

SOUTHSIDE BANCSHARES INC

Form S-4/A

September 08, 2017

TABLE OF CONTENTS

As filed with the Securities and Exchange Commission on September 8, 2017

Registration No. 333-220051

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

Amendment No. 1  
to  
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 incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer 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	Chet A. Fenimore, Esq.
David E. Brown, Jr.	Fenimore, Kay, Harrison & Ford, LLP
Alston & Bird, LLP	812 San Antonio Street, Suite 600
1201 West Peachtree Street	Austin, Texas 78701
Atlanta, Georgia 30309	(512) 583-5900
(404) 881-7000	

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.

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)

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.

---

**TABLE OF CONTENTS**

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 SEPTEMBER 8, 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 October 17, 2017, at 2:00 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 September 6, 2017, the last reported sale price of Southside common stock was \$32.10 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,

---

TABLE OF CONTENTS

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.

---

TABLE OF CONTENTS

DIBOLL STATE BANCSHARES, INC.

104 North Temple Drive

Diboll, Texas 75941

(936) 829-4721

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on October 17, 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 October 17, 2017, at 2:00 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 September 6, 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 64 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



**TABLE OF CONTENTS**

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.

---



TABLE OF CONTENTS

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 October 10, 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.

---

TABLE OF CONTENTS

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS</u>	1
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	7
<u>SUMMARY</u>	9
<u>SELECTED HISTORICAL FINANCIAL INFORMATION OF SOUTHSIDE</u>	17
<u>SELECTED HISTORICAL FINANCIAL INFORMATION OF DIBOLL</u>	19
<u>SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	22
<u>UNAUDITED COMPARATIVE PER SHARE INFORMATION</u>	24
<u>COMPARATIVE MARKET PRICES AND DIVIDENDS</u>	25
<u>RISK FACTORS</u>	28
<u>Risks Related to the Mergers</u>	28
<u>Risks Related to the Combined Company Following the Mergers</u>	31
<u>Risks Related to an Investment in the Combined Company’s Common Stock</u>	32
<u>Risks Related to Tax</u>	33
<u>THE DIBOLL SPECIAL MEETING</u>	34
<u>General</u>	34
<u>Date, Time and Place</u>	34
<u>Purpose of the Diboll Special Meeting</u>	34
<u>Proposal One: Merger Proposal</u>	34
<u>Proposal Two: Adjournment Proposal</u>	34
<u>Recommendation of the Diboll Board of Directors</u>	35
<u>Record Date: Shareholders Entitled to Vote</u>	35
<u>Quorum and Adjournment</u>	35
<u>Vote Required for Approval; Abstentions; Failure to Vote</u>	36
<u>Voting by Diboll Directors and Executive Officers</u>	36
<u>Diboll Common Stock Subject to Voting and Support Agreements</u>	36
<u>Voting on Proxies by Holders of Record; Incomplete Proxies</u>	37
<u>Shares Held in “Street Name;” Broker Non-Votes</u>	37
<u>Revocability of Proxies and Changes to a Diboll Shareholder’s Vote</u>	37
<u>Solicitation of Proxies</u>	38
<u>Attending the Diboll Special Meeting; Voting in Person</u>	38
<u>Adjournments</u>	38
<u>Assistance</u>	39
<u>THE MERGERS</u>	40
<u>General</u>	40
<u>Purchase Price and Purchase Price Adjustments</u>	40
<u>Background of the Mergers</u>	41
<u>Southside’s Reasons for the Mergers</u>	44
<u>Diboll’s Reasons for the Mergers</u>	45
<u>Opinion of Diboll’s Financial Advisor</u>	48

<u>Board Composition and Management of Southside after the Mergers</u>	<u>56</u>
<u>Interests of Diboll's Directors and Executive Officers in the Mergers</u>	<u>56</u>

i

---

**TABLE OF CONTENTS**

<u>Beneficial Ownership of Diboll Common Stock by Management and Principal Shareholders of Diboll</u>	<u>58</u>
<u>Regulatory Approvals Required for the Mergers</u>	<u>59</u>
<u>U.S. Federal Income Tax Considerations</u>	<u>60</u>
<u>Accounting Treatment</u>	<u>64</u>
<u>Dissenters’ Rights</u>	<u>64</u>
<u>Exchange of Shares in the First Merger</u>	<u>67</u>
<u>Listing of Southside Common Stock</u>	<u>68</u>
<b><u>THE MERGER AGREEMENT</u></b>	<u>69</u>
<u>Structure of Mergers, Effective Time and Closing</u>	<u>69</u>
<u>Organizational Documents of the Surviving Company</u>	<u>69</u>
<u>Officers of the Surviving Company</u>	<u>69</u>
<u>Board of Directors of the Surviving Company</u>	<u>69</u>
<u>Merger Consideration; Effects of the First Merger</u>	<u>70</u>
<u>Representations and Warranties</u>	<u>71</u>
<u>Definition of “Material Adverse Effect”</u>	<u>73</u>
<u>Covenants and Agreements</u>	<u>73</u>
<u>Conditions to Completion of the Mergers</u>	<u>79</u>
<u>Termination of the Merger Agreement</u>	<u>80</u>
<u>Effect of Termination</u>	<u>81</u>
<u>Termination Fee</u>	<u>81</u>
<u>Miscellaneous Provisions</u>	<u>82</u>
<b><u>ANCILLARY AGREEMENTS</u></b>	<u>83</u>
<u>Voting and Support Agreements</u>	<u>83</u>
<u>Key Employee Retention Agreements</u>	<u>84</u>
<b><u>THE COMPANIES</u></b>	<u>85</u>
<u>Southside Bancshares, Inc.</u>	<u>85</u>
<u>Diboll State Bancshares, Inc.</u>	<u>85</u>
<b><u>DIBOLL MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<u>88</u>
<b><u>DESCRIPTION OF CAPITAL STOCK</u></b>	<u>117</u>
<b><u>COMPARISON OF RIGHTS OF SOUTHSIDE SHAREHOLDERS AND DIBOLL SHAREHOLDERS</u></b>	<u>118</u>
<b><u>LEGAL MATTERS</u></b>	<u>126</u>
<b><u>EXPERTS</u></b>	<u>126</u>
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	<u>127</u>
<b><u>INDEX TO FINANCIAL STATEMENTS</u></b>	<u>F-1</u>
<u>Annex A — Agreement and Plan of Merger</u>	<u>A-1</u>
<u>Annex B — Opinion of Hovde Group, LLC</u>	<u>B-1</u>
<u>Annex C — Form of Stockholder Voting and Support Agreement</u>	<u>C-1</u>
<u>Annex D — Provisions of Texas Business Organizations Code Relating to Dissenters’ Rights</u>	<u>D-1</u>



TABLE OF CONTENTS

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

1

---

TABLE OF CONTENTS

(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 16,131 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$134.92 (resulting in a payment to option holders of \$1,654,718, which on an after-tax basis to Diboll is \$1,092,114), (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 \$32.10, the closing price on September 6, 2017, and (4) the Diboll outstanding share number is 848,776, each share of Diboll common stock would be converted into the right to receive \$28.17 in cash and 6.5212 shares of Southside common stock with a value of \$209.33, or aggregate merger consideration per share of Diboll common stock of \$237.50.

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.

2



TABLE OF CONTENTS

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 Tuesday, October 17, 2017, at 2:00 p.m., 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:

Holdings 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.

3

---

TABLE OF CONTENTS

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 September 6, 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.

4

---

TABLE OF CONTENTS

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.

TABLE OF CONTENTS

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, Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721.

TABLE OF CONTENTS

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;

7

---

TABLE OF CONTENTS

- 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.

8

---

TABLE OF CONTENTS

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 85)

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 69)

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 40)

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.

TABLE OF CONTENTS

Merger Consideration; Effects of the First Merger (page 70)

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 16,131 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$134.92 (resulting in a payment to option holders of \$1,654,718, which on an after-tax basis to Diboll is \$1,092,114), (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



**TABLE OF CONTENTS**

\$32.10, the closing price on September 6, 2017, and (4) the Diboll outstanding share number is 848,776, each share of Diboll common stock would be converted into the right to receive \$28.17 in cash and 6.5212 shares of Southside common stock with a value of \$209.33, or aggregate merger consideration per share of Diboll common stock of \$237.50.

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 September 6, 2017, the latest practicable trading date before the date of this proxy statement/prospectus.

	Southside Common Stock
June 12, 2017	\$ 35.01
September 6, 2017	\$ 32.10

**Ancillary Agreements**

**Voting and Support Agreements (page 83)**

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 84)**

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 28)**

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.”

TABLE OF CONTENTS

The Diboll Special Meeting (page 34)

The special meeting of Diboll shareholders will be held on Tuesday, October 17, 2017, at 2:00 p.m., 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 September 6, 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 848,776 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 382,158 shares of Diboll common stock, which represented approximately 45.0% 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 193,723 shares of Diboll common stock, which represented approximately 22.8% of the shares of Diboll common stock outstanding on that date, and held options to purchase 6,864 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 35)

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.”



TABLE OF CONTENTS

Board Composition and Management of Southside after the Mergers (page 56)

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 56)

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 \$1.1 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 64 )

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.”

TABLE OF CONTENTS

Conditions to Completion of the Mergers (page 79)

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 59)

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. As of September 6, 2017, the FDIC had issued conditional approval of the bank merger, and the Texas Department of Banking had completed its initial review of the merger application and accepted the merger application for filing. The Federal Reserve Board is currently conducting its review of the Federal Reserve Form Y-3 application submitted by Southside to acquire Diboll.

Agreement Not to Solicit Other Offers ("No Shop") (page 78)

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.

14

---

TABLE OF CONTENTS

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.

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 80)

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.

15

---

**TABLE OF CONTENTS**

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. Termination Fee (page 81)

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 60)

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 64)

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 48 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 48.

**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 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							

Edgar Filing: SOUTHSIDE BANCSHARES INC - Form S-4/A

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%
-------	-------	-------	-------	-------	-------	-------

17

---

**TABLE OF CONTENTS**

	As of and for the Six 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.

18

---

**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 88, and the consolidated financial statements of Diboll and related accompanying notes appearing after page F-1.

	As of and for the Six 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)						
<b>Selected Income Statement Data</b>							
Interest income	\$ 18,914	\$ 18,605	\$ 37,179	\$ 35,857	\$ 34,698	\$ 33,134	\$ 32,594
Interest expense	523	522	1,050	1,064	1,096	1,229	1,677
Net interest income	18,391	18,083	36,129	34,793	33,602	31,905	30,917
Provision for loan losses	1,581	600	1,424	843	1,430	739	1,003
Net interest income after provision for loan losses	16,810	17,483	34,705	33,950	32,172	31,166	29,914
Noninterest income	5,528	5,530	11,225	10,481	10,466	10,170	10,814
Noninterest expense	14,453	14,192	28,407	27,568	27,237	28,061	27,934
Income before income tax expense	7,885	8,821	17,523	16,863	15,401	13,275	12,794
Income tax expense	2,487	2,792	5,443	5,298	4,745	3,909	3,730
Net income	\$ 5,398	\$ 6,029	\$ 12,080	\$ 11,565	\$ 10,656	\$ 9,366	\$ 9,064
<b>Per Share Data (Common Stock)(1)</b>							
<b>Earnings:</b>							
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 Per Share (paid)	\$ 4.50	\$ 5.75	\$ 8.25	\$ 6.00	\$ 5.00	\$ 1.25	\$ 11.25
Book value(2)	\$ 123.72	\$ 120.70	\$ 118.88	\$ 112.79	\$ 107.86	\$ 99.37	\$ 94.24
<b>Selected Period End Balance Sheet</b>							

Edgar Filing: SOUTHSIDE BANCSHARES INC - Form S-4/A

Data							
Total assets	\$ 993,761	\$ 969,797	\$ 983,940	\$ 981,650	\$ 920,533	\$ 861,666	\$ 853,426
Cash and cash equivalents	58,074	58,514	52,366	74,490	65,967	53,537	71,508
Securities available for sale	251,578	252,376	265,828	257,802	221,819	229,203	239,907
Total loans (gross)	660,932	632,433	642,293	622,517	603,623	554,148	510,792
Allowance for loan losses	7,522	7,581	7,631	7,372	7,093	6,265	6,164
Goodwill and core deposit intangible	7,334	7,334	7,334	7,334	7,334	7,334	7,334
Other real estate owned	1,987	563	263	35	170	836	1,573
Noninterest-bearing deposits	307,878	298,426	302,997	286,732	273,692	258,805	248,547
Interest-bearing deposits	575,698	564,901	576,063	594,281	552,326	516,583	521,755
Total shareholders' equity	104,558	101,634	100,299	94,822	90,497	83,081	79,233
Selected Performance Metrics(3)							
Return on average assets(4)	1.10%	1.25%	1.23%	1.24%	1.18%	1.09%	1.08%
Return on average equity(4)	10.67%	12.31%	12.00%	12.27%	12.37%	11.44%	11.29%
Net interest margin(5)	3.97%	3.96%	3.89%	3.98%	3.96%	3.97%	4.00%
Efficiency ratio(6)	60.76%	59.37%	59.27%	59.75%	60.50%	65.00%	65.97%

19

**TABLE OF CONTENTS**

	As of and for the Six 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)						
<b>Credit Quality Ratios</b>							
Nonperforming assets to total assets	0.76%	0.62%	0.86%	0.61%	0.52%	0.30%	0.43%
Nonperforming loans to total loans(7)	0.82%	0.86%	1.26%	0.94%	0.76%	0.30%	0.38%
Allowance for loan losses to nonperforming loans(7)	138.88%	140.20%	94.34%	125.72%	155.53%	374.19%	316.59%
Allowance for loan losses to total loans	1.14%	1.20%	1.19%	1.18%	1.18%	1.13%	1.21%
Net charge-offs to average loans outstanding	0.52%	0.12%	0.18%	0.09%	0.10%	0.12%	0.18%
<b>Capital Ratios</b>							
Common equity Tier 1 capital to risk-weighted assets	13.49%	12.97%	13.27%	12.59%	N/A	N/A	N/A
Tier 1 capital to average assets	9.84%	9.39%	9.35%	9.02%	8.83%	8.62%	8.06%
Tier 1 capital to risk-weighted assets(7)	13.49%	12.97%	13.27%	12.59%	13.31%	12.99%	12.44%
Total capital to risk-weighted assets(8)	14.57%	14.09%	14.39%	13.70%	14.51%	14.12%	13.61%
Tangible equity to total assets	9.78%	9.72%	9.45%	8.91%	9.03%	8.79%	8.42%

(1)

Diboll calculates its diluted earnings per share for each period shown as its net income divided by the weighted-average number of its common shares outstanding during the relevant period adjusted for the dilutive effect

Edgar Filing: SOUTHSIDE BANCSHARES INC - Form S-4/A

of outstanding options to purchase shares of its common stock. Earnings per share on a basic and diluted basis were calculated using the following outstanding share amounts:

	As of June 30,		As of December 31,				
	2017	2016	2016	2015	2014	2013	2012
Weighted average shares outstanding – basic	844,190	841,375	842,216	836,956	834,968	835,498	840,020
Weighted average shares outstanding – diluted	866,555	859,720	863,363	858,738	857,160	857,889	862,604

(2)

Book value per share equals Diboll's total shareholders' equity as of the date presented divided by the number of Diboll common shares outstanding as of the date presented. The number of Diboll common shares outstanding as of June 30, 2017 and 2016, was 845,087 and 842,066, respectively, and as of December 31, 2016, 2015, 2014, 2013 and 2012 was 843,667 shares, 840,709 shares, 839,055 shares, 836,052 shares and 840,744 shares, respectively.

The following table presents, as of the dates set forth below, Diboll's total assets, total common equity, total shareholders' equity and tangible common equity:

	As of June 30,		As of December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(dollars in thousands except per share data)						
Total Assets							
Total Assets	\$ 993,761	\$ 969,797	\$ 983,940	\$ 981,650	\$ 920,533	\$ 861,666	\$ 853,426
Tangible Common Equity							
Total shareholders' equity	104,558	101,634	100,299	94,822	90,497	83,081	79,233
Goodwill, net	7,334	7,334	7,334	7,334	7,334	7,334	7,334
Tangible common equity	\$ 97,224	\$ 94,300	\$ 92,965	\$ 87,488	\$ 83,163	\$ 75,747	\$ 71,899
Common shares outstanding(a)	845,087	842,066	843,667	840,709	839,055	836,052	840,744
Book value per common share	\$ 123.72	\$ 120.70	\$ 118.88	\$ 112.79	\$ 107.86	\$ 99.37	\$ 94.24
Total equity to total assets	10.52%	10.48%	10.19%	9.66%	9.83%	9.64%	9.28%
Tangible common equity to total assets	9.78%	9.72%	9.45%	8.91%	9.03%	8.79%	8.42%

(a)

Diboll calculates the common shares outstanding as set forth in note (2) above.

20

---



TABLE OF CONTENTS

(3)

The values for the selected performance metrics presented for the six months ended June 30, 2017 and 2016, are annualized.

