NEWS RELEASE

Southside Bancshares, Inc. Announces First Quarter Earnings

4/20/2006

TYLER, Texas, April 20 /PRNewswire-FirstCall/ -- B. G. Hartley, Chairman and Chief Executive Officer of Southside Bancshares, Inc. (Nasdaq: SBSI) ("Southside" or the "Company"), reported financial results for the first quarter ended March 31, 2006.

For the three months ended March 31, 2006, the Company reported net income of $3,228,000, compared to $3,575,000 for the same period in 2005, a decrease of $347,000, or 9.7%. Earnings per fully diluted share were $0.25 for the three months ended March 31, 2006 compared to $0.28 for the same period in 2005.

The return on average shareholders' equity for the first quarter ended March 31, 2006 was 11.79% compared to 13.81% for the same period in 2005. The annual return on average assets was 0.72% for the first quarter ended March 31, 2006, compared to 0.88% for the same period in 2005.

Loan and Deposit Growth

The Company experienced strong loan growth during the first quarter ended March 31, 2006, as loans increased $26.0 million, or 3.8%, to $706.4 million from $680.4 million at December 31, 2005. The loan growth during the first quarter occurred primarily in commercial real estate loans, 1-4 family residential loans, and commercial loans. Asset quality improved as non- performing assets decreased $194,000, or 6.3%, to $2.9 million at March 31, 2006, when compared to $3.1 million at December 31, 2005. We believe that the Company's asset quality ratios as reported in this earnings release remain sound.

During the three months ended March 31, 2006, the Company experienced solid deposit growth, as deposits increased $77.2 million to $1.19 billion from $1.11 billion at December 31, 2005. We are gratified deposits continued to grow at an excellent pace during the first quarter with $23.1 million of that growth resulting from our expanding branch network and continued market penetration. The remaining $54.1 million of the deposit growth was the result of the Company issuing callable-brokered certificates of deposits with long- term maturities where the Company controls numerous call options. Brokered deposits at March 31, 2006 totaled $73.9 million. We believe these callable- brokered CDs offer the Company significant long-term flexibility.

Branch Expansion Continues

During the first quarter, Southside opened three banking centers. In February 2006, Southside opened a loan production office in the growing area of Forney, Texas, approximately 20 miles east of Dallas. In addition, the Company opened a full service branch in Gun Barrel City, Texas located next to a growing lake community southeast of Dallas. In March, the Company opened a full service branch in a grocery store in the city of Athens, Texas, west of Tyler. All three of these new branches should complement our expansion to the west of Tyler. The Company's ongoing investments in de novo branches has and will continue to impact short-term earnings, however, the Company believes the potential long-term benefits to the Company should greatly outweigh the initial costs.

Net Interest Income

Net interest income increased $190,000 to $10.6 million for the quarter ended March 31, 2006, when compared to $10.4 million for the same period in 2005. As is impacting all banks, some more than others, short-term yields increased significantly during 2005 while long-term yields increased less, creating what is called a flat yield curve, where short-term yields are relatively flat compared to long-term yields. The result for the Company was a reduction in the net interest margin and net interest spread to 2.72% and 2.08%, respectively, for the three months ended March 31, 2006 when compared to 2.98% and 2.50% for the same period in 2005. When comparing the first quarter ended March 31, 2006 to the fourth quarter ended December 31, 2005, the Company's net interest margin remained unchanged at 2.72% while the Company's net interest spread declined five basis points to 2.08% from 2.13%. Should the yield curve remain flat or invert, our net interest margin and spread could come under additional pressure during the remainder of 2006.

Net Income

The decrease in net income for the three months ended March 31, 2006, when compared to the same period in 2005, was primarily attributable to an increase in noninterest expense of $879,000, or 8.3% and an increase in provision for loan losses of $46,000, or 19.6%. Noninterest expense increased primarily as a result of a $562,000, or

8.2%, increase in salaries and employee benefits. The increase in salaries and employee benefits is due to normal salary increases and higher staffing levels associated with both the continued branch expansion and the Company's regional lending initiative.

The following items partially offset the decrease in net income for the three months ended March 31, 2006, when compared to the same period in 2005. In addition to the increase in net interest income of $190,000, or 1.8%, to $10.6 million for the first quarter of 2006 as discussed above, the Company's gain on sale of securities increased $339,000 when comparing the first quarter of 2006 to the same period in 2005. Noninterest income, excluding gain on sale of securities, was flat for the first quarter of 2006, when compared to the first quarter of 2005. During the first quarter ended March 31, 2005, the Company received a $244,000 special distribution as a result of the merger of the Public EFT Association with Discover Financial Services. Not including this special distribution, noninterest income not including gain on the sale of securities, increased $246,000 for the first quarter 2006 when compared to the same period in 2005. The increase was primarily a result of an increase in deposit services income and Trust income. Provision for federal tax expense of $724,000 for the first quarter of 2006, decreased $47,000, from the first quarter of 2005 primarily as a result of a decrease in taxable income.

About Southside Bancshares, Inc.

