SOUTHSIDE BANCSHARES INC
Form 10-Q
November 07, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x 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

o 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 x . No o .

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 o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Small reporting company o

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

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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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	September 30, 2008	December 31, 2007
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
TOTAL ASSETS	$ 2,524,098	$ 2,196,322
LIABILITIES AND SHAREHOLDERS' EQUITY		
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 Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Interest income				
Loans	$ 18,029	$ 13,134	$ 54,092	$ 38,381
Investment securities – taxable	307	552	1,377	2,004
Investment securities – tax-exempt	851	525	2,829	1,537
Mortgage-backed and related securities	14,883	10,982	38,876	32,079
Federal Home Loan Bank stock and other investments	180	245	656	945
Other interest earning assets	10	37	101	106
Total interest income	34,260	25,475	97,931	75,052
Interest expense				
Deposits	7,257	10,391	25,880	29,981
Short-term obligations	1,986	3,049	7,125	9,771
Long-term obligations	5,209	1,800	11,853	4,978
Total interest expense	14,452	15,240	44,858	44,730
Net interest income	19,808	10,235	53,073	30,322
Provision for loan losses	3,150	620	8,336	954
Net interest income after provision for loan losses	16,658	9,615	44,737	29,368
Noninterest income				
Deposit services	4,739	4,274	13,823	12,472
Gain on sale of securities available for sale	822	126	6,574	561
Gain on sale of loans	239	424	1,551	1,493
Trust income	678	522	1,890	1,562
Bank owned life insurance income	314	273	1,382	805
Other	827	784	2,388	2,310
Total noninterest income	7,619	6,403	27,608	19,203
Noninterest expense				
Salaries and employee benefits	10,002	7,242	27,521	21,644
Occupancy expense	1,449	1,261	4,264	3,619
Equipment expense	327	268	968	738
Advertising, travel & entertainment	447	363	1,407	1,233
ATM and debit card expense	313	247	905	743
Director fees	134	126	425	394
Supplies	201	151	584	487
Professional fees	452	413	1,239	964
Postage	199	165	565	468
Telephone and communications	270	193	785	577
FDIC Insurance	220	38	688	112
Other	1,773	1,075	5,268	3,255
Total noninterest expense	15,787	11,542	44,619	34,234
Income before income tax expense	8,490	4,476	27,726	14,337
Provision for income tax expense	2,240	976	7,399	2,487
Net Income	$ 6,250	$ 3,500	$ 20,327	$ 11,850

Earnings per common share – basic	$	0.45	$	0.26	$	1.47	$	0.87
Earnings per common share – diluted	$	0.44	$	0.25	$	1.43	$	0.84
Dividends declared per common share	$	0.16	$	0.12	$	0.41	$	0.35

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

SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share amounts)

	Compre-hensive Income	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumu-lated Other Compre-hensive Loss	Total Share-holders Equity
Balance at December 31, 2006		$ 17,594					