(4)

Diboll has calculated its return on average assets and return on average equity for a period by dividing net income for that period by its average assets and average equity, as the case may be, for that period. Diboll calculates its average assets and average equity for a period by dividing the sum of its total asset balance or total shareholder's equity balance, as the case may be, as of the close of business on each day in the relevant period and dividing by the number of days in the period.

(5)

Net interest margin for a period represents net interest income for that period divided by average interest-earning assets for that period.

(6)

Efficiency ratio for a period represents noninterest expenses for that period divided by the sum of net interest income and noninterest income for that period, excluding realized gains or losses from sales of investment securities for that period.

(7)

Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest, and accruing loans modified under troubled debt restructurings.

(8)

Diboll calculates its risk-weighted assets using the standardized method of the Basel III Framework, as implemented by the FDIC.

**TABLE OF CONTENTS****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following tables show summary unaudited pro forma condensed combined financial information about the combined financial condition and operating results of Southside and Diboll after giving effect to the mergers. The unaudited pro forma financial information assumes that the mergers are accounted for under the acquisition method with Southside treated as the acquirer. The unaudited pro forma condensed combined balance sheet data gives effect to the mergers as if they had occurred on June 30, 2017. The unaudited pro forma condensed combined income statements for the year ended December 31, 2016 and the six months ended June 30, 2017 give effect to the mergers as if they had occurred on January 1, 2016. The unaudited pro forma condensed combined financial statements are provided for informational purposes only. The unaudited pro forma condensed combined financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma condensed combined financial statements and related adjustments required management to make certain assumptions and estimates. The selected unaudited pro forma condensed combined financial information listed below has been derived from and should be read in conjunction with (1) the more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing elsewhere in this proxy statement/prospectus and (2) the historical consolidated financial statements and related notes of Southside that are incorporated by reference herein and the and historical consolidated financial statements and related notes of Diboll appearing elsewhere in this proxy statement/ prospectus.

	As of June 30, 2017			
	Historical Southside (in thousands)	Diboll(1)	Pro Forma Adjustments(2)	Pro Forma Combined
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 235,832	\$ 58,074	\$ (42,734)	\$ 251,172
Securities available for sale	1,397,811	251,408	—	1,649,219
Securities held to maturity	925,538	—	—	925,538
FHLB stock, at cost	61,561	394	—	61,955
Loans	2,610,198	659,801	(11,240)	3,258,759
Less: Allowance for loan losses	(19,241)	(7,522)	7,522	(19,241)
Premises and equipment, net	105,938	14,438	—	120,376
Goodwill	91,520	7,334	95,492	194,346
Other intangible assets, net	3,767	—	11,105	14,872
Total Assets	5,578,482	993,761	63,473	6,635,716
Deposits	3,624,073	883,576	—	4,507,649
Borrowings	1,344,915	—	—	1,344,915
Shareholders' equity	547,065	104,558	63,473	715,096

(1)

Certain historical information reflected in the table has been adjusted from the presentation in the historical consolidated financial statements of Diboll to conform to Southside's presentation and to more accurately portray estimated balances after consummation of the merger.

(2)

Detailed entries associated with the Pro Forma Adjustments are included in the "Index to Financial Statements" beginning on page F-1.



TABLE OF CONTENTS

	For the Six Months Ended June 30, 2017			
	Historical		Pro Forma	Pro Forma
	Southside	Diboll	Adjustments(1)	Combined
	(in thousands)			
Income Statement Data:				
Interest income	\$ 90,897	\$ 18,914	\$ 849	\$ 110,660
Interest expense	20,193	523	—	20,716
Net interest income	70,704	18,391	849	89,944
Provision for loan loss	2,444	1,581	—	4,025
Deposit service income	10,369	2,172	—	12,541
Net gain on sale of securities available for sale	247	2	—	249
Other noninterest income	8,350	3,354	—	11,704
Noninterest expense	51,395	14,453	1,009	66,857
Income before income tax expense (benefit)	35,831	7,885	(160)	43,556
Provision for income tax expense (benefit)	6,361	2,487	(56)	8,792
Net income	\$ 29,470	\$ 5,398	\$ (104)	\$ 34,764
	For the Year Ended December 31, 2016			
	Historical		Pro Forma	Pro Forma
	Southside	Diboll(1)	Adjustments(2)	Combined
	(in thousands)			
Income Statement Data:				
Interest income	\$ 168,913	\$ 37,179	\$ 1,698	\$ 207,790
Interest expense	29,348	1,050	—	30,398
Net interest income	139,565	36,129	1,698	177,392
Provision for loan loss	9,780	1,424	—	11,204
Deposit service income	20,702	3,930	—	24,632
Net gain on sale of securities available for sale	2,836	167	—	3,003
Other noninterest income	15,873	7,128	—	23,001
Noninterest expense	109,522	28,407	2,018	139,947
Income before income tax expense (benefit)	59,674	17,523	(320)	76,877
Provision for income tax expense (benefit)	10,325	5,443	(112)	15,656
Net income	\$ 49,349	\$ 12,080	\$ (208)	\$ 61,221

(1) Detailed entries associated with the Pro Forma Adjustments are included in the “Index to Financial Statements” beginning on page F-1.

TABLE OF CONTENTS

## UNAUDITED COMPARATIVE PER SHARE INFORMATION

The following table shows the historical, unaudited pro forma combined and pro forma equivalent per share financial information for Southside and Diboll as of and for the year ended December 31, 2016 and as of and for the six months ended June 30, 2017. The information presented below should be read together with the historical consolidated financial statements of Southside, including the related notes, filed by Southside with the SEC and incorporated by reference into this proxy statement/prospectus, and the historical consolidated financial statements of Diboll, including the related notes, included elsewhere in this proxy statement/prospectus.

The unaudited pro forma and pro forma per equivalent share information gives effect to the mergers as if the mergers had occurred on December 31, 2016 or June 30, 2017 in the case of the book value data, and as if the mergers had occurred on January 1, 2016, in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines the historical results of Diboll and First Bank & Trust into Southside's consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not necessarily indicative of the financial results of the combined companies had the mergers actually occurred on January 1, 2016.

In addition, the unaudited pro forma data includes adjustments, which are preliminary and may be revised. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the mergers or consider any potential impacts of current market conditions or the mergers on revenues, expense efficiencies, asset dispositions and share repurchases, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results.

	Southside		Diboll	
	Historical	Pro Forma Combined	Historical	Pro Forma Combined Equivalent
As of and for the year ended December 31, 2016				
Income (loss) from continuing operations attributable to common shareholders per common share, basic	\$ 1.82	\$ 1.87	\$ 14.34	\$ 12.23
Income (loss) from continuing operations attributable to common shareholders per common share, diluted	1.81	1.87	13.99	12.18
Cash dividends paid per common share	1.01	1.01	8.25	6.59
Book value per common share	17.71	19.60	118.88	n/a
As of and for the six months ended June 30, 2017				
Income (loss) from continuing operations attributable to common shareholders per common share, basic	1.01	1.00	6.39	6.51
Income (loss) from continuing operations attributable to common shareholders per common share, diluted	1.00	0.99	6.23	6.47
Cash dividends paid per common share	0.53	0.53	4.50	3.46
Book value per common share	18.64	20.50	123.72	n/a

TABLE OF CONTENTS

## COMPARATIVE MARKET PRICES AND DIVIDENDS

## Southside

Southside's common stock is listed on the NASDAQ Global Select Market under the symbol "SBSI." As of September 6, 2017, the latest practicable date prior to this proxy statement/prospectus, there were approximately 1,500 holders of record of Southside common stock. The following table sets forth the high and low reported intra-day sales prices per share of Southside common stock, and the cash dividends declared per share for the periods indicated.

	Southside Common Stock		
	High	Low	Dividend
2015			
First Quarter	\$ 28.79	\$ 23.73	\$ 0.23
Second Quarter	29.17	25.51	0.23
Third Quarter	29.13	23.49	0.23
Fourth Quarter	28.56	23.45	0.31
2016			
First Quarter	\$ 26.57	\$ 19.08	\$ 0.23
Second Quarter	30.69	24.05	0.24
Third Quarter	32.83	29.32	0.24
Fourth Quarter	38.08	30.54	0.30
2017			
First Quarter	\$ 37.32	\$ 30.47	\$ 0.25
Second Quarter	36.11	31.15	0.28
Third Quarter (through September 6, 2017)	36.22	31.62	0.28

On June 12, 2017, the last full trading day before the public announcement of the merger agreement, the closing sale price per share of Southside common stock was \$35.01, and on September 6, 2017, the latest practicable date before the date of this proxy statement/prospectus, the closing sale price per share of Southside common stock was \$32.10. Diboll common stock is not publicly traded.

Diboll shareholders are advised to obtain current market quotations for Southside common stock. The market price of Southside common stock will fluctuate between the date of this proxy statement/prospectus and the date of completion of the first merger. No assurance can be given concerning the market price of Southside common stock before or after the effective date of the first merger. Changes in the market price of Southside common stock prior to the completion of the first merger will affect the market value of the merger consideration that Diboll shareholders will receive.

## Diboll

There is no established public trading market for the shares of Diboll common stock, and no market for Diboll common stock is expected to develop if the first merger does not occur. No registered broker/ dealer makes a market in the Diboll common stock, and no shares of such stock are listed for trading or quoted on any stock exchange or automated quotation system. Diboll acts as the transfer agent and registrar for its own shares. As of the Diboll record date, there were approximately 160 holders of record of Diboll common stock.

TABLE OF CONTENTS

Diboll becomes aware of trades of shares of Diboll common stock as transfer agent of its shares and sometimes the prices at which these trades are made. The following table sets forth the high and low sales prices known to management of Diboll for trades of its common stock for the periods shown:

	Diboll Common Stock			
	High	Low	Number of Trades	Number of Shares Traded
2015				
First Quarter	\$ —	\$ —	—	—
Second Quarter	—	—	—	—
Third Quarter	—	—	—	—
Fourth Quarter	—	—	—	—
2016				
First Quarter	\$ —	\$ —	—	—
Second Quarter	—	—	—	—
Third Quarter	—	—	—	—
Fourth Quarter	152.00	152.00	1	200
2017				
First Quarter	\$ 155.00	\$ 152.00	2	236
Second Quarter	155.00	155.00	1	22
Third Quarter (through September 6, 2017)	155.00	155.00	1	5

The most recent trade of Diboll common stock occurred on July 20, 2017, when 5 shares were traded at a price of \$155.00 per share. There have been other limited transfers of Diboll common stock that are not reflected in the table above, which were excluded as they were transferred between related parties (as gifts or to trusts or estates). Because of limited trading, the prices described above may not be representative of the actual or fair value of the Diboll common stock.

Diboll's general dividend policy is to pay cash dividends on a quarterly basis. During 2015, Diboll declared dividends of \$8.00 per share and paid dividends of \$6.00 per share. During 2016, Diboll declared dividends of \$6.50 per share and paid dividends of \$8.25 per share. For the six months ended June 30, 2017, Diboll declared dividends of \$3.00 per share and paid dividends of \$4.50 per share. Under the terms of the merger agreement, Diboll is permitted to pay dividends of up to \$1.50 per share each calendar quarter before the effective time of the first merger, and Diboll anticipates paying dividends of \$1.50 per share per quarter prior to the effective time of the first merger. Diboll is also permitted to pay a special, one-time dividend to its shareholders if the effective date of the first merger is on or after December 9, 2017, provided that Diboll maintains a Tier 1 leverage ratio of at least 8.75% after giving effect to the payment of all such dividends.

Diboll's shareholders are entitled to receive dividends out of legally available funds when, as and if declared by Diboll's board of directors, in its sole discretion. As a Texas corporation, Diboll is subject to certain restrictions on dividends under the TBOC. Generally, a Texas corporation may pay dividends to its shareholders out of its surplus (the excess of its assets over its liabilities and stated capital) unless the corporation is insolvent or the payment of the dividend would render the corporation insolvent.

Consistent with its policy that bank holding companies should serve as a source of financial strength for their subsidiary banks, the Federal Reserve Board has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of dividends to shareholders unless its net income available has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears consistent with the bank holding company's capital needs, asset quality and overall financial condition.

Diboll does not engage in separate business activities of a material nature. As a result, Diboll's ability to pay dividends depends upon the dividends received from its subsidiary, First Bank & Trust. As a

---



TABLE OF CONTENTS

Texas-chartered banking association, First Bank & Trust’s ability to pay dividends is restricted by certain laws and regulations. Under the Texas Finance Code, First Bank & Trust generally may not pay a dividend that would reduce its capital or surplus without the prior approval of the Texas Department of Banking. All dividends must be paid out of net profits then on hand, after deducting expenses, including losses and provisions for loan losses.

In addition to Texas law restrictions on First Bank & Trust’s ability to pay dividends, under the Federal Deposit Insurance Corporation Improvement Act, First Bank & Trust may not pay any dividend if First Bank & Trust is “undercapitalized” or if the payment of the dividend would cause First Bank & Trust to become undercapitalized. The FDIC may further restrict the payment of dividends by requiring that First Bank & Trust maintain a higher level of capital than would otherwise be required to be “adequately capitalized” for regulatory purposes. Moreover, if, in the opinion of the FDIC, First Bank & Trust is engaged in an unsound practice (which could include the payment of dividends), the FDIC may require that First Bank & Trust cease such practice. The federal bank regulatory agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe banking practice. Moreover, the federal bank regulatory agencies have issued policy statements providing that insured depository institutions generally should pay dividends only out of current operating earnings.

Under regulatory capital guidelines, First Bank & Trust must maintain a common equity Tier 1 capital to total risk-weighted assets ratio of at least 4.5%, a Tier 1 capital to total risk-weighted assets ratio of 6.0%, a total capital to total risk-weighted assets ratio of 8.0% and a Tier 1 capital to average total assets ratio of 4.0%. As of June 30, 2017, First Bank & Trust had a ratio of common equity Tier 1 capital to total risk-weighted assets of 13.22%, a ratio of Tier 1 capital to total risk-weighted assets of 13.22%, a ratio of total capital to total risk-weighted assets of 14.31%, and a ratio of Tier 1 capital to average total assets of 9.64%. As of that date, First Bank & Trust could have paid a dividend of \$36.1 million and still met the above minimum capital requirements.

27

---

TABLE OF CONTENTS

RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the section “Cautionary Statement Concerning Forward-Looking Statements,” you should carefully consider the following risk factors in deciding how to vote for the proposals presented in this proxy statement/prospectus. You should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See “Where You Can Find More Information.”

Risks Related to the Mergers

The amount of the merger consideration may decrease following the Diboll special meeting.

Upon completion of the first merger, each outstanding share of Diboll common stock will be converted into the right to receive (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 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 (and payment in cash in lieu of the issuance of any fractional shares), which we refer to as the stock consideration, without interest.

Pursuant to the terms of the merger agreement, the aggregate cash consideration is subject to downward adjustment, on a dollar-for-dollar basis, in the event Diboll’s closing net book value 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.

As of the date of this proxy statement/prospectus, Diboll’s net book value, calculated in accordance with the above formula, was greater than the target book value, and if the closing of the merger were to occur on the date of this proxy statement/prospectus, no adjustment to the purchase price would be made based on this calculation. The calculation date for the closing net book value will occur subsequent to the date of the Diboll special meeting, and if the closing net book value is less than the target book value on the determination date, the cash consideration to be received by Diboll shareholders will be adjusted downward.

In addition, the cash consideration may be reduced 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

**TABLE OF CONTENTS**

aggregate purchase price for such shares. Assuming that all holders of Diboll stock options will utilize the cashless exercise feature, based on the closing price of Southside common stock on September 6, 2017, such option exercises would result in a reduction of the aggregate cash consideration by approximately \$1.1 million, net of tax.

Because the market price of Southside common stock will fluctuate, Diboll shareholders cannot be certain of the market value of the merger consideration they will receive.

The market value of the merger consideration may vary from the market value on the date Diboll and Southside announced the mergers, on the date that this proxy statement/prospectus is mailed, on the dates of the Diboll special meeting and on the date the first merger is completed and thereafter due to fluctuations in the market price of Southside common stock. Any change in the market price of Southside common stock prior to the completion of the first merger will affect the market value of the merger consideration that Diboll shareholders will receive following completion of the first merger. Stock price changes may result from a variety of factors that are beyond the control of Southside and Diboll, including but not limited to general market and economic conditions, changes in their respective businesses, operations and prospects and regulatory considerations. Therefore, at the time of the Diboll special meeting, Diboll shareholders will not know the precise market value of the consideration they will receive at the effective time of the first merger. Diboll shareholders should obtain current sale prices for shares of Southside common stock before voting their shares at the Diboll special meeting.

The mergers and related transactions are subject to approval by Diboll shareholders.

The mergers cannot be completed unless the Diboll shareholders approve the merger agreement and the first merger by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Diboll's common stock entitled to vote on the first merger.

The voting power of Diboll shareholders will be diluted by the first merger.

The first merger will result in Diboll shareholders having an ownership stake in the combined company that is smaller than their current stake in Diboll. Upon completion of the first merger, we estimate that continuing Southside shareholders will own approximately 84% of the issued and outstanding shares of common stock of the combined company, and former Diboll shareholders will own approximately 16% of the issued and outstanding shares of common stock of the combined company. Consequently, Diboll shareholders, as a general matter, will have less influence over the management and policies of the combined company after the effective time of the first merger than they currently exercise over the management and policies of Diboll.

