NEWS RELEASE

# Southside Bancshares, Inc. Announces Record Earnings for the Three and Nine Months Ended September 30, 2009

10/29/2009

TYLER, Texas, Oct. 29 /PRNewswire-FirstCall/ -- Southside Bancshares, Inc. ("Southside" or the "Company") (Nasdaq: SBSI) today reported its financial results for the three and nine months ended September 30, 2009.

Southside reported record net income of $10.5 million for the three months ended September 30, 2009, an increase of $4.2 million, or 68.0%, when compared to $6.3 million for the same period in 2008.

Net income for the nine months ended September 30, 2009, increased $13.7 million, or 67.4%, to a record $34.0 million from $20.3 million, for the same period in 2008.

Diluted earnings per share increased $0.28, or 66.7%, to $0.70 for the three months ended September 30, 2009, when compared to $0.42 for the same period in 2008. Diluted earnings per share increased $0.91, or 66.9%, to $2.27 for the nine months ended September 30, 2009, compared to $1.36 for the same period in 2008.

The return on average shareholders' equity for the nine months ended September 30, 2009, increased to 25.15% compared to 19.19% for the same period in 2008. The annual return on average assets increased to 1.65% for the nine months ended September 30, 2009, compared to 1.18% for the same period in 2008.

"During 2009, we feel fortunate to have achieved significant earnings benchmarks. We continue to manage the bank with attractive net interest margins," stated B. G. Hartley, Chairman and CEO of Southside Bancshares, Inc. "Our asset quality continues to be at relatively sound levels, especially in light of the macro-economic climate. Finally, we have organically grown our capital position and capital ratios. This capital not only gives us significant flexibility should the future conditions take an unexpected turn, but it also grants us the option to grow our franchise and increase long-term shareholder value."

"The threat of an economic free-fall that persisted over the last eighteen months has been replaced by questions related to the strength and tenacity of the eventual economic recovery. Having navigated successfully through these volatile times, Southside is in a position to take advantage of strategic opportunities as economic visibility continues to improve."

"As always, but especially in the current environment, I have been gratified by the depth of talent and experience we possess and continue to add at the board level, and throughout our employee ranks. Our success during 2009 is a tribute to our people. These are the people who will allow us to continue to grow and to manage our future franchise."

Loan and Deposit Growth

For the three months ended September 30, 2009, total loans decreased slightly, $1.2 million, or 0.1% compared to June 30, 2009. For the nine months ended September 30, 2009, total loans decreased $6.8 million, or 0.7%, compared to December 31, 2008. When comparing September 30, 2009 to September 30, 2008, total loans increased by $28.3 million, or 2.9%. The increase occurred primarily in three categories, other real estate loans, municipal loans and loans to individuals.

Nonperforming assets increased $3.1 million, or 15.4%, to $23.2 million, or 0.79% of total assets, for the three months ended September 30, 2009 when compared to June 30, 2009. This increase is primarily related to construction loans, most of which are associated with the acquisition of Fort Worth National Bank and, to a lesser extent, loans to individuals purchased by Southside Financial Group.

During the three months ended September 30, 2009, deposits, net of brokered deposits, increased $43.6 million, or 2.6%, compared to June 30, 2009. When comparing September 30, 2009 to September 30, 2008, deposits, net of brokered deposits, increased $211.2 million, or 14.3%. The year over year increase in deposits is the result of an increase in public fund deposits combined with an overall increase in core deposits. Much of the increase in the public fund deposits is temporary and is expected to roll-off over the next twelve months.

Net Interest Income

Net interest income increased $2.9 million, or 14.4%, to $22.7 million for the three months ended September 30, 2009, when compared to $19.8 million for the same period in 2008. For the three months ended September 30, 2009, when compared to the same period in 2008, our net interest spread increased to 3.35% from 3.13% and during the same period the net interest margin increased to 3.73% from 3.68%. Compared to the three months ended June 30, 2009, the net interest spread for the three months ended September 30, 2009 increased to 3.35% from 3.33%. The net interest margin for the three months ended September 30, 2009, remained unchanged at 3.73% when compared to the three months ended June 30, 2009.

Net Income for the Three Months

The increase in net income for the three months ended September 30, 2009, when compared to the same period in 2008, was primarily a result of security gains, an increase in net interest income and a decrease in provision for loan losses which were partially offset by an increase in other-than-temporary impairment losses, an increase in noninterest expense and an increase in provision for income tax expense.

