



# **Annual Shareholders' Meeting**

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**April 20, 2006**

**SOUTHSIDE BANCSHARES, INC.**

# Forward-Looking Statements

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*Certain statements based on other than historical fact are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events. 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," "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.*

# Forward-Looking Statements

(continued)

*Other factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, the following:*

- 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;*
- changes in the interest rate yield curve such as flat, inverted or steep yield curves, or changes in the 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.*

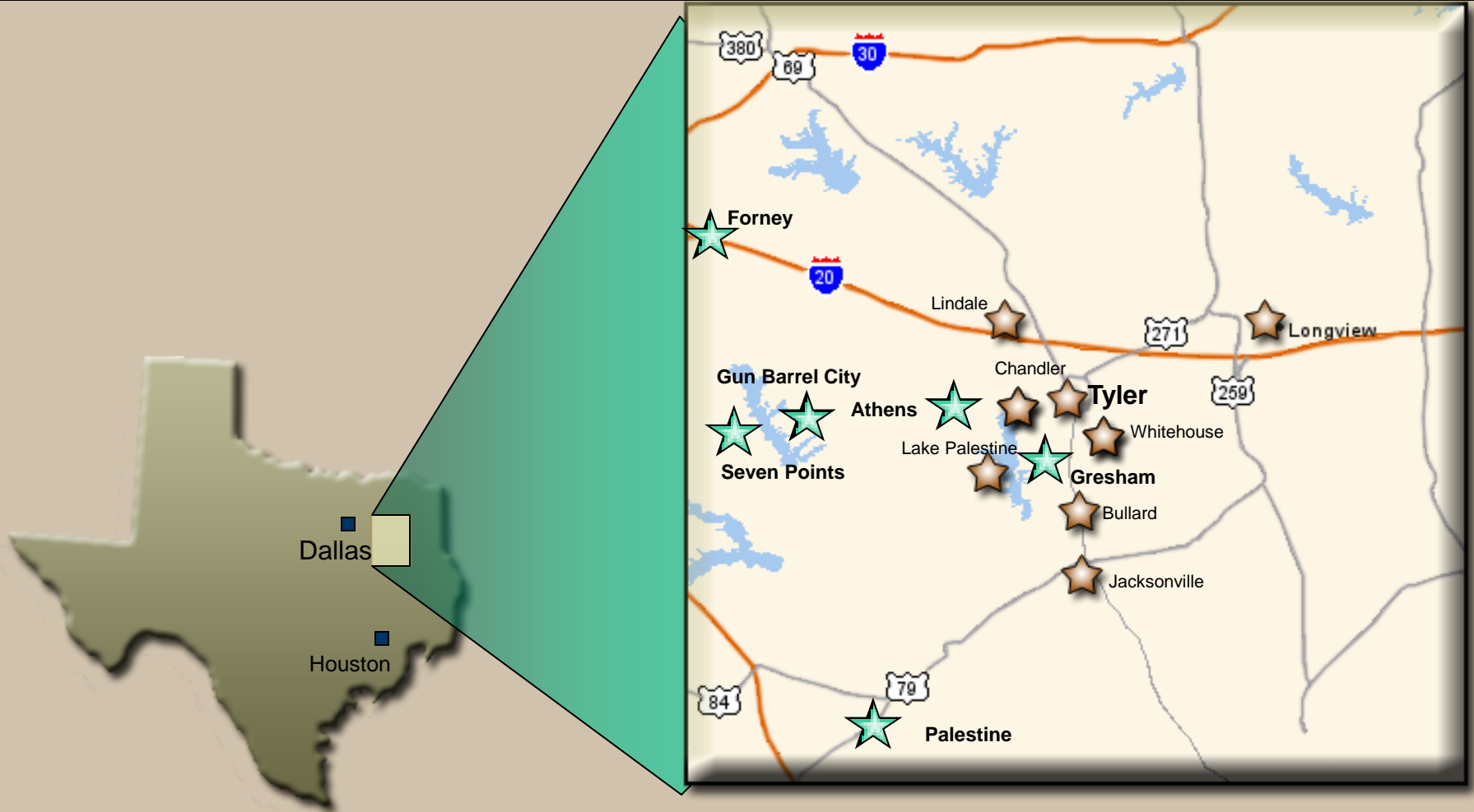
*The Company disclaims any obligation to update any factors, information, or to announce publicly the result of revisions to any of the forward-looking statements included in this presentation made on April 20, 2006 to reflect future events or developments.*

# Company Overview (SBSI)

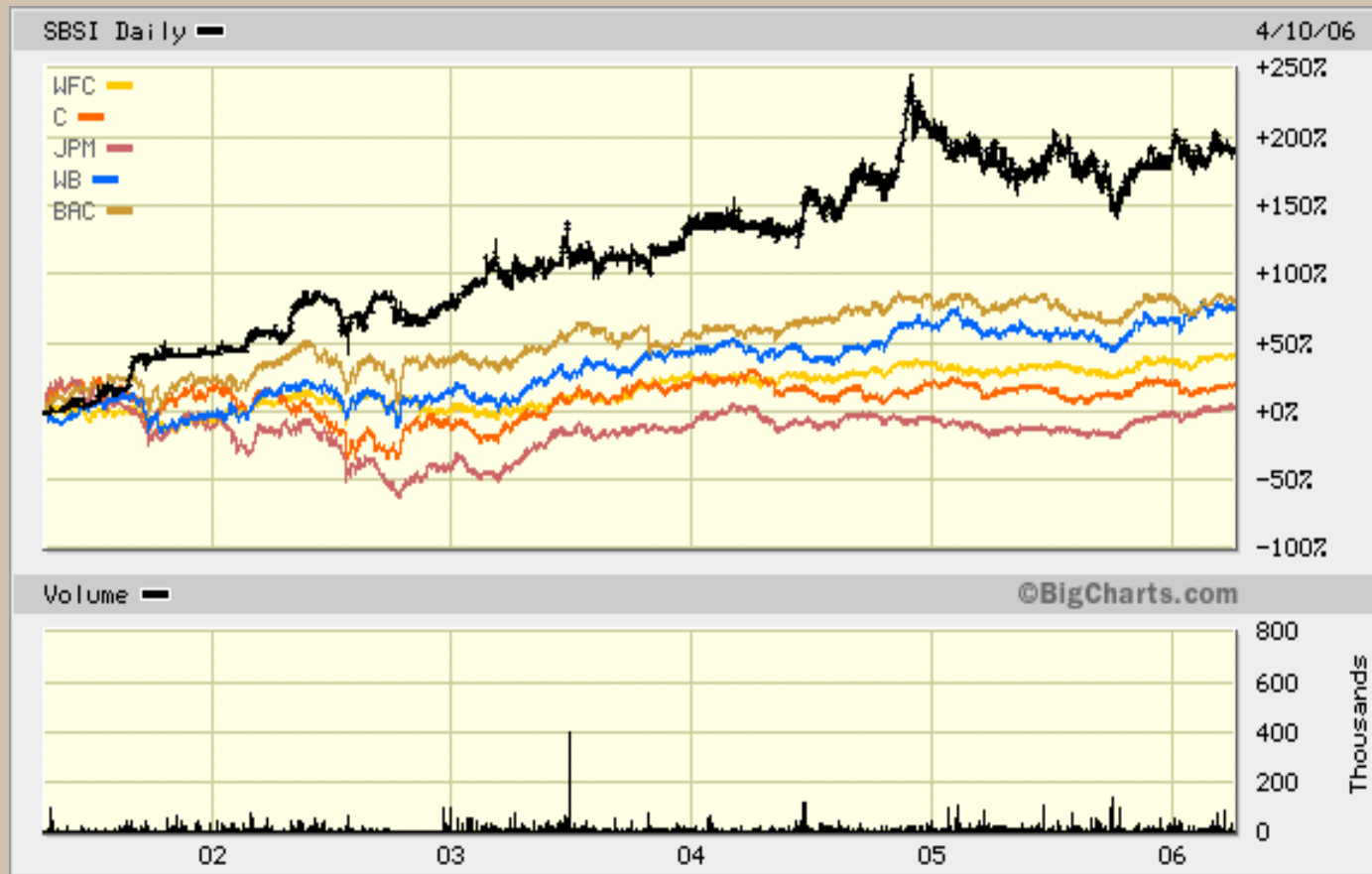
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- **Bank Chartered:** 1960
- **Total Assets:** \$1.8 billion
- **Market capitalization:** \$252 million
- **Cash Dividend Yield:** 2.1%
- **Insider ownership:** 12.2%
- **Institutional ownership:** 14.1%