Failure to complete the mergers could negatively affect the value of the shares and the future business and financial results of Diboll.

If the mergers are not completed, the ongoing businesses of Diboll could be adversely affected and Diboll will be subject to a variety of risks associated with the failure to complete the mergers, including the following:

- Diboll being required, under certain circumstances, to pay to Southside a termination fee equal to \$9.0 million;
- substantial costs incurred by Diboll in connection with the proposed mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees;
- diversion of management focus and resources from operational matters and other strategic opportunities while working to implement the mergers; and
- reputational harm due to the adverse perception of any failure to successfully complete the mergers.

If the mergers are not completed, these risks could materially affect the business, financial results and the value of Diboll common stock.

TABLE OF CONTENTS

Diboll will be subject to business uncertainties and contractual restrictions while the mergers are pending. Uncertainty about the effect of the mergers on employees and customers may have an adverse effect on Diboll. These uncertainties may impair Diboll's ability to attract, retain and motivate key personnel until the mergers are completed, and could cause customers and others that deal with Diboll to seek to change existing business relationships with Diboll. Retention of certain employees by Diboll may be challenging while the mergers are pending, as certain employees may experience uncertainty about their future roles with Diboll or Southside. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Diboll or Southside, Diboll's business or the business assumed by Southside following the mergers could be harmed. In addition, Diboll has agreed to certain contractual restrictions on the operation of its business prior to closing. See "The Merger Agreement — Covenants and Agreements" on page 73 for a description of the restrictive covenants applicable to Diboll. The merger agreement limits Diboll's ability to pursue an alternative acquisition proposal and requires Diboll to pay a termination fee of \$9.0 million under limited circumstances relating to alternative acquisition proposals. Under the merger agreement, Diboll has agreed not to solicit, initiate or facilitate any alternative business combination transaction or, subject to certain exceptions, participate in discussions or negotiations regarding, or furnish any non-public information relating to, any alternative business combination transaction. See "The Merger Agreement — Covenants and Agreements" on page 73. The merger agreement also provides for Diboll to pay to Southside a termination fee in the amount of \$9.0 million in the event that the merger agreement is terminated for certain reasons. See "The Merger Agreement — Termination Fee" on page 81. These provisions could discourage a potential competing acquirer that might have an interest in acquiring Diboll from considering or making a competing acquisition proposal, even if the potential competing acquirer was prepared to pay consideration with a higher per share cash value than that market value proposed to be received or realized in the first merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances under the merger agreement.

The merger agreement contains provisions granting both Diboll and Southside the right to terminate the merger agreement in certain circumstances.

The merger agreement contains certain termination rights, including the right, subject to certain exceptions, of either party to terminate the merger agreement if the first merger is not completed on or prior to March 12, 2018, and the right of Diboll to terminate the merger agreement, subject to certain conditions, to accept a business combination transaction deemed to be superior to the first merger by the Diboll board of directors. If the mergers are not completed, the ongoing business of Diboll could be adversely affected and Diboll will be subject to several risks, including the risks described elsewhere in this "Risk Factors" section.

The first merger is subject to a number of conditions which, if not satisfied or waived in a timely manner, would delay the first merger or adversely impact the companies' ability to complete the transactions.

The completion of the first merger is subject to certain conditions, including, among others, the (1) approval of the first merger by shareholders holding two-thirds of the outstanding shares of Diboll common stock; (2) 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; (3) absence of more than five percent of the outstanding shares of Diboll's common stock exercising (or being entitled to exercise) their dissenters' rights; (4) authorization for listing the shares of Southside common stock to be issued as part of the merger consideration on the Nasdaq Global Select Market; (5) effectiveness of the registration statement of which this proxy statement/prospectus forms a part; (6) 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; (7) absence of the occurrence of a material adverse effect on Diboll or Southside; and (8) other customary closing conditions set forth in the merger agreement. See "The Merger Agreement — Conditions to Completion of the Mergers" on page 79. While it is currently anticipated that the mergers will be completed during the fourth quarter of 2017, there can be no assurance

TABLE OF CONTENTS

that such conditions will be satisfied in a timely manner or at all, or that an effect, event, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, there can be no guarantee with respect to the timing of the closing of the mergers, whether the mergers will be completed at all and when Diboll shareholders would receive the merger consideration, if at all.

Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

Before the transactions contemplated by the merger agreement may be completed, various approvals must be obtained from bank regulatory authorities, which include the Federal Reserve Board, the FDIC and the Texas Department of Banking. These governmental entities may request additional information or materials regarding the regulatory applications and notices submitted by Southside and Diboll, or may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying the completion of the mergers or of imposing additional costs or limitations on the combined company following the mergers. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the mergers that are not anticipated or cannot be met. There can be no assurance as to whether these and other regulatory approvals will be received, the timing of those approvals or whether any conditions will be imposed. See “The Mergers — Regulatory Approvals Required for the Mergers” on page 59. Some of the directors and executive officers of Diboll have interests in seeing the mergers completed that are different from, or in addition to, those of the other Diboll shareholders.

Some of the directors and executive officers of Diboll have arrangements that provide them with interests in the mergers that are different from, or in addition to, those of the shareholders of Diboll generally. These interests and arrangements may create potential conflicts of interest and may influence or may have influenced the directors and executive officers of Diboll to support or approve the mergers. See “The Mergers — Interests of Diboll’s Directors and Executive Officers in the Mergers” beginning on page 56.

The opinion of Diboll’s financial advisor does not reflect changes in circumstances between the date of the signing of the merger agreement and the completion of the mergers.

Diboll’s board of directors received an opinion from its financial advisor as to the fairness of the merger consideration from a financial point of view as of the date of such opinion. Subsequent changes in the operation and prospects of Diboll or Southside, general market and economic conditions and other factors that may be beyond the control of Diboll or Southside, may significantly alter the value of Diboll or Southside or the price of the shares of Southside common stock by the time the mergers are completed. The opinion does not address the fairness of the merger consideration from a financial point of view at the time the mergers are completed, or as of any other date other than the date of such opinion. The opinion of Diboll’s financial advisor is attached as Annex B to this proxy statement/prospectus. For a description of the opinion, see “The Mergers — Opinion of Diboll’s Financial Advisor” on page 48.

**Risks Related to the Combined Company Following the Mergers**

The combined company expects to incur substantial expenses related to the mergers.

The combined company expects to incur substantial expenses in connection with completing the mergers and integrating the business and operations of the two companies. Although Southside and Diboll have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the mergers could, particularly in the near term, exceed the savings that the combined company expects to achieve from the integration of the businesses following the completion of the mergers.

## TABLE OF CONTENTS

Following the mergers, the combined company may be unable to integrate Diboll's business with Southside successfully and realize the anticipated synergies and other benefits of the mergers or do so within the anticipated timeframe.

The mergers involve the combination of two companies that currently operate as independent companies, as well as the companies' subsidiaries. Although the combined company is expected to benefit from certain synergies, including cost savings, the combined company may encounter potential difficulties in the integration process including:

- the inability to successfully combine Diboll's business with Southside in a manner that permits the combined company to achieve the cost savings anticipated to result from the mergers, which would result in the anticipated benefits of the mergers not being realized in the timeframe currently anticipated or at all;

- the risk of not realizing all of the anticipated operational efficiencies or other anticipated strategic and financial benefits of the mergers within the expected timeframe or at all;

- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the mergers; and

- performance shortfalls as a result of the diversion of management's attention caused by completing the mergers and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the combined company's management, the disruption of the combined company's ongoing business or inconsistencies in the combined company's operations, any of which could adversely affect the ability of the combined company to maintain relationships with customers and employees or to achieve the anticipated benefits of the mergers, or could otherwise adversely affect the business and financial results of the combined company.

Following the mergers, the combined company may be unable to retain key employees.

The success of the combined company after the mergers will depend in part upon its ability to retain key employees. Simultaneous with the execution of the merger agreement, Southside Bank entered into key employee retention agreements with certain employees of Diboll, the effectiveness of which is conditioned upon the completion of the mergers. However, key employees may depart either before or after the mergers because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company following the mergers. Accordingly, no assurance can be given that Diboll or Southside or, following the mergers, the combined company will be able to retain key employees.

The mergers will result in changes to the board of directors of the combined company that may affect the strategy of the combined company as compared to that of Southside and Diboll independently.

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 new composition of the board of directors may affect the business strategy and operating decisions of the combined company upon the completion of the mergers.

### Risks Related to an Investment in the Combined Company's Common Stock

The market price of the shares of common stock of the combined company may be affected by factors different from those affecting the price of shares of Southside common stock before the mergers.

The results of operations of the combined company, as well as the market price of shares of the common stock of the combined company after the mergers, may be affected by factors in addition to those currently affecting Southside's or Diboll's results of operations and the market prices of shares of Southside common stock. Accordingly, the historical financial results of Southside and Diboll and the historical market prices of shares of Southside common stock may not be indicative of these matters for the combined company after the mergers. For a discussion of the businesses of

Southside and Diboll and

32

---

**TABLE OF CONTENTS**

certain risks to consider in connection with evaluating the proposals to be considered at the Diboll special meeting, see the documents incorporated by reference by Southside into this proxy statement/prospectus referred to under “Where You Can Find More Information” beginning on page 127 and the information contained in Diboll’s historical consolidated financial statements and notes thereto and the section titled “Diboll Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 88.

The market price of the combined company’s common stock may decline as a result of the mergers.

The market price of the combined company’s common stock may decline as a result of the mergers if the combined company does not achieve the perceived benefits of the mergers or the effect of the mergers on the combined company’s financial results is not consistent with the expectations of financial or industry analysts. In addition, upon completion of the first merger, Southside and Diboll shareholders will own interests in a combined company operating an expanded business with a different mix of assets, risks and liabilities. Current Southside and Diboll shareholders may not wish to continue to invest in the combined company, or for other reasons may wish to dispose of some or all of their shares of the combined company.

After the mergers are completed, Diboll shareholders who receive shares of Southside common stock in the first merger will have different rights that may be less favorable than their current rights as Diboll shareholders.

After the closing of the mergers, Diboll shareholders who receive shares of Southside common stock in the first merger will have different rights than they currently have as Diboll shareholders, which may be less favorable than their current rights as Diboll shareholders. For a detailed discussion of the significant differences between the current rights of a shareholder of Diboll and the rights of a shareholder of the combined company following the mergers, see “Comparison of Rights of Southside Shareholders and Diboll Shareholders” beginning on page 118.

The unaudited pro forma condensed combined financial information included elsewhere in this proxy statement/ prospectus may not be representative of the combined company’s results after the mergers, and accordingly, you have limited financial information on which to evaluate the combined company.

The unaudited pro forma condensed combined financial information included elsewhere in this proxy statement/prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the mergers been completed as of the date indicated, nor is it indicative of the future operating results or financial position of the combined company. The unaudited pro forma condensed combined financial information presented elsewhere in this proxy statement/prospectus does not reflect future events that may occur after the mergers. Such information is based in part on certain assumptions regarding the transactions contemplated by the merger agreement that Southside and Diboll believe are reasonable under the circumstances. Southside and Diboll cannot assure you that the assumptions will prove to be accurate over time.

**Risks Related to Tax**

The mergers may have adverse tax consequences.

The parties intend that the first merger and the second merger will be treated as a single “reorganization” within the meaning of Section 368(a) of the Code, and they will receive a legal opinion to that effect. The legal opinion represents the judgment of counsel rendering the opinion and is not binding on the IRS or the courts. If the first merger and the second merger were to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code, then a Diboll shareholder generally would recognize gain or loss, as applicable, equal to the difference between (1) the sum of the fair market value of the shares of Southside common stock and cash in lieu of fractional shares of Southside common stock received by the Diboll shareholder in the first merger; and (2) the Diboll shareholder’s adjusted tax basis in its Diboll common stock. See “The Mergers — U.S. Federal Income Tax Considerations” beginning on page 60.



TABLE OF CONTENTS

THE DIBOLL SPECIAL MEETING

This proxy statement/prospectus is being provided to the holders of Diboll common stock as part of a solicitation of proxies by the Diboll board of directors for use at the Diboll special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment thereof. This proxy statement/prospectus provides the holders of Diboll common stock with information they need to know to be able to vote or instruct their vote to be cast at the Diboll special meeting.

General

Diboll is furnishing this proxy statement/prospectus to the holders of Diboll common stock as of the record date for use at Diboll's special meeting and any adjournment or postponement of its special meeting.

Date, Time and Place

The Diboll special meeting will be held at the T.L.L. Temple Memorial Library, 300 Park Street, Diboll, Texas 75941, on October 17, 2017, at 2:00 p.m., Central Time, subject to any adjournment or postponement thereof.

Purpose of the Diboll Special Meeting

At the Diboll special meeting, Diboll shareholders will be asked to consider and vote on the following:

- Proposal One: The Merger Proposal — To approve the merger agreement and the first merger, which we refer to as the merger proposal; and

- Proposal Two: The Adjournment Proposal — To approve the adjournment of the Diboll special meeting to a later date or dates, if the Diboll board of directors determines it is necessary, among other things, to permit solicitation of additional proxies if there are not sufficient votes at the time of the Diboll special meeting to approve the merger proposal.

Completion of the first merger is conditioned on, among other things, the approval of the merger agreement and the first merger by the Diboll shareholders.

No other matter can be brought up or voted upon at the Diboll special meeting.

Proposal One: Merger Proposal

Diboll is asking its shareholders to approve the merger proposal. After careful consideration, Diboll's board of directors determined that the mergers, the merger agreement and the transactions contemplated thereby, including the first merger, were advisable and in the best interests of Diboll and Diboll's shareholders.

Diboll shareholders should read carefully this document in its entirety, including the appendices and the documents incorporated by reference, for more detailed information concerning the merger agreement and the mergers. For a detailed discussion of the mergers, including the terms and conditions of the merger agreement, see "The Merger Agreement," beginning on page 69. In addition, Diboll shareholders are directed to the merger agreement, a copy of which is attached as Annex A to this document and incorporated in this document by reference.

Proposal Two: Adjournment Proposal

If, at the Diboll special meeting, the number of shares of Diboll common stock present or represented and voting in favor of the merger proposal is insufficient to approve the merger proposal, Diboll may move to adjourn the Diboll special meeting in order to enable the Diboll board of directors to solicit additional proxies for approval of the merger proposal. In that event, Diboll's shareholders will be asked to vote upon the adjournment proposal and not the merger proposal.

In the adjournment proposal, Diboll is asking its shareholders to authorize the holder of any proxy solicited by its board of directors to vote in favor of granting discretionary authority to the Diboll board of directors to adjourn the Diboll special meeting to another time and place for the purpose of soliciting

TABLE OF CONTENTS

additional proxies. If Diboll's shareholders approve the adjournment proposal, Diboll could adjourn the Diboll special meeting and any adjourned session of the Diboll special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Diboll shareholders who have previously voted.

Recommendation of the Diboll Board of Directors

On June 12, 2017, the Diboll board of directors unanimously determined that the first merger and the other transactions contemplated by the merger agreement are in the best interests of Diboll and its shareholders and it approved the merger agreement, the first merger and the other transactions contemplated by the merger agreement. Accordingly, the Diboll board of directors unanimously recommends that Diboll shareholders vote as follows:

- "FOR" Proposal One approving the merger agreement and the first merger; and

- "FOR" Proposal Two approving the adjournment of the Diboll special meeting if necessary to permit solicitation of additional proxies.

Holders of Diboll common stock should carefully read this proxy statement/prospectus, including any documents incorporated by reference, and the Appendices in their entirety for more detailed information concerning the merger agreement, first merger and the other transactions contemplated by the merger agreement.

Record Date; Shareholders Entitled to Vote

The record date for the Diboll special meeting is September 6, 2017, which we refer to herein as the Diboll record date. Only record holders of shares of Diboll common stock as of the close of business (5:00 p.m. Central Time), on the Diboll record date are entitled to notice of, and to vote at, the Diboll special meeting or any adjournment thereof. At the close of business on the Diboll record date, the only outstanding securities of Diboll with a right to vote on the proposals were Diboll common stock, with 848,776 shares of Diboll common stock issued and outstanding. Each share of Diboll common stock outstanding on the Diboll record date is entitled to one vote on each proposal.

Quorum and Adjournment

No business may be transacted at the Diboll special meeting unless a quorum is present. 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. However, the affirmative vote of the holders of at least two-thirds of the outstanding Diboll common stock entitled to vote at the Diboll special meeting is required to approve the merger agreement and the first merger. As a result, if shares representing at least two-thirds of the shares of Diboll common stock outstanding on the close of business on the Diboll record date are not present, in person or represented by proxy, at the Diboll special meeting, the presence of a quorum will still not permit the merger agreement and the first merger to be approved at the Diboll special meeting.

If a quorum is not present, or if fewer shares than are required are voted in favor of the proposal to approve the merger proposal, then the Diboll special meeting may be adjourned to allow for the solicitation of additional proxies. To approve the adjournment proposal at the Diboll special meeting at which a quorum is present, the holders of a majority of 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 will not be counted as votes cast and will have no effect on the outcome of such proposal.

