



2021 KBW Texas Field Trip
May 17, 2021

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.

Key Management Team

Lee Gibson, *President & Chief Executive Officer*

- Board member of Tyler Junior College Foundation
- Board and Executive 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
- 15 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
- 6 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
- 21 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
- Recognized as a Top 10 Banking Powerhouse by Bank Director, based on shareholder return over a 20 year period.
- Diversified branch footprint consisting of 55 branches, 13 of which are located in grocery stores
- 833 Full-Time Equivalent Employees
- Insider ownership equal to 4.94%⁽¹⁾
- Experienced Management Team, each with over 20 years of experience in Banking
- Track record of consistent growth, 10.3% CAGR in total assets from 2013 – Q1 2021
- Strong asset quality, with NPA to Total Assets of 0.22%

(1) Source: Bloomberg as of 4/25/2021

(2) See Non-GAAP Reconciliation

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

Financial Highlights (\$mm)

	As of and for the Years Ended December 31,		As of the Three Months Ended March 31,
	2019	2020	2021
<u>Balance Sheet</u>			
Total Assets	\$6,749	\$7,008	\$6,999
Total Loans (Ex. HFS)	3,568	3,658	3,717
Total Deposits	4,703	4,932	5,093
Total Equity	805	875	859
<u>Profitability</u>			
ROAA	1.17%	1.14%	1.99%
ROATCE ⁽²⁾	13.80	13.79	21.22
Net Interest Margin (FTE) ⁽²⁾⁽³⁾	3.06	3.07	3.20
Efficiency Ratio (FTE) ⁽²⁾⁽³⁾	52.36	49.36	50.44
<u>Capital</u>			
TCE / TA ⁽²⁾	9.03%	9.77%	9.55%
Common Equity Tier 1 Ratio	14.07	14.68	14.71
Tier 1 Risk-Based Ratio	15.46	16.08	16.09
Total Risk-Based Ratio	18.43	21.78	21.52
Leverage Ratio	10.18	9.81	10.29
<u>Asset Quality</u>			
<i>Presented with PPP Loans</i>			
NPAs / Loans and OREO	0.49%	0.48%	0.41%
NCOs / Average Loans	0.21	0.03	0.02
Reserve / Total Loans	0.69	1.34	1.12
Reserve / NPLs	146.06	282.29	277.19
<u>Per Common Share</u>			
Tangible Book Value ⁽²⁾	\$17.45	\$20.16	\$19.86
Diluted Earnings	2.20	2.47	1.04

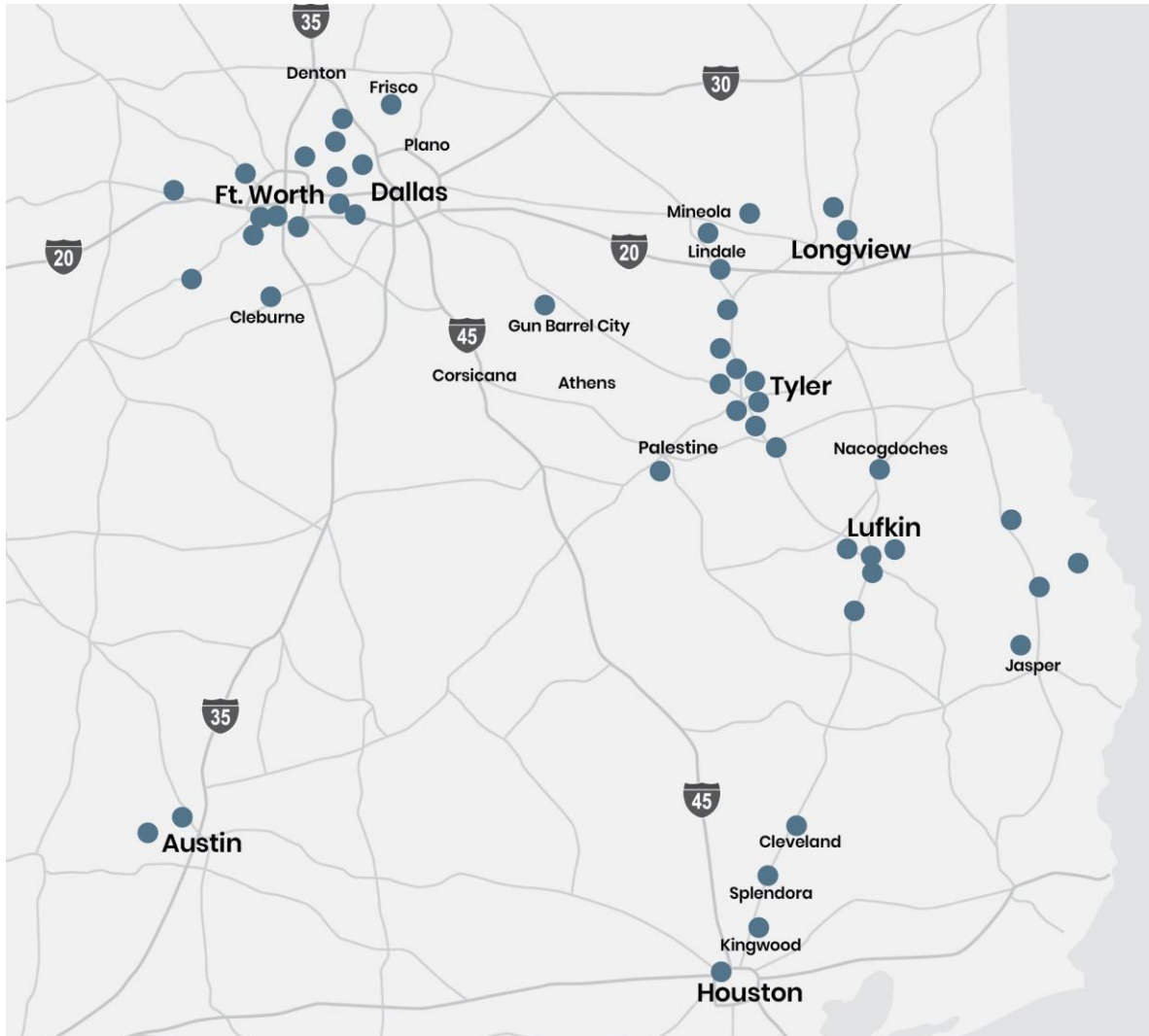
Markets of Operation

	# of Branches	Background and Highlights
East Texas	25	<ul style="list-style-type: none"> ➤ Founded in 1960 in Tyler, TX ➤ Leading deposit market share (37%) in Smith County ➤ Tyler metropolitan area population of approximately 235,000
Dallas – Fort Worth	14	<ul style="list-style-type: none"> ➤ Acquired Fort Worth Bancshares, Inc. (\$129m in Assets) in 2007 and OmniAmerican Bancorp, Inc. (\$1.4b in Assets) in 2014 ➤ #1 largest MSA in Texas and #4 in U.S. ➤ 24 Fortune 500 Companies
Southeast Texas	12	<ul style="list-style-type: none"> ➤ Acquired Diboll State Bancshares, Inc. (\$1.0b in Assets) in 2017 ➤ Leading deposit market share (27%) in Angelina County ➤ Lufkin metropolitan area population of approximately 90,000
Austin	2	<ul style="list-style-type: none"> ➤ Expanded footprint to Austin with LPO acquired through Fort Worth Bancshares, Inc. transaction in 2007, became a full service branch in 2011 ➤ #4 largest MSA in Texas ➤ Fastest growing MSA in Texas, with a 34% increase in the last 10 years
Houston	2	<ul style="list-style-type: none"> ➤ Expanded footprint to the Greater Houston Area in 2019 with an in-store branch in Kingwood ➤ #2 largest MSA in Texas and #5 in the US ➤ 22 Fortune 500 Companies

