

NASDAQ/SBSI  
May 17, 2023

# Annual Meeting of Shareholders

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 **SOUTHSIDE**  
BANCSHARES, INC.™

# Forward-Looking Statements

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- 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, estimates, intentions and 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 of the effect of our expansion, benefits of the Share Repurchase Plan, trends in asset quality, capital, liquidity, the Company’s ability to sell nonperforming assets, expense reductions, planned operational efficiencies and earnings from growth and certain market risk disclosures, including the impact of interest rates, tax reform, inflation, the impacts related to or resulting from Russia’s invasion of Ukraine 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. Accordingly, our results could materially differ from those that have been estimated. The most significant factor that could cause future results to differ materially from those anticipated by our forward-looking statements include the ongoing impact of higher inflation levels, higher interest rates and general economic and recessionary concerns, all of which could impact economic growth and could cause a reduction in financial transactions and business activities, including decreased deposits and reduced loan originations, our ability to manage liquidity in a rapidly changing and unpredictable market, supply chain disruptions, labor shortages and additional interest rate increases by the Federal Reserve.
- 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, 2022, 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

- Ended 2022 with excellent financial results, continued strong asset quality, an increase in our net interest margin and excellent cost control;
- Experienced record loan growth, reflective of the strong markets we serve;
- A recipient of the 2022 Raymond James Community Banker's Cup, awarded to the top 10% of community banks based on certain financial performance metrics;
- Introduced new technologies and innovative solutions for customers; and
- Awarded one of the "Best Banks to Work For" in 2022 by American Banker.

# Goals for 2023

- Maintain asset quality;
- Further enhance digital/technology strategies;
- Capitalize on operational process efficiency;
- Navigate changes in the banking industry;
- Dynamically manage interest rate risk; and
- Continued focus on organically growing loans & non-maturity deposits.

# Texas Bank Stock Performance

SBSI has performed better than the KBW Regional Banking Index (KRX) and Texas Banks when comparing 2023 stock performance through 5/12/2023

Texas Bank Stock Performance			
5/12/2023 compared to 12/31/2022			
MEAN <sup>(1)</sup>			(29.94)%
MEDIAN <sup>(1)</sup>			(27.46)%
	<b>5/12/2023</b>	<b>12/31/2022</b>	
KRX <sup>(2)</sup>	\$ 76.97	\$ 114.09	(32.54)%
SBSI	\$ 26.69	\$ 35.99	(25.84)%

- (1) Calculated for 15 Texas publically traded banks, including SBSI and the following: Hilltop Holdings, Inc. (HTH), Triumph Financial, Inc. (TFIN), Third Coast Bancshares, Inc. (TCBX), Prosperity Bancshares (PB), South Plains Financial (SPFI), Texas Capital Bancshares, Inc. (TCBI), Stellar Bancorp, Inc. (STEL), Cullen/Frost Bankers, Inc. (CFR), Guaranty Bancshares, Inc. (GNTY), Veritex Holdings, Inc. (VBTX), Independent Bank Group (IBTX), Comerica Incorporated (CMA), First Foundation, Inc. (FFWM).
- (2) KRX is the KBW Regional Banking Index is a modified-capitalization-weighted index, created by Keefe, Bruyette & Woods, designed to effectively represent the performance of the broad and diverse U.S. regional banking industry

# 2022 Highlights

- Net income of \$105.0 million;
- Record increase in loans of \$502.5 million, or 13.8%;
- Continued strong asset quality metrics, Total Nonperforming Assets to Total Assets of 0.14%;
- Efficiency ratio (FTE)<sup>(1)</sup> decreased from 49.03% to 47.39%;
- ROATCE<sup>(2)</sup> of 18.56% vs 17.04%; and
- Increases in Net Margin (FTE)<sup>(1)</sup> and Net Interest Spread (FTE)<sup>(1)</sup> of 16bps to 3.32% and 6bps to 3.07%, respectively

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

# Financial Results Three Months Ended

		March 31, 2023	March 31, 2022	%Chg.
Net Income (in thousands)	\$	26,034	\$ 24,996	4.2%
EPS (diluted)	\$	0.83	\$ 0.77	7.8%
ROAE		13.92 %	11.42 %	
ROAA		1.38 %	1.40 %	
Efficiency Ratio (FTE) <sup>(1)</sup>		50.99 %	48.15 %	

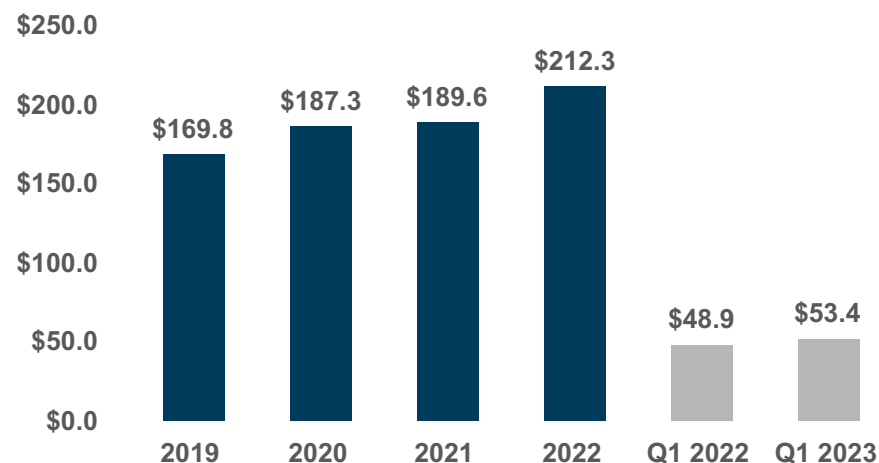
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Profitability

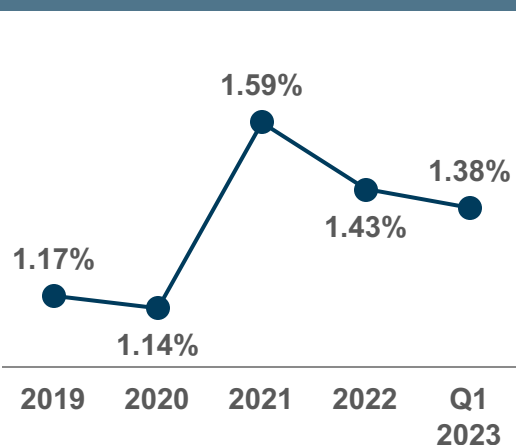
## Net Income (\$mm)