# Branch Locations



# Five Year Performance



**SOUTHSIDE BANCSHARES, INC.**

# Deposit Market Share (Tyler)

<b>Bank</b>	<b>Market share Tyler</b>	<b>Deposits (millions)</b>
<b>Southside Bank</b>	<b>33.4%</b>	<b>\$789</b>
<b>Bank of America</b>	<b>17.2%</b>	<b>\$407</b>
<b>Regions Bank</b>	<b>11.1%</b>	<b>\$262</b>
<b>JP Morgan</b>	<b>8.2%</b>	<b>\$195</b>
<b>Guaranty Bank</b>	<b>4.6%</b>	<b>\$110</b>

## Deposit Growth (2003 – 2005)

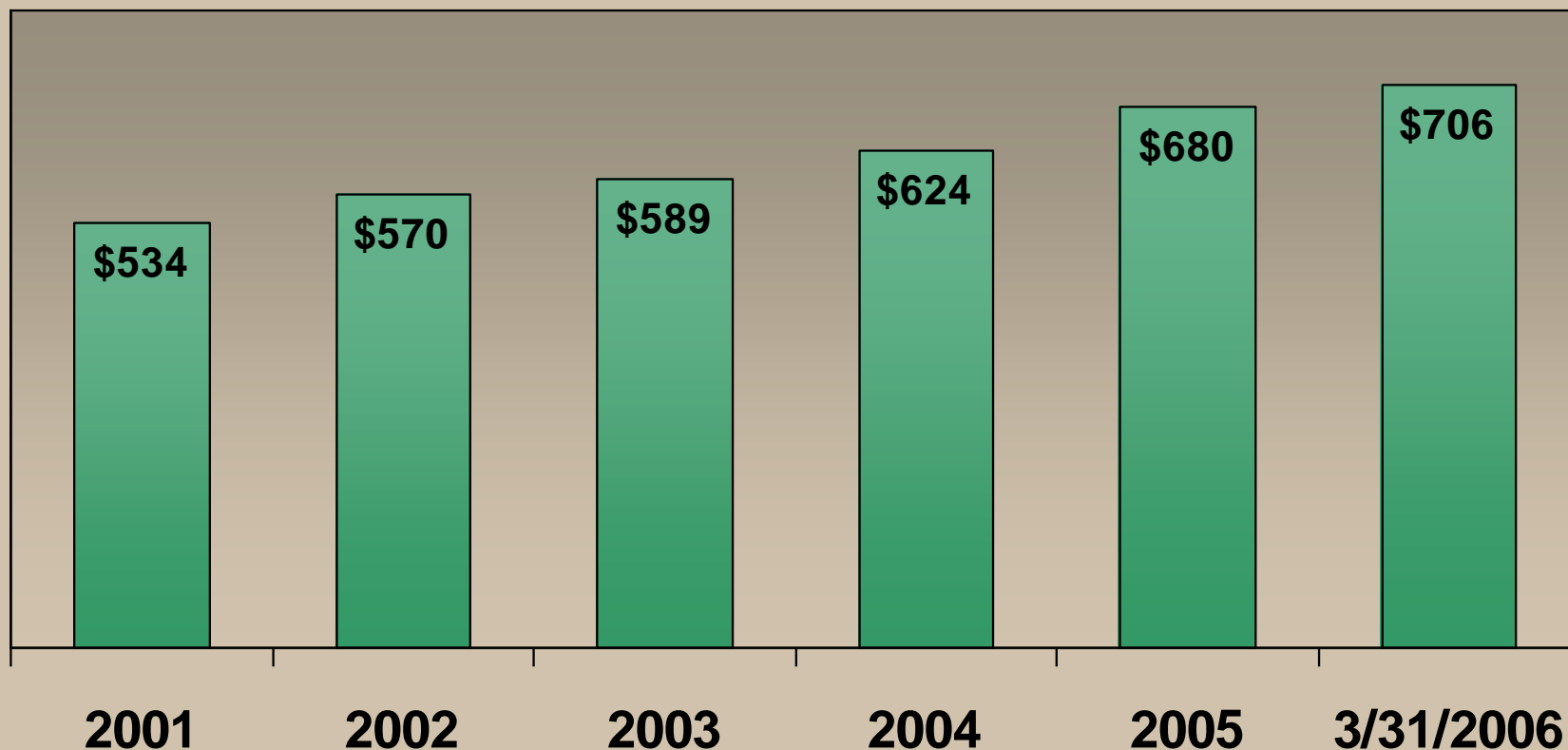
	<u>2005</u>	<u>2004</u> (millions)	<u>2003</u>
Non-interest bearing	\$311	\$264	\$230
Interest bearing	<u>\$800</u>	<u>\$677</u>	<u>\$643</u>
Total	\$1,111	\$941	\$873
Deposit Growth Rate	18.0%	7.8%	7.1%



