SOUTHSIDE BANCSHARES INC

FORM 10-Q
(Quarterly Report)

Filed 07/25/25 for the Period Ending 06/30/25

Address	1201 S BECKHAM
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Telephone	9035317111
CIK	0000705432
Symbol	SBSI
SIC Code	6022 - State Commercial Banks
Industry	Banks
Sector	Financials
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 000-12247

SOUTHSIDE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Texas	**75-1848732**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1201 S. Beckham Avenue, Tyler, Texas	**75701**
(Address of Principal Executive Offices)	(Zip Code)

903-531-7111
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $1.25 par value	SBSI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the issuer's common stock, par value $1.25, outstanding as of July 23, 2025 was 30,080,108 shares.

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SOUTHSIDE BANCSHARES, INC.
Glossary of Acronyms, Abbreviations and Terms

The acronyms, abbreviations and terms listed below are used in various sections of this Form 10-Q, including "Item 1. Financial Statements" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Entities:	
Southside Bancshares, Inc.	Bank holding company for Southside Bank
Southside Bank	Texas state bank and wholly owned subsidiary of Southside Bancshares, Inc.
Company	Combined entities of Southside Bancshares, Inc. and its subsidiaries, including Southside Bank
Bank	Southside Bank
Southside	Southside Bancshares, Inc.

Other Acronyms, Abbreviations and Terms:	
2024 Form 10-K	Southside Bancshares, Inc. Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 27, 2025
401(k) Plan	401(k) Defined Contribution Plan
Acquired Retirement Plan	OmniAmerican Bank defined benefit pension plan
AFS	Available for sale
ALCO	Asset/Liability Committee
AOCI	Accumulated other comprehensive income or loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update issued by the FASB
ATM	Automated teller machines
BTFP	The Federal Reserve’s Bank Term Funding Program
Basel Committee	Basel Committee on Banking Supervision
BOLI	Bank owned life insurance
CDs	Certificates of deposit
CECL	ASC 326, Financial Instruments- Credit Losses, also known as Current Expected Credit Losses
CET1	Common Equity Tier 1
CMOs	Collateralized mortgage obligations
CRE	Commercial real estate
ESOP	Employee Stock Ownership Plan
ETR	Effective tax rate
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	The Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
FRBNY	Federal Reserve Bank of New York
FRDW	Federal Reserve Discount Window
FTE	Fully-taxable equivalents measurements (non-GAAP)
GAAP	United States generally accepted accounting principles
GSEs	U.S. government-sponsored enterprises
Guidelines	Interagency Guidelines Prescribing Standards for Safety and Soundness adopted by federal banking agencies
HTM	Held to maturity

ITM	Interactive teller machines
MBS	Mortgage-backed securities
MVPE	Market value of portfolio equity
OREO	Other real estate owned
Repurchase agreements	Securities sold under agreements to repurchase
Restoration Plan	Nonfunded supplemental retirement plan
Retirement Plan	Defined benefit pension plan
ROU	Right-of-use
RSU	Restricted stock units
SBA	Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York
U.S.	United States

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share amounts)

	June 30, 2025	December 31, 2024
ASSETS		
Cash and due from banks	$ 109,669	$ 91,409
Interest earning deposits	260,357	281,945
Federal funds sold	20,069	52,807
Total cash and cash equivalents	390,095	426,161
Securities:		
Securities AFS, at estimated fair value (amortized cost of $1,517,550 and $1,587,416, respectively)	1,457,124	1,533,894
Securities HTM (estimated fair value of $1,081,377 and $1,113,482, respectively)	1,272,906	1,279,234
FHLB stock, at cost	24,384	33,818
Equity investments	9,502	9,467
Loans held for sale	428	1,946
Loans:		
Loans	4,601,933	4,661,597
Less: Allowance for loan losses	(44,421)	(44,884)
Net loans	4,557,512	4,616,713
Premises and equipment, net	147,263	141,648
Operating lease ROU assets	13,191	13,860
Goodwill	201,116	201,116
Other intangible assets, net	1,333	1,754
Interest receivable	45,546	46,724
Deferred tax asset, net	39,301	34,492
BOLI	138,826	138,313
Other assets	41,439	38,308
Total assets	$ 8,339,966	$ 8,517,448
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 1,368,453	$ 1,357,152
Interest bearing	5,263,511	5,297,096
Total deposits	6,631,964	6,654,248
Other borrowings	99,841	76,443
FHLB borrowings	511,526	731,909
Subordinated notes, net of unamortized debt issuance costs	92,115	92,042
Trust preferred subordinated debentures, net of unamortized debt issuance costs	60,277	60,274
Unsettled trades to purchase securities	50,514	—
Operating lease liabilities	15,125	15,779
Other liabilities	71,404	74,811
Total liabilities	7,532,766	7,705,506
Off-balance-sheet arrangements, commitments and contingencies (Note 12)		
Shareholders' equity:		
Common stock: ($1.25 par value, 80,000,000 shares authorized, 38,095,873 shares issued at June 30, 2025 and 38,077,992 shares issued at December 31, 2024)	47,620	47,598
Paid-in capital	794,325	793,586
Retained earnings	348,040	326,793
Treasury stock: (shares at cost, 8,014,363 at June 30, 2025 and 7,699,182 at December 31, 2024)	(241,300)	(231,137)
AOCI	(141,485)	(124,898)
Total shareholders' equity	807,200	811,942
Total liabilities and shareholders' equity	$ 8,339,966	$ 8,517,448

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Interest income:				
Loans	$ 67,249	$ 69,684	$ 134,839	$ 137,895
Taxable investment securities	6,205	7,009	12,568	13,976
Tax-exempt investment securities	8,483	10,710	16,964	21,798
MBS	13,040	11,084	26,563	21,203
FHLB stock and equity investments	524	573	1,007	906
Other interest earning assets	3,061	5,126	6,909	11,166
Total interest and dividend income	98,562	104,186	198,850	206,944
Interest expense:				
Deposits	37,427	38,466	74,674	76,664
FHLB borrowings	3,721	6,455	9,558	12,405
Subordinated notes	935	936	1,867	1,892
Trust preferred subordinated debentures	1,015	1,171	2,029	2,346
Other borrowings	1,198	3,550	2,604	6,681
Total interest expense	44,296	50,578	90,732	99,988
Net interest income	54,266	53,608	108,118	106,956
Provision for (reversal of) credit losses	622	(485)	1,380	(427)
Net interest income after provision for credit losses	53,644	54,093	106,738	107,383
Noninterest income:				
Deposit services	6,125	6,157	11,954	12,142
Net gain (loss) on sale of securities AFS	—	(563)	(554)	(581)
Gain (loss) on sale of loans	99	220	154	(216)
Trust fees	1,879	1,456	3,644	2,792
BOLI	833	1,767	1,632	2,551
Brokerage services	1,219	1,081	2,339	2,095
Other	1,990	1,439	3,199	2,498
Total noninterest income	12,145	11,557	22,368	21,281
Noninterest expense:				
Salaries and employee benefits	22,272	21,984	44,654	45,097
Net occupancy	3,621	3,750	7,025	7,112
Advertising, travel & entertainment	950	795	1,874	1,745
ATM expense	405	368	783	693
Professional fees	1,401	1,075	2,921	2,229
Software and data processing	3,027	2,860	5,866	5,716
Communications	342	410	725	859
FDIC insurance	955	977	1,902	1,920
Amortization of intangibles	198	307	421	644
Other	6,086	3,239	10,175	6,631
Total noninterest expense	39,257	35,765	76,346	72,646
Income before income tax expense	26,532	29,885	52,760	56,018
Income tax expense	4,719	5,212	9,440	9,834
Net income	$ 21,813	$ 24,673	$ 43,320	$ 46,184
Earnings per common share – basic	$ 0.72	$ 0.81	$ 1.43	$ 1.52
Earnings per common share – diluted	$ 0.72	$ 0.81	$ 1.42	$ 1.52
Cash dividends paid per common share	$ 0.36	$ 0.36	$ 0.72	$ 0.72

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income	$ 21,813	$ 24,673	$ 43,320	$ 46,184
Other comprehensive income (loss):				
Securities AFS and transferred securities:				
Change in unrealized holding gain (loss) on AFS securities during the period	(12,618)	(1,800)	(18,831)	(7,687)
Reclassification adjustment for amortization related to AFS and HTM debt securities	2,019	2,068	4,033	4,091
Reclassification adjustment for net (gain) loss on sale of AFS securities, included in net income	—	563	554	581
Derivatives:				
Change in net unrealized gain (loss) on effective cash flow hedge interest rate swap derivatives	(392)	4,683	(3,543)	18,299
Reclassification adjustment of net (gain) loss related to derivatives designated as cash flow hedges	(1,866)	(5,782)	(4,439)	(12,424)
Retirement plans:				
Amortization of net actuarial loss, included in net periodic benefit cost	616	148	1,230	315
Other comprehensive income (loss), before tax	(12,241)	(120)	(20,996)	3,175
Income tax (expense) benefit related to items of other comprehensive income (loss)	2,570	25	4,409	(667)
Other comprehensive income (loss), net of tax	(9,671)	(95)	(16,587)	2,508
Comprehensive income (loss)	$ 12,142	$ 24,578	$ 26,733	$ 48,692

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share and per share data)

	Common Stock	Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2024	$ 47,598	$ 793,586	$ 326,793	$ (231,137)	$ (124,898)	$ 811,942
Net income	—	—	21,507	—	—	21,507
Other comprehensive income (loss)	—	—	—	—	(6,916)	(6,916)
Issuance of common stock for dividend reinvestment plan (8,897 shares)	11	253	—	—	—	264
Stock compensation expense	—	914	—	—	—	914
Net issuance of common stock under employee stock plans (22,675 shares)	—	(368)	(130)	350	—	(148)
Cash dividends paid on common stock ($0.36 per share)	—	—	(10,940)	—	—	(10,940)
Balance at March 31, 2025	47,609	794,385	337,230	(230,787)	(131,814)	816,623
Net income	—	—	21,813	—	—	21,813
Other comprehensive income (loss)	—	—	—	—	(9,671)	(9,671)
Issuance of common stock for dividend reinvestment plan (8,984 shares)	11	239	—	—	—	250
Purchase of common stock (424,435 shares)	—	—	—	(11,904)	—	(11,904)
Stock compensation expense	—	686	—	—	—	686
Net issuance of common stock under employee stock plans (86,579 shares)	—	(985)	(113)	1,391	—	293
Cash dividends paid on common stock ($0.36 per share)	—	—	(10,890)	—	—	(10,890)
Balance at June 30, 2025	$ 47,620	$ 794,325	$ 348,040	$ (241,300)	$ (141,485)	$ 807,200

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
(UNAUDITED)
(in thousands, except share and per share data)

	Common Stock	Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2023	$ 47,550	$ 788,840	$ 282,355	$ (231,995)	$ (113,462)	$ 773,288
Net income	—	—	21,511	—	—	21,511
Other comprehensive income (loss)	—	—	—	—	2,603	2,603
Issuance of common stock for dividend reinvestment plan (10,683 shares)	13	293	—	—	—	306
Stock compensation expense	—	756	—	—	—	756
Net issuance of common stock under employee stock plans (23,575 shares)	—	75	(95)	370	—	350
Cash dividends paid on common stock ($0.36 per share)	—	—	(10,892)	—	—	(10,892)
Balance at March 31, 2024	47,563	789,964	292,879	(231,625)	(110,859)	787,922
Net income	—	—	24,673	—	—	24,673
Other comprehensive income (loss)	—	—	—	—	(95)	(95)
Issuance of common stock for dividend reinvestment plan (11,060 shares)	14	276	—	—	—	290
Purchase of common stock (57,966 shares)	—	—	—	(1,510)	—	(1,510)
Stock compensation expense	—	761	—	—	—	761
Net issuance of common stock under employee stock plans (23,778 shares)	—	(442)	(95)	371	—	(166)
Cash dividends paid on common stock ($0.36 per share)	—	—	(10,905)	—	—	(10,905)
Balance at June 30, 2024	$ 47,577	$ 790,559	$ 306,552	$ (232,764)	$ (110,954)	$ 800,970

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
OPERATING ACTIVITIES:		
Net income	$ 43,320	$ 46,184
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and net amortization	5,310	4,962
Securities premium amortization (discount accretion), net	3,562	3,376
Loan (discount accretion) premium amortization, net	389	225
Provision for (reversal of) credit losses	1,380	(427)
Stock compensation expense	1,600	1,517
Deferred tax expense (benefit)	(400)	15
Net (gain) loss on sale of AFS securities	554	581
Net loss on premises and equipment	1,293	41
Gross proceeds from sales of loans held for sale	8,332	8,731
Gross originations of loans held for sale	(6,814)	(7,181)
Net (gain) loss on consumer receivables	—	412
Net (gain) loss on OREO	136	58
Gain on purchase of subordinated notes	—	(178)
Net change in:		
Interest receivable	1,178	96
Other assets	1,564	(27,625)
Interest payable	586	(322)
Other liabilities	(32,105)	44,312
Net cash provided by (used in) operating activities	29,885	74,777
INVESTING ACTIVITIES:		
Securities AFS:		
Purchases	(256,059)	(604,133)
Sales	120,242	100,259
Maturities, calls and principal repayments	254,464	435,095
Securities HTM:		
Maturities, calls and principal repayments	7,747	2,549
Proceeds from redemption of FHLB stock and equity investments	18,112	29,930
Purchases of FHLB stock and equity investments	(8,713)	(50,825)
Net loan paydowns (originations)	59,252	(66,830)
Proceeds from sales of customer receivables	—	7,600
Purchases of premises and equipment	(10,366)	(3,668)
Proceeds from (purchases of) BOLI	1,143	3,440
Proceeds from sales of premises and equipment	(288)	(3)
Net proceeds from sales of OREO	—	58
Proceeds from sales of repossessed assets	68	97
Net cash provided by (used in) investing activities	185,602	(146,431)

(continued)

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2025	2024
FINANCING ACTIVITIES:		
Net change in deposits	(22,321)	(53,760)
Net change in other borrowings	23,398	(308,402)
Proceeds from FHLB borrowings	2,716,000	3,740,000
Repayment of FHLB borrowings	(2,936,383)	(3,390,366)
Purchase/redemption of subordinated notes	—	(1,805)
Proceeds from stock option exercises	703	435
Cash paid to tax authority related to tax withholding on share-based awards	(558)	(251)
Purchase of common stock	(11,076)	(1,510)
Proceeds from the issuance of common stock for dividend reinvestment plan	514	596
Cash dividends paid	(21,830)	(21,797)
Net cash provided by (used in) financing activities	(251,553)	(36,860)
Net increase (decrease) in cash and cash equivalents	(36,066)	(108,514)
Cash and cash equivalents at beginning of period	426,161	560,510
Cash and cash equivalents at end of period	$ 390,095	$ 451,996
SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION:		
Interest paid	$ 90,146	$ 100,310
Income taxes paid	$ 8,750	$ 7,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Loans transferred to other repossessed assets and real estate through foreclosure	$ 202	$ 785
Unsettled trades to purchase securities	$ 50,514	$ 54,354
Unsettled trades to repurchase common stock	$ 747	$ —

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation

In this report, the words "the Company," "we," "us," and "our" refer to the combined entities of Southside Bancshares, Inc. and its subsidiaries, including Southside Bank. The words "Southside" and "Southside Bancshares" refer to Southside Bancshares, Inc. The words "Southside Bank" and "the Bank" refer to Southside Bank.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, not all information required by GAAP for complete financial statements is included in these interim statements. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. The preparation of these consolidated financial statements in accordance with GAAP requires the use of management's estimates. These estimates are subjective in nature and involve matters of judgment. Actual amounts could differ from these estimates.

Interim results are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with the financial statements and notes thereto in our 2024 Form 10-K.

Accounting Changes and Reclassifications

Certain prior period amounts may be reclassified to conform to current year presentation.

2. Earnings Per Share

Earnings per share on a basic and diluted basis are calculated as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Basic and Diluted Earnings:				
Net income	$ 21,813	$ 24,673	$ 43,320	$ 46,184
Less: Earnings allocated to participating securities	13	15	29	27
Net income available to common shareholders	$ 21,800	$ 24,658	$ 43,291	$ 46,157
Basic weighted-average shares outstanding	30,234	30,280	30,311	30,271
Add: Stock awards	74	32	86	39
Diluted weighted-average shares outstanding	30,308	30,312	30,397	30,310
Basic earnings per share:				
Net income	$ 0.72	$ 0.81	$ 1.43	$ 1.52
Diluted earnings per share:				
Net income	$ 0.72	$ 0.81	$ 1.42	$ 1.52

For the three and six months ended June 30, 2025, there were approximately 524,000 and 520,000 anti-dilutive shares outstanding, respectively. For the three and six months ended June 30, 2024, there were 649,000 and 636,000 anti-dilutive shares outstanding, respectively.

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3. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component are as follows (in thousands):

	Three Months Ended June 30, 2025			
	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Retirement Plans	Total
Beginning balance, net of tax	$ (115,078)	$ 1,781	$ (18,517)	$ (131,814)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications	(12,618)	(392)	—	(13,010)
Reclassification adjustments included in net income	2,019	(1,866)	616	769
Income tax (expense) benefit	2,226	474	(130)	2,570
Net current-period other comprehensive income (loss), net of tax	(8,373)	(1,784)	486	(9,671)
Ending balance, net of tax	$ (123,451)	$ (3)	$ (18,031)	$ (141,485)

	Six Months Ended June 30, 2025			
	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Retirement Plans	Total
Beginning balance, net of tax	$ (112,199)	$ 6,303	$ (19,002)	$ (124,898)
Other comprehensive income (loss):				
Other comprehensive (loss) income before reclassifications	(18,831)	(3,543)	—	(22,374)
Reclassification adjustments included in net income	4,587	(4,439)	1,230	1,378
Income tax (expense) benefit	2,992	1,676	(259)	4,409
Net current-period other comprehensive income (loss), net of tax	(11,252)	(6,306)	971	(16,587)
Ending balance, net of tax	$ (123,451)	$ (3)	$ (18,031)	$ (141,485)

	Three Months Ended June 30, 2024			
	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Retirement Plans	Total
Beginning balance, net of tax	$ (110,538)	$ 18,312	$ (18,633)	$ (110,859)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications	(1,800)	4,683	—	2,883
Reclassification adjustments included in net income	2,631	(5,782)	148	(3,003)
Income tax (expense) benefit	(174)	231	(32)	25
Net current-period other comprehensive income (loss), net of tax	657	(868)	116	(95)
Ending balance, net of tax	$ (109,881)	$ 17,444	$ (18,517)	$ (110,954)

	Six Months Ended June 30, 2024			
	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Retirement Plans	Total
Beginning balance, net of tax	$ (107,499)	$ 12,803	$ (18,766)	$ (113,462)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications	(7,687)	18,299	—	10,612
Reclassification adjustments included in net income	4,672	(12,424)	315	(7,437)
Income tax (expense) benefit	633	(1,234)	(66)	(667)
Net current-period other comprehensive income (loss), net of tax	(2,382)	4,641	249	2,508
Ending balance, net of tax	$ (109,881)	$ 17,444	$ (18,517)	$ (110,954)

The reclassification adjustments out of accumulated other comprehensive income (loss) included in net income are presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Unrealized gains and losses on securities transferred:				
Amortization of unrealized gains and losses [1]	$ (2,019)	$ (2,068)	$ (4,033)	$ (4,091)
Tax (expense) benefit	424	434	847	859
Net of tax	(1,595)	(1,634)	(3,186)	(3,232)
Unrealized gains and losses on available for sale securities:				
Realized net gain (loss) on sale of securities [2]	—	(563)	(554)	(581)
Tax (expense) benefit	—	118	116	122
Net of tax	—	(445)	(438)	(459)
Derivatives:				
Realized net gain (loss) on interest rate swap derivatives [3]	1,866	5,782	4,439	12,424
Tax (expense) benefit	(392)	(1,214)	(932)	(2,609)
Net of tax	1,474	4,568	3,507	9,815
Amortization of pension plan:				
Net actuarial loss [4]	(616)	(148)	(1,230)	(315)
Tax (expense) benefit	130	32	259	66
Net of tax	(486)	(116)	(971)	(249)
Total reclassifications for the period, net of tax	$ (607)	$ 2,373	$ (1,088)	$ 5,875

(1) Included in interest income on the consolidated statements of income.
(2) Listed as net gain (loss) on sale of securities AFS on the consolidated statements of income.
(3) Included in interest expense for FHLB borrowings and deposits on the consolidated statements of income.
(4) These AOCI components are included in the computation of net periodic pension cost (income) presented in “Note 8 – Employee Benefit Plans.”

