

NASDAQ/SBSI

May 15, 2024

**SOUTHSIDE BANCSHARES, INC.**

# Annual Meeting of Shareholders



# 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 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 changes in interest rates 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, 2023, under “Part I - Item 1. Forward Looking Information” and “Part I - Item 1A. Risk Factors” and in the Company’s other filings with the Securities and Exchange Commission. The Company disclaims any obligation to update any factors or to announce publicly the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.



# A Year in Review

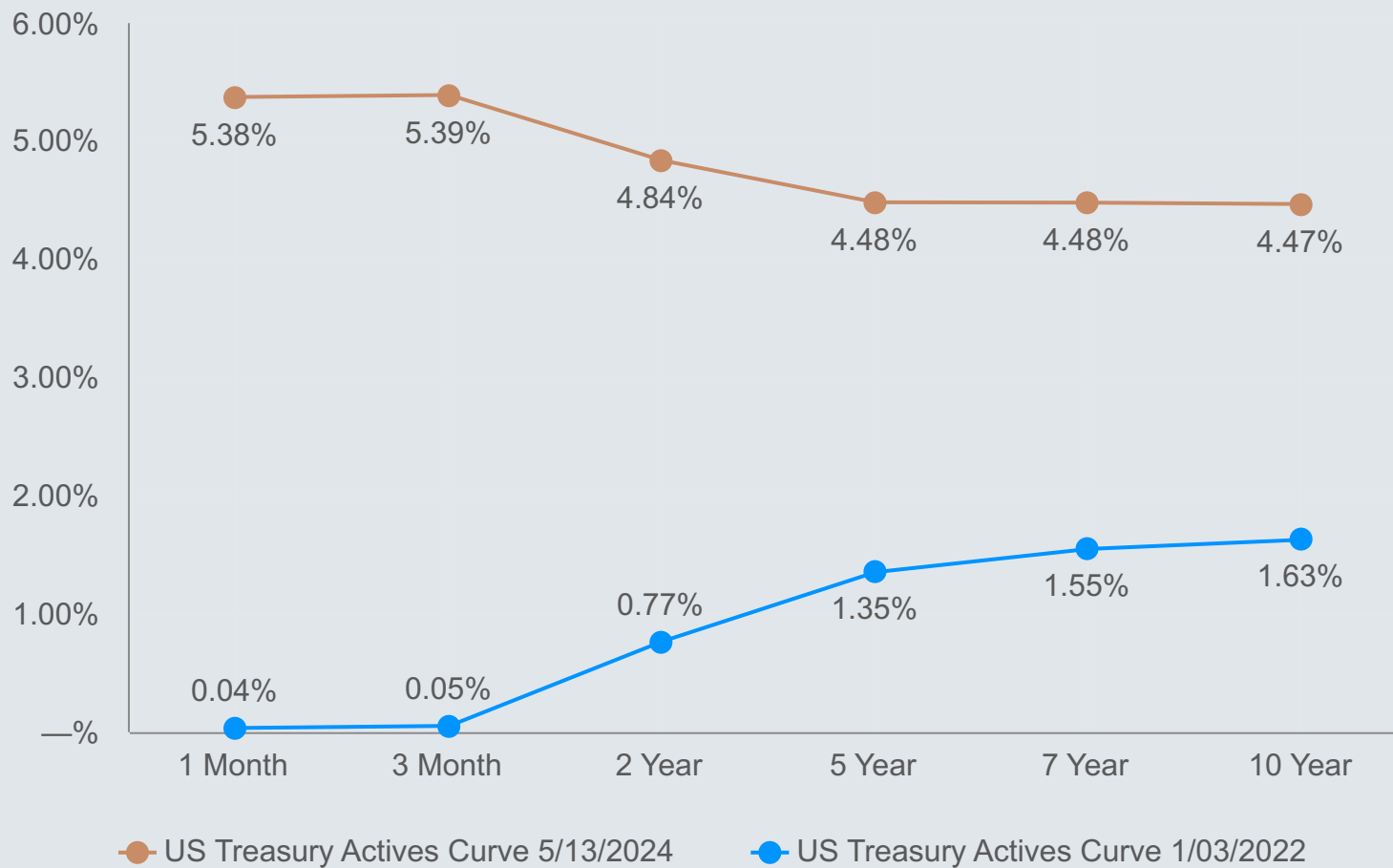
- Ended 2023 with strong financial results, despite a tumultuous landscape in the banking industry;
- Experienced 9.1% loan growth, reflective of the vibrant markets we serve;
- Continued strong asset quality metrics;
- Further expanded our North Texas footprint with a loan production office in Dallas; and
- Awarded one of the "Best Banks to Work For" in 2023 by American Banker for the second consecutive year.

# Goals for 2024

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



# US Treasury Yield Curve



# 2028 Strategic Initiatives

- Succession Planning & Growth;
- Culture Development;
- Revenue Growth;
- Brand Recognition; and
- Expense Control.

# 2023 Financial Highlights

- Net income of \$86.7 million;
- Increase in loans of \$376.8 million, or 9.1%;
- Continued strong asset quality metrics, Total Nonperforming Assets to Total Assets of 0.05%;
- Nonperforming assets of \$4.0 million vs. \$10.9 million;
- Efficiency ratio (FTE)<sup>(1)</sup> of 51.30%; and
- ROATCE<sup>(2)</sup> of 16.03%.

(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, 2024		March 31, 2023	%Chg.
Net Income (in thousands)	\$	21,511	\$	26,034	(17.4)%
EPS (diluted)	\$	0.71	\$	0.83	(14.5)%
ROAE		11.02 %		13.92 %	
ROAA		1.03 %		1.38 %	
Efficiency Ratio (FTE) <sup>(1)</sup>		55.54 %		50.99 %	

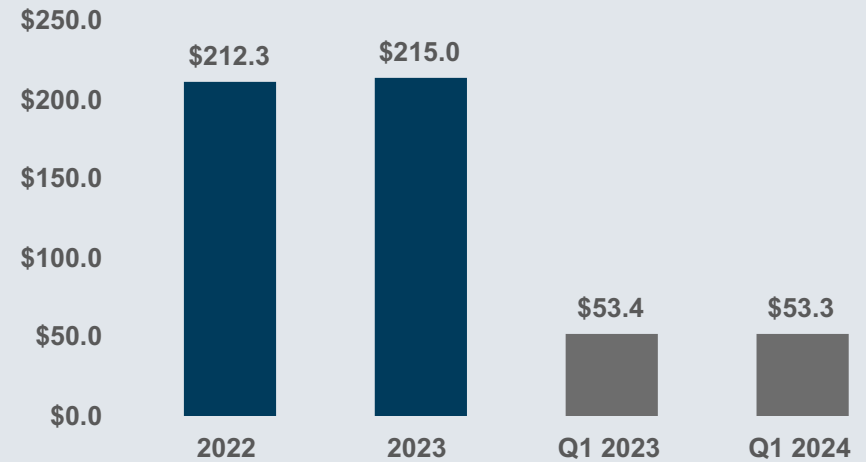
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Profitability

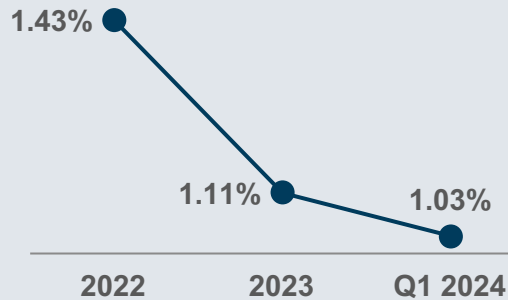
## Net Income (\$mm)



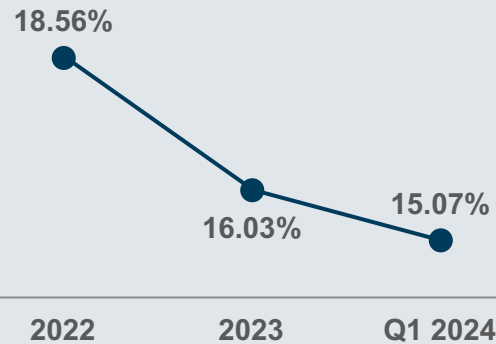
## Net Interest Income (\$mm)



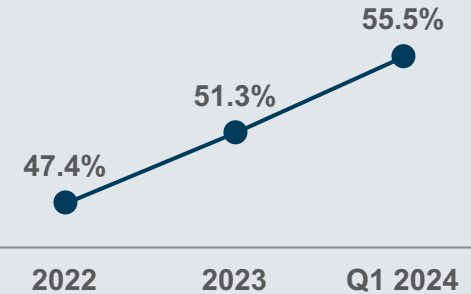
## ROAA



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

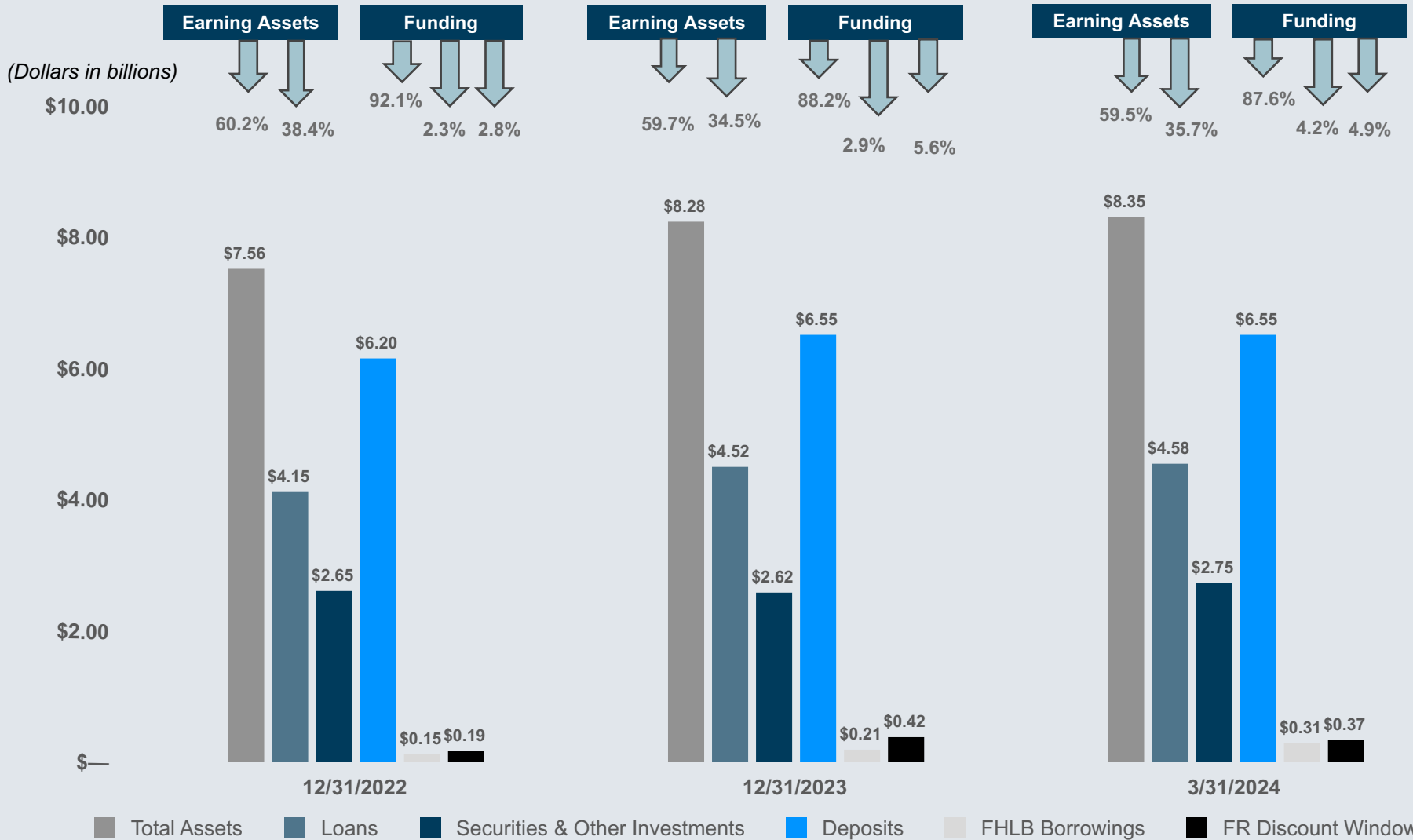


## Efficiency Ratio (FTE)<sup>(1)</sup>



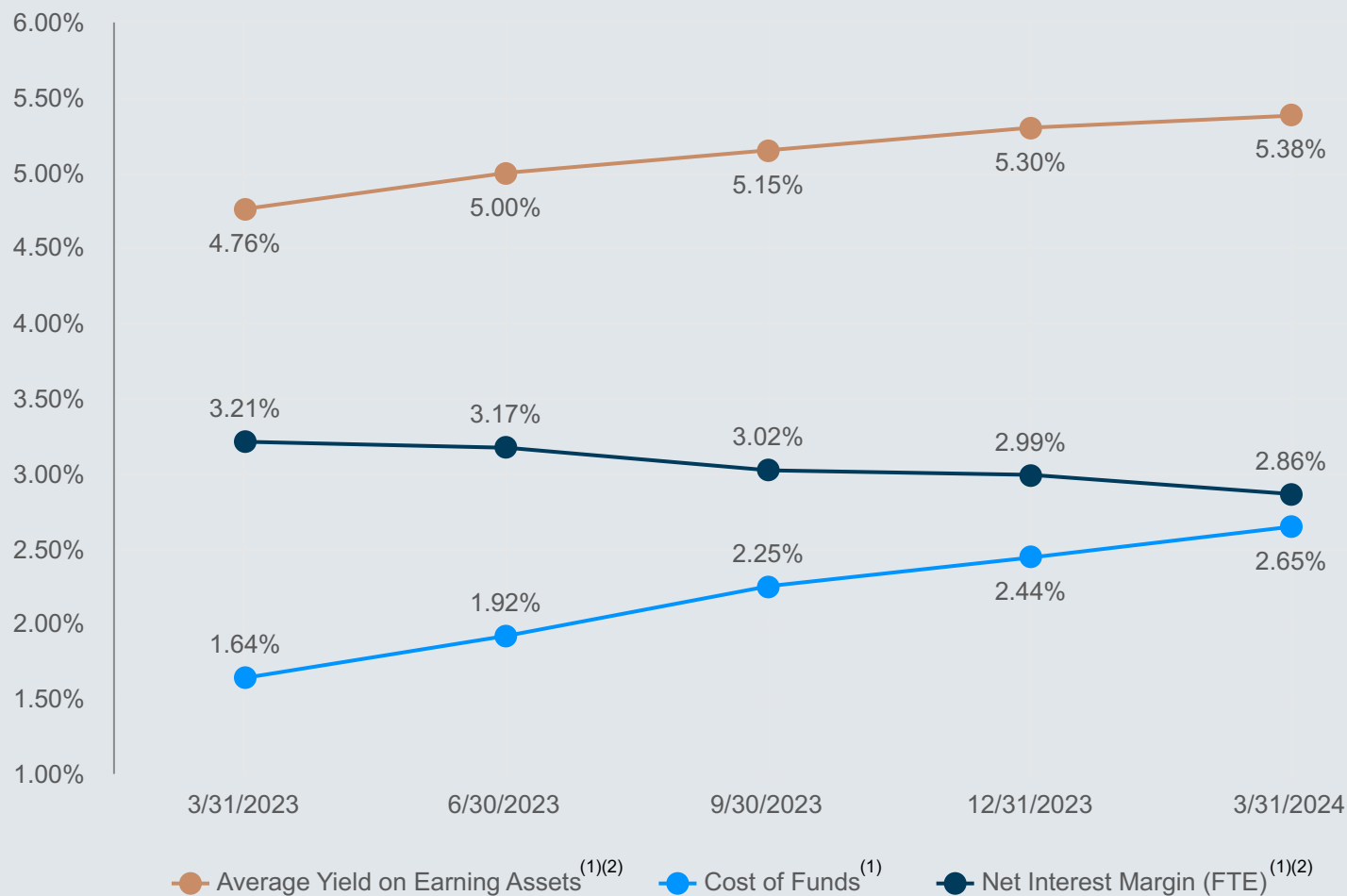
(1) Calculated on a fully taxable-equivalent basis (FTE.) See Non-GAAP Reconciliation.