# Loan Growth

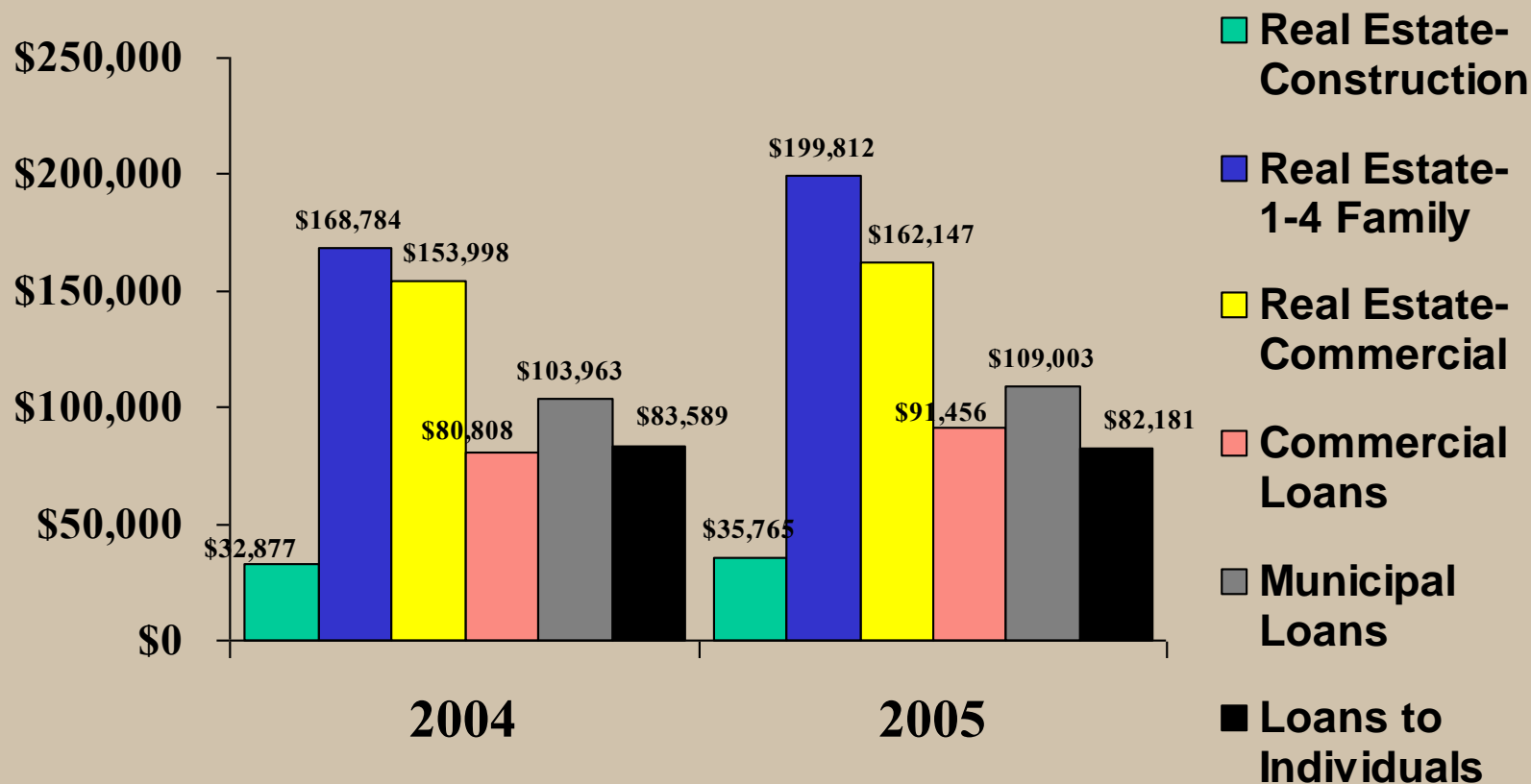
(dollars in millions)