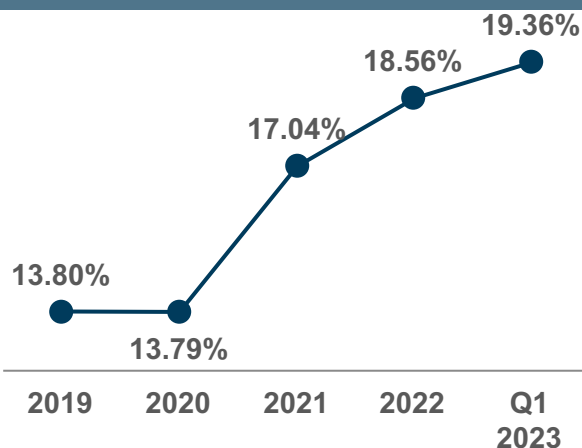
## Net Interest Income (\$mm)



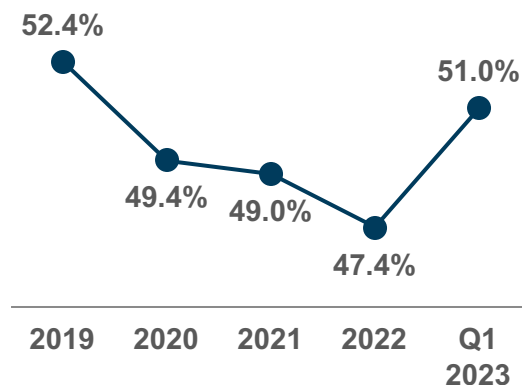
## ROAA



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

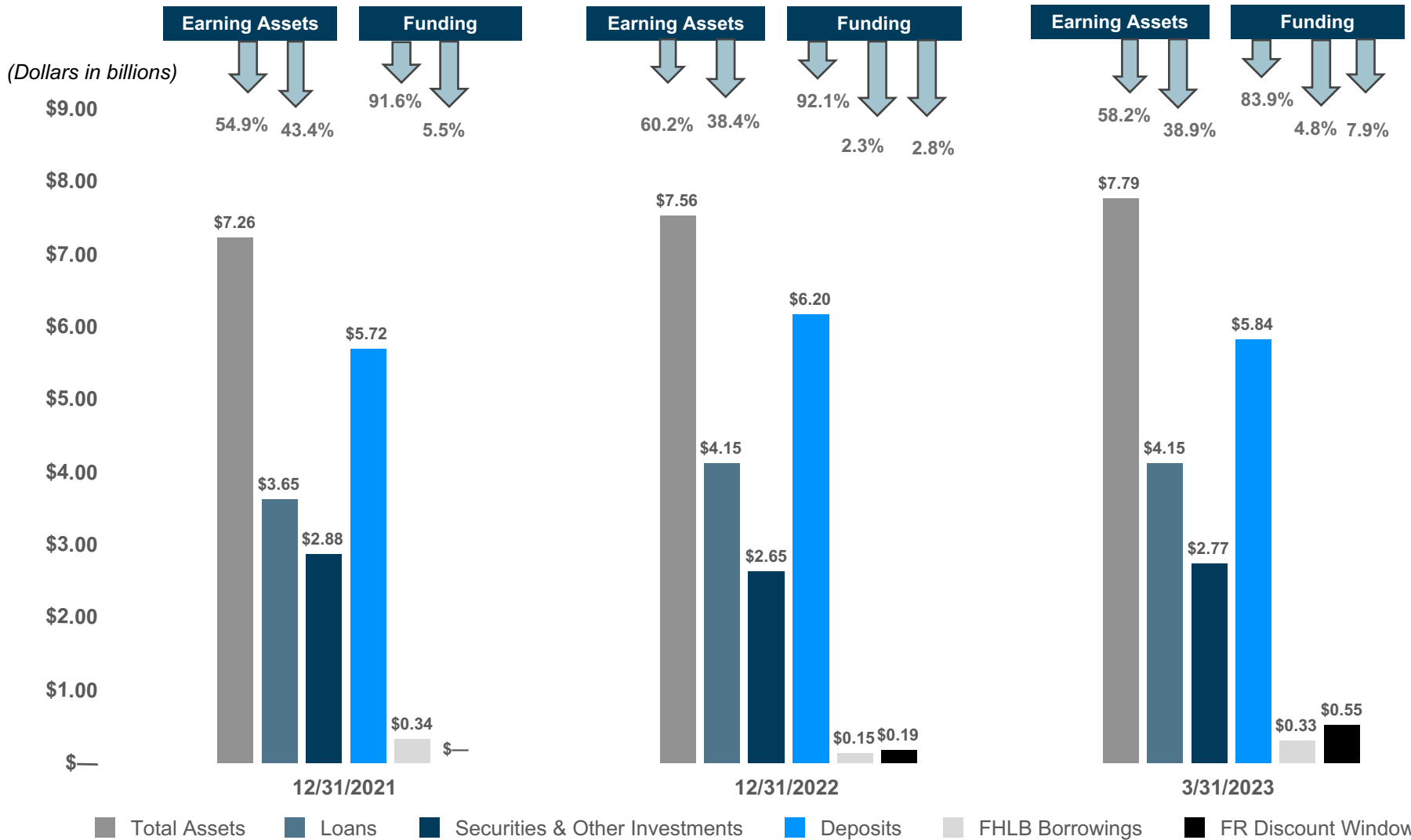


## Efficiency Ratio (FTE)<sup>(1)</sup>

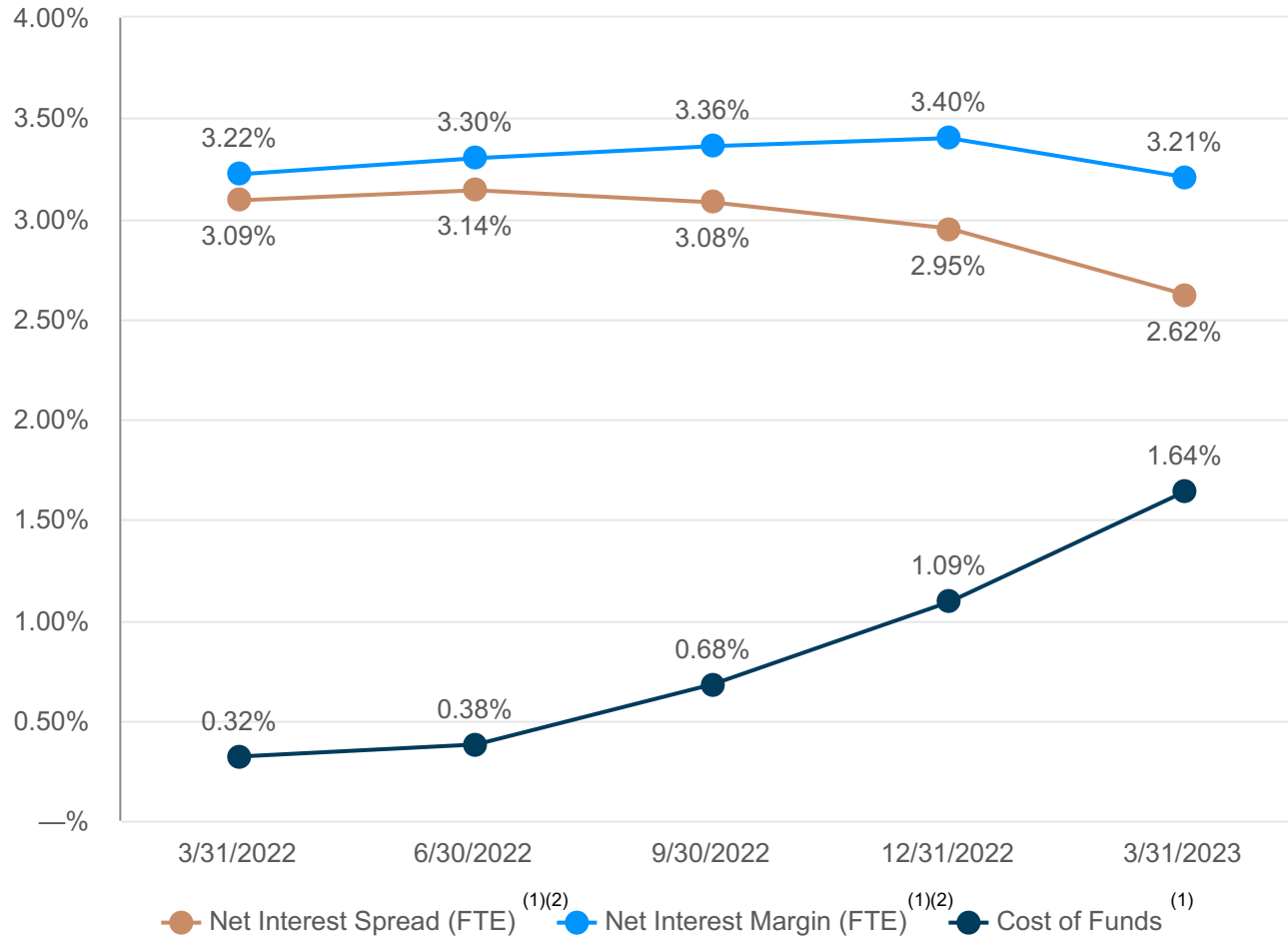