4. Securities

Debt securities

The amortized cost, gross unrealized gains and losses and estimated fair value of investment and mortgage-backed AFS and HTM securities, net of allowance for credit losses, as of June 30, 2025 and December 31, 2024 are reflected in the tables below (in thousands):

	June 30, 2025				
AVAILABLE FOR SALE	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Less: Allowance for Credit Losses	Estimated Fair Value
Investment securities:					
U.S. Treasury	$ 134,385	$ —	$ 6	$ —	$ 134,379
State and political subdivisions	453,026	27	64,443	—	388,610
Corporate bonds and other	17,436	187	398	—	17,225
MBS: (1)					
Residential	907,499	7,999	3,433	—	912,065
Commercial	5,204	59	418	—	4,845
Total	$ 1,517,550	$ 8,272	$ 68,698	$ —	$ 1,457,124

HELD TO MATURITY	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Less: Allowance for Credit Losses	Net Carrying Amount
Investment securities:						
State and political subdivisions	$ 1,041,998	$ 185	$ 180,070	$ 862,113	$ 26	$ 1,041,972
Corporate bonds and other	120,415	358	4,472	116,301	29	120,386
MBS: (1)						
Residential	81,350	12	6,192	75,170	—	81,350
Commercial	29,198	—	1,405	27,793	—	29,198
Total	$ 1,272,961	$ 555	$ 192,139	$ 1,081,377	$ 55	$ 1,272,906

	December 31, 2024				
AVAILABLE FOR SALE	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Less: Allowance for Credit Losses	Estimated Fair Value
Investment securities:					
U.S. Treasury	$ 173,880	$ 76	$ —	$ —	$ 173,956
State and political subdivisions	458,013	36	43,717	—	414,332
Corporate bonds and other	14,646	263	401	—	14,508
MBS: (1)					
Residential	935,639	835	10,088	—	926,386
Commercial	5,238	—	526	—	4,712
Total	$ 1,587,416	$ 1,210	$ 54,732	$ —	$ 1,533,894

HELD TO MATURITY	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Less: Allowance for Credit Losses	Net Carrying Amount
Investment securities:						
State and political subdivisions	$ 1,040,912	$ 4,004	$ 152,697	$ 892,219	$ —	$ 1,040,912
Corporate bonds and other	124,095	17	6,553	117,559	—	124,095
MBS: (1)						
Residential	84,660	8	8,549	76,119	—	84,660
Commercial	29,567	—	1,982	27,585	—	29,567
Total	$ 1,279,234	$ 4,029	$ 169,781	$ 1,113,482	$ —	$ 1,279,234

(1) All MBS are issued and/or guaranteed by U.S. government agencies or U.S. GSEs.

From time to time, we transfer securities from AFS to HTM due to overall balance sheet strategies and our intent and ability to hold these securities until maturity. We did not transfer any securities from AFS to HTM during the six months ended June 30, 2025 or the year ended December 31, 2024. The remaining net unamortized, unrealized loss on the transferred securities included in AOCI in the accompanying balance sheets totaled $101.1 million ($79.8 million, net of tax) at June 30, 2025 and $105.1 million ($83.0 million, net of tax) at December 31, 2024. Any net unrealized gain or loss on the transferred securities included in AOCI at the time of transfer will be amortized over the remaining life of the underlying security as an adjustment to the yield on those securities. Securities transferred with losses included in AOCI continue to be included in management's assessment for impairment for each individual security.

Investment securities and MBS with carrying values of $2.16 billion and $2.18 billion were pledged as of June 30, 2025 and December 31, 2024, respectively, to collateralize borrowings from the FRDW, repurchase agreements and public fund deposits, for potential liquidity needs or other purposes as required by law. At June 30, 2025 and December 31, 2024, the amount of excess collateral at the FRDW was $383.6 million and $431.7 million, respectively.

The following tables present the fair value and unrealized losses on AFS, if applicable, for which an allowance for credit losses has not been recorded, as well as HTM investment securities and MBS, if applicable, as of June 30, 2025 and December 31, 2024, segregated by major security type and length of time in a continuous loss position (in thousands):

	June 30, 2025					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
AVAILABLE FOR SALE						
Investment securities:						
U.S. Treasury	$ 134,379	$ 6	$ —	$ —	$ 134,379	$ 6
State and political subdivisions	4,458	152	373,075	64,291	377,533	64,443
Corporate bonds and other	2,944	56	5,640	342	8,584	398
MBS:						
Residential	170,868	740	30,203	2,693	201,071	3,433
Commercial	—	—	2,553	418	2,553	418
Total	$ 312,649	$ 954	$ 411,471	$ 67,744	$ 724,120	$ 68,698
HELD TO MATURITY						
Investment securities:						
State and political subdivisions	$ 169,617	$ 11,037	$ 689,160	$ 169,033	$ 858,777	$ 180,070
Corporate bonds and other	3,872	71	100,386	4,401	104,258	4,472
MBS:						
Residential	2,510	215	72,213	5,977	74,723	6,192
Commercial	—	—	27,793	1,405	27,793	1,405
Total	$ 175,999	$ 11,323	$ 889,552	$ 180,816	$ 1,065,551	$ 192,139

	December 31, 2024					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
AVAILABLE FOR SALE						
Investment securities:						
State and political subdivisions	$ 12,089	$ 64	$ 398,304	$ 43,653	$ 410,393	$ 43,717
Corporate bonds and other	2,967	33	5,612	368	8,579	401
MBS:						
Residential	723,855	6,517	31,527	3,571	755,382	10,088
Commercial	2,223	12	2,489	514	4,712	526
Total	$ 741,134	$ 6,626	$ 437,932	$ 48,106	$ 1,179,066	$ 54,732
HELD TO MATURITY						
Investment securities:						
State and political subdivisions	$ 73,272	$ 1,779	$ 704,563	$ 150,918	$ 777,835	$ 152,697
Corporate bonds and other	2,212	149	111,392	6,404	113,604	6,553
MBS:						
Residential	2,548	292	73,064	8,257	75,612	8,549
Commercial	—	—	27,585	1,982	27,585	1,982
Total	$ 78,032	$ 2,220	$ 916,604	$ 167,561	$ 994,636	$ 169,781

For those AFS debt securities in an unrealized loss position (i) where management has the intent to sell or (ii) where it will more-likely-than-not be required to sell the security before the recovery of its amortized cost basis, we recognize the loss in earnings. For those AFS debt securities in an unrealized loss position that do not meet either of these criteria, management assesses whether the decline in fair value has resulted from credit-related factors, using both qualitative and quantitative criteria. Determining the allowance under the credit loss method requires the use of a discounted cash flow method to assess the credit losses. Any credit-related impairment will be recognized in allowance for credit losses on the balance sheet with a corresponding adjustment to earnings. Noncredit-related temporary impairment, the portion of the impairment relating to factors other than credit (such as changes in market interest rates), is recognized in other comprehensive income, net of tax.

As of June 30, 2025 and December 31, 2024, we did not have an allowance for credit losses on our AFS securities, based on our consideration of the qualitative factors associated with each security type in our AFS portfolio. The unrealized losses on our investment and MBS are due to changes in interest rates and spreads and other market conditions. We had 335 and 421 AFS debt securities in an unrealized loss position at June 30, 2025 and December 31, 2024, respectively. Our state and political subdivisions are highly rated municipal securities with a long history of no credit losses. Our AFS MBS are highly rated securities, which are either explicitly or implicitly backed by the U.S. Government through its agencies and which are highly rated by major ratings agencies and also have a long history of no credit losses. Our corporate bonds and other investment securities consist of primarily investment grade bonds.

We assess the likelihood of default and the potential amount of default when assessing our HTM securities for credit losses. We utilize term structures and, due to no prior loss exposure on our state and political subdivision securities or our corporate securities, we currently apply a third-party average loss given default rate to model these securities. We elected to use the collective evaluation method to model our HTM securities, which aligns with our third-party fair value measurement process. The model determined an expected credit loss over the life of the HTM securities of $55,000, and such amount was recognized as credit loss for the six months ended June 30, 2025, and a reversal of provision of credit loss of $9,000 was recognized for the three months ended June 30, 2025. Management evaluated the remote expectation of loss on the HTM portfolio, along with the qualitative factors associated with these securities, as well as the credit loss estimate of the model and concluded that an allowance for credit loss of $55,000 was sufficient as of June 30, 2025, due to the securities being highly rated municipals and primarily investment grade corporates with a long history of no credit losses. As of June 30, 2025, two corporate bonds were rated below investment grade. For the three and six months ended June 30, 2024, no credit loss was recognized.

The accrued interest receivable on our debt securities is excluded from the credit loss estimate and is included in interest receivable on our consolidated balance sheets. As of June 30, 2025, accrued interest receivable on AFS and HTM debt securities totaled $12.3 million and $12.8 million, respectively. As of December 31, 2024, accrued interest receivable on AFS and HTM debt securities totaled $13.6 million and $12.9 million, respectively. No HTM debt securities were past-due or on nonaccrual status as of June 30, 2025 or December 31, 2024.

The following table reflects interest income recognized on securities for the periods presented (in thousands):

	Three Months Ended June 30,	
	2025	2024
U.S. Treasury	$ 1,436	$ 2,066
State and political subdivisions	11,659	13,888
Corporate bonds and other	1,593	1,765
MBS	13,040	11,084
Total interest income on securities	$ 27,728	$ 28,803

	Six Months Ended June 30,	
	2025	2024
U.S. Treasury	$ 3,003	$ 4,089
State and political subdivisions	23,319	28,157
Corporate bonds and other	3,210	3,528
MBS	26,563	21,203
Total interest income on securities	$ 56,095	$ 56,977

There was a $554,000 net realized loss as a result of sales from the AFS securities portfolio for the six months ended June 30, 2025, which consisted of a net loss of $1.2 million on the unwind of fair value MBS hedges in the AFS securities portfolio, partially offset by $600,000 in realized gains. There was a $581,000 net realized loss as a result of sales from the AFS securities portfolio for the six months ended June 30, 2024, which consisted of $4.6 million in realized losses and $88,000 in realized gains, offset by a net gain of $4.0 million on the unwinding of fair value hedges on municipal securities in the AFS securities portfolio. There were no sales from the HTM portfolio during the three and six months ended June 30, 2025 or 2024. We calculate realized gains and losses on sales of securities under the specific identification method.

Expected maturities on our securities may differ from contractual maturities because issuers may have the right to call or prepay obligations. MBS are presented in total by category since MBS are typically issued with stated principal amounts and are backed by pools of mortgages that have loans with varying maturities. The characteristics of the underlying pool of mortgages, such as fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the security holder. The term of a mortgage-backed pass-through security thus approximates the term of the underlying mortgages and can vary significantly due to prepayments.

The amortized cost and estimated fair value of AFS and HTM securities at June 30, 2025, are presented below by contractual maturity (in thousands):

	June 30, 2025	
	Amortized Cost	Fair Value
AVAILABLE FOR SALE		
Investment securities:		
Due in one year or less	$ 134,877	$ 134,874
Due after one year through five years	6,715	6,676
Due after five years through ten years	27,902	27,480
Due after ten years	435,353	371,184
	604,847	540,214
MBS:	912,703	916,910
Total	$ 1,517,550	$ 1,457,124

	June 30, 2025	
	Amortized Cost	Fair Value
HELD TO MATURITY		
Investment securities:		
Due in one year or less	$ 135	$ 135
Due after one year through five years	20,535	20,319
Due after five years through ten years	127,653	123,038
Due after ten years	1,014,090	834,922
	1,162,413	978,414
MBS:	110,548	102,963
Total	$ 1,272,961	$ 1,081,377

Equity Investments

Equity investments on our consolidated balance sheets include Community Reinvestment Act funds with a readily determinable fair value as well as equity investments without readily determinable fair values. At June 30, 2025 and December 31, 2024, we had equity investments recorded in our consolidated balance sheets of $9.5 million.

Any realized and unrealized gains and losses on equity investments are reported in income. Equity investments without readily determinable fair values are recorded at cost less impairment, if any. For the three and six months ended June 30, 2025, there was no gain or loss on the sale of equity securities.

The following is a summary of unrealized and realized gains and losses on equity investments recognized in other noninterest income in the consolidated statements of income during the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net gains (losses) recognized during the period on equity investments	$ 16	$ (23)	$ 95	$ (79)
Less: Net gains recognized during the period on equity investments sold during the period	—	—	—	—
Unrealized gains (losses) recognized during the reporting period on equity investments held at the reporting date	$ 16	$ (23)	$ 95	$ (79)

Equity investments are assessed quarterly for other-than-temporary impairment. Based upon that evaluation, management does not consider any of our equity investments to be other-than-temporarily impaired at June 30, 2025.

FHLB Stock

Our FHLB stock, which has limited marketability, is carried at cost and is assessed quarterly for other-than-temporary impairment. Based upon evaluation by management at June 30, 2025, our FHLB stock was not impaired and thus was not considered to be other-than-temporarily impaired.

5. Loans and Allowance for Loan Losses

Loans in the accompanying consolidated balance sheets are classified as follows (in thousands):

	June 30, 2025	December 31, 2024
Real estate loans:		
Construction	$ 470,380	$ 537,827
1-4 family residential	736,108	740,396
Commercial	2,606,072	2,579,735
Commercial loans	380,612	363,167
Municipal loans	363,746	390,968
Loans to individuals	45,015	49,504
Total loans	4,601,933	4,661,597
Less: Allowance for loan losses	44,421	44,884
Net loans	$ 4,557,512	$ 4,616,713

Construction Real Estate Loans

Our construction loans are collateralized by property located primarily in or near the market areas we serve. Some of our construction loans will be owner occupied upon completion. Construction loans for non-owner occupied projects are financed, but these typically have cash flows from leases with tenants, secondary sources of repayment, and in some cases, additional collateral. Our construction loans have both adjustable and fixed interest rates during the construction period. Construction loans to individuals are typically priced and made with the intention of granting the permanent loan on the completed property. Commercial construction loans typically have adjustable interest rates and are subject to underwriting standards similar to that of the commercial real estate loan portfolio. Owner occupied 1-4 family residential construction loans are subject to the underwriting standards of the permanent loan.

1-4 Family Residential Real Estate Loans

Residential loan originations are generated by our mortgage loan officers, in-house origination staff, marketing efforts, present customers, walk-in customers and referrals from real estate agents and builders. We focus our lending efforts primarily on the origination of loans secured by first mortgages on owner occupied 1-4 family residences. Substantially all of our 1-4 family residential originations are secured by properties located in or near our market areas.

Our 1-4 family residential loans generally have maturities ranging from 15 to 30 years. These loans are typically fully amortizing with monthly payments sufficient to repay the total amount of the loan. Our 1-4 family residential loans are made at both fixed and adjustable interest rates.

Underwriting for 1-4 family residential loans includes debt-to-income analysis, credit history analysis, appraised value and down payment considerations. Changes in the market value of real estate can affect the potential losses in the residential portfolio.

Commercial Real Estate Loans

Commercial real estate loans as of June 30, 2025 consisted of $1.84 billion of owner and non-owner occupied real estate, $739.2 million of loans secured by multi-family properties and $31.3 million of loans secured by farmland. Commercial real estate loans primarily include loans collateralized by retail, commercial office buildings, multi-family residential buildings, medical facilities and offices, senior living, assisted living and skilled nursing facilities, warehouse facilities, hotels and churches. In determining whether to originate commercial real estate loans, we generally consider such factors as the financial condition of the borrower and the debt service coverage of the property. Commercial real estate loans are made at both fixed and adjustable interest rates for terms generally up to 20 years.

Commercial Loans

Our commercial loans are diversified loan types including short-term working capital loans for inventory and accounts receivable and short- and medium-term loans for equipment or other business capital expansion. In our commercial loan underwriting, we assess the creditworthiness, ability to repay and the value and liquidity of the collateral being offered. Terms of commercial loans are generally commensurate with the useful life of the collateral offered.

Municipal Loans

We have made loans to municipalities and school districts primarily throughout the state of Texas, with a small percentage originating outside of the state. The majority of the loans to municipalities and school districts have tax or revenue pledges and in some cases are additionally supported by collateral. Municipal loans made without a direct pledge of taxes or revenues are usually made based on some type of collateral that represents an essential service. These loans allow us to earn a higher yield than we could if we purchased municipal securities for similar durations.

Loans to Individuals

Substantially all originations of our loans to individuals are made to consumers in our market areas. The majority of loans to individuals are collateralized by titled equipment, which are primarily automobiles. Loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards we employ for consumer loans include an application, a determination of the applicant's payment history on other debts, with the greatest weight being given to payment history with us and an assessment of the borrower's ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, in relation to the proposed loan amount. Most of our loans to individuals are collateralized, which management believes assists in limiting our exposure.

Credit Quality Indicators

We categorize loans into risk categories on an ongoing basis based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. We use the following definitions for risk ratings:

- Pass (Rating 1 – 4) – This rating is assigned to all satisfactory loans. This category, by definition, consists of acceptable credit. Credit and collateral exceptions should not be present, although their presence would not necessarily prohibit a loan from being rated Pass, if deficiencies are in the process of correction. These loans are not included in the Watch List.
- Pass Watch (Rating 5) – These loans require some degree of special treatment, but not due to credit quality. This category does not include loans specially mentioned or adversely classified; however, particular attention is warranted to characteristics such as:
    - A lack of, or abnormally extended payment program;
    - A heavy degree of concentration of collateral without sufficient margin;
    - A vulnerability to competition through lesser or extensive financial leverage; and
    - A dependence on a single or few customers or sources of supply and materials without suitable substitutes or alternatives.
- Special Mention (Rating 6) – A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in our credit position at some future date. Special Mention loans are not adversely classified and do not expose us to sufficient risk to warrant adverse classification.
- Substandard (Rating 7) – Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- Doubtful (Rating 8) – Loans classified as Doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation, in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

The following tables set forth the amortized cost basis by class of financing receivable and credit quality indicator for the periods presented (in thousands):

June 30, 2025	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Construction real estate:								
Pass	$ 63,373	$ 95,337	$ 74,939	$ 41,668	$ 16,551	$ 6,796	$ 132,338	$ 431,002
Pass watch	14,916	191	—	365	—	1,226	21,384	38,082
Special mention	—	—	—	498	419	62	—	979
Substandard	—	—	—	—	56	152	—	208
Doubtful	—	—	109	—	—	—	—	109
Total construction real estate	$ 78,289	$ 95,528	$ 75,048	$ 42,531	$ 17,026	$ 8,236	$ 153,722	$ 470,380
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential real estate:								
Pass	$ 24,209	$ 44,590	$ 69,378	$ 147,956	$ 132,524	$ 310,965	$ 1,587	$ 731,209
Pass watch	—	—	—	—	—	—	—	—
Special mention	—	—	—	242	500	39	—	781
Substandard	—	48	112	—	166	3,477	—	3,803
Doubtful	—	172	—	—	—	143	—	315
Total 1-4 family residential real estate	$ 24,209	$ 44,810	$ 69,490	$ 148,198	$ 133,190	$ 314,624	$ 1,587	$ 736,108
Current period gross charge-offs	$ —	$ 56	$ —	$ —	$ —	$ 13	$ —	$ 69
Commercial real estate:								
Pass	$ 286,998	$ 287,668	$ 368,496	$ 511,101	$ 433,481	$ 335,488	$ 43,253	$ 2,266,485
Pass watch	—	31,999	48,907	122,110	—	2,486	932	206,434
Special mention	23,668	—	—	50,597	448	12,339	—	87,052
Substandard	—	—	—	28,062	12,211	5,778	—	46,051
Doubtful	—	—	—	—	—	50	—	50
Total commercial real estate	$ 310,666	$ 319,667	$ 417,403	$ 711,870	$ 446,140	$ 356,141	$ 44,185	$ 2,606,072
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial loans:								
Pass	$ 30,105	$ 56,638	$ 40,240	$ 31,339	$ 10,559	$ 6,642	$ 169,855	$ 345,378
Pass watch	2,339	180	137	155	182	—	675	3,668
Special mention	108	12,933	111	565	888	6	12,376	26,987
Substandard	1,493	176	389	226	18	102	278	2,682
Doubtful	—	995	415	146	153	47	141	1,897
Total commercial loans	$ 34,045	$ 70,922	$ 41,292	$ 32,431	$ 11,800	$ 6,797	$ 183,325	$ 380,612
Current period gross charge-offs	$ —	$ 359	$ 286	$ 108	$ 108	$ 22	$ —	$ 883
Municipal loans:								
Pass	$ —	$ 1,876	$ 33,287	$ 55,944	$ 62,126	$ 210,513	$ —	$ 363,746
Pass watch	—	—	—	—	—	—	—	—
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total municipal loans	$ —	$ 1,876	$ 33,287	$ 55,944	$ 62,126	$ 210,513	$ —	$ 363,746
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans to individuals:								
Pass	$ 10,819	$ 12,185	$ 7,428	$ 5,518	$ 4,073	$ 2,693	$ 2,025	$ 44,741
Pass watch	—	—	—	—	—	—	—	—
Special mention	—	—	—	—	—	—	—	—
Substandard	210	—	2	—	—	3	—	215
Doubtful	12	—	20	21	—	6	—	59
Total loans to individuals	$ 11,041	$ 12,185	$ 7,450	$ 5,539	$ 4,073	$ 2,702	$ 2,025	$ 45,015
Current period gross charge-offs (1)	$ 736	$ 22	$ 8	$ 55	$ 21	$ 13	$ —	$ 855
Total loans	$ 458,250	$ 544,988	$ 643,970	$ 996,513	$ 674,355	$ 899,013	$ 384,844	$ 4,601,933
Total current period gross charge-offs (1)	$ 736	$ 437	$ 294	$ 163	$ 129	$ 48	$ —	$ 1,807

(1) Includes $546,000 in charged off demand deposit overdrafts reported as 2025 originations.