## Total Loans Outstanding Net of Unearned Discount



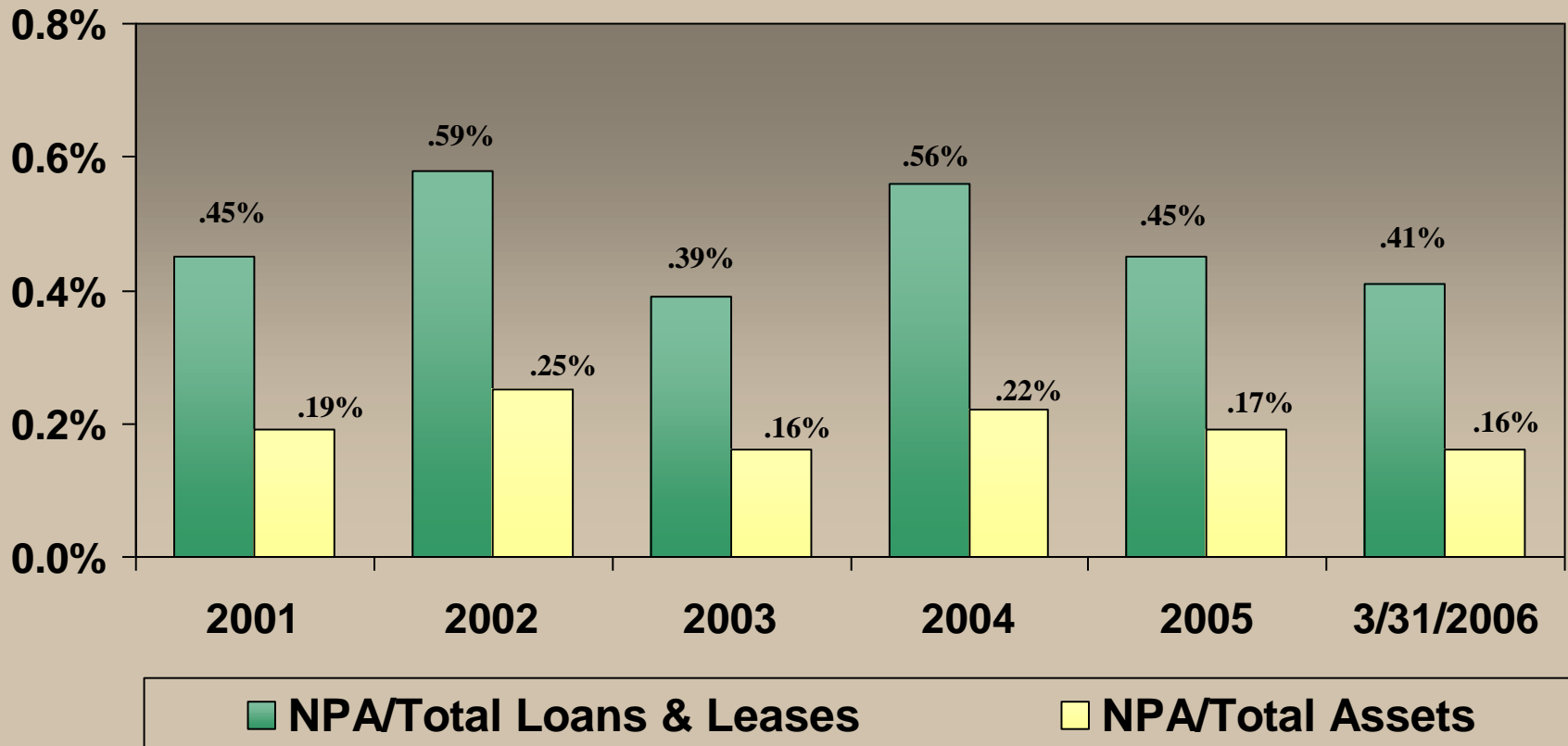
# Loan Portfolio Composition

(dollars in thousands)



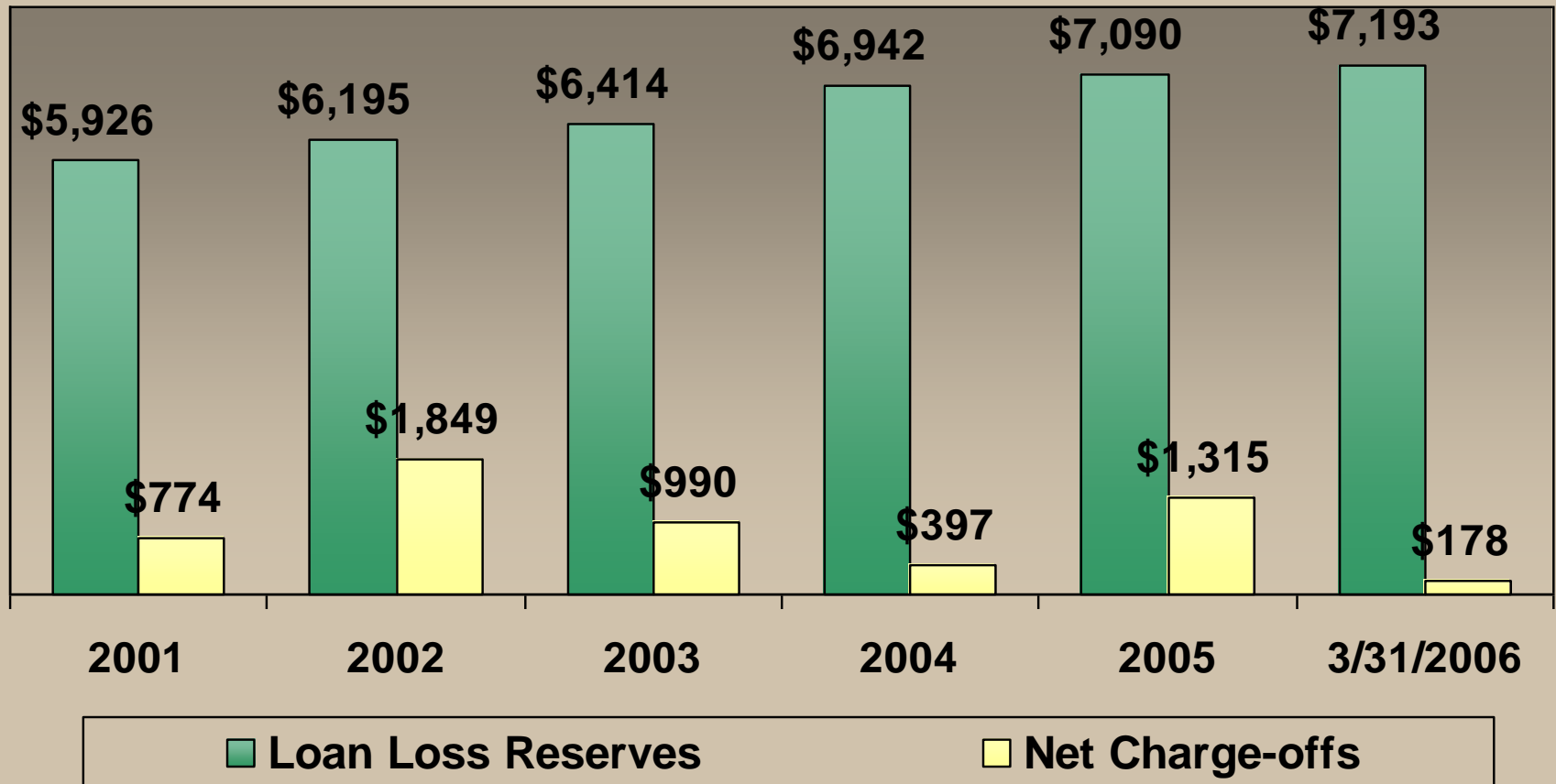
# Asset Quality

## Non-Performing Assets (%)



# Asset Quality

Dollars in Thousands



# Core Bank Goals

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- **Strategic expansion of Southside's branch network**
- **Regional lending focus**
- **Manage balance sheet to support these goals**

# Bottom Line: 2005 Performance

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	<u>2005</u>	<u>2004</u>
Net Income (mm)	\$14.6	\$16.1
EPS	\$1.15	\$1.26
ROE	13.9%	15.3%
ROA	0.86%	1.07%

## 2005 Performance – Impact from Sale of Securities

(in thousands)

	<u>2005</u>	<u>2004</u>
Net Income	\$14,592	\$16,099
Gain on sale of securities, net of tax	151	1,821
Income not including sales of securities, net of tax	\$14,441	\$14,278

# First Quarter Results

## March 31, 2006

(dollars in thousands, except per share amounts)

	<u>3/31/2006</u>	<u>3/31/2005</u>
Net income	\$ 3,228	\$ 3,575
EPS	\$ 0.25	\$ 0.28
ROE	11.8%	13.8%
ROA	0.72%	0.88%
Deposits	\$1,188,058	\$ 971,437
Loans	\$ 706,350	\$ 636,831