(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Balance Sheet Mix



# Quarterly Yields & Cost Trends

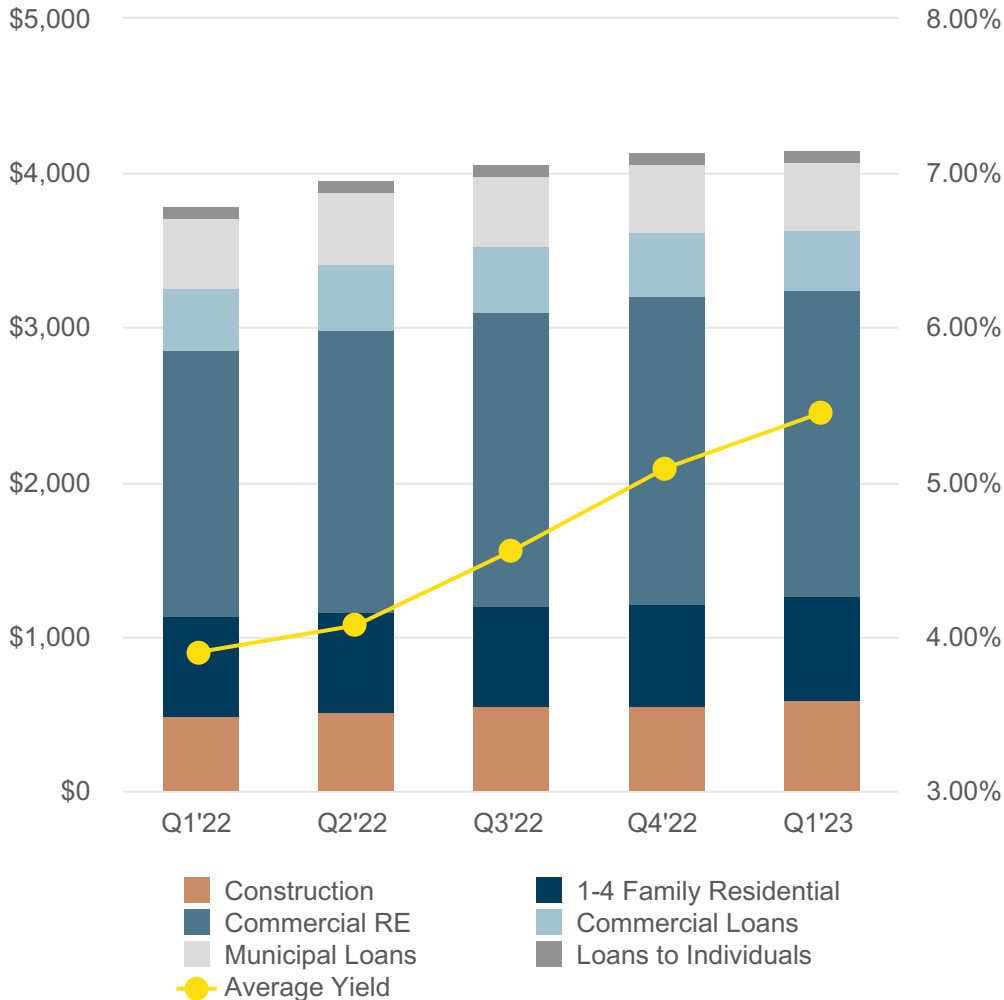


(1) Annualized

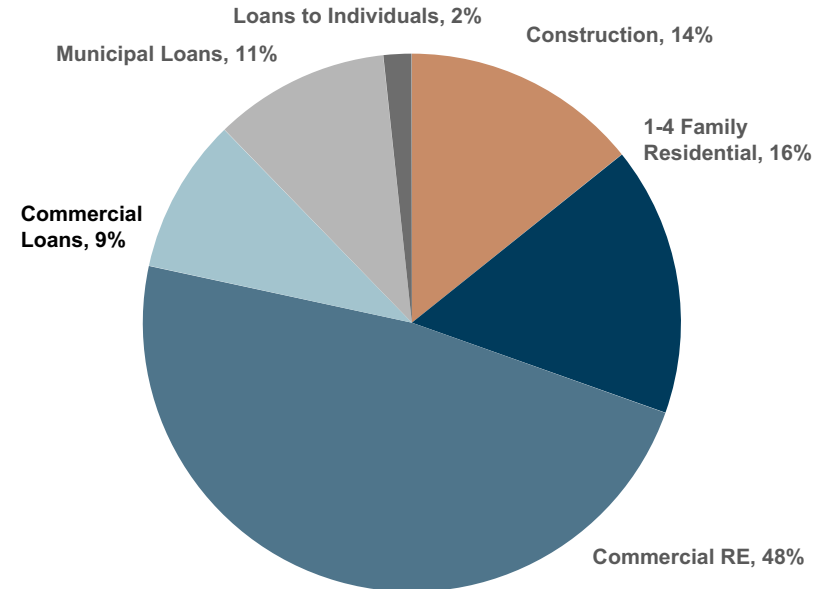
(2) Calculated on a fully taxable-equivalent basis (FTE), a non-GAAP measure. See non-GAAP reconciliation.

