

SOUTHSIDE BANCSHARES INC  
Form 10-Q/A  
April 30, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A  
Amendment No. 1

(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, 2011

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares of the issuer's common stock, par value \$1.25, outstanding as of October 31, 2011 was 16,465,690 shares.

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Explanatory Note

This Amendment No. 1 on Form 10-Q/A amends the Quarterly Report on Form 10-Q for the period ended September 30, 2011, which was originally filed with the Securities and Exchange Commission (the “SEC”) on November 8, 2011 (the “Original Filing”). This amendment is being filed to reflect the restatement of i) the quarterly results of Southside Bancshares, Inc. (the “Company”), as discussed in Note 2 to the unaudited consolidated financial statements contained herein, and ii) other information related to such restated financial information. Except for Items 1, 2 and 4 of Part I and Item 6 of Part II, no other information included in the Original Filing is amended by this Form 10-Q/A.

During the preparation of the Form 10-K for the year ended December 31, 2011 (the “2011 Form 10-K”), the Company determined that in periods prior to December 31, 2011, it incorrectly accounted for securities acquired with a significant purchase premium that included an embedded derivative. These securities were mainly acquired in 2010 and 2011. Pursuant to GAAP, the Company is required to bifurcate and account for the embedded derivative separately or to account for the securities including the embedded derivative at fair value through income, if the bifurcation was impractical. The Company determined that valuing the embedded derivative separately was not readily identifiable and measurable and as such, cannot be bifurcated. Therefore, the Company determined that all securities meeting the above criteria should be reflected at fair value with the change in fair value reflected through income.

In addition, the Company determined that during the first three quarters of 2011, it incorrectly priced securities acquired with a significant premium and did not account for the impairment of FHLB advance option fees that became impaired during the third quarter of 2011.

The Company evaluated the effect of these three errors and concluded that they were immaterial to any of the previously issued consolidated financial statements except for the unaudited consolidated financial statements included in the Company’s Quarterly Reports on Form 10-Q for the periods ended March 31, June 30, and September 30, 2011. Accordingly, on March 8, 2012, the Company filed a Form 8-K reporting that the Audit Committee of the Board of Directors of the Company determined based on the recommendation of management, that the Company should restate its unaudited consolidated financial statements in each of these Quarterly Reports on Form 10-Q. In addition, the Company revised its 2010 consolidated financial statements in the 2011 Form 10-K to correct for these errors.

See Note 2 – Restatement to Previously Issued Financial Statements contained in the Notes to Financial Statements included in this Form 10-Q/A which further describes the effect of this restatement.

Pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, as amended, this Form 10-Q/A includes new certifications by our principal executive officer and principal financial officer under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Except for the items noted above, no other information included in the Original Filing is being amended by this Form 10-Q/A. This Form 10-Q/A continues to speak as of the date of the Original Filing and we have not updated the filing to reflect events occurring subsequent to the date of the Original Filing other than those associated with the restatement of the Company’s financial statements. Accordingly, this Form 10-Q/A should be read in conjunction with the Company’s filings with the SEC subsequent to the Original Filing, including any amendments to those filings.

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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, 2011 (Restated)	December 31, 2010
Cash and due from banks	\$ 42,527	\$ 56,188
Interest earning deposits	4,604	22,885
Total cash and cash equivalents	47,131	79,073
Investment securities:		
Available for sale, at estimated fair value	304,994	299,344
Held to maturity, at amortized cost	1,496	1,495
Mortgage-backed and related securities:		
Available for sale, at estimated fair value	715,192	886,574
Securities carried at fair value through income	567,639	72,176
Held to maturity, at amortized cost	379,336	405,367
FHLB stock, at cost	29,057	34,712
Other investments, at cost	2,064	2,064
Loans held for sale	5,491	6,583
Loans:		
Loans	1,040,471	1,077,920
Less: allowance for loan losses	(18,189 )	(20,711 )
Net Loans	1,022,282	1,057,209
Premises and equipment, net	50,481	50,144
Goodwill	22,034	22,034
Other intangible assets, net	580	777
Interest receivable	15,957	18,033
Deferred tax asset	-	6,603
Other assets	48,186	57,571
<b>TOTAL ASSETS</b>	<b>\$ 3,211,920</b>	<b>\$ 2,999,759</b>
<b>LIABILITIES AND EQUITY</b>		
Deposits:		
Noninterest bearing	\$ 477,128	\$ 423,304
Interest bearing	1,816,632	1,711,124
Total Deposits	2,293,760	2,134,428
Short-term obligations:		
Federal funds purchased and repurchase agreements	2,997	3,844
FHLB advances	287,204	189,094
Other obligations	2,226	2,651
Total Short-term obligations	292,427	195,589
Long-term obligations:		
FHLB advances	275,458	373,479

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Long-term debt	60,311	60,311
Total Long-term obligations	335,769	433,790
Deferred tax liability	7,604	–
Other liabilities	23,150	20,378
<b>TOTAL LIABILITIES</b>	<b>2,952,710</b>	<b>2,784,185</b>

Off-Balance-Sheet Arrangements, Commitments and Contingencies (Note 11)

Shareholders' equity:

Common stock - \$1.25 par, 40,000,000 shares authorized, 18,489,528 shares issued in 2011 and 17,660,312 shares issued in 2010	23,112	22,075
Paid-in capital	176,086	162,877
Retained earnings	69,340	64,179
Treasury stock (2,023,838 shares at cost)	(28,377 )	(28,377 )
Accumulated other comprehensive income (loss)	19,049	(6,293 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>259,210</b>	<b>214,461</b>
Noncontrolling interest	–	1,113
<b>TOTAL EQUITY</b>	<b>259,210</b>	<b>215,574</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,211,920</b>	<b>\$ 2,999,759</b>

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

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SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES