NEWS RELEASE

Southside Bancshares, Inc. Announces Second Quarter Earnings; Nasdaq National Market Symbol - 'SBSI'

8/2/2005

TYLER, Texas, Aug. 2 /PRNewswire-FirstCall/ -- B. G. Hartley, Chairman and Chief Executive Officer of Southside Bancshares, Inc. (Nasdaq: SBSI), reported financial results for the second quarter ended June 30, 2005.

For the second quarter ended June 30, 2005 Southside reported net income increased $26,000, or 0.7%, to $3,697,000, compared to $3,671,000 for the same period in 2004. Earnings per fully diluted share were $0.30 for both the second quarters ended June 30, 2005 and 2004.

Southside reported net income of $7,272,000 for the six months ended June 30, 2005. The decrease in net income of $894,000, or 10.9%, is a direct result of a reduction in income from the sale of available for sale securities, net of tax, of $1.4 million when comparing the six months ended June 30, 2005, to the same period in 2004. When comparing the six months ended June 30, 2005 with the same period in 2004, net income, excluding losses or gains on sales of available for sale securities, reflected an increase of $512,000, or 7.5%. Earnings per fully diluted share were $0.60 for the six months ended June 30, 2005, compared to $0.67 for the same period in 2004, a decrease of $0.07, or 10.4%. Earnings per fully diluted share attributable to the sale of securities were $0.11 for the six months ended June 30, 2004 compared to zero for the same period in 2005.

During the six months ended June 30, 2005, Southside had a loss on the sale of available for sale securities of $56,000, or $37,000, net of tax. The sales of securities at a loss during the six months ended June 30, 2005 allowed the Company to restructure a portion of the securities portfolio which may provide additional interest income in future quarters. This compares to a gain on the sale of available for sale securities during the six months ended

June 30, 2004, of $2.1 million, or $1.4 million, net of tax. During the year ended December 31, 2004, 75.2% of Southside's gains on the sales of available for sale securities occurred during the six months ended June 30, 2004.

The annualized return on average shareholders' equity for the six months ended June 30, 2005 was 14.10% compared to 15.83% for the same period in 2004. The annualized return on average assets was 0.88% for the six months ended June 30, 2005, compared to 1.12% for the same period in 2004.

The Company continued to experience solid loan growth during the six months ended June 30, 2005, as loans, net of unearned discount, increased $35.2 million or 5.6% from December 31, 2004. Loan growth during 2005 was actually stronger than reported due to the sale of $6.2 million of student loans during the second quarter ended June 30, 2005. Asset quality improved as non-performing assets decreased $964,000, or 27.4%, to $2.6 million at June 30, 2005 when compared to $3.5 million at December 31, 2004. We believe that the Company's asset quality ratios as reported in this earnings release remain sound.

During the second quarter the Company hired a loan executive to assist in an expanded regional lending effort. He joins the Company from one of the largest banks in the country and has over 20 years of experience lending in East Texas and surrounding regions. With his assistance, the Company plans to expand the regions in which it lends. The Company looks forward to the possibility that its loan growth may begin to accelerate in the future as the Company develops strategies to expand its lending territory.

Deposits exceeded $1.0 billion for the first time in the Company's history, as deposits increased $65.3 million, or 6.9%, to $1.0 billion at June 30, 2005 when compared to December 31, 2004. We are pleased deposits continue to grow at an excellent pace as a result of our expanding branch network and continued market penetration.

During the second quarter Southside opened its 29th banking center at Seven Points approximately 60 miles west of Tyler. This growing lake community located southeast of Dallas should provide an attractive new market area from which to expand the Company's customer base. Southside anticipates opening its 30th banking center during the last half of 2005, in Palestine, approximately 50 miles southwest of Tyler. The addition of the City of Palestine should complement and enhance Southside's southern expansion efforts which already includes banking centers in Jacksonville and Bullard.