# Loan Portfolio

### Loan Balances



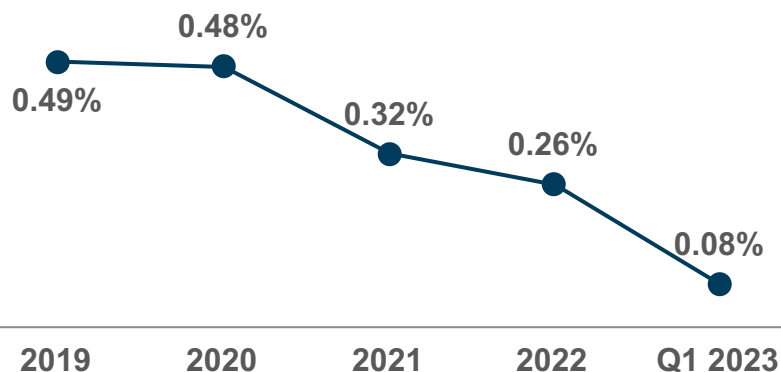
### Loans 3/31/2023



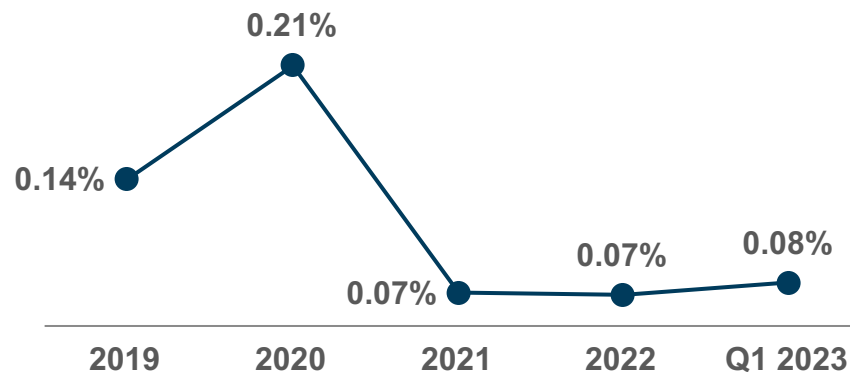
Loan Type	\$mm	%
<b>Real Estate Loans (RE):</b>		
Construction	\$ 592	14 %
1-4 Family Residential	673	16 %
Commercial RE	1,991	48 %
Commercial Loans	388	9 %
Municipal Loans	439	11 %
Loans to Individuals	70	2 %
<b>Total</b>	<b>\$ 4,153</b>	<b>100 %</b>

# Asset Quality Trends

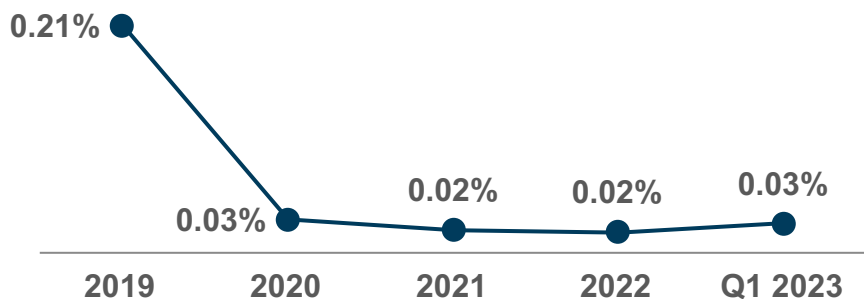
## NPAs / Loans and OREO<sup>(1)(2)</sup>



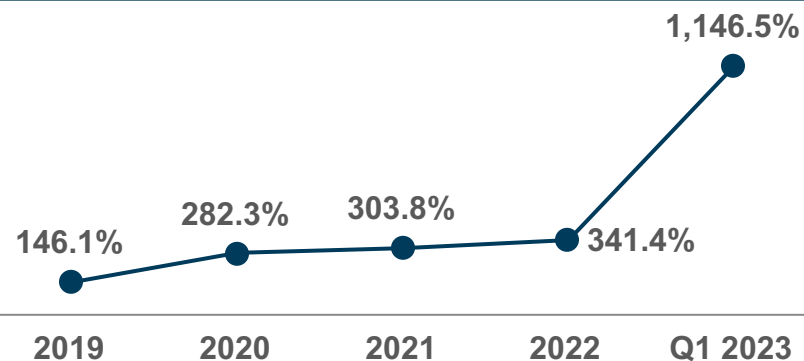
## Nonaccrual Loans / Loans<sup>(1)</sup>



## NCOs / Average Loans



## ALLL / NPLs<sup>(2)</sup>

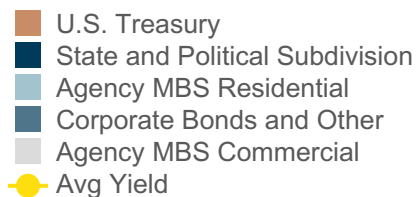
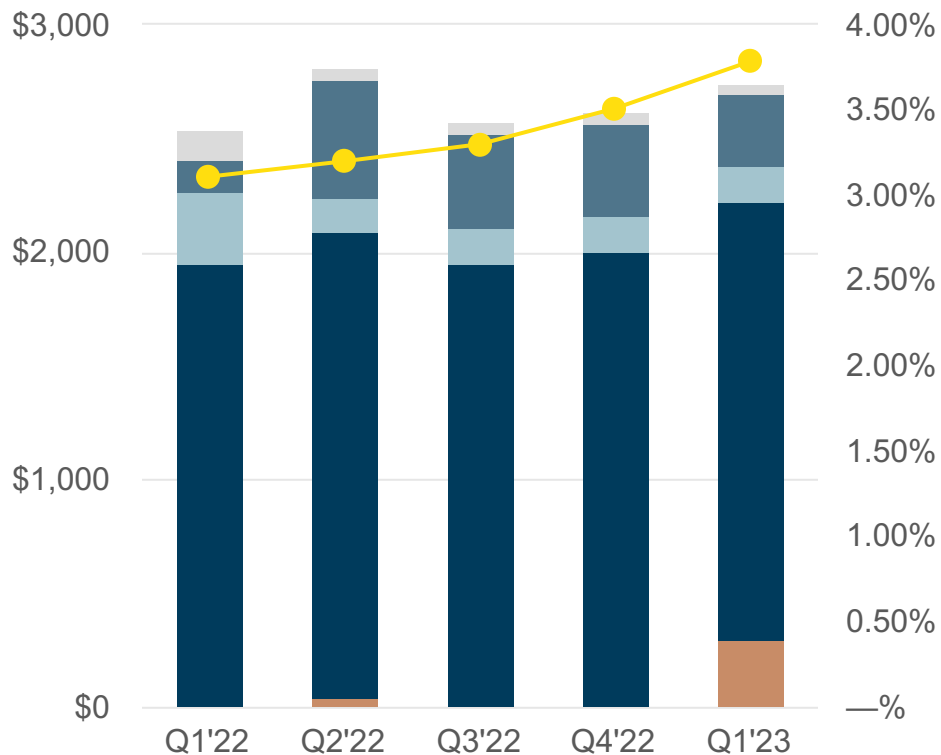


(1) Prior to the adoption of CECL on January 1, 2020, excluded purchased credit impaired loans measured at fair value at acquisition if the timing and amount of cash flows expected to be collected from those sales could be reasonably estimated.

