NEWS RELEASE

# Southside Bancshares, Inc. Announces Net Income for the Three and Six Months Ended June 30, 2010

7/22/2010

NASDAQ Global Select Market Symbol - 'SBSI'

TYLER, Texas, July 22 /PRNewswire-FirstCall/ -- Southside Bancshares, Inc. ("Southside" or the "Company") (Nasdaq: SBSI) today reported its financial results for the three and six months ended June 30, 2010.

Southside reported net income of $9.3 million for the three months ended June 30, 2010, a decrease of $125,000, or 1.3%, when compared to the same period in 2009.

Net income for the six months ended June 30, 2010, decreased $2.6 million, or 11.2%, to $20.9 million from $23.5 million, for the same period in 2009.

Diluted earnings per common share decreased $0.02, or 3.3%, to $0.58 for the three months ended June 30, 2010, when compared to $0.60 for the same period in 2009. Diluted earnings per common share decreased $0.18, or 12.0%, to $1.32 for the six months ended June 30, 2010, compared to $1.50 for the same period in 2009.

The return on average shareholders' equity for the six months ended June 30, 2010, decreased to 20.00% compared to 27.00%, for the same period in 2009. The annual return on average assets decreased to 1.42% for the six months ended June 30, 2010, compared to 1.74% for the same period in 2009.

"We are pleased with the earnings reported for the second quarter of 2010," stated B. G. Hartley, Chairman and Chief Executive Officer of Southside Bancshares, Inc. "We are especially gratified to produce these earnings during a quarter that progressed as few could have predicted just three months prior to the start of the second quarter.

Although the outlook for the national credit environment became less clear, our credit costs actually decreased when compared to the first quarter of 2010. Our agency mortgage-backed securities experienced additional prepayment volatility during the second quarter due to the Fannie Mae and Freddie Mac announcements regarding the repurchases of delinquent mortgages. We used this period of increased prepayments as an opportunity to restructure a portion of our securities portfolio. Finally, the economic weakness in Europe caused a flight to quality in U.S. Treasury's, further reducing interest rates, and consequently, assisted the process of restructuring our securities portfolio. We believe we have positioned the bank to more effectively manage the current economic uncertainty."

"Our overall credit costs declined in the second quarter. We believe this moderation is a product of our underwriting culture, early identification and working with our borrowers when possible in order to proactively deal with problems. In addition, we continue to be fortunate that our service areas have endured less weakness than other communities across the nation."

"As we discussed in our first quarter earnings release and Form 10-Q, during February 2010, Fannie Mae and Freddie Mac announced they would begin repurchasing delinquent mortgages from the pools that securitized those mortgages. That resulted in a par repayment for a portion of our mortgage-backed securitized portfolio. Our amortization expense related to securities increased approximately $3.8 million pretax which equates to approximately $0.15 per share compared to the first quarter 2010, primarily as a direct result of the announced Fannie Mae and Freddie Mac repurchases. We believe this increase would have been greater had management not restructured a portion of the mortgage-backed securities portfolio in response to this development. We expect this amortization expense to decrease during the third quarter as the impact of these one time prepayments should no longer be a significant factor."

"On the national municipal level, there is enormous pressure on state and local budgets. While the credit quality of municipal borrowers has traditionally been quite high, we chose to be proactive and significantly reduce our exposure to municipal borrowers outside the State of Texas. Once the economic climate, as well as local budgets, exhibits more clarity, we fully expect to rebuild our portfolio to include more credits outside the State of Texas."

"As a community bank one of our primary goals has always been to provide credit and banking services to the communities and customers in our service areas. This approach has also served our shareholders well. Given the fragile nature of the economy we are concerned that changes in the regulatory environment could create additional uncertainty and potentially challenge our traditional means of serving customers, shareholders and communities. Our seasoned management team is committed to finding solutions to these unexpected challenges as the national economy emerges from one of the roughest patches in recent memory. We are confident that when the dust settles we should find effective solutions that result in continued success for all our stakeholders."

"Given this is our 50th anniversary, we continue to remind our communities that we have been a reliable partner in good economies and otherwise far longer than many can remember. We are proud of our East Texas roots and feel a sense of pride in the development of our service areas. We hope to utilize our 'golden' anniversary in order to further engage both customers and potential customers. We firmly believe the next 50 years will be as or more transformative for our communities as the last 50 years. We look forward to being an integral part of that progress."