Noninterest expense increased $2.0 million, or 13.0%, for the three months ended September 30, 2009, compared to the same period in 2008. The increase in noninterest expense was primarily a result of increases in personnel expense, occupancy expense, FDIC insurance expense and other expense. The increase in personnel expense was associated with our overall growth and expansion, an increase in health insurance expense and normal salary increases for existing personnel, all of which are reflected in salaries and employee benefits which increased a combined $217,000, or 2.2%, when compared to the same period in 2008. Occupancy expense increased $252,000 or 17.4%, due to the addition of a new banking facility and the overall bank growth. FDIC insurance premiums increased $499,000, or 226.8%, due to deposit growth and an overall increase in FDIC insurance premium rates. Other expense increased $437,000, or 25.7%, when compared to the same period in 2008. The increase in other expense was primarily due to losses on other real estate.

About Southside Bancshares, Inc.

Southside Bancshares, Inc. is a bank holding company with approximately $2.9 billion in assets that owns 100% of Southside Bank. Southside Bank currently has 44 banking centers in Texas and operates a network of 47 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 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, 2008 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 September 30, 2009 | At December 31, 2008 | At September 30, 2008 |
|---|---|---|---|
| | (dollars in thousands) (unaudited) | | |
| Selected Financial Condition Data (at end of period): | | | |
| Total assets | $2,941,563 | $2,700,238 | $2,524,098 |
| Loans | 1,015,724 | 1,022,549 | 987,375 |
| Allowance for loan losses | 18,445 | 16,112 | 12,928 |
| Mortgage-backed and related securities: | | | |
| Available for sale, at estimated fair value | 1,209,571 | 1,026,513 | 1,011,955 |
| Held to maturity, at cost | 236,072 | 157,287 | 165,288 |
| Investment securities: | | | |
| Available for sale, at estimated fair value | 264,712 | 278,378 | 121,509 |
| Held to maturity, at cost | 1,493 | 478 | 477 |
| Federal Home Loan Bank stock, at cost | 36,838 | 39,411 | 34,317 |
| Deposits | 1,787,248 | 1,556,131 | 1,479,192 |
| Long-term obligations | 655,518 | 715,800 | 589,905 |
| Shareholders' equity | 203,369 | 161,089 | 142,612 |
| Nonperforming assets | 23,207 | 15,781 | 8,561 |
| Nonaccrual loans | 16,690 | 14,289 | 6,192 |
| Loans 90 days past due | 1,065 | 593 | 1,320 |
| Restructured loans | 2,273 | 148 | 158 |
| Other real estate owned | 2,331 | 318 | 549 |
| Repossessed assets | 848 | 433 | 342 |
| Asset Quality Ratios: | | | |
| Nonaccruing loans to total loans | 1.64 % | 1.40 % | 0.63% |
| Allowance for loan losses to nonaccruing | | | |

| | | | |
|---|---|---|---|
| loans | 110.52 | 112.76 | 208.79 |
| Allowance for loan losses to nonperforming assets | 79.48 | 102.10 | 151.01 |
| Allowance for loan losses to total loans | 1.82 | 1.58 | 1.31 |
| Nonperforming assets to total assets | 0.79 | 0.58 | 0.34 |
| Net charge-offs to average loans | 1.00 | 0.74 | 0.70 |
| | | | |
| Capital Ratios: | | | |
| Shareholders' equity to total assets | 6.89 | 5.95 | 5.64 |
| Average shareholders' equity to average total assets | 6.54 | 6.04 | 6.17 |

LOAN PORTFOLIO COMPOSITION

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

| | At September 30, 2009 | At December 31, 2008 | At September 30, 2008 |
|---|---|---|---|
| | (in thousands) (unaudited) | | |
| Real Estate Loans: | | | |
| Construction | $87,976 | $120,153 | $99,235 |
| 1-4 Family Residential | 233,172 | 238,693 | 244,988 |

| | | | |
|---|---|---|---|
| Other | 208,187 | 184,629 | 185,248 |
| Commercial Loans | 162,378 | 165,558 | 165,929 |
| Municipal Loans | 144,450 | 134,986 | 118,568 |
| Loans to Individuals | 179,561 | 178,530 | 173,407 |
| Total Loans | $1,015,724 | $1,022,549 | $987,375 |