December 31, 2024	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
Construction real estate:								
Pass	$ 130,555	$ 122,724	$ 46,499	$ 17,710	$ 3,564	$ 5,923	$ 132,096	$ 459,071
Pass watch	209	—	59,700	—	574	591	16,999	78,073
Special mention	—	—	—	429	—	72	—	501
Substandard	—	112	—	59	—	—	—	171
Doubtful	—	—	—	—	—	11	—	11
Total construction real estate	$ 130,764	$ 122,836	$ 106,199	$ 18,198	$ 4,138	$ 6,597	$ 149,095	$ 537,827
Current period gross charge-offs	$ —	$ 24	$ —	$ —	$ —	$ —	$ —	$ 24
1-4 family residential real estate:								
Pass	$ 43,040	$ 65,458	$ 153,335	$ 139,048	$ 106,116	$ 226,550	$ 1,524	$ 735,071
Pass watch	—	—	—	—	—	—	—	—
Special mention	—	—	—	505	—	—	—	505
Substandard	50	225	—	225	1,326	2,833	—	4,659
Doubtful	—	—	—	—	—	161	—	161
Total 1-4 family residential real estate	$ 43,090	$ 65,683	$ 153,335	$ 139,778	$ 107,442	$ 229,544	$ 1,524	$ 740,396
Current period gross charge-offs	$ —	$ 31	$ —	$ —	$ 10	$ 220	$ —	$ 261
Commercial real estate:								
Pass	$ 363,370	$ 410,213	$ 632,216	$ 509,927	$ 132,562	$ 223,551	$ 41,568	$ 2,313,407
Pass watch	—	11,953	65,206	22,440	4,090	24,599	983	129,271
Special mention	3,983	—	79,280	175	—	13,232	—	96,670
Substandard	—	—	27,994	6,409	250	5,649	—	40,302
Doubtful	—	—	—	—	—	85	—	85
Total commercial real estate	$ 367,353	$ 422,166	$ 804,696	$ 538,951	$ 136,902	$ 267,116	$ 42,551	$ 2,579,735
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 78	$ —	$ 78
Commercial loans:								
Pass	$ 83,118	$ 51,895	$ 39,449	$ 13,887	$ 5,875	$ 3,091	$ 155,671	$ 352,986
Pass watch	—	30	603	787	29	513	4,972	6,934
Special mention	—	327	29	83	—	101	180	720
Substandard	365	99	281	137	22	1	1,100	2,005
Doubtful	31	244	134	61	—	52	—	522
Total commercial loans	$ 83,514	$ 52,595	$ 40,496	$ 14,955	$ 5,926	$ 3,758	$ 161,923	$ 363,167
Current period gross charge-offs	$ 24	$ 462	$ 590	$ 85	$ —	$ 12	$ —	$ 1,173
Municipal loans:								
Pass	$ 1,949	$ 34,398	$ 57,862	$ 64,041	$ 41,115	$ 188,309	$ —	$ 387,674
Pass watch	—	—	—	—	892	2,402	—	3,294
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total municipal loans	$ 1,949	$ 34,398	$ 57,862	$ 64,041	$ 42,007	$ 190,711	$ —	$ 390,968
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loans to individuals:								
Pass	$ 18,765	$ 10,881	$ 7,719	$ 5,949	$ 2,900	$ 949	$ 2,215	$ 49,378
Pass watch	—	—	—	—	—	—	—	—
Special mention	—	—	—	—	—	—	—	—
Substandard	—	2	28	—	—	4	1	35
Doubtful	—	8	67	2	8	6	—	91
Total loans to individuals	$ 18,765	$ 10,891	$ 7,814	$ 5,951	$ 2,908	$ 959	$ 2,216	$ 49,504
Current period gross charge-offs	$ 1,655	$ 34	$ 43	$ 26	$ 33	$ 33	$ —	$ 1,824
Total loans	$ 645,435	$ 708,569	$ 1,170,402	$ 781,874	$ 299,323	$ 698,685	$ 357,309	$ 4,661,597
Total current period gross charge-offs [(1)]	$ 1,679	$ 551	$ 633	$ 111	$ 43	$ 343	$ —	$ 3,360

(1) Includes $1.2 million in charged off demand deposit overdrafts reported as 2024 originations.

Watch List loans reported as 2025 originations as of June 30, 2025 and Watch List loans reported as 2024 originations as of December 31, 2024 were, for the majority, first originated in various years prior to 2025 and 2024, respectively, but were renewed in the respective year.

The following tables present the aging of the amortized cost basis in past due loans by class of loans (in thousands):

	June 30, 2025					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real estate loans:						
Construction	$ 586	$ 20	$ 231	$ 837	$ 469,543	$ 470,380
1-4 family residential	1,025	1,030	221	2,276	733,832	736,108
Commercial	319	349	62	730	2,605,342	2,606,072
Commercial loans	1,244	1,300	1,722	4,266	376,346	380,612
Municipal loans	—	—	—	—	363,746	363,746
Loans to individuals	50	10	5	65	44,950	45,015
Total	$ 3,224	$ 2,709	$ 2,241	$ 8,174	$ 4,593,759	$ 4,601,933

	December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real estate loans:						
Construction	$ 92	$ 5	$ —	$ 97	$ 537,730	$ 537,827
1-4 family residential	3,217	1,328	262	4,807	735,589	740,396
Commercial	2,054	331	—	2,385	2,577,350	2,579,735
Commercial loans	2,881	649	407	3,937	359,230	363,167
Municipal loans	—	—	—	—	390,968	390,968
Loans to individuals	108	48	20	176	49,328	49,504
Total	$ 8,352	$ 2,361	$ 689	$ 11,402	$ 4,650,195	$ 4,661,597

The following table sets forth the amortized cost basis of nonperforming assets for the periods presented (in thousands):

	June 30, 2025	December 31, 2024
Nonaccrual loans:		
Real estate loans:		
Construction	$ 251	$ 122
1-4 family residential	1,433	1,734
Commercial	193	171
Commercial loans	2,861	1,067
Loans to individuals	260	91
Total nonaccrual loans [(1)]	4,998	3,185
Accruing loans past due more than 90 days	—	—
Restructured loans	27,512	2
OREO	380	388
Repossessed assets	19	14
Total nonperforming assets	$ 32,909	$ 3,589

(1) Includes $526,000 and $63,000 of restructured loans as of June 30, 2025 and December 31, 2024, respectively.

The increase in restructured loans was due to the extension of maturity in the first quarter of 2025 on a $27.5 million commercial real estate loan. We reversed $56,000 and $68,000 of interest income on nonaccrual loans during the three and six months ended June 30, 2025, respectively, and $14,000 and $59,000 for the three and six months ended June 30, 2024, respectively. We had $763,000 and $650,000 of loans on nonaccrual for which there was no related allowance for credit losses as of June 30, 2025 and December 31, 2024, respectively.

Collateral-dependent loans are loans that we expect the repayment to be provided substantially through the operation or sale of the collateral of the loan and for which we have determined that the borrower is experiencing financial difficulty. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for selling costs. As of June 30, 2025 and December 31, 2024, we had $36.5 million and $6.9 million, respectively, of collateral-dependent loans, secured mainly by real estate and equipment. There have been no significant changes to the collateral that secures the collateral-dependent assets as of June 30, 2025. Foreclosed assets include OREO and repossessed assets. For 1-4 family residential real estate properties, a loan is recognized as a foreclosed property once legal title to the real estate property has been received upon completion of foreclosure or the borrower has conveyed all interest in the residential property through a deed in lieu of foreclosure. There were no loans secured by 1-4 family residential properties for which formal foreclosure proceedings were in process as of June 30, 2025. There were $40,000 of loans secured by 1-4 family residential properties for which formal foreclosure proceedings were in process as of December 31, 2024.

Restructured Loans

A loan is considered restructured if the borrower is experiencing financial difficulties and the loan has been modified. Modifications may include interest rate reductions, restructuring amortization schedules, extensions of maturity or a combination of any of these modifications intended to minimize potential losses. In most instances, interest will continue to be charged on principal balances outstanding during the extended term. Therefore, the financial effects of the recorded investment of loans restructured during the six months ended June 30, 2025 were not significant.

There were nine restructured loans totaling $526,000 with extensions of maturity during the three months ended June 30, 2025 and 11 restructured loans totaling $28.0 million with extensions of maturity during the six months ended June 30, 2025. There were 13 restructured loans totaling $28.1 million included in nonperforming assets as of June 30, 2025. There was one restructured loan totaling $26,000 restructured with an extension of amortization period during the three and six months ended June 30, 2024.

On an ongoing basis, performance of restructured loans are monitored for subsequent payment default. Payment default is recognized when the borrower is 90 days or more past due. For the six months ended June 30, 2025 and 2024, there were no restructured loans in default. Payment defaults for restructured loans did not significantly impact the determination of the allowance for loan losses in the periods presented. At June 30, 2025, there were no commitments to lend additional funds to borrowers whose loans had been restructured.

Allowance for Loan Losses

The following tables detail activity in the allowance for loan losses by portfolio segment for the periods presented (in thousands):

	Three Months Ended June 30, 2025						
	Real Estate						
	Construction	1-4 Family Residential	Commercial	Commercial Loans	Municipal Loans	Loans to Individuals	Total
Balance at beginning of period	$ 3,887	$ 2,709	$ 34,730	$ 3,128	$ 14	$ 155	$ 44,623
Loans charged-off	—	(56)	—	(727)	—	(411)	(1,194)
Recoveries of loans charged-off	—	7	4	163	—	168	342
Net loans (charged-off) recovered	—	(49)	4	(564)	—	(243)	(852)
Provision for (reversal of) loan losses	2,307	121	(4,033)	1,869	—	386	650
Balance at end of period	$ 6,194	$ 2,781	$ 30,701	$ 4,433	$ 14	$ 298	$ 44,421

	Six Months Ended June 30, 2025						
	Real Estate						
	Construction	1-4 Family Residential	Commercial	Commercial Loans	Municipal Loans	Loans to Individuals	Total
Balance at beginning of period	$ 3,958	$ 2,780	$ 35,526	$ 2,448	$ 16	$ 156	$ 44,884
Loans charged-off	—	(69)	—	(883)	—	(855)	(1,807)
Recoveries of loans charged-off	—	15	9	265	—	363	652
Net loans (charged-off) recovered	—	(54)	9	(618)	—	(492)	(1,155)
Provision for (reversal of) loan losses	2,236	55	(4,834)	2,603	(2)	634	692
Balance at end of period	$ 6,194	$ 2,781	$ 30,701	$ 4,433	$ 14	$ 298	$ 44,421

	Three Months Ended June 30, 2024						
	Real Estate						
	Construction	1-4 Family Residential	Commercial	Commercial Loans	Municipal Loans	Loans to Individuals	Total
Balance at beginning of period	$ 4,920	$ 2,768	$ 32,893	$ 2,774	$ 19	$ 183	$ 43,557
Loans charged-off	(24)	(106)	—	(216)	—	(375)	(721)
Recoveries of loans charged-off	—	33	—	191	—	220	444
Net loans (charged-off) recovered	(24)	(73)	—	(25)	—	(155)	(277)
Provision for (reversal of) loan losses	(162)	9	(1,052)	193	(1)	140	(873)
Balance at end of period	$ 4,734	$ 2,704	$ 31,841	$ 2,942	$ 18	$ 168	$ 42,407

	Six Months Ended June 30, 2024						
	Real Estate						
	Construction	1-4 Family Residential	Commercial	Commercial Loans	Municipal Loans	Loans to Individuals	Total
Balance at beginning of period	$ 5,287	$ 2,840	$ 32,266	$ 2,086	$ 19	$ 176	$ 42,674
Loans charged-off (1)	(24)	(128)	—	(367)	—	(836)	(1,355)
Recoveries of loans charged-off	—	44	3	247	—	497	791
Net loans (charged-off) recovered	(24)	(84)	3	(120)	—	(339)	(564)
Provision (reversal) for loan losses (2)	(529)	(52)	(428)	976	(1)	331	297
Balance at end of period	$ 4,734	$ 2,704	$ 31,841	$ 2,942	$ 18	$ 168	$ 42,407

The accrued interest receivable on our loan receivables is excluded from the allowance for credit loss estimate and is included in interest receivable on our consolidated balance sheets. As of June 30, 2025 and December 31, 2024, the accrued interest on our loan portfolio was $20.4 million and $20.2 million, respectively.

6. Borrowing Arrangements

Information related to borrowings is provided in the table below (dollars in thousands):

	June 30, 2025	December 31, 2024
Other borrowings:		
Balance at end of period	$ 99,841	$ 76,443
Average amount outstanding during the period (1)	104,313	205,743
Maximum amount outstanding during the period (2)	259,317	597,765
Weighted average interest rate during the period (3)	5.0 %	5.7 %
Interest rate at end of period (4)	3.7 %	3.6 %
FHLB borrowings:		
Balance at end of period	$ 511,526	$ 731,909
Average amount outstanding during the period (1)	503,898	601,366
Maximum amount outstanding during the period (2)	651,782	760,046
Weighted average interest rate during the period (3)	3.8 %	4.1 %
Interest rate at end of period (5)	3.8 %	3.7 %

(1) The average amount outstanding during the period was computed by dividing the total daily outstanding principal balances by the number of days in the period.
(2) The maximum amount outstanding at any month-end during the period.
(3) The weighted average interest rate during the period was computed by dividing the actual interest expense (annualized for interim periods) by the average amount outstanding during the period. The weighted average interest rate on FHLB borrowings includes the effect of interest rate swaps.
(4) Stated rate.
(5) The interest rate on FHLB borrowings includes the effect of interest rate swaps.

Maturities of the obligations associated with our borrowing arrangements based on scheduled repayments at June 30, 2025 are as follows (in thousands):

	Payments Due by Period						
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Thereafter	Total
Other borrowings	$ 99,591	$ 250	$ —	$ —	$ —	$ —	$ 99,841
FHLB borrowings	510,679	396	416	35	—	—	511,526
Total obligations	$ 610,270	$ 646	$ 416	$ 35	$ —	$ —	$ 611,367

Other borrowings may include federal funds purchased, repurchase agreements and borrowings from the Federal Reserve through the FRDW. Southside Bank has three unsecured lines of credit for the purchase of overnight federal funds at prevailing rates with Frost Bank, Amegy Bank and TIB – The Independent Bankers Bank for $40.0 million, $25.0 million and $15.0 million, respectively. There were no federal funds purchased at June 30, 2025 or December 31, 2024. To provide more liquidity in response to economic conditions in recent years, the Federal Reserve has encouraged broader use of the discount window. At June 30, 2025, the amount of additional funding the Bank could obtain from the FRDW, collateralized by securities, was approximately $383.6 million. There were $30.0 million in borrowings from the FRDW at June 30, 2025. There were no borrowings from the FRDW at December 31, 2024. Southside Bank has a $5.0 million line of credit with Frost Bank to be used to issue letters of credit, and at June 30, 2025, the line had one outstanding letter of credit for $155,000. Southside Bank currently has two outstanding letters of credit from FHLB held as collateral for a loan for $6.2 million.

Southside Bank enters into sales of securities under repurchase agreements. These repurchase agreements totaled $69.8 million at June 30, 2025 and $76.4 million at December 31, 2024, and had maturities of less than two years. Repurchase agreements are secured by investment and MBS and are stated at the amount of cash received in connection with the transaction.

FHLB borrowings represent borrowings with fixed interest rates ranging from 0.59% to 4.92% (including the effect of interest rate swaps) and with remaining maturities of two days to 3.0 years at June 30, 2025. FHLB borrowings may be collateralized by FHLB stock, nonspecified loans and/or securities. At June 30, 2025, the amount of additional funding Southside Bank could obtain from FHLB, collateralized by securities, FHLB stock and nonspecified loans and securities, was approximately $1.87 billion, net of FHLB stock purchases required.

7. Long-term Debt

Information related to our long-term debt is summarized as follows for the periods presented (in thousands):

	June 30, 2025	December 31, 2024
Subordinated notes: (1)		
3.875% Subordinated notes, net of unamortized debt issuance costs (2)	$ 92,115	$ 92,042
Total Subordinated notes	92,115	92,042
Trust preferred subordinated debentures: (3)		
Southside Statutory Trust III, net of unamortized debt issuance costs (4)	20,585	20,582
Southside Statutory Trust IV	23,196	23,196
Southside Statutory Trust V	12,887	12,887
Magnolia Trust Company I	3,609	3,609
Total Trust preferred subordinated debentures	60,277	60,274
Total Long-term debt	$ 152,392	$ 152,316

(1) This debt consists of subordinated notes with a remaining maturity greater than one year that qualify under the risk-based capital guidelines as Tier 2 capital, subject to certain limitations.
(2) The unamortized discount and debt issuance costs reflected in the carrying amount of the subordinated notes totaled approximately $885,000 at June 30, 2025 and $958,000 at December 31, 2024.
(3) This debt consists of trust preferred securities that qualify under the risk-based capital guidelines as Tier 1 capital, subject to certain limitations.

(4) The unamortized debt issuance costs reflected in the carrying amount of the Southside Statutory Trust III junior subordinated debentures totaled $34,000 at June 30, 2025 and $37,000 at December 31, 2024.

As of June 30, 2025, the details of the subordinated notes and the trust preferred subordinated debentures are summarized below (dollars in thousands):

	Date Issued	Amount Issued	Fixed or Floating Rate	Interest Rate	Maturity Date
3.875% Subordinated Notes (1)	November 6, 2020	$ 100,000	Fixed-to-Floating	3.875%	November 15, 2030
Southside Statutory Trust III	September 4, 2003	$ 20,619	Floating	3 month SOFR + 3.20%	September 4, 2033
Southside Statutory Trust IV	August 8, 2007	$ 23,196	Floating	3 month SOFR + 1.56%	October 30, 2037
Southside Statutory Trust V	August 10, 2007	$ 12,887	Floating	3 month SOFR + 2.51%	September 15, 2037
Magnolia Trust Company I (2)	May 20, 2005	$ 3,609	Floating	3 month SOFR + 2.06%	November 23, 2035

(1) On April 4, 2024 and June 14, 2023, the Company repurchased $2.0 million and $5.0 million, respectively, of the $100 million fixed-to-floating rate subordinated notes that mature on November 15, 2030.

(2) On October 10, 2007, as part of an acquisition we assumed $3.6 million of floating rate junior subordinated debentures issued in 2005 to Magnolia Trust Company I.

On November 6, 2020, the Company issued $100.0 million in aggregate principal amount of fixed-to-floating rate subordinated notes that mature on November 15, 2030. This debt initially bears interest at a fixed rate of 3.875% per year through November 14, 2025 and thereafter, adjusts quarterly at a floating rate equal to the then current three-month term SOFR, as published by the FRBNY, plus 366 basis points. The proceeds from the sale of the subordinated notes were used for general corporate purposes.

8. Employee Benefit Plans

The components of net periodic benefit cost (income) related to our employee benefit plans are as follows (in thousands):

	Three Months Ended June 30,					
	Retirement Plan		Acquired Retirement Plan		Restoration Plan	
	2025	2024	2025	2024	2025	2024
Interest cost	$ 920	$ 900	$ 28	$ 24	$ 223	$ 226
Expected return on assets	(1,018)	(1,214)	(34)	(44)	—	—
Net loss amortization	594	140	—	—	22	8
Net periodic benefit cost (income)	$ 496	$ (174)	$ (6)	$ (20)	$ 245	$ 234

	Six Months Ended June 30,					
	Retirement Plan		Acquired Retirement Plan		Restoration Plan	
	2025	2024	2025	2024	2025	2024
Interest cost	$ 1,841	$ 1,810	$ 56	$ 52	$ 447	$ 429
Expected return on assets	(2,037)	(2,429)	(68)	(90)	—	—
Net loss amortization	1,187	289	—	—	43	26
Net periodic benefit cost (income)	$ 991	$ (330)	$ (12)	$ (38)	$ 490	$ 455

All cost components disclosed above are recorded in other noninterest expense. The noncash adjustment to the employee benefit plan liabilities, consisting of changes in net loss, was $(1.2) million and $(315,000) for the six months ended June 30, 2025 and 2024, respectively.

9. Derivative Financial Instruments and Hedging Activities

Our hedging policy allows the use of interest rate derivative instruments to manage our exposure to interest rate risk or hedge specified assets and liabilities. These instruments may include interest rate swaps and interest rate caps and floors. All derivative instruments are carried on the balance sheet at their estimated fair value and are recorded in other assets or other liabilities, as appropriate.

Derivative instruments may be designated as cash flow hedges of variable rate assets or liabilities, cash flow hedges of forecasted transactions, fair value hedges of a recognized asset or liability or as non-hedging instruments.

Cash Flow Hedges

Gains and losses on derivative instruments designated as cash flow hedges are recorded in AOCI to the extent they are effective. If the hedge is effective, the amount recorded in other comprehensive income is reclassified to interest expense in the same periods that the hedged cash flows impact earnings. We have entered into certain interest rate swap contracts on specific variable rate agreements and fixed rate short-term pay agreements with third parties. These interest rate swap contracts were designated as hedging instruments in cash flow hedges under ASC Topic 815. The objective of the interest rate swap contracts is to manage the expected future cash flows on $810.0 million of Bank liabilities. The cash flows from the swap contracts are expected to be highly effective in hedging the variability in future cash flows attributable to fluctuations in the underlying SOFR rate. At June 30, 2025, the net gains recognized in AOCI that are expected to be reclassified into earnings within the next 12 months were $4.3 million.

In accordance with ASC Topic 815, if a hedging item is terminated prior to maturity for a cash settlement, the existing gain or loss within AOCI will continue to be reclassified into earnings during the period or periods in which the hedged forecasted transaction affects earnings unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period. These transactions are reevaluated on a monthly basis to determine if the hedged forecasted transactions are still probable of occurring. If at a subsequent evaluation, it is determined that the transactions are probable of not occurring, any related gains or losses recorded in AOCI are immediately recognized in earnings. During the third quarter of 2024, we terminated three interest rate swap contracts designated as a cash flow hedge, and during the second quarter of 2023, we terminated one interest rate swap contract designated as a cash flow hedge. At the time of termination, we determined the hedged forecasted transactions were still probable of occurring. The existing loss in AOCI will be reclassified into earnings in the same periods the hedged forecasted transaction affects earnings.

