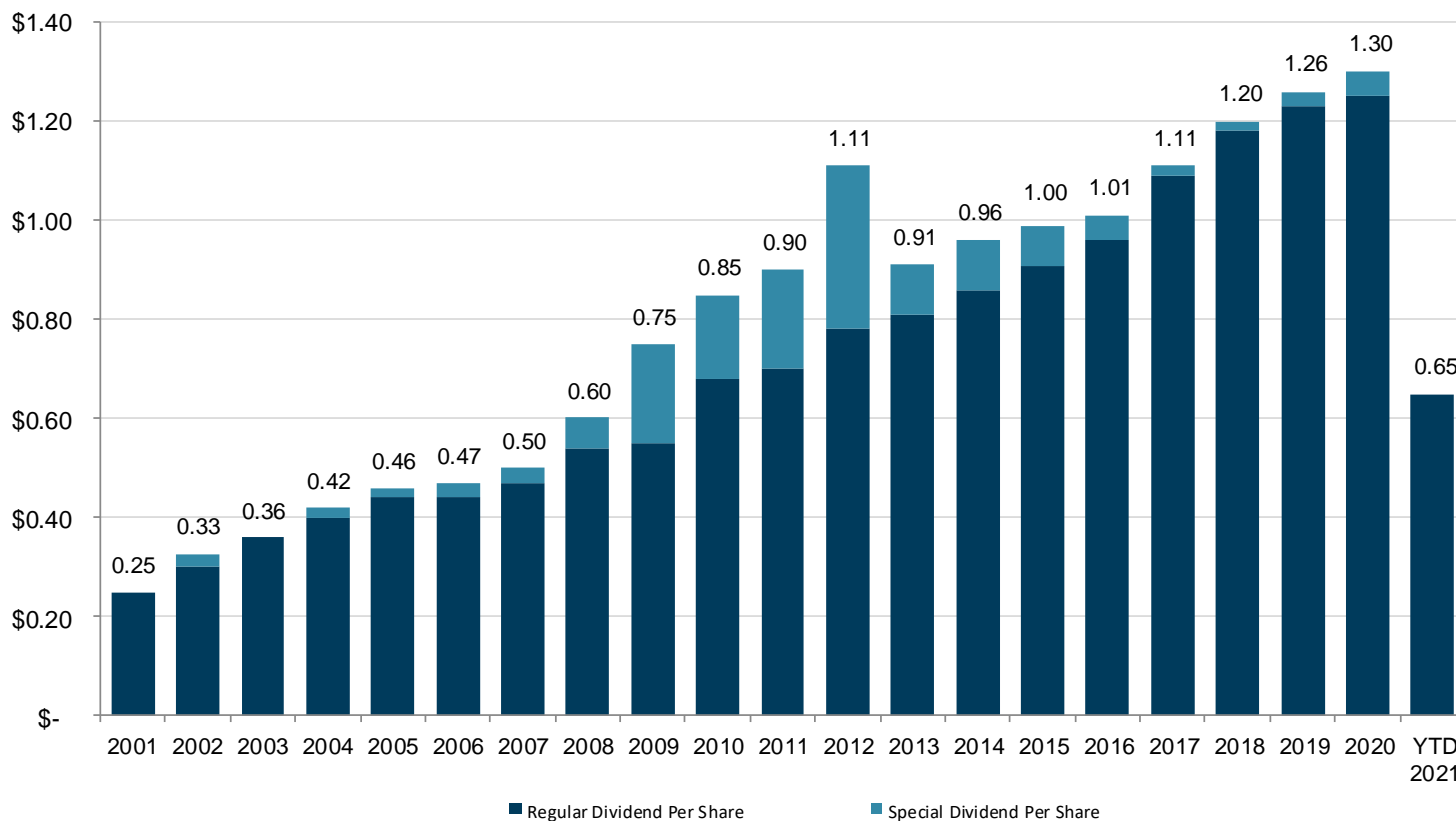


(1) See Non-GAAP Reconciliation

Note: 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 and for 94 Consecutive Quarters
- Consistent Record of Dividend Increases
- Dividend Payout Ratio (diluted) of 52.63% as of 12/31/2020