To approve the adjournment proposal at the Diboll special meeting at which a quorum is not present, the holders of a majority of 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 the proposal but failures to authorize a proxy or vote in person will have no effect on the outcome of such proposal.

## TABLE OF CONTENTS

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.

No notice of an adjourned Diboll special meeting need be given unless after the adjournment, a new record date is fixed for the adjourned Diboll special meeting, in which case a notice of the adjourned Diboll special meeting shall be given to each Diboll shareholder of record entitled to vote at the adjourned Diboll special meeting. At any adjourned Diboll special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the Diboll special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned Diboll special meeting.

All shares of Diboll common stock represented at the Diboll special meeting, including shares that are represented but that vote to abstain and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum.

### Vote Required for Approval; Abstentions; Failure to Vote

The required votes to approve the Diboll proposals are as follows:

Proposal One: The Merger Proposal — Approving the merger proposal requires the affirmative vote of at least two-thirds of the issued and outstanding shares of Diboll common stock entitled to vote at the Diboll special meeting. Only shares of Diboll common stock are entitled to vote at the Diboll special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote “AGAINST” this proposal.

Proposal Two: The Adjournment Proposal — Approving the adjournment proposal, if necessary, to allow for the solicitation of additional proxies 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 present. 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. 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. Broker non-votes and failures to authorize a proxy or vote in person will have no effect on this proposal if a quorum is present. Broker non-votes will have the same effect as a vote against the proposal if a quorum is not present but failures to authorize a proxy or vote in person will have no effect on this proposal if a quorum is not present.

### Voting by Diboll Directors and Executive Officers

At the close of business on the Diboll record date, Diboll directors and executive officers and their affiliates were entitled to vote 193,723 shares of Diboll common stock, or approximately 22.8% of the shares of Diboll common stock outstanding on that date. Diboll expects that its directors and executive officers and their affiliates will vote their shares in favor of both of the Diboll proposals.

### Diboll Common Stock Subject to Voting and Support Agreements

The directors, executive officers and significant shareholders of Diboll, solely in their capacity as shareholders of Diboll, have entered into voting and support agreements with Southside pursuant to which they have agreed to vote their shares of Diboll common stock in favor of the approval of the merger agreement and the first merger and against the approval or adoption of any proposal made in opposition to the first merger. Under the terms of the voting and support agreements, such persons have also appointed Southside as their proxy for voting their shares of Diboll common stock at the Diboll special meeting. As of the Diboll record date, 382,158 shares of Diboll common stock, or approximately 45.0% of the outstanding shares of Diboll common stock entitled to vote at the Diboll special meeting, are bound by the voting and support agreements.

TABLE OF CONTENTS

Voting on Proxies by Holders of Record; Incomplete Proxies

If you were a record holder of Diboll common stock at the close of business on the Diboll record date, a proxy card is enclosed for your use. Diboll requests that you vote your shares as promptly as possible by submitting your Diboll proxy card by mail using the enclosed return envelope. When the accompanying proxy card is returned properly executed, the shares of Diboll common stock represented by it will be voted at the Diboll special meeting or any adjournment thereof in accordance with the instructions contained in the proxy card.

If a record holder returns an executed proxy card without an indication as to how the shares of Diboll common stock represented by it are to be voted with regard to a particular proposal, the shares of Diboll common stock represented by the proxy will be voted in accordance with the recommendation of the Diboll board of directors and, therefore, such shares will be voted:

- “FOR” Proposal One approving the merger agreement and the first merger; and

- “FOR” Proposal Two approving the adjournment of the Diboll special meeting, if necessary to permit solicitation of additional proxies.

At the date hereof, the Diboll board of directors has no knowledge of any business that will be presented for consideration at the Diboll special meeting and that would be required to be set forth in this proxy statement/prospectus or the related proxy card other than the matters set forth in Diboll’s Notice of Special Meeting of Shareholders.

Your vote is important. Accordingly, if you were a record holder of Diboll common stock on the Diboll record date, please sign and return the enclosed proxy card whether or not you plan to attend the Diboll special meeting in person.

Shares Held in “Street Name;” Broker Non-Votes

Banks, brokers and other nominees who hold shares of Diboll common stock in “street name” for a beneficial owner of those shares typically have the authority to vote in their discretion on “routine” proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be “non-routine,” without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Diboll special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. The merger proposal and the adjournment proposal are non-routine matters. Accordingly, if your broker, bank or other nominee holds your shares of Diboll common stock in “street name,” your broker, bank or other nominee will vote your shares of Diboll common stock with respect to the merger proposal and the adjournment proposal only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this proxy statement/prospectus.

Revocability of Proxies and Changes to a Diboll Shareholder’s Vote

A Diboll shareholder entitled to vote at the Diboll special meeting may revoke a proxy at any time before such time that the proxy card for any such holders of Diboll common stock must be received at the Diboll special meeting by taking any of the following three actions:

- delivering written notice of revocation to Charlotte Parish, Corporate Secretary, Diboll State Bancshares, Inc., 104 North Temple Drive, Diboll, Texas 75941;

- delivering a proxy card bearing a later date than the proxy that such shareholder desires to revoke; or

- attending the Diboll special meeting and voting in person.

Merely attending the Diboll special meeting will not, by itself, revoke your proxy; a Diboll shareholder must cast a subsequent vote at the Diboll special meeting using forms provided for that purpose. The last valid vote that Diboll receives before the polls close at the Diboll special meeting is the vote that will be counted.

37

---

TABLE OF CONTENTS

If you hold your shares in “street name” through a bank, broker or other nominee, you must contact such bank, broker or nominee if you desire to revoke your proxy.

Solicitation of Proxies

The Diboll board of directors is soliciting proxies for the Diboll special meeting from holders of its Diboll common stock entitled to vote at the Diboll special meeting. In accordance with the merger agreement, Diboll will pay its own cost of soliciting proxies from its shareholders, including the cost of mailing this proxy statement/prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Diboll’s officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication. Diboll will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Diboll common stock. Diboll may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

Attending the Diboll Special Meeting; Voting in Person

Only record holders of Diboll common stock on the record date, their duly appointed proxies, and invited guests may attend the Diboll special meeting. However, only holders of Diboll common stock will be entitled to vote. All attendees must present government-issued photo identification (such as a driver’s license or passport) for admittance. The additional items, if any, that attendees must bring to gain admittance to the Diboll special meeting depend on whether they are shareholders of record or proxy holders. A Diboll shareholder who holds shares of Diboll common stock directly registered in such shareholder’s name who desires to attend the Diboll special meeting in person should bring government-issued photo identification.

A shareholder who holds shares in “street name” through a broker, bank, trustee or other nominee (referred to in this proxy statement/prospectus as a “beneficial owner”) who desires to attend the Diboll special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner’s shares, a brokerage account statement or the voting instruction form provided by the broker.

A person who holds a validly executed proxy entitling such person to vote on behalf of a record owner of Diboll common stock who desires to attend the Diboll special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the Diboll shareholder of record, and proof of the signing shareholder’s record ownership as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the Diboll special meeting may prevent Diboll shareholders from being admitted to the Diboll special meeting.

Adjournments

If a quorum is not present at the Diboll special meeting, or if a quorum is present at the Diboll special meeting but there are not sufficient votes at the time of the Diboll special meeting to approve the merger proposal, then Diboll shareholders may be asked to vote on a proposal to adjourn the Diboll special meeting so as to permit solicitation of additional proxies. Any adjournment of the Diboll special meeting may be made from time to time by the Diboll shareholders, whether or not a quorum exists, without further notice other than by an announcement made at the Diboll special meeting (unless a new record date is fixed).

To approve the adjournment proposal at the Diboll special meeting at which a quorum is present, the holders of a majority of 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 such proposal.

TABLE OF CONTENTS

To approve the adjournment proposal at the Diboll special meeting at which a quorum is not present, the holders of a majority of 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 the proposal but failures to authorize a proxy or vote in person at the meeting will have no effect on the outcome of such 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.

Assistance

If you need assistance in completing your proxy card, have questions regarding the Diboll special meeting or would like additional copies of this proxy statement/prospectus, please contact H. J. (“Jay”) Shands, III, Chairman of the Board, President and Chief Executive Officer, at (936) 829-4721.

39

---

## TABLE OF CONTENTS

### THE MERGERS

The following discussion contains certain information about the mergers. The discussion is subject, and qualified in its entirety by reference, to the merger agreement attached as Annex A to this proxy statement/ prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement attached as Annex A, for a more complete understanding of the mergers.

#### General

Each of Southside and Diboll's respective boards of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The merger agreement provides for the acquisition of Diboll by Southside pursuant to the merger of Merger Sub 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 subsidiary of Diboll prior to the first merger, will be merged with and into Southside Bank, a wholly owned subsidiary of Southside, with Southside Bank as the surviving bank, which we refer to as the bank merger. We collectively refer to the first merger, the second merger and the bank merger as the mergers.

#### Purchase Price and Purchase Price Adjustments

At the effective time of the first merger, each share of Diboll common stock, par value \$1.00 per share, issued and outstanding immediately prior to the effective time of the first merger, except for specified shares of Diboll common stock held by Southside or Diboll, will be converted into the right to receive:

(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





**TABLE OF CONTENTS**

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 16,131 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$134.92 (resulting in a payment to option holders of \$1,654,718, which on an after-tax basis to Diboll is \$1,092,114), (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 \$32.10, the closing price on September 6, 2017, and (4) the Diboll outstanding share number is 848,776, each share of Diboll common stock would be converted into the right to receive \$28.17 in cash and 6.5212 shares of Southside common stock with a value of \$209.33, or aggregate merger consideration per share of Diboll common stock of \$237.50.

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.

Diboll shareholders are being asked to approve the merger agreement and the first merger. See "The Merger Agreement" for additional and more detailed information regarding the legal documents that govern the mergers, including information about the conditions to the completion of the first merger and the provisions for terminating or amending the merger agreement.

**Background of the Mergers**

The Diboll board of directors and management of Diboll regularly review Diboll's future prospects for earnings and asset growth as well as the implementation and viability of Diboll's strategic initiatives. From time to time, the Diboll board of directors and management of Diboll will review and discuss Diboll's long-term objectives and consider ways to enhance shareholder value. These strategic discussions have focused on, among other things, the business environment facing financial institutions in general and Diboll in particular, as well as conditions and ongoing consolidation in the financial services industry and ways in which to enhance Diboll's competitive position.

As a result of an ongoing desire to provide shareholder liquidity and a perceived recent improvement in market pricing for larger community bank franchises in Texas, in September 2016, H.J. ("Jay") Shands, III, Chairman of the Board, President and Chief Executive Officer of Diboll, contacted representatives of Hovde to discuss potential business combination opportunities, including the prospect of merging Diboll into a larger institution, and to identify potential strategic merger partners. As part of these discussions, Mr. Shands expressed the desire to enhance Diboll shareholder value and provide opportunities for shareholder liquidity.

Diboll management and representatives of Hovde met several times during the fourth quarter of 2016 to further discuss these strategic objectives. As a result of these meetings, Diboll management and Hovde identified three institutions with which to initiate discussions regarding a potential business combination, as well as planned a course of action for determining the interest of each institution in such a transaction. The three institutions identified were Southside, a second institution (hereafter referred to as "Bank A"), and a third institution (hereafter referred to as "Bank B").

TABLE OF CONTENTS

On December 15, 2016, Mr. Shands visited with the Chief Executive Officer of Bank A and disclosed that Diboll was working with Hovde to evaluate Diboll's strategic alternatives and to expect to visit with Hovde regarding the discussion of a potential business combination. Shortly after this visit, Hovde spoke with the Chief Executive Officer of Bank A and scheduled a meeting for Hovde to visit with management of Bank A regarding the possibility of a business combination with Diboll.

On January 4, 2017, Hovde met with management of Southside to discuss Southside's interest in pursuing a merger with Diboll and whether or not Southside would have an interest in visiting with management of Diboll. Lee Gibson, President and Chief Executive Officer of Southside, expressed an interest in visiting with Diboll's management team. Hovde communicated Mr. Gibson's interest to Mr. Shands and coordinated dates for Messrs. Gibson and Shands to meet. On January 16, 2017, Mr. Gibson met with Mr. Shands in Lufkin, Texas to discuss the cultures and operations of their respective institutions and the potential for a strategic business combination. After the meeting, Hovde visited with Mr. Gibson, who indicated that Southside would have an interest in pursuing further discussions with Diboll with respect to a potential business combination. Hovde communicated to Mr. Gibson that Diboll would be in regulatory examinations during January and February of 2017 and that Hovde would follow up with Mr. Gibson regarding advancing discussion with Diboll in February 2017.

On January 20, 2017, Hovde met with management from Bank A to discuss the operations of Diboll generally and to evaluate Bank A's interest regarding a potential business combination with Diboll. Bank A informed Hovde that it was interested in pursuing a transaction with Diboll and requested additional due diligence information regarding Diboll. In addition, management of Bank A requested that Hovde compile an informational memorandum on Diboll to further assist Bank A in evaluating the opportunity.

On January 23, 2017, Diboll formally engaged Hovde to act as its exclusive financial advisor and to explore business combination opportunities with Southside, Bank A and Bank B.

On January 25, 2017, representatives of Bank B met with management of Diboll in Diboll, Texas. Bank B informed Diboll that it was interested in exploring a business combination with Diboll, but that it would not be in a position to pursue a transaction or conduct due diligence until the fourth quarter of 2017. Diboll considered the advantages and disadvantages of suspending its evaluation of potential merger partners until such time that Bank B was in a position to consider a transaction. Diboll determined that waiting for Bank B created potential risk for Diboll, both in terms of lost opportunities to partner with Southside or Bank A and potential changes in general economic and market conditions that could adversely affect the viability of a potential transaction with Southside or Bank A. Due to Diboll's considerations of these factors, among others, including the expressed interest of both Southside and Bank A to initiate due diligence and negotiation of a definitive agreement as soon as possible, Diboll proceeded to advance discussions with Southside and Bank A rather than suspend such discussions until Bank B could be fully considered as a merger partner.

On February 14, 2017, Southside entered into a non-disclosure agreement with Hovde to begin sharing non-public information regarding Diboll with Southside to assist Southside in its due diligence investigation of Diboll and to further evaluate the possibility of a business combination with Diboll.

On February 21, 2017, management of Diboll met with management of Southside in Tyler, Texas to further explore the respective cultures and operations of the organizations, potential challenges of combining and integrating the businesses, assets and workforces of the institutions, the potential economies of scale and increased efficiencies of operations, including the realization of synergies and cost savings, and each party's respective interest in pursuing a transaction. Upon adjourning the meeting, Mr. Gibson expressed Southside's interest in pursuing a transaction with Diboll and verbally indicated that Southside would consider offering merger consideration with a value of at least \$200 million.

On February 24, 2017, Bank A executed a non-disclosure agreement with Hovde. Hovde provided Bank A with non-public information on Diboll, including an informational memorandum that Bank A requested to assist Bank A in evaluating a proposed business combination with Diboll. Shortly after executing the non-disclosure agreement with Hovde, on March 5, 2017, management of Bank A met with management of Diboll in Lufkin, Texas to discuss a potential strategic combination of the institutions.

TABLE OF CONTENTS

On March 16, 2017, Southside submitted a written non-binding letter of interest (the “Southside LOI”) to Hovde and Diboll, which indicated a proposal for aggregate merger consideration ranging between \$200-\$210 million in exchange for all of the issued and outstanding shares of Diboll common stock. The Southside LOI also indicated that 87.5% of the merger consideration would consist of Southside common stock and 12.5% of the merger consideration would consist of cash. The Southside LOI also indicated that two members of the Diboll board of directors would be invited to join the Southside board of directors after the closing of the transaction. The letter included an exclusivity period of 45 days for due diligence and the negotiation of a definitive agreement.

On March 24, 2017, Bank A submitted a written non-binding letter of interest (the “Bank A LOI”) to Hovde and Diboll, which indicated a proposal for aggregate merger consideration of \$210 million in exchange for all of the issued and outstanding shares of Diboll common stock. The Bank A LOI also indicated that 80% of the merger consideration would consist of Bank A common stock and 20% of the merger consideration would consist of cash. The Bank A LOI did not offer Diboll any seats on Bank A’s board of directors. The Bank A LOI included an exclusivity period that extended to September 30, 2017 for due diligence and negotiation of a definitive agreement.

On March 31, 2017, Hovde met with the Diboll board of directors. At this meeting, Hovde provided the Diboll board of directors with its analyses of the financial terms of the Southside and Bank A offers, as well as an overview of the respective terms of Southside LOI and the Bank A LOI. As part of its evaluation of Southside and Bank A offers, the Diboll board of directors considered, among other factors, the financial, business and legal terms of the Southside LOI and the Bank A LOI, historical payments and rates of cash and stock dividends on outstanding common stock of each organization, historical trading multiples and performance of each organization’s common stock, the timetable for completing the transaction and exclusivity period proposed by each organization, and the potential economies of scale and increased efficiencies of operations that could result from a combination with each entity. After due consideration of these and other factors, and further deliberations, the Diboll board of directors determined that it was advisable and in the best interest of Diboll and its shareholders to execute the Southside LOI and pursue a transaction with Southside generally based on the terms of the Southside LOI, provided that Southside agree to pay merger consideration at or near the high end of the range set forth in the Southside LOI.

