

SOUTHSIDE BANCSHARES INC  
Form 10-Q  
November 07, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-12247

SOUTHSIDE BANCSHARES, INC.  
(Exact name of registrant as specified in its charter)

TEXAS  
(State or other jurisdiction of  
incorporation or organization)

75-1848732  
(I.R.S. Employer  
Identification No.)

1201 S. Beckham, Tyler, Texas  
(Address of principal executive offices)

75701  
(Zip Code)

903-531-7111  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of shares of the issuer's common stock, par value \$1.25, outstanding as of October 24, 2008 was 13,970,710 shares.

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Retirement Agreement dated November 7, 2008, by and between Southside Bank, Southside Bancshares, Inc. and B. G. Hartley.

Certification Pursuant to Section 302

Certification Pursuant to Section 302

Certification Pursuant to Section 906

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(in thousands, except share amounts)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and due from banks	\$ 51,572	\$ 74,040
Interest earning deposits	4,242	1,414
Federal funds sold	1,475	550
Total cash and cash equivalents	57,289	76,004
Investment securities:		
Available for sale, at estimated fair value	121,509	109,928
Held to maturity, at cost	477	475
Mortgage-backed and related securities:		
Available for sale, at estimated fair value	1,011,955	727,553
Held to maturity, at cost	165,288	189,965
Federal Home Loan Bank stock, at cost	34,317	19,850
Other investments, at cost	2,067	2,069
Loans held for sale	2,014	3,361
Loans:		
Loans	987,375	961,230
Less: allowance for loan loss	(12,928)	(9,753)
Net Loans	974,447	951,477
Premises and equipment, net	40,920	40,249
Goodwill	22,034	21,639
Other intangible assets, net	1,585	1,925
Interest receivable	13,025	11,784
Deferred tax asset	8,593	4,320
Other assets	68,578	35,723
<b>TOTAL ASSETS</b>	<b>\$ 2,524,098</b>	<b>\$ 2,196,322</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest bearing	\$ 391,812	\$ 357,083
Interest bearing	1,087,380	1,173,408
Total Deposits	1,479,192	1,530,491
Short-term obligations:		
Federal funds purchased and repurchase agreements	10,944	7,023
FHLB advances	271,797	353,792
Other obligations	2,478	2,500
Total Short-term obligations	285,219	363,315
Long-term obligations:		
FHLB advances	529,594	86,247
Long-term debt	60,311	60,311
Total Long-term obligations	589,905	146,558
Other liabilities	27,170	23,132

TOTAL LIABILITIES	2,381,486	2,063,496
Off-Balance-Sheet Arrangements, Commitments and Contingencies (Note 12)		
Minority interest in Southside Financial Group	185	498
Shareholders' equity:		
Common stock - \$1.25 par, 20,000,000 shares authorized, 15,702,280 shares issued in 2008 and 14,865,134 shares issued in 2007	19,628	18,581
Paid-in capital	130,433	115,250
Retained earnings	26,309	26,187
Treasury stock (1,731,570 and 1,724,857 shares at cost)	(23,115)	(22,983)
Accumulated other comprehensive loss	(10,828)	(4,707)
TOTAL SHAREHOLDERS' EQUITY	142,427	132,328
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,524,098	\$ 2,196,322

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

(in thousands, except per share data)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2008	2007	2008	2007
Interest income				
Loans	\$ 18,029	\$ 13,134	\$ 54,092	\$ 38,381
Investment securities – taxable		307		