

SOUTHSIDE BANCSHARES INC
Form DEF 14A
March 26, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 - Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 - Definitive Proxy Statement
 - Definitive Additional Materials
 - Soliciting Material Pursuant to Sec. 240.14a-12
- Southside Bancshares, Inc.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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- (1) Title of each class of securities to which transaction applies:
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- (1) Amount Previously Paid:
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- (3) Filing Party:
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SOUTHSIDE BANCSHARES, INC.
1201 South Beckham Avenue
Tyler, Texas 75701

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 15, 2019

Dear Shareholder:

You are cordially invited to attend the 2019 Annual Meeting of Shareholders (the "Annual Meeting") of Southside Bancshares, Inc. (the "Company") to be held at Willow Brook Country Club, 3205 West Erwin Street, Tyler, Texas 75702, on Wednesday, May 15, 2019, at 11:30 a.m., local time, for the purpose of considering and acting upon the following:

1. the election of four nominees named in this proxy statement as members of the board of directors of the Company (the "Board") to serve until the Annual Meeting of Shareholders in 2022;
2. a non-binding advisory vote on the compensation of the Company's named executive officers;
3. the ratification of the appointment by our Audit Committee of Ernst & Young LLP ("EY") to serve as the independent registered public accounting firm for the Company for the year ending December 31, 2019; and
4. the transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.

Management will also report on operations and other matters affecting the Company. After the meeting, the Company's officers and directors will be available to answer your questions. Representatives from EY, the Company's independent registered public accounting firm, are expected to be in attendance and available to answer your appropriate questions or make a statement if they so desire.

Only holders of common stock registered on the Company's books as owners of shares at the close of business on March 21, 2019, are entitled to vote at the Annual Meeting.

Your attendance and vote are important. Please sign, date and return the enclosed proxy immediately in the envelope provided or you may vote your shares by telephone or Internet. It is important that you sign and return the proxy or vote by telephone or Internet, even if you actually plan to attend the meeting in person. Your proxy may be revoked prior to the Annual Meeting by notice in writing to the Corporate Secretary at the Company's principal executive office, located at 1201 South Beckham Avenue, Tyler, Texas 75701, at any time, or by advising the Corporate Secretary at the Annual Meeting that you wish to revoke your proxy and vote your shares in person.

By Order of the Board of Directors,

/s/ John R. (Bob) Garrett
John R. (Bob) Garrett
Chairman of the Board
Tyler, Texas
March 26, 2019

Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders to be Held on May 15, 2019:

The Company's Proxy Statement and 2018 Annual Report are available at <http://investors.southside.com/FinancialDocs>.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, IT IS REQUESTED THAT YOU PROPERLY EXECUTE AND PROMPTLY RETURN THE ENCLOSED FORM OF PROXY TO OUR TRANSFER AGENT, COMPUTERSHARE INVESTOR SERVICES, IN THE ENCLOSED ADDRESSED ENVELOPE OR VOTE YOUR SHARES BY TELEPHONE OR INTERNET.

SOUTHSIDE BANCSHARES, INC.
1201 South Beckham Avenue
Tyler, Texas 75701

PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, MAY 15, 2019

TO OUR SHAREHOLDERS:

This proxy statement is being furnished to holders of the common stock of Southside Bancshares, Inc. (the "Company") in connection with the Company's 2019 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Wednesday, May 15, 2019, at 11:30 a.m., local time, at Willow Brook Country Club, 3205 West Erwin Street, Tyler, Texas 75702, and at any adjournments thereof, for the purpose of considering and acting upon the following:

1. the election of four nominees named in this proxy statement as members of the board of directors of the Company (the "Board") to serve until the Annual Meeting of Shareholders in 2022;
2. a non-binding advisory vote on the compensation of the Company's named executive officers;
3. the ratification of the appointment by our Audit Committee of Ernst & Young LLP ("EY") to serve as the independent registered public accounting firm for the Company for the year ending December 31, 2019; and
4. the transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.

This Proxy Statement and a proxy card, as well as the Annual Report of the Company for the year ended December 31, 2018, including financial statements, are first being sent or made available to shareholders on or about April 2, 2019.

You are encouraged to review all of the information contained in the proxy materials before voting.

VOTING OF PROXY

If your proxy is executed and returned, it will be voted as you direct. If no direction is provided, the proxy will be voted in accordance with the Board's recommendations, as follows:

FOR the election of all of the nominees named in this proxy statement as directors;

FOR the approval of the compensation of the Company's named executive officers;

FOR the ratification of the appointment of EY.

The proxies will use their discretion with respect to voting on any other matters presented for a vote at the meeting. Additionally, if your proxy is executed and returned, it will be voted to approve the minutes of the last Annual Meeting. This vote will not amount to a ratification of any action taken at that meeting nor will it indicate approval or disapproval of that action.

If your shares are registered in your name as the shareholder of record, you may vote by mail, telephone or Internet by following the instructions below. Voting instructions also appear on your proxy card. If you grant a proxy by telephone or by Internet, please have your proxy card available.

To vote by mail, complete, sign, and return the enclosed proxy card in the envelope provided to: Proxy Services, c/o Computershare Investor Services, P.O. Box 505000, Louisville, Kentucky, 40233-5000.

To vote by telephone, call toll free 1-800-652-VOTE (8683) within the United States, U.S. territories and Canada any time on a touch tone telephone and follow the instructions provided by the recorded message. There is NO CHARGE to you for the call.

To vote by Internet, access the voting site at www.investorvote.com/SBSI, or scan the Quick Response code with your smart phone and follow the voting instructions set forth on the secure website.

The telephone and Internet voting procedures are designed to authenticate the shareholder's identity and to allow shareholders to vote their shares and confirm their voting instructions have been properly recorded. Shareholders who vote by telephone or Internet do not need to return the proxy card. Proxies submitted by telephone or Internet must be

recorded by 11:59 p.m. Eastern time on May 14, 2019.

If you hold your shares in “street name” in a stock brokerage account or through a bank, trust or other nominee, the broker or other nominee is considered the record holder and you are the beneficial owner of the shares. Beneficial owners vote their street name shares by instructing their broker or other nominee how to vote using the voting instruction form provided by the broker or nominee. Brokers only have authority to vote in their discretion on “routine” matters if they do not receive voting instructions from the beneficial owner of the shares.

Please note that the proposal to elect directors and the advisory vote on the compensation of the Company's named executive officers (the “Say-on-Pay” vote) are not considered routine matters. Consequently, if you do not give your broker or nominee specific voting instructions with respect to such proposals, your street name shares will be treated as broker non-votes with respect to those proposals (see “Quorum, Voting Rights and Procedures” below) and will have no effect on the outcome of such proposals.

If you hold your shares in street name and want to vote in person at the Annual Meeting, you must obtain from your broker or nominee a legal proxy issued in your name giving you the right to vote the shares directly at the meeting. You will not be entitled to vote at the meeting unless you present such a proxy to the Company at that time.

