

\$1.7B

Year 5 Year

SOUTHSIDE BANCSHARES, INC.

2021

ANNUAL REPORT



INTEGRITY | TEAMWORK | INNOVATION | EXCELLENCE | ACCOUNTABILITY





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A LETTER FROM CEO Lee R. Gibson

Dear Fellow Shareholders,

For several years, we have focused on addressing the challenges and opportunities presented by the unprecedented pace of change and disruption in our industry. This led to rethinking almost everything we do with the ultimate goal of meeting the changing expectations, behaviors and preferences of our customers. As a result, our customer delivery systems are more digitally enabled. This solid foundation allowed Southside to remain resilient and prosper during 2021 when faced with the ongoing pandemic and the historic Winter Storm Uri. Before I continue, I want to recognize and thank the entire Southside team for their extraordinary contributions and efforts during 2021, without which the following results would not have been possible.

Highlights for 2021 included:

- Record net income of \$113.4 million, a 38% increase;
- Record earnings per diluted common share of \$3.47, a 40.5% increase;
- A 1.59% return on average assets and 17.04% return on tangible common equity;
- An increase in the net interest margin to 3.16%;
- A 16% increase in deposits and a 5% increase in loans, net of Paycheck Protection Program (PPP) loans;
- Continued strong asset quality metrics; and
- A 5.4% increase in the cash dividend per common share.

Embracing change is what motivates us to adopt new technologies, drives our operational efficiencies and fuels our success. We will continue to invest in our digital platforms emphasizing speed, security, convenience and simplicity. Our focus is on offering products and services for our customers when, where and how they want them delivered.

Moving forward, we expect the banking industry will be focused in more customer-driven ways through the delivery channels they prefer, and the utilization of digital tools will be even more important. In order to move more efficiently, strategically and effectively towards the future, we established a group in 2021 solely focused on innovation. This group has and will continue to collaborate with all areas of the Bank and focus on two primary initiatives: enhancing the customer experience and increasing efficiencies throughout the organization.

As noted earlier, Southside had a record year in 2021, with net income of \$113.4 million and earnings per diluted common share of \$3.47. Our longstanding conservative credit approach combined with our overarching strategy to align with strong borrowers allowed us to grow our loan portfolio, net of PPP loans, while simultaneously managing our asset quality. We maintained our culture of expense discipline as our efficiency ratio improved, decreasing to 49.03%.

We navigated the unfavorable interest rate environment better than most of our peers as our net interest margin increased to 3.16%, from 3.07% in 2020. During the past two years, we strategically replaced \$700 million of our more interest rate sensitive funding sources, Federal Home Loan Bank (FHLB) advances and brokered deposits, with lower cost non-maturity deposits that have increased \$1.7 billion, or 51%. This level of growth was driven by the unprecedented level of government stimulus and PPP loan proceeds remaining in the Bank. At December 31, 2021, 95% of our remaining FHLB advances and brokered deposits were swapped at a fixed rate. As short-term interest rates are expected to increase during 2022, we expect to benefit from

the proactive funding measures we have taken during the past two years.

Dividends remain our preferred source of capital return, and in 2021 we declared regular cash dividends of \$1.31 per share and a special dividend of \$0.06 per share. Together they represent \$1.37 in total, a 5.4% increase.

It is a privilege to be in a position to earn our stakeholders' trust and to improve the lives of our customers and the well-being of our communities. It is a responsibility that we at Southside do not take lightly. Our expanded disclosure and attention to Environmental, Social and Governance (ESG) standards continued in 2021. Providing more detailed disclosure about our performance in this area is becoming more important as the focus on ESG becomes more prominent.

We are fortunate to serve what many consider some of the best markets in the country. The economic conditions in our markets remain strong, bolstered by continued company relocations and existing company expansions combined with population growth resulting from continued migration from other states. We look forward to expanding our Texas franchise in 2022 through organic growth, and we will continue to evaluate acquisition opportunities as they arise.

Our financial results continue to reflect our focused discipline and execution of our business strategy. Given the positive economic conditions in our markets, our strong balance sheet, capital position, core earnings and asset quality, we are excited about the prospects for 2022.