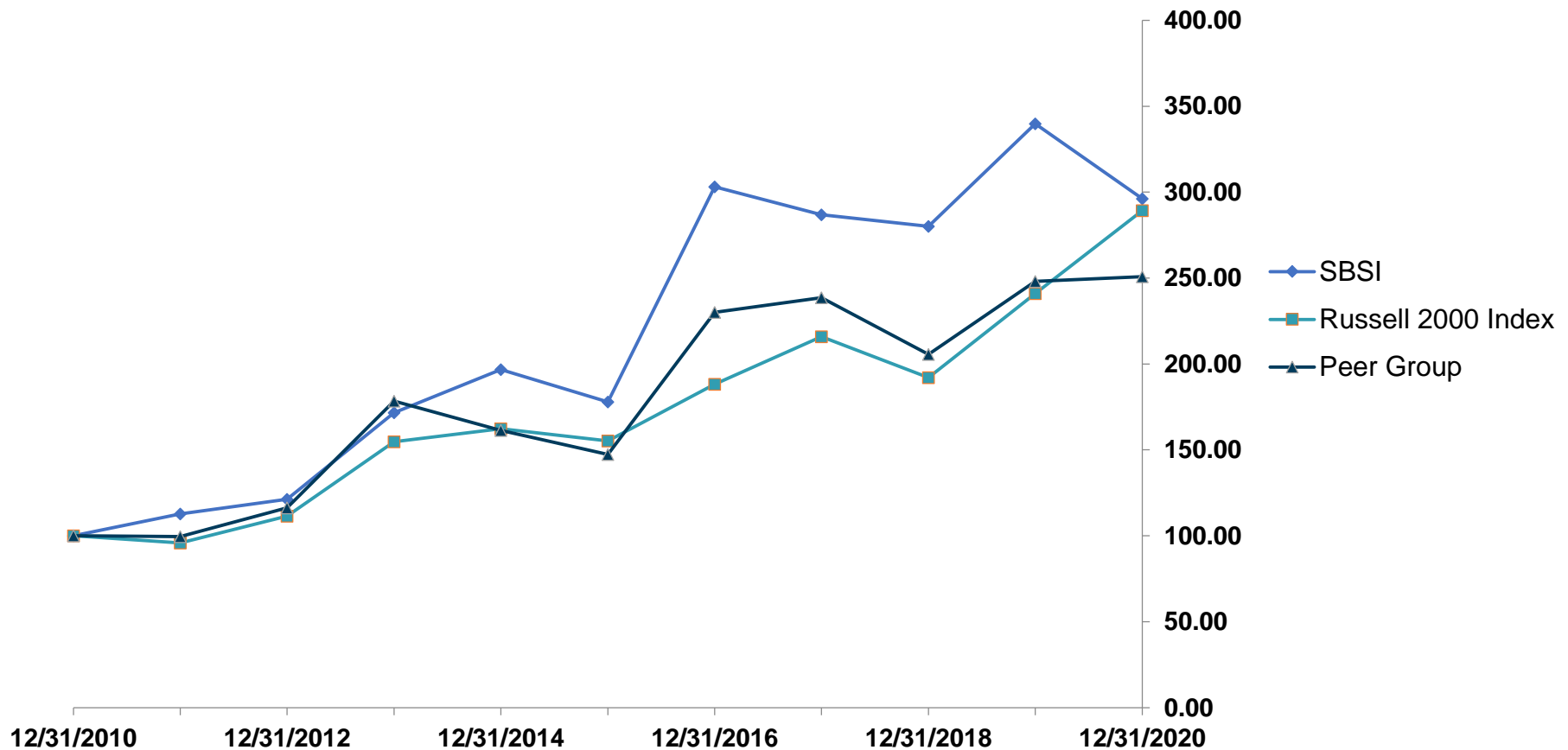


NOTE: YTD 2021 amount reflects Q1 dividend of \$0.32 per share paid on March 4, 2021 and Q2 dividend declared on May 6, 2021 to be paid on June 3, 2021.