Source: FDIC (as of 6/30/2020), S&P Market Intelligence, Fortune Magazine

Geographic Footprint

Geographic Footprint consists of 55 branches in Texas, including 15 grocery store branches



- In March, we closed 3 branches, 2 grocery store branches in East Texas, which are in close proximity of other Southside branches and 1 branch in North Texas.
 - Approximately \$1 million related to these branch closures was expensed during the fourth quarter of 2020.
- In April, we opened a LPO in Houston's Galleria area.

Goals for 2021

- Maintain asset quality;
- Continued focus on organically growing loans & non-maturity deposits;
- Further enhance digital/technology strategies;
- Focus on acquisition opportunities that enhance our Texas franchise;
- Capitalize on operational process efficiency; and
- Navigate the low interest rate environment.

Financial Results Three Months Ended

	3/31/2021	12/31/2020	%Chg.
Net Income (in thousands)	\$ 34,091	\$ 29,572	15.3%
EPS (diluted)	\$ 1.04	\$ 0.89	16.9%
ROAE	15.82%	13.77%	
ROAA	1.99%	1.64%	
Efficiency Ratio (FTE) ⁽¹⁾	50.44%	47.36%	

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

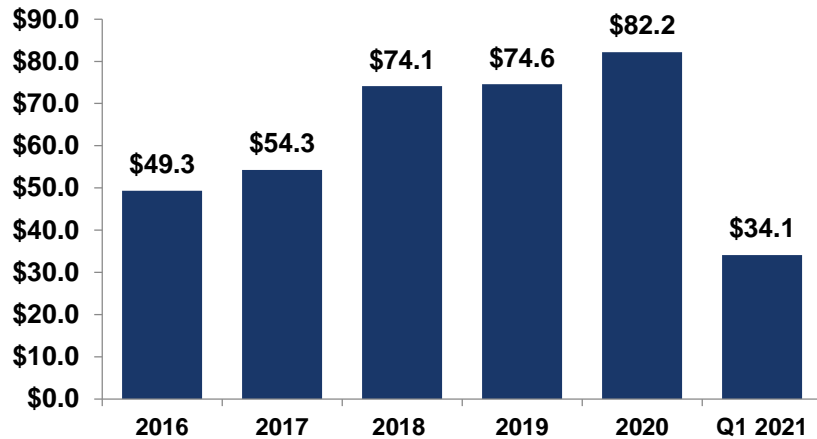
Financial Results Year Ended December 31,

	2020	2019	%Chg.
Net Income (in thousands)	\$ 82,153	\$ 74,554	10.2%
EPS (diluted)	\$ 2.47	\$ 2.20	12.3%
ROAE	9.91%	9.53%	
ROAA	1.14%	1.17%	
Efficiency Ratio (FTE) ⁽¹⁾	49.36%	52.36%	

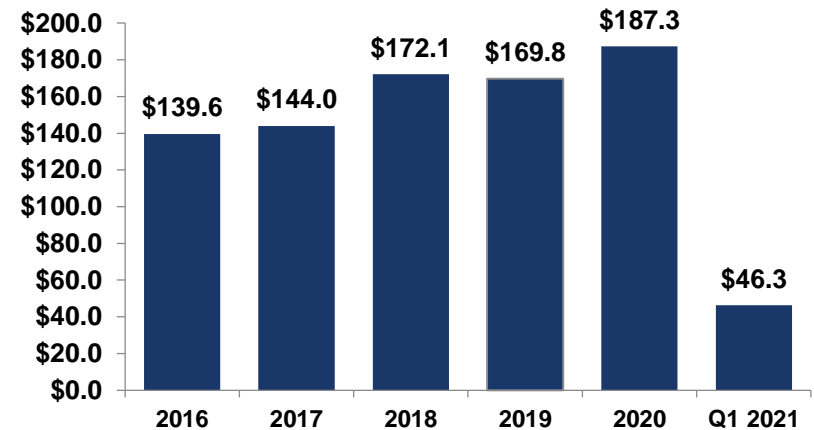
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

Profitability

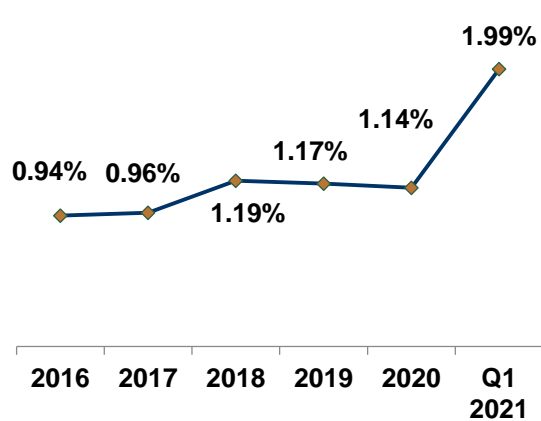
Net Income (\$mm)



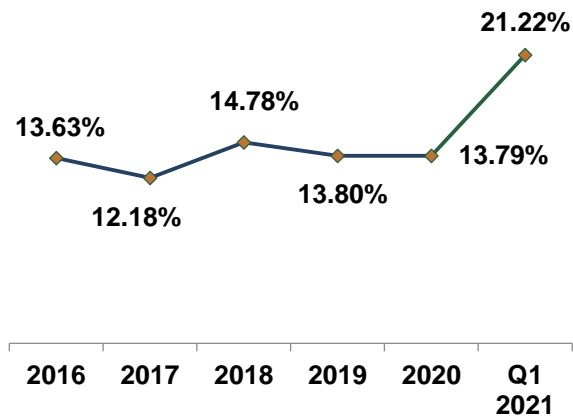
Net Interest Income (\$mm)