# Interest Rate Yield Curve

## March 31, 2003 & 2004

GRAB

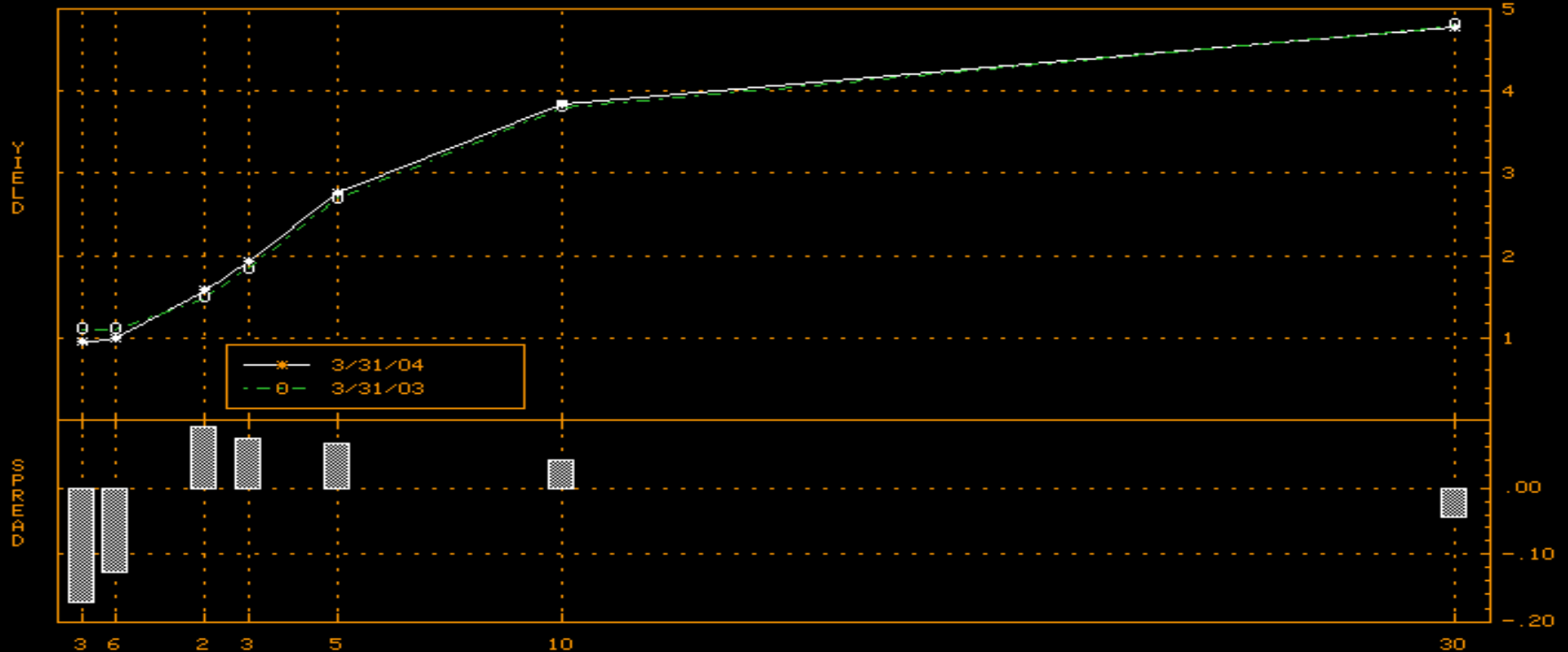
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### HISTORICAL YIELD CURVE

PAGE 1 OF 2

DATE RANGE 3/31/03 3/31/04

MTY RANGE 3M 30Y



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# Interest Rate Yield Curve

## March 31, 2003 & 2004

GRAB

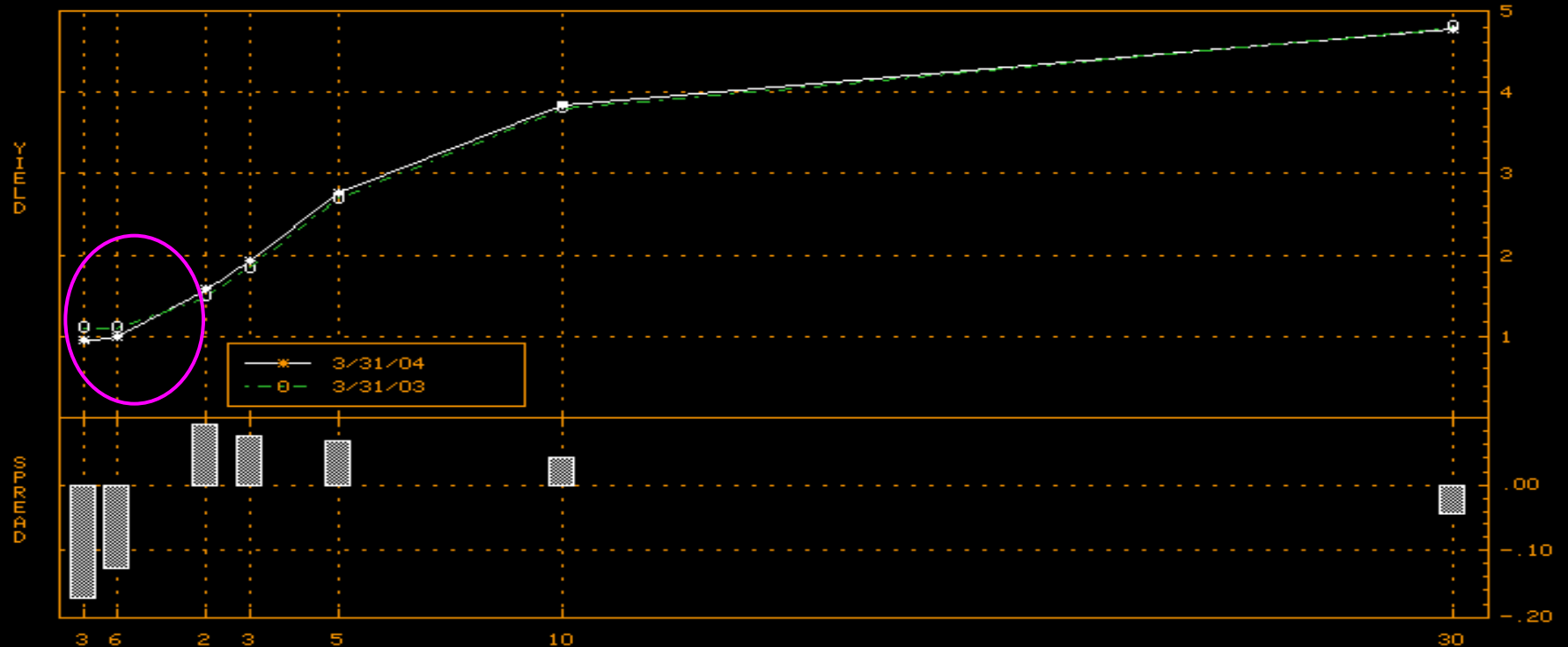
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# SOUTHSIDE BANCSHARES, INC.

