NEWS RELEASE

Southside Bancshares, Inc. Announces First Quarter Earnings

4/19/2007

TYLER, Texas, April 19 /PRNewswire-FirstCall/ -- Southside Bancshares, Inc. (Nasdaq: SBSI) ("Southside" or the "Company") reports financial results for the three months ended March 31, 2007.

Net income increased 16.6%, or $535,000, for the three months ended March 31, 2007, to $3.8 million from $3.2 million for the same period in 2006.

B. G. Hartley, Chairman and Chief Executive Officer, stated, "We are pleased with Southside's first quarter results. This provides an excellent foundation on which to build during 2007. Our success in achieving these results was due to the significant progress we made on a number of previously discussed key initiatives, intended to increase revenues and contain costs. The success of the initiatives more than offset the additional operating expenses associated with opening three de novo branches since December 31, 2005, and the increasingly challenging interest rate environment experienced during 2006 as noninterest income, excluding gain on sale of securities available for sale, increased $734,000, or 14.8% for the three months ended March 31, 2007 when compared to the same period in 2006, while for the same periods noninterest expense decreased $198,000, or 1.7%."

Earnings per fully diluted share increased $0.04, to $0.29 for the three months ended March 31, 2007, or 16.0%, when compared to $0.25 for the same period in 2006.

The return on average shareholders' equity for the three months ended March 31, 2007 was 13.55%, compared to 11.79%, for the same period in 2006. The annual return on average assets was 0.81%, for the three months ended March 31, 2007, compared to 0.72%, for the same period in 2006.

Loan and Deposit Growth

The Company continued to experience loan growth during the three months ended March 31, 2007, as loans increased $7.2 million, or 1.0%, to $766.4 million from $759.1 million at December 31, 2006. Loan growth during 2007 occurred primarily in construction loans, consumer loans, and commercial loans. The consistent growth in loans is significant given the increasing competition in the Texas banking markets we serve. Additionally, the 2007 loan growth was accompanied by a 18.7% decrease in nonperforming assets.

Commenting on the loan growth, B. G. Hartley said, "Our marketplace in Texas has continued to expand over the past several years through the opening of branches in strategic market areas. Positioning for future success, with de novo branching a key element, remains a central part of our business strategy. In addition to the loan and deposit growth, another critical portion of Southside's business strategy is the focus on increasing the number of accounts and relationships. Continued growth in the number of deposit accounts should provide Southside significant opportunities to enhance fee income. Our goal remains to become the primary financial provider for these account holders, thereby creating value from within."

During the three months ended March 31, 2007, deposits increased a solid $26.9 million, or 2.1%, to $1.31 billion from $1.28 billion at December 31, 2006. The overall growth in deposits during the first quarter ended March 31, 2007 resulted from our expanding branch network and continued market penetration. Price related competition for deposits has intensified. While the Company has attempted to maintain a disciplined deposit pricing strategy, the current competitive environment could pressure the net interest margin in the coming quarters. Callable-brokered certificates of deposits with long- term maturities, where the Company controls numerous call options, at March 31, 2007 totaled $123.4 million compared to $123.5 million at December 31, 2006. We believe these callable-brokered CDs continue to offer the Company significant long-term flexibility.

Net Interest Income

Net interest income decreased $543,000, or 5.1%, to $10.0 million for the three months ended March 31, 2007, when compared to $10.6 million for the same period in 2006. The net interest margin and net interest spread were impacted by the significant increase in short-term interest rates during 2006 combined with significantly smaller increases in long-term interest rates. This resulted in an inverted yield curve for most of 2006 and the first three months of 2007, where short-term interest rates were higher than long-term interest rates. As a result, the Company's net interest margin and net interest spread decreased to 2.47% and 1.67%, respectively, for the three months ended March 31, 2007 compared to 2.72% and 2.08%, respectively, for the same period in 2006. When comparing the first quarter ended March 31, 2007 to the fourth quarter ended December 31, 2006, the Company's net interest margin and spread increased slightly to 2.47% and 1.67%, respectively, from 2.45% and 1.65%,

respectively, for the fourth quarter of 2006. Should the yield curve remain inverted or invert more, the Company's net interest margin and spread could come under additional pressure during 2007.

Net Income for the Three Months

The increase in net income for the three months ended March 31, 2007 was primarily attributable to an increase in noninterest income, a decrease in noninterest expense and a decrease in provision for loan losses. Noninterest income, excluding gain on sale of available for sale securities, increased $734,000, or 14.8%, for the three months ended March 31, 2007, compared to the same period in 2006. The increase in noninterest income was primarily the result of increases in deposit services income, trust income, and other income. Provision for loan losses decreased $164,000, or 58.4%, for the three months ended March 31, 2007, compared to the same period in 2006.