# Balance Sheet Mix





# Quarterly Yields & Cost Trends

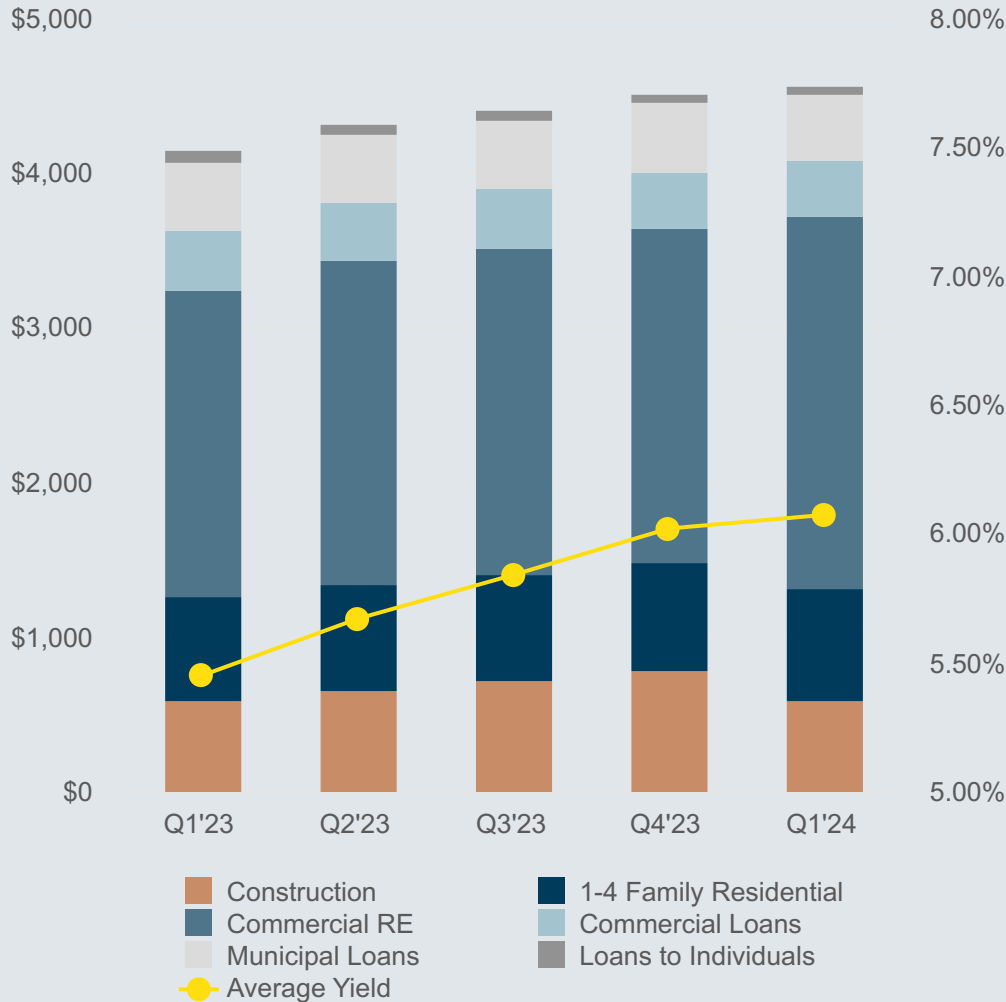


(1) Annualized

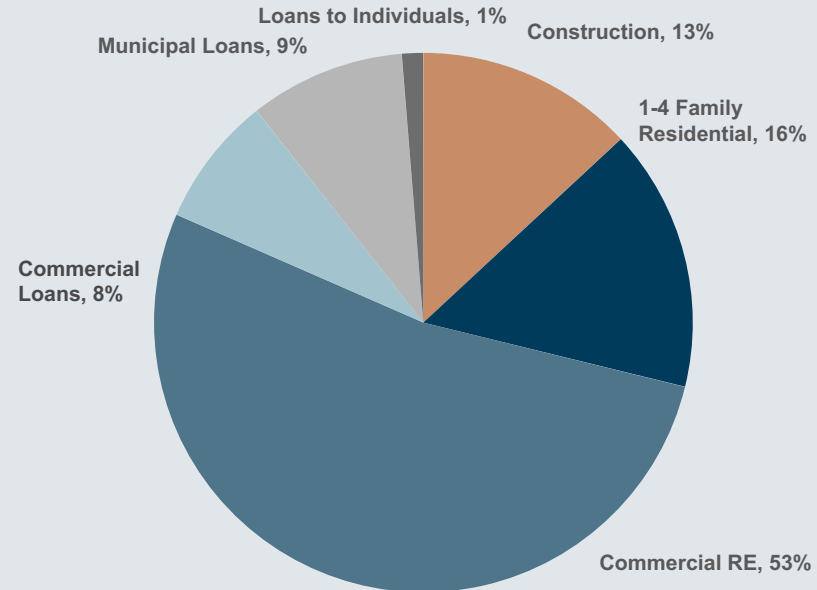
(2) Calculated on a fully taxable-equivalent basis (FTE), a non-GAAP measure. See non-GAAP reconciliation.

# Loan Portfolio

## Loan Balances



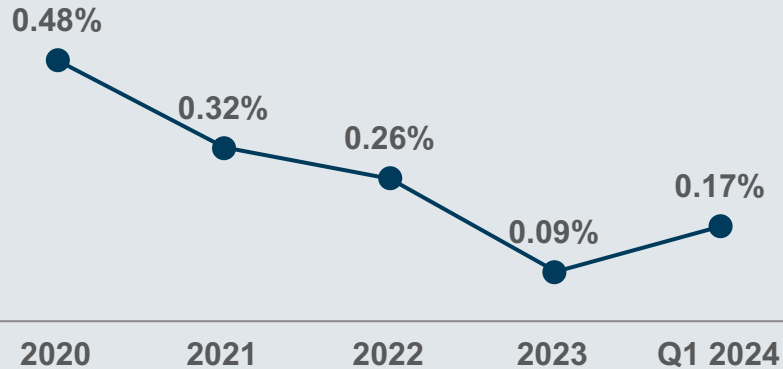
## Loans 3/31/2024



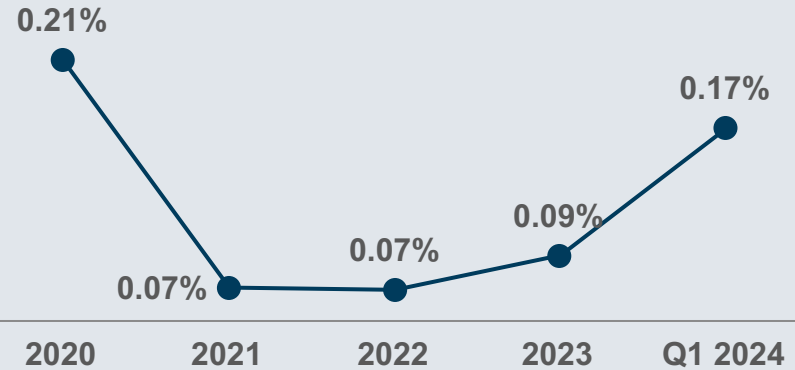
Loan Type	\$mm	%
<b>Real Estate Loans (RE):</b>		
Construction	\$ 599	13 %
1-4 Family Residential	721	16 %
Commercial RE	2,413	53 %
Commercial Loans	358	8 %
Municipal Loans	427	9 %
Loans to Individuals	59	1 %
<b>Total</b>	<b>\$ 4,577</b>	<b>100 %</b>

# Asset Quality Trends

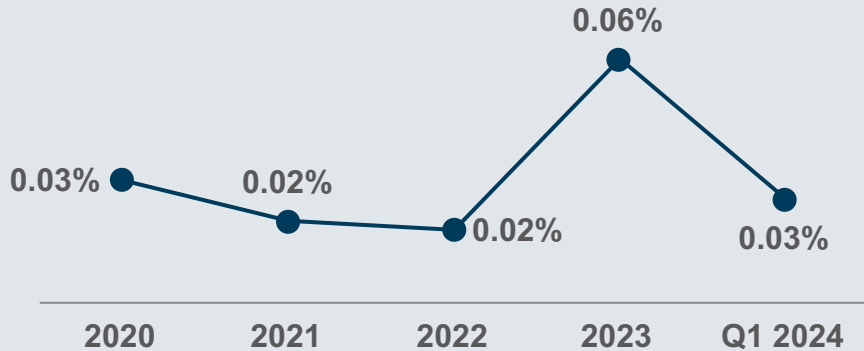
## NPAs / Loans and OREO<sup>(1)</sup>



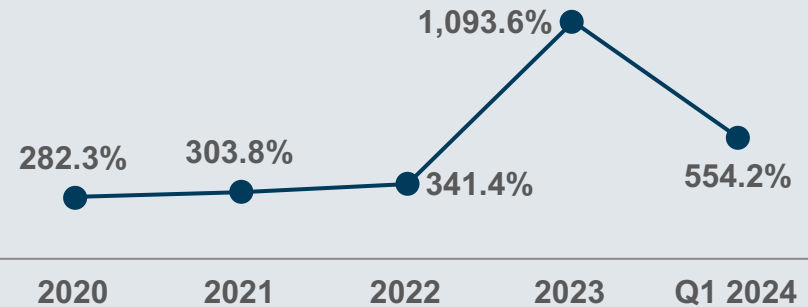
## Nonaccrual Loans / Loans<sup>(1)</sup>



