NEWS RELEASE

Southside Bancshares, Inc. Announces Third Quarter Earnings; NASDAQ National Market Symbol - 'SBSI'

11/2/2005

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

For the third quarter ended September 30, 2005 Southside reported net income of $3,833,000, compared to $4,233,000 for the same period in 2004. The decrease in net income of $400,000, or 9.4%, is primarily a result of an increase in provision for loan losses of $485,000, or $320,000 net of tax and a reduction in income from the sale of available for sale securities of $351,000 or, $232,000 net of tax. The increase in provision for loan losses is primarily due to one recovery received during the third quarter ended September 30, 2004 of $299,000, or $197,000, net of tax, which offset the provision for losses that would have been required during that quarter. Earnings per fully diluted share were $0.32 for the third quarter ended September 30, 2005 compared to $0.35 for the same period in 2004.

Southside reported net income of $11,105,000 for the nine months ended September 30, 2005 compared to $12,399,000 for the same period in 2004. The decrease in net income of $1,294,000, or 10.4%, is a direct result of a reduction in income from the sale of available for sale securities, net of tax, of $1.6 million when comparing the nine months ended September 30, 2005, to the same period in 2004. When comparing the nine months ended September 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 $343,000, or 3.2%. Earnings per fully diluted share were $0.92 for the nine months ended September 30, 2005, compared to $1.02 for the same period in 2004, a decrease of $0.10, or 9.8%. Earnings per fully diluted share attributable to the sale of securities were $0.13 for the nine months ended September 30, 2004 compared to zero for the same period in 2005.

The annualized return on average shareholders' equity for the nine months ended September 30, 2005 was 14.17% compared to 15.94% for the same period in 2004. The annualized return on average assets was 0.88% for the nine months ended September 30, 2005, compared to 1.11% for the same period in 2004.

The Company continued to experience solid loan growth during the third quarter ended September 30, 2005, as loans, net of unearned discount, increased $19.9 million or 3.0%. During the nine months ended September 30, 2005, loans, net of unearned discount, increased $55.2 million or 8.8% 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 $1.2 million, or 34.5%, to $2.3 million at September 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.

We are pleased to report deposits continued to increase during the third quarter ended September 30, 2005 by $15.0 million. Overall during 2005, deposits increased $80.3 million, or 8.5%, to $1.0 billion at September 30, 2005 when compared to December 31, 2004. We are gratified deposits continue to grow at an excellent pace as a result of our expanding branch network and continued market penetration.

In the fourth quarter Southside anticipates opening its 31st banking center in Palestine, Texas, approximately 50 miles southwest of Tyler. The addition of the banking center in Palestine should complement and enhance Southside's southern expansion efforts which already includes banking centers in Jacksonville and Bullard. Southside has also purchased property in Gun Barrel City where it plans to open a branch facility in the future. While continued branch expansion has and will continue to impact short-term earnings, the Company believes the potential long-term benefits to the Company greatly outweigh the short-term expense.

The decrease in net income for the three months ended September 30, 2005, when compared to the same period in 2004, was primarily attributable to an increase in noninterest expense of $528,000, or 5.3%, an increase in provision for loan losses of $485,000, or 100% and a decrease in income from the sale of available for sale securities of $351,000, or 93.6%. Noninterest expense increased primarily as a result of a $443,000, or 7.0% increase in salaries and employee benefits due to higher staffing levels, salary increases and increases in retirement expense.

The following items partially offset the decrease in net income for the quarter ended September 30, 2005, when compared to the same period in 2004. Net interest income of $10.4 million for the third quarter 2005, increased $240,000, or 2.4%, over the third quarter 2004. Average total interest earning assets, the primary factor in net interest income growth, increased $181.4 million, or 12.7% from the third quarter 2004, to $1.6 billion for the third quarter 2005. This more than offset the decrease in the Company's net interest margin to 2.80% and net interest

spread to 2.25% during the third quarter ended September 30, 2005, when compared to 3.10% and 2.66%, respectively, for the same period in 2004. Noninterest income, excluding gains on sales of securities, was $5.4 million for the third quarter 2005, an increase of $563,000, or 11.8%, over the third quarter 2004. The increase was primarily a result of an increase in deposit services fee income. Provision for federal tax expense of $921,000 for the third quarter 2005, decreased $161,000, or 14.9%, from third quarter 2004 as a result of a decrease in taxable income. The effective tax rate as a percentage of pre-tax income was 19.4% for the quarter ended September 30, 2005 compared to 20.4% for the quarter ended September 30, 2004. The decrease in the effective tax rate was due to the decrease in taxable income as a percentage of total income.

