NEWS RELEASE

Southside Bancshares, Inc. Announces Second Quarter Earnings

8/6/2007

TYLER, Texas, Aug. 6 /PRNewswire-FirstCall/ -- Southside Bancshares, Inc. ("Southside" or the "Company") today reported its financial results for the three and six months ended June 30, 2007.

Net income increased 29.5%, or $1.0 million, for the three months ended June 30, 2007, to $4.6 million from $3.5 million for the same period in 2006.

Southside reported net income of $8.4 million for the six months ended June 30, 2007, an increase of $1.6 million, or 23.3%, when compared to the same period in 2006.

B. G. Hartley, Chairman and Chief Executive Officer, stated "We are pleased with Southside's outstanding financial results. Credit for these results goes directly to our tremendous team of employees. During the first six months of 2007 we made significant progress 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 challenging interest rate environment experienced during 2007 as noninterest income, excluding gain on sale of securities available for sale, increased $1.5 million, or 14.1%, for the six months ended June 30, 2007 when compared to the same period in 2006, while for the same periods noninterest expense decreased $305,000, or 1.3%."

"Outstanding financial results were just part of the noteworthy events reported during the second quarter," stated B. G. Hartley. "On May 17, 2007 we announced the acquisition of Fort Worth National Bank. This acquisition, which is expected to close during the third quarter, expands Southside's market to the dynamic markets of Fort Worth,

Arlington and Austin. We are extremely excited about this significant opportunity. During the second quarter, shareholders received a 5% stock dividend along with news of a 9.1% increase in the quarterly cash dividend. In summary, we believe this was an exceptional quarter for both our shareholders and Southside."

Earnings per fully diluted share increased $0.07, to $0.34 for the three months ended June 30, 2007, or 25.9%, when compared to $0.27 for the same period in 2006. Earnings per fully diluted share increased $0.11, to $0.62 for the six months ended June 30, 2007, or 21.6%, compared to $0.51 for the same period in 2006.

The return on average shareholders' equity for the six months ended June 30, 2007 was 14.70%, compared to 12.53%, for the same period in 2006. The annual return on average assets was 0.91%, for the six months ended June 30, 2007, compared to 0.74%, for the same period in 2006.

Loan and Deposit Growth

The Company continued to experience loan growth during the six months ended June 30, 2007, as loans increased $9.6 million, or 1.3%, to $768.7 million from $759.1 million at December 31, 2006. This increase in loans was net of approximately $6.6 million in student loan sales during the first six months. Loan growth during 2007 occurred primarily in construction loans, municipal loans, and commercial loans. The consistent growth in loans is significant given the increasing competition in the Texas banking markets we serve.

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 remains a central part of our business strategy and we believe the Fort Worth National Bank acquisition dovetails nicely into this strategy."

During the six months ended June 30, 2007, deposits increased a solid $53.9 million, or 4.2%, to $1.34 billion from $1.28 billion at December 31, 2006. The overall growth in deposits during the six months ended June 30, 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.

Net Interest Income

Net interest income decreased $476,000, or 4.5%, to $10.1 million for the three months ended June 30, 2007, when compared to $10.5 million for the same period in 2006. Net interest income decreased $1.0 million, or 4.8%, to $20.1 for the six months ended June 30, 2007, when compared to $21.1 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 six 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 2.57% and 1.71%, respectively, for the three months ended June 30, 2007 compared to 2.61% and 1.90%, respectively, for the same period in 2006. Compared to the previous quarter, the net interest margin and net interest spread increased to 2.57% and 1.71% respectively, for the three months ended June 30, 2007 from 2.47% and 1.67% for the three months ended March 31, 2007. Should the yield curve invert for long periods of time or invert severely our net interest margin and spread could come under additional pressure during the second half of 2007.

Net Income for the Three Months and Six Months

The increase in net income for the three and six months ended June 30, 2007 was primarily attributable to an increase in noninterest income, a decrease in income tax expense, 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 $790,000, or 13.5%, and $1.5 million, or 14.1%, for the three and six months ended June 30, 2007, compared to the same period in 2006. The increase in noninterest income was primarily the result of increases in deposit services income, gain on sale of loans, trust income, and other income. Income tax expense decreased $487,000, or 51.3%, and $163,000, or 9.7%, for the three and six months ended June 30, 2007, when compared to the same period in 2006. The decrease in income tax expense was the result of a one-time state tax credit resulting from a change in Texas tax law during the second quarter ended June 30, 2007, related to the new Texas margin tax. The one-time tax credit was $770,000, which was partially offset by an increase in our estimated margin tax of $109,000, net of tax. Provision for loan losses decreased $231,000, or 51.6%, and $395,000, or 54.2%, for the three and six months ended June 30, 2007, compared to the same period in 2006.