Between March 31 and April 11, 2017, Hovde and Southside further negotiated the terms of the Southside LOI. On April 11, 2017, Southside provided Hovde and Diboll with the revised Southside LOI, which indicated aggregate merger consideration of 5,400,000 shares of Southside common stock and \$25,000,000 in cash, subject to certain adjustments. After further deliberation by the Diboll board of directors, Diboll executed the Southside LOI.

Upon the execution of the Southside LOI, Hovde established a virtual electronic data room to facilitate due diligence investigations. From April 11 to June 12, 2017, Southside and Diboll conducted reciprocal due diligence on each other’s businesses, including with respect to regulatory, litigation, tax, financial and other matters.

Diboll received the initial draft of the merger agreement from Southside on May 9, 2017 and the parties negotiated the terms of the merger agreement until the document was executed on June 12, 2017. During the due diligence and negotiation period, Southside declared a 2.5% stock dividend. As a result, the stock portion of the merger consideration was adjusted upward to 5,535,000 shares of Southside common stock to reflect the increase in Southside shares outstanding. During the negotiation period, the parties also agreed that the \$25,000,000 of cash consideration would be reduced (i) to the extent that Diboll’s closing net book value was less than Diboll’s target book value, which is equal to Diboll’s shareholders’ equity as of December 31, 2016 and (ii) by the after-tax amount of cash paid to holders of Diboll stock options to settle their options in cash prior to closing. The parties also agreed that Diboll would be permitted to pay a special dividend to its shareholders if the time between executing a definitive agreement and closing exceeded six months so long as the payment of such dividend, along with any other permitted dividends did not cause Diboll’s Tier 1 leverage ratio to drop below 8.75%.

On June 12, 2017, the Diboll board of directors met with Diboll’s legal and financial advisors to consider and discuss the merger agreement, which was in substantially final form. At this meeting, Hovde reviewed the financial aspects of the mergers. At the conclusion of its presentation and after responding to

TABLE OF CONTENTS

questions from the Diboll board of directors, Hovde rendered to the Diboll board of directors its oral opinion that the aggregate merger consideration to be received by Diboll shareholders from Southside in the first merger, which consisted of 5,535,000 shares of Southside common stock and \$25,000,000 in cash, subject to adjustment as provided in the merger agreement, was fair to the shareholders of Diboll from a financial point of view. Hovde's oral opinion was subsequently confirmed by delivery of its written opinion, dated June 12, 2017, to the Diboll board of directors. Also at this meeting, Fenimore, Kay, Harrison & Ford, LLP, Diboll's legal counsel, reviewed the material legal terms of the merger agreement and ancillary legal documents to the merger agreement, including the provisions of the merger agreement that permit the Diboll board of directors to terminate the merger agreement under certain circumstances in order for the Diboll board of directors to comply with its fiduciary duties as directors of Diboll. Diboll's legal counsel also reviewed in detail the business points, contingencies and timing considerations related to the Mergers. The Diboll board of directors asked a series of questions to Diboll's advisors regarding the terms and conditions of the merger agreement and engaged in a full discussion regarding the proposed transaction.

Based upon the Diboll board of directors' review and discussion of the merger agreement, the opinion of Hovde and other relevant factors, the Diboll board of directors unanimously approved and authorized the merger agreement, the first merger and the other transactions contemplated by the merger agreement, and authorized Diboll's management to execute and deliver the merger agreement.

Also on June 12, 2017, the Southside board of directors held a special meeting to review and discuss the merger agreement and the transactions contemplated by the merger agreement, including the first merger. At this meeting, the Southside board of directors received a presentation from Southside's legal counsel, Alston & Bird LLP. Also at this meeting, Southside's financial advisor, Keefe, Bruyette & Woods, Inc., discussed financial aspects of the proposed transaction. The Southside board of directors engaged in a full discussion regarding the proposed transaction. Following this discussion, the Southside board of directors unanimously approved and authorized the merger agreement, the first merger and the other transactions contemplated by the merger agreement, and authorized Southside's management to execute and deliver the merger agreement.

On June 12, 2017, Diboll and Southside executed the merger agreement, and the directors, executive officers and certain shareholders of Diboll delivered to Southside their voting and support agreements. Southside issued a press release announcing the proposed transaction after the close of trading markets on June 12, 2017.

Southside's Reasons for the Mergers

In reaching its decision to approve and adopt the merger agreement, the mergers and the other transactions contemplated by the merger agreement, including the issuance of Southside common stock as part of the merger consideration, the Southside board of directors considered a number of factors, including the following material factors:

- each of Southside's and Diboll's business, operations, financial condition, asset quality, earnings and prospects;
- the strategic fit of the businesses of the two companies, including their complementary markets, business lines and loan and deposit profiles;
- the anticipated pro forma impact of the transaction on the combined company, including the expected impact on financial metrics including earnings and tangible book value and regulatory capital levels, as well as the future impact the transaction could have on Southside's earning asset mix to more heavily weight loans and reduce the percentage of the securities portfolio;
- its understanding of the current and prospective environment in which Southside and Diboll operate, including national, state and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on Southside both with and without the proposed transaction;



TABLE OF CONTENTS

- its review and discussions with Southside's management concerning the due diligence investigation of Diboll, including its review of Diboll's financial condition, results of operation, asset quality, market areas, growth potential (projected potential accretion to earnings per share and the projected payback period of the estimated decrease in tangible book value) and quality of senior management;

- the perceived compatibility of the corporate cultures of the two companies, which management believes should facilitate integration and implementation of the transaction;

- the structure of the transaction as a combination in which the combined company would operate under the Southside brand and Southside's board of directors and management would have substantial participation in the combined company;

- the regulatory and other approvals required in connection with the mergers and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions; and

- the financial and other terms of the merger agreement, including the merger consideration, expected tax treatment, the deal protection and termination fee provisions, and restrictions on the conduct of Diboll's business between the date of the merger agreement and the date of completion of the mergers.

Southside's board of directors also considered potential risks relating to the mergers including the following:

- Southside management's attention and Southside resources may be diverted from the operation of Southside's business and towards the completion of the mergers;

- Southside may not realize all of the anticipated benefits of the mergers, including cost savings, maintenance of existing customer and employee relationships, and minimal disruption in the integration of the Diboll's operations with Southside;

- the nature and amount of payments and other benefits to be received by Diboll management in connection with the mergers pursuant to existing Diboll plans and compensation arrangements and the merger agreement and the key employee retention agreements executed in connection with the execution of the merger agreement;

- the substantial costs that Southside will incur in connection with the mergers even if they are not consummated; and

- approvals from regulatory authorities could impose conditions that could have the effect of delaying completion of the mergers or imposing additional costs.

The foregoing discussion of the factors considered by the Southside board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the Southside board of directors. In reaching its decision to approve and adopt the merger agreement, the mergers and the other transactions contemplated by the merger agreement, including the issuance of Southside common stock as part of the merger consideration, the

Southside board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Southside board of directors considered all these factors as a whole and overall considered the factors to be favorable to, and to support, its determination.

Diboll's Reasons for the Mergers

The Diboll board of directors has unanimously approved the merger agreement and the first merger and unanimously recommends that the Diboll shareholders vote "FOR" the merger proposal.

45

---



TABLE OF CONTENTS

In reaching its decision to approve the merger agreement and the transactions contemplated thereby, including the first merger, and recommend the merger agreement and the first merger to its shareholders, the Diboll board of directors evaluated the mergers and the merger agreement, in consultation with Diboll's management, as well as its legal and financial advisors, and considered a number of positive factors, including the following material factors:

- the Diboll board of directors' familiarity with and review of information concerning the business, results of operations, asset quality, financial condition, competitive position and future prospects of Diboll;
- the current and prospective environment in which Diboll operates, including national, regional and local economic conditions and the interest rate environment, increased operating costs resulting from regulatory initiatives and compliance mandates, the competitive environment for banks, thrifts and other financial institutions generally and the increased regulatory burdens on financial institutions generally, evolving trends in technology, the trend toward consolidation in the banking industry and in the financial services industry, and the likely effects of these factors on Diboll's potential for growth, development, productivity, profitability and strategic options;
- the complementary aspects of Diboll's and Southside's respective businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' management and operating styles;
- the results that Diboll could expect to obtain if it continued to operate independently, and the likely benefits to shareholders of that course of action, as compared with the value of the merger consideration offered by Southside and Diboll's belief that a merger with Southside would allow Diboll shareholders to participate in the future performance of a combined company that would have better future prospects than Diboll was likely to achieve on a stand-alone basis or through other strategic alternatives;
- the limited liquidity that Diboll shareholders have with respect to their investment in Diboll, for which there is no active public market, and that shareholders of Diboll will receive merger consideration in shares of Southside common stock, which is publicly traded on NASDAQ, which would be expected to provide such shareholders with increased liquidity of their investment;
- the financial presentation of Hovde and the opinion of Hovde dated as of June 12, 2017, that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications set forth in the opinion, the aggregate merger consideration to be received by the holders of Diboll common stock was fair, from a financial point of view, to the holders of Diboll common stock (see "The Mergers — Opinion of Diboll's Financial Advisor," beginning on page 48);
- the treatment of the first merger as a "reorganization" within the meaning of Section 368(a) of the Code with respect to Diboll common stock exchanged for Southside common stock;
- the ability of Southside to pay the aggregate merger consideration without a financing contingency and without the need to obtain financing to close the transaction;
- the regulatory and other approvals required in connection with the mergers and the likelihood that the approvals needed to complete the mergers will be obtained within a reasonable time and without unacceptable conditions;

- the merger with a larger holding company would provide the opportunity to realize economies of scale, increase efficiencies of operations and enhance the development of new products and services;
- the agreement of Southside to honor certain existing employee benefits; and
- the Diboll stock options may be exercised by the holders thereof or settled in cash pursuant to the Diboll State Bancshares, Inc. Incentive Stock Option 2014 — Plan, or a predecessor plan, prior to closing.

TABLE OF CONTENTS

The Diboll board of directors also considered potential risks and potentially negative factors concerning the first merger in connection with its deliberations of the proposed transaction, including the following material factors:

- the challenges of combining the businesses, assets and workforces of two financial institutions;
- the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the mergers;
- the risks and costs to Diboll if the first merger is not completed;
- the fact that the merger consideration, a large component which consists of shares of Southside common stock, provides less certainty of value to Diboll shareholders compared to a transaction in which they would receive only cash consideration;
- the fact that gains from the cash component of the merger consideration would generally be taxable to Diboll's U.S. shareholders for U.S. federal income tax purposes;
- the potential for unintended delays in the regulatory approval process;
- the fact that the merger agreement prohibits Diboll from soliciting acquisition proposals or, subject to certain exceptions, engaging in negotiations concerning or providing nonpublic information to any person relating to an acquisition proposal, and the fact that Diboll would be obligated to pay a termination fee following the termination of the merger agreement under certain circumstances;
- that some of Diboll's directors and executive officers have other financial interests in the mergers in addition to their interests as Diboll shareholders, including financial interests that are the result of existing compensation arrangements with Diboll and/or prospective compensation arrangements with Southside and the manner in which such interests would be affected by the mergers;
- the requirement that Diboll conduct its business in the ordinary course and other restrictions on the conduct of Diboll's business before completion of the mergers, which may delay or prevent Diboll from undertaking business opportunities that may arise before completion of the mergers;
- the risk that the anticipated benefits of the mergers, including the realization of synergies and cost savings, may not be realized or may take longer than expected to be realized; and
- the possible effects of the pendency or completion of the transactions contemplated by the merger agreement, including any suit, action or proceeding initiated in respect of the mergers.

The foregoing discussion of the factors considered by the Diboll board of directors is not intended to be exhaustive but does include all material factors considered by the Diboll board of directors in approving the first merger. In reaching its determination, the Diboll board of directors did not assign any relative or specific weights to different factors, and individual directors may have given different weights to different factors. Based on the reasons stated, the Diboll board of directors believed that the first merger was in the best interest of Diboll's shareholders, and therefore the Diboll board of directors unanimously approved the merger agreement and the transactions contemplated thereby, including the first merger. In addition, all members of the Diboll board of directors and executive officers have entered into voting and support agreements requiring them to vote their shares of Diboll common stock over which they have voting authority in favor of the merger proposal.

For the reasons set forth above, the Diboll board of directors has approved the merger agreement and the transactions contemplated thereby, and recommends that Diboll shareholders vote "FOR" the merger proposal and "FOR" the adjournment proposal (if necessary or appropriate).

47

---

TABLE OF CONTENTS

Opinion of Diboll's Financial Advisor

The fairness opinion and a summary of the underlying financial analyses of Diboll's financial advisor, Hovde Group, LLC, or Hovde, is described below. The description contains projections, estimates and other forward-looking statements about the future earnings or other measures of the future performance of Diboll. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections. You should not rely on any of these statements as having been made or adopted by Diboll or Southside. You should review the copy of the fairness opinion, which is attached as Annex B.

Hovde has acted as Diboll's financial advisor in connection with the proposed mergers. Hovde is a nationally recognized investment banking firm with substantial experience in transactions similar to the first merger and is familiar with Diboll and its operations. As part of its investment banking business, Hovde is continually engaged in the valuation of businesses and their securities in connection with, among other things, mergers and acquisitions. Hovde reviewed the financial aspects of the proposed first merger with the Diboll board of directors and, on June 12, 2017, delivered a written opinion to the Diboll board of directors that the merger consideration to be received by the shareholders of Diboll in connection with the first merger is fair to the shareholders of Diboll.

The full text of Hovde's written opinion is included in this proxy statement/prospectus as Annex B and is incorporated herein by reference. You are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Hovde. The summary of the Hovde's opinion included in this proxy statement/ prospectus is qualified in its entirety by reference to the full text of such opinion. Hovde's opinion was directed to the Diboll board of directors and addresses only the fairness of the merger consideration to be paid to Diboll shareholders in connection with the first merger. Hovde did not opine on any individual stock, cash, or other components of consideration payable in connection with the mergers. Hovde's opinion does not address the underlying business decision to proceed with the mergers and does not constitute a recommendation to any of the shareholders as to how such shareholder should vote at the Diboll special meeting on the mergers or any related matter.

During the course of its engagement and for the purpose of rendering its opinion, Hovde:

- reviewed the merger agreement, as provided to Hovde by Diboll;
- reviewed unaudited financial statements for Southside, Southside Bank, Diboll and First Bank & Trust as of and for the three-month period ending March 31, 2017;
- reviewed certain historical annual reports of each of Southside, Southside Bank, Diboll and First Bank & Trust including audited annual reports as of and for the year ending December 31, 2016;
- reviewed certain historical publicly available business and financial information concerning each of Southside, Southside Bank, Diboll and First Bank & Trust;
- reviewed certain internal financial statements and other financial and operating data concerning Southside, Southside Bank, Diboll and First Bank & Trust;
- reviewed financial projections prepared by certain members of senior management of Diboll and First Bank & Trust;
-

discussed with certain members of senior management of Southside and Diboll, the business, financial condition, results of operations and future prospects of Southside, Southside Bank, Diboll and First Bank & Trust; the history and past and current operations of Southside, Southside Bank, Diboll and First Bank & Trust; Southside's, Southside Bank's, Diboll's and First Bank & Trust's historical financial performance; and their assessment of the rationale for the mergers;

TABLE OF CONTENTS

- reviewed and analyzed materials detailing the mergers prepared by or on behalf of Southside and Diboll including the estimated amount and timing of the cost savings and related expenses, purchase accounting adjustments and synergies expected to result from the mergers (the “Synergies”);
- assessed general economic, market and financial conditions;
- analyzed the pro forma financial impact of the mergers on the combined company’s earnings, tangible book value, financial ratios and other such metrics we deemed relevant, giving effect to the mergers based on assumptions relating to the Synergies;
- evaluated the contribution of assets, deposits, equity and earnings of Southside and Diboll to the combined company;
- reviewed certain S&P CapIQ consensus income and balance sheet estimates for Southside for 2017 and for 2018;
- reviewed the terms of recent merger, acquisition and control investment transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that were considered relevant;
- reviewed historical market prices and trading volumes of Southside’s common stock;
- took into consideration our experience in other similar transactions and securities valuations as well as our knowledge of the banking and financial services industry;
- reviewed certain publicly available financial and stock market data relating to selected public companies deemed relevant to our analysis; and
- performed such other analyses and considered such other factors as deemed appropriate.

Hovde also conducted meetings and had discussions with members of senior management of Diboll, First Bank & Trust, Southside and Southside Bank for purposes of reviewing the business, financial condition, results of operations and future prospects of Diboll, First Bank & Trust, Southside and Southside Bank; the history and past and current operations of Diboll, First Bank & Trust, Southside and Southside Bank; and Diboll’s, First Bank & Trust’s, Southside’s and Southside Bank’s historical financial performance. Hovde discussed with management of Diboll, First Bank & Trust, Southside and Southside Bank their assessment of the rationale for the mergers. Hovde also performed such other analyses and considered such other factors as Hovde deemed appropriate, and took into account its experience in other similar transaction and securities valuations, as well as its knowledge of the banking and financial services industry.