REVOCABILITY OF PROXY

Your proxy may be revoked prior to the Annual Meeting by providing notice in writing to the Corporate Secretary at the Company's principal executive office, located at 1201 South Beckham Avenue, Tyler, Texas 75701, at any time, or by advising the Corporate Secretary at the Annual Meeting that you wish to revoke your proxy and vote your shares in person. Your attendance at the Annual Meeting will not constitute automatic revocation of the proxy.

PERSONS MAKING THE SOLICITATION

The Company's Board is soliciting the proxy. The expense of soliciting your proxy will be borne entirely by the Company and no other person or persons will bear such costs either directly or indirectly. Proxies will be solicited principally by mail, but may also be solicited by personal interview, telephone and email by directors, officers and employees of the Company who will receive no additional compensation.

RECORD DATE AND OUTSTANDING SHARES

The Company's Board has fixed the close of business on March 21, 2019, as the record date for determining the holders of common stock of the Company entitled to notice of and to vote at the Annual Meeting. At the close of business on March 21, 2019, there were approximately 33,717,464 shares of common stock outstanding and eligible to be voted on each matter.

QUORUM, VOTING RIGHTS AND PROCEDURES

The approval of all proposals brought before the Annual Meeting requires a quorum be present at the Annual Meeting. The presence, in person or by properly submitted proxy, of the holders of a majority of the shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. In the event a quorum is not represented in person or by proxy at the Annual Meeting, a majority of shares present or represented at the meeting and entitled to vote at the meeting may adjourn the Annual Meeting to allow the solicitation of additional proxies or other measures to obtain a quorum.

Each shareholder is entitled to one vote on each proposal per share of common stock held as of the record date.

Proposal 1, the election of four directors to serve until the 2022 Annual Meeting, requires the affirmative vote of a majority of the votes cast by the holders of shares of common stock entitled to vote in the election of directors; provided, however, that if, as of the record date, the number of nominees for director exceeds the number of positions on the Board to be filled by election at such meeting, or a "contested election," then the directors shall be elected by a plurality of the votes cast. A "majority of the votes cast" means that the number of shares cast "for" a director's election exceeds the number of shares cast "against" a director's election, with abstentions and broker non-votes counting as votes neither "for" nor "against" such director's election. A "plurality of the votes cast" means that the director nominees who receive the highest number of "for" votes will be elected to the Board. The Board has proposed four nominees for election. No other nominees for election to the Board have been submitted for election in accordance with our bylaws. Thus, the Board has determined that this is not a contested election, and each director will be elected by a majority of the votes cast.

Under our bylaws, any incumbent director who is a nominee in an uncontested election who does not receive a majority of votes cast shall promptly tender his or her resignation to the Board, the effectiveness of which will be conditioned upon and subject to acceptance by the Board. The Nominating Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation or whether other action should be taken, after which the Board will vote to decide whether to accept the recommendation of the Nominating Committee and will promptly disclose that decision and the rationale behind its decision.

Proposal 2, the Say-on-Pay vote, and Proposal 3, the ratification of EY as the Company's independent registered public accounting firm and any other matter that may properly come before the Annual Meeting, require approval by a majority of the shares of common stock entitled to vote on, and voted for or against, or expressly abstained from voting, with respect to the matter.

EFFECT OF WITHHOLD VOTES, ABSTENTIONS AND BROKER NON-VOTES

Shares represented at the Annual Meeting that are withheld or abstain from voting and broker non-votes votes (i.e., the submission of a proxy by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter) will be considered present for the purpose of determining a quorum at the Annual Meeting.

For Proposal 1, abstentions and broker non-votes will not be counted in determining whether a director has received a majority of the votes cast for his or her election.

For Proposals 2 and 3 and for any other matter that may properly come before the meeting, abstentions will be included in vote totals and, as such, will have the same effect on those proposals as a vote against such proposals.

Broker non-votes will not be included in vote totals and, as such, will have no effect on such proposals.

ELECTION OF DIRECTORS

(PROPOSAL 1)

The Board is currently comprised of 17 directors. The Board size will be reduced to 15 directors effective as of the date of the Annual Meeting as one director has elected not to stand for re-election at the Annual Meeting and one director has elected to retire effective as of the date of the Annual Meeting. The Board is classified into three classes, two of which are currently comprised of six directors and one that is currently comprised of five directors. Following the Annual Meeting, we will continue to have three classes, one of which will be comprised of six directors, one of which will have five directors and one of which will have four directors. One class of directors is elected each year for a three-year term. Under NASDAQ listing rules, a majority of the Board must be comprised of independent directors. The Board has determined that each director nominated is independent under NASDAQ listing rules except for Lee R. Gibson, President and Chief Executive Officer.

The four individuals identified below are nominees for election at the Annual Meeting for a three-year term expiring at the 2022 Annual Meeting.

Term Expiring 2022

♣Michael J. Bosworth

♣Lee R. Gibson, CPA

♣George H. (Trey) Henderson, III

♣Donald W. Thedford

All of the nominees are currently directors of the Company and its subsidiary, Southside Bank. All of the nominees except George H. (Trey) Henderson, III were previously elected to the Board by shareholders. Mr. Henderson was appointed by the Board as a director of the Company during the fourth quarter of 2018. For biographical information on the nominees, please see "Information About Our Directors, Nominees and Executive Officers."

Unless otherwise instructed, proxies received in response to this solicitation will be voted in favor of the election of the persons recommended by the Nominating Committee and nominated by the Board as nominees for directors of the Company. While it is not expected that any of the nominees will be unable to qualify or accept office, if for any reason one or more shall be unable to do so, the proxies will be voted for the substitute nominee(s) selected by the Board.

The Board recommends a vote FOR the election of each of the individuals nominated for election as a director.

INFORMATION ABOUT OUR DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

The following table sets forth information regarding our nominees for director, our continuing directors and our current executive officers. Our Board is divided among three classes, with members of each class serving three-year terms.