Noninterest expense decreased $198,000, or 1.7%, for the three months ended March 31, 2007, compared to the same period in 2006. The decrease in noninterest expense was primarily a result of a decrease in salaries and employee benefits of $316,000, or 4.3%, for the three months ended March 31, 2007, compared to the same period in 2006.

In addition to the decrease in net interest income discussed above, partially offsetting the increase in net income, Federal income tax expense increased $324,000, or 44.8%, for the three months ended March 31, 2007, when compared to the same period in 2006. Federal income tax expense increased as a result of the decrease in tax-exempt income as a percentage of pre-tax income for the three months ended March 31, 2007, when compared to the same period in 2006.

About Southside Bancshares, Inc.

Southside Bancshares, Inc. is a bank holding company with approximately $1.82 billion in assets that owns 100% of Southside Bank. Southside Bank currently has 35 banking centers in East Texas and operates a network of 40 ATMs.

To learn more about Southside Bancshares, Inc., please visit our investor relations website at **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 Statements

Certain statements of other than historical fact that are contained in this document and in written material, press

releases and oral statements issued by or on behalf of the Company, a bank holding company, may be considered to be "forward-looking statements" within the meaning of and subject to the 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," "intend," "probability," "risk," "target," "objective," "plans," "potential," and similar expressions. Forward-looking statements are statements with respect to the Company's 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 the Company's actual results to differ materially from the results discussed in the forward-looking statements. For example, discussions of the effect of the Company's expansion, including expectations of the costs and profitability of such expansion, trends in asset quality and earnings from growth, and certain market risk disclosures 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. As a result, actual income gains and losses could materially differ from those that have been estimated.

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 Annual Report on Form 10-K for the year ended December 31, 2006 under "Forward-Looking Information" and Item 1A. "Risk Factors," and in the Company's other 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, 2007	At December 31, 2006	At March 31, 2006
	(dollars in thousands) (unaudited)		
Selected Financial Condition Data (at end of period)			
Total assets	$1,820,225	$1,890,976	$1,819,844
Loans	766,374	759,147	706,350
Allowance for loan losses	7,261	7,193	7,193
Mortgage-backed and related securities:			
Available for sale, at estimated fair value	591,873	643,164	627,655

Held to maturity, at cost	215,854	226,162	221,943
Investment securities:			
Available for sale, at estimated fair value	91,753	98,952	95,495
Held to maturity, at cost	1,352	1,351	---
Federal Home Loan Bank stock, at cost	20,452	25,614	29,045
Deposits	1,309,364	1,282,475	1,188,058
Long-term obligations	129,488	149,998	202,317
Shareholders' equity	115,556	110,604	106,536
Nonperforming assets	1,716	2,110	2,863
Nonaccrual loans	1,261	1,333	1,899
Loans 90 days past due	173	128	477
Restructured loans	193	220	247
Other real estate owned	35	351	163
Repossessed assets	54	78	77
Asset Quality Ratios:			
Nonaccruing loans to total loans	0.16%	0.18%	0.27%
Allowance for loan losses to nonaccruing loans	575.81	539.61	378.78
Allowance for loan losses to nonperforming assets	423.14	340.90	251.24
Allowance for loan losses to total loans	0.95	0.95	1.02
Nonperforming assets to total assets	0.09	0.11	0.16
Net charge-offs to average loans	0.03	0.14	0.10
Capital Ratios:			
Shareholders' equity to total assets	6.35	5.85	5.85
Average shareholders' equity to average total assets	5.98	5.99	6.11

LOAN PORTFOLIO COMPOSITION

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

	At March 31, 2007	At December 31, 2006	At March 31, 2006
	(in thousands) (unaudited)		
Real Estate Loans:			
Construction	$44,256	$39,588	$36,822
1-4 Family Residential	225,843	227,354	209,891
Other	180,321	181,047	173,337

Commercial Loans	120,420	118,962	96,461
Municipal Loans	107,080	106,155	106,343
Loans to Individuals	88,454	86,041	83,496
Total Loans	$766,374	$759,147	$706,350