Net interest income of $10.2 million for the second quarter 2005, increased $771,000, or 8.2%, over the second quarter 2004. Average total interest earning assets, the primary factor in net interest income growth, increased $151.1 million, or 10.8% from the second quarter 2004, to $1.5 billion for the second quarter 2005. This more than offset the decrease in the Company's net interest margin to 2.90% and net interest spread to 2.38% during the second quarter ended June 30, 2005, when compared to 2.98% and 2.54%, respectively, for the same period in 2004.

Noninterest income, excluding gains on sales of securities, was $5.5 million for the second quarter 2005, an increase of $464,000, or 9.3%, over the second quarter 2004.

Noninterest expense of $11.1 million for the second quarter 2005 increased $1.2 million, or 12.3%, over the second quarter 2004, primarily as a result of increases in salaries and employee benefits due to higher staffing levels, salary increases and increases in retirement expense.

The decrease to net income during the six months ended June 30, 2005, when compared to the same period in 2004 was primarily attributable to a decrease in gains on available for sale securities of $2.1 million, or 102.7% and an increase in noninterest expense of $1.7 million, or 8.5%. The decrease in net income for the six months ended June 30, 2005, when compared to the same period in 2004, was partially offset by an increase in net interest income of $1.6 million, or 8.6%, an increase in noninterest income, excluding security gains, of $782,000, or 8.1%, and a decrease in the provision for loan losses of $63,000, or 12.0% and a decrease in federal income tax expense of $459,000, or 22.4%.

Provision for federal tax expense of $822,000 for the second quarter 2005, decreased $24,000, or 2.8%, from second quarter 2004. The effective tax rate as a percentage of pre-tax income was 18.2% for the quarter ended June 30, 2005 compared to 18.7% for the quarter ended June 30, 2004. The decrease in the effective tax rate and income tax expense was due to the decrease in taxable income as a percentage of total income.

Southside Bancshares, Inc. is a $1.7 billion holding company that owns 100% of Southside Bank. The bank currently has twenty-nine banking centers in East Texas.

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 web site. Questions or comments may be directed to Susan Hill at (903) 531-7220, or **susanh@southside.com**

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 Southside Bancshares, Inc., (the "Company") a bank holding company, may be considered to be "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements may include words such as "expect," "estimate," "project," "anticipate," "believe," "could," "should," "may," "intend," "probability," "risk," "target," "objective," "plans," and similar expressions. Forward- looking statements are subject to significant risks and uncertainties and the Company's actual results may differ materially from the results discussed in the forward-looking statements. For

example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual income gains and losses could materially differ from those that have been estimated. Other factors that could cause actual results to differ materially from forward- looking statements include, but are not limited to general economic conditions, either globally, nationally or in the State of Texas, legislation or regulatory changes which adversely affect the businesses in which the Company is engaged, adverse changes in Government Sponsored Enterprises (the "GSE") status or financial condition impacting the GSE guarantees or ability to pay or issue debt, economic or other disruptions caused by acts of terrorism in the United States, Europe or other areas or military actions in Iraq, Afghanistan or other areas, changes in the interest rate yield curve such as flat, inverted or steep yield curves, or interest rate environment which impact interest margins and may impact prepayments on the mortgage- backed securities portfolio, changes impacting the leverage strategy, significant increases in competition in the banking and financial services industry, changes in consumer spending, borrowing and saving habits, technological changes, the Company's ability to increase market share and control expenses, the effect of changes in federal or state tax laws, the effect of compliance with legislation or regulatory changes, the effect of changes in accounting policies and practices and the costs and effects of unanticipated litigation.

	At June 30, 2005	At December 31, 2004	At June 30, 2004
	(dollars in thousands) (unaudited)		
Selected Financial Condition Data (at end of period)			
Total assets	$1,691,911	$1,619,643	$1,515,780
Loans, net of unearned discount	659,231	624,019	606,998
Allowance for loan losses	6,839	6,942	6,673
Mortgage-backed and related securities:			
Available for sale	542,196	479,475	407,224
Held to maturity	232,540	241,058	253,005
Investment securities available for sale	110,193	133,535	111,362
Marketable equity securities available for sale	27,694	26,819	24,177
Deposits	1,006,315	940,986	901,056
Long-term obligations	308,050	351,287	329,190
Shareholders' equity	105,652	104,697	99,420
Nonperforming assets	2,559	3,523	2,142
Nonaccrual loans	1,710	2,248	1,378