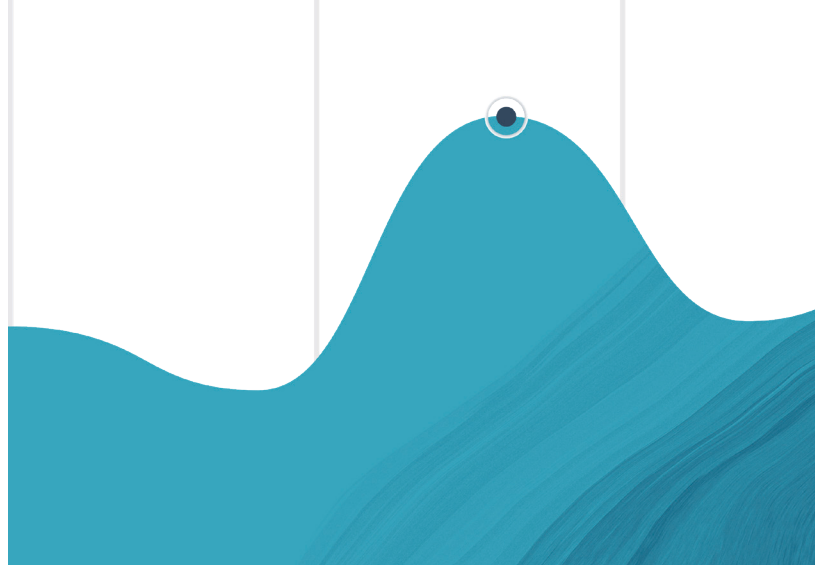
Thank you for being a shareholder and for your continued support.



LEE R. GIBSON
President and Chief Executive Officer

FINANCIAL Highlights

Dollars in thousands except per share amounts



NET INCOME

2021	2020
\$113,401	\$82,153

PER SHARE DATA

Earnings Per Common Share (Basic)

2021	2020
\$3.48	\$2.47

Earnings per Common Share (Diluted)

2021	2020
\$3.47	\$2.47

Cash Dividends Paid per Common Share

2021	2020
\$1.37	\$1.30

Book Value per Common Share

2021	2020
\$28.20	\$26.56

PERFORMANCE RATIOS

Return on Average Assets

2021	2020
1.59%	1.14%

Return on Average Shareholders' Equity

2021	2020
12.77%	9.91%

PERFORMANCE RATIOS

Dividend Payout Ratio (Diluted)

2021	2020
39.48%	52.63%

Net Interest Margin (GAAP)

2021	2020
2.96%	2.89%

Net Interest Margin*

2021	2020
3.16%	3.07%

BALANCE SHEET DATA

Loans

2021	2020
\$3,645,162	\$3,657,779

Securities

2021	2020
\$2,855,105	\$2,696,303

Total Assets

2021	2020
\$7,259,602	\$7,008,227

Noninterest Bearing Deposits

2021	2020
\$1,644,775	\$1,354,815

Interest Bearing Deposits

2021	2020
\$4,077,552	\$3,577,507

Total Deposits

2021	2020
\$5,722,327	\$4,932,322

Other Borrowings

2021	2020
\$367,257	\$855,699

Long-Term Debt

2021	2020
\$158,794	\$257,506

Total Shareholders' Equity

2021	2020
\$912,172	\$875,297

*A non-GAAP measure. See "Non-GAAP Financial Measures" for more information and a reconciliation to GAAP in our Form 10-K.

COMMUNITY:

More Than a Neighborhood

For Southside, being a community bank has never been defined simply by location. It's all about people. We're committed not only to supporting our fellow community members through financial services, but also by investing in organizations and programs making a positive impact. Throughout 2021, we continued to find ways to help strengthen the communities we proudly serve.

Southside sponsored the remodel of the Children's Center at CHRISTUS Trinity Mother Frances Hospital in Tyler to provide a beautiful and comfortable space for patients. Upgrades were made to the entire children's wing of the hospital, including the patient rooms, playroom and nurses' station. Southside's executive leadership team visited the facility to express gratitude for the hospital staff and everything they do to care for children and families from Tyler and surrounding communities.

The Bank participated in two major events to promote autism awareness and support. This included serving as the presenting sponsor for

the 10th annual Tyler Run for Autism, which is dedicated to supporting children with autism with critical medical treatments in East Texas. More than 500 participants joined in on race day, including many Southside employees, to support the worthy mission.

Team members from our North Texas region volunteered at the Fort Worth Autism Speaks Walk. The Autism Speaks Walk is the world's largest autism fundraising event dedicated to improving the lives of people with autism. Southside also sponsored the Fort Worth event, which was a huge success.

Recognizing our dedication to community, Angelina Beautiful/Clean of Angelina County presented Southside with the Beautification Award for our Chestnut Village branch in Lufkin. This honor is given to organizations that go above and beyond to invest in the beautification of the community. The Chestnut Village branch received a complete remodel in 2020 with major upgrades to both the exterior and interior.