Loans and Deposits

For the three months ended June 30, 2010, total loans increased slightly by $8,000, when compared to March 31, 2010. During the three months ended June 30, 2010, commercial loans increased $2.4 million, loans to individuals increased $496,000, and real estate loans decreased $2.8 million.

Nonperforming assets continued to stabilize during the second quarter decreasing $3.2 million, or 13.9%, to $19.7 million, or 0.66% of total assets, for the three months ended June 30, 2010 when compared to March 31, 2010. Future performance will be influenced by economic trends.

During the three months ended June 30, 2010, deposits, net of brokered deposits, decreased $13.2 million, or 0.74%, compared to March 31, 2010. When comparing June 30, 2010 to June 30, 2009, deposits, net of brokered deposits, increased $117.4 million, or 7.1%.

Net Interest Income

Net interest income decreased $3.1 million, or 13.7%, to $19.4 million for the three months ended June 30, 2010, when compared to $22.5 million for the same period in 2009. For the three months ended June 30, 2010, our net interest spread decreased to 2.77% from 3.33% for the same period in 2009. The net interest margin decreased to 3.09% for the three months ended June 30, 2010 compared to 3.73% for the same period in 2009. Compared to the previous quarter, the net interest spread and net interest margin for the three months ended June 30, 2010 decreased to 2.77% and 3.09%, respectively, from 3.42% and 3.74% for the three months ended March 31, 2010. This is due primarily to the one time prepayment announcements by Fannie Mae and Freddie Mac which increased amortization expense for agency mortgage-backed securities. Interest rates fell sharply in the second quarter resulting in a reduction in slope in the fixed income market.

Net Income for the Three Months

The decrease in net income for the three months ended June 30, 2010, when compared to the same period in 2009, was a result of a decrease in net interest income that was partially offset by an increase in security gains, a

decrease in noninterest expense, a decrease in the provision for loan losses, a decrease in net impairment losses on the $2.9 million amortized cost basis of trust preferred securities we owned at June 30, 2010, and a decrease in income tax expense.

Noninterest expense decreased $309,000, or 1.69%, for the three months ended June 30, 2010, compared to the same period in 2009. The decrease in noninterest expense was primarily a result of a decrease in FDIC insurance expense and ATM and debit card expense while being partially offset by an increase in salaries and employee benefits, occupancy expense and professional fees. FDIC insurance premiums decreased $1.2 million, or 64.2%, during the second quarter of 2010, due to a special FDIC assessment of $1.3 million during the second quarter of 2009. ATM and debit card expense decreased $149,000, or 41.3%, when compared to the same period in 2009. The increase in salaries and employee benefits was associated with our overall growth and expansion, an increase in retirement expense and normal salary increases for existing personnel which increased a combined $755,000, or 7.2%, when compared to the same period in 2009. Occupancy expense increased $97,000, or 6.2%, due primarily to additional depreciation of a new core banking system implemented during the fourth quarter of 2009 and overall bank growth. Professional fees increased $84,000, or 18.5%, due primarily to an increase in consultation fees. Income tax expense decreased $725,000, or 22.3% for the three months ended June 30, 2010, compared to the same period in 2009. The effective tax rate decreased to 20.6% for the three months ended June 30, 2010, compared to 24.8% for the same period in 2009. The income tax expense and the effective tax rate decreased due to an increase in tax-exempt income as a percentage of taxable income when compared to the same period in 2009.

About Southside Bancshares, Inc.

Southside Bancshares, Inc. is a bank holding company with approximately $3.0 billion in assets that owns 100% of Southside Bank. Southside Bank currently has 46 banking centers in Texas and operates a network of 49 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 **susan.hill@southside.com**.

Forward-Looking Statements

Certain statements of other than historical fact that are contained in this document and in other 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 potential profitability of such expansion, trends in asset quality and earnings from growth, and certain market risk disclosures, including the impact of potential interest rate increases, 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, 2009 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.