	At or for the Three Months Ended March 31,	
	2007	2006
	(dollars in thousands) (unaudited)	
Selected Operating Data:		
Total interest income	$25,197	$22,569
Total interest expense	15,171	12,000
Net interest income	10,026	10,569
Provision for loan losses	117	281
Net interest income after provision for loan losses	9,909	10,288
Noninterest income		
Deposit services	3,928	3,469
Gain on sale of securities available for sale	429	123
Gain on sale of loans	345	373
Trust income	464	404
Bank owned life insurance income	264	244
Other	708	485
Total noninterest income	6,138	5,098
Noninterest expense		
Salaries and employee benefits	7,104	7,420
Occupancy expense	1,168	1,173
Equipment expense	228	203
Advertising, travel & entertainment	421	452
ATM and debit card expense	254	170
Director fees	127	145
Supplies	148	184
Professional fees	311	315
Postage	148	150
Telephone & communications	191	163
Other	1,136	1,059
Total noninterest expense	11,236	11,434
Income before Federal income tax expense	4,811	3,952
Provision for Federal income tax expense	1,048	724
Net income	$3,763	$3,228
Common Share Data:		
Weighted-average basic shares outstanding	12,362	12,196

Weighted-average diluted shares outstanding	12,783	12,678
Net income per common share		
Basic	$0.30	$0.26
Diluted	0.29	0.25
Book value per common share	9.33	8.72
Cash dividend declared per common share	0.11	0.11

Selected Performance Ratios:		
Return on average assets	0.81%	0.72%
Return on average shareholders' equity	13.55	11.79
Average yield on interest earning assets	5.95	5.59
Average yield on interest bearing liabilities	4.28	3.51
Net interest spread	1.67	2.08
Net interest margin	2.47	2.72
Average interest earning assets to average interest bearing liabilities	123.13	122.53
Noninterest expense to average total assets	2.42	2.55
Efficiency ratio	68.04	69.64

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Three Months Ended
March 31, 2007

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (1) (2)	$765,575	$13,021	6.90%
Loans Held for Sale	3,303	41	5.03%
Securities:			
Investment Securities (Taxable) (4)	68,262	836	4.97%
Investment Securities (Tax-Exempt) (3) (4)	41,040	723	7.14%
Mortgage-backed and Related Securities (4)	862,621	10,934	5.14%
Total Securities	971,923	12,493	5.21%
Federal Home Loan Bank Stock & Other Investments, at cost	25,297	370	5.93%
Interest Earning Deposits	552	7	5.14%
Federal Funds Sold	2,337	29	5.03%
Total Interest Earning Assets	1,768,987	25,961	5.95%

NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	45,106		
Bank Premises and Equipment	32,547		
Other Assets	43,813		
Less: Allowance for Loan Losses	(7,236)		
Total Assets	$1,883,217		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$51,168	164	1.30%
Time Deposits	532,308	6,361	4.85%
Interest Bearing Demand Deposits	389,542	3,040	3.16%
Total Interest Bearing Deposits	973,018	9,565	3.99%
Short-term Interest Bearing Liabilities	330,037	3,946	4.85%
Long-term Interest Bearing Liabilities - FHLB	113,053	1,232	4.42%
Long-term Debt (5)	20,619	428	8.30%
Total Interest Bearing Liabilities	1,436,727	15,171	4.28%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	315,381		
Other Liabilities	18,460		
Total Liabilities	1,770,568		
SHAREHOLDERS' EQUITY	112,649		
Total Liabilities and Shareholders' Equity	$1,883,217		
NET INTEREST INCOME	$10,790		
NET YIELD ON AVERAGE EARNING ASSETS			2.47%
NET INTEREST SPREAD			1.67%

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

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			

Loans (1) (2)	$694,114	$11,136	6.51%
Loans Held for Sale	4,462	53	4.82%
Securities:			
Investment Securities (Taxable) (4)	67,432	743	4.47%
Investment Securities (Tax-Exempt) (3) (4)	49,481	871	7.14%
Mortgage-backed and Related Securities (4)	850,730	10,237	4.88%
Total Securities	967,643	11,851	4.97%
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 Losses	(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%
Total Interest Bearing Deposits	817,365	6,254	3.10%
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%

(1) Interest on loans includes fees on loans which are not material in amount.
(2) Interest income includes taxable-equivalent adjustments of $548 and $561 for the quarter ended March 31, 2007 and 2006, respectively.
(3) Interest income includes taxable-equivalent adjustments of $216 and $272 for the quarter ended March 31, 2007 and 2006, respectively.
(4) For the purpose of calculating the average yield, the average balance of securities is presented at historical cost.
(5) Represents junior subordinated debentures issued by Southside Bancshares, Inc. to Southside Statutory Trust III in connection with the issuance of Southside Statutory Trust III of $20 million of trust preferred securities.

Note: As of March 31, 2007 and 2006, loans totaling $1,261 and $1,899, 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.

SOURCE Southside Bancshares, Inc.

Contact: Susan Hill of Southside Bancshares, Inc., +1-903-531-7220, or susanh@southside.com