## NCOs / Average Loans



## ALLL / NPLs<sup>(1)</sup>



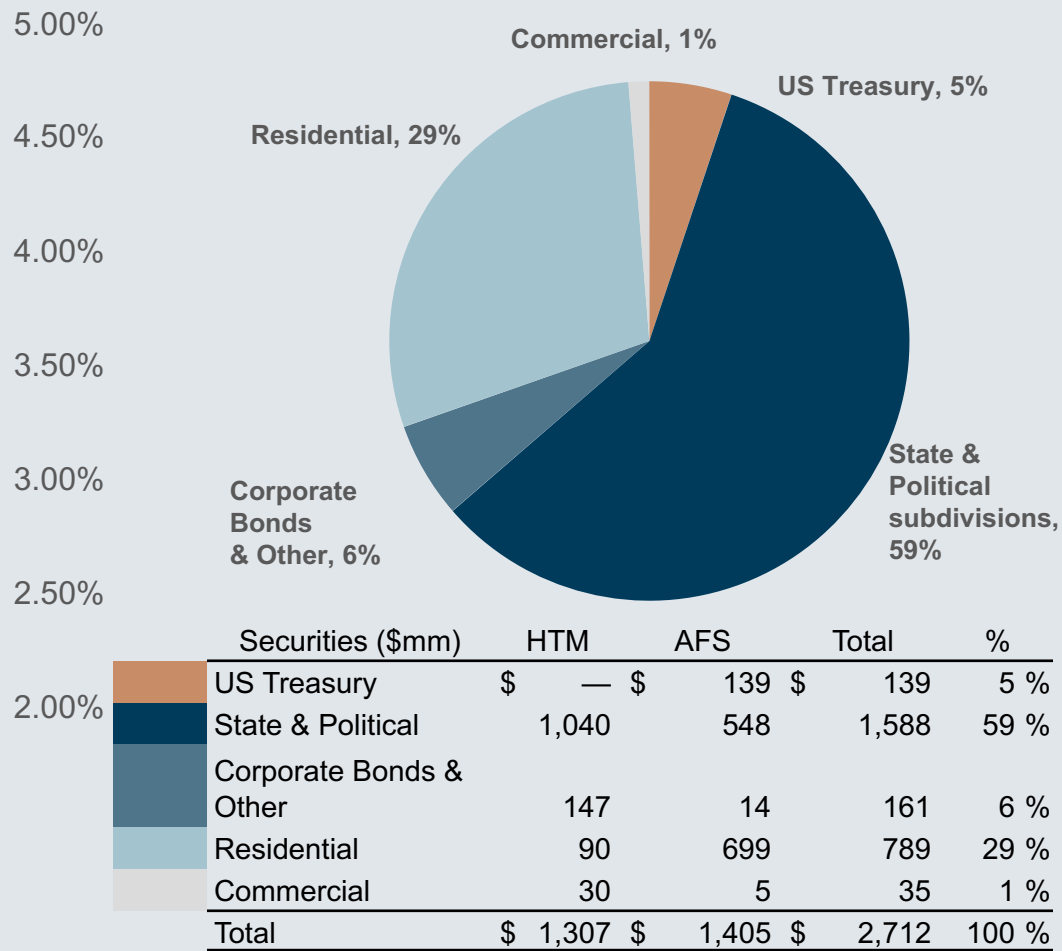
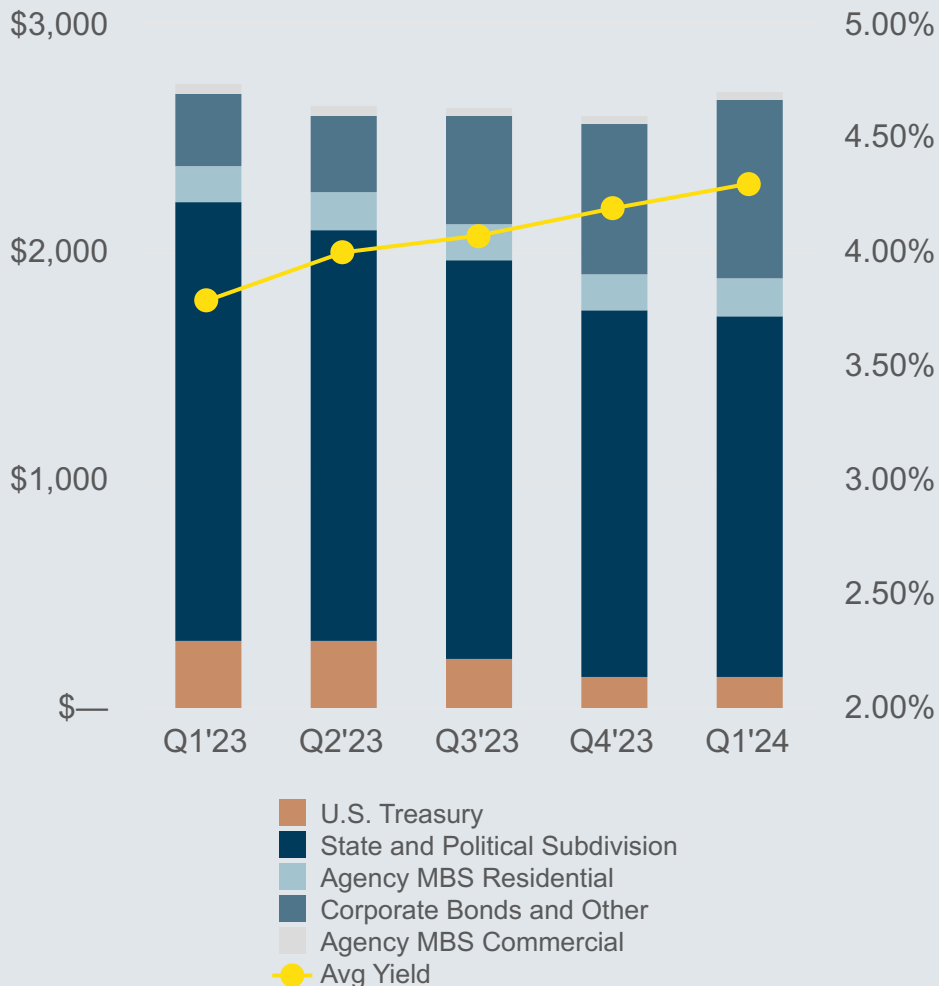
(1) Pursuant to our adoption of ASU 2022-02, effective January 1, 2023, we prospectively discontinued the recognition and measurement guidance previously required on troubled debt restructures. As a result, as of March 31, 2023, restructured loans reflected in NPAs and NPLs exclude any loan modifications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