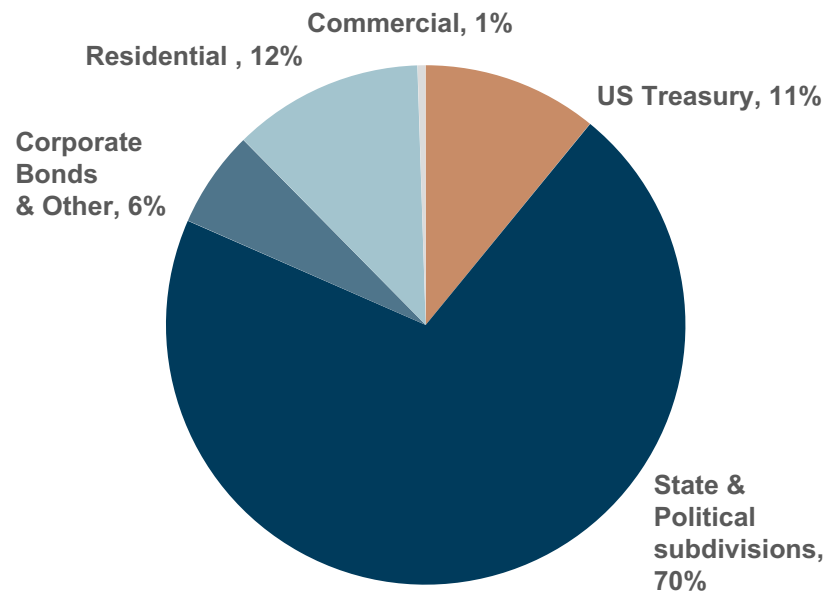
(2) Pursuant to our adoption of ASU 2022-02, effective January 1, 2023, we prospectively discontinued the recognition and measurement guidance previously required on troubled debt restructures. As a result, as of March 31, 2023, restructured loans reflected in NPAs and NPLs exclude any loan modifications that are performing but would have previously required disclosure as troubled debt restructures.

# Securities Portfolio

## Total Securities



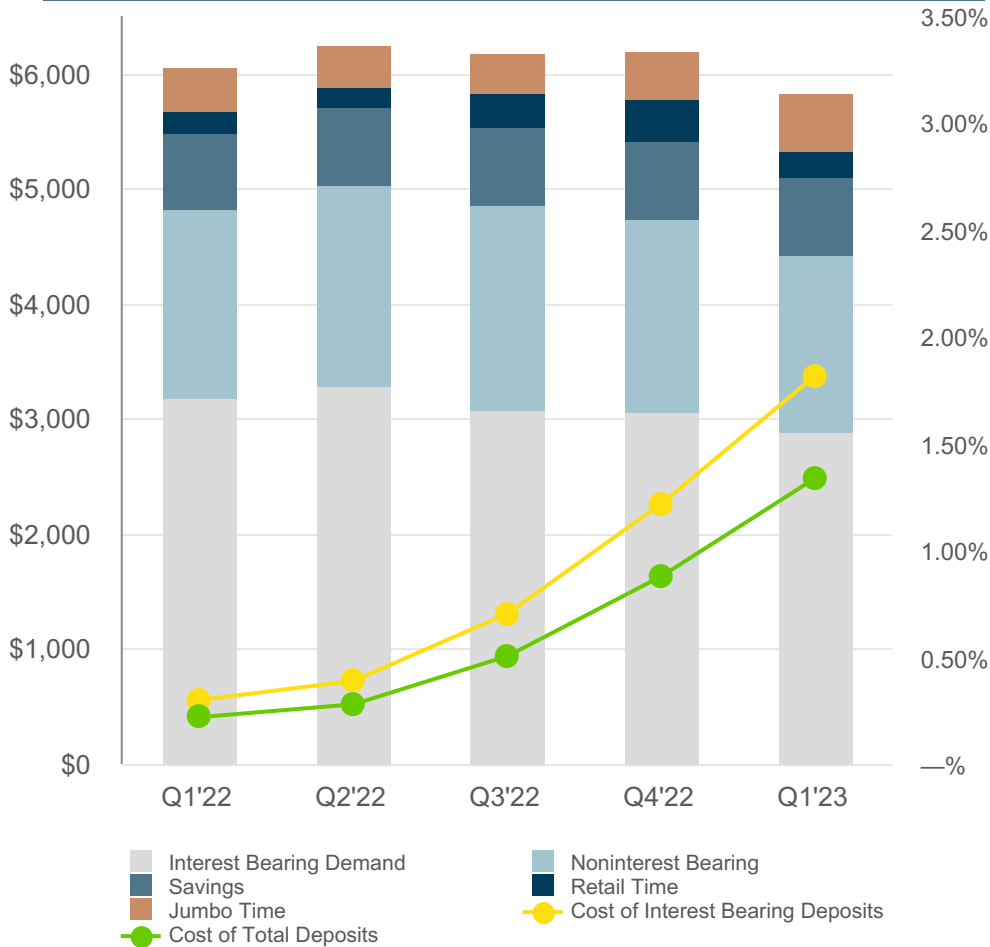
## Securities 3/31/2023



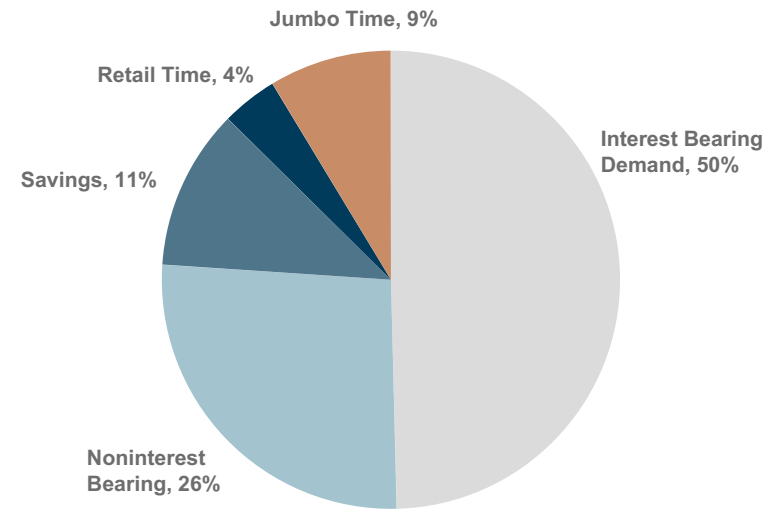
Securities (\$mm)	HTM	AFS	Total	%
US Treasury	\$ —	\$ 297	\$ 297	11 %
State & Political	1,038	887	1,925	70 %
Corporate Bonds &	146	13	159	6 %
Residential	94	230	324	12 %
Commercial	31	10	41	1 %
<b>Total</b>	<b>\$ 1,309</b>	<b>\$ 1,437</b>	<b>\$ 2,746</b>	<b>100 %</b>