Southside Bancshares, Inc. is a $1.8 billion holding company that owns 100% of Southside Bank. The bank currently has thirty-four banking centers in East Texas and operates a network of 39 ATMs.

To learn more about Southside Bancshares, Inc., please visit our investor relations website at **http://www.southside.com/investor** . Our investor relations site provides a detailed overview of our activities, financial information, and historical stock price data. To receive e-mail notification of company news, events, and stock activity, please register on the E-mail Notification portion of the website. Questions or comments may be directed to Susan Hill at (903) 531-7220, or **susanh@southside.com** .

Forward Looking Information

Statements in this news release that are based on other than historical fact are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events. 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," "believe," "could," "should," "may," "intend," "probability," "risk," "target," "objective," "plans," "potential," and similar expressions. Forward-looking statements are subject to significant risks and uncertainties and the Company's actual results may differ materially from the results discussed in the forward-looking statements. For example, certain market risk disclosures 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. As a result, actual income gains and losses could materially differ from those that have been estimated. Other factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, the following:

* general economic conditions, either globally, nationally, in the State of Texas, or in the specific markets in which the Company operates;
* legislation or regulatory changes which adversely affect the businesses in which the Company is engaged;
* adverse changes in Government Sponsored Enterprises (the "GSE") status or financial condition impacting the GSE guarantees or ability to pay or issue debt;
* economic or other disruptions caused by acts of terrorism in the United States, Europe or other areas;
* changes in the interest rate yield curve such as flat, inverted or steep yield curves, or changes in the interest rate environment which impact interest margins and may impact prepayments on the mortgage backed securities portfolio;
* unexpected outcomes of existing or new litigation involving the Company,
* changes impacting the leverage strategy;
* significant increases in competition in the banking and financial services industry;
* changes in consumer spending, borrowing and saving habits;
* technological changes;
* the Company's ability to increase market share and control expenses;
* the effect of changes in federal or state tax laws;
* the effect of compliance with legislation or regulatory changes;
* the effect of changes in accounting policies and practices; and
* the costs and effects of unanticipated litigation.

Additional information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission. The Company disclaims 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.

	At March 31, 2006	At December 31, 2005

(dollars in thousands)
(unaudited)

Selected Financial Condition Data (at end of period)		
Total assets	$1,819,844	$1,783,462
Loans	706,350	680,364
Allowance for loan losses	7,193	7,090
Mortgage-backed and related securities:		
Available for sale	627,655	592,435
Held to maturity	221,943	229,321
Investment securities available for sale	95,495	121,240
Federal Home Loan Bank stock, at cost	29,045	28,729
Deposits	1,188,058	1,110,813
Long-term obligations	202,317	229,032
Shareholders' equity	106,536	109,290
Nonperforming assets	2,863	3,057
Nonaccrual loans	1,899	1,731
Loans 90 days past due	477	945
Restructured loans	247	226
Other real estate owned	163	145
Repossessed assets	77	10
Assets Quality Ratios:		
Nonaccruing loans to total loans	0.27%	0.25%
Allowance for loan losses to nonaccruing loans	378.78	409.59
Allowance for loan losses to nonperforming assets	251.24	231.93
Allowance for loan losses to total loans	1.02	1.04
Nonperforming assets to total assets	0.16	0.17
Net charge-offs to average loans	0.10	0.20
Capital Ratios:		
Shareholders' equity to total assets	5.85	6.13
Average shareholders' equity to average total assets	6.11	6.20

LOAN PORTFOLIO COMPOSITION

The following table sets forth loan totals by category for the periods presented:

	March 31, 2006	December 31, 2005	March 31, 2005
	(in thousands)		

	(unaudited)		
Real Estate Loans:			
Construction	$36,822	$35,765	$37,775
1-4 Family Residential	209,891	199,812	174,588
Other	173,337	162,147	151,959
Commercial Loans	96,461	91,456	81,901
Municipal Loans	106,343	109,003	108,886
Loans to Individuals	83,496	82,181	81,722
Total Loans	$706,350	$680,364	$636,831

	At or for the Three Months Ended March 31,	
	2006	2005
	(dollars in thousands) (unaudited)	
Selected Operating Data:		
Total interest income	$22,569	$18,876
Total interest expense	12,000	8,497
Net interest income	10,569	10,379
Provision for loan losses	281	235
Net interest income after provision for loan losses	10,288	10,144
Non-interest income		
Deposit services	3,469	3,387
Gain (loss) on sale of securities available for sale	123	(216)
Gain on sale of loans	373	370
Trust income	404	329
Bank owned life insurance	244	189
Other	485	698
Total non-interest income	5,098	4,757
Non-interest expense		
Salaries and employee benefits	7,420	6,858
Net occupancy expense	1,173	1,041
Equipment expense	203	207
Advertising, travel & entertainment	452	546
ATM expense	170	140
Director fees	145	159
Supplies	184	146
Professional fees	315	250
Postage	150	135
Other	1,222	1,073
Total non-interest expense	11,434	10,555
Income before federal tax expense	3,952	4,346
Income tax expense	724	771
Net income	$3,228	$3,575