# Securities Portfolio

## Total Securities

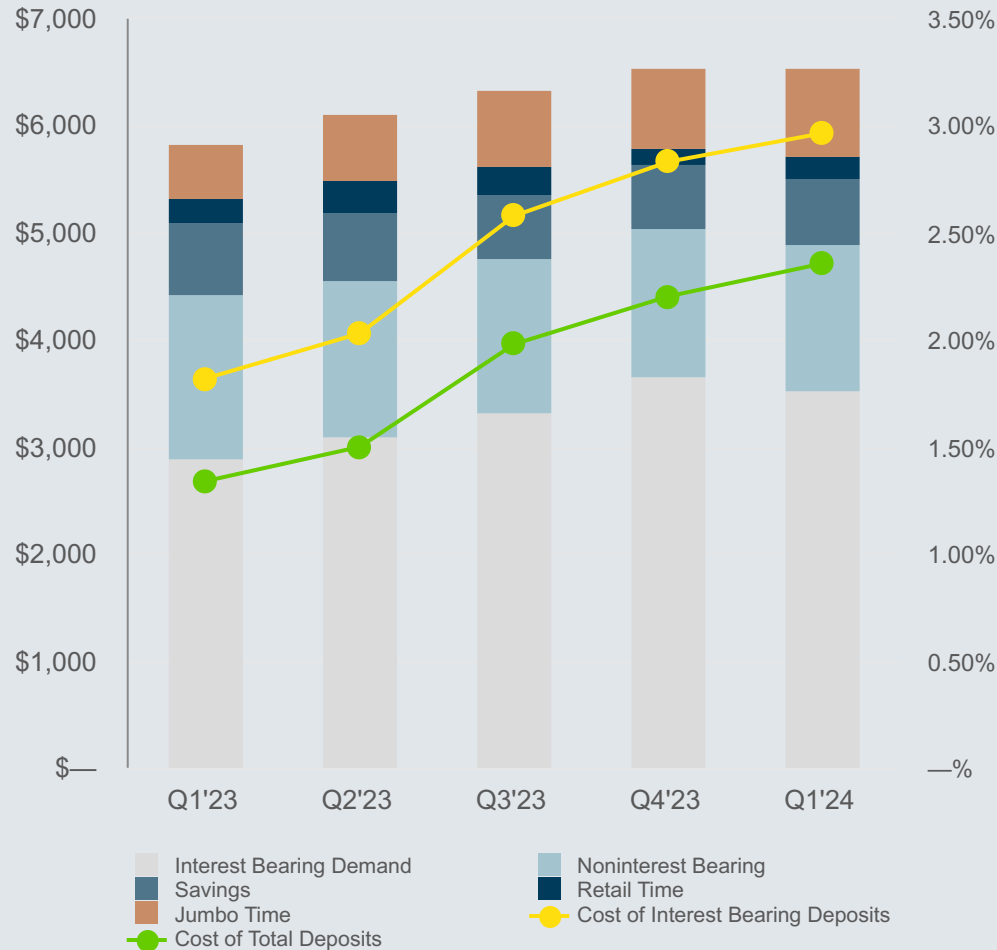
## Securities 3/31/2024



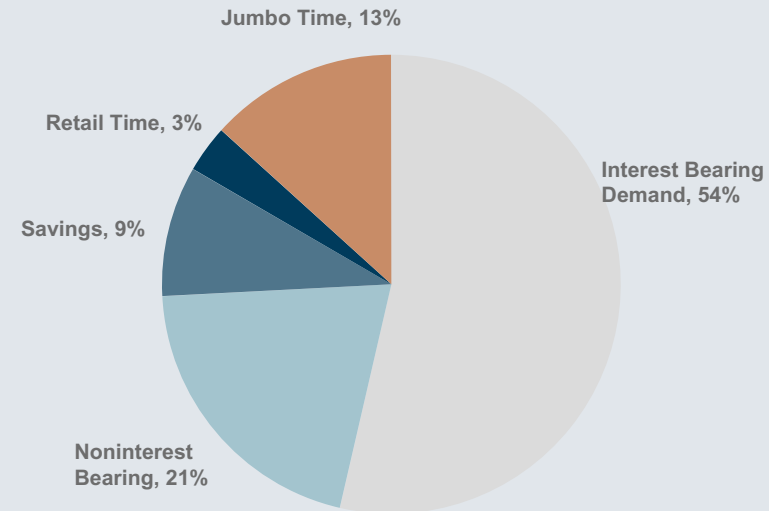
Securities (\$mm)	HTM	AFS	Total	%
US Treasury	\$ —	\$ 139	\$ 139	5 %
State & Political	1,040	548	1,588	59 %
Corporate Bonds & Other	147	14	161	6 %
Residential	90	699	789	29 %
Commercial	30	5	35	1 %
<b>Total</b>	<b>\$ 1,307</b>	<b>\$ 1,405</b>	<b>\$ 2,712</b>	<b>100 %</b>

# Deposit Composition

## Deposit Balances and Rates



## Deposit Mix 3/31/2024



Deposits	\$ MM	%
Interest Bearing Demand	\$ 3,545	54 %
Noninterest Bearing	1,359	21 %
Savings	609	9 %
Retail Time	221	3 %
Jumbo Time	812	13 %