# Deposit Composition

## Deposit Balances and Rates



## Deposit Mix 3/31/2023



Deposits	\$ MM	%
Interest Bearing Demand	\$ 2,896	50 %
Noninterest Bearing	1,543	26 %
Savings	664	11 %
Retail Time	230	4 %
Jumbo Time	505	9 %
<b>Total</b>	<b>\$ 5,838</b>	<b>100 %</b>

# Deposit Granularity

## Deposit Highlights

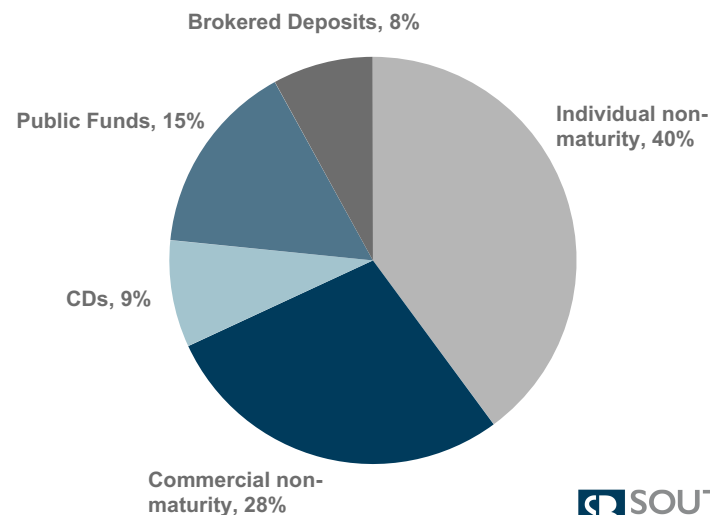
- Over **180,000** deposit accounts
- Average deposit balance of **\$30,000**, well below FDIC insurance levels
- Estimated uninsured deposits of **26.5%**, excludes Public Fund deposits (fully collateralized) and affiliate deposits (Southside-owned deposits)

## Uninsured Balances

As of 3/31/2023 (\$ in thousands)	Balance	Uninsured Balance	% of Uninsured Total Deposits
Affiliate deposits	\$ 21,807	\$ 21,470	0.4 %
Customer deposits	4,450,473	1,545,304	26.5 %
Brokered deposits	467,473	—	—
Public funds	898,467	870,076	14.9 %
<b>Total</b>	<b><u>\$5,838,220</u></b>	<b>2,436,850</b>	<b>41.7 %</b>
Excluding public funds (collateralized) deposits		(870,076)	(14.9)%
		(21,470)	(0.4)%
<b>Total estimated uninsured deposits</b>		<b><u>\$ 1,545,304</u></b>	<b><u>26.5 %</u></b>

## Deposit Base

As of 3/31/2023 (\$ in thousands)	Balance	Number of Accounts	Average Balance	% of Total Deposits
Individual non-maturity	\$ 2,328,776	150,070	\$ 16	39.9 %
Commercial non-maturity	1,646,832	21,027	78	28.2 %
Certificates of deposit	496,672	8,707	57	8.5 %
Public funds	898,467	712	1,262	15.4 %
Total deposits, excluding brokered deposits	5,370,747	<u>180,516</u>	\$ 30	92.0 %
Brokered deposits	467,473	—	—	8.0 %
<b>Total deposits</b>	<b><u>\$ 5,838,220</u></b>			<b><u>100.0 %</u></b>