Fair Value Hedges

Gains and losses on derivative instruments designated as fair value hedges, as well as the change in fair value of the hedged item, are recorded in interest income in the consolidated statements of income. Gains and losses due to changes in fair value of the interest rate swap agreements offset changes in the fair value of the hedged portion of the hedged item. During 2022, we entered into partial term fair value hedges for certain of our fixed rate callable AFS municipal securities. During 2024, we entered into partial term fair value hedges of fixed rate AFS MBS and fixed rate loans using the portfolio layer method. This approach allows us to designate as the hedged item a stated amount of the assets that are not expected to be affected by prepayments, defaults and other factors affecting the timing and amount of cash flows. The fair value portfolio level hedging adjustment on our hedged MBS portfolio and hedged loan portfolio has not been attributed to the individual AFS securities or individual loans in our balance sheet. The instruments are designated as fair value hedges as the changes in the fair value of the interest rate swap are expected to partially offset changes in the fair value of the hedged item attributable to changes in the SOFR swap rate, the designated benchmark interest rate. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for us making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value.

The following table presents the amounts recorded in the consolidated balance sheets related to the cumulative adjustments for fair value hedges (in thousands):

	Amortized Cost of Hedged Assets [2]		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Items	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Securities AFS [1] [3]	$ 719,998	$ 903,168	$ 5,420	$ 16,617
Loans [1] [3]	249,338	265,845	220	1,545

1) Amounts include the amortized cost basis of closed portfolios used to designate hedging relationships under the portfolio layer method. The hedged item is a layer of the closed portfolio which is expected to be remaining at the end of the hedging relationship. As of June 30, 2025 and December 31, 2024, the amortized cost basis of the closed MBS portfolio used in these hedging relationships was $390.8 million and $558.5 million, respectively, the amount of the designated hedged items were $164.0 million and $134.0 million, respectively, and the cumulative amount of fair value hedging adjustments associated with these MBS hedging relationships was a gain of $662,000 and $1.1 million, respectively. As of June 30, 2025 and December 31, 2024, the amortized cost basis of the closed loan portfolio used in these hedging relationships was $249.3 million and $265.8 million, respectively, the amount of the designated hedged items were $155.0 million for both periods, and the cumulative amount of fair value hedging adjustments associated with these loan hedging relationships was a gain of $220,000 and $1.5 million, respectively.

2) Excludes fair value hedging adjustments.

3) Excluded from the table above are the cumulative amount of fair value hedging adjustments for securities AFS and loans for which hedge accounting has been discontinued in the amounts of a loss of $3.1 million and a loss of $3.3 million, respectively, at June 30, 2025, and a loss of $4.8 million and a loss of $3.7 million, respectively, at December 31, 2024.

Derivatives Designated as Non-Hedging Instruments

From time to time, we may enter into certain interest rate swaps, cap and floor contracts that are not designated as hedging instruments. These interest rate derivative contracts relate to transactions in which we enter into an interest rate swap, cap or floor with a customer while concurrently entering into an offsetting interest rate swap, cap or floor with a third-party financial institution. We agree to pay interest to the customer on a notional amount at a variable rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, we agree to pay a third-party financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These interest rate derivative contracts allow our customers to effectively convert a variable rate loan to a fixed rate loan. The changes in the fair value of the underlying derivative contracts primarily offset each other and do not significantly impact our results of operations. We recognized swap fee income associated with these derivative contracts immediately based upon the difference in the bid/ask spread of the underlying transactions with the customer and the third-party financial institution. The swap fee income is included in other noninterest income in our consolidated statements of income.

At June 30, 2025 and December 31, 2024, net derivative assets included $17.0 million and $49.9 million, respectively, of cash collateral received from counterparties under master netting agreements.

The notional amounts of the derivative instruments represent the contractual cash flows pertaining to the underlying agreements. These amounts are not exchanged and are not reflected in the consolidated balance sheets. The fair value of the interest rate swaps are presented at net in other assets and other liabilities and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows when a right of offset exists, based on transactions with a single counterparty that are subject to a legally enforceable master netting agreement.

The following tables present the notional and estimated fair value amount of derivative positions outstanding (in thousands):

	June 30, 2025			December 31, 2024		
		Estimated Fair Value			Estimated Fair Value	
	Notional Amount (1)	Asset Derivative	Liability Derivative	Notional Amount (1)	Asset Derivative	Liability Derivative
Derivatives designated as hedging instruments						
Interest rate contracts:						
Swaps-Cash Flow Hedge-Financial institution counterparties	$ 810,000	$ 6,052	$ 3,513	$ 790,000	$ 12,625	$ 1,078
Swaps-Fair Value Hedge-Financial institution counterparties	631,075	6,162	754	602,950	18,331	217
Derivatives designated as non-hedging instruments						
Interest rate contracts:						
Swaps-Financial institution counterparties	516,261	14,863	5,820	408,749	21,534	1,321
Swaps-Customer counterparties	516,261	5,820	14,863	408,749	1,321	21,534
Gross derivatives		32,897	24,950		53,811	24,150
Offsetting derivative assets/liabilities		(10,087)	(10,087)		(2,616)	(2,616)
Cash collateral received/posted		(16,990)	—		(49,874)	—
Net derivatives included in the consolidated balance sheets (2)		$ 5,820	$ 14,863		$ 1,321	$ 21,534

(1) Notional amounts, which represent the extent of involvement in the derivatives market, are used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk and are not reflected in the consolidated balance sheets.

(2) Net derivative assets are included in other assets and net derivative liabilities are included in other liabilities on the consolidated balance sheets. Included in the fair value of net derivative assets and net derivative liabilities are credit valuation adjustments reflecting counterparty credit risk and our credit risk. At June 30, 2025, we had no credit exposure related to interest rate swaps with financial institutions and $5.8 million related to interest rate swaps with customers. At December 31, 2024, we had no credit exposure related to interest rate swaps with financial institutions and $1.3 million related to interest rate swaps with customers. The credit risk associated with customer transactions is partially mitigated as these are generally secured by the non-cash collateral securing the underlying transaction being hedged.

The summarized expected weighted average remaining maturity of the notional amount of interest rate swaps and the weighted average interest rates associated with the amounts expected to be received or paid on interest rate swap agreements are presented below (dollars in thousands). Variable rates received on fixed pay swaps are based on overnight SOFR rates in effect at June 30, 2025 and December 31, 2024:

	June 30, 2025				December 31, 2024			
		Weighted Average				Weighted Average		
	Notional Amount	Remaining Maturity (in years)	Receive Rate	Pay Rate	Notional Amount	Remaining Maturity (in years)	Receive Rate	Pay Rate
Swaps-Cash Flow hedge								
Financial institution counterparties	$ 810,000	1.7	4.38 %	3.19 %	$ 790,000	1.6	4.60 %	2.62 %
Swaps-Fair Value hedge								
Financial institution counterparties	631,075	2.5	4.34 %	3.33 %	602,950	3.0	4.76 %	3.33 %
Swaps-Non-hedging								
Financial institution counterparties	516,261	4.9	4.40 %	3.46 %	408,749	5.4	4.65 %	3.39 %
Customer counterparties	516,261	4.9	3.46 %	3.40 %	408,749	5.4	3.39 %	4.65 %

The following table presents amounts included in the consolidated statements of income related to interest rate swap agreements (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Derivatives designated as hedging instruments				
Swaps-Cash Flow hedge				
Gain (loss) included in interest expense on deposits	$ 1,149	$ 3,738	$ 2,650	$ 7,849
Gain (loss) included in interest expense on FHLB borrowings	717	2,044	1,789	4,575
	1,866	5,782	4,439	12,424
Swaps-Fair Value hedge				
Gain (loss) included in interest income on tax-exempt investment securities	1,076	2,481	2,126	5,103
Gain (loss) included in interest income on MBS	318	266	573	266
Gain (loss) included in interest income on loans	274	87	546	87
Derivatives designated as non-hedging instruments				
Swaps-Non-hedging				
Other noninterest income	732	53	825	53

10. Fair Value Measurement

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants. A fair value measurement assumes the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Valuation techniques including the market approach, the income approach and/or the cost approach are utilized to determine fair value. Inputs to valuation techniques refer to the assumptions market participants would use in pricing the asset or liability. Valuation policies and procedures are determined by our investment department and reported to our ALCO for review. An entity must consider all aspects of nonperforming risk, including the entity's own credit standing, when measuring fair value of a liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. A fair value hierarchy for valuation inputs gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

> *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
>
> *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
>
> *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Certain financial assets are measured at fair value in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of fair value accounting or write-downs of individual assets. A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Securities AFS and Equity Investments with readily determinable fair values – U.S. Treasury securities and equity investments with readily determinable fair values are reported at fair value utilizing Level 1 inputs. Other securities classified as AFS are reported at fair value utilizing Level 2 inputs. For most of these securities, we obtain fair value measurements from independent pricing services and obtain an understanding of the pricing methodologies used by these independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things, as stated in the pricing methodologies of the independent pricing services.

We review and validate the prices supplied by the independent pricing services for reasonableness by comparison to prices obtained from, in some cases, two additional third-party sources. For securities where prices are outside a reasonable range, we further review those securities, based on internal ALCO approved procedures, to determine what a reasonable fair value measurement is for those securities, given available data.

Derivatives – Derivatives are reported at fair value utilizing Level 2 inputs. We obtain fair value measurements from two sources including an independent pricing service and the counterparty to the derivatives designated as hedges. The fair value measurements consider observable data that may include dealer quotes, market spreads, the U.S. Treasury yield curve, live trading levels, trade execution data, credit information and the derivatives' terms and conditions, among other things. We review the prices supplied by the sources for reasonableness. In addition, we obtain a basic understanding of their underlying pricing methodology. We validate prices supplied by the sources by comparison to one another.

Certain nonfinancial assets and nonfinancial liabilities measured at fair value on a recurring basis include reporting units measured at fair value and tested for goodwill impairment.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, which means that the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a nonrecurring basis included foreclosed assets and collateral-dependent loans at June 30, 2025 and December 31, 2024.

Foreclosed Assets – Foreclosed assets are initially recorded at fair value less costs to sell. The fair value measurements of foreclosed assets can include Level 2 measurement inputs such as real estate appraisals and comparable real estate sales information, in conjunction with Level 3 measurement inputs such as cash flow projections, qualitative adjustments and sales cost estimates. As a result, the categorization of foreclosed assets is Level 3 of the fair value hierarchy. In connection with the measurement and initial recognition of certain foreclosed assets, we may recognize charge-offs through the allowance for credit losses.

Collateral-Dependent Loans – Certain loans may be reported at the fair value of the underlying collateral if repayment is expected substantially from the operation or sale of the collateral. Collateral values are estimated using Level 3 inputs based on customized discounting criteria or appraisals. At June 30, 2025 and December 31, 2024, the impact of the fair value of collateral-dependent loans was reflected in our allowance for loan losses.

The fair value estimate of financial instruments for which quoted market prices are unavailable is dependent upon the assumptions used. Consequently, those estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented in the fair value tables do not necessarily represent their underlying value.

The following tables summarize assets measured at fair value on a recurring and nonrecurring basis segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

		Fair Value Measurements at the End of the Reporting Period Using		
June 30, 2025	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements				
Investment securities:				
U.S. Treasury	$ 134,379	$ 134,379	$ —	$ —
State and political subdivisions	388,610	—	388,610	—
Corporate bonds and other	17,225	—	17,225	—
MBS: [1]				
Residential	912,065	—	912,065	—
Commercial	4,845	—	4,845	—
Equity investments:				
Equity investments	5,353	5,353	—	—
Derivative assets:				
Interest rate swaps	32,897	—	32,897	—
Total asset recurring fair value measurements	$ 1,495,374	$ 139,732	$ 1,355,642	$ —
Derivative liabilities:				
Interest rate swaps	$ 24,950	$ —	$ 24,950	$ —
Total liability recurring fair value measurements	$ 24,950	$ —	$ 24,950	$ —
Nonrecurring fair value measurements				
Foreclosed assets	$ 399	$ —	$ —	$ 399
Collateral-dependent loans [2]	34,798	—	—	34,798
Total asset nonrecurring fair value measurements	$ 35,197	$ —	$ —	$ 35,197

December 31, 2024	Carrying Amount	Fair Value Measurements at the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements				
Investment securities:				
U.S. Treasury	$ 173,956	$ 173,956	$ —	$ —
State and political subdivisions	414,332	—	414,332	—
Corporate bonds and other	14,508	—	14,508	—
MBS: (1)				
Residential	926,386	—	926,386	—
Commercial	4,712	—	4,712	—
Equity investments:				
Equity investments	5,257	5,257	—	—
Derivative assets:				
Interest rate swaps	53,811	—	53,811	—
Total asset recurring fair value measurements	$ 1,592,962	$ 179,213	$ 1,413,749	$ —
Derivative liabilities:				
Interest rate swaps	$ 24,150	$ —	$ 24,150	$ —
Total liability recurring fair value measurements	$ 24,150	$ —	$ 24,150	$ —
Nonrecurring fair value measurements				
Foreclosed assets	$ 402	$ —	$ —	$ 402
Collateral-dependent loans (2)	6,726	—	—	6,726
Total asset nonrecurring fair value measurements	$ 7,128	$ —	$ —	$ 7,128

(1) All MBS are issued and/or guaranteed by U.S. government agencies or U.S. GSEs.
(2) Consists of individually evaluated loans. Loans for which the fair value of the collateral and commercial real estate fair value of the properties is less than cost basis are presented net of allowance. Losses on these loans represent charge-offs which are netted against the allowance for loan losses.

Disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, is required when it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other estimation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Such techniques and assumptions, as they apply to individual categories of our financial instruments, are as follows:

Cash and cash equivalents – The carrying amount for cash and cash equivalents is a reasonable estimate of those assets' fair value.

Investment and MBS HTM – Fair values for these securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices for similar securities or estimates from independent pricing services.

FHLB stock – The carrying amount of FHLB stock is a reasonable estimate of the fair value of those assets.

Equity investments – The carrying value of equity investments without readily determinable fair values are measured at cost less impairment, if any, adjusted for observable price changes for an identical or similar investment of the same issuer. This carrying value is a reasonable estimate of the fair value of those assets.

Loans receivable – We estimate the fair value of our loan portfolio to an exit price notion with adjustments for liquidity, credit and prepayment factors. Nonperforming loans continue to be estimated using discounted cash flow analyses or the underlying value of the collateral where applicable.

Loans held for sale – The fair value of loans held for sale is determined based on expected proceeds, which are based on sales contracts and commitments.

Deposit liabilities – The fair value of demand deposits, savings accounts and certain money market deposits is the amount on demand at the reporting date, which is the carrying value. Fair values for fixed rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Other borrowings – Federal funds purchased generally have original terms to maturity of one day and repurchase agreements generally have terms of less than one year, and therefore both are considered short-term borrowings. Consequently, their carrying value is a reasonable estimate of fair value. Borrowings from the Federal Reserve through the FRDW and BTFP have original maturities of one year or less, and the fair value is estimated by discounting the future cash flows using rates at which borrowings would be made to borrowers with similar credit ratings and for the same remaining maturities.

FHLB borrowings – The fair value of these borrowings is estimated by discounting the future cash flows using rates at which borrowings would be made to borrowers with similar credit ratings and for the same remaining maturities.

Subordinated notes – The fair value of the subordinated notes is estimated by discounting future cash flows using estimated rates at which long-term debt would be made to borrowers with similar credit ratings and for the remaining maturities.

Trust preferred subordinated debentures – The fair value of the long-term debt is estimated by discounting future cash flows using estimated rates at which long-term debt would be made to borrowers with similar credit ratings and for the remaining maturities.

The following tables present our financial assets and financial liabilities measured on a nonrecurring basis at both their respective carrying amounts and estimated fair value (in thousands):

June 30, 2025	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 390,095	$ 390,095	$ 390,095	$ —	$ —
Investment securities:					
HTM, at net carrying value	1,162,358	978,414	—	978,414	—
MBS:					
HTM, at carrying value	110,548	102,963	—	102,963	—
FHLB stock, at cost	24,384	24,384	—	24,384	—
Equity investments	4,149	4,149	—	4,149	—
Loans, net of allowance for loan losses	4,557,512	4,468,441	—	—	4,468,441
Loans held for sale	428	428	—	428	—
Financial liabilities:					
Deposits	$ 6,631,964	$ 6,631,274	$ —	$ 6,631,274	$ —
Other borrowings	99,841	99,787	—	99,787	—
FHLB borrowings	511,526	509,719	—	509,719	—
Subordinated notes, net of unamortized debt issuance costs	92,115	91,221	—	91,221	—
Trust preferred subordinated debentures, net of unamortized debt issuance costs	60,277	56,920	—	56,920	—

December 31, 2024	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 426,161	$ 426,161	$ 426,161	$ —	$ —
Investment securities:					
HTM, at net carrying value	1,165,007	1,009,778	—	1,009,778	—
Mortgage-backed securities:					
HTM, at carrying value	114,227	103,704	—	103,704	—
FHLB stock, at cost	33,818	33,818	—	33,818	—
Equity investments	4,210	4,210	—	4,210	—
Loans, net of allowance for loan losses	4,616,713	4,499,646	—	—	4,499,646
Loans held for sale	1,946	1,946	—	1,946	—
Financial liabilities:					
Deposits	$ 6,654,248	$ 6,646,510	$ —	$ 6,646,510	$ —
Other borrowings	76,443	76,399	—	76,399	—
FHLB borrowings	731,909	727,177	—	727,177	—
Subordinated notes, net of unamortized debt issuance costs	92,042	88,999	—	88,999	—
Trust preferred subordinated debentures, net of unamortized debt issuance costs	60,274	56,172	—	56,172	—

11. Income Taxes

The income tax expense included in the accompanying consolidated statements of income consists of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Current income tax expense	$ 4,804	$ 5,055	$ 9,840	$ 9,819
Deferred income tax expense (benefit)	(85)	157	(400)	15
Income tax expense	$ 4,719	$ 5,212	$ 9,440	$ 9,834

The net deferred tax asset totaled $39.3 million at June 30, 2025, as compared to $34.5 million at December 31, 2024. The increase in the net deferred tax asset is primarily the result of a decrease in the estimated fair value of the effective hedging derivatives. No valuation allowance was recorded at June 30, 2025 or December 31, 2024, as management believes it is more likely than not that all of the deferred tax asset items will be realized in future years. Unrecognized tax benefits were not material at June 30, 2025 or December 31, 2024.

We recognized income tax expense of $4.7 million and $9.4 million for an ETR of 17.8% and 17.9% for the three and six months ended June 30, 2025, respectively, compared to income tax expense of $5.2 million and $9.8 million for an ETR of 17.4% and 17.6% for the three and six months ended June 30, 2024, respectively. The marginally higher ETR for the three and six months ended June 30, 2025 was primarily due to an increase in state income tax expense compared to the same periods in 2024. The ETR differs from the statutory rate of 21% for the three and six months ended June 30, 2025 and 2024 primarily due to the effect of tax-exempt income from municipal loans and securities, BOLI and state income tax. We file income tax returns in the U.S. federal jurisdictions and in certain states. We are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2021 or Texas state tax examinations by tax authorities for years before 2020.

12. Off-Balance-Sheet Arrangements, Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk. In the normal course of business, we are a party to certain financial instruments with off-balance-sheet risk to meet the financing needs of our customers. These off-balance-sheet instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount reflected in the financial statements. The contract or notional amounts of these instruments reflect the extent of involvement and exposure to credit loss that we have in these particular classes of financial instruments. The allowance for credit losses on these off-balance-sheet credit exposures is calculated using the same methodology as loans including a conversion or usage factor to anticipate ultimate exposure and expected losses and is included in other liabilities on our consolidated balance sheets.

Allowance for off-balance-sheet credit exposures were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Balance at beginning of period	$ 3,793	$ 2,820	$ 3,141	$ 3,932
Provision for (reversal of) off-balance-sheet credit exposures	(19)	388	633	(724)
Balance at end of period	$ 3,774	$ 3,208	$ 3,774	$ 3,208

Contractual commitments to extend credit are agreements to lend to a customer provided the terms established in the contract are met. Commitments to extend credit generally have fixed expiration dates and may require the payment of fees. Since some commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in commitments to extend credit and similarly do not necessarily represent future cash obligations.

Financial instruments with off-balance-sheet risk were as follows (in thousands):

	June 30, 2025	December 31, 2024
Commitments to extend credit	$ 803,959	$ 865,178
Standby letters of credit	17,088	16,532
Total	$ 821,047	$ 881,710

We apply the same credit policies in making commitments to extend credit and standby letters of credit as we do for on-balance-sheet instruments. We evaluate each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management’s credit evaluation of the borrower. Collateral held varies but may include cash or cash equivalents, negotiable instruments, real estate, accounts receivable, inventory, oil, gas and mineral interests, property, plant and equipment.

Leases. There were no operating lease ROU assets obtained in exchange for new operating lease liabilities during the three and six months ended June 30, 2025. During the three months ended June 30, 2024, there were no operating lease ROU assets obtained in exchange for new operating lease liabilities. During the six months ended June 30, 2024, there were $372,000 of operating lease ROU assets obtained in exchange for new operating lease liabilities.

Securities. In the normal course of business, we buy and sell securities. At June 30, 2025, there were $50.5 million unsettled trades to purchase securities and no unsettled trades to sell securities. At December 31, 2024, there were no unsettled trades to purchase securities and no unsettled trades to sell securities.

Deposits. There were no unsettled issuances of brokered CDs at June 30, 2025 or December 31, 2024.

Litigation. We are involved with various litigation in the normal course of business. Management, after consulting with our legal counsel, believes that any liability resulting from litigation will not have a material effect on our financial position, results of operations or liquidity.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our consolidated financial condition, changes in our financial condition and results of our operations, and should be read and reviewed in conjunction with the financial statements, and the notes thereto, in this Quarterly Report on Form 10-Q, and in our 2024 Form 10-K. Certain risks, uncertainties and other factors, including those set forth under "Risk Factors" in Part I, Item 1A. of the 2024 Form 10-K and elsewhere in this Quarterly Report on Form 10-Q, may cause actual results to differ materially from the results discussed in the forward-looking statements appearing in this discussion and analysis.