<b>Total</b>	<b>\$ 6,546</b>	<b>100 %</b>

# Liquidity & Funding

<i>As of 3/31/2024 (in thousands)</i>	Line of Credit	Borrowings	Total Available for Future Liquidity	Swapped
FHLB advances	\$2,325,710	\$ 312,466	\$ 2,013,244	\$ 310,000
Federal Reserve discount window	501,935	250,000	251,935	—
Correspondent bank lines of credit	80,000	—	80,000	—
Federal Reserve Bank Term Funding Program <sup>(1)</sup>	116,085	116,085	—	—
Total liquidity lines	<u>\$3,023,730</u>	<u>\$ 678,551</u>	<u>\$ 2,345,179</u>	<u>\$ 310,000</u>

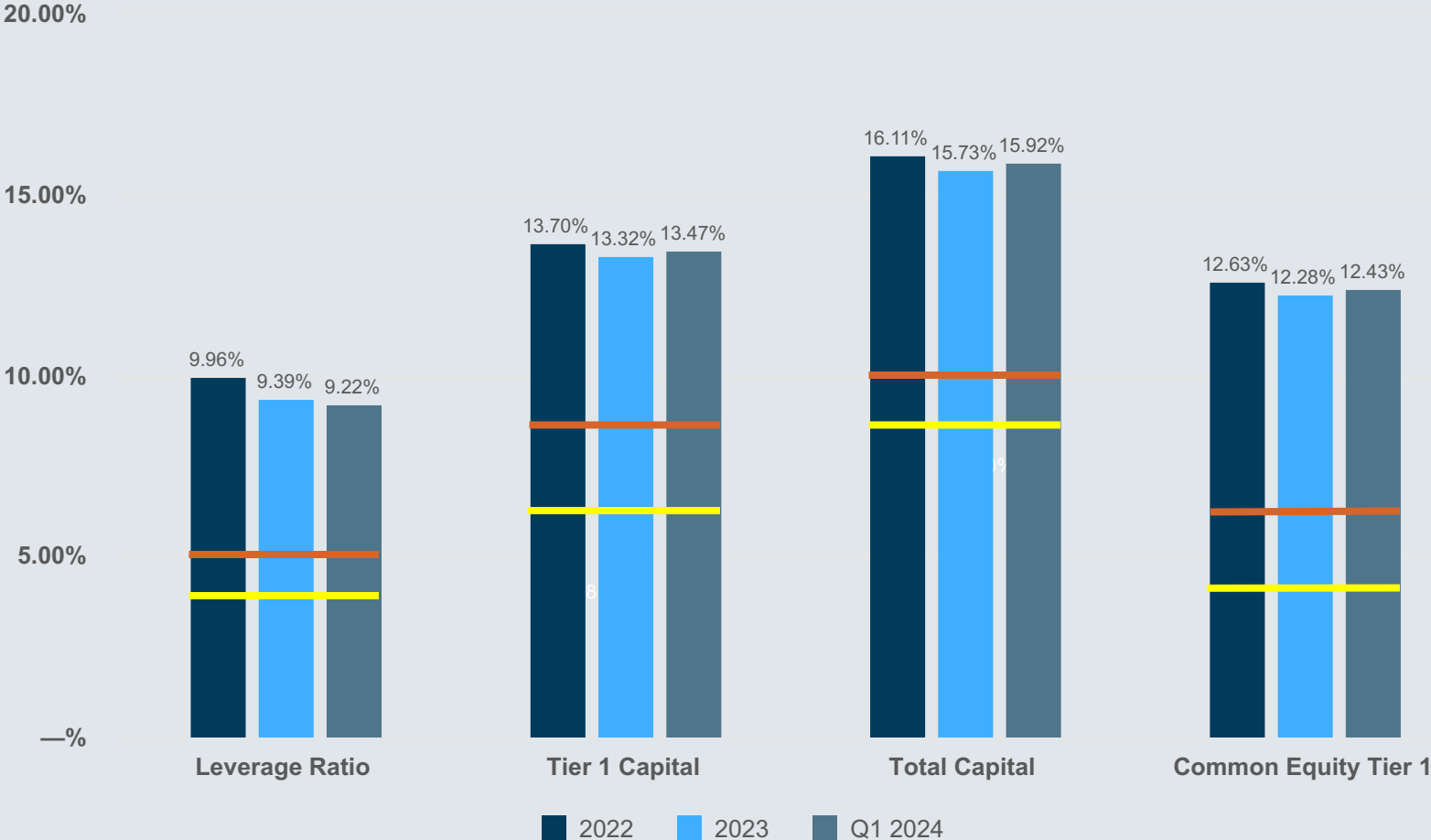
- Liquidity sources remain strong, with **\$2.3 billion** in liquidity lines available as of March 31, 2024.