# Total Return Performance

- \$100,000 invested in SBSI on 12/31/2010 was worth \$296,240 on 12/31/2020

Performance (%) 12/31/2010 to 12/31/2020



Source: S&P Global Market Intelligence

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

NASDAQ/SBSI  
May 12, 2021

# 2021 Annual Meeting of Shareholders

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60 YEARS OF  
**CONTINUED  
EXCELLENCE**

# Appendix

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# 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, efficiency ratio on a fully taxable-equivalent (FTE) basis, net interest income (FTE), net interest margin (FTE) and net interest spread (FTE).

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.

Net interest income (FTE) is a non-GAAP measure that adjusts for the tax-favored status of net interest income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. The most directly comparable financial measure calculated in accordance with GAAP is our net interest income. Net interest margin (FTE) is the ratio of net interest income (FTE) to average earning assets. The most directly comparable financial measure calculated in accordance with GAAP is our net interest margin. Net interest spread (FTE) is the difference in the average yield on average earning assets on a tax-equivalent basis and the average rate paid on average interest bearing liabilities. The most directly comparable financial measure calculated in accordance with GAAP is our net interest spread.

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, except per share data)		As of and for the Year Ended December 31,					As of and for the Three Months Ended March 31,
		2016	2017	2018	2019	2020	2021
Net income available to common shareholders		\$49,349	\$54,312	\$74,138	\$74,554	\$82,153	\$34,091
Plus: After-tax amortization expense <sup>(1)</sup>		1,261	1,271	4,118	3,490	2,857	605
<b>Adjusted net income available to common shareholders</b>	<b>[a]</b>	<b>\$50,610</b>	<b>\$55,583</b>	<b>\$78,256</b>	<b>\$78,044</b>	<b>\$85,010</b>	<b>\$34,696</b>
Average shareholders' equity		\$468,424	\$563,023	\$751,262	\$782,367	\$828,980	\$873,693
Less: Average intangible assets for the period		97,123	106,747	221,650	216,733	212,699	210,563
<b>Average tangible shareholders' equity</b>	<b>[b]</b>	<b>\$371,301</b>	<b>\$456,276</b>	<b>\$529,612</b>	<b>\$565,634</b>	<b>\$616,281</b>	<b>\$663,130</b>
<b>Return on average tangible common equity (ROATCE)</b>	<b>[a] / [b]</b>	<b>13.63%</b>	<b>12.18%</b>	<b>14.78%</b>	<b>13.80%</b>	<b>13.79%</b>	<b>21.22%</b> <sup>(3)</sup>
Common equity at end of period		\$518,274	\$754,140	\$731,291	\$804,580	\$875,297	\$858,597
Less: Intangible assets at end of period		96,128	224,239	218,895	214,477	210,860	210,094