The decrease to net income during the nine months ended September 30, 2005, when compared to the same period in 2004 was primarily attributable to a decrease in gains on available for sale securities of $2.5 million, or 101.3% and an increase in noninterest expense of $2.2 million, or 7.4%. The decrease in net income for the nine months ended September 30, 2005, when compared to the same period in 2004, was partially offset by an increase in net interest income of $1.9 million, or 6.4%, an increase in noninterest income, excluding security gains, of $1.3 million, or 9.3%, and a decrease in federal income tax expense of $620,000, or 19.8%.

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

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**

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," "potential," 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, in the State of Texas, or in the specific markets in which the Company operates, 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 Sept. 30, 2005	At Dec. 31, 2004	At Sept. 30, 2004
	(dollars in thousands) (unaudited)		
Selected Financial Condition Data (at end of period)			
Total assets	$1,733,735	$1,619,643	$1,541,671
Loans, net of unearned discount	679,169	624,019	615,255
Allowance for loan losses	7,038	6,942	6,816
Mortgage-backed and related securities:			
Available for sale	564,547	479,475	415,933
Held to maturity	229,113	241,058	247,256
Investment securities available for sale	109,659	133,535	128,655
Marketable equity securities available for sale	29,321	26,819	24,818
Deposits	1,021,320	940,986	905,935
Long-term obligations	276,584	351,287	317,688
Shareholders' equity	105,447	104,697	106,600
Nonperforming assets	2,309	3,523	2,060
Nonaccrual loans	1,211	2,248	1,185
Loans 90 days past due	555	827	252
Restructured loans	242	193	179
Other real estate owned	121	214	436
Repossessed assets	180	41	8

Assets Quality Ratios:			
Nonaccruing loans to total loans	0.18%	0.36%	0.19%
Allowance for loan losses to nonaccruing loans	581.17	308.81	575.19
Allowance for loan losses to nonperforming assets	304.81	197.05	330.87
Allowance for loan losses to total loans	1.04	1.11	1.11
Nonperforming assets to total assets	0.13	0.22	0.13
Net charge-offs to average loans	0.17	0.07	0.03
Capital Ratios:			
Shareholders' equity to total assets	6.08	6.46	6.91
Average shareholders' equity to average total assets	6.24	6.98	6.98

LOAN PORTFOLIO COMPOSITION

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

	At Sept. 30, 2005	At Dec. 31, 2004	At Sept. 30, 2004
	(dollars in thousands) (unaudited)		
Real Estate Loans:			
Construction	$39,667	$32,877	$42,922
1-4 Family Residential	195,342	168,784	163,319
Other	162,886	153,998	142,400
Commercial Loans	86,280	80,808	76,461
Municipal Loans	112,797	103,963	103,210
Loans to Individuals	82,197	83,589	86,943
Total Loans	$679,169	$624,019	$615,255

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
	2005 (dollars in thousands) (unaudited)	2004 (dollars in thousands) (unaudited)	2005	2004
Selected Operating Data:				
Total interest income	$20,438	$17,163	$58,602	$49,215

Total interest expense	10,050	7,015	27,624	20,106
Net interest income	10,388	10,148	30,978	29,109
Provision for loan losses	485	---	947	525
Net interest income after provision for loan losses	9,903	10,148	30,031	28,584
Non-interest income				
Deposit services	3,775	3,476	10,849	10,424
Gain (loss) on sale of securities available for sale	24	375	(32)	2,449
Gain on sale of loans	414	371	1,433	1,258
Trust income	394	320	1,033	894
Bank owned life insurance	231	184	673	628
Other	536	436	1,788	1,227
Total non-interest income	5,374	5,162	15,744	16,880
Non-interest expense				
Salaries and employee benefits	6,776	6,333	20,782	19,133
Net occupancy expense	1,056	1,072	3,179	3,099
Equipment expense	204	189	624	549
Advertising, travel & entertainment	440	385	1,457	1,308
ATM expense	165	112	467	479
Director fees	144	145	459	438
Supplies	134	145	455	428
Professional fees	193	344	583	783
Postage	149	140	423	416
Other	1,262	1,130	3,727	3,298
Total non-interest expense	10,523	9,995	32,156	29,931
Income before federal tax expense	4,754	5,315	13,619	15,533
Income tax expense	921	1,082	2,514	3,134
Net income	$3,833	$4,233	$11,105	$12,399
Common Share Data:				
Weighted-average basic shares outstanding	11,459	11,504	11,446	11,483
Weighted-average diluted shares outstanding	12,011	12,170	12,035	12,155
Net income per common share				
Basic	$0.34	$0.37	$0.97	$1.08
Diluted	0.32	0.35	0.92	1.02
Book value per common share	---	---	9.15	9.25
Cash dividend declared per common share	0.11	0.10	0.33	0.30
Selected Performance Ratios:				
Return on average assets	0.88%	1.10%	0.88%	1.11%
Return on average shareholders' equity	14.29	16.16	14.17	15.94
Average yield on interest earning assets	5.28	5.06	5.25	5.02
Average yield on interest bearing liabilities	3.03	2.40	2.87	2.37
Net interest spread	2.25	2.66	2.38	2.65