Forward-Looking Statements

Certain statements of other than historical fact that are contained in this report may be considered to be "forward-looking statements" within the meaning of and subject to the safe harbor protections of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. These statements may include words such as "expect," "estimate," "project," "anticipate," "appear," "believe," "could," "should," "may," "might," "will," "would," "seek," "intend," "probability," "risk," "goal," "target," "objective," "plans," "potential," and similar expressions. Forward-looking statements are statements with respect to our beliefs, plans, expectations, objectives, goals, anticipations, assumptions, estimates, intentions and future performance and are subject to significant known and unknown risks and uncertainties, which could cause our actual results to differ materially from the results discussed in the forward-looking statements. For example, benefits of the Share Repurchase Plan, trends in asset quality, capital, liquidity, our ability to sell nonperforming assets, expense reductions, planned operational efficiencies and earnings from growth and certain market risk disclosures, including the impact of interest rates and our expectations regarding rate changes, tax reform, inflation, the impacts related to or resulting from other economic factors are based upon information presently available to management and are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. Accordingly, our results could materially differ from those that have been estimated. The most significant factor that could cause future results to differ materially from those anticipated by our forward-looking statements include the ongoing impact of higher inflation levels, interest rate fluctuations, including the impact of changes in interest rates on our financial projections, models and guidance, and general economic and recessionary concerns, as well as the effects of declines in the real estate market, tariffs or trade wars (including reduced consumer spending, lower economic growth or recession, reduced demand for U.S. exports, disruptions to supply chains and decreased demand for other banking products and services), high unemployment and increasing insurance costs, as well as the financial stress to borrowers as a result of the foregoing, all of which could impact economic growth and could cause a reduction in financial transactions and business activities, including decreased deposits and reduced loan originations and our ability to manage liquidity in a rapidly changing and unpredictable market. Other factors that could cause actual results to differ materially from those indicated by forward-looking statements include, but are not limited to, the following:

- general (i) political conditions, including, without limitation, governmental action and uncertainty resulting from U.S. and global political trends and (ii) economic conditions, either globally, nationally, in the State of Texas, or in the specific markets in which we operate, including, without limitation, the deterioration of the commercial real estate, residential real estate, construction and development, energy, oil and gas, credit or liquidity markets, which could cause an adverse change in our net interest margin, or a decline in the value of our assets, which could result in realized losses, as well as the risks of an economic slowdown or recession and the effects of inflationary pressures, changes in interest rates, tariffs or trade wars (including reduced consumer spending, supply chain issues and adverse impacts to credit quality) and the related financial stress on borrowers and changes to customer behavior and credit risk as a result of the foregoing;
- inflation and fluctuations in interest rates that reduce our margins and yields, the fair value of financial instruments, the level of loan originations or prepayments on loans we have made and make, and the cost we pay to retain and attract deposits and secure other types of funding;
- current or future legislation, regulatory changes or changes in monetary or fiscal policy that adversely affect the businesses in which we or our customers or our borrowers are engaged, including the Federal Reserve's actions to manage interest rates, tariffs, trade policies, supply chain disruptions, immigration policies and/or disputes and other regulatory responses to economic conditions;
- the impact of interest rate fluctuations on our financial projections, models and guidance;
- legislative, tax and regulatory changes including overdraft and late fee caps (if implemented), including those that impact the money supply and inflation;
- acts of terrorism, war or other conflicts, natural disasters, such as hurricanes, freezes, flooding and other man-made disasters, such as oil spills or power outages, health emergencies, epidemics or pandemics, climate change or other

catastrophic events that may affect general economic conditions or cause other disruptions and/or increase costs, including, but not limited to, property and casualty and other insurance costs;

- potential impacts of the adverse developments in the banking industry highlighted by high-profile bank failures, including impacts on customer confidence, deposit outflows, liquidity and the regulatory response thereto (including increases in the cost of our deposit insurance assessments);
- technological changes, including potential cyber-security incidents and other disruptions, or innovations to the financial services industry, including as a result of the increased telework environment;
- our ability to identify and address cyber-security risks such as data security breaches, malware, "denial of service" attacks, "hacking" and identity theft, which may be exacerbated by developments in generative artificial intelligence and which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage of our systems, increased costs, significant losses, or adverse effects to our reputation;
- changes in the interest rate yield curve such as flat, inverted or steep yield curves, or changes in the interest rate environment that impact net interest margins and may impact prepayments on our MBS portfolio;
- the risk that our enterprise risk management framework, compliance program or our corporate governance and supervisory oversight functions may not identify or address risks adequately, which may result in unexpected losses;
- the effect of compliance with legislation or regulatory changes;
- the implementation under the presidential administration of a regulatory reform agenda that is different than that of the prior administration, impacting the rulemaking, supervision, examination and enforcement priorities of the federal banking agencies;
- credit risks of borrowers, including any increase in those risks due to changing economic conditions;
- increases in our nonperforming assets;
- risks related to environmental liability as a result of certain lending activity;
- our ability to maintain adequate liquidity to fund operations and growth;
- our ability to control interest rate risk;
- any applicable regulatory limits or other restrictions on the Bank and its ability to pay dividends to us;
- the failure of our assumptions underlying our allowance for credit losses and other estimates;
- the failure to maintain an effective system of controls and procedures, including internal control over financial reporting;
- the effectiveness of our derivative financial instruments and hedging activities to manage risk;
- unexpected outcomes of, and the costs associated with, existing or new litigation involving us;
- potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions;
- changes impacting our balance sheet strategy;
- risks related to actual mortgage prepayments diverging from projections;
- risks related to fluctuations in the price per barrel of crude oil;
- significant increases in competition in the banking and financial services industry;
- changes in consumer spending, borrowing and saving habits, including as a result of inflation, tariffs, supply chain disruptions, fluctuating interest rates and recessionary concerns;
- execution of future acquisitions, reorganization or disposition transactions, including the risk that the anticipated benefits of such transactions are not realized;
- our ability to increase market share and control expenses;
- our ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by our customers;
- the effect of changes in accounting policies and practices;
- adverse changes in the status or financial condition of the GSEs which impact the GSEs' guarantees or ability to pay or issue debt;
- adverse changes in the credit portfolios of other U.S. financial institutions relative to the performance of certain of our investment securities;
- risks related to actual U.S. agency MBS prepayments exceeding projected prepayment levels;

- risks related to U.S. agency MBS prepayments increasing due to U.S. government programs designed to assist homeowners to refinance their mortgage that might not otherwise have qualified;
- risks related to loans secured by real estate, including the risk that the value and marketability of collateral could decline;
- risks associated with our common stock and our other securities, including fluctuations in our stock price and general volatility in the stock market; and
- other risks and uncertainties discussed in “Part I – Item 1A. Risk Factors” in the 2024 Form 10-K.

All written or oral forward-looking statements made by us or attributable to us are expressly qualified by this cautionary notice. We disclaim any obligation to update any factors or to announce publicly the result of revisions to any of the forward-looking statements included herein to reflect future events or developments, unless otherwise required by law.

Critical Accounting Estimates

Our accounting and reporting estimates conform with U.S. GAAP and general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We consider accounting estimates that can (1) be replaced by other reasonable estimates and/or (2) changes to an estimate from period to period that have a material impact on the presentation of our financial condition, changes in financial condition or results of operations as well as (3) those estimates that require significant and complex assumptions about matters that are highly uncertain to be critical accounting estimates. We consider our critical accounting estimates to include allowance for credit losses on loans and off-balance-sheet credit exposure.

Critical accounting estimates include a high degree of uncertainty in the underlying assumptions. Management bases its estimates on historical experience, current information and other factors deemed relevant. The development, selection and disclosure of our critical accounting estimates are reviewed with the Audit Committee of the Company’s Board of Directors. Actual results could differ from these estimates. For additional information regarding critical accounting policies, refer to “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates,” “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Allowance for Credit Losses – Loans and Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures,” “Note 1 – Summary of Significant Accounting and Reporting Policies,” “Note 5 – Loans and Allowance for Loan Losses” and “Note 17 – Off-Balance-Sheet Arrangements, Commitments and Contingencies” in the 2024 Form 10-K. As of June 30, 2025, there have been no significant changes to our critical accounting estimates.

Non-GAAP Financial Measures

Certain non-GAAP measures are used by management to supplement the evaluation of our performance. These include the following fully taxable-equivalent measures: net interest income (FTE), net interest margin (FTE) and net interest spread (FTE), which include the effects of taxable-equivalent adjustments using a federal income tax rate of 21% to increase tax-exempt interest income to a tax-equivalent basis. Interest income earned on certain assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments.

Net interest income (FTE), net interest margin (FTE) and net interest spread (FTE). Net interest income (FTE) is a non-GAAP measure that adjusts for the tax-favored status of net interest income from certain loans and investments and is not permitted under GAAP in the consolidated statements of income. We believe that this measure is the preferred industry measurement of net interest income, and that it enhances comparability of net interest income arising from taxable and tax-exempt sources. The most directly comparable financial measure calculated in accordance with GAAP is our net interest income. Net interest margin (FTE) is the ratio of net interest income (FTE) to average earning assets. The most directly comparable financial measure calculated in accordance with GAAP is our net interest margin. Net interest spread (FTE) is the difference in the average yield on average earning assets on a tax-equivalent basis and the average rate paid on average interest bearing liabilities. The most directly comparable financial measure calculated in accordance with GAAP is our net interest spread.

These non-GAAP financial measures should not be considered alternatives to GAAP-basis financial statements and other bank holding companies may define or calculate these non-GAAP measures or similar measures differently. Whenever we present a non-GAAP financial measure in an SEC filing, we are also required to present the most directly comparable financial measure calculated and presented in accordance with GAAP and reconcile the differences between the non-GAAP financial measure and such comparable GAAP measure.

In the following table we present the reconciliation of net interest income to net interest income adjusted to a fully taxable-equivalent basis assuming a 21% marginal tax rate for interest earned on tax-exempt assets such as municipal loans and investment securities (dollars in thousands), along with the calculation of net interest margin (FTE) and net interest spread (FTE).

Non-GAAP Reconciliations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net interest income (GAAP)	$ 54,266	$ 53,608	$ 108,118	$ 106,956
Tax equivalent adjustments:				
Loans	565	633	1,146	1,289
Tax-exempt investment securities	1,868	2,051	3,640	4,131
Net interest income (FTE) (1)	$ 56,699	$ 56,292	$ 112,904	$ 112,376
Average earning assets	$ 7,709,799	$ 7,881,919	$ 7,833,425	$ 7,882,128
Net interest margin	2.82 %	2.74 %	2.78 %	2.73 %
Net interest margin (FTE) (1)	2.95 %	2.87 %	2.91 %	2.87 %
Net interest spread	2.15 %	2.00 %	2.11 %	2.01 %
Net interest spread (FTE) (1)	2.27 %	2.13 %	2.23 %	2.15 %

(1) These amounts are presented on a fully taxable-equivalent basis and are non-GAAP measures.

Management believes adjusting net interest income, net interest margin and net interest spread to a fully taxable-equivalent basis is a standard practice in the banking industry as these measures provide useful information to make peer comparisons. Tax-equivalent adjustments are reported in the respective earning asset categories as listed in the “Average Balances with Average Yields and Rates” tables under Results of Operations.

OVERVIEW

ECONOMIC CONDITIONS

Continued tariff announcements and ongoing tariff negotiations have caused some uncertainty related to potential inflation levels and its impact on the overall economy. While it is too early to discern the likely outcome of these tariff announcements and negotiations, the current economic conditions and growth prospects for our markets continue to reflect a solid and overall positive outlook. Overall, the Texas markets we serve remain healthy and continue to report both job and population growth.

DEPOSITS

Our deposits were $6.63 billion at June 30, 2025, a decrease of $22.3 million, or 0.3%, from December 31, 2024. At June 30, 2025, we had 178,970 total deposit accounts with an average balance of $34,000. Our estimated uninsured deposits were 38.5% of total deposits as of June 30, 2025. When excluding affiliate deposits (Southside-owned deposits) and public fund deposits (all collateralized), our total estimated deposits without insurance or collateral was 21.1% of total deposits as of June 30, 2025.

Our noninterest bearing deposits represent approximately 20.6% of total deposits. During the three months ended June 30, 2025, our cost of interest bearing deposits decreased 19 basis points to 2.82% from 3.01% for the three months ended June 30, 2024. Our cost of total deposits for the second quarter of 2025 decreased 13 basis points to 2.26% from 2.39% for the three months ended June 30, 2024.

Our cost of interest bearing deposits decreased 16 basis points, from 2.99% for the six months ended June 30, 2024 to 2.83% for the six months ended June 30, 2025. Our cost of total deposits decreased 11 basis points, from 2.37% for the six months ended June 30, 2024 to 2.26% for the six months ended June 30, 2025.

CAPITAL RESOURCES AND LIQUIDITY

Our capital ratios and contingent liquidity sources remain solid. The table below shows our total lines of credit, borrowings, total amounts available for future liquidity, and swapped value as of June 30, 2025 (in thousands):

	June 30, 2025			
	Line of Credit	Borrowings	Total Available for Future Liquidity	Swapped
FHLB advances	$ 2,377,691	$ 511,526	$ 1,866,165	$ 280,000
Federal Reserve discount window	413,587	30,000	383,587	—
Correspondent bank lines of credit	80,000	—	80,000	—
Total liquidity lines	$ 2,871,278	$ 541,526	$ 2,329,752	$ 280,000

Operating Results

Net income was $21.8 million for the three months ended June 30, 2025, compared to $24.7 million for the same period in 2024, a decrease of $2.9 million, or 11.6%. The $3.5 million increase in noninterest expense and the $1.1 million increase in the provision for credit losses was partially offset by the $658,000 increase in net interest income, the $588,000 increase in noninterest income and the $493,000 decrease in income tax expense. Earnings per diluted common share were $0.72 for the three months ended June 30, 2025, compared to $0.81 for the same period in 2024, a decrease of 11.1%.

During the six months ended June 30, 2025, our net income decreased $2.9 million, or 6.2%, to $43.3 million from $46.2 million for the same period in 2024. The decrease in net income was primarily a result of the $3.7 million increase in noninterest expense, the $1.8 million increase in the provision for credit losses, partially offset by the $1.2 million increase in net interest income, the $1.1 million increase in noninterest income and the $394,000 decrease in income tax expense. Earnings per diluted common share decreased $0.10, or 6.6%, to $1.42 for the six months ended June 30, 2025, compared to $1.52 for the same period in 2024.

Financial Condition

Our total assets decreased $177.5 million, or 2.1%, to $8.34 billion at June 30, 2025 from $8.52 billion at December 31, 2024. Our securities portfolio decreased by $83.1 million, or 3.0%, to $2.73 billion at June 30, 2025, compared to $2.81 billion at December 31, 2024. The decrease in the securities portfolio was due to decreases in U.S. Treasury securities, MBS and municipal securities during the six months ended June 30, 2025. Our FHLB stock decreased $9.4 million, or 27.9%, to $24.4 million from $33.8 million at December 31, 2024, due to the decrease in our FHLB borrowings during the six months ended June 30, 2025.

Loans at June 30, 2025 were $4.60 billion, a decrease of $59.7 million, or 1.3%, compared to $4.66 billion at December 31, 2024, due to decreases of $67.4 million in construction loans, $27.2 million in municipal loans, $4.5 million in loans to individuals and $4.3 million in 1-4 family residential loans. These decreases were partially offset by increases of $26.3 million in commercial real estate loans and $17.4 million in commercial loans. Loans held for sale decreased $1.5 million, or 78.0%, to $428,000 at June 30, 2025 from $1.9 million at December 31, 2024.

Our nonperforming assets at June 30, 2025 increased $29.3 million, or 816.9%, to $32.9 million and represented 0.39% of total assets, compared to $3.6 million, or 0.04% of total assets, at December 31, 2024. Nonaccruing loans increased $1.8 million, or 56.9%, to $5.0 million, and the ratio of nonaccruing loans to total loans was 0.11% and 0.07% for June 30, 2025 and December 31, 2024, respectively. There were $27.5 million in restructured loans as of June 30, 2025, compared to $2,000 at December 31, 2024. The increase in restructured loans was due to the extension of maturity in the first quarter of 2025 on a $27.5 million commercial real estate loan to allow for an extended lease up period. Repossessed assets were $19,000 at June 30, 2025, compared to $14,000 at December 31, 2024. There was $380,000 of OREO at June 30, 2025 and $388,000 at December 31, 2024.

Our deposits decreased $22.3 million, or 0.3%, to $6.63 billion at June 30, 2025 from $6.65 billion at December 31, 2024, primarily due to a decrease in brokered deposits of $135.7 million, or 18.3%, and a decrease in public fund deposits of $68.5 million, or 5.9%, partially offset by an increase in commercial and retail deposits.

Total FHLB borrowings decreased $220.4 million, or 30.1%, to $511.5 million at June 30, 2025 from $731.9 million at December 31, 2024.

Other borrowings increased $23.4 million, or 30.6%, to $99.8 million at June 30, 2025, from $76.4 million at December 31, 2024.

Our total shareholders' equity at June 30, 2025 decreased 0.6%, or $4.7 million, to $807.2 million, or 9.7% of total assets, compared to $811.9 million, or 9.5% of total assets, at December 31, 2024. The decrease in shareholders' equity was the result of cash dividends paid of $21.8 million, other comprehensive loss of $16.6 million and repurchases of $11.9 million of our common stock pursuant to our Stock Repurchase Plan, partially offset by net income of $43.3 million, stock compensation expense of $1.6 million, common stock issued under our dividend reinvestment plan of $514,000, and net issuance of common stock under employee stock plans of $145,000.

Key financial indicators management follows include, but are not limited to, numerous interest rate sensitivity and interest rate risk indicators, credit risk, operations risk, liquidity risk, capital risk, regulatory risk, inflation risk, competition risk, yield curve risk, U.S. agency MBS prepayment risk and economic risk indicators.

Balance Sheet Strategy

Determining the appropriate size of the balance sheet is one of the critical decisions any bank makes. Our balance sheet is not merely the result of a series of micro-decisions, but rather the size is controlled based on the economics of assets compared to the economics of funding and funding sources. Changing interest rate environments and economic conditions require that we monitor the interest rate sensitivity of the assets, the funding driving our growth and closely align ALCO objectives accordingly.

We ended the second quarter of 2025 with approximately $383.6 million in available liquidity from the FRDW, in addition to the approximately $1.87 billion available from the credit line with FHLB due primarily to the blanket lien on our loan portfolio and to a lesser extent, securities available as collateral. At June 30, 2025, the estimated deposits, without insurance or collateral, to total deposits, excluding affiliate deposits (Southside-owned deposits) was 21.1%, or $1.40 billion.

During the six months ended June 30, 2025, we entered into an additional $200 million cash flow hedge interest rate swap contracts, while $180 million cash flow hedge interest rate swap contracts matured. At June 30, 2025, brokered deposits of $530 million and FHLB advances of $280 million were hedged with our $810 million of cash flow swaps. As of June 30, 2025, a pre-tax unrealized gain of $2.5 million was recognized in other comprehensive income, and there was no ineffective portion of these hedges. In connection with $810.0 million and $790.0 million of the agreements outstanding at June 30, 2025 and December 31, 2024, respectively, the Bank also entered into various interest rate swap contracts that are treated as cash flow hedges under ASC Topic 815, "Derivatives and Hedging" that are expected to be effective in hedging the variability in future cash flows at 3.52% with a remaining average weighted maturity of 1.7 years at June 30, 2025. Refer to "Note 9 – Derivative Financial Instruments and Hedging Activities" in our consolidated financial statements included in this report for a detailed description of our hedging policy and methodology related to derivative instruments.

We continue to evaluate the lowest cost wholesale funding sources and will utilize either brokered deposits, FHLB advances or FRDW borrowings, or a combination of the three funding sources in addition to utilizing cash flow hedges to mitigate the impacts of interest rate movements. Wholesale funding and securities are utilized to enhance overall profitability, to determine the appropriate leverage of our capital and to determine acceptable levels of credit, interest rate and liquidity risk consistent with prudent capital management. Wholesale funds are invested primarily in U.S. agency MBS and long-term municipal securities and to a lesser extent, U.S. Treasury Bills and corporate securities. Although the securities purchased often carry lower yields than loans, these securities generally (i) increase the overall quality of our assets because of either the implicit or explicit guarantees of the U.S. Government and the guarantees of the municipalities, (ii) are more liquid than individual loans and (iii) may be used to collateralize our borrowings or other obligations.

Risks associated with this asset structure include a potentially lower net interest rate spread and margin when compared to our peers, changes in the slope of the yield curve, increased interest rate risk, the length of interest rate cycles, changes in volatility or spreads associated with the MBS, municipal and corporate securities, the unpredictable nature of MBS prepayments and credit risks associated with the municipal and corporate securities. See "Part I - Item 1A. Risk Factors – Risks Related to Our Business" in this report for a discussion of risks related to interest rates. An additional risk is significant increases in interest rates, especially long-term interest rates, which could adversely impact the fair value of the AFS securities portfolio and could also impact our equity capital. Due to the unpredictable nature of MBS prepayments, the length of interest rate cycles and the slope of the interest rate yield curve, net interest income could fluctuate more than simulated under the scenarios modeled by our ALCO and described under "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in this report.