NOMINEES FOR DIRECTOR TERMS TO EXPIRE AT THE 2022 ANNUAL MEETING	INITIAL ELECTION TO BOARD
<p>MICHAEL J. BOSWORTH (68) – Mr. Bosworth graduated from Texas Tech University in 1974 and entered the insurance business working for Agency Management Systems until 1977 when he joined Bosworth & Associates as an Independent Insurance Agent and Risk Manager. Mr. Bosworth is a Certified Insurance Counselor and Accredited Advisor of Insurance. Mr. Bosworth has served as the president of Bosworth & Associates since 1987 and serves as the president of the Board of the Independent Insurance Agents of Tyler as well as a past member of the Board of the Independent Insurance Agents of Texas. He is currently on the Board of Combined Agents of America and is a member of Christ Episcopal Church where he has served on the Vestry as the Senior Warden. Mr. Bosworth has served on the following boards: Tyler Economic Development Council, East Texas Communities Foundation, All Saints Episcopal School, American Red Cross, Children's Village and Willow Brook Country Club. Mr. Bosworth's extensive insurance industry knowledge and experience, as well as his leadership and risk management skills qualify him to be a member of the Board.</p>	2017
<p>LEE R. GIBSON, CPA (62) – Mr. Gibson has served as President and Chief Executive Officer (“CEO”) of the Company since January 2017. He has served as President of the Company since December 2015 and as an executive and Chief Financial Officer (“CFO”) of the Company since 2000. He joined Southside Bank in 1984 and is also a director of Southside Bank. He currently serves as a Director and member of the Investment Committee of the Tyler Junior College Foundation and serves on the finance committee of the Tyler Economic Development Council. He previously served as Chairman of the Board of Directors of the Federal Home Loan Bank of Dallas for six years and Council of Federal Home Loan Banks for two years. Mr. Gibson has over 30 years of banking experience, has served on the Board of Southside Bank since 1999, is a CPA and has extensive financial knowledge, which qualify him to be a member of the Board.</p>	2015
<p>GEORGE H. (TREY) HENDERSON, III (60) – Mr. Henderson is the owner of Henderson Mineral, Inc. and a graduate of Texas A&M University with a bachelor's degree of Science in Agricultural Economics. Mr. Henderson currently serves on the Board of Directors for Brookshire Brothers, Overseas Hardwood Company, the Pineywoods Foundation, the George H. Henderson, Jr. Expo Center and the Texas Forestry Association Legislative Board. He has worked closely with the Lufkin/Angelina Economic Development Board to bring new businesses to Angelina County. He previously served on the board of directors for First Bank & Trust East Texas. Mr. Henderson has been a member of the Southside Bank board of directors since December 7, 2017. Mr. Henderson's extensive business management and leadership experience, as well as knowledge of the agriculture industry qualify him to be a member of the Board.</p>	2018
<p>DONALD W. THEDFORD (69) – Mr. Thedford has been the owner and President of Don’s TV & Appliance, Inc., a home appliance and electronics store, since 1979. He is a member of the National Appliance Retail Dealers Association and the BrandSource Marketing Group. Mr. Thedford currently serves as a board member of the Smith County Sheriff’s Foundation and has previously served on the Board of Directors of the Tyler Area Chamber of Commerce, Better Business Bureau of East Texas, Retail Dealers Association and The Salvation Army. Mr. Thedford’s management and leadership skills operating his business for over 39 years, combined with his overall knowledge of business and finance, qualify him to be a member of the Board.</p>	2009

DIRECTORS CONTINUING UNTIL THE 2021 ANNUAL MEETING

S. ELAINE ANDERSON, CPA (66) – Ms. Anderson has a BBA with a major in accounting from Indiana University and has been a licensed CPA since 1976. She served as a director of OmniAmerican Bancorp, Inc. (“OmniAmerican”) from 1996 to December 17, 2014 and as independent Chairperson of the Board from May 2010 to December 17, 2014, when OmniAmerican was acquired by the Company. She served for 24 years with Texas Health Resources as Senior Vice President and Chief Compliance Officer prior to retiring in January 2016. In that role, she had responsibilities for compliance, privacy, information security and enterprise risk management. Texas Health Resources is one of the largest nonprofit healthcare systems in the U.S. Her prior professional experience includes serving in various positions with the international accounting firm, PricewaterhouseCoopers from 1980 to 1991. Her memberships have included the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the Health Care Compliance Association. Ms. Anderson's public accounting experience, understanding of financial statements and experience as the Chief Compliance Officer for a large healthcare system qualify her to be a member of the Board. 2014

HERBERT C. BUIE (88) – Mr. Buie has been Chief Executive Officer of Tyler Packing Corporation, Inc., a meat-processing firm, since 1955. He serves on the Board of Directors of the University of Texas Health Science Center at Tyler, the Development Board of Directors of the University of Texas at Tyler, The Salvation Army, Tyler Economic Development Council, the University of Texas at Tyler Foundation and the East Texas State Fair. Mr. Buie brings to our Board an extraordinary understanding of our business, history and organization, as well as management, leadership and business skills. These skills, combined with his service on numerous boards, including this Board since 1988, qualify him to be a member of the Board. 1988

PATRICIA A. CALLAN (60) – Ms. Callan is a principal of Callan Consulting, which has provided sales management, insurance, managed care and healthcare related consulting services in the Dallas/Fort Worth area since 2001. She previously held executive management positions in Texas and Kentucky for regional and national insurance companies and owned an independent insurance agency in Lexington, Kentucky. She also served on the Board of Directors of OmniAmerican from 2006 to December 17, 2014, when OmniAmerican was acquired by the Company. Ms. Callan holds a Texas General Lines License. Ms. Callan's extensive business management and leadership experience qualify her to be a member of the Board. 2014

JOHN R. (BOB) GARRETT (65) – Mr. Garrett is a residential and commercial real estate developer and has served as the President of Fair Oil Company, a Tyler based oil and gas exploration and production company, since 2002. Mr. Garrett is also Vice President of the R. W. Fair Foundation, a member of the Board of Regents of Stephen F. Austin State University and a member of the University of Texas Health Science Center at Tyler Development Board. He is a director of T.B. Butler Publishing, Inc. and a director of the Meadows Mental Health Policy Institute. He is a past president of both the Tyler Area Builders Association and the Texas Association of Builders. Mr. Garrett brings to our Board extensive knowledge in the areas of residential and commercial real estate and oil and gas, as well as management, leadership and business skills and experience serving on numerous boards, all of which qualify him to be a member of the Board. 2009

TONY K. MORGAN, CPA (69) – Mr. Morgan is a founding partner of Gollob Morgan Peddy P.C., an East Texas public accounting firm. He began his career as an accounting professional in 1972 and now specializes in Business Valuation and Litigation Support. He is a CPA, accredited in Business Valuation, and certified in Financial Forensics. Mr. Morgan is a graduate of Stephen F. Austin State University and has served in various community service roles for organizations including East Texas Communities Foundation, Children's Village and the East Texas Area Council, Boy Scouts of America. Mr. Morgan's extensive financial background, including being a founding partner of an accounting firm, qualifies him to be a member of the Board. 2017

DIRECTORS CONTINUING UNTIL THE 2020 ANNUAL MEETING

LAWRENCE ANDERSON, M.D. (62) – Dr. Anderson was the founder of Dermatology Associates of Tyler and served as the medical director from 1996 to 2012. He then served in the same role for Oliver Street Dermatology from 2012 to 2016. He is currently the Chief Medical Officer and serves on the Board of Derm Growth Partners, a single specialty dermatology group with over 200 medical providers in nine states. He is a graduate of Washington State University and Uniformed Services University of Health Sciences in Bethesda, Maryland. He is the Chairman of the University of Texas at Tyler Foundation Board and a published author, with a number of publications, presentations and lectures to his credit. Dr. Anderson's management, leadership skills and healthcare industry knowledge, combined with his knowledge of business and finance, qualify him to be a member of the Board. 2010

MELVIN B. LOVELADY, CPA (82) – Mr. Lovelady has a BBA with a major in accounting, has been a licensed CPA since 1967, is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the East Texas Chapter of the Texas Society of Certified Public Accountants. He was a founding member of Henry & Peters Financial Services, LLC, organized in 2000. He was an officer and shareholder of the accounting firm, Henry & Peters, PC from November 1987 through December 31, 2004. Prior to joining Henry & Peters, PC, he was a partner in the accounting firm of Squyres Johnson Squyres CPA. He is a member of the Board of Directors of the Tyler Junior College Foundation, the Hospice of East Texas Foundation, the Alzheimer's Alliance of Smith County and a Trustee of the R. W. Fair Foundation. Mr. Lovelady is a former partner with two accounting firms and a current or prior member of numerous boards, including serving on this Board since 2005, all of which qualify him to be a member of the Board. 2005

JOHN F. SAMMONS, JR. (69) – Mr. Sammons is the current Chairman and Chief Executive Officer of Mid States Services, Inc., a nationwide distributor of products and services to the corrections industry. He is also the owner of Temple Supply Company with investments in various non-public businesses related to sales to the convenience store industry. Mr. Sammons enjoyed an extensive public service career serving as mayor of Temple, Texas and also served on the Board of the Texas Department of Commerce among numerous other state 2017

and national appointments. He was Vice Chairman of the Board of Directors of OmniAmerican from 2009 until December 17, 2014, when OmniAmerican was acquired by the Company. Mr. Sammons' extensive business management background, knowledge of business and finance and skills leading numerous endeavors over 40 years qualify him to be a member of the Board.