Hovde assumed, without independent verification, that the representations as well as the financial and other information provided to Hovde by Diboll and Southside or included in the merger agreement, which has formed a substantial basis for this opinion, are true and complete. Hovde relied upon the management of Diboll and First Bank & Trust as to the reasonableness and achievability of the financial forecasts and projections (and the assumptions and

bases therein) provided to Hovde by Diboll and First Bank & Trust, and Hovde assumed such forecasts and projections have been reasonably prepared by Diboll, and First Bank & Trust on a basis reflecting the best currently available information and Diboll's and First Bank & Trust's judgments and estimates. Hovde assumed that such forecasts and projections would be realized in the amounts and at the times contemplated thereby, and Hovde does not in any respect assume any responsibility for the accuracy or reasonableness thereof. Hovde has been authorized by Diboll to rely upon such forecasts and projections and other information and data, including without limitation the projections, and Hovde expresses no view as to any such forecasts, projections or other information or data, or the bases or assumptions on which they were prepared.

In performing its review, Hovde relied upon the accuracy and completeness of all of the financial and other information that was available to Hovde from public sources, that was provided to Hovde by Diboll, First Bank & Trust, Southside and Southside Bank or their respective representatives or that was otherwise reviewed by Hovde and assumed such accuracy and completeness for purposes of rendering its opinion. Hovde has further relied on the assurances of the respective managements of Diboll, First Bank & Trust,

49

---



TABLE OF CONTENTS

Southside and Southside Bank that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Hovde has not been asked to and has not undertaken an independent verification of any of such information and Hovde does not assume any responsibility or liability for the accuracy or completeness thereof. Hovde assumed that each party to the merger agreement would advise them promptly if any information previously provided to them became inaccurate or was required to be updated during the period of Hovde's review. Hovde is not experts in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto. Hovde assumed that such allowances for Diboll, First Bank & Trust, Southside and Southside Bank are, in the aggregate, adequate to cover such losses, and will be adequate on a pro forma basis for the combined entity. Hovde was not requested to make, and did not make, an independent evaluation, physical inspection or appraisal of the assets, properties, facilities, or liabilities (contingent or otherwise) of Diboll, First Bank & Trust, Southside and Southside Bank, the collateral securing any such assets or liabilities, or the collectability of any such assets and, Hovde was not furnished with any such evaluations or appraisals, nor did Hovde review any loan or credit files of Diboll, First Bank & Trust, Southside and Southside Bank.

Hovde has assumed that the mergers will be consummated substantially in accordance with the terms set forth in the merger agreement, without any waiver of material terms or conditions by Diboll or any other party to the merger agreement and that the final merger agreement will not differ materially from the draft Hovde reviewed. Hovde has assumed that the mergers will be consummated in compliance with all applicable laws and regulations. Diboll has advised Hovde that Diboll is not aware of any factors that would impede any necessary regulatory or governmental approval of the mergers. Hovde has assumed that the necessary regulatory and governmental approvals as granted will not be subject to any conditions that would be unduly burdensome on Diboll, First Bank & Trust, Southside and Southside Bank or would have a material adverse effect on the contemplated benefits of the mergers.

Diboll engaged Hovde on January 23, 2017, to serve as a financial advisor to Diboll in connection with the proposed mergers and to issue a fairness opinion to the Diboll board of directors in connection with such proposed transaction. Pursuant to the terms of the engagement, Diboll paid a fee of \$75,000 to Hovde for the issuance of the fairness opinion, and at the time the first merger is completed, Diboll will pay Hovde a completion fee of approximately \$2 million, which is contingent upon the completion of the first merger. Pursuant to the engagement agreement, in addition to its fees and regardless of whether the first merger is consummated, Diboll has agreed to reimburse Hovde for certain reasonable out-of-pocket expenses incurred in performing its services and to indemnify Hovde against certain claims, losses and expenses arising out of the mergers or Hovde's engagement.

In performing its analyses, Hovde made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Hovde, Diboll, First Bank & Trust, Southside and Southside Bank. Hovde's opinion was necessarily based on financial, economic, market and other conditions and circumstances as they existed on, and on the information made available to Hovde as of, the dates used in its opinion. Any estimates contained in the analyses performed by Hovde are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities may be sold or the prices at which any securities may trade at any time in the future. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. Hovde's opinion does not address the relative merits of the mergers as compared to any other business combination in which Diboll might engage. In addition, Hovde's fairness opinion was among several factors taken into consideration by the Diboll board of directors in making its determination to approve the merger agreement and the mergers. Consequently, the analyses described below should not be viewed as solely determinative of the decision of the Diboll board of directors or Diboll's management with respect to the fairness of the merger consideration to be received by Diboll's shareholders in connection with the first merger.

The following is a summary of the material analyses prepared by Hovde and delivered to the Diboll board of directors on June 12, 2017, in connection with the delivery of its fairness opinion. This summary is not a complete description of the analyses underlying the fairness opinion or the presentation prepared by Hovde, but it summarizes the material analyses performed and presented in connection with such

TABLE OF CONTENTS

opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Hovde did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. The analyses and the summary of the analyses must be considered as a whole and selecting portions of the analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying the analyses and opinion of Hovde. The tables alone are not a complete description of the financial analyses.

## Market Approach — Comparable Transactions.

As part of its analysis, Hovde reviewed publicly available information related to two comparable groups (a “Regional Group” and a “Nationwide Group”) of select acquisition transactions of banks. The Regional Group consisted of acquisition transactions of banks in the Southern Region of the United States (consisting of the states of Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, North Carolina, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia, and West Virginia) announced since January 1, 2015, in which the sellers’ total assets were between \$500 million and \$2.0 billion, last-twelve-months (“LTM”) return on average assets (“ROAA”) was more than 0.75%, and nonperforming assets were less than 2.0% of total assets. The Nationwide Group consisted of acquisition transactions of banks in the United States announced since January 1, 2016, in which the sellers’ total assets were between \$500 million and \$2.0 billion, LTM ROAA was more than 0.75%, and nonperforming assets were less than 2.0% of total assets. In each case, for which financial information was available, no transaction that fit the selection criteria was excluded. Information for the target institutions was based on balance sheet data, and income statement data, for the twelve months preceding the most recent quarter prior to announcement of the transactions. The resulting two groups consisted of the following transactions (14 transactions for the Regional Group and 18 transactions for the Nationwide Group):

## Regional Group:

Buyer (State)	Target (State)
SmartFinancial, Inc. (TN)	Capstone Bancshares, Inc. (AL)
TowneBank (VA)	Paragon Commercial Corporation (NC)
Heartland Financial USA, Inc. (IA)	Citywide Banks of Colorado, Inc. (CO)
Collins Family Trust (TX)	Inter National Bank (TX)
CenterState Banks, Inc. (FL)	Platinum Bank Holding Company (FL)
South State Corporation (SC)	Southeastern Bank Financial Corporation (GA)
Simmons First National Corporation (AR)	Citizens National Bank (TN)
Guaranty Bancorp (CO)	Home State

TowneBank (VA)	Bancorp (CO) Monarch Financial Holdings, Inc. (VA)
Park Sterling Corporation (NC)	First Capital Bancorp, Inc. (VA)
BNC Bancorp (NC)	Southcoast Financial Corporation (SC)
Prosperity Bancshares, Inc. (TX)	Tradition Bancshares, Inc. (TX)
Pinnacle Financial Partners, Inc. (TN)	Magna Bank (TN)
Pinnacle Financial Partners, Inc. (TN)	CapitalMark Bank & Trust (TN)
Nationwide Group:	
Buyer (State)	Target (State)
SmartFinancial, Inc. (TN)	Capstone Bancshares, Inc. (AL)
TowneBank (VA)	Paragon Commercial Corporation (NC)
First Busey Corporation (IL)	Mid Illinois Bancorp, Inc. (IL)
First Merchants Corporation (IN)	Independent Alliance Banks, Inc. (IN)

TABLE OF CONTENTS

Nationwide Group:

Buyer (State)	Target (State)
Heartland Financial USA, Inc. (IA)	Citywide Banks of Colorado, Inc. (CO)
First Busey Corporation (IL)	First Community Financial Partners, Inc. (IL)
Bryn Mawr Bank Corporation (PA)	Royal Bancshares of Pennsylvania, Inc. (PA)
Pacific Premier Bancorp, Inc. (CA)	Heritage Oaks Bancorp (CA)
Collins Family Trust (TX)	Inter National Bank (TX)
CenterState Banks, Inc. (FL)	Platinum Bank Holding Company (FL)
Cathay General Bancorp (CA)	SinoPac Bancorp (CA)
South State Corporation (SC)	Southeastern Bank Financial Corporation (GA)
QCR Holdings, Inc. (IL)	Community State Bank (IA)
Simmons First National Corporation (AR)	Citizens National Bank (TN)
WesBanco, Inc. (WV)	Your Community Bankshares, Inc. (IN)
Guaranty Bancorp (CO)	Home State Bancorp (CO)
Horizon Bancorp (IN)	La Porte Bancorp, Inc. (IN)
OceanFirst Financial Corp. (NJ)	Cape Bancorp, Inc. (NJ)

For each precedent transaction, Hovde compared the implied ratio of deal value to certain financial characteristics of Diboll as follows:

- the multiple of the purchase consideration to the acquired company's tangible common book value (the "Price-to-Tangible Common Book Value Multiple");
- the multiple of the purchase consideration to the acquired company's adjusted tangible common book value based upon tangible common book value equivalent to 8% of tangible assets with the purchase consideration being adjusted for any amount of excess (shortfall) in tangible common book value (the "Price-to-Adjusted Tangible Common Book Value Multiple");
- the multiple of the purchase consideration to the acquired company's LTM net earnings per share (the "Price-to-LTM Earnings Multiple"); and
- the multiple of the difference between the purchase consideration and the acquired company's tangible book value to the acquired company's core deposits (the "Premium-to-Core Deposits Multiple").

The results of the analysis are set forth in the table below. Transaction multiples for the merger were derived from the estimated merger consideration of \$219,937,838 for Diboll and were based on March 31, 2017 financial results of Diboll.

Implied Value for Diboll Based On:	Price-to-Tangible Common Book Value Multiple	Price-to-“Adjusted”		Premium-to-Core Deposits Multiple
		Tangible Common Book Value Multiple	Price-to-LTM Earnings Multiple	
Total Deal Value	232%	255%	18.9x	15.0%

Precedent Transactions Regional

Group:

Median	176%	179%	18.3x	9.4%
Minimum	103%	106%	14.9x	1.0%
Maximum	237%	256%	23.4x	16.8%

Precedent Transactions Nationwide

Group:

Median	170%	179%	18.7x	10.5%
Minimum	103%	106%	13.5x	1.0%
Maximum	265%	279%	32.6x	22.6%

52

---

TABLE OF CONTENTS

Using publicly available information, Hovde compared the financial performance of Diboll with that of the median of the precedent transactions from both the Regional and Nationwide Groups. The performance highlights are based on March 31, 2017 financial results of Diboll.

	Tangible Equity/ Tangible Assets	Core Deposits	LTM ROAA(1)	LTM ROAE(2)	Efficiency Ratio	NPAs/ Assets(3)	ALLL/ NPLs(4)
Diboll	9.42%	91.9%	1.20%	11.94%	58.9%	0.82%	120.2%
Precedent Transactions Regional Group:							
Median	9.86%	81.4%	0.93%	8.96%	66.9%	0.73%	191.8%
Precedent Transactions Nationwide Group:							
Median	9.51%	88.8%	0.94%	8.37%	66.4%	0.82%	142.6%

(1)

Last twelve months return on average assets.

(2)

Last twelve months return on average equity.

(3)

Non-performing assets as a percent of total assets.

(4)

Allowance for loan and lease losses as a percentage of non-performing loans.

No company or transaction used as a comparison in the above transaction analyses is identical to Diboll, and no transaction was consummated on terms identical to the terms of the merger agreement. Accordingly, an analysis of these results is not strictly mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies. The resulting median values of the Precedent Transactions Regional Group indicated an implied aggregate valuation ranging between \$158.6 million and \$212.8 million compared to the proposed merger consideration of \$219.9 million. The resulting median values of the Precedent Transactions Nationwide Group indicated an implied aggregate valuation ranging between \$158.6 million and \$218.1 million compared to the proposed merger consideration of \$219.9 million.

Income Approach — Discounted Cash Flow Analysis.

Taking into account various factors including, but not limited to, Diboll's recent performance, the current banking environment and the local economy in which Diboll operates, Hovde determined, in consultation with and based on information provided by management of Diboll, earnings estimates for Diboll over a forward looking five year period, and Diboll management developed the forward-looking projections and key assumptions, which formed the basis for the discounted cash flow analyses. The resulting projected net income numbers used for the analysis were \$12.4 million for 2017, \$13.7 million for 2018, \$14.5 million for 2019, \$16.0 million for 2020, and \$17.1 million for 2021. To determine present values of Diboll based on these projections, Hovde utilized two discounted cash flow models, each of which capitalized terminal values using a different methodology: (1) Terminal Price/ Earnings Multiple ("DCF Terminal P/E Multiple"); and (2) Terminal Price/Tangible Book Value Multiple ("DCF Terminal P/TBV Multiple").

In the DCF Terminal P/E Multiple analysis, an estimated value of Diboll's common stock was calculated based on the present value of Diboll's after-tax net income based on Diboll management's forward-looking projections. Hovde utilized a terminal value at the end of 2021 by applying a range of price-to-earnings multiples of 16.3x to 20.3x, with a midpoint of 18.3x, which is based around the median price-to-earnings multiple derived from transactions in the Regional Group. The present value of Diboll's projected dividends, plus the terminal value was then calculated assuming a range of discount rates between 12.25% and 14.25%, with a midpoint of 13.25%. This range of discount rates was chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of Diboll's common stock. The resulting aggregate values of Diboll's common stock of the DCF Terminal P/E Multiple ranged between \$180.4 million and \$234.9 million, with a midpoint of \$206.7 million.

53

---

**TABLE OF CONTENTS**

In the DCF Terminal P/TBV Multiple model, the same earnings estimates and projected net income were used; however, in arriving at the terminal value at the end of 2021, Hovde applied a range of price-to-tangible book value multiples of 1.56x to 1.96x with the midpoint being 1.76x, which is based around the median price-to-tangible book value multiple derived from transactions in the Regional Group. The present value of projected dividends, plus the terminal value, was then calculated assuming a range of discount rates between 12.25% and 14.25%, with a midpoint of 13.25%. The resulting aggregate values of Diboll's common stock of the DCF Terminal P/TBV Multiple ranged between \$134.0 million and \$173.4 million, with a midpoint of \$153.0 million.

These analyses and their underlying assumptions yielded a range of values for Diboll, which are outlined in the table below:

Implied Value for Diboll Based On:	Price-to-Tangible Book Value Multiple	Price-to-LTM Earnings Multiple	Premium-to-Core Deposits Multiple
Total Deal Value	232%	18.9x	15.0%
DCF Analysis – Terminal P/E Multiple			
Midpoint	218%	17.8x	13.4%
DCF Analysis – Terminal P/TBV Multiple			
Midpoint	162%	13.1x	7.0%

Hovde noted that while the discounted cash flow present value analysis is a widely used valuation methodology, it relies on numerous assumptions, including asset and earnings growth rates, projected dividend payouts, terminal values and discount rates. Hovde's analysis does not purport to be indicative of the actual values or expected values of Diboll's common stock.

**Southside Comparable Companies Analysis**

Hovde used publicly available information to compare selected financial and trading information for Southside and a group of 10 publicly-traded financial institutions selected by Hovde which was based on publicly-traded banks in the Southwest United States with total assets between \$2.0 billion and \$15.0 billion and LTM ROAA greater than 0.75%:

Allegiance Bancshares, Inc.	Hilltop Holdings Inc.
BancFirst Corporation	Independent Bank Group, Inc.
CoBiz Financial Inc.	LegacyTexas Financial Group, Inc.
First Financial Bankshares, Inc.	Southwest Bancorp, Inc.
Guaranty Bancorp	Triumph Bancorp, Inc.

The analysis compared publicly available financial and market trading information for Southside and the data for the 10 financial institutions identified above as of and for the most recent twelve-month period which was publicly available. The table below compares the data for Southside and the median data for the 10 financial institutions identified above, with pricing data as of June 9, 2017.

	Market Cap (\$M)	Price/Tangible Book Value	Price/LTM EPS	Price/2017E EPS	Dividend Yield	YTD/Price Change	Two Year Total Return
Southside	\$ 1,044	239.6%	19.5x	15.7x	3.07%	(3.0)%	46.3%
Comparable Companies:							
Median	\$ 1,164	236.3%	20.8x	18.5x	1.36%	(4.7)%	46.5%

Southside fell within the range of pricing metrics of comparable companies. No company used as a comparison in the above analyses is identical to Southside. Accordingly, an analysis of these results is not strictly mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of



the companies.