Loans 90 days past due	289	827	300
Restructured loans	250	193	195
Other real estate owned	76	214	265
Repossessed assets	234	41	4
Assets Quality Ratios:			
Nonaccruing loans to total loans	0.26%	0.36%	0.23%
Allowance for loan losses to nonaccruing loans	399.94	308.81	484.25
Allowance for loan losses to nonperforming assets	267.25	197.05	311.53
Allowance for loan losses to total loans	1.04	1.11	1.10
Nonperforming assets to total assets	0.15	0.22	0.14
Net charge-offs to average loans	0.18	0.07	0.09
Capital Ratios:			
Shareholders' equity to total assets	6.24	6.46	6.56
Average shareholders' equity to average total assets	6.27	6.98	7.07

LOAN PORTFOLIO COMPOSITION

The following table sets forth loan totals net of unearned discount by category for the periods presented:

	At June 30, 2005	At December 31, 2004	At June 30, 2004
	(dollars in thousands) (unaudited)		
Real Estate Loans:			
Construction	$40,050	$32,877	$39,928
1-4 Family Residential	184,785	168,784	159,092
Other	151,700	147,681	137,920
Commercial Loans	92,179	87,125	79,413
Municipal Loans	113,123	103,963	102,005
Loans to Individuals	77,394	83,589	88,640
Total Loans	$659,231	$624,019	$606,998

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
	2005	2004	2005	2004

	(dollars in thousands) (unaudited)	(dollars in thousands) (unaudited)		
Selected Operating Data:				
Total interest income	$19,288	$16,107	$38,164	$32,052
Total interest expense	9,077	6,667	17,574	13,091
Net interest income	10,211	9,440	20,590	18,961
Provision for loan losses	227	300	462	525
Net interest income after provision for loan losses	9,984	9,140	20,128	18,436
Non-interest income				
Deposit services	3,687	3,559	7,074	6,948
Gain (loss) on sale of securities available for sale	160	257	(56)	2,074
Gain on sale of loans	649	453	1,019	887
Trust income	310	297	639	574
Bank owned life insurance	253	247	442	444
Other	554	433	1,252	791
Total non-interest income	5,613	5,246	10,370	11,718
Non-interest expense				
Salaries and employee benefits	7,148	6,302	14,006	12,800
Net occupancy expense	1,082	1,021	2,123	2,027
Equipment expense	213	187	420	360
Advertising, travel & entertainment	471	420	1,017	923
ATM expense	162	195	302	367
Director fees	156	149	315	293
Supplies	175	138	321	283
Professional fees	192	195	390	439
Postage	139	138	274	276
Other	1,340	1,124	2,465	2,168
Total non-interest expense	11,078	9,869	21,633	19,936
Income before federal tax expense	4,519	4,517	8,865	10,218
Income tax expense	822	846	1,593	2,052
Net income	$3,697	$3,671	$7,272	$8,166
Common Share Data:				
Weighted-average basic shares outstanding	11,412	11,488	11,439	11,472
Weighted-average diluted shares outstanding	11,989	12,150	12,048	12,148
Net income per common share				
Basic	$0.32	$0.32	$0.63	$0.71
Diluted	0.30	0.30	0.60	0.67
Book value per common share	---	---	9.24	8.66
Cash dividend declared per common share	0.11	0.10	0.22	0.20
Selected Performance Ratios:				

Return on average assets	0.89%	0.99%	0.88%	1.12%
Return on average shareholders' equity	14.40	14.39	14.10	15.83
Average yield on interest earning assets	5.25	4.90	5.23	5.00
Average yield on interest bearing liabilities	2.87	2.36	2.79	2.36
Net interest spread	2.38	2.54	2.44	2.64
Net interest margin	2.90	2.98	2.94	3.07
Average interest earning assets to average interest bearing liabilities	122.10	122.60	121.71	122.15
Non-interest expense to average total assets	2.68	2.66	2.63	2.73
Efficiency ratio	66.61	64.28	65.62	65.34