H. J. SHANDS, III (63) – Mr. Shands currently serves as Regional President, East Texas having joined the bank as a result of the acquisition of Diboll State Bancshares, Inc. on November 30, 2017. He is Chairman of the Board of Directors of Balcones Resources, Inc., and is Trustee for the T.L.L. Temple Foundation, the I.D. & Marguerite Fairchild Foundation and Angelina College. He previously served as President and CEO of First Bank & Trust East Texas for 26 years and was Treasurer of Temple Inland Inc., a major manufacturer of corrugated packing and building products, with diversified banking and financial services operations. Mr. Shands 2017 served as Vice Chairman of the Finance Commission of Texas where he represented the banking industry for 8 years. He also served on the Board of Directors, and was Past Chairman for CHI Memorial Health Center of East Texas, City of Lufkin 4B Economic Development and First Bank of Conroe, N.A. Mr. Shands' over 40 years of Banking experience, leadership, business development and management skills qualify him to be a member of the Board.

WILLIAM SHEEHY (78) – Mr. Sheehy retired December 31, 2006 as senior partner of the law firm of Wilson, Sheehy, Knowles, Robertson & Cornelius PC, where he had practiced law since 1971. Mr. Sheehy received his law license in 1964 and continuously practiced until his retirement. Mr. Sheehy’s practice was primarily in the area of banking and commercial law, as well as real estate. Within these areas, Mr. Sheehy has extensive experience in reorganizations, acquisitions and transactional events. As part of the banking practice, Mr. Sheehy 1983 has experience in loan structuring and collection issues. Mr. Sheehy is a former director of the Texas Association of Bank Counsel. Mr. Sheehy brings to our Board an extraordinary understanding of our business, history and organization. He was a senior partner of a law firm prior to his retirement and has served on this Board since 1983, all of which qualify him to be a member of the Board.

PRESTON L. SMITH (63) – Mr. Smith has been the President and owner of PSI Production, Inc., a petroleum, exploration and production company since 1985. He is a member of the Independent Petroleum Association of America and served as Northeast Texas Representative to the Board of Directors from 1999 to 2005. Mr. Smith serves as General Partner for the Pineywoods Mitigation Bank and manager for Wildwood Environmental Credit Company. Mr. Smith served on the Board of Trustees for All Saints Episcopal School of Tyler from 1994-2014, 2009 is Chairman of the Board of CHRISTUS Trinity Mother Frances Health System, a member of the University of Texas at Tyler Engineering School Advisory Board and member of the Executive Committee of the University of Texas at Tyler Development Board. Mr. Smith’s management and leadership skills, combined with his knowledge of the oil and gas industry, emerging environment credit markets, and the health care industry qualify him to be a member of the Board.

EXECUTIVE OFFICERS

TIM ALEXANDER (62) – Mr. Alexander currently serves as the Chief Lending Officer (“CLO”) of the Company having joined Southside Bank in 2005 and is an advisory director of Southside Bank. Mr. Alexander is a graduate of the University of Texas at Austin with over 35 years of commercial lending experience. He currently serves as a Trustee on the Board of The Great Commission Foundation of the Episcopal Diocese of Texas.

JIM D. ALFRED (63) – Mr. Alfred currently serves as Regional President, Central Texas and joined Southside Bank in 2010. Mr. Alfred is a graduate of Texas Tech University with over 33 years of commercial banking experience. He currently serves on the Governing Board of Make-A-Wish Foundation of Central & South Texas and is a member of the Real Estate Council of Austin and Austin Homebuilders Association.

T. L. ARNOLD, JR. (55) – Mr. Arnold currently serves as Senior Executive Vice President and Chief Credit Officer of the Company and of Southside Bank. He previously served as Executive Vice President and Senior Credit officer of Southside Bank from December 2014 until March 2019. He joined Southside Bank in December 2014, upon the acquisition of OmniAmerican Bank, where he served as Senior Executive Vice President and Chief Credit Officer. Mr. Arnold is a graduate of The University of Texas at Arlington and has over 30 years experience in the banking and financial services industry. He serves on the Board of Directors for William Mann Community Development Corporation and is actively involved in Meals on Wheels of Tarrant County.

MARK W. DRENNAN (45) – Mr. Drennan currently serves as Regional President, North Texas, having joined the bank in January 2017. In this role, he is responsible for strategic planning, coordination, and implementation of bank operations in the North Texas market. Mr. Drennan is a graduate of Texas Tech University with both a BBA and MBA and has over 18 years of commercial bank experience. Mr. Drennan also graduated from the Stonier National Graduate School of Banking at the University of Pennsylvania. Mr. Drennan previously served as Board Chair of Leadership Fort Worth and on the Board of Directors for the YMCA of Metropolitan Fort Worth.

BRIAN K. MCCABE (58) – Mr. McCabe currently serves as Senior Executive Vice President and Chief Operations Officer of the Company and Southside Bank. He previously served as Executive Vice President of the Company from 2014 until June 2017. He is also an advisory director of Southside Bank. He joined Southside Bank in 1983, and since that time has managed different operational and electronic banking areas. Mr. McCabe is a graduate of Stephen F. Austin State University, with a degree in Business Data Processing and a minor in finance, and the Southwest Graduate School of Banking. He currently serves on the Boards of East Texas Lighthouse for the Blind and CHRISTUS Trinity Mother Frances Foundation. Mr. McCabe has previously served on the Board of Directors of the

Tyler Area Chamber of Commerce, United Way of Smith County and Smith County American Red Cross.
JULIE N. SHAMBURGER, CPA (56) – Ms. Shamburger currently serves as Senior Executive Vice President and Chief Financial Officer of the Company and Southside Bank. She is also an advisory director of Southside Bank. Ms. Shamburger served as Executive Vice President and Chief Accounting Officer from 2011 until April 2016. Ms. Shamburger joined Southside Bank in 1982 and has over 35 years of accounting experience. Ms. Shamburger is a graduate of the University of Texas at Tyler. She is responsible for the oversight of regulatory and SEC reporting as well as the daily accounting practices of the Company and Southside Bank. Ms. Shamburger currently serves on the Board of Directors of CASA for Kids of East Texas. Ms. Shamburger is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the East Texas Chapter of the Texas Society of Certified Public Accountants.