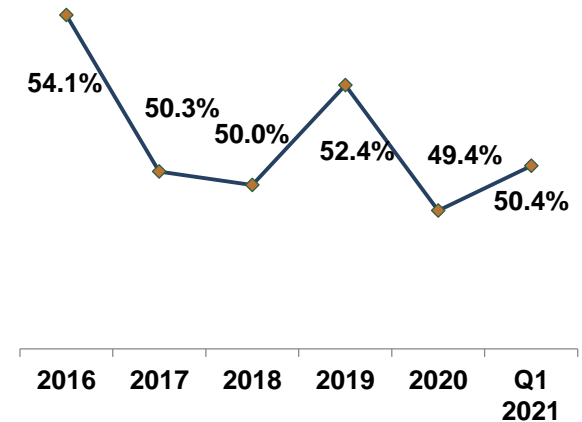
ROAA



ROATCE⁽¹⁾

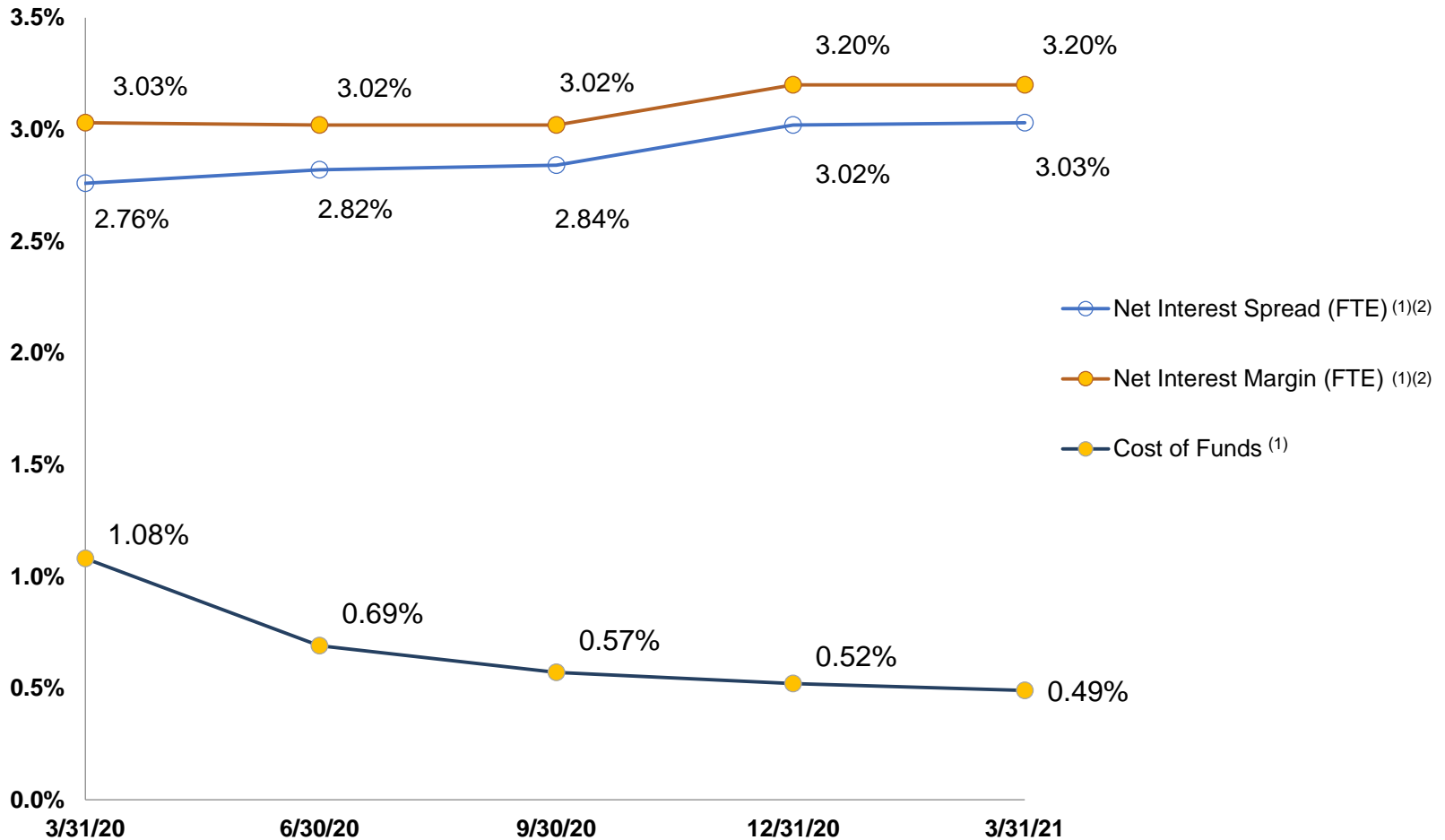


Efficiency Ratio (FTE)⁽¹⁾



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

Quarterly Yield & Cost Trends

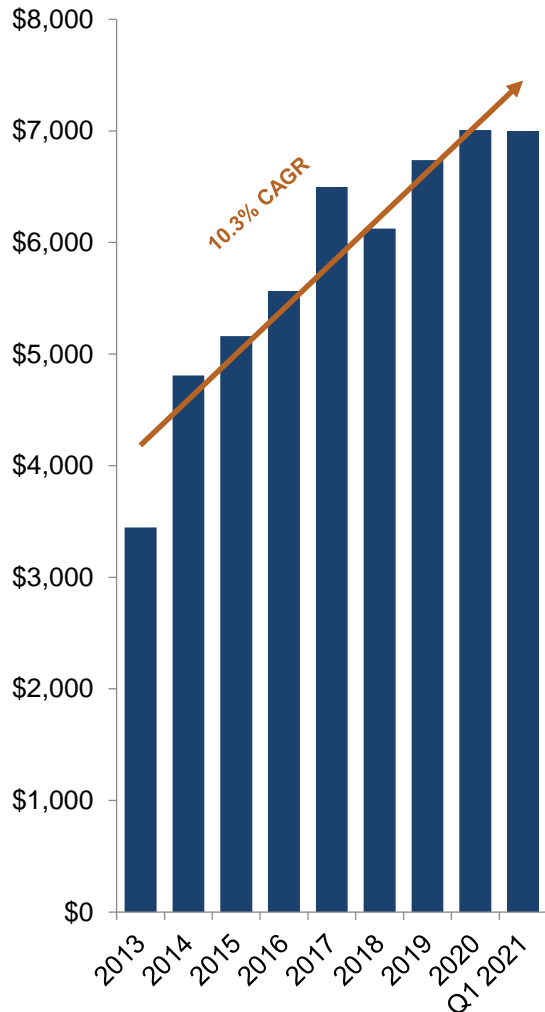


(1) Annualized

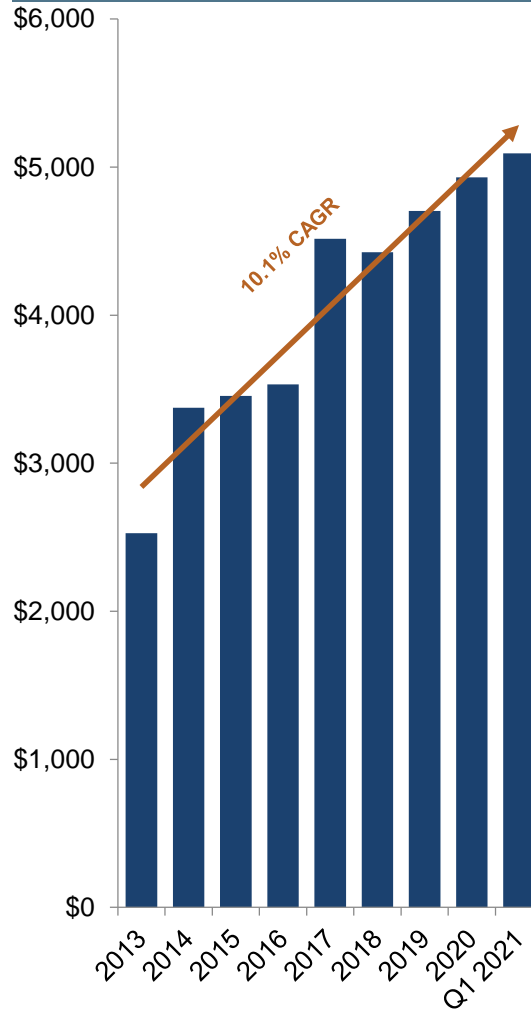
(2) Calculated on a fully taxable-equivalent basis (FTE), a non-GAAP measure. See non-GAAP reconciliation.