| | At or for the Three Months Ended September 30, | | At or for the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | (dollars in thousands) (unaudited) | | (dollars in thousands) (unaudited) | |
| Selected Operating Data: | | | | |
| Total interest income | $35,399 | $34,260 | $107,786 | $97,931 |
| Total interest expense | 12,736 | 14,452 | 40,431 | 44,858 |
| Net interest income | 22,663 | 19,808 | 67,355 | 53,073 |
| Provision for loan losses | 2,973 | 3,150 | 9,980 | 8,336 |
| Net interest income after provision for loan losses | 19,690 | 16,658 | 57,375 | 44,737 |
| Noninterest income | | | | |
| Deposit services | 4,543 | 4,739 | 12,995 | 13,823 |
| Gain on sale of securities | | | | |

| | | | | |
|---|---|---|---|---|
| available for sale | 6,706 | 822 | 26,413 | 6,574 |
| Total other-than-temporary impairment losses | - | - | (5,627) | - |
| Portion of loss recognized in other comprehensive income (before taxes) | (993) | - | 3,197 | - |
| Net impairment losses recognized in earnings | (993) | - | (2,430) | - |
| Gain on sale of loans | 392 | 239 | 1,274 | 1,551 |
| Trust income | 693 | 678 | 1,830 | 1,890 |
| Bank owned life insurance income | 325 | 314 | 1,362 | 1,382 |
| Other | 847 | 827 | 2,376 | 2,388 |
| Total noninterest income | 12,513 | 7,619 | 43,820 | 27,608 |
| Noninterest expense | | | | |
| Salaries and employee benefits | 10,219 | 10,002 | 31,163 | 27,521 |
| Occupancy expense | 1,701 | 1,449 | 4,684 | 4,264 |
| Equipment expense | 453 | 327 | 1,242 | 968 |
| Advertising, travel & entertainment | 546 | 447 | 1,549 | 1,407 |
| ATM and debit card expense | 328 | 313 | 988 | 905 |
| Director fees | 168 | 134 | 480 | 425 |
| Supplies | 254 | 201 | 672 | 584 |
| Professional fees | 572 | 452 | 1,657 | 1,239 |
| Postage | 247 | 199 | 627 | 565 |
| Telephone and communications | 409 | 270 | 1,053 | 785 |
| FDIC Insurance | 719 | 220 | 3,180 | 688 |
| Other | 2,135 | 1,698 | 5,261 | 4,997 |
| Total noninterest expense | 17,751 | 15,712 | 52,556 | 44,348 |

| | | | | |
|---|---|---|---|---|
| Income before income tax expense | 14,452 | 8,565 | 48,639 | 27,997 |
| Provision for income tax expense | 3,620 | 2,240 | 13,021 | 7,399 |
| Net income | 10,832 | 6,325 | 35,618 | 20,598 |
| Less: Net income attributable to the noncontrolling interest | (335) | (75) | (1,599) | (271) |
| Net income attributable to parent | $10,497 | $6,250 | $34,019 | $20,327 |
| | | | | |
| Common share data attributable to parent: | | | | |
| Weighted-average basic shares outstanding | 14,911 | 14,623 | 14,843 | 14,552 |
| Weighted-average diluted shares outstanding | 15,018 | 14,922 | 14,995 | 14,897 |
| Net income per common share | | | | |
| Basic | $0.70 | $0.43 | $2.29 | $1.40 |
| Diluted | 0.70 | 0.42 | 2.27 | 1.36 |
| Book value per common share | - | - | 13.57 | 9.70 |
| Cash dividend declared per common share | 0.14 | 0.16 | 0.41 | 0.41 |

| | At or for the | At or for the |
|---|---|---|

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | (dollars in thousands) (unaudited) | | (dollars in thousands) (unaudited) | |
| Selected Performance Ratios: | | | | |
| Return on average assets | 1.47% | 1.03% | 1.65% | 1.18% |
| Return on average shareholders' equity | 21.81 | 17.47 | 25.15 | 19.19 |
| Average yield on interest earning assets | 5.63 | 6.23 | 5.85 | 6.33 |
| Average yield on interest bearing liabilities | 2.28 | 3.10 | 2.50 | 3.41 |
| Net interest spread | 3.35 | 3.13 | 3.35 | 2.92 |
| Net interest margin | 3.73 | 3.68 | 3.76 | 3.52 |
| Average interest earnings assets to average interest bearing liabilities | 119.84 | 121.82 | 119.48 | 121.45 |
| Noninterest expense to average total assets | 2.48 | 2.58 | 2.54 | 2.58 |
| Efficiency ratio | 53.77 | 56.08 | 55.85 | 56.53 |

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.

