

SOUTHSIDE BANCSHARES INC

Form S-4

August 18, 2017

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As filed with the Securities and Exchange Commission on August 18, 2017

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Southside Bancshares, Inc.

(Exact Name of Registrant as Specified in its Charter)

|   |   |   |
|---|---|---|
| Texas   | 6022  | 75-1848732                              |
| (State or other jurisdiction of<br>incorporation or organization) | (Primary Standard Industrial<br>Classification Code Number) | (I.R.S. Employer<br>Identification No.) |

1201 South Beckham Avenue

Tyler, Texas 75701

(903) 531-7111

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Lee Gibson

President & Chief Executive Officer

Southside Bancshares, Inc.

1201 South Beckham Avenue

Tyler, Texas 75701

(903) 531-7111

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With copies to:

Lesley H. Solomon  
David E. Brown, Jr.  
Alston & Bird, LLP  
1201 West Peachtree Street  
Atlanta, Georgia 30309  
(404) 881-7000

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Fenimore, Kay, Harrison & Ford, LLP  
812 San Antonio Street, Suite 600  
Austin, Texas 78701  
(512) 583-5900

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

|                         |                   |   |                           |                         |
|-------------------------|-------------------|---|---------------------------|-------------------------|
|                         |                   | Non-accelerated filer                         |                           |                         |
| Large accelerated filer | Accelerated filer | (Do not check if a smaller reporting company) | Smaller reporting company | Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered | Proposed maximum offering price per unit | Proposed maximum aggregate offering price | Amount of registration fee |
|--|-------------------------|--|---|----------------------------|
| Common Stock                                       | 5,535,000(1)            | N/A                                      | \$ 82,080,527(2)                          | \$ 9,513.13(3)             |

(1) Represents the maximum number of shares of Southside Bancshares, Inc. common stock that could be issued in connection with the first merger described herein. Pursuant to Rule 416, this registration statement also covers additional shares that may be issued as a result of stock splits, stock dividends or similar transactions.

(2) Pursuant to Rule 457(f)(2) and Rule 457(f)(3) under the Securities Act of 1933, as amended, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is based on the book value for shares of Diboll State Bancshares, Inc. common stock on June 30, 2017 (\$123.72 per share) multiplied by the maximum number of such shares (865,507) that may be exchanged for the securities being registered, minus the estimated amount of cash to be paid by the registrant to Diboll stockholders and holders of options to purchase shares of Diboll common stock in the first merger (\$25,000,000).

(3) Calculated pursuant to Rule 457(f) of the Securities Act to be \$9,513.13 by multiplying the proposed maximum aggregate offering price by 0.0001159.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.



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The information in this proxy statement/prospectus is not complete and is subject to change. Southside Bancshares, Inc. may not sell the securities offered by this proxy statement/ prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY — SUBJECT TO COMPLETION — DATED AUGUST 18, 2017

Proxy Statement/Prospectus

Diboll State Bancshares, Inc.

**MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT**

To the Shareholders of Diboll State Bancshares, Inc.:

On June 12, 2017, the boards of directors of Southside Bancshares, Inc., or Southside, and Diboll State Bancshares, Inc., or Diboll, each unanimously approved the acquisition of Diboll by Southside. The acquisition will be accomplished pursuant to the terms of an Agreement and Plan of Merger, dated as of June 12, 2017, which we refer to as the merger agreement, by and among Southside, Rocket Merger Sub, Inc., a wholly owned subsidiary of Southside, or Merger Sub, and Diboll. Pursuant to the merger agreement, Merger Sub will merge with and into Diboll, with Diboll as the surviving company, which we refer to as the first merger. Immediately after the first merger, Diboll will merge with and into Southside, with Southside as the surviving company, which we refer to as the second merger. Immediately after the second merger, First Bank & Trust East Texas, or First Bank & Trust, a wholly owned bank subsidiary of Diboll, will merge with and into Southside's wholly owned bank subsidiary, Southside Bank, with Southside Bank as the surviving bank, which we refer to as the bank merger. The first merger, the second merger and the bank merger are collectively referred to as the mergers.

If the first merger is completed, each share of Diboll common stock will be converted into the right to receive: (1) a cash amount, which we refer to as the cash consideration, equal to the quotient of (a) up to \$25,000,000, less the after-tax amount paid by Diboll upon the cashless exercise of stock options for cash prior to the closing of the first merger and subject to adjustment based on Diboll's closing net book value, divided by (b) the number of shares of Diboll common stock issued and outstanding immediately prior to the effective time of the first merger (after giving effect to any valid exercises of outstanding Diboll equity awards prior to the effective time of the first merger), which we refer to as the Diboll outstanding share number, and (2) a number of shares of Southside common stock, par value \$1.25 per share, equal to the quotient of 5,535,000 divided by the Diboll outstanding share number, which we refer to as the stock consideration, without interest, on the terms and subject to the conditions set forth in the merger agreement. We collectively refer to the stock consideration and the cash consideration as the merger consideration. Diboll shareholders will own approximately 16% of Southside if the first merger is completed.

Diboll will hold a special meeting of its shareholders, referred to as the Diboll special meeting, with respect to the first merger. Diboll shareholders will be asked to consider and vote upon (1) a proposal to approve the merger agreement and the first merger, and (2) a proposal to adjourn the Diboll special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement and the first merger.

The Diboll special meeting will be held at the T.L.L. Temple Memorial Library, 300 Park Street, Diboll, Texas 75941, on [•], 2017, at [•] [a.m./p.m.], Central Time, subject to any adjournment or postponement thereof.

The market value of the merger consideration will fluctuate with the market price of Southside common stock and will not be known at the time Diboll shareholders vote on the merger agreement and the first merger. Southside common stock is currently quoted on the NASDAQ Global Select Market under the symbol "SBSI." On June 12, 2017, the last full trading day before the public announcement of the merger agreement, the last reported sale price of Southside common stock was \$35.01 per share, and, on [•], 2017, the last reported sale price of Southside common stock was \$[•] per share. We urge you to obtain current market quotations for the price of Southside common stock. There are no current market quotations for Diboll common stock because Diboll is a privately owned corporation and its common stock is not traded on any established public trading market.

Each of Southside and Diboll expects that the first merger and the second merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended,

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which we refer to as the Code, with the result that the portion of Diboll common stock exchanged for Southside common stock will generally be tax-free and the portion of the Diboll common stock exchanged for cash will generally be taxable as capital gain.

Your vote is important. Completion of the first merger is subject to the approval of the merger agreement and the first merger by the shareholders of Diboll. Regardless of whether or not you plan to attend the Diboll special meeting, please take the time to authorize a proxy to vote your shares in accordance with the instructions contained in this proxy statement/prospectus. Submitting a proxy now will not prevent you from being able to vote in person at the Diboll special meeting.

The board of directors of Diboll has determined that the merger agreement and the transactions contemplated thereby, including the first merger, are advisable and in the best interests of the shareholders of Diboll, has unanimously approved the merger agreement and the first merger and unanimously recommends that the shareholders of Diboll vote "FOR" the proposal to approve the merger agreement and the first merger and "FOR" the proposal to adjourn the Diboll special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement and the first merger.

This proxy statement/prospectus describes the Diboll special meeting, the mergers, the documents related to the mergers and other related matters. Please carefully read this entire proxy statement/prospectus, including "Risk Factors," beginning on page 28, for a discussion of the risks relating to the proposed mergers. You also can obtain information about Southside from documents that it has filed with the Securities and Exchange Commission.

If you have any questions concerning the mergers, Diboll shareholders should please contact H. J. ("Jay") Shands, III, Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721. We look forward to seeing you at the meeting.

/s/ H. J. Shands, III

H. J. Shands, III

Chairman of the Board, President and Chief Executive Officer Diboll State Bancshares, Inc.

Neither the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, nor any state securities commission or any other bank regulatory agency has approved or disapproved the securities to be issued in the first merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in the first merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either Southside or Diboll, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is [•], 2017, and it is first being mailed or otherwise delivered to the Diboll shareholders on or about [•], 2017.

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DIBOLL STATE BANCSHARES, INC.

104 North Temple Drive

Diboll, Texas 75941

(936) 829-4721

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on [•], 2017

To the Shareholders of Diboll State Bancshares, Inc.:

A special meeting of the shareholders of Diboll State Bancshares, Inc., or Diboll, will be held at the T.L.L. Temple Memorial Library, 300 Park Street, Diboll, Texas 75941, on [•], 2017, at [•] [a.m./p.m.], Central Time, subject to any adjournment or postponement thereof, for the following purposes:

1.