In addition to annual support of nonprofits like Salvation Army and United Way, the Bank remained committed to education through our internship program. The 2021 college interns spent the summer serving in various departments, including Commercial Credit, Operations, and Training and Development. Each intern was provided with skills training and mentorship to help prepare them for their future careers.

While giving back to our communities, Southside also builds a community of support within our own team.

The Bank was recognized as the longest tenured company in East Texas to partner with Marketplace Chaplains. Our partnership began in 1990, and we now have over 35 chaplains serving team members across all regions.

Southside Bank was founded on the real meaning of community, and we continue to put people first in everything we do.



INNOVATION:

Forward-Thinking Solutions Today

Serving as one of Southside's core values, innovation remains at the forefront of our strategy for success. In 2021, we continued to implement new technologies and improve existing services to provide even greater value for customers. Our team members worked diligently to execute numerous major initiatives, including the following accomplishments.

Account Opening Upgrades

Southside made several enhancements to our digital account opening platform that customers utilize when opening deposit accounts or applying for a loan online. We upgraded the design of the account opening system to match Southside's modern aesthetic and updated the automated customer emails to create a more seamless application experience.

We also added the option for current business account holders to apply for business accounts through online banking instead of visiting a branch. This process makes it much faster and more convenient for business owners to open additional checking or savings accounts with Southside.

Electronic Invoices

As supporting small businesses remains a priority, Southside introduced a new payment solution. Utilizing the platform, businesses can quickly create and email professional invoices to their clients.

Clients can pay invoices via debit card, credit card or electronic bank transfer. A major advantage to small business owners, all payments are then deposited directly into their Southside business checking account. They can gain access to detailed reports and easily track which clients have opened invoices and made payments.

Contactless Payment

Southside introduced new personal and business debit card designs complete with contactless payment technology. Contactless payment provides an added layer of security and gives customers the option to make in-person payments without touching the terminal. Customers can simply tap or wave their debit card near the machine to pay at participating merchants.



Digital Signatures

Digital solutions remain top of mind, and Southside added signature pads at our branches to create a faster and easier loan opening experience for customers. Now, customers' signatures are captured electronically instead of being required to sign physical documents.

Teller Capture System

Southside officially converted to a new teller capture system, which converts paper checks and other documents into digital images. The system created multiple new efficiencies for frontline team members as they serve customers in our branches.

Website Refresh

With a focus on increasing search engine ranking and driving website traffic, southside.com received a fresh look. The updated website features a new homepage design, as well as reorganized header and footer menus to create a better user experience. As digital experiences become increasingly important, Southside continues to optimize the website and will introduce a full redesign in 2022.

SERVICE:

Exceeding Customer Expectations

Since Southside first opened our doors, customers have been at the center of everything we do. We strive not only to meet all our customers' financial needs, but to provide a level of excellence and personal service they can't find anywhere else.

In April, the Bank opened a new location at 1800 Post Oak Blvd., Ste. 300 in Houston. Expanding Southside's footprint in the Houston area, the office primarily serves the commercial loan market. The team of commercial lending officers brings years of lending experience and knowledge, as well as extensive involvement in the community.

Supporting small businesses impacted by the COVID-19 pandemic remained very important to Southside. The Small Business Administration (SBA) Paycheck Protection Program (PPP) was expanded for a second round of loans, and Southside accepted applications to assist more businesses in need. During the first half of 2021, Southside originated \$112.3 million of additional PPP loans.

Building strong customer relationships and serving as their bank of choice is essential. The Bank has made it a priority to train and license additional team members to serve in the dual role of Branch Manager and Mortgage Loan Officer. By expanding the managers' capabilities to include mortgage loans, customers can meet all their financial needs at each Southside location with local bankers they know and trust.

Southside aims to make banking as convenient as possible. In support of this commitment, the Bank expanded the drive-thru at our South Broadway location in Tyler. The three additional drive-thru lanes opened in November to accommodate even more customers at the high-traffic branch. Customers also have access to a deposit-taking ATM 24/7 and Interactive Teller Machines (ITMs).

In 2021, Southside introduced 10 new ITM locations and now operates 32 ITMs across our markets. ITMs provide an efficient banking experience with extended hours of operation. Customers can utilize an ITM to withdraw and deposit cash 24/7, deposit checks, make loan payments, and transfer funds between accounts. In addition to making transactions, customers can speak to a live Southside Bank teller for assistance in English or Spanish.

As Southside Bank continues to progress and evolve, we don't lose sight of the real reason we do what we do: our customers.