Balance Sheet Growth

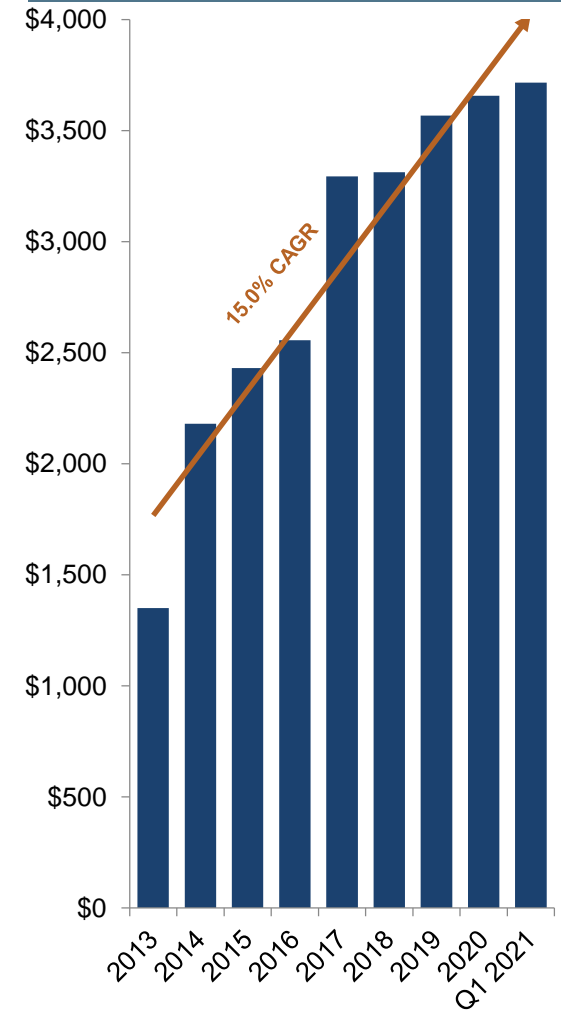
Total Assets (\$mm)



Total Deposits (\$mm)



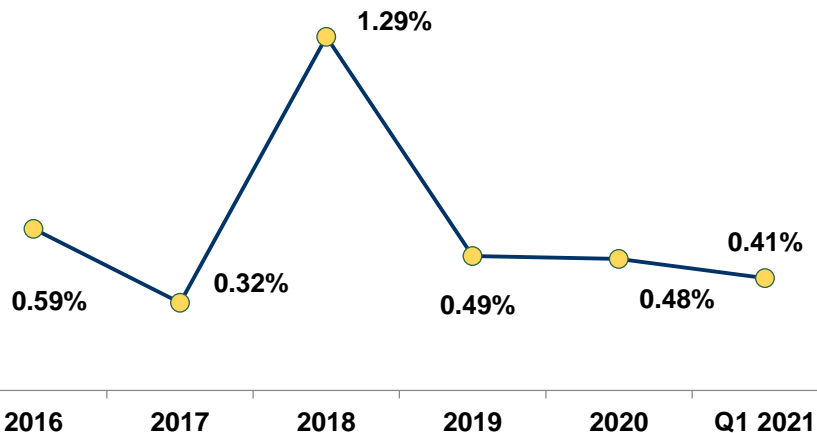
Loans HFI (\$mm)



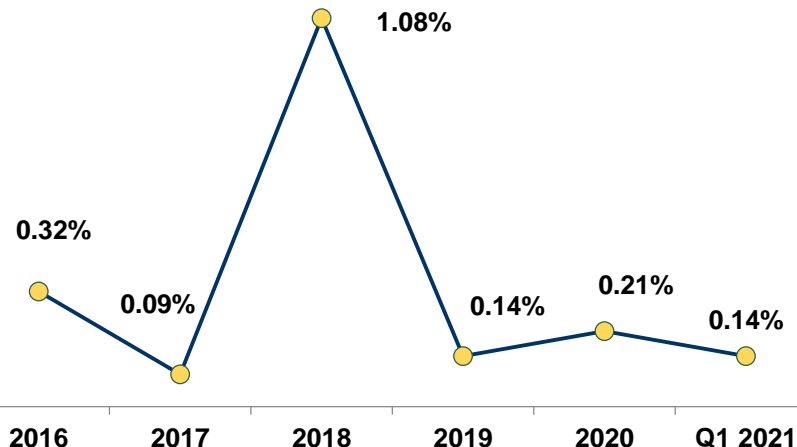
Note: Completed acquisition of OmniAmerican Bancorp, Inc. on 12/17/14 and completed acquisition of Diboll State Bancshares, Inc. on 11/30/17.