CORPORATE GOVERNANCE

Board Leadership Structure

Our Board functions in a collaborative fashion that emphasizes active participation by all of its members. Our business is conducted day-to-day by our officers, under the direction of our CEO, Lee R. Gibson, with oversight from the Board, to enhance the long-term value of the Company for its shareholders. Mr. Gibson also serves as a member of the Board, which enables him to communicate the Board's strategic findings and guidance to management. Our Board determines who to appoint as our Chairman based on the knowledge and experience of the people then serving on our Board and chooses the person whom it believes best meets the needs of the Company. Based on these factors in 2018, the Board selected John R. (Bob) Garrett to serve as Chairman effective immediately following the 2018 Annual Meeting. Mr. Garrett previously served as Vice Chairman from January 1, 2015 until his selection as Chairman. Mr. Garrett has served on various board committees for the Company and for Southside Bank and has proven to be an integral part of the Board since his election in 2009. The Board selected Donald W. Thedford to serve as Vice Chairman effective immediately following the 2018 Annual Meeting. Mr. Thedford has been on the Board since 2009 and has served on various board committees for both the Company and Southside Bank. Both the Chairman and the Vice Chairman are independent directors and serve as ex-officio nonvoting members of the Audit, Nominating, Compensation, Risk and Information Technology, Digital Banking and Innovation Committees.

Board Oversight of Risk

The Board recognizes that, although day-to-day risk management is primarily the responsibility of the Company's management team, the Board plays a critical role in the oversight of risk. The Board believes an important part of its responsibility is to assess the major risks the Company faces and review the Company's options for monitoring and controlling these risks. The Board assumes responsibility for the Company's overall risk assessment, primarily through the Board's Audit and Risk Committees. The Audit Committee has specific responsibility for oversight of risks associated with financial accounting and audits, as well as internal control over financial reporting. This includes the Company's risk assessment and management policies, the Company's major financial risk exposure and the steps taken by management to monitor and mitigate such exposure. The Risk Committee assists the Board in fulfilling its responsibility for overseeing and improving the Company's enterprise-wide risk management practices, which includes overseeing that the executive team has identified and assessed the key risks the Company faces and has established a risk management infrastructure capable of addressing those risks. The Compensation Committee oversees the risks relating to the Company's compensation policies and practices, as well as management development and leadership succession, in the Company's various business units. The Information Technology, Digital Banking and Innovation Committee is responsible for the oversight of technology risk, which includes cybersecurity. The Board as a whole examines specific business risks including but not limited to credit risk, interest rate risk and operations risk, in its regular strategic reviews on a Company-wide basis.

In addition to periodic reports from the Audit, Risk, Compensation and Information Technology, Digital Banking and Innovation Committees about the risks over which they have oversight, the Board receives presentations throughout the year from management that include discussions of significant risks specific to the Company and the banking industry. Periodically, at Board meetings, management discusses matters of particular importance or concern, including any significant areas of risk requiring Board attention. We believe our risk oversight structure is also supported by our current Board leadership structure, with the Chairman of the Board working together with the independent Audit Committee and other standing committees.

Independent Directors

The Company's common stock is listed on the NASDAQ Global Select Market under the symbol "SBSI." NASDAQ listing rules require a majority of our directors to be "independent directors," as defined in the NASDAQ listing rules. The Board has affirmatively determined that all of the Company's directors, other than Lee R. Gibson and H. J. Shands, III, are independent directors under the NASDAQ listing rules. Each member of the Board's Audit, Nominating and Compensation Committees qualifies as an independent director, and all other Board committees are comprised of a majority of independent directors. All Board committees are chaired by independent directors.

Shareholder Communication with the Board of Directors

The Company has adopted a procedure by which shareholders may send communications to one or more members of the Board by writing to such director(s) or to the Board as a whole in care of the Corporate Secretary, Southside Bancshares, Inc., 1201 South Beckham Avenue, Tyler, Texas 75701. Any such communications will be promptly distributed by the Corporate Secretary to such individual director(s) or to all directors if addressed to the Board as a whole.

Code of Ethics

The Company has adopted a Code of Ethics applicable to all directors and executive officers of the Company. The Code of Ethics is available on the Company's website, <http://investors.southside.com>, under the topic Governance Documents. Within the time period required by the Securities and Exchange Commission ("SEC") and the NASDAQ Global Select Market, we will post on our website any amendment to our Code of Ethics and any waiver applicable to any of our directors, executive officers or senior financial officers. We include our website address throughout this filing only as textual references. The information contained on our website is not incorporated in this proxy statement by reference.

Procedures for Reporting Concerns about Accounting, Internal Accounting Controls or Auditing Matters
Management of the Company has established a Whistle Blower Policy. This includes an online reporting system as well as a toll-free, 24-hour, seven-day-a-week fraud hotline. This is a confidential service by which officers and employees can report to an independent company any questionable accounting or auditing matters, including, but not limited to, the following: fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company; fraud or deliberate error in the recording and maintaining of financial records of the

Company; deficiencies in or noncompliance with the Company's internal accounting controls; misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or deviation from full and fair reporting of the Company's financial condition. Any complaints received by the independent company will be reported directly to the Chairman of the Audit Committee and to the Chief Audit Executive of the Company. Complaints will be reviewed by Internal Audit under the direction of the Audit Committee. Complaints submitted will be promptly investigated and appropriate corrective action will be taken, as warranted by the investigation. Management is committed to complying with all applicable securities laws and regulations and, therefore, encourages officers and employees to raise concerns regarding any suspected violations of those standards by using the fraud hotline.

Anti-Hedging and Anti-Pledging Policy

The Company maintains an anti-hedging and anti-pledging policy, which prohibits executive officers, directors and employees who receive equity grants from (1) directly or indirectly engaging in any hedging or monetization transactions, such as exchange funds, prepaid variable forward contracts, equity swaps, puts, calls, collars, forward sale contracts and other derivative instruments, through transactions in the Company's securities or through the use of financial instruments designed for such purpose, (2) engaging in short sale transactions in the Company's securities or (3) pledging the Company's securities as collateral for a loan, including through the use of traditional margin accounts with a broker. The Company maintains this policy because hedging transactions, which might be considered short-term bets on the price of the Company's securities, could create the appearance that the person is trading based on inside information. In addition, transactions in options may also focus the person's attention on short-term performance at the expense of the Company's long-term objectives. Finally, the Company maintains this policy because a margin sale or foreclosure sale may occur at a time when the pledger is aware of material nonpublic information or otherwise is not permitted to trade in the Company's securities and the margin sale or foreclosure sale of the Company's securities during such time could also create the appearance that the person is trading based on inside information.