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| | At June 30, 2010 | At December 31, 2009 | At June 30, 2009 |
|---|---|---|---|
| | | (dollars in thousands) | |
| | | (unaudited) | |
| Selected Financial Condition Data (at end of period): | | | |
| Total assets | $ 2,966,751 | $ 3,024,288 | $ 2,743,277 |

| | | | |
|---|---|---|---|
| Loans | 1,017,452 | 1,033,576 | 1,016,967 |
| Allowance for loan losses | 19,283 | 19,896 | 18,804 |
| Mortgage-backed and related securities: | | | |
| Available for sale, at estimated fair value | 1,002,478 | 1,238,182 | 1,052,318 |
| Held to maturity, at cost | 459,677 | 242,665 | 240,704 |
| Investment securities: | | | |
| Available for sale, at estimated fair value | 251,504 | 265,060 | 216,869 |
| Held to maturity, at cost | 1,494 | 1,493 | 1,493 |
| Federal Home Loan Bank stock, at cost | 36,096 | 38,629 | 39,476 |
| Deposits | 1,928,704 | 1,870,421 | 1,696,535 |
| Long-term obligations | 504,393 | 592,830 | 670,149 |
| Equity | 219,564 | 202,249 | 182,850 |
| Nonperforming assets | 19,723 | 23,453 | 20,107 |
| Nonaccrual loans | 15,728 | 18,629 | 13,491 |
| Loans 90 days past due | 19 | 323 | 843 |
| Restructured loans | 2,671 | 1,972 | 1,939 |
| Other real estate owned | 1,097 | 1,875 | 3,262 |
| Repossessed assets | 208 | 654 | 572 |
| Asset Quality Ratios: | | | |
| Nonaccruing loans to total loans | 1.55 % | 1.80 % | 1.33 % |
| Allowance for loan losses to nonaccruing loans | 122.60 | 106.80 | 139.38 |
| Allowance for loan losses to nonperforming assets | 97.77 | 84.83 | 93.52 |
| Allowance for loan losses to total loans | 1.90 | 1.92 | 1.85 |
| Nonperforming assets to total assets | 0.66 | 0.78 | 0.73 |
| Net charge-offs to average loans | 1.33 | 1.11 | 0.85 |
| Capital Ratios: | | | |
| Shareholders' equity to total assets | 7.36 | 6.67 | 6.65 |
| Average shareholders' equity to average total assets | 7.09 | 6.66 | 6.44 |

## LOAN PORTFOLIO COMPOSITION

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

| | At June 30, 2010 | At December 31, 2009 | At June 30, 2009 |
|---|---|---|---|
| | (in thousands) | | |
| | (unaudited) | | |
| Real Estate Loans: | | | |
| Construction | $ 86,686 | $ 88,566 | $ 100,012 |
| 1-4 Family Residential | 235,311 | 234,379 | 235,365 |
| Other | 204,837 | 212,731 | 193,167 |
| Commercial Loans | 156,032 | 159,529 | 164,965 |
| Municipal Loans | 155,283 | 150,111 | 139,483 |
| Loans to Individuals | 179,303 | 188,260 | 183,975 |
| Total Loans | $ 1,017,452 | $ 1,033,576 | $ 1,016,967 |

At or for the At or for the

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (dollars in thousands) (unaudited) | | (dollars in thousands) (unaudited) | |
| Selected Operating Data: | | | | |
| Total interest income | $ 30,825 | $ 35,727 | $ 65,812 | $ 72,387 |
| Total interest expense | 11,455 | 13,272 | 23,366 | 27,695 |
| Net interest income | 19,370 | 22,455 | 42,446 | 44,692 |
| Provision for loan losses | 2,260 | 3,417 | 6,127 | 7,007 |
| Net interest income after provision for loan losses | 17,110 | 19,038 | 36,319 | 37,685 |
| Noninterest income | | | | |
| Deposit services | 4,400 | 4,417 | 8,464 | 8,452 |
| Gain on sale of securities available for sale | 6,661 | 5,911 | 15,016 | 19,707 |
| Total other-than-temporary impairment losses | – | – | (39) | (5,627) |
| Portion of loss recognized in other comprehensive income (before taxes) | – | (537) | (36) | 4,190 |
| Net impairment losses recognized in earnings | – | (537) | (75) | (1,437) |
| Gain on sale of loans | 399 | 547 | 680 | 882 |
| Trust income | 561 | 574 | 1,091 | 1,137 |
| Bank owned life insurance income | 285 | 736 | 570 | 1,037 |
| Other | 864 | 745 | 1,797 | 1,529 |
| Total noninterest income | 13,170 | 12,393 | 27,543 | 31,307 |
| Noninterest expense | | | | |
| Salaries and employee benefits | 11,215 | 10,460 | 22,157 | 20,944 |
| Occupancy expense | 1,662 | 1,565 | 3,305 | 2,983 |
| Equipment expense | 472 | 414 | 909 | 789 |