Asset Quality Trends

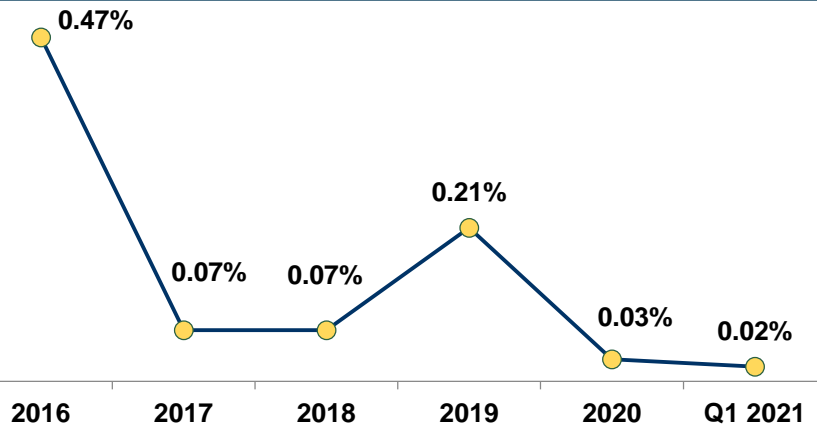
NPAs / Loans and OREO⁽¹⁾



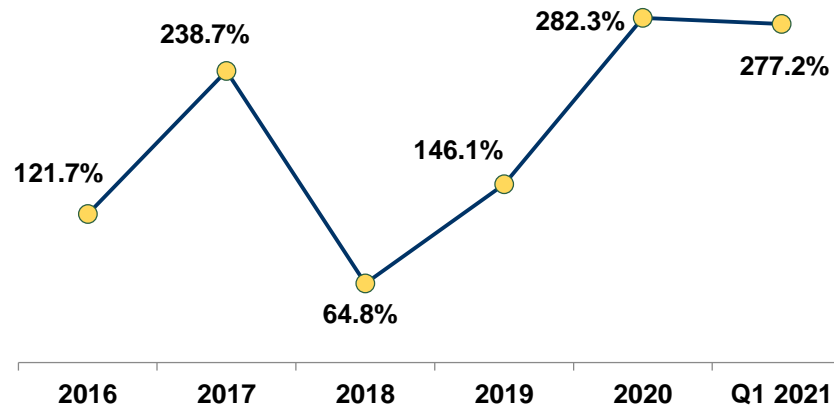
Nonaccrual Loans / Loans⁽¹⁾



NCOs / Average Loans



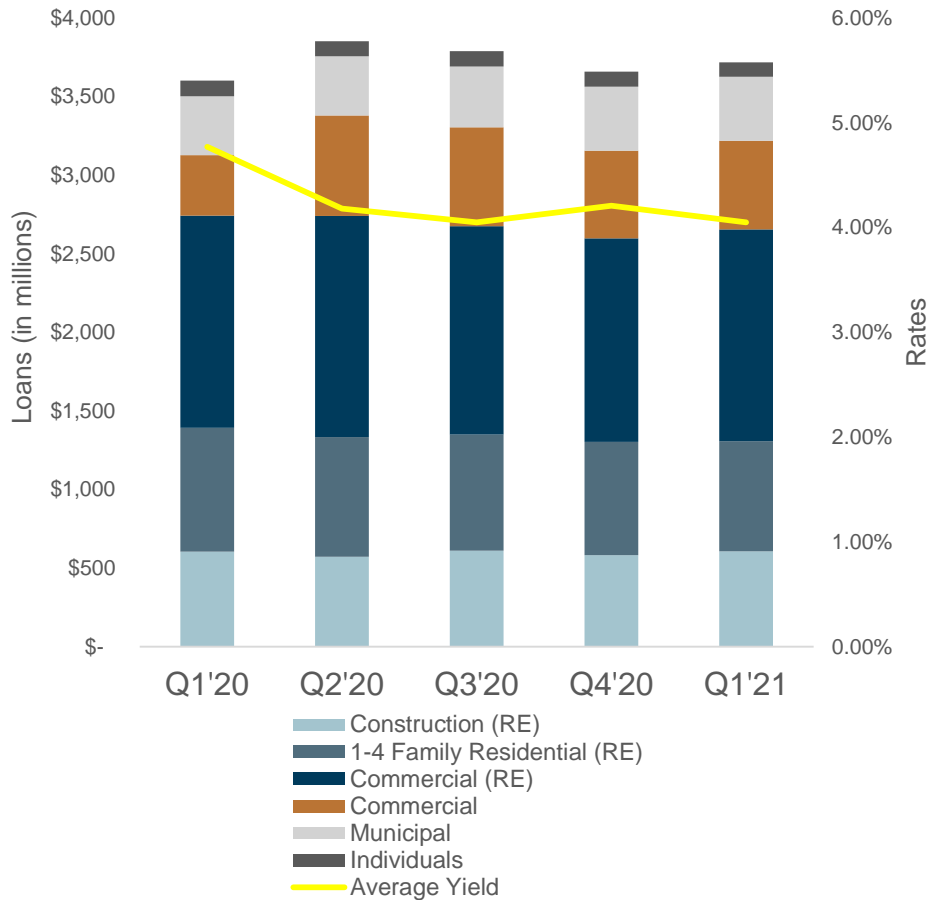
ALLL / NPLs



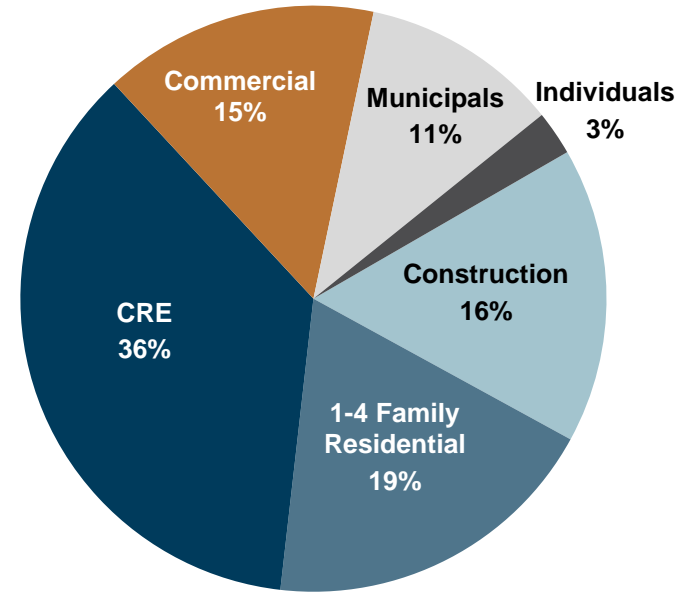
(1) Prior to the adoption of CECL, on January 1, 2020, excluded purchased credit impaired loans measured at fair value at acquisition if the timing and amount of cash flows expected to be collected from those sales could be reasonably estimated.

Loan Portfolio

Loan Balances



Loans 3/31/2021



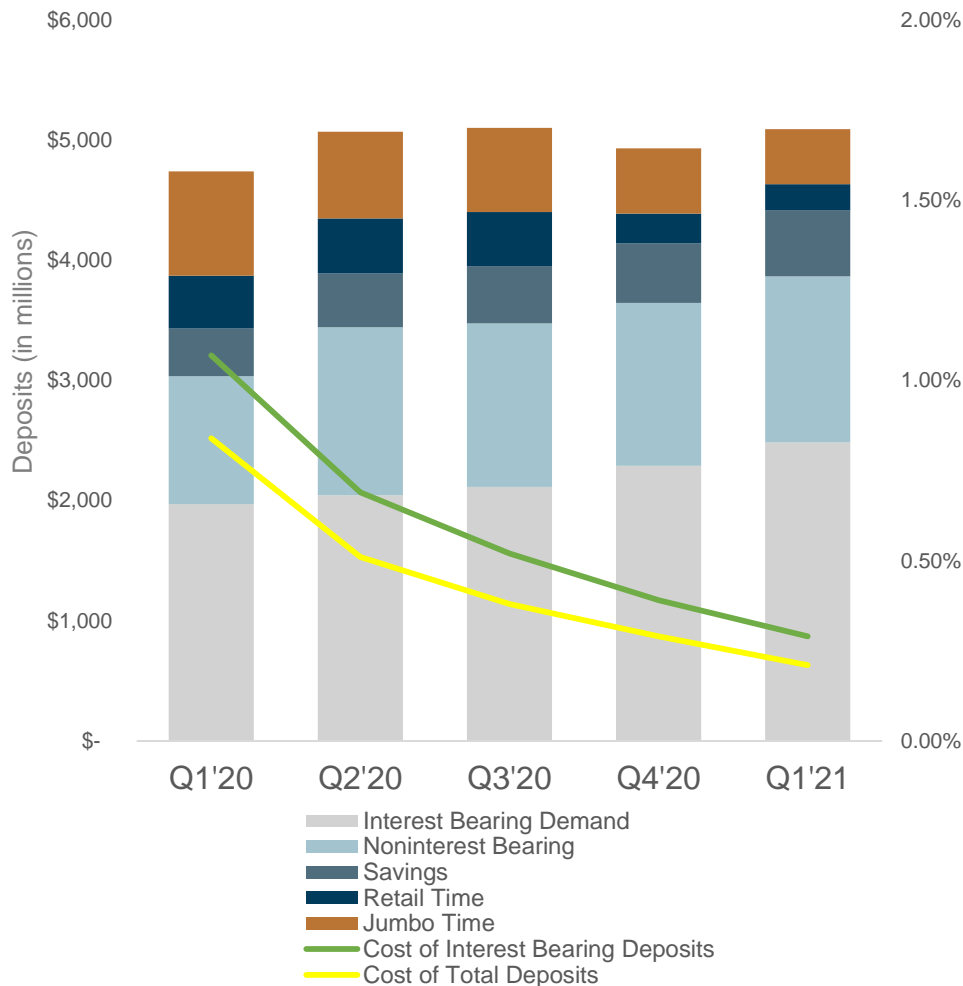
Loan Type	\$mm	%
Real Estate Loans (RE):		
Construction	\$606	16%
1-4 Family Residential	700	19%
CRE	1,349	36%
Commercial	565	15%
Municipals	406	11%
Individuals	91	3%
Total	\$3,717	100%