Board of Directors Meeting Attendance

The Board of Directors and its committees held the following number of meetings during the fiscal year ended December 31, 2018:

	Number of Meetings Held in 2018
Board	19
Audit Committee	16
Nominating Committee	3
Compensation Committee	5
Risk Committee	4
Information Technology, Digital Banking and Innovation Committee	4

During 2018, each of our directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board (held during the period for which he or she served as a director) and (2) the total number of meetings held by all committees of the Board on which he or she served (during the periods that he or she served). All of the Company's directors were in attendance at the Company's 2018 Annual Meeting except Joe Norton, who retired upon the expiration of his term at the 2018 Annual Meeting. Although the Company has not adopted a formal written policy with respect to director attendance at meetings, we encourage our directors to attend each annual meeting of shareholders and all meetings of the Board and committees on which the directors serve.

Southside Bancshares, Inc. Board Committees

The Board has five standing committees:

- Audit Committee;
- Nominating Committee;
- Compensation Committee;
- Risk Committee; and
- Information Technology, Digital Banking and Innovation Committee.

Southside Bank Board Committees

The board of directors of Southside Bank has five standing committees:

• Executive Committee;

• Loan/Discount Committee;

• Trust Committee;

• Compliance/IT/CRA Committee; and

• Investment/Asset-Liability Committee.

These committees were formed to assist the boards of directors of the Company and Southside Bank in the discharge of their respective responsibilities. The purpose and composition of these committees are described below.

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COMMITTEES OF THE COMPANY

Audit Committee of Southside Bancshares, Inc.

The Audit Committee of the Board was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and consists of six directors, Melvin B. Lovelady, CPA (Chairman), S. Elaine Anderson, CPA, Alton Cade, Tony K. Morgan, CPA, William Sheehy and Preston L. Smith. Each member of the Audit Committee is an independent director as defined by the current NASDAQ listing rules and applicable SEC rules and each of whom is also a director of Southside Bank. In addition, the Nominating Committee of the Board has unanimously determined that S. Elaine Anderson, CPA, Melvin B. Lovelady, CPA, and Tony K. Morgan, CPA, each qualify as an “audit committee financial expert” as defined by the SEC. The Nominating Committee of the Board has also unanimously determined that all Audit Committee members are financially literate under the current NASDAQ listing rules.

The Audit Committee is primarily responsible for the engagement of the independent registered public accounting firm, oversight of the Company’s financial statements and controls, assessing and ensuring the independence, qualifications and performances of the independent registered public accounting firm, approving the services and fees of the independent registered public accounting firm and reviewing and approving the annual audited financial statements of the Company before issuance, subject to the approval of the Board. The Audit Committee manages the Company’s relationship with its independent registered public accounting firm, who report directly to the Audit Committee. The Audit Committee also monitors the internal audit function, internal accounting procedures and assures compliance with all appropriate statutes and regulations. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties, with funding from the Company for such advice and assistance. No members of the Audit Committee received any compensation from the Company during the last fiscal year other than directors’ fees. The Audit Committee met 16 times during 2018.

Audit Committee Charter

The Board has adopted a formal written Audit Committee charter that outlines the purpose of the Audit Committee, sets forth the membership requirements and addresses the key responsibilities of the Audit Committee. A copy of the Audit Committee charter may be obtained at the Company’s website, <http://investors.southside.com>, under the topic Governance Documents.

Nominating Committee of Southside Bancshares, Inc.

The Nominating Committee is responsible for identifying, screening and recommending candidates for election to the Board. During 2018, the Committee was comprised of Preston L. Smith (Chairman), Herbert C. Buie, Melvin B. Lovelady, CPA, John F. Sammons, Jr. and William Sheehy, each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and each of whom is also a director of Southside Bank. The Nominating Committee met three times in 2018.

Effective March 1, 2019, the Nominating Committee consists of Preston L. Smith (Chairman), Lawrence Anderson, M.D., Herbert C. Buie, Patricia A. Callan and John F. Sammons, Jr., each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and a director of Southside Bank.

The Nominating Committee seeks to create a Board that is, as a whole, strong in its collective knowledge and diversity of skills and experience and background with respect to accounting and finance, management and leadership, business judgment, industry knowledge and corporate governance. When the Nominating Committee reviews a potential new candidate, it looks specifically at the candidate’s qualifications in light of the needs of the Board and the Company at that time, given the then-current mix of director attributes.

The Company’s Board of Directors has established the following process for the identification and selection of candidates for director. The Nominating Committee, in consultation with the Chairman of the Board, annually reviews the appropriate experience, skills and characteristics required of Board members in the context of the current membership of the Board to determine whether the Board would be better enhanced by the addition of one or more directors. In considering board of director candidates, the Nominating Committee takes into consideration all factors that it deems appropriate, including, but not limited to, the individual’s character, education, experience, knowledge, skills and ownership of the Company’s stock. The Nominating Committee will also consider the extent of the

individual's experience in business, education or public service, his or her ability to bring a desired range of skills, diverse perspectives and experience to the Board and whether the individual possesses high ethical standards, a strong sense of professionalism and is capable of serving the interests of the Company's shareholders. A candidate should possess a working knowledge of the Company's current local market areas. Additionally, the Nominating Committee will consider the number of boards the candidate currently serves on when assessing whether the candidate has the appropriate amount of time to devote to serving on the Company's Board. The Nominating Committee, when considering diversity, gives strong consideration to a wide range of diversity factors as a matter of practice when evaluating candidates to the Board and incumbent directors, but the Committee does not have a formal policy regarding Board diversity.

The Nominating Committee identifies candidates to the Board by introduction from management, members of the Board, employees or other sources, and shareholders that satisfy the Company's policy regarding shareholder recommended candidates. The Nominating Committee does not evaluate director candidates recommended by shareholders differently than director candidates recommended by other sources. Shareholders wishing to submit director candidate recommendations for the 2020 Annual Meeting should write to the Nominating Committee in care of the Corporate Secretary, Southside Bancshares, Inc., Post Office Box 8444, Tyler, Texas 75711. Any such shareholder must follow the procedures set forth in the Company's bylaws and the Nominating Committee charter. Our bylaws provide that proposals that comply with all rules and requirements of the SEC and are included in our proxy statement are deemed to comply with the advance notice procedures in our bylaws. Recommendations must be submitted to the Corporate Secretary on or before December 4, 2019, in order to be included in the proxy statement for the 2020 Annual Meeting. See "Shareholder Proposals." The Nominating Committee is not obligated to recommend any individual as a

nominee for election to the Board. No shareholder recommendations have been received by the Company for this Annual Meeting. Accordingly, no rejections or refusals of such candidates have been made by the Company. In addition, the Nominating Committee is responsible for identifying, screening and recommending to the Board candidates to serve on the Compensation Committee, Audit Committee, Risk Committee and Information Technology, Digital Banking and Innovation Committee. These recommendations are submitted to the Board for final approval.

Nominating Committee Charter

The Board has adopted a formal written Nominating Committee charter which outlines the purpose of the Nominating Committee, sets forth the membership requirements and addresses the key responsibilities of the Nominating Committee. A copy of the Nominating Committee charter may be found on the Company's website, <http://investors.southside.com>, under the topic Governance Documents.

Compensation Committee of Southside Bancshares, Inc.