Noninterest expense decreased $107,000, or 0.9%, and $305,000, or 1.3%, for the three and six months ended June 30, 2007, compared to the same period in 2006. The decrease in noninterest expense for the six months ended June 30, 2007 was primarily a result of a decrease in salaries and employee benefits of $328,000, or 2.2%, 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 36 banking centers in East Texas and operates a network of 41 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 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 June 30, 2007	At December 31, 2006	At June 30, 2006
	(dollars in thousands)		

(unaudited)

Selected Financial Condition Data (at end of period)			
Total assets	$1,821,776	$1,890,976	$1,875,676
Loans	768,739	759,147	723,924
Allowance for loan losses	7,367	7,193	7,346
Mortgage-backed and related securities:			
Available for sale, at estimated fair value	599,326	643,164	653,046
Held to maturity, at cost	207,262	226,162	245,812
Investment securities:			
Available for sale, at estimated fair value	88,566	98,952	88,598
Held to maturity, at cost	1,353	1,351	1,348
Federal Home Loan Bank stock, at cost	15,540	25,614	27,364
Deposits	1,336,350	1,282,475	1,195,058
Long-term obligations	110,012	149,998	157,469
Shareholders' equity	115,494	110,604	105,156
Nonperforming assets	2,324	2,110	3,237
Nonaccrual loans	1,637	1,333	1,424
Loans 90 days past due	408	128	692
Restructured loans	179	220	239
Other real estate owned	23	351	841
Repossessed assets	77	78	41
Asset Quality Ratios:			
Nonaccruing loans to total loans	0.21%	0.18%	0.20%
Allowance for loan losses to nonaccruing loans	450.03	539.61	515.87
Allowance for loan losses to nonperforming assets	317.00	340.90	226.94
Allowance for loan losses to total loans	0.96	0.95	1.01
Nonperforming assets to total assets	0.13	0.11	0.17
Net charge-offs to average loans	0.04	0.14	0.14
Capital Ratios:			
Shareholders' equity to total assets	6.34	5.85	5.61
Average shareholders' equity to average total assets	6.22	5.99	5.94

LOAN PORTFOLIO COMPOSITION

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

presented:

	At June 30, 2007	At December 31, 2006	At June 30, 2006
	(in thousands) (unaudited)		
Real Estate Loans:			
Construction	$46,876	$39,588	$33,084
1-4 Family Residential	223,996	227,354	222,332
Other	177,918	181,047	173,776
Commercial Loans	125,609	118,962	104,623
Municipal Loans	110,416	106,155	105,316
Loans to Individuals	83,924	86,041	84,793
Total Loans	$768,739	$759,147	$723,924

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
	2007 (dollars in thousands) (unaudited)	2006 (dollars in thousands) (unaudited)	2007	2006
Selected Operating Data:				
Total interest income	$24,380	$23,925	$49,577	$46,494
Total interest expense	14,319	13,388	29,490	25,388
Net interest income	10,061	10,537	20,087	21,106
Provision for loan losses	217	448	334	729
Net interest income after provision for loan losses	9,844	10,089	19,753	20,377
Noninterest income				
Deposit services	4,270	3,947	8,198	7,416
Gain on sale of securities available for sale	6	101	435	224
Gain on sale of loans	724	469	1,069	842
Trust income	576	403	1,040	807
Bank owned life insurance income	268	265	532	509
Other	818	782	1,526	1,267
Total noninterest income	6,662	5,967	12,800	11,065
Noninterest expense				
Salaries and employee benefits	7,298	7,310	14,402	14,730
Occupancy expense	1,190	1,201	2,358	2,374
Equipment expense	242	225	470	428
Advertising, travel & entertainment	449	472	870	924
ATM and debit card expense	242	275	496	445