Net interest margin	2.80	3.10	2.89	3.08
Average interest earning assets to average interest bearing liabilities	122.41	122.57	121.95	122.29
Non-interest expense to average total assets	2.42	2.60	2.56	2.69
Efficiency ratio	62.96	62.45	64.72	64.35

AVERAGE BALANCES AND YIELDS
(dollars in thousands)
(unaudited)
Nine Months Ended
September 30, 2005

	AVG. BALANCE	AVG. INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$650,862	$30,043	6.17%
Loans Held for Sale	4,467	160	4.79%
Securities:			
Investment Securities (Taxable) (D)	51,893	1,451	3.74%
Investment Securities (Tax-Exempt) (C)(D)	69,499	3,691	7.10%
Mortgage-backed Securities (D)	761,223	25,379	4.46%
Marketable Equity Securities	27,686	736	3.55%
Interest Earning Deposits	666	15	3.01%
Federal Funds Sold	1,168	25	2.86%
Total Interest Earning Assets	1,567,464	61,500	5.25%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	41,579		
Bank Premises and Equipment	30,817		
Other Assets	46,520		
Less: Allowance for Loan Loss	(6,918)		
Total Assets	$1,679,462		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$50,868	$381	1.00%
Time Deposits	347,037	7,871	3.03%
Interest Bearing Demand Deposits	309,039	3,749	1.62%
Short-term Interest Bearing Liabilities	266,924	6,810	3.41%
Long-term Interest Bearing Liabilities - FHLB Dallas	290,875	7,875	3.62%

Long-term Debt (E)	20,619	938	6.00%
Total Interest Bearing Liabilities	1,285,362	27,624	2.87%

NONINTEREST BEARING LIABILITIES:	
Demand Deposits	274,850
Other Liabilities	14,445
Total Liabilities	1,574,657
SHAREHOLDERS' EQUITY	104,805
Total Liabilities and Shareholders' Equity	$1,679,462

NET INTEREST INCOME	$33,876
NET YIELD ON AVERAGE EARNING ASSETS	2.89%
NET INTEREST SPREAD	2.38%

(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 $1,713 and $1,625 for the nine months ended September 30, 2005 and 2004, respectively.
(C) Interest income includes taxable-equivalent adjustments of $1,185 and $1,255 for the nine months ended September 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 September 30, 2005 and 2004, loans totaling $1,211 and $1,185, 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)
Nine Months Ended
September 30, 2004

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

Loans (A) (B)	$600,222	$27,428	6.10%
Loans Held for Sale	3,190	134	5.61%
Securities:			
Investment Securities (Taxable) (D)	44,863	741	2.21%
Investment Securities (Tax-Exempt)(C)(D)	75,383	4,006	7.10%
Mortgage-backed Securities (D)	628,673	19,401	4.12%
Marketable Equity Securities	24,010	320	1.78%
Interest Earning Deposits	652	5	1.02%
Federal Funds Sold	8,638	60	0.93%
Total Interest Earning Assets	1,385,631	52,095	5.02%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	37,900		
Bank Premises and Equipment	30,639		
Other Assets	39,701		
Less: Allowance for Loan Loss	(6,524)		
Total Assets	$1,487,347		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$48,091	$152	0.42%
Time Deposits	319,160	5,761	2.41%
Interest Bearing Demand Deposits	279,930	1,311	0.63%
Short-term Interest Bearing			
Liabilities	175,668	4,758	3.62%
Long-term Interest Bearing			
Liabilities - FHLB Dallas	289,587	7,460	3.44%
Long-term Debt (E)	20,619	664	4.23%
Total Interest Bearing Liabilities	1,133,055	20,106	2.37%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	240,652		
Other Liabilities	9,757		
Total Liabilities	1,383,464		
SHAREHOLDERS' EQUITY	103,883		
Total Liabilities and			
Shareholders' Equity	$1,487,347		
NET INTEREST INCOME	$31,989		
NET YIELD ON AVERAGE EARNING ASSETS			3.08%
NET INTEREST SPREAD			2.65%

(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 $1,713 and

$1,625 for the nine months ended September 30, 2005 and 2004, respectively.