Our FHLB borrowings decreased 30.1%, or $220.4 million, to $511.5 million at June 30, 2025 from $731.9 million at December 31, 2024. As of June 30, 2025, we had $30.0 million in borrowings from the FRDW. We had no borrowings from the FRDW at December 31, 2024.

As of June 30, 2025, our total wholesale funding as a percentage of deposits, not including brokered deposits, decreased to 19.1% from 24.9% at December 31, 2024.

Our brokered deposits may consist of CDs and non-maturity deposits which may be raised quickly with terms tailored to our funding needs. We had $134.3 million in brokered CDs at June 30, 2025, of which $80.0 million are related to our cash flow hedges, from $115.7 million at December 31, 2024. At June 30, 2025, our brokered CDs had a weighted average cost of 437 basis points and remaining maturities of less than 10 months. Our brokered non-maturity deposits decreased to $472.9 million at June 30, 2025, of which $450.0 million are related to our cash flow hedges, from $627.1 million at December 31, 2024, with a weighted average cost of 350 and 321 basis points, respectively. Our wholesale funding policy currently allows for maximum brokered deposits of the lesser of $1.05 billion, or 12% of total assets. Potential higher interest expense and lack of customer loyalty are risks associated with the use of brokered deposits.

At June 30, 2025, the majority of the securities portfolio was funded by non-maturity deposits, some of which are included in wholesale funding that accounts for approximately 41% of the funding source, of which approximately 71% is swapped at a fixed rate, providing protection from rising interest rates.

Our securities portfolio decreased 3.0% from $2.81 billion at December 31, 2024 to $2.73 billion at June 30, 2025. The decrease in the securities portfolio was due to maturities, principal payments and sales of securities during the six months ended June 30, 2025, which more than offset securities purchased.

During the six months ended June 30, 2025, we adjusted the composition of the securities portfolio as all categories in the portfolio decreased. The decrease was attributable to maturities, calls and principal repayments in most categories and sales of U.S. Agency MBS, which were partially offset by purchases of U.S. Agency MBS, U.S. Treasury Bills and a corporate subordinated debenture. During the six months ended June 30, 2025, we replaced $132.5 million of maturing short-term U.S. Treasury Bills to collateralize public fund deposits and purchased $171.3 million in low premium, 6.0% coupon MBS. We sold $119.6 million of MBS during the six months ended June 30, 2025, which resulted in a net realized loss of $554,000.

At June 30, 2025, securities as a percentage of assets totaled 32.7%, compared to 33.0% at December 31, 2024, due to an $83.1 million, or 3.0%, decrease in securities and cash and cash equivalents decreased to 4.7% of total assets at June 30, 2025, compared to 5.0% at December 31, 2024. Our balance sheet management strategy is dynamic and is continually evaluated as market conditions warrant.

During 2022, we entered into partial term fair value hedges for certain of our fixed rate callable AFS municipal securities. During 2024, we entered into partial term fair value hedges of fixed rate AFS MBS and fixed rate municipal loans using the portfolio layer method. The instruments are designated as fair value hedges as the changes in the fair value of the interest rate swap are expected to partially offset changes in the fair value of the hedged item attributable to changes in the SOFR swap rate, the designated benchmark interest rate. As of June 30, 2025, hedged municipal securities with a carrying amount of $279.9 million are included in our AFS securities portfolio in our consolidated balance sheets, representing approximately 72% of the AFS municipal portfolio. As of June 30, 2025, $164.0 million in hedging instruments were used to hedge a layer of the closed portfolio of AFS MBS with a carrying value of $395.1 million, or 43% of the AFS MBS portfolio, and $155.0 million in hedging instruments were used to hedge a layer of the closed portfolio of municipal loans. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for us making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value.

Results of Operations

Our results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on assets (loans and investments) and interest expense due on our funding sources (deposits and borrowings) during a particular period. Results of operations are also affected by our noninterest income, provision for credit losses, noninterest expenses and income tax expense. General economic and competitive conditions, particularly changes in interest rates, changes in interest rate yield curves, prepayment rates of MBS and loans, repricing of loan relationships, government policies and actions of regulatory authorities also significantly affect our results of operations. Future changes in applicable laws, regulations or government policies may also have a material impact on our results of operations.

The following table presents net interest income for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Interest income:				
Loans	$ 67,249	$ 69,684	$ 134,839	$ 137,895
Taxable investment securities	6,205	7,009	12,568	13,976
Tax-exempt investment securities	8,483	10,710	16,964	21,798
MBS	13,040	11,084	26,563	21,203
FHLB stock and equity investments	524	573	1,007	906
Other interest earning assets	3,061	5,126	6,909	11,166
Total interest income	98,562	104,186	198,850	206,944
Interest expense:				
Deposits	37,427	38,466	74,674	76,664
FHLB borrowings	3,721	6,455	9,558	12,405
Subordinated notes	935	936	1,867	1,892
Trust preferred subordinated debentures	1,015	1,171	2,029	2,346
Repurchase agreements	634	955	1,300	1,922
Other borrowings	564	2,595	1,304	4,759
Total interest expense	44,296	50,578	90,732	99,988
Net interest income	$ 54,266	$ 53,608	$ 108,118	$ 106,956

Net Interest Income

Net interest income is one of the principal sources of a financial institution's earnings stream and represents the difference or spread between interest and fee income generated from interest earning assets and the interest expense paid on interest bearing liabilities. Fluctuations in interest rates or interest rate yield curves, as well as repricing characteristics and volume and changes in the mix of interest earning assets and interest bearing liabilities, materially impact net interest income. During the six months ended June 30, 2025, the federal funds rate remained unchanged at 4.25% to 4.50%. If the federal funds rate remains elevated, it may negatively impact our net interest income.

Net interest income for the three months ended June 30, 2025 increased $658,000, or 1.2%, compared to the same period in 2024. The increase in net interest income was due to decreases in the average rate paid on and average balance of our interest bearing liabilities, partially offset by decreases in the average yield of and average balance of our interest earning assets. Total interest income decreased $5.6 million, or 5.4%, to $98.6 million for the three months ended June 30, 2025, compared to $104.2 million during the same period in 2024. Total interest expense decreased $6.3 million, or 12.4%, to $44.3 million for the three months ended June 30, 2025, compared to $50.6 million for the same period in 2024. Our net interest margin and our net interest margin (FTE), a non-GAAP measure, increased to 2.82% and 2.95%, respectively, for the three months ended June 30, 2025, compared to 2.74% and 2.87%, respectively, for the same period in 2024. Our net interest spread and net interest spread (FTE), also a non-GAAP measure, increased to 2.15% and 2.27%, respectively, for the three months ended June 30, 2025, compared to 2.00% and 2.13%, respectively, for the same period in 2024. See "Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.

Net interest income was $108.1 million for the six months ended June 30, 2025, compared to $107.0 million for the same period in 2024, an increase of $1.2 million, or 1.1%. The increase in net interest income for the six months ended June 30, 2025 was due to decreases in the average rate paid on and average balance of our interest bearing liabilities, partially offset by the decrease in the average yield of interest earning assets. Total interest income decreased $8.1 million, or 3.9%, to $198.9 million for the six months ended June 30, 2025, compared to $206.9 million for the same period in 2024. Total interest expense decreased $9.3 million, or 9.3%, to $90.7 million for the six months ended June 30, 2025, compared to $100.0 million for the same period in 2024. Our net interest margin and net interest margin (FTE), a non-GAAP measure, increased to 2.78% and 2.91%, respectively, for the six months ended June 30, 2025, compared to 2.73% and 2.87%, respectively, for the same period in 2024, and our net interest spread and net interest spread (FTE), also a non-GAAP measure, increased to 2.11% and 2.23%, respectively, compared to 2.01% and 2.15%, respectively, for the same period in 2024. See "Non-GAAP Financial Measures" for more information and for a reconciliation to GAAP.

Quarterly Analysis of Changes in Interest Income and Interest Expense

The following table presents on a fully taxable-equivalent basis, a non-GAAP measure, the net change in net interest income and sets forth the dollar amount of increase (decrease) in the average volume of interest earning assets and interest bearing liabilities and changes in yields/rates. Volume/Yield/Rate variances (change in volume times change in yield/rate) have been allocated to amounts attributable to changes in volumes and to changes in yields/rates in proportion to the amounts directly attributable to those changes (in thousands). The comparison between the quarters includes an additional change factor that shows the effect of the difference in the number of days in each period for assets and liabilities that accrue interest based upon the actual number of days in the period.

	Three Months Ended June 30, 2025 Compared to 2024			
	Change Attributable to			Total
Fully Taxable-Equivalent Basis:	Average Volume	Average Yield/Rate	Number of Days	Change
Interest income on:				
Loans [(1)]	$ (1,157)	$ (1,338)	$ —	$ (2,495)
Loans held for sale	(6)	(2)	—	(8)
Taxable investment securities	(418)	(386)	—	(804)
Tax-exempt investment securities [(1)]	(1,191)	(1,219)	—	(2,410)
Mortgage-backed and related securities	2,259	(303)	—	1,956
FHLB stock, at cost, and equity investments	(145)	96	—	(49)
Interest earning deposits	(507)	(845)	—	(1,352)
Federal funds sold	(555)	(158)	—	(713)
Total earning assets	(1,720)	(4,155)	—	(5,875)
Interest expense on:				
Savings accounts	(21)	18	—	(3)
CDs	4,148	(873)	—	3,275
Interest bearing demand accounts	(1,401)	(2,910)	—	(4,311)
FHLB borrowings	(2,070)	(664)	—	(2,734)
Subordinated notes, net of unamortized debt issuance costs	1	(2)	—	(1)
Trust preferred subordinated debentures, net of unamortized debt issuance costs	—	(156)	—	(156)
Repurchase agreements	(155)	(166)	—	(321)
Other borrowings	(2,290)	259	—	(2,031)
Total interest bearing liabilities	(1,788)	(4,494)	—	(6,282)
Net change	$ 68	$ 339	$ —	$ 407

(1) Interest yields on loans and securities that are nontaxable for federal income tax purposes are presented on a fully taxable-equivalent basis. See "Non-GAAP Financial Measures" for more information and for a reconciliation to GAAP.

The decrease in total interest income for the three months ended June 30, 2025, was attributable to a decrease in the average yield on interest earning assets to 5.25% for the three months ended June 30, 2025, compared to 5.45% for the same period in 2024, and a $172.1 million, or 2.2%, decrease in the average balance of interest earning assets when compared to the same period in 2024. The decrease in total interest expense for the three months ended June 30, 2025, was primarily attributable to the decrease in interest rates on our interest bearing liabilities to 2.98% for the three months ended June 30, 2025 from 3.32% for the same period in 2024, and a decrease in the average balance of our interest bearing liabilities of $167.0 million, or 2.7%, for the three months ended June 30, 2025, compared to the same period in 2024. The decrease in average interest bearing liabilities was primarily the result of decreases in FHLB borrowings and other borrowings.

The “Average Balances with Average Yields and Rates” table that follows shows average earning assets and interest bearing liabilities together with the average yield on the earning assets and the average rate of the interest bearing liabilities (dollars in thousands) for the three months ended June 30, 2025 and 2024. The interest and related yields presented are on a fully taxable-equivalent basis and are therefore non-GAAP measures. See “Non-GAAP Financial Measures” for more information and for a reconciliation to GAAP.

Average Balances with Average Yields and Rates (Annualized)
(unaudited)
Three Months Ended

	June 30, 2025			June 30, 2024		
	Average Balance	Interest	Average Yield/Rate (3)	Average Balance	Interest	Average Yield/Rate (3)
ASSETS						
Loans (1)	$ 4,519,668	$ 67,798	6.02 %	$ 4,595,980	$ 70,293	6.15 %
Loans held for sale	1,108	16	5.79 %	1,489	24	6.48 %
Securities:						
Taxable investment securities (2)	735,669	6,205	3.38 %	783,856	7,009	3.60 %
Tax-exempt investment securities (2)	1,130,903	10,351	3.67 %	1,254,097	12,761	4.09 %
Mortgage-backed and related securities (2)	1,003,887	13,040	5.21 %	830,504	11,084	5.37 %
Total securities	2,870,459	29,596	4.14 %	2,868,457	30,854	4.33 %
FHLB stock, at cost, and equity investments	31,169	524	6.74 %	40,467	573	5.69 %
Interest earning deposits	259,617	2,753	4.25 %	300,047	4,105	5.50 %
Federal funds sold	27,778	308	4.45 %	75,479	1,021	5.44 %
Total earning assets	7,709,799	100,995	5.25 %	7,881,919	106,870	5.45 %
Cash and due from banks	84,419			110,102		
Accrued interest and other assets	452,573			424,323		
Less: Allowance for loan losses	(44,747)			(43,738)		
Total assets	$ 8,202,044			$ 8,372,606		
LIABILITIES AND SHAREHOLDERS’ EQUITY						
Savings accounts	$ 596,125	1,451	0.98 %	$ 604,753	1,454	0.97 %
CDs	1,407,017	14,905	4.25 %	1,020,099	11,630	4.59 %
Interest bearing demand accounts	3,311,330	21,071	2.55 %	3,513,068	25,382	2.91 %
Total interest bearing deposits	5,314,472	37,427	2.82 %	5,137,920	38,466	3.01 %
FHLB borrowings	394,119	3,721	3.79 %	606,851	6,455	4.28 %
Subordinated notes, net of unamortized debt issuance costs	92,097	935	4.07 %	92,017	936	4.09 %
Trust preferred subordinated debentures, net of unamortized debt issuance costs	60,276	1,015	6.75 %	60,271	1,171	7.81 %
Repurchase agreements	72,295	634	3.52 %	88,007	955	4.36 %
Other borrowings	28,022	564	8.07 %	143,169	2,595	7.29 %
Total interest bearing liabilities	5,961,281	44,296	2.98 %	6,128,235	50,578	3.32 %
Noninterest bearing deposits	1,339,463			1,346,274		
Accrued expenses and other liabilities	85,827			101,399		
Total liabilities	7,386,571			7,575,908		
Shareholders’ equity	815,473			796,698		
Total liabilities and shareholders’ equity	$ 8,202,044			$ 8,372,606		
Net interest income (FTE)		$ 56,699			$ 56,292	
Net interest margin (FTE)			2.95 %			2.87 %
Net interest spread (FTE)			2.27 %			2.13 %

(1) Interest on loans includes net fees on loans that are not material in amount.
(2) For the purpose of calculating the average yield, the average balance of securities do not include unrealized gains and losses on AFS securities.
(3) Yield/rate includes the impact of applicable derivatives.

Note: As of June 30, 2025 and 2024, loans totaling $5.0 million and $6.1 million, respectively, were on nonaccrual status. Our policy is to reverse previously accrued but unpaid interest on nonaccrual loans; thereafter, interest income is recorded to the extent received when appropriate.

Year-to-Date Analysis of Changes in Interest Income and Interest Expense

The following table presents on a fully taxable-equivalent basis, a non-GAAP measure, the net change in net interest income and sets forth the dollar amount of increase (decrease) in the average volume of interest earning assets and interest bearing liabilities and changes in yields/rates. Volume/Yield/Rate variances (change in volume times change in yield/rate) have been allocated to amounts attributable to changes in volumes and to changes in yields/rates in proportion to the amounts directly attributable to those changes (in thousands):

	Six Months Ended June 30, 2025 Compared to 2024			
	Change Attributable to			Total Change
Fully Taxable-Equivalent Basis:	Average Volume	Average Yield/Rate	Number of Days	
Interest income on:				
Loans [(1)]	$ (160)	$ (2,260)	$ (764)	$ (3,184)
Loans held for sale	(56)	41	—	(15)
Taxable investment securities	(689)	(642)	(77)	(1,408)
Tax-exempt investment securities [(1)]	(2,639)	(2,543)	(143)	(5,325)
Mortgage-backed and related securities	5,845	(369)	(116)	5,360
FHLB stock, at cost, and equity investments	(73)	179	(5)	101
Interest earning deposits	(1,253)	(1,880)	(51)	(3,184)
Federal funds sold	(775)	(288)	(10)	(1,073)
Total earning assets	200	(7,762)	(1,166)	(8,728)
Interest expense on:				
Savings accounts	(46)	64	(16)	2
CDs	8,388	(927)	(121)	7,340
Interest bearing demand accounts	(2,981)	(6,066)	(285)	(9,332)
FHLB borrowings	(1,994)	(785)	(68)	(2,847)
Subordinated notes, net of unamortized debt issuance costs	(18)	3	(10)	(25)
Trust preferred subordinated debentures, net of unamortized debt issuance costs	—	(304)	(13)	(317)
Repurchase agreements	(315)	(296)	(11)	(622)
Other borrowings	(4,437)	1,008	(26)	(3,455)
Total interest bearing liabilities	(1,403)	(7,303)	(550)	(9,256)
Net change	$ 1,603	$ (459)	$ (616)	$ 528

(1) Interest yields on loans and securities that are nontaxable for federal income tax purposes are presented on a fully taxable-equivalent basis. See “Non-GAAP Financial Measures” for more information and for a reconciliation to GAAP.

The decrease in total interest income was attributable to the decrease in the average yield on earning assets to 5.24% for the six months ended June 30, 2025 from 5.42% for the same period in 2024. The decrease in total interest expense for the six months ended June 30, 2025 was primarily attributable to the decrease in interest rates on our interest bearing liabilities to 3.01% from 3.27% for the same period in 2024 and a decrease in the average balance of our interest bearing liabilities of $63.9 million, or 1.0%, when compared to the same period in 2024.

The “Average Balances with Average Yields and Rates” table that follows shows average earning assets and interest bearing liabilities together with the average yield on the earning assets and the average rate of the interest bearing liabilities (dollars in thousands) for the six months ended June 30, 2025 and 2024. The interest and related yields presented are on a fully taxable-equivalent basis and are therefore non-GAAP measures. See “Non-GAAP Financial Measures” for more information, and for a reconciliation to GAAP.

Average Balances with Average Yields and Rates (Annualized)
(unaudited)
Six Months Ended

	June 30, 2025			June 30, 2024		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
ASSETS						
Loans [(1)]	$ 4,572,492	$ 135,958	6.00 %	$ 4,577,791	$ 139,142	6.11 %
Loans held for sale	931	27	5.85 %	5,162	42	1.64 %
Securities:						
Taxable investment securities [(2)]	742,375	12,568	3.41 %	782,139	13,976	3.59 %
Tax-exempt investment securities [(2)]	1,132,736	20,604	3.67 %	1,270,010	25,929	4.11 %
Mortgage-backed and related securities [(2)]	1,022,360	26,563	5.24 %	797,608	21,203	5.35 %
Total securities	2,897,471	59,735	4.16 %	2,849,757	61,108	4.31 %
FHLB stock, at cost, and equity investments	37,194	1,007	5.46 %	40,265	906	4.52 %
Interest earning deposits	289,586	6,123	4.26 %	340,114	9,307	5.50 %
Federal funds sold	35,751	786	4.43 %	69,039	1,859	5.41 %
Total earning assets	7,833,425	203,636	5.24 %	7,882,128	212,364	5.42 %
Cash and due from banks	87,046			112,241		
Accrued interest and other assets	455,245			432,904		
Less: Allowance for loan losses	(44,925)			(43,356)		
Total assets	$ 8,330,791			$ 8,383,917		
LIABILITIES AND SHAREHOLDERS’ EQUITY						
Savings accounts	$ 595,045	2,880	0.98 %	$ 604,641	2,878	0.96 %
CDs	1,372,110	29,311	4.31 %	981,023	21,971	4.50 %
Interest bearing demand accounts	3,358,573	42,483	2.55 %	3,574,001	51,815	2.92 %
Total interest bearing deposits	5,325,728	74,674	2.83 %	5,159,665	76,664	2.99 %
FHLB borrowings	503,898	9,558	3.83 %	606,942	12,405	4.11 %
Subordinated notes, net of unamortized debt issuance costs	92,079	1,867	4.09 %	92,956	1,892	4.09 %
Trust preferred subordinated debentures, net of unamortized debt issuance costs	60,275	2,029	6.79 %	60,271	2,346	7.83 %
Repurchase agreements	73,785	1,300	3.55 %	90,092	1,922	4.29 %
Other borrowings	30,528	1,304	8.61 %	140,228	4,759	6.82 %
Total interest bearing liabilities	6,086,293	90,732	3.01 %	6,150,154	99,988	3.27 %
Noninterest bearing deposits	1,337,210			1,342,329		
Accrued expenses and other liabilities	87,131			100,558		
Total liabilities	7,510,634			7,593,041		
Shareholders’ equity	820,157			790,876		
Total liabilities and shareholders’ equity	$ 8,330,791			$ 8,383,917		
Net interest income (FTE)		$ 112,904			$ 112,376	
Net interest margin (FTE)			2.91 %			2.87 %
Net interest spread (FTE)			2.23 %			2.15 %

(1) Interest on loans includes net fees on loans that are not material in amount.
(2) For the purpose of calculating the average yield, the average balance of securities is presented at historical cost.

Note: As of June 30, 2025 and 2024, loans totaling $5.0 million and $6.1 million, respectively, were on nonaccrual status. Our policy is to reverse previously accrued but unpaid interest on nonaccrual loans; thereafter, interest income is recorded to the extent received when appropriate.

Noninterest Income

Noninterest income consists of revenue generated from a broad range of financial services and activities and other fee-generating services that we either provide or in which we participate.