Director fees	141	167	268	312
Supplies	188	168	336	352
Professional fees	240	318	551	633
Postage	155	155	303	305
Telephone and communications	193	191	384	354
Other	1,118	1,081	2,254	2,140
Total noninterest expense	11,456	11,563	22,692	22,997
Income before income tax expense	5,050	4,493	9,861	8,445
Provision for income tax expense	463	950	1,511	1,674
Net income	$4,587	$3,543	$8,350	$6,771
Common Share Data:				
Weighted-average basic shares outstanding	13,035	12,853	13,008	12,830
Weighted-average diluted shares outstanding	13,436	13,337	13,429	13,326
Net income per common share				
Basic	$0.35	$0.28	$0.64	$0.53
Diluted	0.34	0.27	0.62	0.51
Book value per common share	-	-	8.83	8.16
Cash dividend declared per common share	0.12	0.11	0.23	0.22
Selected Performance Ratios:				
Return on average assets	1.02%	0.77%	0.91%	0.74%
Return on average shareholders' equity	15.79	13.30	14.70	12.53
Average yield on interest earning assets	5.98	5.69	5.96	5.64
Average yield on interest bearing liabilities	4.27	3.79	4.28	3.65
Net interest spread	1.71	1.90	1.68	1.99
Net interest margin	2.57	2.61	2.52	2.67
Average interest earning assets to average interest bearing liabilities	125.70	122.80	124.37	122.67
Noninterest expense to average total assets	2.55	2.51	2.49	2.53
Efficiency ratio	65.47	67.16	66.72	68.37

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Six Months Ended
June 30, 2007

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (1) (2)	$767,168	$26,259	6.90%
Loans Held for Sale	3,884	96	4.98%
Securities:			
Investment Securities (Taxable) (4)	59,374	1,452	4.93%
Investment Securities (Tax-Exempt)(3)(4)	40,893	1,449	7.15%
Mortgage-backed and Related Securities (4)	833,161	21,097	5.11%
Total Securities	933,428	23,998	5.18%
Federal Home Loan Bank Stock & Other Investments, at cost	21,517	700	6.56%
Interest Earning Deposits	551	17	6.22%
Federal Funds Sold	2,140	52	4.90%
Total Interest Earning Assets	1,728,688	51,122	5.96%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	42,669		
Bank Premises and Equipment	33,952		
Other Assets	43,359		
Less: Allowance for Loan Loss	(7,298)		
Total Assets	$1,841,370		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$51,815	334	1.30%
Time Deposits	540,684	13,072	4.88%
Interest Bearing Demand Deposits	392,614	6,184	3.18%
Total Interest Bearing Deposits	985,113	19,590	4.01%
Short-term Interest Bearing Liabilities	280,657	6,722	4.83%
Long-term Interest Bearing Liabilities - FHLB	103,515	2,318	4.52%
Long-term Debt (5)	20,619	860	8.30%
Total Interest Bearing Liabilities	1,389,904	29,490	4.28%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	318,189		
Other Liabilities	18,692		
Total Liabilities	1,726,785		
SHAREHOLDERS' EQUITY	114,585		
Total Liabilities and Shareholders' Equity	$1,841,370		

NET INTEREST INCOME	$21,632
NET YIELD ON AVERAGE EARNING ASSETS	2.52%
NET INTEREST SPREAD	1.68%

June 30, 2006

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (1) (2)	$704,827	$22,952	6.57%
Loans Held for Sale	4,645	117	5.08%
Securities:			
Investment Securities (Taxable) (4)	59,593	1,337	4.52%
Investment Securities (Tax-Exempt)(3)(4)	44,994	1,591	7.13%
Mortgage-backed and Related Securities (4)	874,318	21,386	4.93%
Total Securities	978,905	24,314	5.01%
Federal Home Loan Bank Stock & Other Investments, at cost	29,056	694	4.82%
Interest Earning Deposits	691	17	4.96%
Federal Funds Sold	693	15	4.36%
Total Interest Earning Assets	1,718,817	48,109	5.64%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	45,926		
Bank Premises and Equipment	33,534		
Other Assets	41,854		
Less: Allowance for Loan Loss	(7,139)		
Total Assets	$1,832,992		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$50,663	312	1.24%
Time Deposits	433,362	8,827	4.11%
Interest Bearing Demand Deposits	357,837	4,519	2.55%
Total Interest Bearing Deposits	841,862	13,658	3.27%
Short-term Interest Bearing Liabilities	368,963	7,587	4.15%
Long-term Interest Bearing Liabilities - FHLB	169,749	3,345	3.97%
Long-term Debt (5)	20,619	798	7.70%
Total Interest Bearing Liabilities	1,401,193	25,388	3.65%

NONINTEREST BEARING LIABILITIES:		
Demand Deposits	311,844	
Other Liabilities	11,014	
Total Liabilities	1,724,051	
SHAREHOLDERS' EQUITY	108,941	
Total Liabilities and Shareholders' Equity	$1,832,992	
NET INTEREST INCOME	$22,721	
NET YIELD ON AVERAGE EARNING ASSETS		2.67%
NET INTEREST SPREAD		1.99%

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

(2) Interest income includes taxable-equivalent adjustments of $1,108 and $1,113 for the six months ended June 30, 2007 and 2006, respectively.