# Interest Rate Yield Curve

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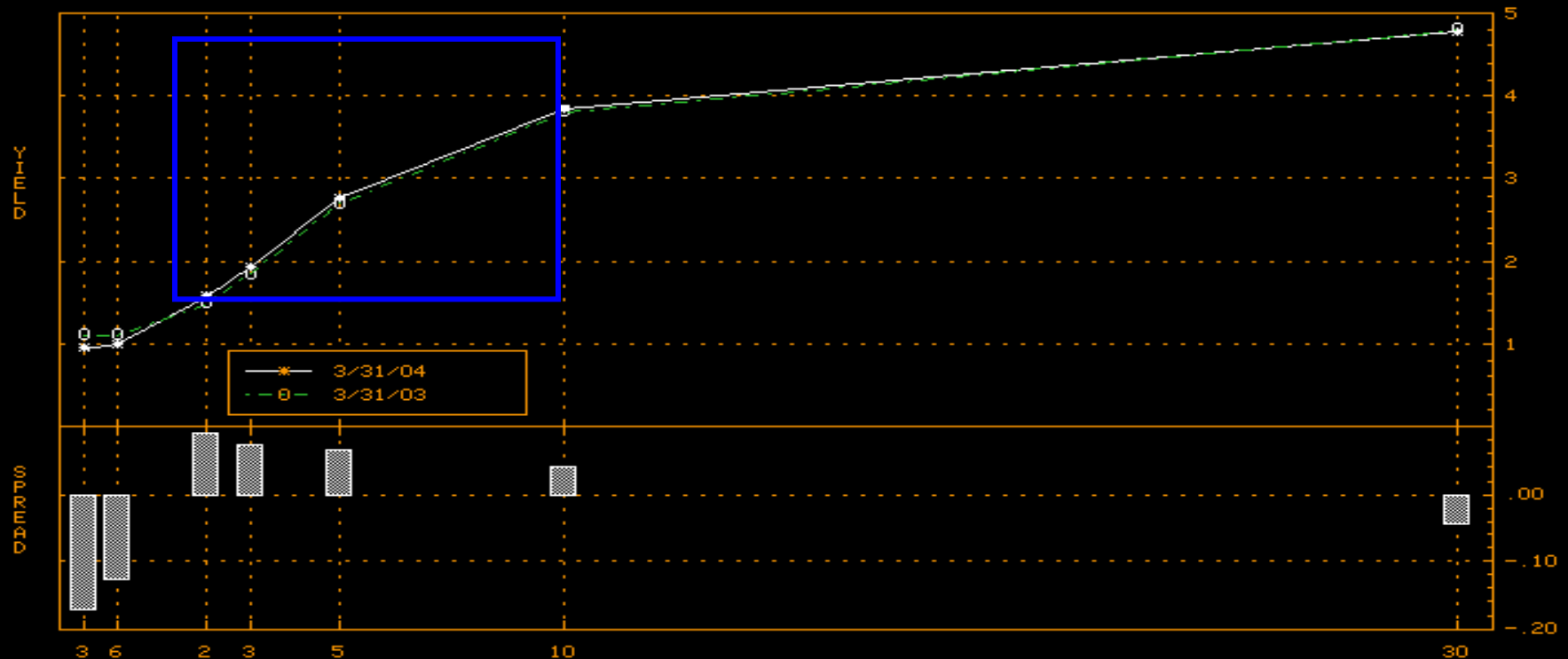
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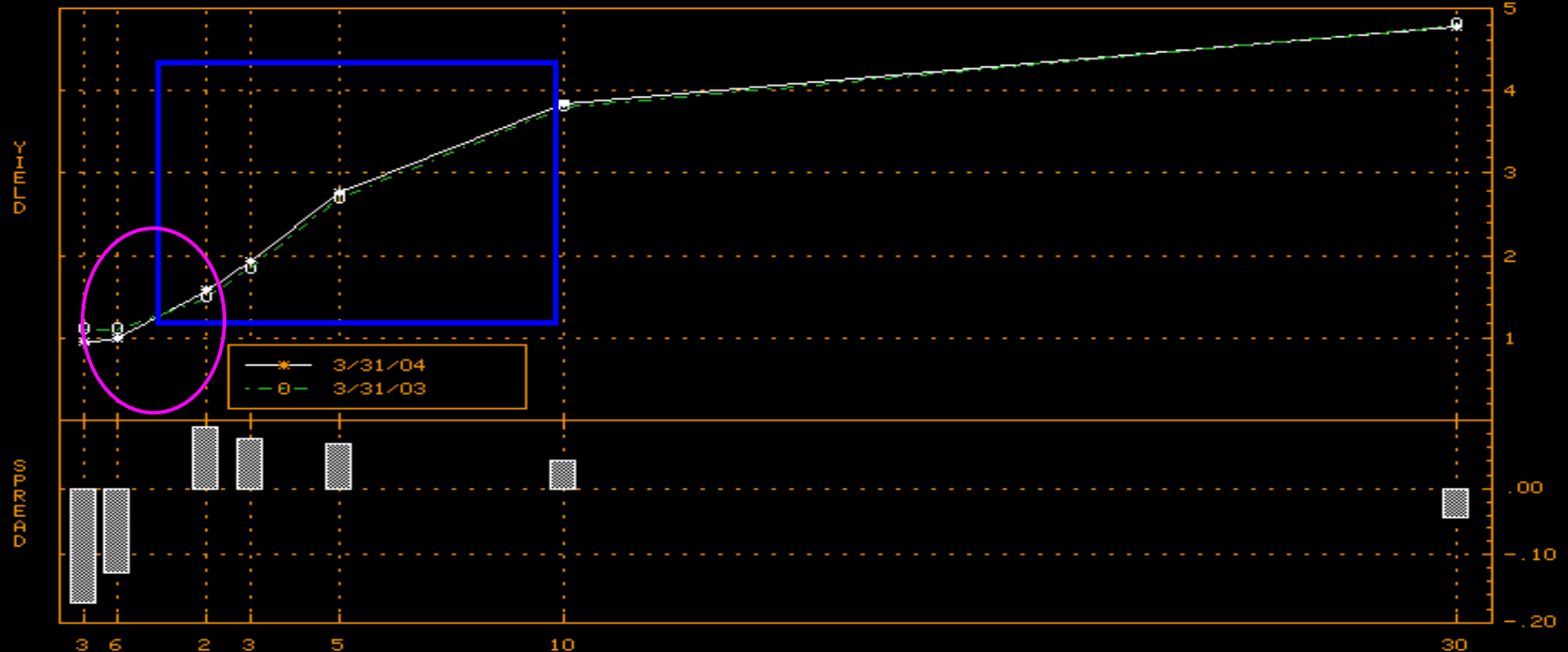