(1) We utilized the Federal Reserve's Bank Term Funding Program ("BTFP") to reduce our overall funding costs and to enhance our interest rate risk position. On March 11, 2024, the Federal Reserve stopped extending new BTFP advances.



# Capital Ratios

## Consolidated

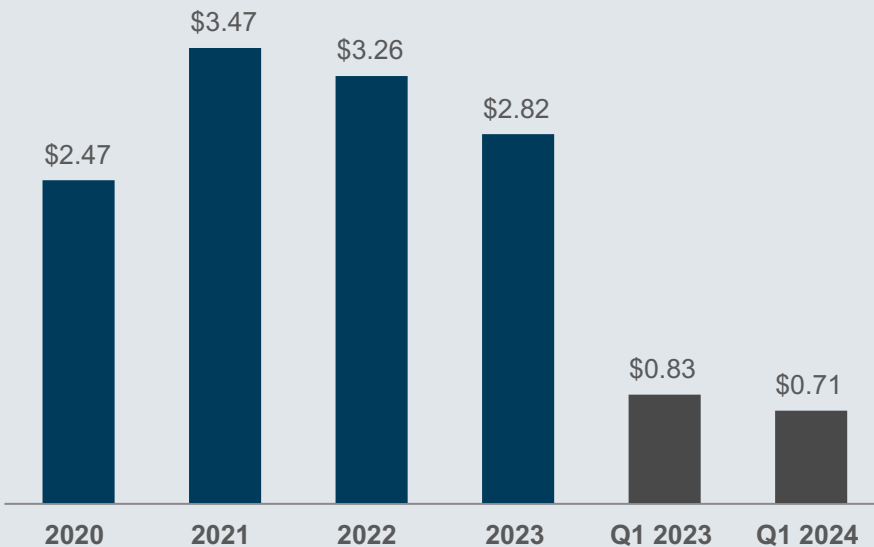


Well Capitalized

Capital Adequacy

# Shareholder Returns

Diluted Earnings Per Common Share (\$)

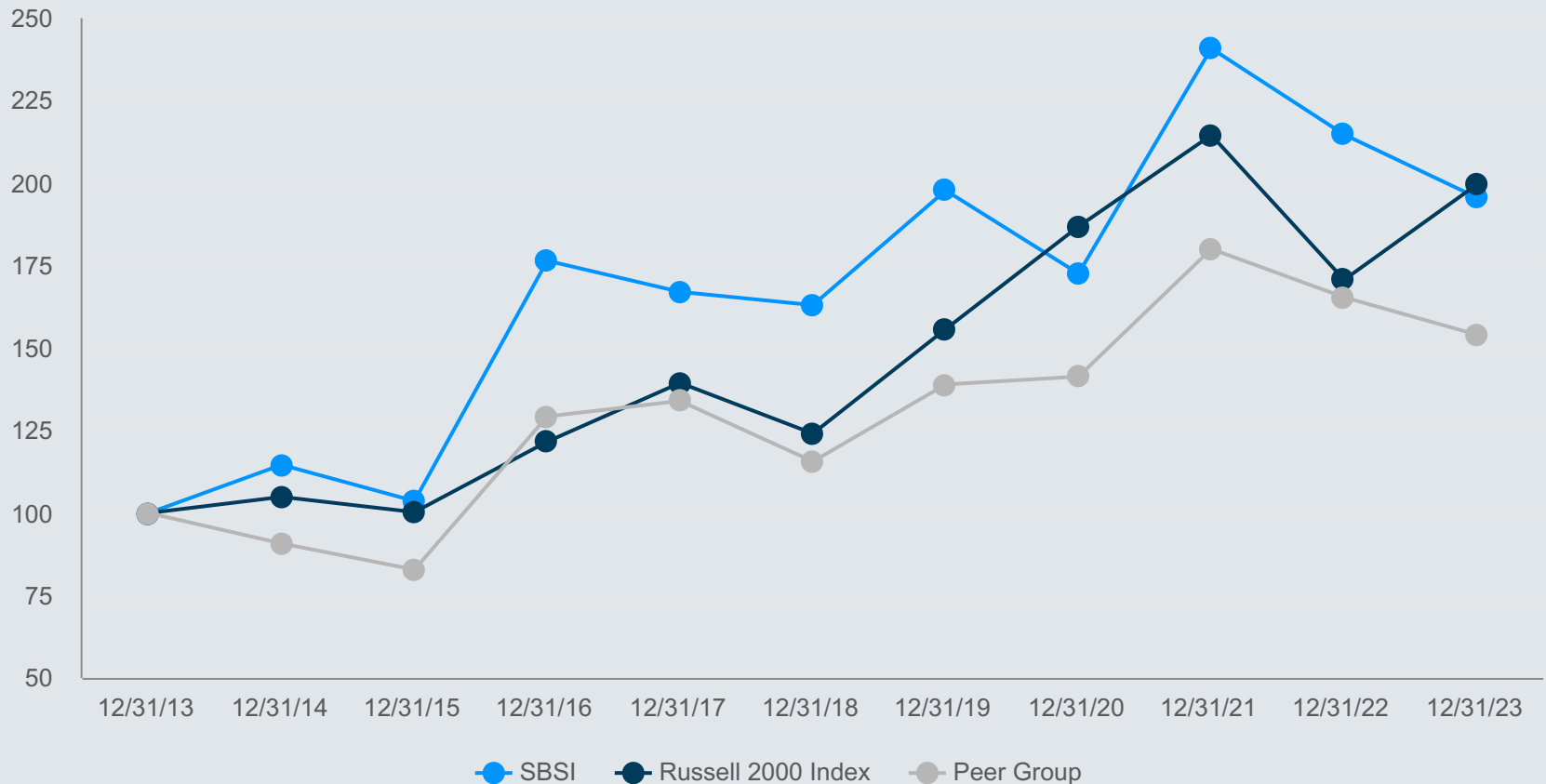


Cash Dividend Per Common Share (\$)