To consider and vote upon a proposal to approve the Agreement and Plan of Merger, or the merger agreement, dated as of June 12, 2017, by and among Southside Bancshares, Inc., or Southside, Rocket Merger Sub, Inc., a wholly owned subsidiary of Southside, or Merger Sub, and Diboll, pursuant to which Merger Sub will merge with and into Diboll, with Diboll as the surviving company, referred to herein as the first merger, all on and subject to the terms and conditions contained therein; and

2.

To consider and vote upon any proposal to adjourn the special meeting, referred to herein as the Diboll special meeting, to a later date or dates if the board of directors of Diboll determines such an adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Diboll special meeting to constitute a quorum or to approve the merger agreement and the first merger.

No other business may be conducted at the Diboll special meeting. All holders of shares of common stock of Diboll, or Diboll common stock, of record as of 5:00 p.m. on [•], 2017, will be entitled to notice of and to vote at the Diboll special meeting and any adjournments thereof. The Diboll special meeting may be adjourned from time to time upon approval of holders of Diboll common stock without any notice other than by announcement at the meeting of the adjournment thereof, and any and all business for which notice is hereby given may be transacted at such adjourned meeting.

Holders of Diboll common stock have the right to dissent from the merger agreement and the first merger and obtain payment in cash of the appraised fair value of their shares of Diboll common stock under applicable provisions of the Texas Business Organizations Code, or TBOC. In order for a holder of Diboll common stock to perfect his, her or its right to dissent, such holder must carefully follow the procedure set forth in the TBOC. A copy of the applicable statutory provisions of the TBOC is included as Annex D to the accompanying proxy statement/prospectus and a summary of these provisions can be found under the caption “The Mergers — Dissenters’ Rights,” beginning on page [•] of the proxy statement/ prospectus. The first merger may not be completed if the holders of more than 5% of the outstanding shares of Diboll common stock exercise dissenters’ rights.

If you have any questions concerning the merger agreement, the first merger, the Diboll special meeting or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus, need a proxy card or need help voting your shares of Diboll common stock, please contact H. J. (“Jay”) Shands, III, Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721.

By Order of the Board of Directors,

/s/ H. J. Shands, III

H. J. Shands, III

Chairman of the Board, President and Chief Executive Officer

Diboll, Texas

[•], 2017





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The Diboll board of directors unanimously recommends that holders of record of Diboll common stock entitled to vote at the Diboll special meeting vote “FOR” the proposal to approve the merger agreement and the first merger and “FOR” the adjournment of the Diboll special meeting if such adjournment is necessary to permit solicitation of additional proxies if there are not sufficient votes at the time of the Diboll special meeting to constitute a quorum or to approve the merger agreement and the first merger.

**Your Vote is Very Important**

A proxy card is enclosed. Whether or not you plan to attend the Diboll special meeting, if you are a holder of shares of Diboll common stock, please vote by completing, signing and dating the proxy card and promptly mailing it in the enclosed envelope. You may revoke your proxy in the manner described in the proxy statement/prospectus at any time before it is exercised. If you are a holder of shares of Diboll common stock and attend the Diboll special meeting, you may vote in person if you desire, even if you have previously returned your proxy card.

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Southside from documents filed with the Securities and Exchange Commission, or SEC, that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by Southside at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting Southside at the following address:

Southside Bancshares, Inc.  
1201 South Beckham Avenue  
Tyler, Texas 75701  
Attention: Secretary  
Telephone: (877) 639-3511

You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of the special meeting, or [•], 2017.

If you are a Diboll shareholder and have any questions about the merger agreement, the first merger, the Diboll special meeting or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus, need a proxy card or need help voting your shares of Diboll common stock, please contact H. J. ("Jay") Shands, III, Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721.

You should rely only on the information contained in or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated [•], 2017, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this proxy statement/prospectus from another document is accurate as of the date of such other document. Neither the mailing of this document to Diboll shareholders nor the issuance by Southside of shares of Southside common stock in connection with the first merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Diboll has been provided by Diboll and information contained in this document regarding Southside has been provided by Southside. See "Where You Can Find More Information" for more details.

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QUESTIONS AND ANSWERS

The following are answers to some questions that Diboll shareholders may have regarding the proposed transaction between Southside and Diboll and the proposals being considered at the Diboll special meeting. Southside and Diboll urge you to read carefully this entire proxy statement/prospectus, including the Annexes, and the documents incorporated by reference into this proxy statement/prospectus, because the information in this section does not provide all the information that might be important to you.

Unless the context otherwise requires, references in this proxy statement/prospectus to: (1) “Southside” refer to Southside Bancshares, Inc., a Texas corporation, and its affiliates; (2) “Merger Sub” refer to Rocket Merger Sub, Inc., a Texas corporation and a wholly owned subsidiary of Southside; and (3) “Diboll” refer to Diboll State Bancshares, Inc., a Texas corporation, and its affiliates.

Q:

Why am I receiving this proxy statement/prospectus?

A:

Southside, Merger Sub and Diboll have entered into an Agreement and Plan of Merger, dated as of June 12, 2017, which we refer to as the merger agreement. Pursuant to the merger agreement, Merger Sub will merge with and into Diboll, with Diboll as the surviving company, which we refer to as the first merger. Immediately after the first merger, Diboll merge with and into Southside, with Southside as the surviving company, which we refer to as the second merger. Immediately after the second merger, First Bank & Trust, a wholly owned subsidiary of Diboll, will merge with and into Southside’s wholly owned subsidiary, Southside Bank, with Southside Bank as the surviving bank, which we refer to as the bank merger. We refer to the first merger, the second merger and the bank merger collectively as the mergers. A copy of the merger agreement is included in this proxy statement/prospectus as Annex A.

The mergers cannot be completed unless, among other things, the holders of at least two-thirds of the outstanding shares of Diboll common stock entitled to vote on the first merger vote in favor of the proposal to approve the merger agreement and the first merger, which we refer to as the merger proposal.

In addition, Diboll is soliciting proxies from its shareholders with respect to a proposal to approve one or more adjournments of the Diboll special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of such adjournment to approve the merger proposal, which we refer to as the adjournment proposal. The completion of the mergers is not conditioned upon shareholder approval of the adjournment proposal.

This proxy statement/prospectus contains important information about the mergers and the proposals being voted on at the Diboll special meeting, and you should read it carefully. This is a proxy statement/prospectus because (1) Diboll is soliciting proxies from the Diboll shareholders and the proxy statement provides important information about the Diboll special meeting to vote on the merger proposal, and (2) Southside will issue shares of Southside common stock to holders of Diboll common stock in connection with the first merger, and the prospectus provides important information about such shares. The enclosed materials allow Diboll shareholders to authorize a proxy to vote their shares without attending the Diboll special meeting.

Your vote is important. We encourage you to authorize your proxy as soon as possible.

Q:

What will I receive in the mergers?

A:

If the first merger is completed, for each share of Diboll common stock that Diboll shareholders hold immediately prior to the first merger, Diboll shareholders will receive, without interest:

(1)

cash consideration equal to the quotient of (a) up to \$25,000,000, less the after-tax amount paid by Diboll upon the cashless exercise of stock options for cash prior to the closing of the first merger and subject to adjustment based on Diboll’s closing net book value, divided by (b) the number of shares of Diboll common stock issued and outstanding

immediately prior to the effective time of the first merger (after giving effect to any valid exercises of outstanding Dibold equity awards prior to the effective time of the first merger), which we refer to as the Dibold outstanding share number, and

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(2)

a number of shares of Southside common stock equal to the quotient of (a) 5,535,000, divided by (b) the Diboll outstanding share number, which we refer to as the stock consideration.

The stock consideration and the cash consideration are collectively referred to as the merger consideration.

The aggregate amount of the cash consideration will be decreased by the after-tax amount paid by Diboll to holders of options to purchase Diboll common stock who utilize the “cashless exercise” feature of such options and upon such cashless exercise receive payment of an amount in cash equal to the excess of the aggregate fair market value at the time of exercise of the shares of Diboll common stock subject to such options over the aggregate purchase price for such shares.

In addition, the aggregate amount of the cash consideration will be decreased on a dollar-for-dollar basis if Diboll’s closing net book value as of a date that is 15 business days prior to the closing date, which we refer to as the determination date, is less than the target book value of \$100,298,570.

Diboll’s closing net book value will be calculated as the unaudited consolidated net shareholders’ equity of Diboll, determined in accordance with GAAP, but without giving effect to any required purchase accounting adjustments required as a result of the transactions contemplated by the merger agreement. For purposes of calculating the closing net book value, Diboll shall include, without duplication, reductions for: (a) any fees and commissions payable to any broker, finder, financial advisor or investment banking firm in connection with the merger agreement, the mergers and the other transactions contemplated by the merger agreement, on an after-tax basis; (b) any legal and accounting fees incurred in connection with the merger agreement, the mergers and the other transactions contemplated by the merger agreement and any related SEC and regulatory filings, on an after-tax basis; (c) any amounts paid or payable pursuant to Diboll’s change-in-control bonus pool, on an after-tax basis; (d) except to the extent the aggregate cash consideration has been adjusted for the cashless exercise of Diboll stock options as discussed above, the costs, expenses, payments or other amounts paid or payable pursuant to the vesting of any Diboll stock options and any existing employment, salary continuation, deferred compensation or other similar agreements or severance, noncompetition, or retention arrangements between Diboll or any of its subsidiaries and any other person, on an after-tax basis; (e) the termination costs associated with certain designated contracts, on an after-tax basis; and (f) the amount of any and all dividends permitted to be paid by Diboll pursuant to the merger agreement, to the extent paid, declared or expected to be paid or declared, prior to the effective time of the first merger. Additionally, the closing net book value shall reflect the closing mark-to-market valuation of the securities in Diboll’s investment portfolio. The closing net book value may be further adjusted upon the mutual agreement of the parties.

For example, and for illustration purposes only, assuming that (1) all holders of options to purchase shares of Diboll common stock utilize the cashless exercise feature of such options immediately prior to closing and receive a cash payment therefor and the fair market value of the shares of Diboll common stock subject to such option is deemed to be equal to the merger consideration per share of Diboll common stock; for this example 18,179 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$132.87 (resulting in a payment to option holders of \$2,040,411, which on an after-tax basis to Diboll is \$1,346,671), (2) Diboll’s closing net book value is at least equal to the target book value, (3) the price per share of the Southside common stock received in the merger is equal to \$33.15, the closing price on August 15, 2017, and (4) the Diboll outstanding share number is 845,087, each share of Diboll common stock would be converted into the right to receive \$27.99 in cash and 6.5496 shares of Southside common stock with a value of \$217.12, or aggregate merger consideration per share of Diboll common stock of \$245.11.

Southside will not issue any fractional shares of Southside common stock in the first merger. Diboll shareholders who would otherwise be entitled to a fractional share of Southside common stock upon the completion of the first merger will instead receive an amount in cash based on the volume weighted average price per share of Southside common stock for the last full trading day immediately preceding the day on which the first merger is completed, which we refer to as the Southside closing share value.

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Q:

Will the value of the merger consideration change between the date of this proxy statement/prospectus and the time the first merger is completed?

A:

Yes. The value of the merger consideration may fluctuate between the date of this proxy statement/ prospectus and the completion of the first merger. The value of the stock consideration may fluctuate based upon the market value for Southside common stock. In the first merger, Diboll shareholders will receive a number of shares of Southside common stock for each share of Diboll common stock they hold. Any fluctuation in the market price of Southside common stock after the date of this proxy statement/prospectus will change the value of the shares of Southside common stock that Diboll shareholders will receive. In addition, fluctuations in the market price of Southside common stock will likely affect the determination of the fair market value of the shares of Diboll common stock subject to options, which will impact the amount of cash paid to holders of options who utilize the cashless exercise feature of such options. The amount of cash paid to such option holders will impact the amount of cash consideration available to holders of Diboll common stock. Further, the amount of the cash consideration may be reduced to the extent Diboll's closing net book value, calculated as discussed above, is less than the target book value.

Q:

What will happen to Diboll equity awards in the mergers?

A:

Holders of Diboll stock options must exercise such options prior to the effective time of the first merger to receive any consideration for such options. Pursuant to the Diboll State Bancshares, Inc. Incentive Stock Option 2014 — Plan, or a predecessor plan, and the award agreements for such options, holders have the right to execute a "cashless exercise" and receive the difference between the fair market value for the shares of Diboll common stock at the time of exercise less the purchase price for such shares, which is payable in cash, Diboll common stock or a combination thereof. Additionally pursuant to such plans and award agreements, all unvested options to purchase Diboll common stock become exercisable immediately prior to the effective time of any merger in which Diboll is not the surviving company. All outstanding options that have not been exercised will terminate at the effective time of the first merger for no consideration. Holders of options to purchase shares of Diboll's common stock will not be entitled to receive any merger consideration in exchange for their options.

Q:

How does Diboll's board of directors recommend that I vote at the special meeting?

A:

Diboll's board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.

Q:

When and where is the Diboll special meeting?

A:

The Diboll special meeting will be held at the T.L.L. Temple Memorial Library, 300 Park Street, Diboll, Texas 75941, on [•], [•], 2017, at [•] Central Time.

Q:

What do I need to do now?

A:

After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please authorize a proxy to vote your shares by promptly completing and returning the enclosed proxy card so that your shares are represented and voted at the Diboll special meeting.

Q:

What constitutes a quorum for the Diboll special meeting?

A:

Holders representing at least a majority of the shares of Diboll common stock entitled to vote at the Diboll special meeting must be present, in person or represented by proxy, to constitute a quorum. Abstentions and broker non-votes, if any, will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum.

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Q:

What is the vote required to approve each proposal?

A:

Approval of the merger proposal requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of Diboll common stock entitled to vote on such proposal.

If a quorum is present, approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote on, and who vote for or against, or expressly abstain from voting with respect to such proposal at the Diboll special meeting. If a quorum is not present, approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote and represented, either in person or by proxy, at the Diboll special meeting.

Q:

Why is my vote important?

A:

If you do not submit a proxy or vote in person, it may be more difficult for Diboll to obtain the necessary quorum to hold the special meeting. In addition, your failure to submit a proxy or vote in person, or failure to instruct your bank or broker how to vote, or abstention will have the same effect as a vote against approval of the first merger. The merger proposal must be approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Diboll's common stock. Diboll's board of directors unanimously recommends that you vote "FOR" the proposal to approve the merger agreement and the first merger.

Q:

How many votes do I have?

A:

Diboll shareholders are entitled to one vote on each proposal to be considered at the special meeting for each share of Diboll common stock owned as of the close of business on [•], 2017, which is the record date for the Diboll special meeting.

Q:

How do I vote?

A:

If you are a shareholder of record, you may have your shares of Diboll common stock voted on the matters to be presented at the Diboll special meeting in any of the following ways:

•

by completing, signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope; or

•

by attending the special meeting and casting your vote in person.

If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee to see which of the above choices are available to you. Your bank, brokerage firm or other nominee cannot vote your shares without instructions from you. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must obtain a legal proxy from your bank, brokerage firm or other nominee.

Q:

What if I abstain from voting, fail to authorize a proxy or vote in person or fail to instruct my bank or broker how to vote?

A:

If you mark “ABSTAIN” on your proxy with respect to the merger proposal, fail to authorize a proxy or vote in person at the Diboll special meeting, or fail to instruct your bank or broker how to vote, it will have the same effect as a vote “AGAINST” the proposal.

If a quorum is present, broker non-votes and failures to authorize a proxy or vote in person will not be counted as votes cast with respect to the adjournment proposal and will have no effect on the outcome of such proposal. If a quorum is not present, broker non-votes will have the same effect as a vote against the adjournment proposal but failures to authorize a proxy or vote in person will have no effect on the outcome of the adjournment proposal. Regardless of whether or not a quorum is present at the Diboll special meeting, if you mark “ABSTAIN” on your proxy with respect to the adjournment proposal, it will have the same effect as a vote “AGAINST” the proposal.

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Q:

Can I attend the special meeting and vote my shares in person?

A:

Yes. All Diboll shareholders as of the record date, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Diboll special meeting. Holders of record of Diboll common stock can vote in person at the Diboll special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the Diboll special meeting. If you plan to attend the Diboll special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Diboll reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the Diboll special meeting is prohibited without express written consent.

Q:

Can I change my vote?

A:

Yes. If you are a holder of record of Diboll common stock, you may revoke any proxy at any time prior to the Diboll special meeting by delivering a written notice of revocation to Charlotte Parish, Corporate Secretary, Diboll State Bancshares, Inc., 104 North Temple Drive, Diboll, Texas 75941, by returning a duly executed proxy card bearing a later date than the date with which your original proxy card was dated, or by attending the Diboll special meeting and voting in person. Your attendance at the Diboll special meeting will not constitute automatic revocation of the proxy unless you deliver your ballot in person at the special meeting or deliver a written revocation to the Diboll Corporate Secretary prior to the voting of such proxy. If you hold your shares in “street name” through a bank or broker, you should contact your bank or broker to revoke your proxy.

Q:

Will Diboll be required to submit the merger proposal to its shareholders even if Diboll’s board of directors has withdrawn, modified or qualified its recommendation?

A:

Yes. Unless the merger agreement is terminated before the Diboll special meeting, Diboll is required to submit the merger proposal to its shareholders even if Diboll’s board of directors has withdrawn, modified or qualified its recommendation.

Q:

What are the U.S. federal income tax consequences of the mergers to Diboll shareholders?

A:

Southside and Diboll each expect that the first merger and the second merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code, with the result that the portion of Diboll common stock exchanged for Southside shares will generally be tax-free and the portion of the Diboll common stock exchanged for cash will generally be taxable as a capital gain.

For further information, see “The Mergers — U.S. Federal Income Tax Considerations.”

The U.S. federal income tax consequences described above may not apply to all holders of Diboll common stock. Your particular tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of each of the mergers

to you.

Q:

Are Diboll shareholders entitled to exercise dissenters' rights?

A:

Yes. Holders of Diboll common stock are entitled, with respect to the first merger, to exercise rights of dissenting shareholders provided for under Chapter 10, Subchapter H of the Texas Business Organizations Code, as amended, or the TBOC, any successor statute, or any similar appraisal or dissenters' rights. For further information, see "The Mergers — Dissenters' Rights."

Q:

If I am a Diboll shareholder, should I send in my Diboll stock certificates now?

A:

No. Please do not send in your Diboll stock certificates with your proxy. After the first merger, an exchange agent designated by Southside will send you instructions for exchanging Diboll stock certificates for the merger consideration.

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Q:

What should I do if I hold my shares of Diboll common stock in book-entry form?

A:

You are not required to take any specific actions to exchange your shares of Diboll common stock if your shares are held in book-entry form. After the completion of the first merger, shares of Diboll common stock held in book-entry form automatically will be exchanged for the merger consideration, including shares of Southside common stock in book-entry form, the cash consideration and any cash to be paid in lieu of fractional shares in the first merger.

Q:

Whom may I contact if I cannot locate my Diboll stock certificate(s)?

A:

If you are unable to locate your original Diboll stock certificate(s), you should contact Charlotte Parish, Corporate Secretary, Diboll State Bancshares, Inc., at 104 North Temple Drive, Diboll, Texas 75941, or by telephone at (936) 829-4721.

Q:

When do you expect to complete the mergers?

A:

Southside and Diboll expect to complete the mergers in the fourth quarter of 2017. However, neither Southside nor Diboll can assure you when or if the mergers will occur. Southside and Diboll must first obtain the approval of Diboll shareholders for the merger proposal, as well as the necessary regulatory approvals.

Q:

What happens if the mergers are not completed?

A:

If the first merger is not completed, holders of Diboll common stock will not receive any consideration for their shares of Diboll common stock that otherwise would have been received in connection with the first merger. Instead, Diboll will remain an independent private company. If the first merger is completed but, for any reason, the second merger and the bank merger are not completed, it will have no impact on the consideration to be received by holders of Diboll common stock.

Q:

Whom should I call with questions?

A:

If you have any questions concerning the mergers or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Diboll common stock, please contact: Jay Shands III Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721.



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### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this proxy statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about the financial condition, results of operations, earnings outlook and business plans, goals, expectations and prospects of Southside, Diboll and the combined company following the proposed mergers and statements for the period after the mergers. Words such as “anticipate,” “believe,” “feel,” “expect,” “estimate,” “indicate,” “seek,” “strive,” “plan,” “intend,” “outlook,” “forecast,” “project,” “position,” “target,” “mission,” “contemplate,” “assume,” “potential,” “strategy,” “goal,” “aspiration,” “outcome,” “continue,” “remain,” “maintain,” “trend,” “objective” and variations and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may” or similar expressions, as they relate to Southside, Diboll, the proposed mergers or the combined company following the mergers often identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are predicated on the beliefs and assumptions of management based on information known to management as of the date of this proxy statement/prospectus and do not purport to speak as of any other date. Forward-looking statements may include descriptions of the expected benefits and costs of the transaction; forecasts of revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries; management plans relating to the mergers; the expected timing of the completion of the mergers; the ability to complete the mergers; the ability to obtain any required regulatory, shareholder or other approvals; any statements of the plans and objectives of management for future or past operations, including the execution of integration plans; any statements of expectation or belief and any statements of assumptions underlying any of the foregoing.

The forward-looking statements contained or incorporated by reference in this proxy statement/ prospectus reflect the view of management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, actual results could differ materially from those anticipated by the forward-looking statements or historical results. Such risks and uncertainties include, among others, the following possibilities:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, including a termination of the merger agreement under circumstances that could require Diboll to pay a termination fee to Southside;
- the inability to complete the mergers contemplated by the merger agreement due to the failure to satisfy conditions necessary to close the mergers, including the receipt of the requisite approvals of Diboll shareholders;
- the risk that a regulatory approval that may be required for the mergers is not obtained or is obtained subject to conditions that are not anticipated;
- risks associated with the timing of the completion of the mergers;
- diversion of management time on issues related to the mergers;
- the risk that the businesses of Southside and Diboll will not be integrated successfully, or such integration may be more difficult, time-consuming or costly than expected;
-

potential deposit attrition, higher than expected costs, customer loss and business disruption associated with Southside's integration of Diboll, including, without limitation, potential difficulties in maintaining relationships with key personnel;

- the outcome of any legal proceedings that may be instituted against Southside or Diboll or their respective boards of directors;
  
- general economic conditions, either globally, nationally, in the State of Texas, or in the specific markets in which Southside or Diboll operate;

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- limitations placed on the ability of Southside and Diboll to operate their respective businesses by the merger agreement;
- the effect of the announcement of the mergers on Southside's and Diboll's business relationships, employees, customers, suppliers, vendors, other partners, standing with regulators, operating results and businesses generally;
- the amount of any costs, fees, expenses, impairments and charges related to the mergers;
- fluctuations in the market price of Southside common stock and the related effect on the market value of the merger consideration that Diboll shareholders will receive upon completion of the first merger;
- significant increases in competition in the banking and financial services industry;
- legislation, regulatory changes or changes in monetary or fiscal policy that adversely affect the businesses in which Southside or Diboll are engaged, including potential changes resulting from currently proposed legislation, including the Financial CHOICE Act of 2017;
- credit risk of borrowers, including any increase in those risks due to changing economic conditions;
- changes in consumer spending, borrowing, and savings habits;
- competition among depository and other financial institutions;
- liquidity risk affecting Southside's or Diboll's banks' ability to meet their obligations when they become due;
- interest rate risk involving the effect of a change in interest rates;
- compliance risk resulting from violations of, or nonconformance with, laws, rules, regulations, prescribed practices or ethical standards;
- strategic risk resulting from adverse business decisions or improper implementation of business decisions;
- reputation risk that adversely affects earnings or capital arising from negative public opinion;
- terrorist activities risk that results in loss of consumer confidence and economic disruptions; and

- other risks and uncertainties detailed from time to time in Southside's SEC filings.

Any forward-looking statements made in this proxy statement/prospectus or in any documents incorporated by reference into this proxy statement/prospectus, are subject to the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/ prospectus. Southside and Diboll do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made, unless and only to the extent otherwise required by law. All subsequent written and oral forward-looking statements concerning the mergers or other matters addressed in this proxy statement/prospectus and attributable to Southside, Diboll or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this proxy statement/prospectus.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement/prospectus, including the annexes, and the other documents to which we refer in order to fully understand the mergers. See “Where You Can Find More Information.” Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

The Companies (page [•])

Southside Bancshares, Inc.  
1201 South Beckham Avenue  
Tyler, Texas 75701  
(903) 531-7111

Southside was incorporated in Texas in 1982 and serves as the bank holding company for Southside Bank, headquartered in Tyler, Texas. Southside Bank has the largest deposit base in the Tyler metropolitan area and is the largest bank, based on asset size, headquartered in East Texas. At June 30, 2017, Southside had consolidated assets of \$5.58 billion, loans of \$2.61 billion, deposits of \$3.62 billion, and shareholders’ equity of \$547.1 million. Additional information about Southside and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See “Where You Can Find More Information.”

Diboll State Bancshares, Inc.

104 North Temple Drive  
Diboll, Texas 75941  
(936) 829-4721

Diboll State Bancshares, Inc. was incorporated in Texas in 1980 and owns all of the outstanding shares of common stock of First Bank & Trust East Texas headquartered in Diboll, Texas. At June 30, 2017, Diboll had consolidated assets of \$993.8 million, loans of \$660.9 million, deposits of \$883.6 million, and shareholders’ equity of \$104.6 million.