| | | | | |
|---|---|---|---|---|
| Advertising, travel & entertainment | 544 | 494 | 1,081 | 1,003 |
| ATM and debit card expense | 212 | 361 | 379 | 660 |
| Director fees | 216 | 166 | 393 | 312 |
| Supplies | 206 | 206 | 476 | 418 |
| Professional fees | 539 | 455 | 945 | 1,085 |
| Postage | 231 | 192 | 417 | 380 |
| Telephone and communications | 346 | 363 | 719 | 644 |
| FDIC Insurance | 689 | 1,925 | 1,368 | 2,461 |
| Other | 1,647 | 1,687 | 3,282 | 3,126 |
| Total noninterest expense | 17,979 | 18,288 | 35,431 | 34,805 |
| Income before income tax expense | 12,301 | 13,143 | 28,431 | 34,187 |
| Provision for income tax expense | 2,530 | 3,255 | 6,485 | 9,401 |
| Net income | 9,771 | 9,888 | 21,946 | 24,786 |
| Less: Net income attributable to the noncontrolling interest | (519) | (511) | (1,049) | (1,264) |
| Net income attributable to Southside Bancshares, Inc. | $ 9,252 | $ 9,377 | $ 20,897 | $ 23,522 |

| | | | | |
|---|---|---|---|---|
| Common share data attributable to Southside Bancshares, Inc: | | | | |
| Weighted-average basic shares outstanding | 15,812 | 15,611 | 15,781 | 15,551 |
| Weighted-average diluted shares outstanding | 15,840 | 15,750 | 15,828 | 15,733 |
| Net income per common share | | | | |
| Basic | $ 0.58 | $ 0.60 | $ 1.32 | $ 1.51 |
| Diluted | 0.58 | 0.60 | 1.32 | 1.50 |
| Book value per common share | - | - | 13.78 | 11.66 |

| | | | | |
|---|---|---|---|---|
| Cash dividend declared per common share | 0.17 | 0.14 | 0.34 | 0.27 |

| | At or for the Three Months Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (dollars in thousands) | | (dollars in thousands) | |
| | (unaudited) | | (unaudited) | |
| Selected Performance Ratios: | | | | |
| Return on average assets | 1.23% | 1.36% | 1.42% | 1.74% |
| Return on average shareholders' equity | 17.48 | 20.72 | 20.00 | 27.00 |
| Average yield on interest earning assets | 4.72 | 5.79 | 5.10 | 5.97 |
| Average yield on interest bearing liabilities | 1.95 | 2.46 | 2.02 | 2.62 |
| Net interest spread | 2.77 | 3.33 | 3.08 | 3.35 |
| Net interest margin | 3.09 | 3.73 | 3.41 | 3.78 |
| Average interest earnings assets to average interest bearing liabilities | 119.61 | 119.29 | 119.14 | 119.29 |
| Noninterest expense to average total assets | 2.40 | 2.64 | 2.40 | 2.57 |
| Efficiency ratio | 63.31 | 58.39 | 58.87 | 56.94 |

## RESULTS OF OPERATIONS

The analysis below shows average interest earning assets and interest bearing liabilities together with the average yield on the interest earning assets and the average cost of the interest bearing liabilities.

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AVERAGE BALANCES AND YIELDS

(dollars in thousands)

(unaudited)