Selected Sensitive Industries

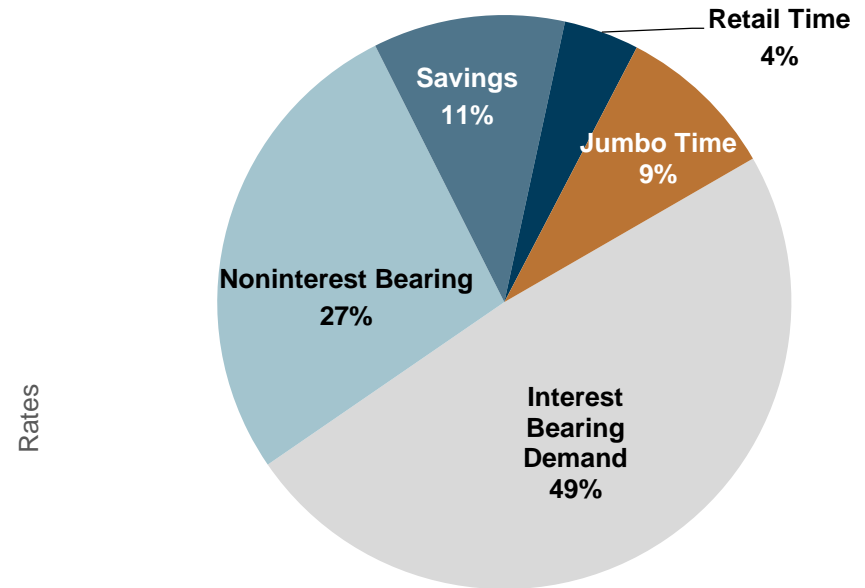
	As of March 31, 2021	
<i>(\$ in thousands)</i>	Loan Amount	Amount as a % of Total Loans
Retail commercial real estate	\$ 323,729	8.71 %
Oil and gas	104,777	2.82
Retail goods and services	74,662	2.01
Hotels	69,063	1.86
Food services	49,729	1.34
Arts, entertainment and recreation	8,580	0.23
Total Sectors	\$ 630,540	16.97 %