Additional information about Diboll and its subsidiaries is included below under “The Companies.”

The Mergers

The Merger Agreement (page [•])

Southside, Merger Sub and Diboll entered into an Agreement and Plan of Merger, dated as of June 12, 2017, which we refer to as the merger agreement. The merger agreement governs the mergers. The merger agreement is included in this proxy statement/prospectus as Annex A. All descriptions in this summary and elsewhere in this proxy statement/prospectus of the terms and conditions of the mergers are qualified by reference to the merger agreement. Please read the merger agreement carefully for a more complete understanding of the mergers.

The Mergers (page [•])

Pursuant to the merger agreement, Merger Sub will merge with and into Diboll, with Diboll as the surviving company, which we refer to as the first merger. Immediately after the first merger, Diboll will merge with and into Southside, with Southside as the surviving company, which we refer to as the second merger. Immediately after the second merger, First Bank & Trust, a wholly owned bank subsidiary of Diboll, will merge with and into Southside’s wholly owned bank subsidiary, Southside Bank, with Southside Bank as the surviving bank, which we refer to as the bank merger. We refer to the first merger, the second merger and the bank merger collectively as the mergers.

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The Merger Consideration (page [•])

If the first merger is completed, Diboll shareholders will receive for each share of Diboll common stock that they hold immediately prior to the first merger:

(1)  
cash consideration equal to the quotient of (a) up to \$25,000,000, less the after-tax amount paid by Diboll upon the cashless exercise of stock options for cash prior to the closing of the first merger and subject to adjustment based on Diboll's closing net book value, divided by (b) the number of shares of Diboll common stock issued and outstanding immediately prior to the effective time of the first merger (after giving effect to any valid exercises of outstanding Diboll equity awards prior to the effective time of the first merger), which we refer to as the Diboll outstanding share number, and

(2)  
a number of shares of Southside common stock equal to the quotient of (a) 5,535,000, divided by (b) the Diboll outstanding share number, which we refer to as the stock consideration, without interest.

The stock consideration and the cash consideration are collectively referred to as the merger consideration.

The aggregate amount of the cash consideration will be decreased by the after-tax amount paid by Diboll to holders of options to purchase Diboll common stock who utilize the "cashless exercise" feature of such options and upon such cashless exercise receive payment of an amount in cash equal to the excess of the aggregate fair market value at the time of exercise of the shares of Diboll common stock subject to such options over the aggregate purchase price for such shares.

In addition, the aggregate amount of the cash consideration will be decreased on a dollar-for-dollar basis if Diboll's closing net book value as of a date that is 15 business days prior to the closing date, which we refer to as the determination date, is less than the target book value of \$100,298,570.

Diboll's closing net book value will be calculated as the unaudited consolidated net shareholders' equity of Diboll, determined in accordance with GAAP, but without giving effect to any required purchase accounting adjustments required as a result of the transactions contemplated by the merger agreement. For purposes of calculating the closing net book value, Diboll shall include, without duplication, reductions for: (a) any fees and commissions payable to any broker, finder, financial advisor or investment banking firm in connection with the merger agreement, the mergers and the other transactions contemplated by the merger agreement, on an after-tax basis; (b) any legal and accounting fees incurred in connection with the merger agreement, the mergers and the other transactions contemplated by the merger agreement and any related SEC and regulatory filings, on an after-tax basis; (c) any amounts paid or payable pursuant to Diboll's change-in-control bonus pool, on an after-tax basis; (d) except to the extent the aggregate cash consideration has been adjusted for the cashless exercise of Diboll stock options as discussed above, the costs, expenses, payments or other amounts paid or payable pursuant to vesting of any Diboll stock options and any existing employment, salary continuation, deferred compensation or other similar agreements or severance, noncompetition, or retention arrangements between Diboll or any of its subsidiaries and any other person, on an after-tax basis; (e) the termination costs associated with certain designated contracts, on an after-tax basis; and (f) the amount of any and all dividends permitted to be paid by Diboll pursuant to the merger agreement, to the extent paid, declared or expected to be paid or declared, prior to the effective time of the first merger. Additionally, the closing net book value shall reflect the closing mark-to-market valuation of the securities in Diboll's investment portfolio. The closing net book value may be further adjusted upon the mutual agreement of the parties.

For example, and for illustration purposes only, assuming that (1) all holders of options to purchase shares of Diboll common stock utilize the cashless exercise feature of such options immediately prior to closing and receive a cash payment therefor and the fair market value of the shares of Diboll common stock subject to such option is deemed to be equal to the merger consideration per share of Diboll common stock; for this example 18,179 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$132.87 (resulting in a payment to option holders of \$2,040,411, which on an after-tax basis to Diboll is \$1,346,671), (2) Diboll's closing net book value is at least equal to the target book value, (3) the price per share of the Southside common stock received in the merger is equal to



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\$33.15, the closing price on August 15, 2017, and (4) the Diboll outstanding share number is 845,087, each share of Diboll common stock would be converted into the right to receive \$27.99 in cash and 6.5496 shares of Southside common stock with a value of \$217.12, or aggregate merger consideration per share of Diboll common stock of \$245.11.

Southside will not issue any fractional shares of Southside common stock in the first merger. Diboll shareholders who would otherwise be entitled to a fractional share of Southside common stock upon the completion of the first merger will instead receive an amount in cash based on the volume weighted average price per share of Southside common stock for the last full trading day immediately preceding the day on which the first merger is completed, which we refer to as the Southside closing share value.

Southside common stock is listed on the NASDAQ Global Select Market under the symbol “SBSI.” Diboll common stock is not listed on an exchange and is not actively traded. The following table sets forth the closing sale prices of Southside common stock as reported on the NASDAQ Global Select Market on June 12, 2017, the last full trading day before the public announcement of the merger agreement, and on [•], 2017, the latest practicable trading date before the date of this proxy statement/prospectus.

|               |                              |
|---------------|------------------------------|
|               | Southside<br>Common<br>Stock |
| June 12, 2017 | \$ 35.01                     |
| [•], 2017     | \$ [•]                       |

**Ancillary Agreements**

**Voting and Support Agreements (page [•])**

As a condition to Southside entering into the merger agreement, each of the directors, executive officers and significant shareholders of Diboll entered into a voting and support agreement pursuant to which each such person agreed, among other things, (1) to vote the shares of Diboll common stock held of record by such person to approve the merger agreement and the first merger and (2) for a period of two years following the closing the first merger, to not engage in certain competitive activities with Southside, including not soliciting employees and customers of Diboll and not serving as a director or management official of another financial institution in the counties in Texas in which Diboll has branches. The form of voting and support agreement is included in this proxy statement/prospectus as Annex C.

**Key Employee Retention Agreements (page [•])**

In addition, as a condition to Southside entering into the merger agreement, certain employees of Diboll entered into key employee retention agreements with Southside Bank, the effectiveness of which is conditioned upon the completion of the mergers. Pursuant to the key employee retention agreements, Southside has agreed to grant certain equity awards to the key employees and pay certain retention bonuses following the closing, and the employees have agreed, among other things, not to solicit Southside’s customers or employees for a period of one year following a termination of employment with Southside, with certain exceptions.

**Risk Factors Related to the Mergers (page [•])**

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented in the proxy statement/prospectus. In particular, you should consider the factors under “Risk Factors.”



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The Diboll Special Meeting (page [•])

The special meeting of Diboll shareholders will be held on [•], [•], 2017, at [•] Central Time, at the T.L.L. Temple Memorial Library, 300 Park Street, Diboll, Texas 75941. At the special meeting, Diboll shareholders will be asked to:

- approve the merger proposal; and

- approve the adjournment proposal.

Only holders of record at the close of business on [•], 2017, the Diboll record date, will be entitled to vote at the Diboll special meeting. Each share of Diboll common stock is entitled to one vote on each proposal to be considered at the Diboll special meeting. As of the Diboll record date, there were [•] shares of Diboll common stock entitled to vote at the Diboll special meeting. All of the directors, executive officers and significant shareholders of Diboll have entered into voting and support agreements with Southside, pursuant to which they have agreed, solely in their capacity as Diboll shareholders, to vote all of their shares of Diboll common stock in favor of the proposals to be presented at the Diboll special meeting. As of the Diboll record date, the directors, executive officers and significant shareholders who are parties to the voting and support agreements owned and were entitled to vote an aggregate of approximately [•] shares of Diboll common stock, which represented approximately [•]% of the shares of Diboll common stock outstanding on that date. As of the Diboll record date, the directors and executive officers of Diboll and their affiliates beneficially owned and were entitled to vote [•] shares of Diboll common stock, which represented approximately [•]% of the shares of Diboll common stock outstanding on that date, and held options to purchase [•] shares of Diboll common stock. As of the Diboll record date, Southside and its subsidiaries did not hold any shares of Diboll common stock (other than shares held as fiduciary, custodian or agent), and its directors and executive officers or their affiliates did not hold any shares of Diboll common stock.