The Compensation Committee of the Board reviews the Company's general compensation philosophy and oversees the development of compensation and benefit programs. The Compensation Committee recommends the compensation for the named executive officers of the Company, all of whom are executive officers of the Company and Southside Bank. The boards of directors of the Company and Southside Bank consider the recommendations of the Compensation Committee and approve the compensation of the named executive officers. Additional information regarding the Compensation Committee's processes and procedures for consideration of executive compensation is provided in the Compensation Discussion and Analysis below.

During 2018, the Compensation Committee consisted of Patricia A. Callan (Chairman), Melvin B. Lovelady, CPA, John F. Sammons, Jr. and William Sheehy, each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and director of Southside Bank. The Committee met five times in 2018.

Effective March 1, 2019, the Compensation Committee consists of Patricia A. Callan (Chairman), Lawrence Anderson, M.D., George H. (Trey) Henderson, III, Melvin B. Lovelady, CPA and John F. Sammons, Jr., each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and a director of Southside Bank.

Compensation Committee Charter

The Board has adopted a formal written Compensation Committee charter which outlines the purpose of the Compensation Committee, sets forth the membership requirements and addresses the key responsibilities of the Compensation Committee. A copy of the Compensation Committee charter may be found on the Company's website, <http://investors.southside.com>, under the topic Governance Documents.

Risk Committee of Southside Bancshares, Inc.

The purpose of the Risk Committee is to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Company, enterprise-wide risk management, compliance framework and the governance structure that supports it. The primary responsibility of the Risk Committee is to oversee and improve the company-wide risk management practices while assisting the Board by:

- Overseeing that the executive team has identified and assessed the key risks the Company faces and has established a risk management infrastructure capable of addressing those risks;
- Overseeing, in conjunction with other Board-level committees or the full Board, if applicable, risks, such as strategic, financial, credit, liquidity, security, property, information technology, legal, regulatory, reputational and other risks;
- Overseeing the division of risk-related responsibilities to each Board committee as clearly as possible and performing a gap analysis to determine the oversight of any risks is not missed; and
- Approving, in conjunction with the full Board, the Company's enterprise-wide risk management framework.

During 2018, the Risk Committee consisted of William Sheehy (Chairman), S. Elaine Anderson, CPA, Michael J. Bosworth and M. Richard Warner, each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and a director of Southside Bank. Also serving on the committee is Suni Davis, Chief Risk Officer of the Company and Southside Bank. The Committee met four times in 2018.

Effective March 1, 2019, the Risk Committee consists of William Sheehy (Chairman), S. Elaine Anderson, CPA, Michael J. Bosworth, George H. (Trey) Henderson, III and M. Richard Warner, each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and a director of Southside Bank. Also serving on the committee is Suni Davis, Chief Risk Officer of the Company and Southside Bank.

Risk Committee Charter

The Board has adopted a formal written Risk Committee charter that outlines the purpose of the Risk Committee, sets forth the membership requirements and addresses the key responsibilities of the Risk Committee. A copy of the Risk Committee charter may be found on the Company's website, <http://investors.southside.com>, under the topic Governance Documents.

Information Technology, Digital Banking and Innovation Committee of Southside Bancshares, Inc.

The purpose of the Information Technology, Digital Banking and Innovation Committee is to assist the Board in fulfilling its oversight responsibilities with regard to information technology, digital banking and innovation. Specific responsibilities of this committee are:

- Provide oversight on information technology strategies and subjects related to digital innovation, digital banking strategies and business/information technology;
- Review management reports and provide oversight of the implementation of major digital banking, technology innovation and business/information technology projects and architecture decisions;
- Review the information technology plan which demonstrates objectives and targets for digital banking, technology innovation and business/information technology risks, proposals and acquisition processes; and
- Ensure the Company's digital banking, digital innovation and business/information technology programs effectively support its business objectives and strategies.

The Information Technology, Digital Banking and Innovation Committee consists of Larry Anderson, M.D. (Chairman), Patricia A. Callan and Preston L. Smith, each of whom is an independent director of the Company, as defined by the current NASDAQ listing rules, and a director of Southside Bank. Also serving on the Committee are Jason Cathey, an officer of Southside Bank, Daniel Sitton, Southside Bank's Director of Information Technology, and Brian K. McCabe, Southside Bank's Chief Operations Officer and an advisory director of Southside Bank. The Committee met four times in 2018.

Information Technology, Digital Banking and Innovation Committee Charter

The Board has adopted a formal written Information Technology, Digital Banking and Innovation Committee charter that outlines the purpose of the Committee, sets forth the meeting requirements, and addresses the key responsibilities of the Committee. A copy of the Information Technology, Digital Banking and Innovation Committee charter may be obtained at the Company's website, <http://investors.southside.com>, under the topic Governance Documents

COMMITTEES OF SOUTHSIDE BANK

Executive Committee and Loan/Discount Committee of Southside Bank

The Executive Committee is authorized to act on behalf of the board of directors of Southside Bank between scheduled meetings of the board, subject to certain limitations. The committee is comprised of John R. (Bob) Garrett (Chairman), Larry Anderson, M.D., S. Elaine Anderson, CPA, Michael J. Bosworth, Herbert C. Buie, Alton Cade, Patricia A. Callan, George H. (Trey) Henderson, III, Melvin B. Lovelady, CPA, Tony K. Morgan, CPA, John F. Sammons, Jr., William Sheehy, Preston L. Smith, Donald W. Thedford and M. Richard Warner, each of whom is a director of the Company and Southside Bank, Joe Norton, a director of Southside Bank, and John F. Walker, M.D., an advisory director of Southside Bank. None of the forgoing individuals are officers or employees of either the Company or Southside Bank. Also serving are Lee R. Gibson and H. J. Shands, III, each of whom is an officer and a director of the Company and Southside Bank and Earl W. (Bill) Clawater, III, an officer and an advisory director of Southside Bank. In addition, the members of the Executive Committee comprise the Loan/Discount Committee of Southside Bank. It is the Loan/Discount Committee's responsibility to monitor credit quality, review extensions of credit and approve selected credits in accordance with the loan policy. The Executive Committee and the Loan/Discount Committee of Southside Bank met weekly to discharge responsibilities of both committees at combined meetings and met 50 times in 2018.

Trust Committee of Southside Bank

The Trust Committee of Southside Bank is responsible for the oversight of the operations and activities of the Trust Department. During 2018, the committee was comprised of Herbert C. Buie, Michael J. Bosworth, Alton Cade, Patricia A. Callan and George H. (Trey) Henderson, III, and effective March 1, 2019, the committee consists of Herbert C. Buie, Michael J. Bosworth, Alton Cade, George H. (Trey) Henderson, III and M. Richard Warner, each of whom is a director of the Company and Southside Bank. John F. Walker, M.D. is an advisory director of Southside Bank and serves as an advisory member of the Trust Committee. Lee R. Gibson serves as an advisory member and is a director and officer of the Company and Southside Bank. Doug Bolles, Ernest King and Kim Partin (Chair), officers

of Southside Bank, also serve on this committee. Julie N. Shamburger and Brian K. McCabe are officers of the Company and officers and advisory directors of Southside Bank and are advisory members of the Trust Committee. Lonny Uzzell, an advisory director and officer of Southside Bank, is an advisory member of the Trust Committee. Michael J. Bosworth, Herbert C. Buie, Alton Cade, Patricia A. Callan, George H. (Trey) Henderson, III and John F. Walker, M.D. are not officers or employees of the Company or Southside Bank. The Trust Committee met twelve times in 2018.