The following table details the categories included in noninterest income (dollars in thousands):

	Three Months Ended June 30,		2025 Change From 2024	
	2025	2024		
Deposit services	$ 6,125	$ 6,157	$ (32)	(0.5)%
Net gain (loss) on sale of securities AFS	—	(563)	563	100.0 %
Gain (loss) on sale of loans	99	220	(121)	(55.0)%
Trust fees	1,879	1,456	423	29.1 %
BOLI	833	1,767	(934)	(52.9)%
Brokerage services	1,219	1,081	138	12.8 %
Other noninterest income	1,990	1,439	551	38.3 %
Total noninterest income	$ 12,145	$ 11,557	$ 588	5.1 %

	Six Months Ended June 30,		2025 Change From 2024	
	2025	2024		
Deposit services	$ 11,954	$ 12,142	$ (188)	(1.5)%
Net gain (loss) on sale of securities AFS	(554)	(581)	27	4.6 %
Gain (loss) on sale of loans	154	(216)	370	171.3 %
Trust fees	3,644	2,792	852	30.5 %
BOLI	1,632	2,551	(919)	(36.0)%
Brokerage services	2,339	2,095	244	11.6 %
Other noninterest income	3,199	2,498	701	28.1 %
Total noninterest income	$ 22,368	$ 21,281	$ 1,087	5.1 %

The 5.1% increase in noninterest income for the three months ended June 30, 2025, when compared to the same period in 2024, was primarily due to a decrease in net loss on sale of securities AFS and increases in other noninterest income and trust fees, partially offset by a decrease in BOLI income. The 5.1% increase in noninterest income for the six months ended June 30, 2025, when compared to the same period in 2024, was primarily due to increases in trust fees, other noninterest income and gain on sale of loans, partially offset by a decrease in BOLI income.

During the six months ended June 30, 2025, we sold MBS that resulted in a net loss on sale of AFS securities of $554,000. During the three and six months ended June 30, 2024, we sold municipal securities that resulted in a net loss on sale of AFS securities of $563,000 and $581,000, respectively.

The decrease in gain on sale of loans for the three months ended June 30, 2025 and the increase for the six months ended June 30, 2025, when compared to the same periods in 2024, was primarily due to a $100,000 recovery in the second quarter of 2024 related to the $512,000 loss on the sale of a commercial real estate loan relationship during the first quarter of 2024.

Trust fees increased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, due to an increase in accounts under management and fee repricing.

The decrease in BOLI income for the three and six months ended June 30, 2025, when compared to the same periods in 2024, was primarily due to a death benefit of $962,000 realized in the second quarter of 2024 for a former covered officer.

Brokerage services income increased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, due to an increase in assets under management.

Other noninterest income increased for the three months ended June 30, 2025, when compared to the same period in 2024, primarily due to an increase in swap fee income, partially offset by the gain recognized on the repurchase of our subordinated notes at a discount during the second quarter of 2024. Other noninterest income increased for the six months ended June 30, 2025, when compared to the same period in 2024, primarily due to increases in swap fee income and equity investment income, partially offset by a decrease in mortgage servicing fee income and the gain recognized on the repurchase of our subordinated notes at a discount during the second quarter of 2024.

Noninterest Expense

We incur certain types of noninterest expenses associated with the operation of our various business activities. The following table details the categories included in noninterest expense (dollars in thousands):

	Three Months Ended June 30,		2025 Change From 2024	
	2025	2024		
Salaries and employee benefits	$ 22,272	$ 21,984	$ 288	1.3 %
Net occupancy	3,621	3,750	(129)	(3.4)%
Advertising, travel & entertainment	950	795	155	19.5 %
ATM expense	405	368	37	10.1 %
Professional fees	1,401	1,075	326	30.3 %
Software and data processing	3,027	2,860	167	5.8 %
Communications	342	410	(68)	(16.6)%
FDIC insurance	955	977	(22)	(2.3)%
Amortization of intangibles	198	307	(109)	(35.5)%
Other noninterest expense	6,086	3,239	2,847	87.9 %
Total noninterest expense	$ 39,257	$ 35,765	$ 3,492	9.8 %

	Six Months Ended June 30,		2025 Change From 2024	
	2025	2024		
Salaries and employee benefits	$ 44,654	$ 45,097	$ (443)	(1.0)%
Net occupancy	7,025	7,112	(87)	(1.2)%
Advertising, travel & entertainment	1,874	1,745	129	7.4 %
ATM expense	783	693	90	13.0 %
Professional fees	2,921	2,229	692	31.0 %
Software and data processing	5,866	5,716	150	2.6 %
Communications	725	859	(134)	(15.6)%
FDIC insurance	1,902	1,920	(18)	(0.9)%
Amortization of intangibles	421	644	(223)	(34.6)%
Other noninterest expense	10,175	6,631	3,544	53.4 %
Total noninterest expense	$ 76,346	$ 72,646	$ 3,700	5.1 %

The increase in noninterest expense for the three months ended June 30, 2025, when compared to the same period in 2024, was primarily due to increases in other noninterest expense, professional fees, salaries and employee benefits expense and advertising, travel and entertainment. The increase in noninterest expense for the six months ended June 30, 2025, when compared to the same period in 2024, was primarily due to increases in other noninterest expense and professional fees, partially offset by a decrease in salaries and employee benefits expense.

Salaries and employee benefits expense increased during the three months ended June 30, 2025, compared to the same period in 2024, due to an increase in direct salary expense, partially offset by decreases in health insurance expense and retirement expense. Salaries and employee benefits expense decreased during the six months ended June 30, 2025, compared to the same period in 2024, due to decreases in direct salary expense, retirement expense and health insurance expense.

For the three and six months ended June 30, 2025, direct salary expense increased $403,000, or 2.1%, and decreased $351,000, or 0.9%, respectively, when compared to the same periods in 2024, primarily due to normal salary increases effective in the first quarter of 2025 and approximately $618,000 associated with future cost reductions in the first quarter of 2024.

Retirement expense, included in salaries and employee benefits, decreased $29,000, or 3.1%, and $69,000, or 3.8%, for the three and six months ended June 30, 2025, respectively, when compared to the same periods in 2024. This decrease was due to decreases in our split dollar expense, post-retirement benefits expense and deferred compensation expense, partially offset by an increase in 401(k) matching expense.

Health and life insurance expense, included in salaries and employee benefits, decreased $86,000, or 3.9%, and $22,000, or 0.5%, for the three and six months ended June 30, 2025, respectively, when compared to the same periods in 2024, due to decreases in health claims expense and plan administration cost. We have a self-insured health plan which is supplemented with a stop loss policy.

Advertising, travel and entertainment expense increased during the three and six months ended June 30, 2025, compared to the same period in 2024, due to increases in media advertising, meals and entertainment and travel related expenses.

ATM expense increased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, due to an increase in ATM maintenance costs.

Professional fees increased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, due to increases in audit, consulting and legal fees.

Communications expense decreased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, resulting from improved network management efficiency.

Amortization of intangibles decreased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, due primarily to a decrease in core deposit intangible amortization which is recognized on an accelerated method resulting in a decline in expense over the amortization period.

Other noninterest expense increased for the three and six months ended June 30, 2025, when compared to the same periods in 2024, primarily due to a one-time charge of $1.2 million on the demolition of an old branch facility following completion of the new branch and an increase in non-service cost of the Retirement Plan as a result of the amortization method change from average life expectancy to average future service in the first quarter of 2025.

Income Taxes

Pre-tax income for the three and six months ended June 30, 2025 was $26.5 million and $52.8 million, respectively, a decrease of 11.2% and 5.8%, compared to $29.9 million and $56.0 million for the three and six months ended June 30, 2024. We recorded income tax expense of $4.7 million and $9.4 million for the three and six months ended June 30, 2025, respectively, compared to income tax expense of $5.2 million and $9.8 million for the same periods in 2024. The ETR as a percentage of pre-tax income was 17.8% and 17.9% for the three and six months ended June 30, 2025, respectively, compared to an ETR as a percentage of pre-tax income of 17.4% and 17.6% for the same periods in 2024. The marginally higher ETR for the three and six months ended June 30, 2025 was primarily a result of an increase in state income tax expense compared to the same periods in 2024. The decrease in income tax expense is due to the lower pre-tax income for the three and six months ended June 30, 2025 compared to the same periods in 2024.

The ETR differs from the statutory rate of 21% primarily due to the effect of tax-exempt income from municipal loans and securities, BOLI and state income tax. The net deferred tax asset totaled $39.3 million at June 30, 2025, compared to $34.5 million at December 31, 2024. The increase in the net deferred tax asset is primarily the result of a decrease in the estimated fair value of the hedging derivatives.

See “Note 11 – Income Taxes” to our consolidated financial statements included in this report. No valuation allowance was recorded at June 30, 2025 or December 31, 2024, as management believes it is more likely than not that all of the deferred tax asset items will be realized in future years.

Composition of Loans

One of our main objectives is to seek attractive lending opportunities in Texas, primarily in the market areas in which we operate. Refer to “Part I – Item 1. Business – Market Area” in the 2024 Form 10-K for a discussion of our primary market area and the geographic concentration of our loan portfolio as of December 31, 2024. There were no substantial changes in these concentrations during the six months ended June 30, 2025. The majority of our loan originations are made to borrowers who live in and/or conduct business in the market areas of Texas in which we operate or adjoin, with the exception of municipal loans, which were made primarily throughout the state of Texas. Municipal loans were made to municipalities, counties, school districts and colleges.

The following table sets forth loan totals by class as of the dates presented (dollars in thousands):

				Compared to	
				December 31, 2024	June 30, 2024
	June 30, 2025	December 31, 2024	June 30, 2024	Change (%)	Change (%)
Real estate loans:					
Construction	$ 470,380	$ 537,827	$ 546,040	(12.5)%	(13.9)%
1-4 family residential	736,108	740,396	738,037	(0.6)%	(0.3)%
Commercial	2,606,072	2,579,735	2,472,771	1.0 %	5.4 %
Commercial loans	380,612	363,167	359,807	4.8 %	5.8 %
Municipal loans	363,746	390,968	416,986	(7.0)%	(12.8)%
Loans to individuals	45,015	49,504	55,724	(9.1)%	(19.2)%
Total loans	$ 4,601,933	$ 4,661,597	$ 4,589,365	(1.3)%	0.3 %

Our total loan portfolio decreased $59.7 million, or 1.3%, compared to December 31, 2024 and increased $12.6 million, or 0.3%, compared June 30, 2024 with decreases in construction, municipal loans, loans to individuals and 1-4 family residential loans, partially offset by increases in commercial real estate loans and commercial loans when compared to December 31, 2024 and June 30, 2024.

At June 30, 2025, our real estate loans represented 82.8% of our loan portfolio and were comprised of commercial real estate loans of 68.4%, 1-4 family residential loans of 19.3% and construction loans of 12.3%. Commercial real estate loans primarily include loans collateralized by retail, commercial office buildings, multi-family residential buildings, medical facilities and offices, senior living, assisted living and skilled nursing facilities, warehouse facilities, hotels and churches. Our 1-4 family residential loans consist primarily of loans secured by first mortgages on owner occupied 1-4 family residences. Our construction loans are collateralized by property located primarily in or near the market areas we serve. A number of our construction loans will be owner occupied upon completion. Construction loans for non-owner occupied projects are financed, but these typically have cash flows from leases with tenants, secondary sources of repayment, and in some cases, additional collateral.

Nonperforming Assets

Nonperforming assets consist of delinquent loans 90 days or more past due, nonaccrual loans, OREO, repossessed assets and restructured loans. Nonaccrual loans are loans 90 days or more delinquent and collection in full of both the principal and interest is not expected. Additionally, some loans that are not delinquent or that are delinquent less than 90 days may be placed on nonaccrual status if it is probable that we will not receive contractual principal and interest payments in accordance with the terms of the respective loan agreements. When a loan is categorized as nonaccrual, the accrual of interest is discontinued and any accrued balance is reversed for financial statement purposes. OREO represents real estate taken in full or partial satisfaction of debts previously contracted. The dollar amount of OREO is based on a current evaluation of the OREO at the time it is recorded on our books, net of estimated selling costs. Updated valuations are obtained as needed and any additional impairments are recognized. Restructured loans represent loans that have been modified due to the borrower experiencing financial difficulty to provide interest rate reductions or below market interest rates, restructuring amortization schedules and other actions intended to minimize potential losses. Categorization of a loan as nonperforming is not in itself a reliable indicator of potential loan loss. Other factors, such as the value of collateral securing the loan and the financial condition of the borrower are considered in judgments as to potential loan loss.

The following table sets forth nonperforming assets for the periods presented (dollars in thousands):

	June 30, 2025	December 31, 2024	June 30, 2024	Compared to December 31, 2024 Change (%)	Compared to June 30, 2024 Change (%)
Nonaccrual loans	$ 4,998	$ 3,185	$ 6,110	56.9 %	(18.2)%
Accruing loans past due more than 90 days	—	—	—	—	—
Restructured loans	27,512	2	145	1,375,500.0 %	18,873.8 %
OREO	380	388	648	(2.1)%	(41.4)%
Repossessed assets	19	14	15	35.7 %	26.7 %
Total nonperforming assets	$ 32,909	$ 3,589	$ 6,918	816.9 %	375.7 %
Total loans	$ 4,601,933	$ 4,661,597	$ 4,589,365		
Allowance for loan losses at end of period	44,421	44,884	42,407		
Ratio of nonaccruing loans to:					
Total loans	0.11 %	0.07 %	0.13 %		
Ratio of nonperforming assets to:					
Total assets	0.39 %	0.04 %	0.08 %		
Total loans	0.72 %	0.08 %	0.15 %		
Total loans and OREO	0.72 %	0.08 %	0.15 %		
Ratio of allowance for loan losses to:					
Nonaccruing loans	888.78 %	1,409.23 %	694.06 %		
Nonperforming assets	134.98 %	1,250.60 %	613.00 %		
Total loans	0.97 %	0.96 %	0.92 %		
Net charge-offs to average loans outstanding	0.05 %	0.04 %	0.02 %		

Nonperforming assets hinder our ability to earn interest income. Decreases in earnings can result from both the loss of interest income and the costs associated with maintaining the OREO, for taxes, insurance and other operating expenses. We actively market all OREO properties and do not hold them for investment purposes.

Allowance for Credit Losses – Loans

In accordance with ASC 326, the allowance for credit losses on loans is estimated and recognized upon origination of the loan based on expected credit losses. The CECL model uses historical experience and current conditions for homogeneous pools of loans, and reasonable and supportable forecasts about future events. The impact of varying economic conditions and portfolio stress factors are a component of the credit loss models applied to each portfolio. Reserve factors are specific to the loan segments that share similar risk characteristics based on the probability of default assumptions and loss given default assumptions, over the contractual term. The forecasted periods gradually mean-revert the economic inputs to their long-run historical trends. Management evaluates the economic data points used in the Moody's forecasting scenarios on a quarterly basis to determine the most appropriate impact to the various portfolio characteristics based on management's view and applies weighting to various forecasting scenarios as deemed appropriate based on known and expected economic activities. Management also considers and may apply relevant qualitative factors, not previously considered, to determine the appropriate allowance level. The use of the CECL model includes significant judgment by management and may differ from those of our peers due to different historical loss patterns, economic forecasts, and the length of time of the reasonable and supportable forecast period and reversion period.

We utilize Moody's Analytics economic forecast scenarios and assign probability weighting to those scenarios which best reflect management's views on the economic forecast. The probability weighting and scenarios utilized for the estimate of the allowance were generally reflective of continued economic and repricing uncertainty forecasted in our CECL model as of June 30, 2025.

When determining the appropriate allowance for credit losses on our loan portfolio, our commercial construction and real estate loans, commercial loans and municipal loans utilize the probability of default/loss given default discounted cash flow approach.

Reserves on these loans are based upon risk factors including the loan type and structure, collateral type, leverage ratio, refinancing risk and origination quality, among others. Our consumer construction real estate loans, 1-4 family residential loans and our loans to individuals use a loss rate based upon risk factors including loan types, origination year and credit scores.

Loans evaluated collectively in a pool are monitored to ensure they continue to exhibit similar risk characteristics with other loans in the pool. If a loan does not share similar risk characteristics with other loans, expected credit losses for that loan are evaluated individually.

As of June 30, 2025, our review of the loan portfolio indicated that an allowance for loan losses of $44.4 million was appropriate to cover expected losses in the portfolio. Changes in economic and other conditions, including the application of the CECL model, may require future adjustments to the allowance for loan losses.

During the six months ended June 30, 2025, the allowance for loan losses decreased $463,000, or 1.0%, to $44.4 million, or 0.97% of total loans, when compared to $44.9 million, or 0.96% of total loans at December 31, 2024.

For the three and six months ended June 30, 2025, loan charge-offs were $1.2 million and $1.8 million, respectively, and recoveries were $342,000 and $652,000, respectively. For the three and six months ended June 30, 2024, loan charge-offs were $721,000 and $1.4 million, respectively, and recoveries were $444,000 and $791,000, respectively. We recorded a provision for credit losses for loans of $650,000 and $692,000 for the three and six months ended June 30, 2025, respectively. For the three and six months ended June 30, 2024, we recorded a reversal of provision for credit losses for loans of $873,000 and a provision for credit losses for loans of $297,000, respectively.

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

Allowance for off-balance-sheet credit exposures were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Balance at beginning of period	$ 3,793	$ 2,820	$ 3,141	$ 3,932
Provision for (reversal of) off-balance-sheet credit exposures	(19)	388	633	(724)
Balance at end of period	$ 3,774	$ 3,208	$ 3,774	$ 3,208

Our off-balance-sheet credit exposures include contractual commitments to extend credit and standby letters of credit. For these credit exposures we evaluate the expected credit losses using usage given defaults and credit conversion factors depending on the type of commitment and based upon historical usage rates. These assumptions are reevaluated on an annual basis and adjusted if necessary. For additional information regarding our methodology used to estimate the allowance for credit losses on off-balance-sheet credit exposures, see “Note 12 – Off-Balance-Sheet Arrangements, Commitments and Contingencies” to our consolidated financial statements included in this report.

Capital Resources and Liquidity

Our total shareholders' equity at June 30, 2025 decreased 0.6%, or $4.7 million, to $807.2 million, or 9.7% of total assets, compared to $811.9 million, or 9.5% of total assets, at December 31, 2024. The decrease in shareholders' equity was the result of cash dividends paid of $21.8 million, other comprehensive loss of $16.6 million and repurchases of $11.9 million of our common stock pursuant to our Stock Repurchase Plan, partially offset by net income of $43.3 million, stock compensation expense of $1.6 million, common stock issued under our dividend reinvestment plan of $514,000, and net issuance of common stock under employee stock plans of $145,000.

The Company's Common Equity Tier 1 capital includes common stock and related paid-in capital, net of treasury stock, and retained earnings. The Bank's Common Equity Tier 1 capital includes common stock and related paid-in capital and retained earnings. In connection with the adoption of the Basel III Capital Rules, we elected to opt-out of the requirement to include accumulated other comprehensive income in Common Equity Tier 1. Common Equity Tier 1 for both the Company and the Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities.

Tier 1 capital includes Common Equity Tier 1 capital and additional Tier 1 capital. For the Company, additional Tier 1 capital at June 30, 2025 included $58.5 million of trust preferred securities. For bank holding companies that had assets of less than $15 billion as of December 31, 2009, trust preferred securities issued prior to May 19, 2010 can be treated as Tier 1 capital to the extent that they do not exceed 25% of Tier 1 capital after the application of capital deductions and adjustments. The Bank did not have any additional Tier 1 capital beyond Common Equity Tier 1 at June 30, 2025.

Total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital for both the Company and the Bank includes a permissible portion of the allowance for credit losses on loans, off-balance sheet exposures and HTM securities. Tier 2 capital for the Company also includes $92.1 million of qualified subordinated debt as of June 30, 2025. The permissible portion of qualified subordinated notes decreases 20% per year during the final five years of the term of the notes.

In April 2020, the FDIC, Federal Reserve, and the Office of the Comptroller of the Currency issued supplemental instructions allowing banking organizations that implement CECL before the end of 2020, the option to delay for two years an estimate of the CECL methodologies' effect on regulatory capital, relative to the incurred loss methodologies effect on capital, followed by a three-year transition period. We elected to adopt the five-year transition option, and as of December 31, 2024, the CECL impact on regulatory capital was fully phased and there is no longer a transitional amount.

Management believes that, as of June 30, 2025, we met all capital adequacy requirements to which we were subject. It is management's intention to maintain our capital at a level acceptable to all regulatory authorities and future dividend payments will be determined accordingly. Regulatory authorities require that any dividend payments made by either the Company or the Bank not exceed earnings for that year. Accordingly, shareholders should not anticipate a continuation of the cash dividend payments simply because of the existence of a dividend reinvestment program. The payment of dividends will depend upon future earnings, our financial condition and other related factors including the discretion of the Board.

To be categorized as well capitalized we must maintain minimum Common Equity Tier 1 risk-based, Tier 1 risk-based, Total capital risk-based and Tier 1 leverage ratios as set forth in the following table (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
June 30, 2025	Amount	Ratio	Amount	Ratio	Amount	Amount
Common Equity Tier 1 (to Risk-Weighted Assets)						
Consolidated	$ 749,436	13.36 %	$ 252,372	4.50 %	N/A	N/A
Bank Only	$ 892,870	15.92 %	$ 252,315	4.50 %	$ 364,456	6.50 %
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 807,902	14.41 %	$ 336,496	6.00 %	N/A	N/A
Bank Only	$ 892,870	15.92 %	$ 336,421	6.00 %	$ 448,561	8.00 %
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 948,257	16.91 %	$ 448,661	8.00 %	N/A	N/A
Bank Only	$ 941,110	16.78 %	$ 448,561	8.00 %	$ 560,701	10.00 %
Tier 1 Capital (to Average Assets) (1)						
Consolidated	$ 807,902	10.03 %	$ 322,081	4.00 %	N/A	N/A
Bank Only	$ 892,870	11.09 %	$ 321,984	4.00 %	$ 402,480	5.00 %

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
December 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 (to Risk-Weighted Assets)						
Consolidated	$ 739,351	13.04 %	$ 255,228	4.50 %	N/A	N/A
Bank Only	$ 870,541	15.35 %	$ 255,183	4.50 %	$ 368,598	6.50 %
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 797,814	14.07 %	$ 340,304	6.00 %	N/A	N/A
Bank Only	$ 870,541	15.35 %	$ 340,244	6.00 %	$ 453,659	8.00 %
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 935,308	16.49 %	$ 453,739	8.00 %	N/A	N/A
Bank Only	$ 915,993	16.15 %	$ 453,659	8.00 %	$ 567,074	10.00 %
Tier 1 Capital (to Average Assets) (1)						
Consolidated	$ 797,814	9.67 %	$ 330,155	4.00 %	N/A	N/A
Bank Only	$ 870,541	10.55 %	$ 330,042	4.00 %	$ 412,553	5.00 %

(1) Refers to quarterly average assets as calculated in accordance with policies established by bank regulatory agencies.