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Six Months Ended
June 30, 2005

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$640,177	$19,441	6.12%
Loans Held for Sale	4,811	108	4.53%
Securities:			
Investment Securities (Taxable) (D)	54,670	978	3.61%
Investment Securities (Tax-Exempt) (C) (D)	72,633	2,553	7.09%
Mortgage-backed Securities (D)	744,863	16,546	4.48%
Marketable Equity Securities	27,340	453	3.34%
Interest Earning Deposits	725	10	2.78%
Federal Funds Sold	1,159	15	2.61%
Total Interest Earning Assets	1,546,378	40,104	5.23%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	41,843		
Bank Premises and Equipment	30,344		
Other Assets	46,076		
Less: Allowance for Loan Loss	(6,920)		
Total Assets	$1,657,721		
LIABILITIES AND SHAREHOLDERS' EQUITY			

INTEREST BEARING LIABILITIES:			
Savings Deposits	$50,872	$239	0.95%
Time Deposits	339,916	4,890	2.90%
Interest Bearing Demand Deposits	307,435	2,298	1.51%
Short-term Interest Bearing Liabilities	244,794	4,089	3.37%
Long-term Interest Bearing Liabilities - FHLB	306,952	5,459	3.59%
Long-term Debt (E)	20,619	599	5.78%
Total Interest Bearing Liabilities	1,270,588	17,574	2.79%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	269,138		
Other Liabilities	14,014		
Total Liabilities	1,553,740		
SHAREHOLDERS' EQUITY	103,981		
Total Liabilities and Shareholders' Equity	$1,657,721		
NET INTEREST INCOME	$22,530		
NET YIELD ON AVERAGE EARNING ASSETS			2.94%
NET INTEREST SPREAD			2.44%

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Six Months Ended
June 30, 2004

	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$594,519	$18,181	6.15%
Loans Held for Sale	3,001	89	5.96%
Securities:			
Investment Securities (Taxable) (D)	46,363	498	2.16%
Investment Securities (Tax-Exempt) (C) (D)	76,264	2,678	7.06%
Mortgage-backed Securities (D)	607,509	12,244	4.05%
Marketable Equity Securities	23,734	197	1.67%
Interest Earning Deposits	692	4	1.16%
Federal Funds Sold	12,346	55	0.90%

Total Interest Earning Assets	1,364,428	33,946	5.00%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	37,988		
Bank Premises and Equipment	30,621		
Other Assets	39,741		
Less: Allowance for Loan Loss	(6,441)		
Total Assets	$1,466,337		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$47,624	$95	0.40%
Time Deposits	319,071	3,795	2.39%
Interest Bearing Demand Deposits	281,208	823	0.59%
Short-term Interest Bearing Liabilities	165,052	3,062	3.73%
Long-term Interest Bearing Liabilities - FHLB	283,475	4,891	3.47%
Long-term Debt (E)	20,619	425	4.08%
Total Interest Bearing Liabilities	1,117,049	13,091	2.36%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	234,766		
Other Liabilities	10,803		
Total Liabilities	1,362,618		
SHAREHOLDERS' EQUITY	103,719		
Total Liabilities and Shareholders' Equity	$1,466,337		
NET INTEREST INCOME	$20,855		
NET YIELD ON AVERAGE EARNING ASSETS			3.07%
NET INTEREST SPREAD			2.64%

(A) Loans are shown net of unearned discount. Interest on loans includes fees on loans which are not material in amount.
(B) Interest income includes taxable-equivalent adjustments of $1,131 and $1,068 for the six months ended June 30, 2005 and 2004, respectively.
(C) Interest income includes taxable-equivalent adjustments of $809 and $826 for the six months ended June 30, 2005 and 2004, respectively.
(D) For the purpose of calculating the average yield, the average balance of securities is presented at historical cost.
(E) Southside Statutory Trust III

Note: As of June 30, 2005 and 2004, loans totaling $1,710 and $1,378,

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)
Quarter Ended
June 30, 2005