Compliance, Information Technology (IT) and Community Reinvestment Act (CRA) Committee of Southside Bank
The Compliance/IT/CRA Committee of Southside Bank is responsible for ensuring compliance with all appropriate statutes and reviews information technology and community reinvestment activities. The Compliance/IT/CRA Committee is comprised solely of persons who are directors of the Company and Southside Bank but who are not officers or employees. Those directors are Melvin B. Lovelady, CPA, (Chairman), S. Elaine Anderson, CPA, Alton Cade, Tony K. Morgan, CPA, William Sheehy and Preston L. Smith. The Compliance/IT/CRA Committee met twelve times in 2018.

Investment/Asset-Liability Committee (ALCO) of Southside Bank

The Investment/Asset-Liability Committee is responsible for reviewing Southside Bank's overall asset and funding mix, asset-liability management policies and investment policies. During 2018, members of the committee were Lawrence Anderson, M.D., S. Elaine Anderson, CPA, Herbert C. Buie, Melvin B. Lovelady, CPA, and Tony K. Morgan, CPA, and effective March 1, 2019, the committee consists of S. Elaine Anderson, CPA, Melvin B. Lovelady, CPA, Tony K. Morgan, CPA, John Sammons, Jr. and William Sheehy, who are all directors of the Company and Southside Bank. None of the forgoing individuals are officers or employees of the Company or Southside Bank. Lee R. Gibson, an officer and director of the Company and Southside Bank, serves on the committee with Suni Davis (Chair), an officer of the Company and Southside Bank. Tim Alexander and Julie N. Shamburger, each officers of the Company and Southside Bank and advisory directors of Southside Bank, are also members of the committee. Also serving on this committee are Peter Boyd, Earl W. (Bill) Clawwater, III and Lonny Uzzell, officers and advisory directors of Southside Bank. Kyle Gibson, Amanda Reagan, Jared Green, Michael Phea and Glen Greeney, each of whom is an officer of Southside Bank, also serve on the committee. The Investment/Asset-Liability Committee met twelve times in 2018.

DIRECTOR COMPENSATION

During 2018, the Company paid its Chairman of the Board \$10,417 per month. The Vice Chairman of the Board and Chairman of the Audit Committee both received directors' fees of \$8,333 per month and all remaining non-employee directors received directors' fees of \$4,750 per month. In addition, non-employee directors, who are also directors of Southside Bank, were paid \$1,000 per regular Southside Bank board meeting. During 2018, the Company and Southside Bank also paid non-employee directors a bonus of \$10,000 and \$1,500, respectively.

Lee R. Gibson, the Company's President and CEO, and H. J. Shands, III, East Texas Regional President, are not included in the table below, as they are officers of the Company, and thus received no compensation for their service as directors of the Company or Southside Bank during 2018. Both Mr. Gibson's and Mr. Shands' compensation is shown in the Summary Compensation Table under Executive Compensation.

2018 DIRECTOR COMPENSATION

The table below summarizes the compensation paid by the Company to directors for the year ended December 31, 2018.

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)	All Other Compensation (\$)	
Lawrence Anderson, M.D. ⁽¹⁾	\$81,500	\$ —	\$81,500
S. Elaine Anderson, CPA ⁽¹⁾	81,500	—	81,500
Michael J. Bosworth ⁽¹⁾	81,500	—	81,500
Herbert C. Buie ⁽¹⁾	81,500	—	81,500
Alton Cade ⁽¹⁾	81,500	—	81,500
Patricia A. Callan ⁽¹⁾	81,500	—	81,500
John R. (Bob) Garrett ⁽²⁾	140,562	—	140,562
George H. (Trey) Henderson, III ⁽³⁾	50,750	—	50,750
Melvin B. Lovelady, CPA ⁽⁴⁾	124,500	—	124,500
Tony K. Morgan, CPA ⁽¹⁾	81,500	—	81,500
Joe Norton ⁽⁵⁾	64,191	5,000	69,191
John F. Sammons, Jr. ⁽¹⁾	81,500	—	81,500
William Sheehy ⁽¹⁾	81,500	—	81,500
Preston L. Smith ⁽¹⁾	81,500	—	81,500
Donald W. Thedford ⁽⁶⁾	109,126	—	109,126
M. Richard Warner ⁽¹⁾	81,500	—	81,500

(1) Compensation includes \$14,500 and \$67,000 for serving as director of Southside Bank and the Company, respectively.

(2) Compensation includes \$14,500 and \$126,062 for serving as director of Southside Bank and the Company, respectively.

(3) Mr. Henderson was elected as a director of the Company in October 2018. Compensation includes \$26,500 and \$24,250 for serving as director of Southside Bank and the Company, respectively.

(4) Compensation includes \$14,500 and \$110,000 for serving as director of Southside Bank and the Company, respectively.

Mr. Norton retired as a director of the Company, following his term ending at the 2018 Annual Meeting.

Compensation relating to the Company was pro-rated for May in the amount \$3,024. Compensation includes (5) \$19,500 and \$44,691 for serving as director of Southside Bank and the Company, respectively. In recognition of Mr. Norton's retirement, we provided Mr. Norton with a retirement gift. The cost of the gift to the Company was \$5,000.

(6)

Compensation includes \$14,500 and \$94,626 for serving as director of Southside Bank and the Company, respectively.

DIRECTOR STOCK OWNERSHIP POLICY

To help promote the alignment of the personal interests of the Company's directors with the interests of our shareholders, in February 2014 the Company established a stock ownership policy for all non-employee directors. Under this policy, each non-employee director is required to own at least 5,000 shares of the Company's common stock within five years after the date he or she is first elected as a director and maintain such ownership while serving on the Board. For new directors, the acquisition period is measured using the calendar year, with the director's five-year accumulation period beginning on January 1 of the year following their election. For directors elected prior to February 2014, the policy requires the acquisition of shares over five years by January 1, 2019. To the extent a director is not in compliance with the policy after the five-year accumulation period, any compensation paid to that director must be in the form of stock compensation and the director is required to retain 50% of these stock awards. As of March 21, 2019, all non-employee directors met the ownership requirement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding beneficial ownership of our common stock as of March 21, 2019, for the following persons:

• each person known by us to beneficially own more than 5% of our outstanding common stock;

• each of our directors;

• each of our named executive officers included in our Summary Compensation Table; and

• all of our directors and executive officers as a group, including executive officers not named in the table.

Unless otherwise indicated, the address of each of the named individuals is 1201 South Beckham Avenue, Tyler, Texas 75701.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Lawrence Anderson, M.D. (2)	32,726	*
S. Elaine Anderson, CPA (3)	30,392	*
Michael J. Bosworth (4)	75,737	*
Herbert C. Buie (5)	673,927	2.0
Alton Cade (6)	75,986	*
Patricia A. Callan (7)	7,995	*
John R. (Bob) Garrett	12,970	*
Lee R. Gibson, CPA (8)	123,516	*
George H. (Trey) Henderson, III	40,313	*