54

---

TABLE OF CONTENTS

## Diboll Comparable Companies Analysis

Hovde compared selected financial information and the merger consideration of Diboll to selected publicly available financial and trading information for a group of 9 publicly-traded financial institutions selected by Hovde which was based on publicly-traded banks in the Southwest United States with total assets of less than and \$5.0 billion and LTM ROAA greater than 0.75%:

Allegiance Bancshares, Inc.	People's Utah Bancorp
CoBiz Financial Inc.	Southwest Bancorp, Inc.
First Guaranty Bancshares, Inc.	Triumph Bancorp, Inc.
Guaranty Bancorp	Veritex Holdings, Inc.
Home Bancorp, Inc.	

The analysis compared the merger consideration for Diboll to publicly available financial and market trading information for the 9 financial institutions identified above as of and for the most recent twelve-month period which was publicly available. The table below compares the data for Diboll and the median data for the 9 financial institutions identified above, with pricing data as of June 9, 2017.

	Market Cap (\$M)	Price/ Tangible Book Value	Price/ LTM EPS	Price/ 2017E EPS	Dividend Yield	YTD/ Price Change	Two Year Total Return
Merger Consideration	\$ 219.9	232.0%	18.9x	17.7x	NA	NA	NA
Comparable Companies:							
Median	\$ 486.8	191.9%	20.6x	19.0x	1.34%	1.1%	72.2%

Diboll fell within the range of pricing metrics of comparable companies. No company used as a comparison in the above analyses is identical to Diboll. Accordingly, an analysis of these results is not strictly mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

## Accretion/Dilution Analysis

Hovde performed pro forma merger analyses that combined projected income statement and balance sheet information of Diboll and Southside. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the mergers would have on certain projected financial results of Southside. In the course of this analysis, Hovde used the median S&P CapIQ consensus estimates for earnings estimates for Southside for the years ending December 31, 2017 and December 31, 2018 and used earnings estimates provided by Diboll's management for Diboll for the years ending December 31, 2017 and December 31, 2018. This analysis indicated that the mergers are expected to be accretive by 13 cents per share to Southside's consensus estimated earnings per share of \$2.20 in 2018. The analysis also indicated that the mergers are expected to be dilutive to tangible book value per share for Southside by 59 cents per share in 2018 and that Southside would maintain capital ratios in excess of those required for Southside to be considered well-capitalized under existing regulations. For all of the above analyses, the actual results achieved by Diboll and Southside prior to and following the mergers will vary from the projected results, and the variations may be material.

## Other Factors and Analyses.

Hovde took into consideration various other factors and analyses, including but not limited to: current market environment; merger and acquisition environment; movements in the common stock valuations of selected publicly-traded banking companies; and movements in the S&P 500 Index.

## Conclusion.

Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, Hovde determined that the merger consideration to be paid in connection with the first merger is fair from a financial point of view to Diboll's shareholders. Each shareholder is

encouraged to read Hovde's fairness opinion in its entirety. The full text of this fairness opinion is included as Annex B to this proxy statement/prospectus.

55

---

TABLE OF CONTENTS

Board Composition and Management of Southside after the Mergers

Immediately following the closing, the Southside board of directors will be increased by two, and Southside will select two individuals who are currently directors of Diboll to serve on the Southside board of directors, at least one 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 Southside board of directors shall consider in good faith the nomination for re-election of each such director one of which 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 officers of Southside immediately prior to the effective time of the second merger will be the 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: Jay Shands — Regional President, East Texas; Trey Denman — Executive Vice President; Jim Denman — Executive Vice President.

Interests of Diboll’s Directors and Executive Officers in the Mergers

In considering the recommendation of Diboll’s board of directors to vote for the proposal to approve the merger agreement and the first merger, Diboll shareholders should be aware that certain directors and officers of Diboll have interests in the first merger that are in addition to, or different from, their interests as shareholders of Diboll. The Diboll board of directors was aware of these interests and considered them in approving the merger agreement and the transactions contemplated by the merger agreement, including the first merger, and the decision to recommend that the Diboll shareholders approve the merger agreement and the first merger. These interests are described below.

Stock Options

As of the Diboll record date, the Diboll executive officers owned, in the aggregate, options to purchase 6,864 shares of Diboll common stock granted under the Diboll State Bancshares, Inc. Incentive Stock Option 2014 — Plan or a predecessor plan, with exercise prices ranging between \$107.00 to \$150.00 per share. At the effective time of the first merger, each outstanding option to purchase shares of Diboll common stock will automatically expire and will thereafter be null and void. Holders of Diboll stock options will have the opportunity to exercise their options prior the effective time of the first merger and receive the merger consideration in exchange for the shares of Diboll common stock they receive upon such exercise. Alternatively, such option holders may elect to settle their Diboll stock options in cash prior to the effective time of the first merger. The amount of cash to be paid in exchange for each share of Diboll common stock in the first merger and, thus, the aggregate cash consideration received by the Diboll shareholders in the first merger, will be reduced by the after-tax amount of any payments made to the holders of Diboll stock options who elect to settle their options in cash.

The following tables sets forth, for each of the Diboll executive officers, the number and value of outstanding stock options held as of September 6, 2017. The value of the outstanding stock options has been calculated, on a pre-tax basis, by multiplying (a) the number of shares of Diboll common stock subject to the options by (b) the excess of an assumed aggregate merger consideration per share of Diboll common stock of \$237.50 over the weighted average exercise price of the stock options. The aggregate merger consideration per share of Diboll common stock of \$237.50 was calculated assuming that (1) all holders of options to purchase shares 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 16,131 stock options are estimated to utilize the cashless exercise feature with an estimated average exercise price of \$134.92 (resulting in a payment to option holders of \$1,654,718, which on an after-tax basis to Diboll is \$1,092,114), (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 \$32.10, the closing price on September 6, 2017, and (4) the Diboll outstanding share number is 848,776. Under such assumptions, each share of Diboll common stock would be converted into the right to receive \$28.17 in cash and 6.5212 shares of Southside common stock with a value of \$209.33, or an aggregate merger consideration per share of Diboll common stock of \$237.50.

TABLE OF CONTENTS

Executive Officer	Number of Stock Options	Value of Stock Options
James (“Jim”) Denman	3,084	\$ 332,062
Joe C. (“Trey”) Denman, III	1,770	\$ 166,425
H. J. (“Jay”) Shands, III	2,010	\$ 179,625

Indemnification of Directors and Officers

Southside has agreed to indemnify Diboll’s directors and officers following the effective time of the first merger to the same extent and subject to the conditions set forth in the certificate of formation and bylaws of Diboll. Southside has also agreed to maintain in effect a directors’ and officers’ liability insurance and fiduciary insurance policy for a period of six years after the effective time of the first merger with respect to claims arising from facts, events or actions which occurred prior to the effective time of the first merger and covering persons who are currently covered by such insurance. The obligation of Southside to maintain such insurance policy is subject to a cap of 250% of the annual premium amount that Diboll paid for insurance in effect on the date of the merger agreement.

Service on Southside’s Board of Directors

Upon completion of the mergers, Southside will increase the size of its board of directors and appoint two of the then-current directors of Diboll to serve as directors of Southside. At least one of the Diboll directors designated by Southside must be “independent” as determined in accordance with the rules and regulations of NASDAQ, applicable regulations promulgated by the SEC and the standards established by Southside. Such new directors will be appointed to serve a term that expires at Southside’s 2018 annual shareholders’ meeting. At the expiration of the initial term, Southside’s nominating committee will consider in good faith the nomination for re-election of both directors, with one of the directors to be considered for re-election for a term that expires at Southside’s 2019 annual shareholders’ meeting and the other to be considered for re-election for a term that expires at Southside’s 2020 annual shareholders’ meeting.

Key Employee Retention Agreements

Concurrently with the execution of the merger agreement, Southside Bank entered into Key Employee Retention Agreements with each of Jay Shands, Diboll’s current Chairman of the Board, President and Chief Executive Officer, Trey Denman, Diboll’s current Director and Executive Vice President, and Jim Denman, Diboll’s current Vice President and Treasurer, and certain other officers and employees of Diboll. Pursuant to the Key Employee Retention Agreements, Messrs. Shands, T. Denman and J. Denman will serve as Regional President, East Texas, Executive Vice President and Executive Vice President, respectively, of Southside Bank, effective upon completion of the mergers. Under the terms of the Key Employee Retention Agreements, within 60 days after the effective time of the second merger, Southside will grant to each of Messrs. Shands, T. Denman and J. Denman equity incentive awards consisting of (i) non-qualified stock options to purchase shares of Southside common stock having a value equal to 12.5% of the employee’s base salary in effect as of the effective date of the mergers (based on Black-Scholes option modeling), which stock options will have an exercise price equal to the closing price of Southside common stock on the date of grant, will vest in four equal installments on the first four anniversaries of the grant date, and will have a ten-year term, and (ii) restricted stock units having a value equal to 12.5% of the employee’s base salary in effect as of the effective date of the mergers (based on the closing price of the Southside common stock on the effective date of the mergers), each representing the right to receive a share of Southside common stock, which will vest in four equal installments on the first four anniversaries of the grant date. Under the terms of the Key Employee Retention Agreements, each of Messrs. Shands, T. Denman and J. Denman is also entitled to receive a cash bonus payment following the employee’s continuous, good standing employment with Southside Bank through each of the 90th day following the effective date of the mergers and the first and second anniversaries of the effective date of the mergers. The aggregate amount of such cash bonus payments payable to Messrs. Shands, T. Denman and J. Denman are \$280,500, \$193,000 and \$185,000, respectively. For more information regarding the Key Employee Retention Agreements, please see the section entitled “Ancillary Agreements — Key Employee Retention Agreements” beginning on page 84.

**TABLE OF CONTENTS****Voting and Support Agreements**

Concurrently with the execution of the merger agreement, Southside entered into a voting and support agreement with the directors, executive officers and significant shareholders of Diboll, solely in their capacity as shareholders of Diboll, pursuant to which such shareholders agreed, among other things, to vote their shares of Diboll common stock in favor of the approval of the merger agreement and the first merger and against the approval or adoption of any proposal made in opposition to the first merger. Pursuant to the voting and support agreements, such Diboll directors, executive officers and shareholders also agreed not to sell or otherwise dispose of any Diboll common stock, subject to limited exceptions, until the earlier of (i) the termination of the merger agreement and (ii) the effective date of the first merger. As of the Diboll record date, the Diboll shareholders who signed voting and support agreements collectively owned 382,158 shares of Diboll common stock, or approximately 45.0% of the outstanding shares of Diboll common stock entitled to vote at the Diboll special meeting. The voting and support agreements also provide that the Diboll directors, executive officers and shareholders who are parties thereto will not, for a period of two years following the effective time of the first merger, compete with Southside, solicit or induce certain employees to terminate employment with Southside or solicit, divert or take away certain customers of Southside for the purpose of selling any product provided by Southside. The voting and support agreements will terminate automatically upon the earlier of (i) the termination of the merger agreement and (ii) the effective date of the first merger. A copy of the form of the voting and support agreement is attached to this proxy statement/prospectus as Annex C and incorporated by reference. For more information regarding the voting and support agreements, please see the section entitled “Ancillary Agreements — Voting and Support Agreements” beginning on page 83.

**Beneficial Ownership of Diboll Common Stock by Management and Principal Shareholders of Diboll**

The following table sets forth certain information regarding the beneficial ownership of Diboll common stock as of September 6, 2017, by (1) each director and executive officer of Diboll, (2) each person who is known by Diboll to own beneficially 5% or more of the Diboll common stock, and (3) all directors and executive officers of Diboll as a group. Unless otherwise indicated, based on information furnished by such shareholders, management of Diboll believes that each person has sole voting and dispositive power over the shares indicated as owned by such person.

Name of Beneficial Owner	Number of Shares of Diboll Common Stock	Percentage Beneficially Owned(1)
<b>Principal Shareholders:</b>		
Charlotte A. Temple	139,796(2)	16.5%
Mary K. Grum	48,639(3)	5.7%
<b>Directors and Executive Officers:</b>		
James (“Jim”) Denman	5,310(4)	*
Joe C. (“Trey”) Denman, III	36,894(5)	4.3%
H. J. (“Jay”) Shands, III	45,035(6)	5.3%
Ellen C. Temple	102,972(7)	12.1%
M. Richard Warner	6,726	*
All Directors and Executive Officers as a Group (5 persons)	196,937	23.2%

\*

Indicates ownership that does not exceed 1.00%.

(1)

Ownership percentage is based on 848,776 shares of Diboll common stock outstanding as of September 6, 2017, plus shares of Diboll common stock which may be acquired by the beneficial owner within 60 days of September 6, 2017,

through the exercise of options, which are identified in the footnotes to this table. Ownership percentage reflects the ownership percentage assuming that such person, but no other person, exercises all options to acquire shares of Diboll common stock held by such person that are currently exercisable. The ownership percentage of all directors and executive officers, as a group, assumes that all five persons, but no other persons, exercise all options to acquire shares of Diboll common stock held by such persons that are currently exercisable.

TABLE OF CONTENTS

(2)

Includes 8,352 shares held individually by Ms. Temple, 49,020 shares held by the Charlotte Ann Temple Generation Skipping Trust UTA 12-8-90, for which Ms. Temple serves as co-trustee, 33,243 shares held by the Mary Temple Denman Trust U/A DTD 05/23/1963, for which Ms. Temple serves as co-trustee, 32,560 shares held by The Charlotte Temple Family Trust, for which Ms. Temple serves as trustee, and 16,621 shares held by the Charlotte Temple & Arthur Temple Family Trust LTD Partnership, for which Ms. Temple serves as general partner.

(3)

Includes 48,639 shares held by the Mary K. and Clifford Grum Foundation, for which Ms. Grum serves as trustee.

(4)

Includes options to purchase 2,134 shares of Diboll common stock, which are exercisable within 60 days of September 6, 2017.

(5)

Includes 24,084 shares held individually by Mr. Denman, 11,990 shares held jointly with Mr. Denman's spouse, and options to purchase 820 shares of Diboll common stock, which are exercisable within 60 days of September 6, 2017.

(6)

Includes options to purchase 260 shares of Diboll common stock, which are exercisable within 60 days of September 6, 2017.

(7)

Includes 10,471 shares held by the Ellen C. Temple Marital Trust for Ellen Clarke Temple TTEE, for which Ms. Temple serves as co-trustee, 38,287 shares held by the Arthur Temple, III Family Trust, for which Ms. Temple serves as co-trustee, 49,020 shares held by the Arthur Temple, III Appointment Trust for Ellen Temple, for which Ms. Temple serves as trustee, and 5,194 shares held by the John Clark Hurst, Jr. Living Trust, for which Ms. Temple serves as trustee.

**Regulatory Approvals Required for the Mergers**

Completion of the mergers is subject to prior receipt of all approvals required to be obtained from applicable governmental and regulatory authorities. Subject to the terms and conditions of the merger agreement, Diboll and Southside have agreed to use their commercially reasonable efforts and cooperate to prepare and file, as promptly as possible, all necessary documentation and to obtain as promptly as practicable all regulatory approvals required or advisable to complete the transactions contemplated by the merger agreement. These approvals include, among others, approval from the Federal Reserve Board, the FDIC and the Texas Department of Banking. Southside and Diboll have filed applications and notifications to obtain the required regulatory approvals.

**Federal Reserve Board**

The merger of Diboll with Southside must be approved by the Federal Reserve Board under Section 3 of the Bank Holding Company Act of 1956, or the BHC Act, and its implementing regulations. In considering the approval of a transaction such as the merger, the BHC Act and related laws require the Federal Reserve Board to review, with respect to the financial holding companies and the bank concerned: (1) the competitive impact of the transaction; (2) financial, managerial and other supervisory considerations, including capital positions and managerial resources of the subject entities; (3) the record of the insured depository institution subsidiaries of the bank holding companies under the Community Reinvestment Act and fair lending laws; (4) the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system; and (5) additional public benefits of the proposal, such as the benefits to the customers of the subject entities. By letter dated August 23, 2017, the Federal Reserve Board notified Southside that it removed delegated authority from the Federal Reserve Bank of Dallas, and assumed decision-making authority itself on Southside's Form Y-3 application; the Federal Reserve Board is expected to make its decision with regard to the mergers on or prior to October 23, 2017.



Federal Deposit Insurance Corporation

The merger of First Bank & Trust with and into Southside Bank must be approved by the FDIC under the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), commonly known as the Bank Merger Act. An application for approval of the bank merger was filed with the FDIC on July 12, 2017. In evaluating an

59

---

TABLE OF CONTENTS

application filed under the Bank Merger Act, the FDIC generally considers: (1) the competitive impact of the transaction; (2) financial and managerial resources of the banks party to the bank merger or mergers; (3) the convenience and needs of the community to be served and the record of the banks under the Community Reinvestment Act; (4) the banks' effectiveness in combating money-laundering activities; and (5) the extent to which the bank merger or mergers would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. On August 25, 2017, the FDIC issued its conditional approval of the bank merger.

Texas Department of Banking

The bank merger must be approved by the Texas Department of Banking. In determining whether to approve the transaction, the Texas Department of Banking will consider factors similar to those considered by the FDIC in its review of the application submitted pursuant to the Bank Merger Act. Among other things, this will include a review of financial, managerial and supervisory considerations, as well as the likely competitive impacts and public benefits of the proposed transaction. As of September 6, 2017, the Texas Department of Banking had completed its initial review of the merger application, and had accepted it for filing.