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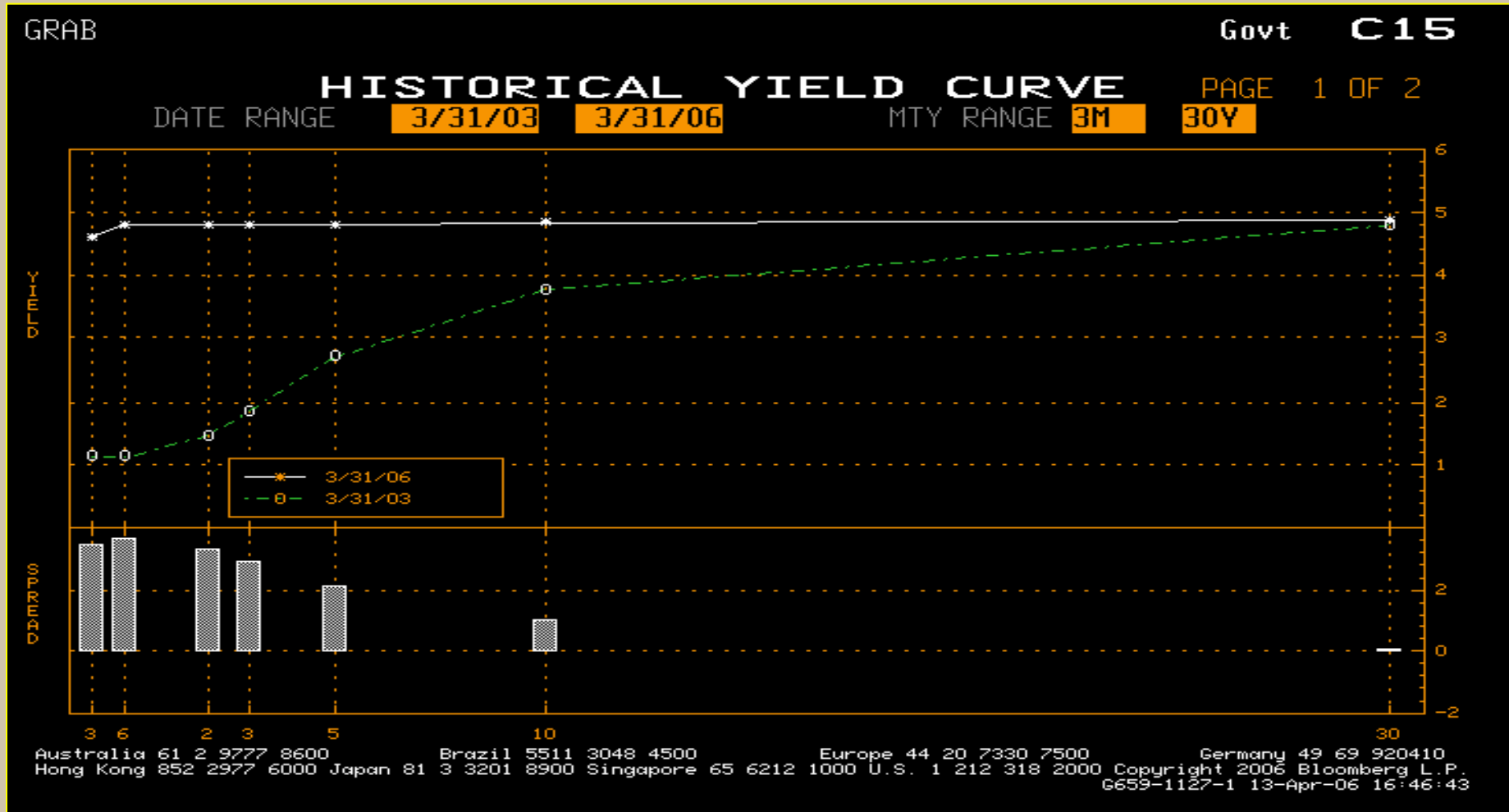
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**SOUTHSIDE BANCSHARES, INC.**