Six Months Ended

| | June 30, 2010 | | | June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | AVG BALANCE | INTEREST | AVG YIELD | AVG BALANCE | INTEREST | AVG YIELD |
| ASSETS | | | | | | |
| INTEREST EARNING ASSETS: | | | | | | |
| Loans (1) (2) | $ 1,020,908 | $ 36,779 | 7.26 % | $ 1,020,544 | $ 37,618 | 7.43 % |
| Loans Held For Sale | 3,735 | 71 | 3.83 % | 4,065 | 66 | 3.27 % |
| Securities: | | | | | | |
| Investment Securities (Taxable)(4) | 9,373 | 52 | 1.12 % | 55,279 | 608 | 2.22 % |
| Investment Securities (Tax-Exempt)(3)(4) | 256,041 | 8,702 | 6.85 % | 128,207 | 4,363 | 6.86 % |
| Mortgage-backed and Related Securities (4) | 1,435,493 | 24,559 | 3.45 % | 1,264,529 | 32,479 | 5.18 % |
| Total Securities | 1,700,907 | 33,313 | 3.95 % | 1,448,015 | 37,450 | 5.22 % |
| FHLB stock and other investments, at cost | 38,629 | 141 | 0.74 % | 41,499 | 152 | 0.74 % |
| Interest Earning Deposits | 13,976 | 15 | 0.22 % | 23,230 | 63 | 0.55 % |
| Federal Funds Sold | – | – | – | 7,916 | 17 | 0.43 % |
| Total Interest Earning Assets | 2,778,155 | 70,319 | 5.10 % | 2,545,269 | 75,366 | 5.97 % |
| NONINTEREST EARNING ASSETS: | | | | | | |
| Cash and Due From Banks | 45,006 | | | 45,025 | | |
| Bank Premises and Equipment | 47,708 | | | 44,005 | | |
| Other Assets | 120,816 | | | 108,677 | | |
| Less: Allowance for Loan Loss | (19,227) | | | (16,981) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Assets | $ 2,972,458 | | | $ 2,725,995 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| INTEREST BEARING LIABILITIES: | | | | | | |
| Savings Deposits | $ 73,270 | 167 | 0.46 % | $ 64,198 | 253 | 0.79 % |
| Time Deposits | 713,164 | 6,954 | 1.97 % | 647,380 | 8,598 | 2.68 % |
| Interest Bearing Demand Deposits | 717,638 | 2,617 | 0.74 % | 547,011 | 3,207 | 1.18 % |
| Total Interest Bearing Deposits | 1,504,072 | 9,738 | 1.31 % | 1,258,589 | 12,058 | 1.93 % |
| Short-term Interest Bearing Liabilities | 301,065 | 3,547 | 2.38 % | 176,288 | 2,335 | 2.67 % |
| Long-term Interest Bearing Liabilities – FHLB Dallas | 466,352 | 8,465 | 3.66 % | 638,426 | 11,556 | 3.65 % |
| Long-term Debt (5) | 60,311 | 1,616 | 5.40 % | 60,311 | 1,746 | 5.84 % |
| Total Interest Bearing Liabilities | 2,331,800 | 23,366 | 2.02 % | 2,133,614 | 27,695 | 2.62 % |
| NONINTEREST BEARING LIABILITIES: | | | | | | |
| Demand Deposits | 402,228 | | | 379,416 | | |
| Other Liabilities | 26,717 | | | 36,519 | | |
| Total Liabilities | 2,760,745 | | | 2,549,549 | | |
| SHAREHOLDERS' EQUITY (6) | 211,713 | | | 176,446 | | |
| Total Liabilities and Shareholders' Equity | $ 2,972,458 | | | $ 2,725,995 | | |
| NET INTEREST INCOME | | $ 46,953 | | | $ 47,671 | |
| NET INTEREST MARGIN ON AVERAGE EARNING ASSETS | | | 3.41 % | | | 3.78 % |
| NET INTEREST SPREAD | | | 3.08 % | | | 3.35 % |

(1) Interest on loans includes fees on loans that are not material in amount.

(2) Interest income includes taxable-equivalent adjustments of $1,648 and $1,489 for the six months ended June 30, 2010 and 2009, respectively.

(3) Interest income includes taxable-equivalent adjustments of $2,859 and $1,490 for the six months ended June 30, 2010 and 2009, 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 us to Southside Statutory Trust III, IV, and V in connection with the issuance by Southside Statutory Trust III of $20 million of trust preferred securities, Southside Statutory Trust IV of $22.5 million of trust preferred securities, Southside Statutory Trust V of $12.5 million of trust preferred securities and junior subordinated debentures issued by FWBS to Magnolia Trust Company I in connection with the issuance by Magnolia Trust Company I of $3.5 million of trust preferred securities.

(6) Includes average equity of noncontrolling interest of $1,042 and $772 for the six months ended June 30, 2010 and 2009, respectively.

Note: As of June 30, 2010 and 2009, loans totaling $15,728 and $13,491, 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.