(C) Interest income includes taxable-equivalent adjustments of $1,185 and $1,255 for the nine months ended September 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 September 30, 2005 and 2004, loans totaling $1,211 and $1,185, 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
September 30, 2005

	AVG. BALANCE	AVG. INTEREST	AVG. YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$671,882	$10,602	6.26%
Loans Held for Sale	3,791	52	5.44%
Securities:			
Investment Securities (Taxable) (D)	46,429	473	4.04%
Investment Securities (Tax-Exempt) (C) (D)	63,334	1,138	7.13%
Mortgage-backed Securities (D)	793,412	8,833	4.42%
Marketable Equity Securities	28,366	283	3.96%
Interest Earning Deposits	550	5	3.61%
Federal Funds Sold	1,185	10	3.35%
Total Interest Earning Assets	1,608,949	21,396	5.28%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	41,058		
Bank Premises and Equipment	31,747		
Other Assets	47,395		
Less: Allowance for Loan Loss	(6,914)		
Total Assets	$1,722,235		
LIABILITIES AND SHAREHOLDERS' EQUITY			

INTEREST BEARING LIABILITIES:			
Savings Deposits	$50,857	$142	1.11%
Time Deposits	361,048	2,981	3.28%
Interest Bearing Demand Deposits	312,195	1,451	1.84%
Short-term Interest Bearing Liabilities	310,463	2,721	3.48%
Long-term Interest Bearing Liabilities - FHLB Dallas	259,245	2,416	3.70%
Long-term Debt (E)	20,619	339	6.43%
Total Interest Bearing Liabilities	1,314,427	10,050	3.03%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	286,088		
Other Liabilities	15,292		
Total Liabilities	1,615,807		
SHAREHOLDERS' EQUITY	106,428		
Total Liabilities and Shareholders' Equity	$1,722,235		
NET INTEREST INCOME	$11,346		
NET YIELD ON AVERAGE EARNING ASSETS			2.80%
NET INTEREST SPREAD			2.25%

(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 $582 and $557 for the third quarter ended September 30, 2005 and 2004, respectively.
(C) Interest income includes taxable-equivalent adjustments of $376 and $429 for the third quarter ended September 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 September 30, 2005 and 2004, loans totaling $1,211 and $1,185, 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

	September 30, 2004		
	AVG. BALANCE	AVG. INTEREST	YIELD
ASSETS			
INTEREST EARNING ASSETS:			
Loans (A) (B)	$611,003	$9,247	6.02%
Loans Held for Sale	4,067	45	4.40%
Securities:			
Investment Securities (Taxable) (D)	41,896	244	2.32%
Investment Securities (Tax-Exempt) (C) (D)	73,639	1,327	7.17%
Mortgage-backed Securities (D)	670,539	7,157	4.25%
Marketable Equity Securities	24,556	123	1.99%
Interest Earning Deposits	573	1	0.69%
Federal Funds Sold	1,304	5	1.53%
Total Interest Earning Assets	1,427,577	18,149	5.06%
NONINTEREST EARNING ASSETS:			
Cash and Due From Banks	37,728		
Bank Premises and Equipment	30,674		
Other Assets	40,766		
Less: Allowance for Loan Loss	(6,690)		
Total Assets	$1,530,055		
LIABILITIES AND SHAREHOLDERS' EQUITY			
INTEREST BEARING LIABILITIES:			
Savings Deposits	$49,015	$57	0.46%
Time Deposits	319,338	1,966	2.45%
Interest Bearing Demand Deposits	277,401	488	0.70%
Short-term Interest Bearing Liabilities	196,669	1,696	3.43%
Long-term Interest Bearing Liabilities - FHLB Dallas	301,677	2,569	3.39%
Long-term Debt (E)	20,619	239	4.54%
Total Interest Bearing Liabilities	1,164,719	7,015	2.40%
NONINTEREST BEARING LIABILITIES:			
Demand Deposits	252,296		
Other Liabilities	8,834		
Total Liabilities	1,425,849		
SHAREHOLDERS' EQUITY	104,206		
Total Liabilities and Shareholders' Equity	$1,530,055		
NET INTEREST INCOME		$11,134	

NET YIELD ON AVERAGE EARNING ASSETS 3.10%

NET INTEREST SPREAD 2.66%

(A) Loans are shown net of unearned discount. Interest on loans includes fees on loans which are not material in amount.
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Note: As of September 30, 2005 and 2004, loans totaling $1,211 and $1,185, 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- 11/02/2005
/CONTACT: Susan Hill of Southside Bancshares, Inc., +1-903-531-7220, or susanh@southside.com /
/Web site: http://www.southside.comhttp://www.southside.com/investor /
(SBSI)

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