Deposit Composition

Deposit Balances



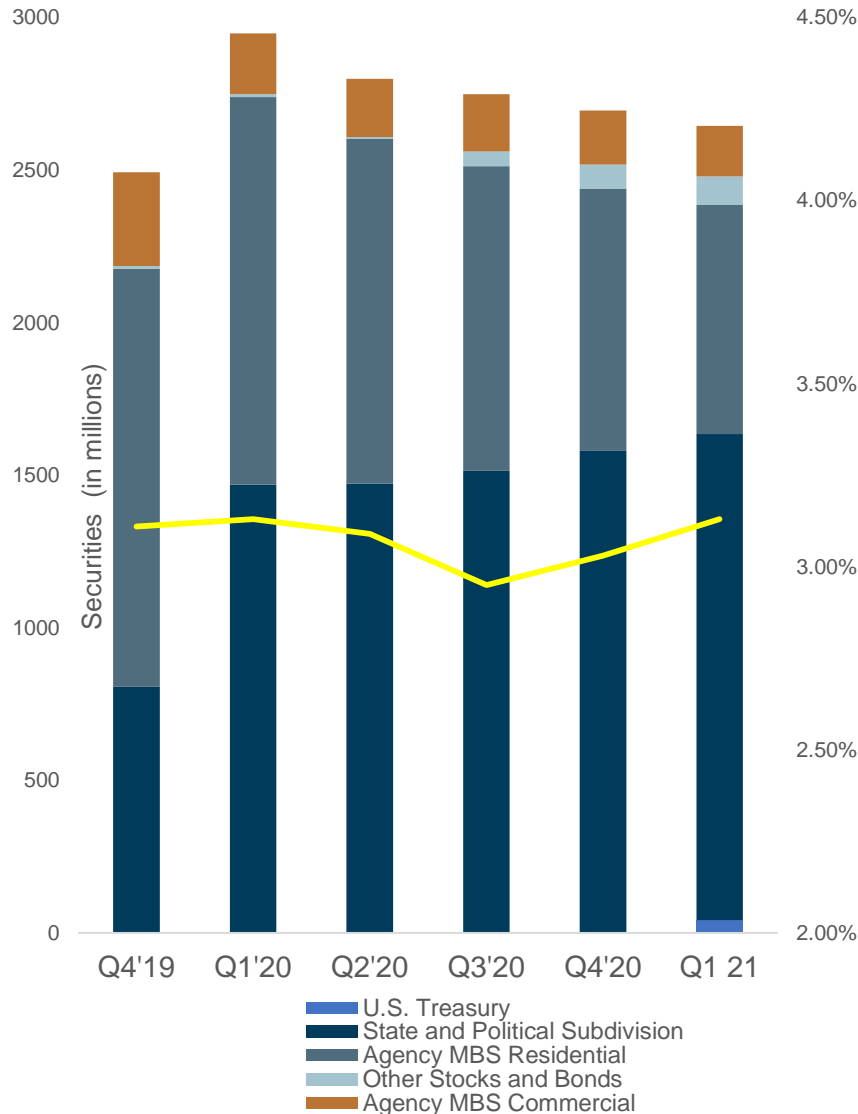
Deposit Mix 3/31/2021



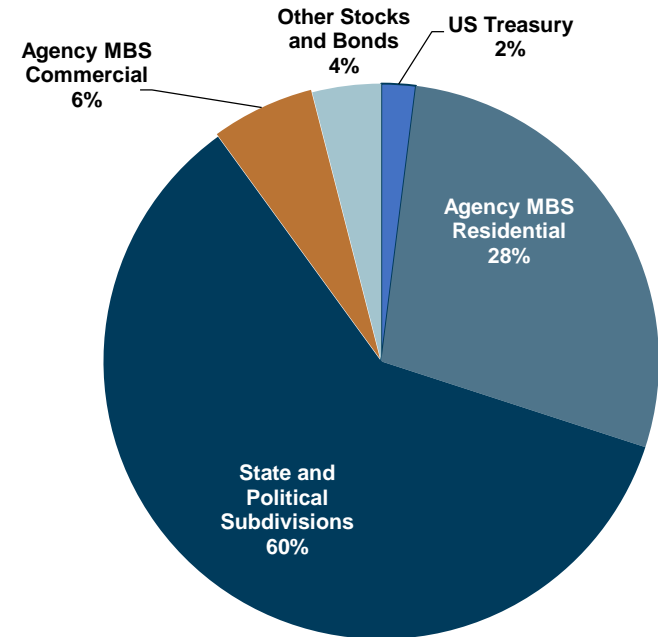
Deposit Type	\$mm	%
Interest Bearing Demand	\$2,483	49%
Noninterest Bearing	1,383	27%
Savings	551	11%
Retail Time	216	4%
Jumbo Time	460	9%
Total	\$5,093	100%

Securities Portfolio

Total Securities

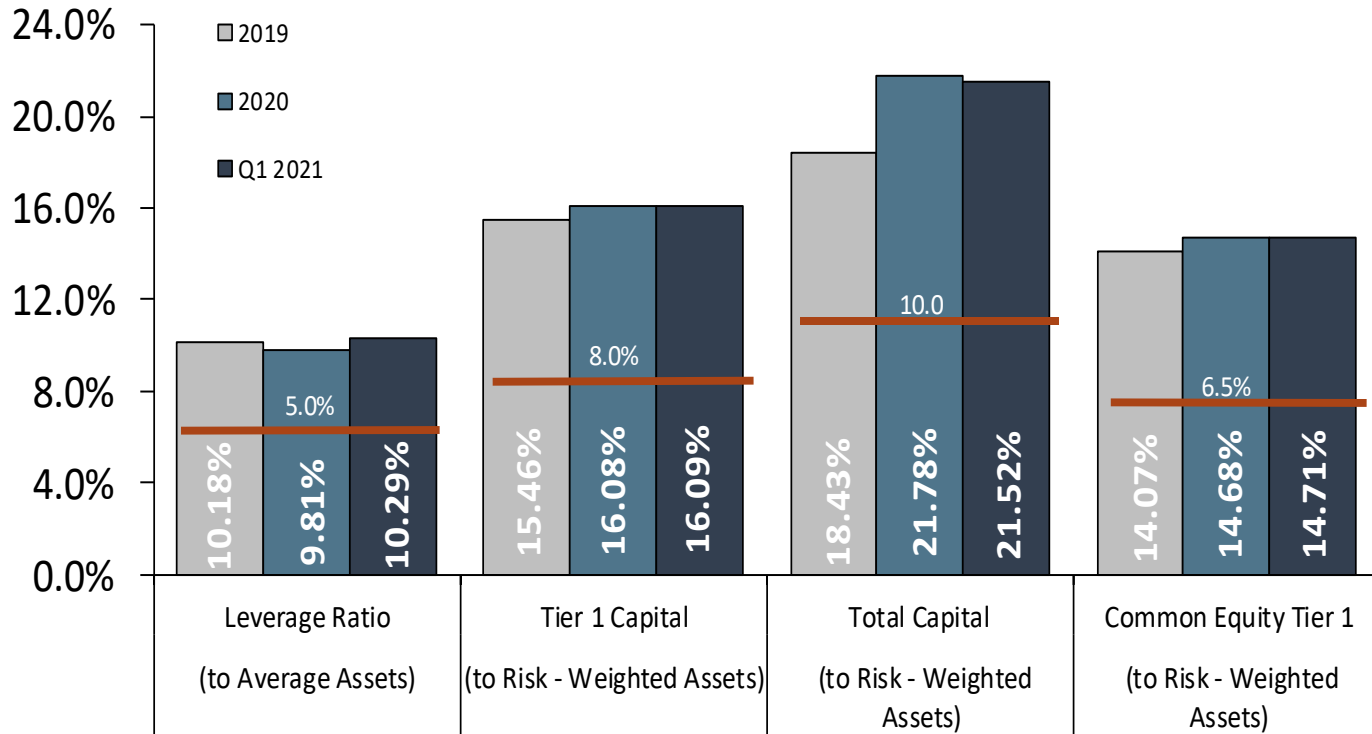


Securities 3/31/2021



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%
Total	\$2,547	\$98	\$2,645	100%