Common Share Data:		
Weighted-average basic shares outstanding	12,196	12,040
Weighted-average diluted shares outstanding	12,678	12,715
Net income per common share		
Basic	$0.26	$0.29
Diluted	0.25	0.28
Book value per common share	8.72	8.21
Cash dividend declared per common share	0.11	0.11

Selected Performance Ratios:		
Return on average assets	0.72%	0.88%
Return on average shareholders' equity	11.79	13.81
Average yield on interest earning assets	5.59	5.21
Average yield on interest bearing liabilities	3.51	2.71
Net interest spread	2.08	2.50
Net interest margin	2.72	2.98
Average interest earning assets to average interest bearing liabilities	122.53	121.31
Non-interest expense to average total assets	2.55	2.58
Efficiency ratio	69.64	64.60

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Three Months Ended
March 31, 2006

	AVG. BALANCE	INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A)(B)	$694,114	$11,136	6.51%
Loans Held for Sale	4,462	53	4.82%
Securities:			
Investment Securities (Taxable) (D)	67,432	743	4.47%
Investment Securities (Tax-Exempt) (C)(D)	49,481	871	7.14%
Mortgage-backed Securities (D)	850,730	10,237	4.88%
Federal Home Loan Bank stock & other investments, at cost	29,610	344	4.71%
Interest Earning Deposits	555	9	6.58%
Federal Funds Sold	845	9	4.32%
Total Interest Earning Assets	1,697,229	23,402	5.59%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	48,536		

Bank Premises and Equipment	33,519		
Other Assets	44,294		
Less: Allowance for Loan Loss	(7,078)		
Total Assets	$1,816,500		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$49,916	$147	1.19%
Time Deposits	406,288	3,930	3.92%
Interest Bearing Demand Deposits	361,161	2,177	2.44%
Short-term Interest Bearing Liabilities	359,283	3,550	4.01%
Long-term Interest Bearing Liabilities - FHLB	187,904	1,811	3.91%
Long-term Debt (5)	20,619	385	7.47%
Total Interest Bearing Liabilities	1,385,171	12,000	3.51%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	310,249		
Other Liabilities	10,059		
Total Liabilities	1,705,479		
SHAREHOLDERS' EQUITY	111,021		
Total Liabilities and Shareholders' Equity	$1,816,500		
NET INTEREST INCOME	$11,402		
NET YIELD ON AVERAGE EARNING ASSETS			2.72%
NET INTEREST SPREAD			2.08%

(A) Interest on loans includes fees on loans which are not material in amount.
(B) Interest income includes taxable-equivalent adjustments of $561 and $552 for the quarter ended March 31, 2006 and 2005, respectively.
(C) Interest income includes taxable-equivalent adjustments of $272 and $417 for the quarter ended March 31, 2006 and 2005, respectively.
(D) For the purpose of calculating the average yield, the average balance of securities is presented at historical cost.
(E) Southside Statutory Trust III

Note: As of March 31, 2006 and 2005, loans totaling $1,899 and $1,835, respectively, were on nonaccrual status. The policy is to reverse previously accrued but unpaid interest on nonaccrual loans; thereafter, interest income is recorded to the extent received when appropriate.

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Three Months Ended
March 31, 2005

	AVG. BALANCE	AVG. INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$631,175	$9,483	6.09%
Loans Held for Sale	4,989	58	4.71%
Securities:			
Investment Securities (Taxable) (D)	61,066	508	3.37%
Investment Securities (Tax-Exempt) (C)(D)	76,337	1,330	7.07%
Mortgage-backed Securities (D)	743,327	8,241	4.50%
Federal Home Loan Bank stock & other investments, at cost	27,210	216	3.22%
Interest Earning Deposits	562	3	2.16%
Federal Funds Sold	1,039	6	2.34%
Total Interest Earning Assets	1,545,705	19,845	5.21%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	43,464		
Bank Premises and Equipment	30,403		
Other Assets	43,452		
Less: Allowance for Loan Loss	(6,975)		
Total Assets	$1,656,049		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$50,629	$109	0.87%
Time Deposits	330,512	2,258	2.77%
Interest Bearing Demand Deposits	309,250	1,046	1.37%
Short-term Interest Bearing Liabilities	240,750	1,940	3.27%
Long-term Interest Bearing Liabilities - FHLB	322,413	2,860	3.60%
Long-term Debt (E)	20,619	284	5.51%
Total Interest Bearing Liabilities	1,274,173	8,497	2.71%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	263,024		
Other Liabilities	13,846		
Total Liabilities	1,551,043		

SHAREHOLDERS' EQUITY	105,006
Total Liabilities and Shareholders' Equity	$1,656,049
NET INTEREST INCOME	$11,348
NET YIELD ON AVERAGE EARNING ASSETS	2.98%
NET INTEREST SPREAD	2.50%

(A) Interest on loans includes fees on loans which are not material in amount.
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SOURCE Southside Bancshares, Inc.
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