<b>Tangible common shareholders' equity at end of period</b>	<b>[c]</b>	<b>\$422,146</b>	<b>\$529,901</b>	<b>\$512,396</b>	<b>\$590,103</b>	<b>\$664,437</b>	<b>\$648,503</b>
Total assets at end of period		\$5,563,767	\$6,498,097	\$6,123,494	\$6,748,913	\$7,008,227	\$6,998,886
Less: Intangible assets at end of period		96,128	224,239	218,895	214,477	210,860	210,094
<b>Tangible assets at end of period</b>	<b>[d]</b>	<b>\$5,467,639</b>	<b>\$6,273,858</b>	<b>\$5,904,599</b>	<b>\$6,534,436</b>	<b>\$6,797,367</b>	<b>\$6,788,792</b>
<b>Tangible common equity/tangible assets (TCE/TA)</b>	<b>[c] / [d]</b>	<b>7.72%</b>	<b>8.45%</b>	<b>8.68%</b>	<b>9.03%</b>	<b>9.77%</b>	<b>9.55%</b>
Common shares outstanding at end of period	<b>[e]</b>	29,261	35,000	33,725	33,823	32,951	32,659
<b>Tangible book value per common share</b>	<b>[c] / [e]</b>	<b>\$14.43</b>	<b>\$15.14</b>	<b>\$15.19</b>	<b>\$17.45</b>	<b>\$20.16</b>	<b>\$19.86</b>
Net interest income (GAAP)		\$139,565	\$143,970	\$172,064	\$169,805	\$187,265	\$46,303
Tax equivalent adjustments:							
Loans		4,251	4,313	2,354	2,490	2,752	736
Tax-exempt investment securities		13,739	13,197	7,004	5,148	8,812	2,211
<b>Net interest income (FTE)<sup>(2)</sup></b>		<b>157,555</b>	<b>161,480</b>	<b>181,422</b>	<b>177,443</b>	<b>198,829</b>	<b>49,250</b>
Plus: Noninterest income		39,411	37,473	40,773	42,368	49,732	13,623
Less: Nonrecurring income (loss)		2,426	191	(1,198)	470	8,257	2,003
<b>Total Revenue</b>	<b>[g]</b>	<b>\$194,540</b>	<b>\$198,762</b>	<b>\$223,393</b>	<b>\$219,341</b>	<b>\$240,304</b>	<b>\$60,870</b>
Noninterest expense		\$109,522	\$106,335	\$120,099	\$119,297	\$123,307	\$31,234
Less: Pre-tax amortization expense		1,940	1,955	5,213	4,418	3,617	766
Less: Nonrecurring expense		2,375	4,394	3,236	26	1,083	(236)
<b>Adjusted noninterest expense</b>	<b>[f]</b>	<b>\$105,207</b>	<b>\$99,986</b>	<b>\$111,650</b>	<b>\$114,853</b>	<b>\$118,607</b>	<b>\$30,704</b>
Average earning assets		\$4,829,141	\$5,254,431	\$5,699,985	\$5,800,648	\$6,486,444	\$6,241,434
<b>Efficiency Ratio</b>		<b>59.59%</b>	<b>55.16%</b>	<b>52.16%</b>	<b>54.25%</b>	<b>51.85%</b>	<b>53.01%</b>
<b>Efficiency Ratio (FTE)<sup>(2)</sup></b>	<b>[f] / [g]</b>	<b>54.08%</b>	<b>50.30%</b>	<b>49.98%</b>	<b>52.36%</b>	<b>49.36%</b>	<b>50.44%</b>
<b>Net interest margin(FTE)</b>		<b>2.89%</b>	<b>2.74%</b>	<b>3.02%</b>	<b>2.93%</b>	<b>2.89%</b>	<b>3.01%</b> <sup>(3)</sup>
<b>Net interest margin(FTE)<sup>(2)</sup></b>		<b>3.26%</b>	<b>3.07%</b>	<b>3.18%</b>	<b>3.06%</b>	<b>3.07%</b>	<b>3.20%</b> <sup>(3)</sup>
<b>Net interest spread</b>		<b>2.77%</b>	<b>2.56%</b>	<b>2.72%</b>	<b>2.58%</b>	<b>2.68%</b>	<b>2.84%</b> <sup>(3)</sup>
<b>Net interest spread(FTE)<sup>(2)</sup></b>		<b>3.14%</b>	<b>2.89%</b>	<b>2.88%</b>	<b>2.71%</b>	<b>2.86%</b>	<b>3.03%</b> <sup>(3)</sup>

(1) 35% tax rate for 2016-2017, 21% tax rate thereafter

(2) Fully taxable-equivalent (FTE)

(3) Annualized