# Total Return Performance

- SBSI outperformed the Texas Peer Group over the 10 year period
- \$100,000 invested in SBSI on 12/31/2013 was worth \$195,614 on 12/31/2023



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).

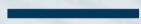


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# Appendix

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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	
	2020	2021	2022	2023	2023	2024
Net income available to common shareholders	\$ 82,153	\$ 113,401	\$ 105,020	\$ 86,692	\$ 26,034	\$ 21,511
Plus: After-tax amortization expense	2,857	2,251	1,796	1,341	378	266
<b>Adjusted net income available to common shareholders</b> [a]	<u>\$ 85,010</u>	<u>\$ 115,652</u>	<u>\$ 106,816</u>	<u>\$ 88,033</u>	<u>\$ 26,412</u>	<u>\$ 21,777</u>
Average shareholders' equity	\$ 828,980	\$ 888,233	\$ 782,362	\$ 754,098	\$ 758,750	\$ 785,054
Less: Average intangible assets for the period	(212,699)	(209,463)	(206,889)	(204,887)	(205,555)	(203,910)
<b>Average tangible shareholders' equity</b> [b]	<u>\$ 616,281</u>	<u>\$ 678,770</u>	<u>\$ 575,473</u>	<u>\$ 549,211</u>	<u>\$ 553,195</u> (2)	<u>\$ 581,144</u> (2)
<b>Return on average tangible common equity (ROATCE)</b> [a]/[b]	13.79 %	17.04 %	18.56 %	16.03 %	19.36 %	15.07 %
Common equity at end of period	\$ 875,297	\$ 912,172	\$ 745,997	\$ 773,288	\$ 751,030	\$ 787,922
Less: Intangible assets at end of period	(210,860)	(208,011)	(205,738)	(204,041)	(205,260)	(203,704)
<b>Tangible common shareholders' equity at end of period</b> [c]	<u>\$ 664,437</u>	<u>\$ 704,161</u>	<u>\$ 540,259</u>	<u>\$ 569,247</u>	<u>\$ 545,770</u>	<u>\$ 584,218</u>
Total assets at end of period	\$ 7,008,227	\$ 7,259,602	\$ 7,558,636	\$ 8,284,914	\$ 7,792,345	\$ 8,353,863
Less: Intangible assets at end of period	(210,860)	(208,011)	(205,738)	(204,041)	(205,260)	(203,704)
<b>Tangible assets at end of period</b> [d]	<u>\$ 6,797,367</u>	<u>\$ 7,051,591</u>	<u>\$ 7,352,898</u>	<u>\$ 8,080,873</u>	<u>\$ 7,587,085</u>	<u>\$ 8,150,159</u>
<b>Tangible common equity/tangible assets (TCE/TA)</b> [c]/[d]	9.77 %	9.99 %	7.35 %	7.04 %	7.19 %	7.17 %
Common shares outstanding at end of period	[e] 32,951	32,352	31,547	30,249	31,121	30,284
<b>Tangible book value per common share</b> [c]/[e]	\$ 20.16	\$ 21.77	\$ 17.13	\$ 18.82	\$ 17.54	\$ 19.29
Net interest income (GAAP)	\$ 187,265	\$ 189,557	\$ 212,341	\$ 215,027	\$ 53,353	\$ 53,348
Tax equivalent adjustments:						
Loans	2,752	2,920	2,993	2,724	697	656
Tax-exempt investment securities	8,812	10,045	11,388	9,939	2,550	2,080
<b>Net interest income (FTE)<sup>(1)</sup></b>	<u>198,829</u>	<u>202,522</u>	<u>226,722</u>	<u>227,690</u>	<u>56,600</u>	<u>56,084</u>
Plus: Noninterest income	49,732	49,336	40,857	35,834	12,033	9,724
Less: Nonrecurring income (loss)	(8,257)	(3,862)	2,982	7,370	(1,221)	18
<b>Total Revenue</b> [g]	<u>\$ 240,304</u>	<u>\$ 247,996</u>	<u>\$ 270,561</u>	<u>\$ 270,894</u>	<u>\$ 67,412</u>	<u>\$ 65,826</u>
Noninterest expense	\$ 123,307	\$ 125,030	\$ 130,326	\$ 140,578	\$ 34,849	\$ 36,881
Less: Pre-tax amortization expense	(3,617)	(2,849)	(2,273)	(1,697)	(478)	(337)
Less: Nonrecurring (expense) income	(1,083)	(580)	174	78	3	17
<b>Adjusted noninterest expense</b> [f]	<u>\$ 118,607</u>	<u>\$ 121,601</u>	<u>\$ 128,227</u>	<u>\$ 138,959</u>	<u>\$ 34,374</u>	<u>\$ 36,561</u>
<b>Average earning assets</b>	\$ 6,486,444	\$ 6,402,554	\$ 6,822,667	\$ 7,361,199	\$ 7,161,836	\$ 7,882,337
<b>Efficiency Ratio</b> [f]/[g]	51.85 %	51.74 %	50.05 %	53.81 %	53.57 %	57.95 %
<b>Efficiency Ratio (FTE)<sup>(1)</sup></b>	49.36 %	49.03 %	47.39 %	51.30 %	50.99 %	55.54 %
<b>Net interest margin</b>	2.89 %	2.96 %	3.11 %	2.92 %	3.02 %	2.72 %
<b>Net interest margin(FTE)<sup>(1)</sup></b>	3.07 %	3.16 %	3.32 %	3.09 %	3.21 %	2.86 %
<b>Net interest spread</b>	2.68 %	2.80 %	2.86 %	2.25 %	2.44 %	2.02 %
<b>Net interest spread(FTE)<sup>(1)</sup></b>	2.86 %	3.01 %	3.07 %	2.42 %	2.62 %	2.16 %

(1) Fully taxable-equivalent (FTE)

(2) Annualized



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