To approve the merger proposal, the holders of at least two-thirds of the outstanding shares of Diboll common stock entitled to vote on the proposal must vote in favor of the proposal. Your failure to submit a proxy or vote in person at the Diboll special meeting, failure to instruct your bank or broker how to vote, or abstention with respect to the merger proposal will have the same effect as a vote against the proposal.

To approve the adjournment proposal at the Diboll special meeting at which a quorum is present, the holders of a majority of the shares of Diboll common stock entitled to vote on, and who vote for or against, or expressly abstain from voting with respect to such proposal, at the Diboll special meeting must vote in favor of such proposal. If a quorum is present, broker non-votes and failures to authorize a proxy or vote in person at the meeting will not be counted as votes cast and will have no effect on the outcome of the adjournment proposal.

To approve the adjournment proposal at the Diboll special meeting at which a quorum is not present, the holders of a majority of the shares of Diboll common stock entitled to vote and represented, either in person or by proxy, at the Diboll special meeting must vote in favor of such proposal. If a quorum is not present, broker non-votes will have the same effect as a vote against adjournment proposal, but failures to authorize a proxy or vote in person at the meeting will have no effect on the outcome of the adjournment proposal.

Regardless of whether or not a quorum is present at the Diboll special meeting, if you mark “ABSTAIN” on your proxy with respect to the adjournment proposal, it will have the same effect as a vote “AGAINST” the proposal.

Recommendation of the Diboll Board (page [•])

Diboll’s board of directors has determined that the mergers, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Diboll and its shareholders and has unanimously approved the mergers, the merger agreement and the transactions contemplated by the merger agreement. Diboll’s board of directors unanimously recommends that Diboll shareholders vote “FOR” the merger proposal and “FOR” the adjournment proposal. For the factors considered by Diboll’s board of directors in reaching its decision to approve the mergers, see “The Mergers — Diboll’s Reasons for the Mergers.”

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Board Composition and Management of Southside after the Mergers (page [•])

Immediately following the closing, the Southside board of directors will be increased by two, and Southside will appoint two individuals who are currently directors of Diboll to serve on the Southside board of directors, at least one of whom must be an “independent” director of Southside. The two designees will be appointed to serve a term that expires at the Annual Meeting of Shareholders of Southside in 2018, and the Nominating Committee of the Board shall consider in good faith the nomination for re-election of each such director one of whom will be considered for re-election for a term that expires at the Annual Meeting of Shareholders in 2020 and the other director will be considered for re-election for a term that expires at the Annual Meeting of Shareholders in 2019.

Each of the executive officers of Southside immediately prior to the effective time of the second merger will continue as the executive officers of the surviving company from and after the effective time of the second merger.

Additionally, immediately following the effective time of the second merger, Diboll executives will assume the following titles: H.J. (“Jay”) Shands, III — Regional President, East Texas; Joe C. (“Trey”) Denman, III — Executive Vice President; and James (“Jim”) Denman — Executive Vice President.

Interests of Diboll Directors and Executive Officers in the Mergers (page [•])

Diboll shareholders should be aware that some of Diboll’s directors and executive officers have interests in the mergers and have arrangements that are different from, or in addition to, those of Diboll shareholders generally. These interests and arrangements may create potential conflicts of interest. Diboll’s board of directors was aware of these interests and considered these interests, among other matters, in adopting and approving the merger agreement and the transactions contemplated by the merger agreement, including the first merger, and in recommending that Diboll shareholders vote in favor of approving the merger agreement and the first merger.

These interests include:

- accelerated vesting of stock options issued to executive officers and directors, which if settled in cash prior to the effective time will reduce the aggregate cash consideration available to all shareholders by approximately \$1.3 million, net of tax;
- in connection with entering into the merger agreement, certain employees of Diboll, including each of its executive officers, entered into key employee retention agreements with Southside Bank, the effectiveness of which is conditioned upon the completion of the mergers. The key employee retention agreements provide for (i) non-qualified stock options having a value equal to 12.5% of the executive’s base salary, (ii) restricted stock units having a value equal to 12.5% of the executive’s base salary and (iii) retention bonuses payable on the 90th day following the closing and on the first and second anniversaries of the closing if such executives continue to remain employees in good standing with Southside Bank; and
- the right to continued indemnification and directors’ and officers’ liability insurance coverage.

For a more complete description of these interests, see “The Mergers — Interests of Diboll’s Directors and Executive Officers in the Mergers” and “The Merger Agreement — Merger Consideration; Effects of the First Merger — Treatment of Diboll Stock Options.”

Dissenters’ Rights in the Mergers (page [•])

Holders of Diboll common stock are entitled to exercise certain dissenters’ rights in relation to the first merger, as provided for under Chapter 10, Subchapter H of the Texas Business Organizations Code, as amended, or the TBOC, and any successor statute. For further information, see “The Mergers — Dissenters’ Rights.”

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Conditions to Completion of the Mergers (page [•])

Currently, Southside and Diboll expect to complete the mergers in the fourth quarter of 2017. As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the mergers depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

- approval of the merger agreement and the first merger by the holders of at least two-thirds of the outstanding shares of Diboll common stock entitled to vote;
- the receipt of all required regulatory approvals for the mergers, without the imposition of any material on-going conditions or restrictions, and any applicable waiting periods shall have expired;
- the absence of any legal restraint (such as an injunction or restraining order) that would prevent the consummation of the mergers;
- the absence of more than five percent of the outstanding shares of Diboll's common stock exercising (or being entitled to exercise) their dissenters' rights
- the authorization for listing the shares of Southside common stock to be issued as part of the merger consideration on the Nasdaq Global Select Market;
- the effectiveness of the registration statement of which this proxy statement/prospectus forms a part;
- each party's receipt of a tax opinion confirming the tax-free treatment of the first merger and the second merger for U.S. federal income tax purposes; and
- the absence of the occurrence of a material adverse effect on Diboll or Southside.

Neither Southside nor Diboll can be certain when, or if, the conditions to the mergers will be satisfied or waived, or that the mergers will be completed.

Regulatory Approvals Required for the Mergers (page [•])

Both Southside and Diboll have agreed to use their commercially reasonable efforts to obtain all regulatory approvals required or advisable to complete the transactions contemplated by the merger agreement. These approvals include, among others, approval from the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, the Federal Deposit Insurance Corporation, or the FDIC, and the Texas Department of Banking. Southside and Diboll have submitted applications and notifications to obtain the required regulatory approvals. Although neither Southside nor Diboll knows of any reason why these regulatory approvals cannot be obtained, Southside and Diboll cannot be certain when or if they will be obtained, as the length of the review process may vary based on, among other things, requests by regulators for additional information or materials.

No Solicitation (page [•])

Under the merger agreement, Diboll has agreed that it will not, and will cause its representatives not to, directly or indirectly, (1) solicit, initiate, assist or knowingly take any other action to facilitate or encourage a competing acquisition proposal (including furnishing non-public information), (2) enter into, continue or otherwise participate in any discussions or negotiations regarding a competing acquisition proposal, or (3) approve, recommend, declare

advisable or enter into any agreement providing for a competing acquisition proposal or requiring Diboll to abandon, terminate or breach its obligations under the merger agreement or fail to complete the mergers.

However, prior to obtaining Diboll's required shareholder approval, Diboll may, under certain specified circumstances, participate in negotiations or discussions with any third party making an acquisition proposal and provide confidential information to such third party (subject to a confidentiality agreement). Diboll must notify Southside promptly (but in no event later than 48 hours) after the receipt of such acquisition proposal.

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Additionally, prior to obtaining Diboll's required shareholder approval, Diboll may, under certain specified circumstances, withdraw its recommendation to its shareholders with respect to the first merger and/or terminate the merger agreement in order to enter into an acquisition agreement with respect to a superior acquisition proposal if it determines in good faith, after consultation with outside legal counsel and financial advisors, that such acquisition proposal is a superior proposal and that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable law. However, Diboll cannot take any of those actions in response to a superior proposal unless it provides Southside with a three-business-day period to negotiate in good faith to enable Southside to adjust the terms and conditions of the merger agreement such that it would cause the superior proposal to no longer constitute a superior proposal.