Southside and Diboll believe that the mergers do not raise substantial antitrust or other significant regulatory concerns and that we will be able to obtain all requisite regulatory approvals. However, neither Southside nor Diboll can assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any such approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. The parties have agreed that Southside will not be required, and Diboll and its subsidiaries will not be permitted, to take any action or commit to take any action or agree to any condition or restrictions in connection with the regulatory approvals that, individually or in the aggregate, would have or would be reasonably likely to have a material adverse effect on Southside and its subsidiaries or Diboll and its subsidiaries as of and following the completion of the mergers.

The parties' obligation to complete the mergers is conditioned upon the receipt of all required regulatory approvals. Southside and Diboll will use their respective commercially reasonable efforts to resolve any objections that may be asserted by any regulatory authority with respect to the merger agreement or the mergers or the other transactions contemplated by the merger agreement.

Neither Southside nor Diboll is aware of any material governmental approvals or actions that are required for completion of the mergers other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

U.S. Federal Income Tax Considerations

The following is a general discussion of material U.S. federal income tax consequences to U.S. holders (as defined below) of Diboll common stock that exchange their shares of Diboll common stock for shares of Southside common stock and cash in the first merger. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. This discussion is based upon the Code, the U.S. Federal Income Tax Regulations promulgated under the Code and court and administrative rulings and decisions, all as in effect on the date of this proxy statement/prospectus, and all of which are subject to change, potentially retroactively, which could affect the accuracy of the statements and conclusions set forth in this discussion.

This discussion addresses only those U.S. holders of Diboll common stock that hold their shares of Diboll common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). Importantly, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular U.S. holder in light of that U.S. holder's individual circumstances or to a U.S. holder that is subject to special treatment under the U.S. federal income tax laws, including, without limitation, a U.S. holder that is:

TABLE OF CONTENTS

- a financial institution;
- a tax-exempt organization;
- a regulated investment company;
- a real estate investment trust;
- an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);
- an insurance company;
- a mutual fund;
- a controlled foreign corporation or passive foreign investment company;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects to use the mark-to-market method of accounting;
- a holder of Diboll common stock subject to the alternative minimum tax provisions of the Code;
- a holder of Diboll common stock that received Diboll common stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;
- a holder of Diboll common stock that has a functional currency other than the U.S. dollar;
- a holder of Diboll common stock that holds Diboll common stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;
- a person that is not a U.S. holder; or
- a U.S. expatriate or certain former citizens or long-term residents of the United States.

For purposes of this discussion, the term “U.S. holder” means a beneficial owner of Diboll common stock that is for U.S. federal income tax purposes: (a) an individual citizen or resident of the United States; (b) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof or the District of Columbia; (c) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) such trust was in existence on August 20, 1996, and has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes; or (d) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds Diboll common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds Diboll common stock, and any partners in such partnership, should consult their own independent tax advisors.

Determining the actual tax consequences of the mergers to a U.S. holder is complex and can depend, in part, on the U.S. holder’s specific situation. Each U.S. holder should consult its own independent tax advisor as to the tax consequences of the mergers in its particular circumstance, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws and of changes in those laws.

#### Tax Consequences of the Mergers Generally

In connection with the filing with the SEC of the registration statement of which this proxy statement/ prospectus forms a part, Alston & Bird LLP has rendered its tax opinion to Southside and Diboll addressing the U.S. federal income tax consequences of the first merger and the second merger as described below. A copy of this tax opinion is attached as Exhibit 8.1 to the registration statement of which this proxy statement/prospectus forms a part. In addition, the obligations of the parties to complete the first merger is conditioned on, among other things, the receipt by Southside and Diboll of an opinion from Alston & Bird

TABLE OF CONTENTS

LLP, dated the closing date of the first merger, to the effect that for U.S. federal income tax purposes the first merger and the second merger will be treated as a single reorganization within the meaning of Section 368(a) of the Code. The conditions relating to receipt of such closing opinion may be waived by both Southside and Diboll. Neither Southside nor Diboll currently intends to waive the conditions related to the receipt of the closing opinion. However, if these conditions were waived, Diboll would re-solicit the approval of its shareholders prior to completing the first merger. In addition, the obligation of Alston & Bird LLP to deliver such closing opinion is conditioned on the mergers satisfying the continuity of proprietary interest requirement. That requirement generally will be satisfied if Southside common stock constitutes at least 40% of the value of the total merger consideration. The determination by tax counsel as to whether the first merger and the second merger will be treated as a “reorganization” within the meaning of Section 368(a) of the Code is based on the facts and law existing as of the closing date of these mergers.

These opinions are and will be subject to customary qualifications and assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the mergers strictly in accordance with the merger agreement and the registration statement of which this proxy statement/ prospectus forms a part. In rendering its legal opinion, Alston & Bird LLP relied and will rely upon representations and covenants, including those contained in certificates of officers of Southside and Diboll, reasonably satisfactory in form and substance to each such counsel, and will assume that these representations are true, correct and complete without regard to any knowledge limitation, and that these covenants will be complied with. If any of these assumptions or representations are inaccurate in any way, or any of the covenants are not complied with, this opinion could be adversely affected. The opinion represents counsel’s best legal judgment, but have no binding effect or official status of any kind, and no assurance can be given that contrary positions will not be taken by the Internal Revenue Service or a court considering the issues. In addition, neither Diboll nor Southside have requested nor do they intend to request a ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the mergers. Accordingly, there can be no assurances that the Internal Revenue Service will not assert, or that a court will not sustain, a position contrary to any of the tax consequences set forth below or any of the tax consequences described in the tax opinions.

Except as otherwise indicated, the following discussion assumes that the first merger and the second merger qualify as a single “reorganization” within the meaning of Section 368(a) of the Code.

**U.S. Holders that Receive a Combination of Southside Common Stock and Cash**

If a U.S. holder’s adjusted tax basis in the Diboll common stock surrendered is less than the sum of the fair market value of the shares of Southside common stock and the amount of cash (other than cash received in lieu of a fractional share of Southside common stock) received by the U.S. holder pursuant to the first merger, then the U.S. holder will recognize gain in an amount equal to the lesser of (a) the sum of the amount of cash (other than cash received in lieu of a fractional share of Southside common stock) and the fair market value of the Southside common stock received, minus the U.S. holder’s adjusted tax basis of the shares of Diboll common stock surrendered in exchange therefor, and (b) the amount of cash received by the U.S. holder (other than cash received in lieu of a fractional share of Southside common stock). However, if a U.S. holder’s adjusted tax basis in the shares of Diboll common stock surrendered is greater than the sum of the amount of cash (other than cash received in lieu of a fractional share of Southside common stock) and the fair market value of the Southside common stock received, the U.S. holder’s loss will not be currently allowed or recognized for U.S. federal income tax purposes. If a U.S. holder of shares of Diboll common stock acquired different blocks of shares of Diboll common stock at different times or different prices, the U.S. holder should consult the U.S. holder’s independent tax advisor regarding the manner in which gain or loss should be determined for each identifiable block of Diboll shares. Any recognized gain generally will be long-term capital gain if, as of the effective date of the first merger, the U.S. holder’s holding period with respect to the Shares of Diboll common stock surrendered exceeds one year.

The aggregate tax basis of the Southside common stock received (including any fractional share interests deemed received and redeemed for cash as described below under “Cash In Lieu of a Fractional Share”) by a U.S. holder that exchanges its shares of Diboll common stock for a combination of Southside common stock and cash as a result of the first merger will be the same as the aggregate tax basis of the

**TABLE OF CONTENTS**

shares of Diboll common stock surrendered in exchange therefor, reduced by the amount of cash received on the exchange (excluding cash received in lieu of a fractional share of Southside common stock) plus the amount of any gain recognized upon the exchange (excluding any gain recognized as a result of any cash received in lieu of a fractional share of Southside common stock). The holding period of the Southside common stock received (including any fractional share deemed received and redeemed) will include the holding period of the shares of Diboll common stock surrendered. A U.S. holder receiving a combination of Southside common stock and cash should consult its own independent tax advisor regarding the manner in which cash and Southside common stock should be allocated among the U.S. holder's shares of Diboll common stock and the manner in which the above rules would apply in the holder's particular circumstance.

**Cash In Lieu of a Fractional Share**

If a U.S. holder receives cash in lieu of a fractional share of Southside common stock, the U.S. holder will be treated as having received a fractional share of Southside common stock pursuant to the first merger and then as having exchanged the fractional share of Southside common stock for cash in a redemption by Southside. As a result, the U.S. holder generally will recognize gain or loss equal to the difference between the amount of cash received and the portion of the U.S. holder's aggregate tax basis (calculated in the manner as set forth above under "U.S. Holders that Receive a Combination of Southside Common Stock and Cash") allocable to the fractional share of Southside common stock. This gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the first merger, the U.S. holder's holding period with respect to the fractional share (including the holding period of the Diboll common stock surrendered therefor) exceeds one year. The deductibility of capital losses is subject to limitations.

**Dissenters**

Upon its exercise of dissenters' rights, a U.S. holder of Diboll common stock will exchange all of its Diboll common stock for cash. Such a dissenting U.S. holder will recognize gain or loss equal to the difference between the amount of cash received and such U.S. holder's aggregate tax basis in its Diboll common stock. This gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. holder's holding period with respect to the Diboll common stock surrendered therefor exceeds one year. The deductibility of capital losses is subject to limitations. If a U.S. holder of Diboll shares acquired different blocks of Diboll shares at different times or different prices, the U.S. holder should consult the U.S. holder's independent tax advisor regarding the manner in which gain or loss should be determined for each identifiable block of Diboll shares.

**Material U.S. Federal Income Tax Consequences if the Diboll Mergers Fail to Qualify as Reorganizations**

If the first merger and the second merger do not qualify as a "reorganization" within the meaning of Section 368(a) of the Code, then each U.S. holder of Diboll common stock will recognize capital gain or loss equal to the difference between (a) the sum of the fair market value of the shares of Southside common stock, as of the effective date of the first merger, received by such U.S. holder pursuant to the first merger and the amount of any cash received by such U.S. holder pursuant to the first merger and (b) its adjusted tax basis in the shares of Diboll common stock surrendered in exchange therefor. Gain or loss will be computed separately with respect to each identified block of Diboll common stock exchanged in the first merger.

**Backup Withholding**

If a U.S. holder is a non-corporate holder of Diboll common stock, the U.S. holder may be subject, under certain circumstances, to information reporting and backup withholding on any cash payments that the U.S. holder receives. A U.S. holder generally will not be subject to backup withholding, however, if the U.S. holder:

- furnishes a correct taxpayer identification number, certifying that it is not subject to backup withholding on IRS Form W-9 or successor form included in the letter of transmittal that the U.S. holder will receive and otherwise complies with all the applicable requirements of the backup withholding rules; or

TABLE OF CONTENTS

- provides proof that it is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, if the U.S. holder timely furnishes the required information to the Internal Revenue Service.

Certain Reporting Requirements

If a U.S. holder that receives Southside common stock in the first merger is considered a "significant holder," such U.S. holder will be required (a) to file a statement with its U.S. federal income tax return providing certain facts pertinent to the mergers, including such U.S. holder's tax basis in, and the fair market value of, the Diboll common stock surrendered by such U.S. holder, and (b) to retain permanent records of these facts relating to the mergers. A "significant holder" is any Diboll shareholder that, immediately before the first merger, (y) owned at least 5% (by vote or value) of the outstanding stock of Diboll or (z) owned Diboll securities with a tax basis of \$1.0 million or more. This discussion of certain material U.S. federal income tax consequences is for general information only and is not intended to be tax advice. Holders of Diboll common stock are urged to consult their independent tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Accounting Treatment

The mergers will be accounted for under the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America. Under this method, Diboll's assets and liabilities as of the date of the mergers will be recorded at their respective fair values. Any difference between the purchase price for Diboll and the fair value of the identifiable net assets acquired (including core deposit intangibles) will be recorded as goodwill. In accordance with ASC Topic 805, "Business Combinations," the goodwill resulting from the mergers will not be amortized to expense, but instead will be reviewed for impairment at least annually and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. Core deposit and other intangibles with definite useful lives recorded by Southside in connection with the mergers will be amortized to expense in accordance with such rules. The consolidated financial statements of Southside issued after the mergers will reflect the results attributable to the acquired operations of Diboll beginning on the date of completion of the mergers.

Dissenters' Rights

General

If you hold one or more shares of Diboll common stock, you are entitled to dissenters' rights under Texas law and have the right to dissent from the merger and have the appraised fair value of your shares of Diboll common stock paid to you in cash. The appraised fair value may be more or less than the value of the consideration you would receive under the merger agreement. If you are contemplating exercising your right to dissent, we urge you to read carefully the provisions of Chapter 10, Subchapter H of the Texas Business Organizations Code (§§ 10.351-10.368), which are attached to this proxy statement/prospectus as Annex D, and to consult with your legal counsel before electing or attempting to exercise these rights. The following discussion describes the steps you must take if you want to exercise your right to dissent. You should read this summary and the full text of the law carefully.

How to Exercise and Perfect Your Right to Dissent

To be eligible to exercise your right to dissent to the merger:

- you must, prior to the Diboll special meeting, provide Diboll with a written objection to the first merger that states that your right to dissent will be exercised if the first merger is completed and that provides an address to which a notice of effectiveness of the first merger should be delivered or mailed to you if the first merger is completed;

TABLE OF CONTENTS

- you must vote your shares of Diboll common stock against approval of the first merger at the Diboll special meeting in person or by proxy;

- you must, not later than the 20th day after Southside (which will be the ultimate successor to Diboll) sends you notice that the first merger was completed, deliver to Southside a written demand for payment of the fair value of your shares of Diboll common stock and the number of shares of Diboll common stock that you own, your estimate of the fair value of such shares of Diboll common stock and an address to which a notice relating to the dissent and appraisal procedures may be sent; and

- you must, not later than the 20th day after you make your demand for payment to Southside as described above, submit your certificate representing your shares of Diboll common stock to Southside.

If you intend to exercise your right to dissent from the first merger, prior to the special meeting, you must send the notice of objection to Diboll, addressed to:

Diboll State Bancshares, Inc.

104 North Temple Drive

Diboll, Texas 75941

Attention: President and Secretary

If you fail (i) to send your written objection to the first merger in the proper form prior to the Diboll special meeting, (ii) to vote your shares of Diboll common stock at the Diboll special meeting against the approval of the first merger or (iii) to submit your demand for payment in the proper form on a timely basis, you will lose your rights to dissent from the first merger. If you fail to submit the certificates representing your shares of Diboll common stock to Southside on a timely basis after you have submitted the demand for payment as described above, Southside will have the option to terminate your right to dissent. In any instance of a termination or loss of your right of dissent, you will instead receive the merger consideration. If you comply with items (i) and (ii) above and the first merger is completed, Southside will send you a written notice advising you that the first merger has been completed. Southside must deliver this notice to you within ten days after the first merger is completed.

Your written demand must include a demand for payment for your shares of Diboll common stock for which rights of dissent and appraisal are sought and must state the number of shares of Diboll common stock that you own and your estimate of the fair value of your shares of Diboll common stock and an address to which a notice relating to the dissent and appraisal procedures may be sent. This written demand must be delivered to Southside within 20 days of the date on which Southside sends to you the notice of the effectiveness of the first merger. If your written demand for payment in proper form is not received by Southside within that 20-day period, you will be bound by the first merger and you will not be entitled to receive a cash payment representing the fair value of your shares of Diboll common stock.

**Delivery of Stock Certificates**

If you have satisfied the requirements for the exercise of your right to dissent described above, including the delivery of the written demand for payment to Southside as described above, you must, not later than the 20th day after you make your written demand for payment to Southside, submit to Southside your certificate or certificates representing the shares of Diboll common stock that you own. You may submit those certificates with your demand for payment if you prefer. In accordance with the provisions of the TBOC, Southside will note on each such certificate that you have demanded payment of the fair value of the shares of Diboll common stock that were represented by such certificate under the provisions of the TBOC relating to the rights of dissenting owners. After making those notations on those certificates, Southside will return each such certificate to you at your request. If you fail to submit all of the certificates representing the shares of Diboll common stock for which you have exercised the right of dissent in a timely fashion, Southside will have the right to terminate your rights of dissent and appraisal with respect to all of your shares of Diboll common stock unless a court, for good cause shown, directs Southside not to terminate those



rights.

65

---

TABLE OF CONTENTS

Southside's Actions Upon Receipt of Your Demand for Payment

Within 20 days after Southside receives your demand for payment and your estimate of the fair value of your shares of Diboll common stock, Southside must send you written notice stating whether it accepts your estimate of the fair value of your shares claimed in the demand or rejects the demand.

If Southside accepts your estimate, Southside will notify you that it will pay the amount of your estimated fair value within 90 days of the first merger being completed. Southside will make this payment to you if and only if you have surrendered the certificates representing your shares of Diboll common stock, duly endorsed for transfer to Southside.