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Nine Months Ended

| | September 30, 2009 | | | September 30, 2008 | | |
|---|---|---|---|---|---|---|
| | AVG BALANCE | AVG INTEREST | AVG YIELD | AVG BALANCE | AVG INTEREST | AVG YIELD |
| ASSETS | | | | | | |
| INTEREST EARNING ASSETS: | | | | | | |
| Loans (1) (2) | $1,020,782 | $55,505 | 7.27% | $980,076 | $55,818 | 7.61% |
| Loans Held For Sale | 4,202 | 116 | 3.69% | 2,734 | 99 | 4.84% |
| Securities: | | | | | | |
| Investment Securities (Taxable)(4) | 52,308 | 1,010 | 2.58% | 47,105 | 1,377 | 3.90% |
| Investment Securities (Tax-Exempt) (3)(4) | 156,416 | 8,091 | 6.92% | 83,357 | 4,124 | 6.61% |
| Mortgage-backed and Related Securities (4) | 1,277,781 | 47,988 | 5.02% | 983,882 | 38,876 | 5.28% |
| Total Securities | 1,486,505 | 57,089 | 5.13% | 1,114,344 | 44,377 | 5.32% |
| FHLB stock and other investments, at cost | 40,841 | 195 | 0.64% | 29,108 | 656 | 3.01% |
| Interest Earning Deposits | 24,371 | 121 | 0.66% | 928 | 22 | 3.17% |
| Federal Funds Sold | 5,248 | 17 | 0.43% | 4,118 | 79 | 2.56% |
| Total Interest Earning Assets | 2,581,949 | 113,043 | 5.85% | 2,131,308 | 101,051 | 6.33% |
| NONINTEREST EARNING ASSETS: | | | | | | |
| Cash and Due From Banks | 44,031 | | | 45,590 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Bank Premises and Equipment | 44,792 | | | 40,135 | | | |
| Other Assets | 110,506 | | | 86,988 | | | |
| Less: Allowance for Loan Loss | (17,423) | | | (10,667) | | | |
| Total Assets | $2,763,855 | | | $2,293,354 | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | |
| INTEREST BEARING LIABILITIES: | | | | | | | |
| Savings Deposits | $65,110 | 352 | 0.72% | $56,863 | 545 | 1.28% | |
| Time Deposits | 669,069 | 12,597 | 2.52% | 537,829 | 17,203 | 4.27% | |
| Interest Bearing Demand Deposits | 558,196 | 4,583 | 1.10% | 492,051 | 8,132 | 2.21% | |
| Total Interest Bearing Deposits | 1,292,375 | 17,532 | 1.81% | 1,086,743 | 25,880 | 3.18% | |
| Short-term Interest Bearing Liabilities | 182,310 | 3,355 | 2.46% | 299,125 | 7,125 | 3.18% | |
| Long-term Interest Bearing Liabilities - FHLB Dallas | 625,964 | 16,958 | 3.62% | 308,725 | 8,828 | 3.82% | |
| Long-term Debt (5) | 60,311 | 2,586 | 5.73% | 60,311 | 3,025 | 6.70% | |
| Total Interest Bearing Liabilities | 2,160,960 | 40,431 | 2.50% | 1,754,904 | 44,858 | 3.41% | |
| NONINTEREST BEARING LIABILITIES: | | | | | | | |
| Demand Deposits | 378,368 | | | 367,786 | | | |
| Other Liabilities | 42,906 | | | 28,623 | | | |
| Total | | | | | | | |

| | | |
|---|---|---|
| Liabilities | 2,582,234 | 2,151,313 |
| SHAREHOLDERS' EQUITY (6) | 181,621 | 142,041 |
| Total Liabilities and Shareholders' Equity | $2,763,855 | $2,293,354 |
| NET INTEREST INCOME | $72,612 | $56,193 |
| NET INTEREST MARGIN ON AVERAGE EARNING ASSETS | 3.76% | 3.52% |
| NET INTEREST SPREAD | 3.35% | 2.92% |

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

(2) Interest income includes taxable-equivalent adjustments of $2,305 and $1,825 for the nine months ended September 30, 2009 and 2008, respectively.

(3) Interest income includes taxable-equivalent adjustments of $2,952 and $1,295 for the nine months ended September 30, 2009 and 2008, 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 $793 and $525 for the nine months ended September 30, 2009 and 2008, respectively.