# Interest Rate Yield Curve

## March 31, 2003 & 2006



# Interest Rate Yield Curve

## March 31, 2003 & 2006

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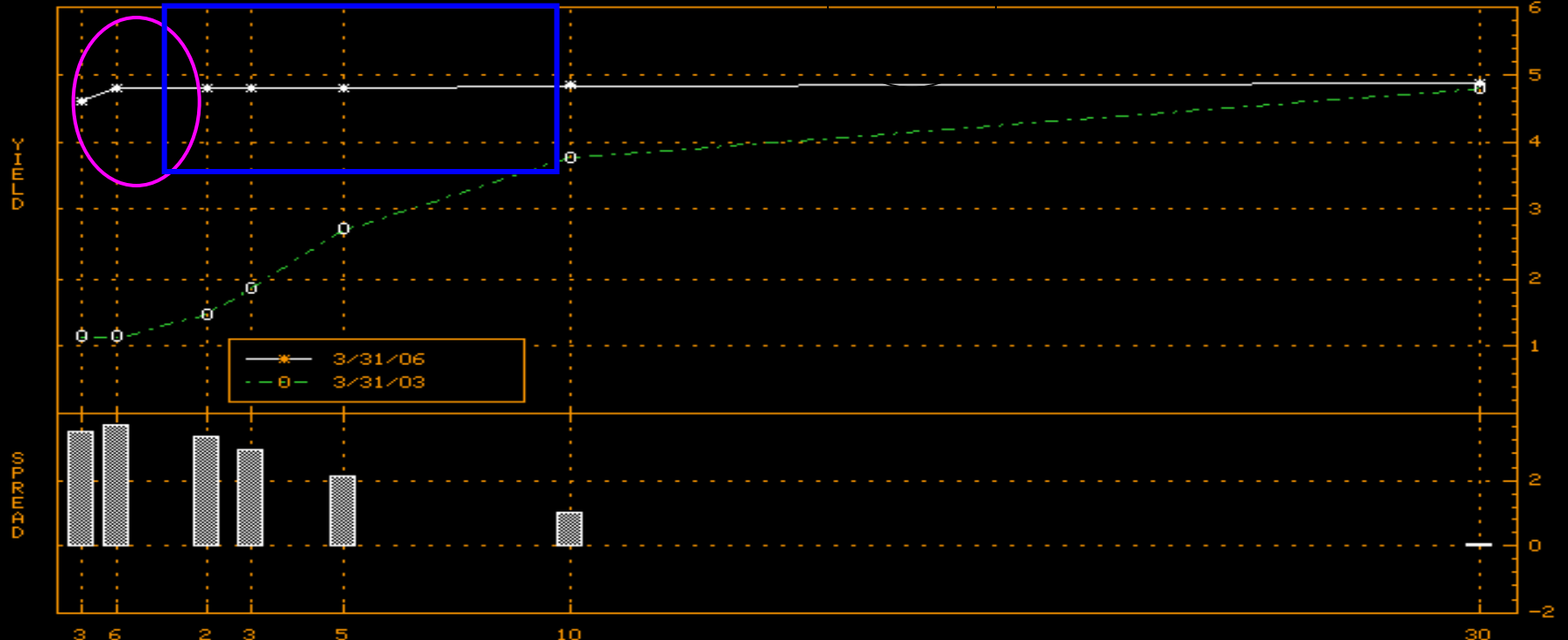
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### HISTORICAL YIELD CURVE

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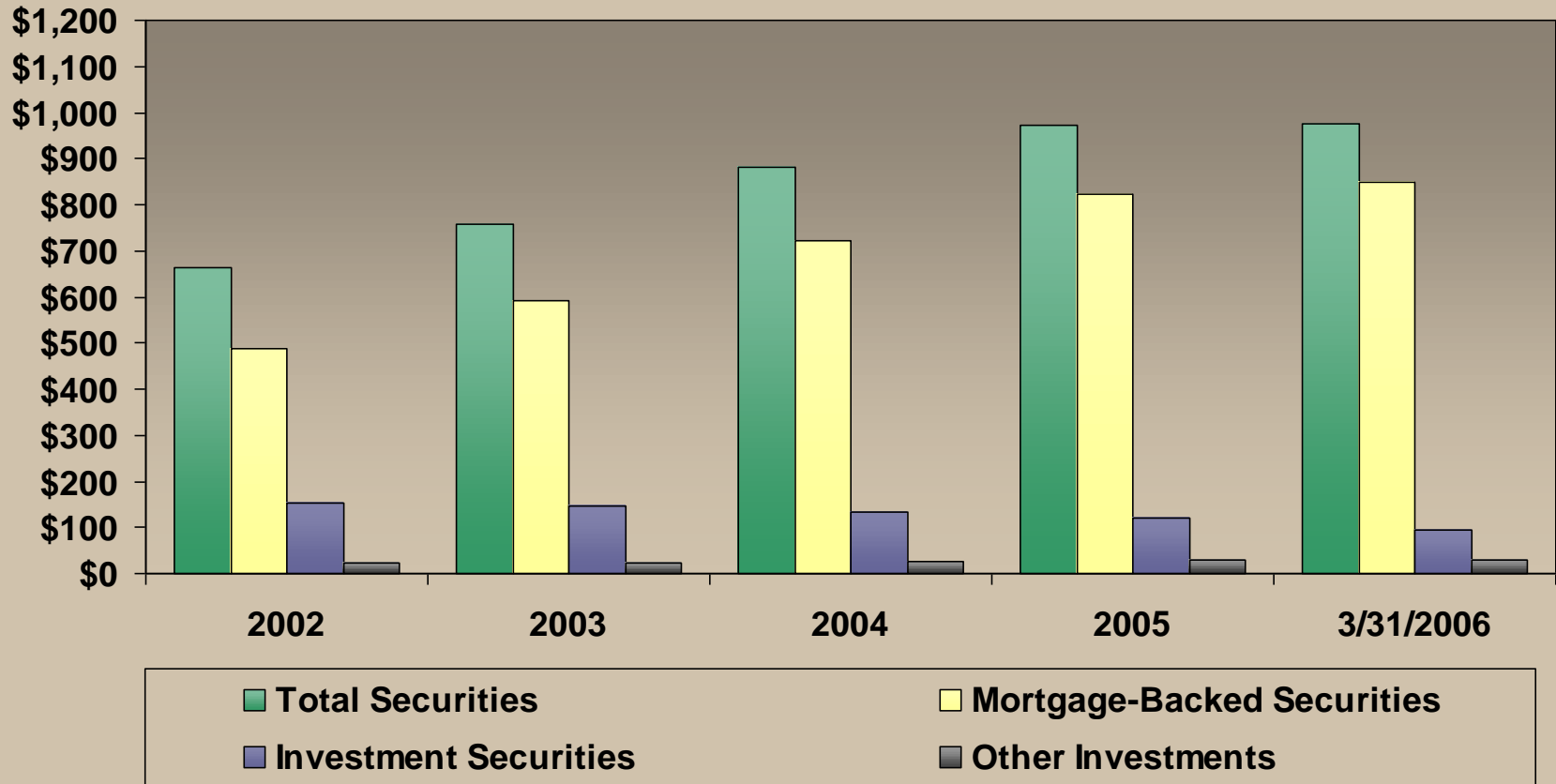
# Balance Sheet Strategy

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- **Diversified loan portfolio**
- **Effectively manage shareholder capital**
- **Carefully manage liabilities: deposits and FHLB advances**

# Securities Portfolio

Dollars in Millions





# Investment Portfolio Performance

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## Southside Bank Performance

<b>Three Year</b>	<b>86<sup>th</sup> percentile</b>
<b>Five Year</b>	<b>83<sup>rd</sup> percentile</b>
<b>Overall Rank</b>	<b>90<sup>th</sup> percentile</b>

Rankings by percentile for the 1,184 largest banks in the U.S. based on total return, all investments marked-to-market. Source: IDC Report 09/30/05

# Investment Summary

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- **Success at organic growth in a highly competitive Texas marketplace**
- **Strong and growing core deposit base**
- **Consistent loan growth coupled with excellent asset quality**
- **Continuity of an experienced, strong management team**
- **Focus on long-term shareholder value**