Termination of the Merger Agreement (page [•])

The merger agreement can be terminated at any time prior to completion of the first merger by mutual consent, or by either party in the following circumstances:

- if the closing of the first merger is not completed within nine months of the date of the merger agreement, or March 12, 2018, which we refer to as the end date;
- if any court or other governmental entity has issued a final and nonappealable judgment, order, injunction, rule or decree, or taken any other action restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the merger agreement;
- if either party receives written notice from or is otherwise advised by a governmental entity that it will not grant any required regulatory approval without imposing a materially burdensome regulatory condition on either party;
- in the event that approval by the shareholders of Diboll is not obtained at a meeting at which a vote was taken; or
- if the other party has breached or is in breach of any representation, warranty, covenant or agreement in any respect, which breach would, individually or together with all such other then-uncured breaches by such party, prevent any closing condition from being satisfied and such breach is not cured by the earlier of (1) the end date and (2) the 30th business day after written notice of such breach.

In addition, Southside may terminate the merger agreement in the following circumstances:

- if Diboll fails to make its required recommendation to shareholders in favor of the first merger, or withdraws, amends, modifies or materially qualifies, in a manner adverse to Southside or Merger Sub, its recommendation, or adopts, approves or publicly recommends any competing acquisition proposal, or makes any public statement inconsistent with its recommendation, which we refer to as an adverse recommendation change;
- if Diboll fails to properly call, give notice of, and convene a meeting of shareholders to vote on the first merger;
- if there has not been an adverse recommendation change and Diboll fails to use its commercially reasonable efforts to obtain the required shareholder approval; or
- if Diboll fails to comply in all material respects with its obligations pursuant to the no-shop covenant.

In addition, Diboll may terminate the merger agreement if Diboll's board of directors determines to enter into a definitive agreement with respect to a superior proposal in accordance with the terms of the merger agreement but only if Diboll pays to Southside a \$9.0 million termination fee and promptly enters into such definitive agreement.

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Termination Fee (page [•])

If the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by Diboll's board of directors, Diboll may be required to pay Southside a termination fee of \$9.0 million. The termination fee could discourage other companies from seeking to acquire or merge with Diboll.

U.S. Federal Income Tax Considerations (page [•])

The first merger and the second merger are intended to qualify as a single "reorganization" within the meaning of Section 368(a) of the Code, and it is a condition to the respective obligations of Southside and Diboll to complete the first merger that each of Southside and Diboll receives a tax opinion to that effect. In addition, counsel has delivered an opinion to each of Southside and Diboll, which is filed as an exhibit to the registration statement of which this proxy statement/prospectus forms a part, that the completion of both of the first merger and the second merger will be treated as a "reorganization" within the meaning of Section 368(a) of the Code. Based upon the treatment of the mergers as a single "reorganization" within the meaning of Section 368(a) of the Code, a shareholder of Diboll will not recognize gain or loss with respect to the receipt of the stock consideration. As a result of receiving Southside common stock and cash in exchange for Diboll common stock, in general, shareholders of Diboll will recognize gain, but not loss, equal to the lesser of cash received or gain realized in the first merger and the second merger. The amount of gain realized will equal the amount by which the cash plus the fair market value, at the effective time of the first merger, of the Southside common stock exceeds the relevant shareholder's adjusted tax basis in its Diboll common stock to be surrendered in exchange therefor. For further information, see "The Mergers — U.S. Federal Income Tax Considerations." The U.S. federal income tax consequences described above may not apply to all holders of Diboll common stock. Your particular tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the mergers to you.

Accounting Treatment of the Mergers (page [•])

Southside will account for the mergers under the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America.

Opinion of Diboll's Financial Advisor (page [•] and Annex B)

On June 12, 2017, Hovde Group, LLC, referred to as Hovde, rendered an opinion to the Diboll board of directors to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Hovde as set forth in such opinion, the merger consideration to be paid in the proposed transaction was fair, from a financial point of view, to Diboll's shareholders. The full text of the written opinion of Hovde is attached as Annex B to this document. Diboll shareholders should read the entire opinion for a discussion of, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Hovde in rendering its opinion.

The opinion of Hovde is addressed to the Diboll board of directors, is directed only to the fairness, from a financial point of view, of the merger consideration to be paid to the holders of Diboll stock and does not constitute a recommendation to any Diboll shareholder as to how such shareholder should vote with respect to the first merger or any other matter at the Diboll special meeting.

For further information, please see the section entitled "The Mergers — Opinion of Diboll's Financial Advisor" beginning on page [•].

**TABLE OF CONTENTS****SELECTED HISTORICAL FINANCIAL INFORMATION OF SOUTHSIDE**

The following selected consolidated financial information for the fiscal years ended December 31, 2012 through December 31, 2016 is derived from audited consolidated financial statements of Southside. The consolidated financial information as of and for the six months ended June 30, 2017 and 2016 is derived from unaudited consolidated financial statements and, in the opinion of Southside's management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of these data for those dates. The selected consolidated income data for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2017. You should not assume the results of operations for any past periods indicate results for any future period. You should read this information in conjunction with Southside's consolidated financial statements and related notes thereto included in Southside's Annual Report on Form 10-K for the year ended December 31, 2016, and in Southside's Quarterly Report on Form 10-Q for the six months ended June 30, 2017, each of which are incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."

|   | As of and for the Six<br>Months Ended June 30, |           | As of and for the Years Ended December 31, |            |            |            |            |
|---|--|-----------|--|------------|------------|------------|------------|
|   | 2017   | 2016      | 2016                                       | 2015       | 2014(1)(3) | 2013       | 2012       |
|   | (unaudited)                                    |           |  |            |            |            |            |
|   | (in thousands, except share data)              |           |  |            |            |            |            |
| Selected Consolidated Operating Data:               |  |           |  |            |            |            |            |
| Interest income                                     | \$ 90,897                                      | \$ 84,101 | \$ 168,913                                 | \$ 154,532 | \$ 123,778 | \$ 119,602 | \$ 116,020 |
| Interest expense                                    | 20,193   | 13,107    | 29,348                                     | 19,854     | 16,956     | 17,968     | 26,895     |
| Net interest income                                 | 70,704   | 70,994    | 139,565                                    | 134,678    | 106,822    | 101,634    | 89,125     |
| Provision for loan losses                           | 2,444  | 6,084     | 9,780                                      | 8,343      | 14,938     | 8,879      | 10,736     |
| Net interest income after provision for loan losses | 68,260   | 64,910    | 129,785                                    | 126,335    | 91,884     | 92,755     | 78,389     |
| Noninterest income                                  | 18,966   | 20,966    | 39,411                                     | 37,895     | 24,489     | 35,245     | 40,021     |
| Noninterest expense                                 | 51,395   | 55,220    | 109,522                                    | 112,954    | 97,704     | 81,713     | 76,107     |
| Income before income tax expense                    | 35,831   | 30,656    | 59,674                                     | 51,276     | 18,669     | 46,287     | 42,303     |
| Income tax expense (benefit)                        | 6,361  | 5,745     | 10,325                                     | 7,279      | (2,164)    | 5,097      | 7,608      |
| Net income  | \$ 29,470                                      | \$ 24,911 | \$ 49,349                                  | \$ 43,997  | \$ 20,833  | \$ 41,190  | \$ 34,695  |
| Selected Financial                                  |  |           |  |            |            |            |            |



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Condition  
Data:

|   |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Securities available for sale           | \$ 1,397,811 | \$ 1,416,335 | \$ 1,479,600 | \$ 1,460,492 | \$ 1,448,708 | \$ 1,177,687 | \$ 1,424,000 |
| Securities held to maturity             | 925,538      | 784,925      | 937,487      | 784,296      | 642,319      | 667,121      | 246,540      |
| Loans, net of allowance for loan losses | 2,590,957    | 2,369,413    | 2,538,626    | 2,412,017    | 2,167,841    | 1,332,396    | 1,242,300    |
| Total assets                            | 5,578,482    | 5,034,928    | 5,563,767    | 5,161,996    | 4,807,176    | 3,445,574    | 3,237,300    |
| Deposits                                | 3,624,073    | 3,570,249    | 3,533,076    | 3,455,407    | 3,374,417    | 2,527,808    | 2,351,800    |
| Long-term obligations                   | 320,658      | 559,071      | 601,464      | 562,512      | 660,278      | 559,571      | 429,310      |
| Shareholders' equity                    | 547,065      | 472,300      | 518,274      | 444,062      | 425,243      | 259,518      | 257,760      |

Selected Consolidated Financial Ratios and Other Data:

Per Share  
Data:

|  |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|
| Earnings per common share, basic(3)                    | \$ 1.01  | \$ 0.92  | \$ 1.82  | \$ 1.61  | \$ 0.97  | \$ 1.94  | \$ 1.61  |
| Earnings per common share, diluted(3)                  | \$ 1.00  | \$ 0.92  | \$ 1.81  | \$ 1.61  | \$ 0.97  | \$ 1.94  | \$ 1.61  |
| Cash dividends paid per common share                   | \$ 0.53  | \$ 0.47  | \$ 1.01  | \$ 1.00  | \$ 0.96  | \$ 0.91  | \$ 1.11  |
| Weighted average common shares outstanding, basic(2)   | 29,303   | 27,002   | 27,118   | 27,291   | 21,562   | 21,217   | 21,599   |
| Weighted average common shares outstanding, diluted(2) | 29,511   | 27,099   | 27,247   | 27,382   | 21,669   | 21,263   | 21,614   |
|  | \$ 18.64 | \$ 17.55 | \$ 17.72 | \$ 16.25 | \$ 15.61 | \$ 12.20 | \$ 12.13 |

Book value  
per common  
share(2)(3)

Performance  
Ratios:

Return on  
average  
assets

|       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|
| 1.06% | 0.99% | 0.94% | 0.90% | 0.60% | 1.22% | 1.05% |
|-------|-------|-------|-------|-------|-------|-------|

Return on  
average  
equity

|        |        |        |        |       |        |        |
|--------|--------|--------|--------|-------|--------|--------|
| 11.13% | 10.93% | 10.54% | 10.04% | 7.24% | 16.50% | 12.83% |
|--------|--------|--------|--------|-------|--------|--------|

Net interest  
margin

|       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|
| 3.07% | 3.43% | 3.26% | 3.40% | 3.77% | 3.69% | 3.26% |
|-------|-------|-------|-------|-------|-------|-------|

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|  | As of and for the Six<br>Months Ended June 30, |        | As of and for the Years Ended December 31, |        |            |         |         |
|--|--|--------|--|--------|------------|---------|---------|
|  | 2017   | 2016   | 2016                                       | 2015   | 2014(1)(3) | 2013    | 2012    |
|  | (unaudited)                                    |        |  |        |            |         |         |
|  | (in thousands, except share data)              |        |  |        |            |         |         |
| Asset Quality Ratios:  |  |        |  |        |            |         |         |
| Nonperforming assets to total loans and other real estate(3) | 0.35%  | 1.03%  | 0.59%                                      | 1.34%  | 0.56%      | 1.01%   | 1.16%   |
| Nonaccrual loans to total loans(3)                           | 0.12%  | 0.49%  | 0.32%                                      | 0.84%  | 0.19%      | 0.60%   | 0.82%   |
| Allowance for loan losses to total loans                     | 0.74%  | 0.63%  | 0.70%                                      | 0.81%  | 0.61%      | 1.40%   | 1.63%   |
| Allowance for loan losses to nonperforming loans(3)          | 215.75%  | 61.48% | 121.70%                                    | 62.31% | 133.27%    | 157.58% | 154.46% |
| Net charge-offs to average total loans                       | 0.09%  | 0.90%  | 0.47%                                      | 0.09%  | 1.44%      | 0.82%   | 0.74%   |
| Consolidated Capital Ratios:                                 |  |        |  |        |            |         |         |
| Tier 1 leverage ratio  | 9.73%  | 8.60%  | 9.46%                                      | 8.61%  | 11.35%     | 9.07%   | 9.11%   |
| Common equity Tier 1 capital ratio                           | 14.91%   | 12.58% | 14.64%                                     | 12.71% | N/A        | N/A     | N/A     |
| Tier 1 risk-based capital ratio                              | 16.68%   | 14.47% | 16.37%                                     | 14.56% | 16.12%     | 20.47%  | 21.16%  |
| Total risk-based capital ratio                               | 20.40%   | 15.01% | 20.10%                                     | 15.27% | 16.69%     | 21.71%  | 22.42%  |
| Total shareholders' equity to total assets                   | 9.81%  | 9.38%  | 9.32%                                      | 8.60%  | 8.85%      | 7.53%   | 7.96%   |

(1) We completed the acquisition of Omni on December 17, 2014. Accordingly, our balance sheet data as of December 31, 2014 reflects the effects of the acquisition of Omni. Income statement data with respect to Omni includes only the results of Omni's operations for December 17 – December 31, 2014.

(2)

On May 4, 2017, Southside declared a 2.5% stock dividend on its common stock, payable to common shareholders of record May 30, 2017, which was paid on June 27, 2017. All prior periods presented have been adjusted to give retroactive recognition to stock dividends.

(3)

The amount reflected for 2014 excludes purchased credit impaired loans measured at fair value at acquisition of Omni.

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**TABLE OF CONTENTS****SELECTED HISTORICAL FINANCIAL INFORMATION OF DIBOLL**

The following selected historical consolidated financial information of Diboll as of and for the six months ended June 30, 2017 and 2016, has been derived from Diboll's unaudited financial statements, which Diboll's management believes reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of and for the periods ended on such dates, regulatory filings made by Diboll, and from other information provided by Diboll. The following selected historical consolidated financial information of Diboll as of and for each of the five years ended December 31, 2016, has been derived from Diboll's audited financial statements, regulatory filings made by Diboll, and from other information provided by Diboll. You should read the following selected financial information relating to Diboll in conjunction with other information appearing elsewhere in this proxy statement/prospectus, including the information set forth under "Diboll Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page [•], and the consolidated financial statements of Diboll and related accompanying notes appearing after page F-1.

|  | As of and for the Six<br>Months Ended June 30, |           | As of and for the Year Ended December 31, |           |           |           |           |
|--|--|-----------|---|-----------|-----------|-----------|-----------|
|  | 2017   | 2016      | 2016                                      | 2015      | 2014      | 2013      | 2012      |
|  | (unaudited)                                    |           |   |           |           |           |           |
|  | (dollars in thousands except per share)        |           |   |           |           |           |           |
| Selected<br>Income<br>Statement<br>Data                            |  |           |   |           |           |           |           |
| Interest<br>income   | \$ 18,914                                      | \$ 18,605 | \$ 37,179                                 | \$ 35,857 | \$ 34,698 | \$ 33,134 | \$ 32,594 |
| Interest<br>expense  | 523  | 522       | 1,050                                     | 1,064     | 1,096     | 1,229     | 1,677     |
| Net interest<br>income   | 18,391   | 18,083    | 36,129                                    | 34,793    | 33,602    | 31,905    | 30,917    |
| Provision<br>for loan<br>losses                                    | 1,581  | 600       | 1,424                                     | 843       | 1,430     | 739       | 1,003     |
| Net interest<br>income<br>after<br>provision<br>for loan<br>losses | 16,810   | 17,483    | 34,705                                    | 33,950    | 32,172    | 31,166    | 29,914    |
| Noninterest<br>income  | 5,528  | 5,530     | 11,225                                    | 10,481    | 10,466    | 10,170    | 10,814    |
| Noninterest<br>expense   | 14,453   | 14,192    | 28,407                                    | 27,568    | 27,237    | 28,061    | 27,934    |
| Income<br>before<br>income tax<br>expense                          | 7,885  | 8,821     | 17,523                                    | 16,863    | 15,401    | 13,275    | 12,794    |
| Income tax<br>expense  | 2,487  | 2,792     | 5,443                                     | 5,298     | 4,745     | 3,909     | 3,730     |

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|   |            |            |           |           |           |          |          |
|---|------------|------------|-----------|-----------|-----------|----------|----------|
| Net income                                      | \$ 5,398   | \$ 6,029   | \$ 12,080 | \$ 11,565 | \$ 10,656 | \$ 9,366 | \$ 9,064 |
| Per Share<br>Data<br>(Common<br>Stock)(1)       |            |            |           |           |           |          |          |
| Earnings:                                       |            |            |           |           |           |          |          |
| Basic(1)  | \$ 6.39    | \$ 7.16    | \$ 14.34  | \$ 13.82  | \$ 12.76  | \$ 11.21 | \$ 10.79 |
| Diluted   | \$ 6.23    | \$ 7.01    | \$ 13.99  | \$ 13.47  | \$ 12.43  | \$ 10.92 | \$ 10.51 |
| Dividends<br>Per Share<br>(paid)                | \$ 4.50    | \$ 5.75    | \$ 8.25   | \$ 6.00   | \$ 5.00   | \$ 1.25  | \$ 11.25 |
| Book<br>value(2)                                | \$ 123.72  | \$ 120.70  | \$ 118.88 | \$ 112.79 | \$ 107.86 | \$ 99.37 | \$ 94.24 |
| Selected<br>Period End<br>Balance<br>Sheet Data |            |            |           |           |           |          |          |
| Total assets                                    | \$ 993,761 | \$ 969,797 | &#820     |           |           |          |          |