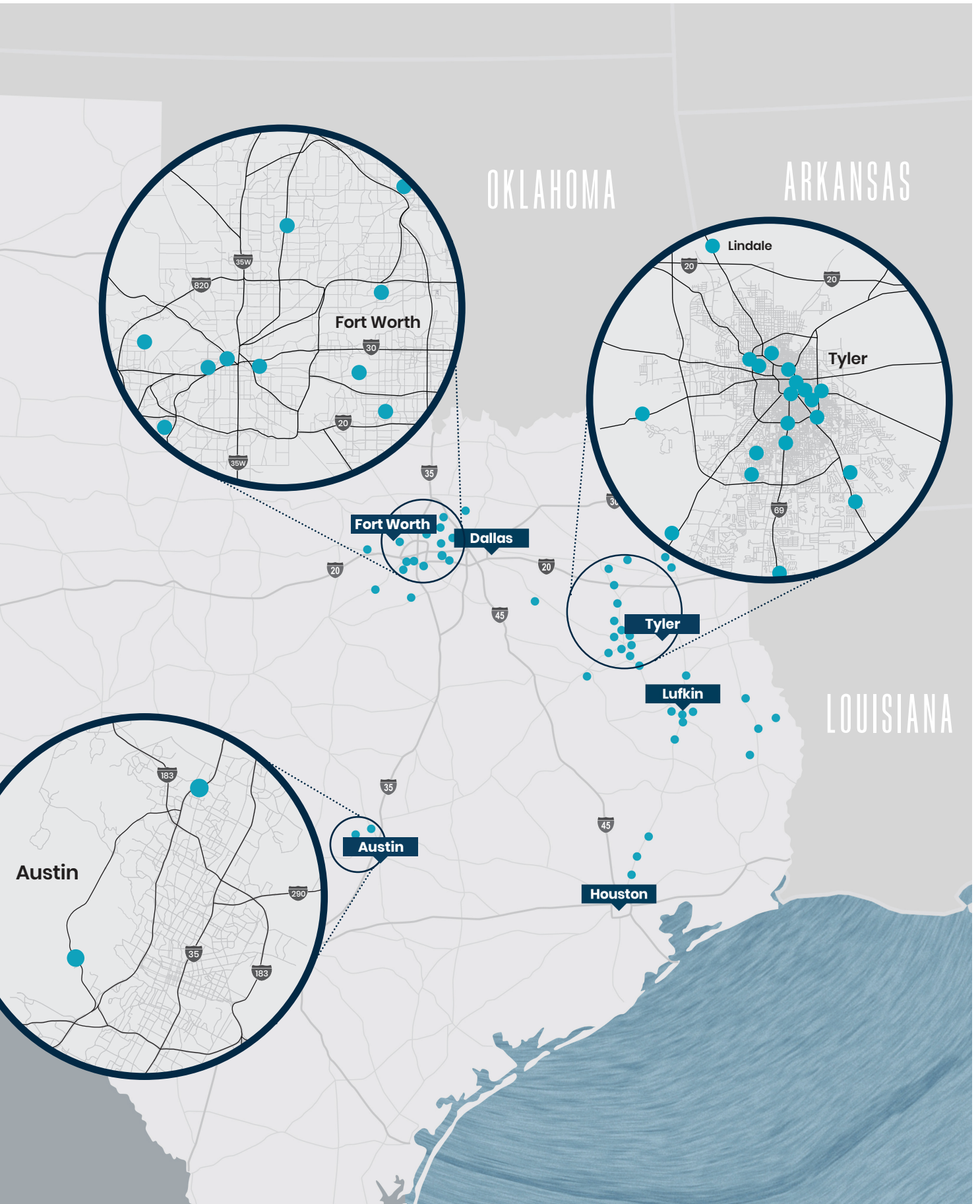
SOUTHSIDE BANK

Across the Map

We were founded in Texas in 1960 and still proudly serve here today. Southside operates 56 branches throughout East, North, Central and Southeast Texas. We also have a network of 73 local ATMs/ITMs, and are affiliated with more than 55,000 ATMs across the nation.