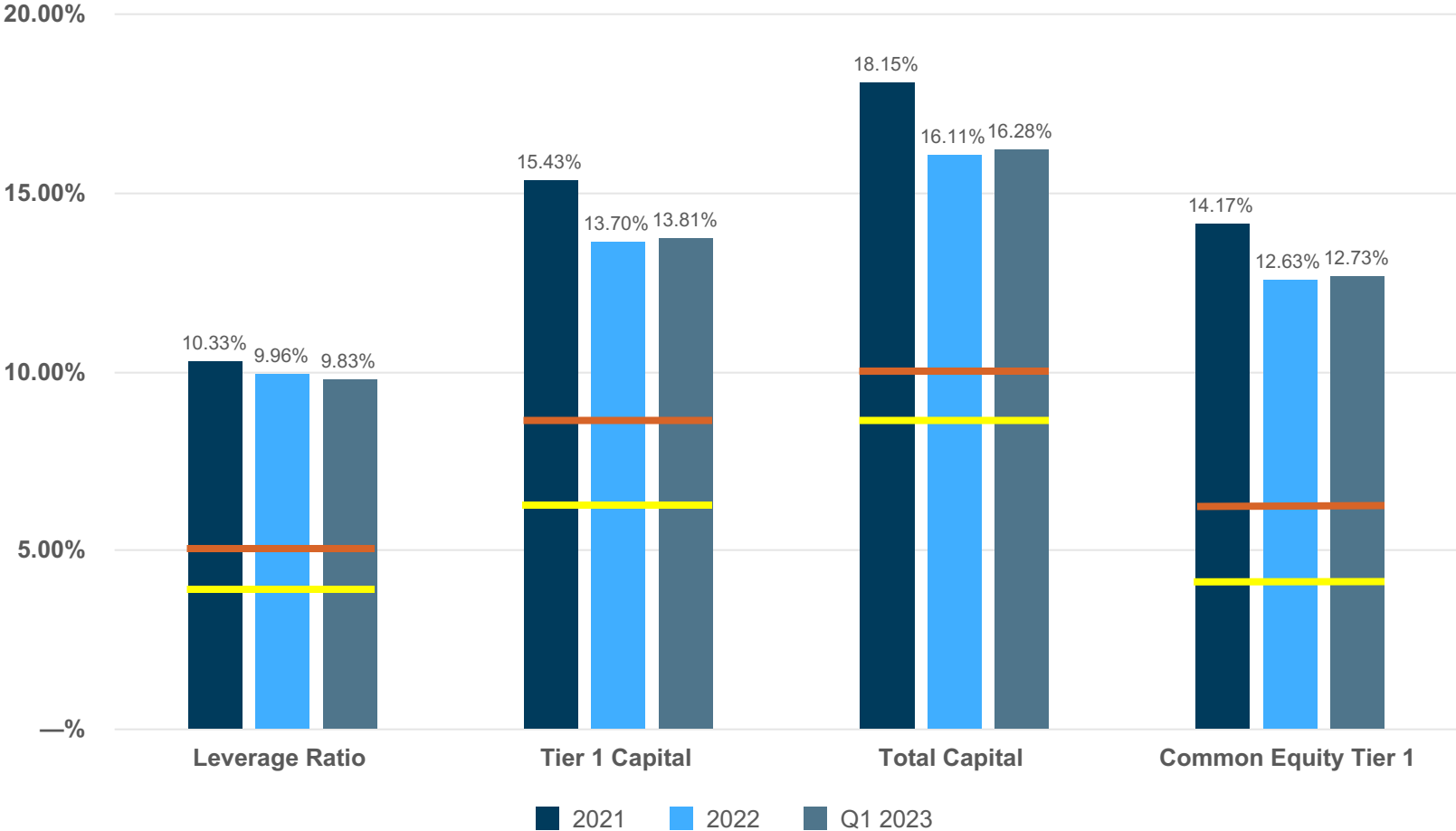
# Liquidity and Funding

<i>As of 3/31/2023 (in thousands)</i>	Line of Credit	Borrowings	Total Available for Future Liquidity	Swapped
FHLB advances	\$ 1,866,515	\$ 333,183	\$ 1,533,332	\$ 180,000
Federal Reserve discount window	632,832	350,000	282,832	350,000
Correspondent bank lines of credit	62,500	—	62,500	—
Federal Reserve Bank Term Funding Program	201,539	198,416	3,123	—
Total liquidity lines	<u>\$ 2,763,386</u>	<u>\$ 881,599</u>	<u>\$ 1,881,787</u>	<u>\$ 530,000</u>

- Liquidity sources remain strong, with **\$1.9 billion** in liquidity lines available as of March 31, 2023
- In the first quarter, we utilized the Federal Reserve's Bank Term Funding Program to reduce our overall funding costs and to enhance our interest rate risk position.

# Capital Ratios

## Consolidated

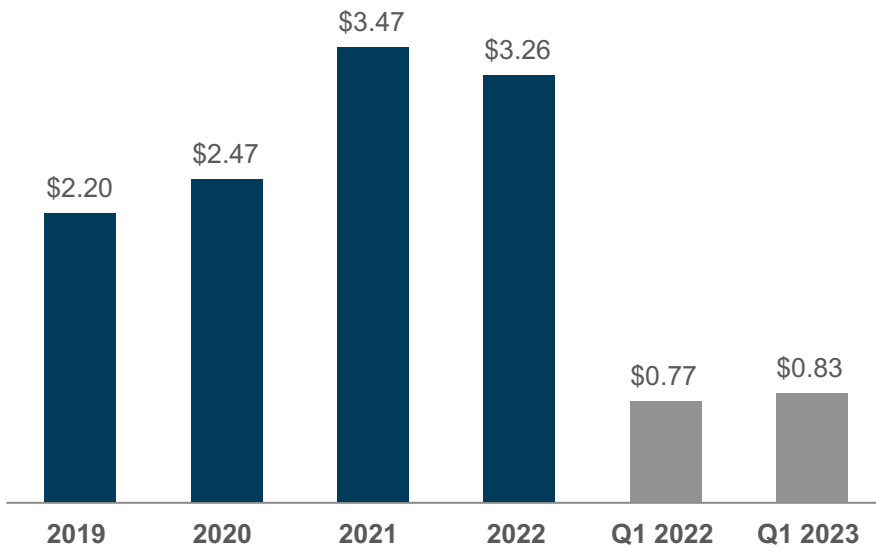


Well Capitalized

Capital Adequacy

# Shareholder Returns

Diluted Earnings Per Common Share (\$)

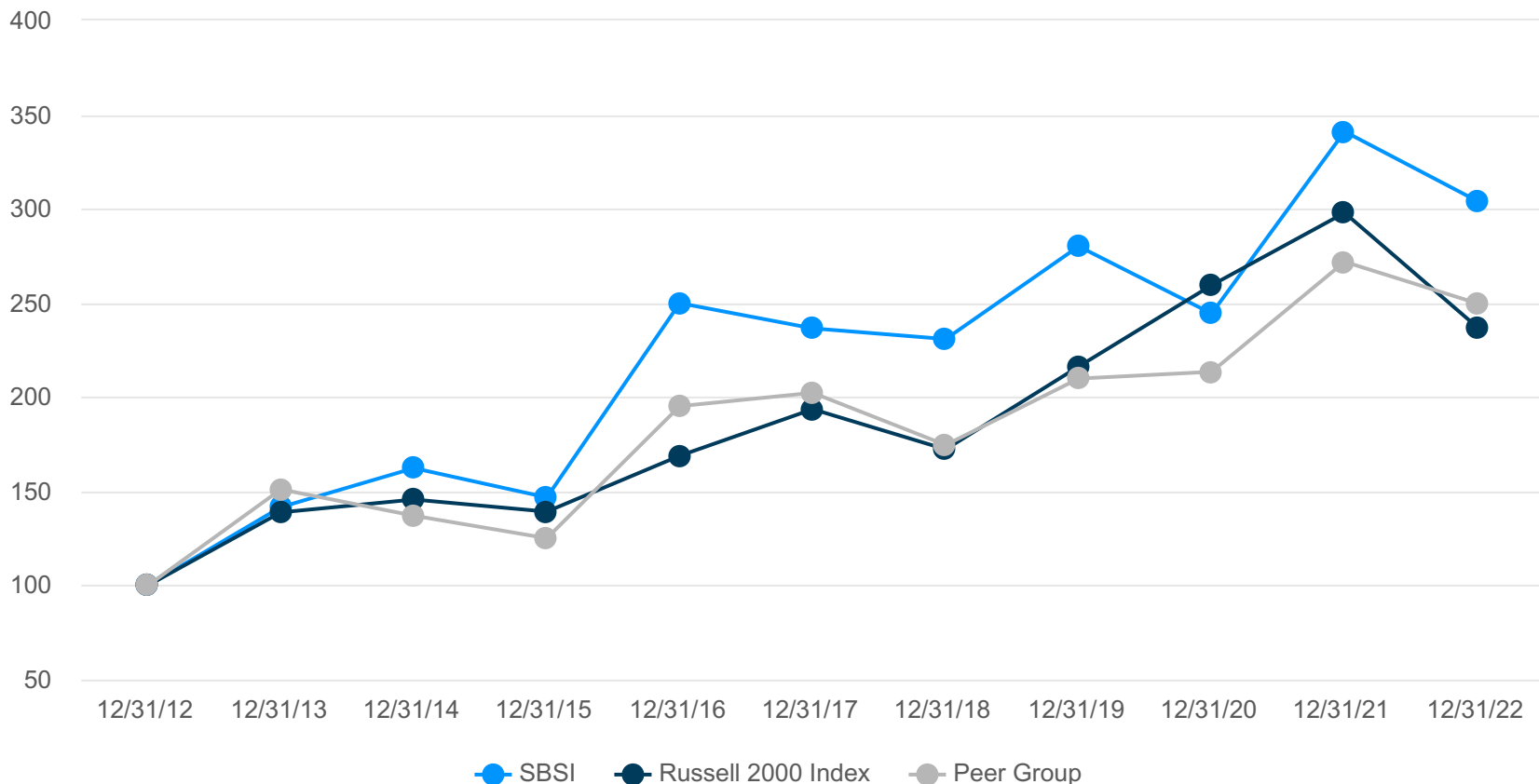


Cash Dividend Per Common Share (\$)



# Total Return Performance

- SBSI outperformed both the Russell 2000 Index and Texas Peer Group over the 10 year period
- \$100,000 invested in SBSI on 12/31/2012 was worth \$304,013 on 12/31/2022



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).