	AVG. BALANCE	AVG. INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$649,080	$9,958	6.15%
Loans Held for Sale	4,635	50	4.33%
Securities:			
Investment Securities (Taxable) (D)	48,344	470	3.90%
Investment Securities (Tax-Exempt) (C) (D)	68,970	1,223	7.11%
Mortgage-backed Securities (D)	746,381	8,305	4.46%
Marketable Equity Securities	27,469	237	3.46%
Interest Earning Deposits	886	7	3.17%
Federal Funds Sold	1,278	9	2.82%
Total Interest Earning Assets	1,547,043	20,259	5.25%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	40,241		
Bank Premises and Equipment	30,286		
Other Assets	48,671		
Less: Allowance for Loan Loss	(6,867)		
Total Assets	$1,659,374		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$51,113	$130	1.02%
Time Deposits	349,216	2,632	3.02%
Interest Bearing Demand Deposits	305,639	1,252	1.64%
Short-term Interest Bearing Liabilities	248,793	2,149	3.46%
Long-term Interest Bearing Liabilities - FHLB	291,662	2,599	3.57%
Long-term Debt (E)	20,619	315	6.04%
Total Interest Bearing Liabilities	1,267,042	9,077	2.87%

NONINTEREST BEARING LIABILITIES:
Demand Deposits 275,185
Other Liabilities 14,181
Total Liabilities 1,556,408

SHAREHOLDERS' EQUITY 102,966
Total Liabilities and
Shareholders' Equity $1,659,374

NET INTEREST INCOME $11,182
NET YIELD ON AVERAGE EARNING ASSETS 2.90%

NET INTEREST SPREAD 2.38%

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Quarter Ended
June 30, 2004

	AVG. BALANCE	AVG. INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$598,873	$9,193	6.17%
Loans Held for Sale	3,625	49	5.44%
Securities:			
Investment Securities (Taxable) (D)	43,859	268	2.46%
Investment Securities (Tax-Exempt) (C) (D)	67,014	1,193	7.16%
Mortgage-backed Securities (D)	642,487	6,190	3.87%
Marketable Equity Securities	23,796	91	1.54%
Interest Earning Deposits	848	3	1.42%
Federal Funds Sold	15,426	34	0.89%
Total Interest Earning Assets	1,395,928	17,021	4.90%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	36,982		
Bank Premises and Equipment	30,677		
Other Assets	37,256		
Less: Allowance for Loan Loss	(6,510)		
Total Assets	$1,494,333		
LIABILITIES AND SHAREHOLDERS' EQUITY			

INTEREST BEARING LIABILITIES:			
Savings Deposits	$48,895	$49	0.40%
Time Deposits	317,105	1,810	2.30%
Interest Bearing Demand Deposits	280,639	472	0.68%
Short-term Interest Bearing Liabilities	164,433	1,517	3.71%
Long-term Interest Bearing Liabilities - FHLB	306,918	2,608	3.42%
Long-term Debt (E)	20,619	211	4.05%
Total Interest Bearing Liabilities	1,138,609	6,667	2.36%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	240,435		
Other Liabilities	12,650		
Total Liabilities	1,391,694		
SHAREHOLDERS' EQUITY	102,639		
Total Liabilities and Shareholders' Equity	$1,494,333		
NET INTEREST INCOME	$10,354		
NET YIELD ON AVERAGE EARNING ASSETS			2.98%
NET INTEREST SPREAD			2.54%

(A) Loans are shown net of unearned discount. Interest on loans includes fees on loans which are not material in amount.
(B) Interest income includes taxable-equivalent adjustments of $579 and $543 for the second quarter ended June 30, 2005 and 2004, respectively.
(C) Interest income includes taxable-equivalent adjustments of $392 and $371 for the second quarter ended June 30, 2005 and 2004, respectively.
(D) For the purpose of calculating the average yield, the average balance of securities is presented at historical cost.
(E) Southside Statutory Trust III

Note: As of June 30, 2005 and 2004, loans totaling $1,710 and $1,378, 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.
-0- 08/02/2005

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CO: Southside Bancshares, Inc.
ST: Texas
IN: FIN
SU: ERN

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