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AVERAGE BALANCES AND YIELDS

(dollars in thousands)

(unaudited)

Three Months Ended

| | June 30, 2010 | | | June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | AVG BALANCE | INTEREST | AVG YIELD | AVG BALANCE | INTEREST | AVG YIELD |
| ASSETS | | | | | | |
| INTEREST EARNING ASSETS: | | | | | | |
| Loans (1) (2) | $ 1,016,037 | $ 18,221 | 7.19 % | $ 1,019,367 | $ 18,600 | 7.32 % |
| Loans Held For Sale | 4,319 | 40 | 3.71 % | 5,605 | 48 | 3.43 % |
| Securities: | | | | | | |
| Investment Securities (Taxable)(4) | 9,392 | 26 | 1.11 % | 46,310 | 289 | 2.50 % |
| Investment Securities (Tax-Exempt)(3)(4) | 264,345 | 4,494 | 6.82 % | 129,863 | 2,197 | 6.79 % |
| Mortgage-backed and Related Securities (4) | 1,477,593 | 10,282 | 2.79 % | 1,319,194 | 16,075 | 4.89 % |
| Total Securities | 1,751,330 | 14,802 | 3.39 % | 1,495,367 | 18,561 | 4.98 % |
| FHLB stock and other investments, at cost | 38,194 | 59 | 0.62 % | 41,522 | 48 | 0.46 % |
| Interest Earning Deposits | 6,675 | 4 | 0.24 % | 24,521 | 53 | 0.87 % |
| Federal Funds Sold | – | – | – | 176 | 1 | 2.28 % |
| Total Interest Earning Assets | 2,816,555 | 33,126 | 4.72 % | 2,586,558 | 37,311 | 5.79 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| NONINTEREST EARNING ASSETS: | | | | | | |
| Cash and Due From Banks | 42,872 | | | 42,171 | | |
| Bank Premises and Equipment | 48,219 | | | 44,835 | | |
| Other Assets | 119,382 | | | 117,500 | | |
| Less: Allowance for Loan Loss | (18,649) | | | (17,774) | | |
| Total Assets | $ 3,008,379 | | | $ 2,773,290 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| INTEREST BEARING LIABILITIES: | | | | | | |
| Savings Deposits | $ 75,065 | 84 | 0.45 % | $ 66,100 | 116 | 0.70 % |
| Time Deposits | 692,274 | 3,294 | 1.91 % | 677,871 | 4,093 | 2.42 % |
| Interest Bearing Demand Deposits | 742,401 | 1,355 | 0.73 % | 553,824 | 1,477 | 1.07 % |
| Total Interest Bearing Deposits | 1,509,740 | 4,733 | 1.26 % | 1,297,795 | 5,686 | 1.76 % |
| Short-term Interest Bearing Liabilities | 341,401 | 1,867 | 2.19 % | 195,027 | 1,170 | 2.41 % |
| Long-term Interest Bearing Liabilities – FHLB Dallas | 443,301 | 4,041 | 3.66 % | 615,087 | 5,548 | 3.62 % |
| Long-term Debt (5) | 60,311 | 814 | 5.41 % | 60,311 | 868 | 5.77 % |
| Total Interest Bearing Liabilities | 2,354,753 | 11,455 | 1.95 % | 2,168,220 | 13,272 | 2.46 % |
| NONINTEREST BEARING LIABILITIES: | | | | | | |
| Demand Deposits | 412,735 | | | 384,551 | | |
| Other Liabilities | 27,381 | | | 38,435 | | |
| Total Liabilities | 2,794,869 | | | 2,591,206 | | |
| SHAREHOLDERS' EQUITY (6) | 213,510 | | | 182,084 | | |
| Total Liabilities and Shareholders' Equity | $ 3,008,379 | | | $ 2,773,290 | | |
| NET INTEREST INCOME | | $ 21,671 | | | $ 24,039 | |
| NET INTEREST MARGIN ON AVERAGE EARNING ASSETS | | | 3.09 % | | | 3.73 % |
| NET INTEREST SPREAD | | | 2.77 % | | | 3.33 % |

(1) Interest on loans includes fees on loans that are not material in amount.

(2) Interest income includes taxable-equivalent adjustments of $824 and $766 for the three months ended June 30, 2010 and 2009, respectively.

(3) Interest income includes taxable-equivalent adjustments of $1,477 and $818 for the three months ended June 30, 2010 and 2009, 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 us to Southside Statutory Trust III, IV, and V in connection with the issuance by Southside Statutory Trust III of $20 million of trust preferred securities, Southside Statutory Trust IV of $22.5 million of trust preferred securities, Southside Statutory Trust V of $12.5 million of trust preferred securities and junior subordinated debentures issued by FWBS to Magnolia Trust Company I in connection with the issuance by Magnolia Trust Company I of $3.5 million of trust preferred securities.

(6) Includes average equity of noncontrolling interest of $1,235 and $605 for the three months ended June 30, 2010 and 2009, respectively.

Note: As of June 30, 2010 and 2009, loans totaling $15,728 and $13,491, 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.

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