As of June 30, 2025, Southside Bancshares and Southside Bank met all capital adequacy requirements under the Basel III Capital Rules that became fully phased-in as of January 1, 2019. Refer to the Supervision and Regulation section in the 2024 Form 10-K for further discussion of our capital requirements.

The table below summarizes our key equity ratios for the periods presented:

	Three Months Ended June 30,	
	2025	2024
Return on average assets	1.07 %	1.19 %
Return on average shareholders' equity	10.73 %	12.46 %
Dividend payout ratio – Basic	50.00 %	44.44 %
Dividend payout ratio – Diluted	50.00 %	44.44 %
Average shareholders' equity to average total assets	9.94 %	9.52 %
	Six Months Ended June 30,	
	2025	2024
Return on average assets	1.05 %	1.11 %
Return on average shareholders' equity	10.65 %	11.74 %
Dividend payout ratio – Basic	50.35 %	47.37 %
Dividend payout ratio – Diluted	50.70 %	47.37 %
Average shareholders' equity to average total assets	9.84 %	9.43 %

Management of Liquidity

Liquidity management involves our ability to convert assets to cash with minimum risk of loss while enabling us to meet our current and future obligations to our customers at any time. This means addressing (1) the immediate cash withdrawal requirements of depositors and other fund providers; (2) the funding requirements of lines and letters of credit; and (3) the short-term credit needs of customers. Liquidity is provided by cash, interest earning deposits and short-term investments that can be readily liquidated with a minimum risk of loss. At June 30, 2025 and December 31, 2024, these investments were 8.7% and 8.6% of total assets, as compared with 7.8% for June 30, 2024. The increase to 8.7% at June 30, 2025 as compared to June 30, 2024, is reflective of increases in the short-term investment portfolio and a decrease in total assets, partially offset by a decrease in interest earning deposits and cash and due from banks. Liquidity is further provided through the matching, by time period, of rate sensitive interest earning assets with rate sensitive interest bearing liabilities. The Bank has three unsecured lines of credit for the purchase of overnight federal funds at prevailing rates with Frost Bank, Amegy Bank and TIB – The Independent Bankers Bank for $40.0 million, $25.0 million and $15.0 million, respectively. There were no federal funds purchased at June 30, 2025 or December 31, 2024. To provide more liquidity in response to economic conditions in recent years, the Federal Reserve has encouraged broader use of the discount window. At June 30, 2025, the amount of additional funding the Bank could obtain from the FRDW, collateralized by securities, was approximately $383.6 million. There were $30.0 million borrowings from the FRDW at June 30, 2025. There were no borrowings from the FRDW at December 31, 2024. At June 30, 2025, the amount of additional funding Southside Bank could obtain from FHLB, collateralized by securities, FHLB stock and nonspecified loans and securities, was approximately $1.87 billion, net of FHLB stock purchases required. The Bank has a $5.0 million line of credit with Frost Bank to be used to issue letters of credit, and at June 30, 2025, the line had one outstanding letter of credit for $155,000. The Bank currently has two outstanding letters of credit from FHLB held as collateral for a loan for $6.2 million.

Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to enhance consistent growth of net interest income through periods of changing interest rates. The ALCO closely monitors various liquidity ratios and interest rate spreads and margins. The ALCO utilizes a simulation model to perform interest rate simulation tests that apply various interest rate scenarios including immediate shocks and MVPE to assist in determining our overall interest rate risk and the adequacy of our liquidity position. In addition, the ALCO utilizes this simulation model to determine the impact on net interest income of various interest rate scenarios. By utilizing this technology, we can determine changes that need to be made to the asset and liability mix to minimize the change in net interest income under these various interest rate scenarios.

Management continually evaluates our liquidity position and currently believes the Company has adequate funding to meet our financial needs.

Expansion

In March 2025, we announced our plan to open a traditional branch location at Bellwood Park in Tyler, Texas in 2026.

Recent Accounting Pronouncements

See “Note 1 – Summary of Significant Accounting and Reporting Policies” in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosures set forth in this item are qualified by the section captioned “Forward-Looking Statements” included in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this report and other cautionary statements set forth elsewhere in this Quarterly Report on Form 10-Q.

Refer to the discussion of market risks included in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in the 2024 Form 10-K.

In the banking industry, a major risk exposure is changing interest rates. The primary objective of monitoring our interest rate sensitivity, or risk, is to provide management the tools necessary to manage the balance sheet to minimize adverse changes in net interest income as a result of changes in the direction and level of interest rates. Federal Reserve monetary control efforts, the effects of deregulation, economic uncertainty and legislative changes have been significant factors affecting the task of managing interest rate sensitivity positions in recent years.

In an attempt to manage our exposure to changes in interest rates, management closely monitors our exposure to interest rate risk through our ALCO. Our ALCO meets regularly and reviews our interest rate risk position and makes recommendations to our board for adjusting this position. In addition, our board regularly reviews our asset/liability position. We primarily use two methods for measuring and analyzing interest rate risk: net income simulation analysis and MVPE modeling. We utilize the net income simulation model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. This model quantifies the effects of various interest rate scenarios on projected net interest income and net income over the next 12 months. The model is used to measure the impact on net interest income relative to a base case scenario of rates immediately increasing 100 and 200 basis points or decreasing 50, 100 and 200 basis points over the next 12 months. These simulations incorporate assumptions regarding balance sheet growth and mix, pricing and the repricing and maturity characteristics of the existing and projected balance sheet. The impact of interest rate-related risks such as prepayment, basis and option risk are also considered. The model has interest rate floors and no interest rates are assumed to go negative. We continue to monitor interest rates and anticipate rate changes during the remainder of 2025.

The following table reflects the noted increases and decreases in interest rates under the model simulations and the anticipated impact on net interest income relative to the base case over the next 12 months for the periods presented.

	Anticipated impact over the next 12 months	
	June 30,	
Rate projections:	2025	2024
Increase:		
100 basis points	2.69 %	3.78 %
200 basis points	5.34 %	7.13 %
Decrease:		
50 basis points	(0.65)%	(3.00)%
100 basis points	(1.06)%	(4.85)%
200 basis points	(1.51)%	(6.95)%

As part of the overall assumptions, certain assets and liabilities are given reasonable floors. This type of simulation analysis requires numerous assumptions including but not limited to changes in balance sheet mix, prepayment rates on mortgage-related assets and fixed rate loans, cash flows and repricing of all financial instruments, changes in volumes and pricing, future shapes of the yield curve, relationship of market interest rates to each other (basis risk), credit spread and deposit sensitivity. Assumptions are based on management’s best estimates but may not accurately reflect actual results under certain changes in interest rates.

Continued tariff announcements and ongoing tariff negotiations have caused some uncertainty related to potential inflation levels and its impact on the overall economy. While it is too early to discern the likely outcome of these tariff announcements and negotiations, the current economic conditions and growth prospects for our markets continue to reflect a solid and overall positive outlook.

The ALCO monitors various liquidity ratios to ensure a satisfactory liquidity position. Management continually evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the types of investments that should be made and at what maturities. Using this analysis, management from time to time assumes calculated interest sensitivity gap positions to maximize net interest income based upon anticipated movements in the general level of interest rates. Regulatory authorities also monitor our gap position along with other liquidity ratios. In addition, as described above, we utilize a simulation model to determine the impact of net interest income under several different interest rate scenarios. By utilizing this model, we can determine changes that could be made to the asset and liability mix to mitigate the change in net interest income under these various interest rate scenarios.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), undertook an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report, and, based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report, in recording, processing, summarizing and reporting in a timely manner the information that the Company is required to disclose in its reports under the Exchange Act and in accumulating and communicating to the Company's management, including the Company's CEO and CFO, such information as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes were made to our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to various litigation in the normal course of business. Management, after consulting with our legal counsel, believes that any liability resulting from litigation will not have a material effect on our financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in the 2024 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

On July 20, 2023, our board of directors approved a Stock Repurchase Plan authorizing the repurchase of up to 1.0 million shares of the Company's outstanding common stock. Repurchases may be carried out in open market purchases, privately negotiated transactions or pursuant to any trading plan that might be adopted in accordance with Rule 10b5-1 of the Exchange Act, as amended. The Company has no obligation to repurchase any shares under the Stock Repurchase Plan and may modify, suspend or discontinue the plan at any time.

The following table provides information with respect to purchases made by or on behalf of any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the three months ended June 30, 2025:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Stock Repurchase Plan at the End of the Period
April 1, 2025 - April 30, 2025	196,419	$ 27.08	196,419	386,647
May 1, 2025 - May 31, 2025	—	—	—	386,647
June 1, 2025 - June 30, 2025	228,016	29.04	228,016	158,631
Total	424,435	$ 28.13	424,435	

Subsequent to June 30, 2025, and through July 23, 2025, we purchased 2,443 shares of common stock at an average price of $30.29 pursuant to the Stock Repurchase Plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Pursuant to Item 408(a) of Regulation S-K, none of our directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended June 30, 2025.

ITEM 6. EXHIBITS

Exhibit Index

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Exhibit	Form	Filing Date	File No.
(3)	**Articles of Incorporation and Bylaws**					
3.1	Restated Certificate of Formation of Southside Bancshares, Inc.		3.1	8-K	05/14/2018	0-12247
3.2	Amended and Restated Bylaws of Southside Bancshares, Inc., as amended		3.2	10-Q	04/30/2025	0-12247
(10)	**Material Contracts**					
10.1	Form of Southside Bancshares, Inc. Restricted Stock Unit Award Certificate for employee grant of Units pursuant to the Southside Bancshares, Inc. 2025 Incentive Plan.	X				
10.2	Form of Southside Bancshares, Inc. Restricted Stock Unit Award Agreement for director grant of Units pursuant to the Southside Bancshares, Inc. 2025 Incentive Plan.	X				
10.3	Southside Bancshares, Inc. 2025 Incentive Plan		99.1	8-K	5/19/2025	0-12247
(31)	**Rule 13a-14(a)/15d-14(a) Certifications**					
31.1	Certification of Chief Executive Officer	X				
31.2	Certification of Chief Financial Officer	X				
(32)	**Section 1350 Certification**					
†32	Certification of Executive Officer and Chief Financial Officer	X				
(101)	**Interactive Date File**					
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).	X				

† The certification attached as Exhibit 32 accompanies this Quarterly Report on Form 10-Q and is “furnished” to the Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by us for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		SOUTHSIDE BANCSHARES, INC.
DATE: July 25, 2025	BY:	/s/ Lee R. Gibson
		Lee R. Gibson, CPA Chief Executive Officer (Principal Executive Officer)
DATE: July 25, 2025	BY:	/s/ Julie N. Shamburger
		Julie N. Shamburger, CPA Chief Financial Officer (Principal Financial Officer)

SOUTHSIDE BANCSHARES, INC.

RESTRICTED STOCK UNIT AWARD CERTIFICATE

Non-transferable

G R A N T T O

____
("Grantee")

by Southside Bancshares, Inc. (the "Company") of

[NUMBER]

restricted stock units convertible, on a one-for-one basis, into shares of its common stock, par value $1.25 per share (the "Units").

The Units are granted pursuant to and subject to the provisions of the Southside Bancshares, Inc. 2025 Incentive Plan (the "Plan") and to the terms and conditions set forth on page 2 hereof ("Terms and Conditions"). By accepting the Units, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Certificate and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

Unless vesting is accelerated as provided in Section 2 of the Terms and Conditions or otherwise in the discretion of the Committee, the Units shall vest (become non-forfeitable) in accordance with the following schedule, provided that the Grantee remains in Continuous Service on each applicable vesting date:

Continuous Service after Grant Date	Percent of Units Vested

IN WITNESS WHEREOF, Southside Bancshares, Inc., acting by and through its duly authorized officers, has caused this Certificate to be duly executed.

SOUTHSIDE BANCSHARES, INC.

Grant Date:

By: ___________________________
Its: Authorized Officer

TERMS AND CONDITIONS

1. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units shall vest (become non-forfeitable) in accordance with the schedule shown on the cover page of this Award Certificate. Notwithstanding the vesting schedule, the Units shall become fully vested and exercisable upon (i) the termination of Grantee's Continuous Status as a Participant due to death or Disability, (ii) a Change in Control, unless the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with the Change in Control, or (iii) if the Units are assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change in Control, the termination of Grantee's employment without Cause (or Grantee's resignation for Good Reason as provided in any employment, severance or similar agreement, if applicable) within two years after the effective date of the Change in Control.

If Grantee's employment terminates prior to the vesting date, Grantee shall forfeit all right, title and interest in and to the Units as of the date of such termination and the Units will be reconveyed to the Company without further consideration or any act or action by Grantee.

2. Conversion to Stock. Unless the Units are forfeited prior to the vesting date as provided in Section 1 above, the Units will be converted on the vesting date to actual shares of Stock, and such Shares will be registered on the books of the Company in the name of Grantee (or in street name to Grantee's brokerage account) as of the vesting date and will be delivered to Grantee in certificated or uncertificated (book-entry) form.

3. Dividend Equivalents. If any dividends or other distributions are paid with respect to the Shares while the Units or are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of Shares then underlying the Units shall be converted into additional restricted stock units in Grantee's name, based on the Fair Market Value of the Stock as of the date such dividends or distributions were payable, and such additional stock units shall be subject to the same forfeiture and transfer restrictions and deferral terms as apply to the Units with respect to which they relate. In other words, Dividend Equivalents credited to outstanding Units are only earned to the extent that the related Units are vested.

4. Changes in Capital Structure. In the event the Stock shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another company, whether through reorganization, recapitalization, statutory share exchange, reclassification, stock split-up, combination of shares, merger or consolidation, or otherwise, there shall be substituted for each share of Stock then underlying a Unit subject to this Certificate the number and class of shares into which each outstanding share of Stock shall be so exchanged.

5. Restrictions on Transfer. No right or interest of Grantee in the Units may be pledged, hypothecated or otherwise encumbered to or in favor of any party other than the Company or an Affiliate, or be subjected to any lien, obligation or liability of Grantee to any other party other than the Company or an Affiliate. Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution; but the Committee may permit other transfers.

6. Limitation of Rights. The Units do not confer to Grantee or Grantee's beneficiary any voting rights or other rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with the Units. Nothing in this Certificate shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in employment of the Company or any Affiliate.

7. Payment of Taxes. The Company or any Affiliate employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the Units. Unless the Committee determines otherwise, any such withholding requirement will be satisfied by the Company withholding from the Units upon settlement a number of shares of Stock having a Fair Market Value on the date of withholding, equal to the amount required to be withheld for tax purposes. The obligations of the Company under this Certificate will be conditional on such payment or arrangements, and the Company, and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

8. Amendment. The Committee may amend, modify or terminate this Certificate without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Units hereunder had expired) on the date of such amendment or termination.

9. Plan Controls. The terms contained in the Plan shall be and are hereby incorporated into and made a part of this Certificate and this Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the approved Plan and the provisions of this Certificate, the provisions of the Plan shall be controlling and determinative.

10. Notice. Notices hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Southside Bancshares, Inc., 1201 S. Beckham, Tyler, Texas 75701; Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

11. Code Section 409A. This Certificate shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements Section 409A of the Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (and any applicable transition relief under Section 409A of the Code).

SOUTHSIDE BANCSHARES, INC.

RESTRICTED STOCK UNIT AWARD CERTIFICATE

Non-transferable

G R A N T T O

____
("Grantee")

by Southside Bancshares, Inc. (the "Company") of

[NUMBER]

restricted stock units convertible, on a one-for-one basis, into shares of its common stock, par value $1.25 per share (the "Units").

The Units are granted pursuant to and subject to the provisions of the Southside Bancshares, Inc. 2025 Incentive Plan (the "Plan") and this Restricted Stock Unit Award Certificate (the "Certificate"). By accepting the Units, Grantee shall be deemed to have agreed to the terms and conditions set forth in this Certificate and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

Unless vesting is accelerated as provided in Section 1 hereof or otherwise under the Plan, the Units shall vest (become non-forfeitable) on the first anniversary of the grant date (or, if earlier, on the date of the Company's annual meeting of shareholders that occurs in the year immediately following the year of grant, in the event Grantee is not standing for re-election to the Company's board of directors at such annual meeting), subject to Grantee's Continuous Service on such date.

IN WITNESS WHEREOF, Southside Bancshares, Inc., acting by and through its duly authorized officers, has caused this Certificate to be duly executed.

SOUTHSIDE BANCSHARES, INC.

By: __________________________
Its: Authorized Officer

Grant Date:

TERMS AND CONDITIONS

1. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units shall vest (become non-forfeitable) on the first anniversary of the grant date (or, if earlier, on the date of the Company's annual meeting of shareholders that occurs in the year immediately following the year of grant, in the event Grantee is not standing for re-election to the Company's board of directors at such annual meeting). In addition, a pro rata portion of the Units shall become fully vested upon (i) the termination of Grantee's Continuous Service with the Company due to death or Disability or (ii) a Change in Control, with such pro rata portion determined based on the number of full months that have elapsed between the Grant Date and the termination of Continuous Service or the Change in Control, as applicable.

Unless vesting is accelerated as set forth herein or otherwise under the Plan, if Grantee's Continuous Service with the Company ceases prior to the vesting date, Grantee shall forfeit all right, title and interest in and to the Units as of the date of such termination and the Units will be reconveyed to the Company without further consideration or any act or action by Grantee.

Notwithstanding the other provisions of this Section 1, the Committee may accelerate the vesting of all or a portion of the Units granted hereunder upon termination of Grantee's Continuous Service with the Company or a Change in Control.

2. Conversion to Stock. Unless the Units are forfeited prior to the vesting date as provided in Section 1 above, the Units will be converted to actual shares of Stock on the earlier of (i) the [first][second][third][fourth][fifth] anniversary of the Grant Date or (ii) a Change in Control, and such Shares will be registered on the books of the Company in the name of Grantee (or in street name to Grantee's brokerage account) as of the vesting date and will be delivered to Grantee in certificated or uncertificated (book-entry) form.

3. Dividend Equivalents. If any dividends or other distributions are paid with respect to the Shares while the Units or are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of Shares then underlying the Units shall be converted into additional restricted stock units in Grantee's name, based on the Fair Market Value of the Stock as of the date such dividends or distributions were payable, and such additional stock units shall be subject to the same forfeiture and transfer restrictions and deferral terms as apply to the Units with respect to which they relate. In other words, Dividend Equivalents credited to outstanding Units are only earned to the extent that the related Units are vested.

4. Changes in Capital Structure. In the event the Stock shall be changed into or exchanged for a different number or class of shares of stock or securities of the Company or of another company, whether through reorganization, recapitalization, statutory share exchange, reclassification, stock split-up, combination of shares, merger or consolidation, or otherwise, there shall be substituted for each share of Stock then underlying a Unit subject to this Certificate the number and class of shares into which each outstanding share of Stock shall be so exchanged.

5. Restrictions on Transfer. No right or interest of Grantee in the Units may be pledged, hypothecated or otherwise encumbered to or in favor of any party other than the Company or an Affiliate, or be subjected to any lien, obligation or liability of Grantee to any other party other than the Company or an Affiliate. Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution; but the Committee may permit other transfers.

6. Limitation of Rights. The Units do not confer to Grantee or Grantee's beneficiary any voting rights or other rights of a shareholder of the Company unless and until shares of Stock are in fact issued to such person in connection with the Units.

7. Amendment. The Committee may amend, modify or terminate this Certificate without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Units hereunder had expired) on the date of such amendment or termination.

8. Plan Controls. The terms contained in the Plan shall be and are hereby incorporated into and made a part of this Certificate and this Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the approved Plan and the provisions of this Certificate, the provisions of the Plan shall be controlling and determinative.

9. Notice. Notices hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Southside Bancshares, Inc., 1201 S. Beckham, Tyler, Texas 75701; Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

10. Code Section 409A. This Certificate shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements Section 409A of the Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (and any applicable transition relief under Section 409A of the Code).

Exhibit 31.1

Certification of Chief Executive Officer

I, Lee R. Gibson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Southside Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2025

By: /s/ LEE R. GIBSON

Lee R. Gibson, CPA
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

I, Julie N. Shamburger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Southside Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2025

By: /s/ JULIE N. SHAMBURGER
Julie N. Shamburger, CPA
Chief Financial Officer

Exhibit 32

Certification of Chief Executive and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the period ended June 30, 2025 (the "Report") by Southside Bancshares, Inc. ("Registrant"), each of the undersigned hereby certifies that to his or her knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

Date: July 25, 2025

By: /s/ LEE R. GIBSON
Lee R. Gibson, CPA
Chief Executive Officer

Date: July 25, 2025

By: /s/ JULIE N. SHAMBURGER
Julie N. Shamburger, CPA
Chief Financial Officer