(3) Interest income includes taxable-equivalent adjustments of $437 and $502 for the six months ended June 30, 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 June 30, 2007 and 2006, loans totaling $1,637 and $1,424, 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
June 30, 2007

	AVG.	AVG.

	BALANCE	INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (1) (2)	$768,744	$13,238	6.91%
Loans Held for Sale	4,458	55	4.95%
Securities:			
Investment Securities (Taxable) (4)	50,584	616	4.88%
Investment Securities (Tax-Exempt)(3)(4)	40,747	726	7.15%
Mortgage-backed and Related Securities (4)	804,026	10,163	5.07%
Total Securities	895,357	11,505	5.15%
Federal Home Loan Bank Stock & Other Investments, at cost	17,778	330	7.45%
Interest Earning Deposits	550	10	7.29%
Federal Funds Sold	1,945	23	4.74%
Total Interest Earning Assets	1,688,832	25,161	5.98%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	40,259		
Bank Premises and Equipment	35,342		
Other Assets	42,910		
Less: Allowance for Loan Loss	(7,360)		
Total Assets	$1,799,983		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$52,454	170	1.30%
Time Deposits	548,969	6,711	4.90%
Interest Bearing Demand Deposits	395,653	3,144	3.19%
Total Interest Bearing Deposits	997,076	10,025	4.03%
Short-term Interest Bearing Liabilities	231,818	2,776	4.80%
Long-term Interest Bearing Liabilities - FHLB	94,082	1,086	4.63%
Long-term Debt (5)	20,619	432	8.29%
Total Interest Bearing Liabilities	1,343,595	14,319	4.27%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	320,966		
Other Liabilities	18,927		
Total Liabilities	1,683,488		
SHAREHOLDERS' EQUITY	116,495		
Total Liabilities and Shareholders' Equity	$1,799,983		

NET INTEREST INCOME	$10,842		
NET YIELD ON AVERAGE EARNING ASSETS			2.57%
NET INTEREST SPREAD			1.71%

June 30, 2006

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (1) (2)	$715,423	$11,816	6.62%
Loans Held for Sale	4,826	64	5.32%
Securities:			
Investment Securities (Taxable) (4)	51,840	594	4.60%
Investment Securities (Tax-Exempt) (3) (4)	40,557	720	7.12%
Mortgage-backed and Related Securities (4)	897,645	11,149	4.98%
Total Securities	990,042	12,463	5.05%
Federal Home Loan Bank Stock & Other Investments, at cost	28,507	350	4.92%
Interest Earning Deposits	825	8	3.89%
Federal Funds Sold	543	6	4.43%
Total Interest Earning Assets	1,740,166	24,707	5.69%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	43,345		
Bank Premises and Equipment	33,549		
Other Assets	39,442		
Less: Allowance for Loan Loss	(7,200)		
Total Assets	$1,849,302		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$51,402	165	1.29%
Time Deposits	460,139	4,897	4.27%
Interest Bearing Demand Deposits	354,549	2,342	2.65%
Total Interest Bearing Deposits	866,090	7,404	3.43%
Short-term Interest Bearing Liabilities	378,536	4,037	4.28%
Long-term Interest Bearing Liabilities - FHLB	151,794	1,534	4.05%
Long-term Debt (5)	20,619	413	7.92%
Total Interest Bearing Liabilities	1,417,039	13,388	3.79%

NONINTEREST BEARING LIABILITIES:		
Demand Deposits	313,422	
Other Liabilities	11,958	
Total Liabilities	1,742,419	
SHAREHOLDERS' EQUITY	106,883	
Total Liabilities and Shareholders' Equity	$1,849,302	
NET INTEREST INCOME	$11,319	
NET YIELD ON AVERAGE EARNING ASSETS		2.61%
NET INTEREST SPREAD		1.90%

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

(2) Interest income includes taxable-equivalent adjustments of $560 and $552 for the three months ended June 30, 2007 and 2006, respectively.

(3) Interest income includes taxable-equivalent adjustments of $221 and $230 for the three months ended June 30, 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 June 30, 2007 and 2006, loans totaling $1,637 and $1,424, 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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