NASDAQ/SBSI  
May 17, 2023

# Annual Meeting of Shareholders

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 **SOUTHSIDE**  
BANCSHARES, INC.<sup>™</sup>

# 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 3 months ended	
	2019	2020	2021	2022	2022	2023
Net income available to common shareholders	\$ 74,554	\$ 82,153	\$ 113,401	\$ 105,020	\$ 24,996	\$ 26,034
Plus: After-tax amortization expense	3,490	2,857	2,251	1,796	491	378
<b>Adjusted net income available to common shareholders</b> [a]	<u>\$ 78,044</u>	<u>\$ 85,010</u>	<u>\$ 115,652</u>	<u>\$ 106,816</u>	<u>\$ 25,487</u>	<u>\$ 26,412</u>
Average shareholders' equity	\$ 782,367	\$ 828,980	\$ 888,233	\$ 782,362	\$ 887,955	\$ 758,750
Less: Average intangible assets for the period	(216,733)	(212,699)	(209,463)	(206,889)	(207,774)	(205,555)
<b>Average tangible shareholders' equity</b> [b]	<u>\$ 565,634</u>	<u>\$ 616,281</u>	<u>\$ 678,770</u>	<u>\$ 575,473</u>	<u>\$ 680,181</u> (2)	<u>\$ 553,195</u> (2)
<b>Return on average tangible common equity (ROATCE)</b> [a]/[b]	13.80 %	13.79 %	17.04 %	18.56 %	15.20 %	19.36 %
Common equity at end of period	\$ 804,580	\$ 875,297	\$ 912,172	\$ 745,997	\$ 784,241	\$ 751,030
Less: Intangible assets at end of period	(214,477)	(210,860)	(208,011)	(205,738)	(207,389)	(205,260)
<b>Tangible common shareholders' equity at end of period</b> [c]	<u>\$ 590,103</u>	<u>\$ 664,437</u>	<u>\$ 704,161</u>	<u>\$ 540,259</u>	<u>\$ 576,852</u>	<u>\$ 545,770</u>
Total assets at end of period	\$ 6,748,913	\$ 7,008,227	\$ 7,259,602	\$ 7,558,636	\$ 7,119,115	\$ 7,792,345
Less: Intangible assets at end of period	(214,477)	(210,860)	(208,011)	(205,738)	(207,389)	(205,260)
<b>Tangible assets at end of period</b> [d]	<u>\$ 6,534,436</u>	<u>\$ 6,797,367</u>	<u>\$ 7,051,591</u>	<u>\$ 7,352,898</u>	<u>\$ 6,911,726</u>	<u>\$ 7,587,085</u>
<b>Tangible common equity/tangible assets (TCE/TA)</b> [c]/[d]	9.03 %	9.77 %	9.99 %	7.35 %	8.35 %	7.19 %
Common shares outstanding at end of period [e]	33,823	32,951	32,352	31,547	32,294	31,121
<b>Tangible book value per common share</b> [c]/[e]	\$ 17.45	\$ 20.16	\$ 21.77	\$ 17.13	\$ 17.86	\$ 17.54
Net interest income (GAAP)	\$ 169,805	\$ 187,265	\$ 189,557	\$ 212,341	\$ 48,906	\$ 53,353
Tax equivalent adjustments:						
Loans	2,490	2,752	2,920	2,993	745	697
Tax-exempt investment securities	5,148	8,812	10,045	11,388	2,464	2,550
<b>Net interest income (FTE)<sup>(1)</sup></b>	<u>177,443</u>	<u>198,829</u>	<u>202,522</u>	<u>226,722</u>	<u>52,115</u>	<u>56,600</u>
Plus: Noninterest income	42,368	49,732	49,336	40,857	10,725	12,033
Less: Nonrecurring income (loss)	(470)	(8,257)	(3,862)	2,982	706	(1,221)
<b>Total Revenue</b> [g]	<u>\$ 219,341</u>	<u>\$ 240,304</u>	<u>\$ 247,996</u>	<u>\$ 270,561</u>	<u>\$ 63,546</u>	<u>\$ 67,412</u>
Noninterest expense	\$ 119,297	\$ 123,307	\$ 125,030	\$ 130,326	\$ 31,195	\$ 34,849
Less: Pre-tax amortization expense	(4,418)	(3,617)	(2,849)	(2,273)	(622)	(478)
Less: Nonrecurring (expense) income	(26)	(1,083)	(580)	174	22	3
<b>Adjusted noninterest expense</b> [f]	<u>\$ 114,853</u>	<u>\$ 118,607</u>	<u>\$ 121,601</u>	<u>\$ 128,227</u>	<u>\$ 30,595</u>	<u>\$ 34,374</u>
<b>Average earning assets</b>	\$ 5,800,648	\$ 6,486,444	\$ 6,402,554	\$ 6,822,667	\$ 6,553,710	\$ 7,161,836
<b>Efficiency Ratio</b> [f]/[g]	54.25 %	51.85 %	51.74 %	50.05 %	50.71 %	53.57 %
<b>Efficiency Ratio (FTE)<sup>(1)</sup></b>	52.36 %	49.36 %	49.03 %	47.39 %	48.15 %	50.99 %
<b>Net interest margin</b>	2.93 %	2.89 %	2.96 %	3.11 %	3.03 %	3.02 %
<b>Net interest margin(FTE)<sup>(1)</sup></b>	3.06 %	3.07 %	3.16 %	3.32 %	3.22 %	3.21 %
<b>Net interest spread</b>	2.58 %	2.68 %	2.80 %	2.86 %	2.89 %	2.44 %
<b>Net interest spread(FTE)<sup>(1)</sup></b>	2.71 %	2.86 %	3.01 %	3.07 %	3.09 %	2.62 %

(1) Fully taxable-equivalent (FTE)

(2) Annualized

NASDAQ/SBSI  
May 17, 2023

# Annual Meeting of Shareholders

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