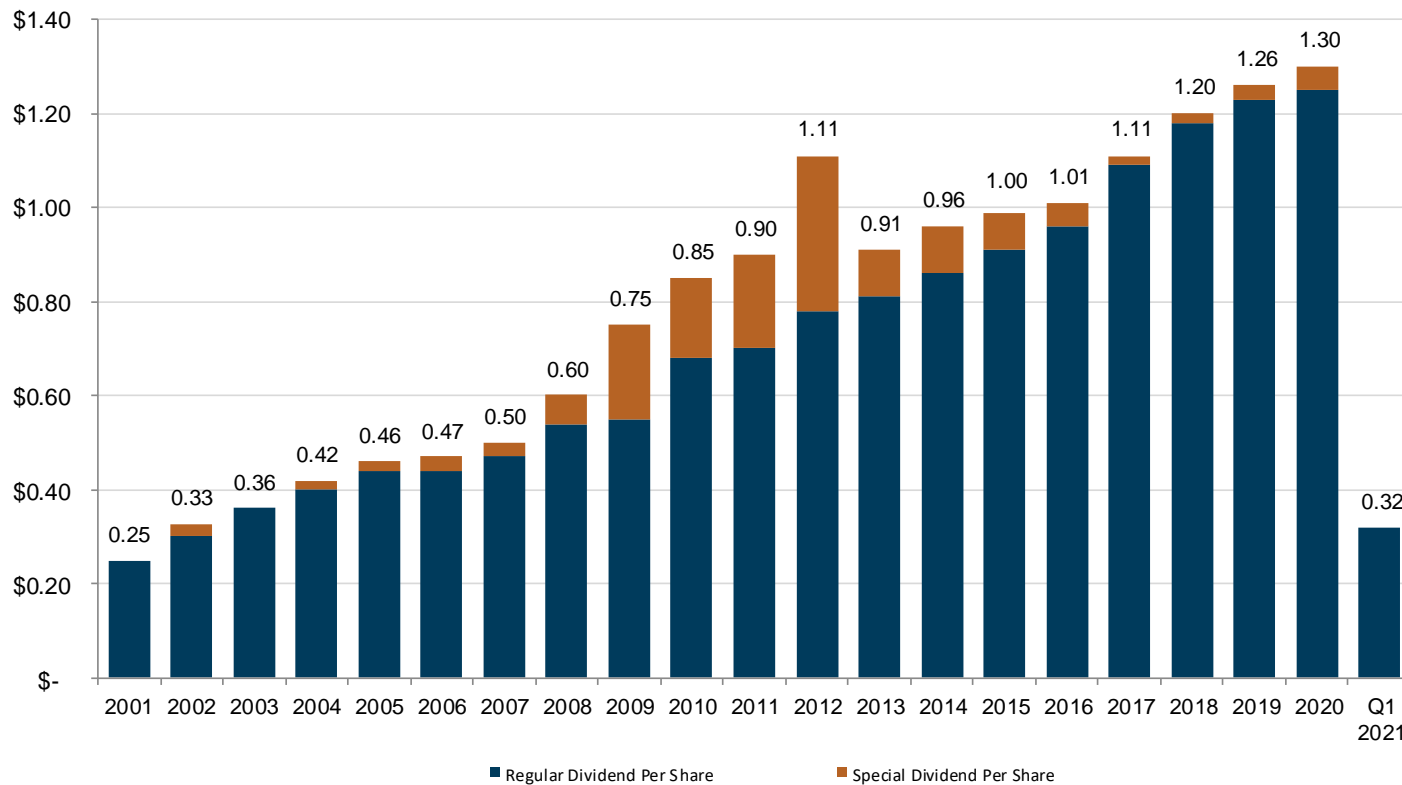
Capital Ratios



Well Capitalized

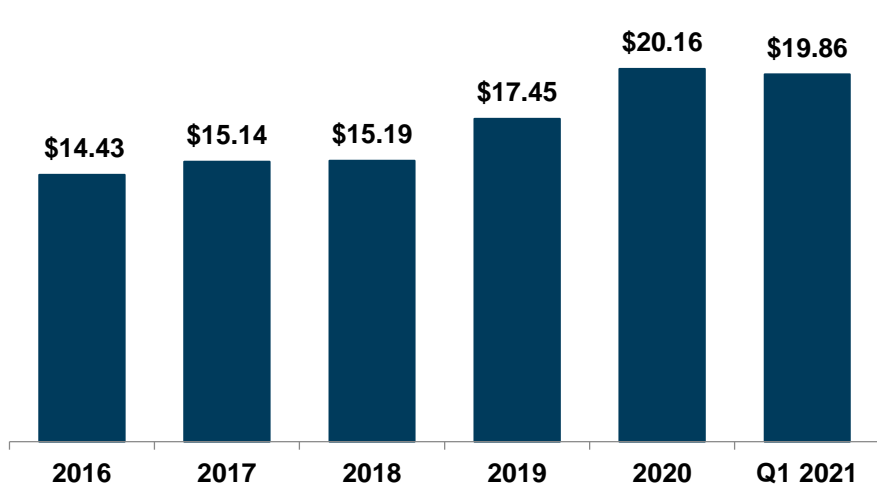
Dividends

- Southside has Paid a Cash Dividend Every Year Since 1970 and for 94 Consecutive Quarters
- Consistent Record of Dividend Increases

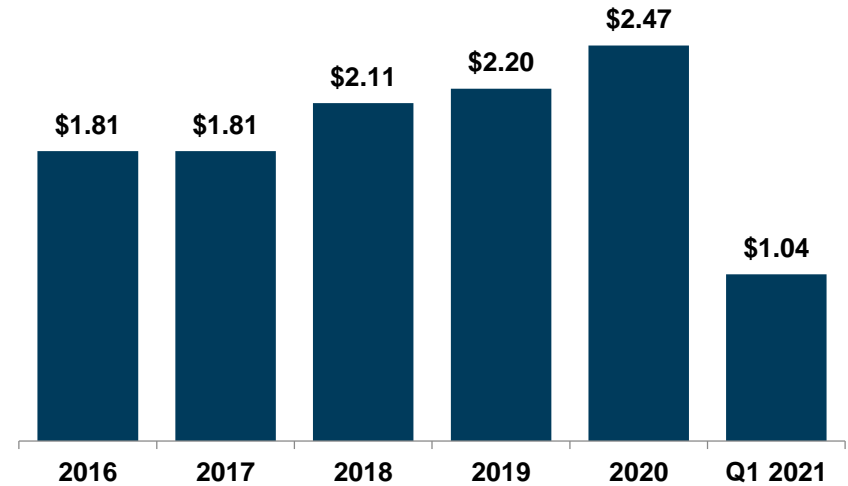


Shareholder Returns

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



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.

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, 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)	As of and for the Three Months Ended				
	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Net income available to common shareholders	\$3,953	\$21,554	\$27,074	\$29,572	\$34,091
Plus: After-tax amortization expense	774	735	696	652	605
Adjusted net income available to common shareholders [a]	\$4,727	\$22,289	\$27,770	\$30,224	\$34,696
Average shareholders' equity	\$824,759	\$801,413	\$835,330	\$854,070	\$873,693
Less: Average intangible assets for the period	214,104	213,135	212,221	211,354	210,563
Average tangible shareholders' equity [b]	\$610,655	\$588,278	\$623,109	\$642,716	\$663,130
Return on average tangible common equity (ROATCE) [a] / [b]⁽¹⁾	3.11%	15.24%	17.73%	18.71%	21.22%
Net interest income (GAAP)	\$44,701	\$47,271	\$46,586	\$48,707	\$46,303
Tax equivalent adjustments:					
Loans	668	679	688	717	736
Tax-exempt investment securities	1,631	2,339	2,415	2,427	2,211
Net interest income (FTE)⁽²⁾	47,000	50,289	49,689	51,851	49,250
Plus: Noninterest income	15,498	12,193	11,141	10,900	13,623
Less: Nonrecurring income	5,541	2,662	78	(24)	2,003
Total Revenue [c]	\$56,957	\$59,820	\$60,752	\$62,775	\$60,870
Noninterest expense	\$30,520	\$29,856	\$31,616	\$31,315	\$31,234
Less: Pre-tax amortization expense	980	931	881	825	766
Less: Nonrecurring expense	(29)	39	315	758	(236)
Adjusted noninterest expense [d]	\$29,569	\$28,886	\$30,420	\$29,732	\$30,704
Average earning assets	\$6,248,759	\$6,696,235	\$6,548,935	\$6,451,545	\$6,241,434
Efficiency Ratio	54.10%	50.85%	52.77%	49.86%	53.01%
Efficiency Ratio (FTE)⁽²⁾ [d] / [c]	51.91%	48.29%	50.07%	47.36%	50.44%
Net interest margin⁽¹⁾	2.88%	2.84%	2.83%	3.00%	3.01%
Net interest margin (FTE)⁽¹⁾⁽²⁾	3.03%	3.02%	3.02%	3.20%	3.20%
Net interest spread⁽¹⁾	2.61%	2.64%	2.65%	2.83%	2.84%
Net interest spread(FTE)⁽¹⁾⁽²⁾	2.76%	2.82%	2.84%	3.02%	3.03%

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

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

(2) Fully taxable-equivalent (FTE)



2021 KBW Texas Field Trip
May 17, 2021