Note: As of September 30, 2009 and 2008, loans totaling $16,690 and $6,192, 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 | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2009 | | | September 30, 2008 | | |
| | AVG BALANCE | AVG INTEREST | AVG YIELD | AVG BALANCE | AVG INTEREST | AVG YIELD |
| ASSETS | | | | | | |
| INTEREST EARNING ASSETS: | | | | | | |
| Loans (1) (2) | $1,021,251 | $17,887 | 6.95% | $985,953 | $18,630 | 7.52% |
| Loans Held For Sale | 4,473 | 50 | 4.43% | 2,099 | 29 | 5.50% |
| Securities: | | | | | | |
| Investment Securities (Taxable)(4) | 46,463 | 402 | 3.43% | 37,826 | 307 | 3.23% |
| Investment Securities (Tax-Exempt) (3)(4) | 211,915 | 3,728 | 6.98% | 76,646 | 1,291 | 6.70% |
| Mortgage-backed and Related Securities (4) | 1,303,851 | 15,509 | 4.72% | 1,119,217 | 14,883 | 5.29% |
| Total Securities | 1,562,229 | 19,639 | 4.99% | 1,233,689 | 16,481 | 5.31% |
| FHLB stock and other investments, at cost | 39,544 | 43 | 0.43% | 33,810 | 180 | 2.12% |
| Interest Earning | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Deposits | 26,614 | 58 | 0.86% | 530 | 2 | 1.50% |
| Federal Funds Sold | - | - | - | 1,559 | 8 | 2.04% |
| Total Interest Earning Assets | 2,654,111 | 37,677 | 5.63% | 2,257,640 | 35,330 | 6.23% |
| NONINTEREST EARNING ASSETS: | | | | | | |
| Cash and Due From Banks | 42,076 | | | 45,061 | | |
| Bank Premises and Equipment | 46,341 | | | 40,473 | | |
| Other Assets | 114,102 | | | 86,542 | | |
| Less: Allowance for Loan Loss | (18,291) | | | (11,614) | | |
| Total Assets | $2,838,339 | | | $2,418,102 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| INTEREST BEARING LIABILITIES: | | | | | | |
| Savings Deposits | $66,903 | 99 | 0.59% | $58,646 | 188 | 1.28% |
| Time Deposits | 711,740 | 3,999 | 2.23% | 497,663 | 4,502 | 3.60% |
| Interest Bearing Demand Deposits | 580,202 | 1,376 | 0.94% | 511,599 | 2,567 | 2.00% |
| Total Interest Bearing Deposits | 1,358,845 | 5,474 | 1.60% | 1,067,908 | 7,257 | 2.70% |
| Short-term Interest Bearing Liabilities | 194,157 | 1,020 | 2.08% | 279,502 | 1,986 | 2.83% |
| Long-term Interest Bearing Liabilities - FHLB Dallas | 601,446 | 5,402 | 3.56% | 445,590 | 4,231 | 3.78% |
| Long-term Debt (5) | 60,311 | 840 | 5.53% | 60,311 | 978 | 6.45% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Interest Bearing Liabilities | 2,214,759 | 12,736 | 2.28% | 1,853,311 | 14,452 | 3.10% |
| NONINTEREST BEARING LIABILITIES: | | | | | | |
| Demand Deposits | 376,307 | | | 382,940 | | |
| Other Liabilities | 55,472 | | | 39,105 | | |
| Total Liabilities | 2,646,538 | | | 2,275,356 | | |
| SHAREHOLDERS' EQUITY (6) | 191,801 | | | 142,746 | | |
| Total Liabilities and Shareholders' Equity | $2,838,339 | | | $2,418,102 | | |
| NET INTEREST INCOME | | $24,941 | | | $20,878 | |
| NET INTEREST MARGIN ON AVERAGE EARNING ASSETS | | | 3.73% | | | 3.68% |
| NET INTEREST SPREAD | | | 3.35% | | | 3.13% |

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

(2) Interest income includes taxable-equivalent adjustments of $816 and $630 for the three months ended September 30, 2009 and 2008, respectively.

(3) Interest income includes taxable-equivalent adjustments of $1,462 and $440 for the three months ended September 30, 2009 and 2008, 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 $833 and $425 for the three months ended September 30, 2009 and 2008, respectively.

Note: As of September 30, 2009 and 2008, loans totaling $16,690 and $6,192, 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.

Contact:
Suni Davis
903-531-7235

SOURCE Southside Bancshares, Inc.

Contact: Suni Davis, +1-903-531-7235, for Southside Bancshares, Inc.