NEW MEXICO

MEXICO



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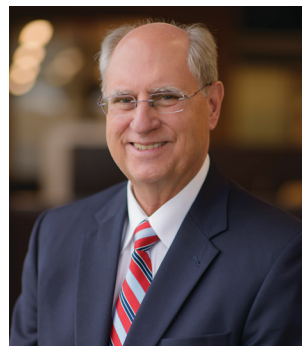
Lee R. Gibson, CPA
President & CEO



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Henderson, III**



**Melvin B.
Lovelady, CPA**



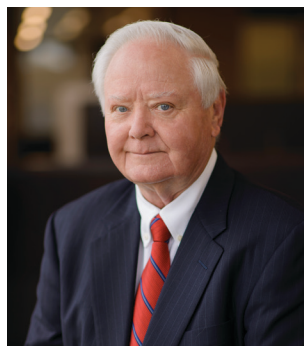
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*Advisory Directors

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Julie N. Shamburger, CPA

Chief Financial Officer

Tim Alexander

Chief Lending Officer

Brian K. McCabe

Chief Operations Officer

T. L. Arnold

Chief Credit Officer

Suni Davis, CPA

Chief Risk Officer

Cindy Blackstone

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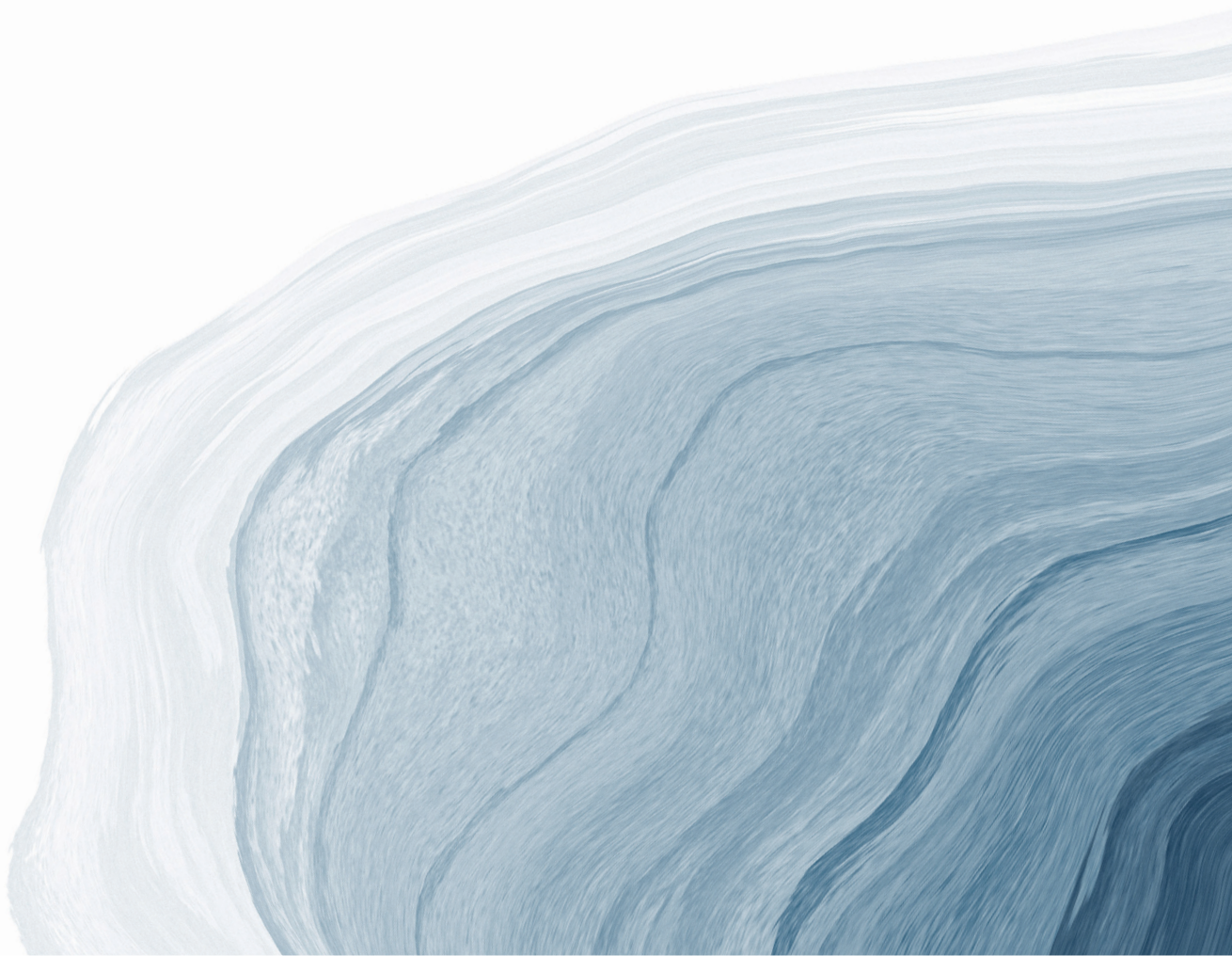
Market President, Lufkin

Malcolm Deason

Executive Vice Presidents

Brad Browder, CFA
Joe (Trey) Denman, III
Ernest King, CPA

2021
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