ARROW FINANCIAL CORP
Form 10-Q
May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended March 31, 2013

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

Commission File Number: 0-12507

ARROW FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	22-2448962 (I.R.S. Employer Identification No.)

250 GLEN STREET, GLENS FALLS, NEW YORK 12801
(Address of principal executive offices) (Zip Code)
Registrant’s telephone number, including area code: (518) 745-1000

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. x Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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). x 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer x Non-accelerated filer 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 x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 2013
Common Stock, par value $1.00 per share	12,107,397

ARROW FINANCIAL CORPORATION
FORM 10-Q
TABLE OF CONTENTS

PART I - Financial Information

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	March 31, 2013	December 31, 2012	March 31, 2012
ASSETS			
Cash and Due From Banks	$23,943	$37,076	$31,128
Interest-Bearing Deposits at Banks	113,231	11,756	106,380
Investment Securities:			
Available-for-Sale	478,775	478,698	466,785
Held-to-Maturity (Approximate Fair Value of $259,562 at March 31, 2013, $248,252 at December 31, 2012, and $207,779 at March 31, 2012)	251,456	239,803	200,607
Federal Home Loan Bank and Federal Reserve Bank Stock	4,493	5,792	4,382
Loans	1,164,759	1,172,341	1,137,547
Allowance for Loan Losses	(14,603)	(15,298)	(15,053)
Net Loans	1,150,156	1,157,043	1,122,494
Premises and Equipment, Net	29,363	28,897	23,217
Other Real Estate and Repossessed Assets, Net	1,194	1,034	555
Goodwill	22,003	22,003	22,003
Other Intangible Assets, Net	4,457	4,492	4,650
Accrued Interest Receivable	6,481	5,486	6,380
Other Assets	30,410	30,716	31,788
Total Assets	$2,115,962	$2,022,796	$2,020,369
LIABILITIES			
Noninterest-Bearing Deposits	$254,308	$247,232	$230,289
NOW Accounts	845,531	758,287	758,114
Savings Deposits	476,115	442,363	432,854
Time Deposits of $100,000 or More	89,797	93,375	115,161
Other Time Deposits	185,455	189,898	224,460
Total Deposits	1,851,206	1,731,155	1,760,878
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	12,166	12,678	16,652
Federal Home Loan Bank Overnight Advances	—	29,000	—
Federal Home Loan Bank Term Advances	30,000	30,000	30,000
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	20,000	20,000	20,000
Accrued Interest Payable	523	584	974
Other Liabilities	24,264	23,554	23,399
Total Liabilities	1,938,159	1,846,971	1,851,903
STOCKHOLDERS' EQUITY			
Preferred Stock, $5 Par Value; 1,000,000 Shares Authorized	—	—	—
Common Stock, $1 Par Value; 20,000,000 Shares Authorized (16,416,163 Shares Issued at March 31, 2013 and December 31, 2012 and	16,416	16,416	16,094

16,094,277 Shares Issued at March 31, 2012)			
Additional Paid-in Capital	219,178	218,650	208,808
Retained Earnings	28,423	26,251	26,291
Unallocated ESOP Shares (95,172 Shares at March 31, 2013, 102,890 Shares at December 31, 2012 and 109,939 Shares at March 31, 2012)	(2,000)	(2,150)	(2,350)
Accumulated Other Comprehensive Loss	(8,324)	(8,462)	(6,872)
Treasury Stock, at Cost (4,310,578 Shares at March 31, 2013, 4,288,617 Shares at December 31, 2012, and 4,223,687 Shares at March 31, 2012)	(75,890)	(74,880)	(73,505)
Total Stockholders' Equity	177,803	175,825	168,466
Total Liabilities and Stockholders' Equity	$2,115,962	$2,022,796	$2,020,369

See Notes to Unaudited Interim Consolidated Financial Statements.

3

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
INTEREST AND DIVIDEND INCOME		
Interest and Fees on Loans	$12,783	$13,958
Interest on Deposits at Banks	27	21
Interest and Dividends on Investment Securities:		
Fully Taxable	1,796	2,638
Exempt from Federal Taxes	1,390	1,321
Total Interest and Dividend Income	15,996	17,938
INTEREST EXPENSE		
NOW Accounts	778	1,059
Savings Deposits	268	357
Time Deposits of $100,000 or More	319	608
Other Time Deposits	554	1,146
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	3	6
Federal Home Loan Bank Advances	173	197
Junior Subordinated Obligations Issued to Unconsolidated Subsidiary Trusts	144	159
Total Interest Expense	2,239	3,532
NET INTEREST INCOME	13,757	14,406
Provision for Loan Losses	100	280
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,657	14,126
NONINTEREST INCOME		
Income From Fiduciary Activities	1,574	1,622
Fees for Other Services to Customers	2,282	1,960
Insurance Commissions	2,028	1,889
Gain on Securities Transactions	527	502
Net Gain on Sales of Loans	607	357
Other Operating Income	156	229
Total Noninterest Income	7,174	6,559
NONINTEREST EXPENSE		
Salaries and Employee Benefits	7,621	7,903
Occupancy Expenses, Net	2,276	2,024
FDIC Assessments	264	255
Other Operating Expense	3,250	2,964
Total Noninterest Expense	13,411	13,146
INCOME BEFORE PROVISION FOR INCOME TAXES	7,420	7,539
Provision for Income Taxes	2,239	2,251
NET INCOME	$5,181	$5,288
Average Shares Outstanding:		
Basic	12,031	12,005

Diluted	12,049	12,030
Per Common Share:		
Basic Earnings	$0.43	$0.44
Diluted Earnings	0.43	0.44

Share and Per Share Amounts have been restated for the September 2012 2% stock dividend.
See Notes to Unaudited Interim Consolidated Financial Statements.

4

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net Income	$5,181	$5,288
Other Comprehensive Income (Loss), Net of Tax:		
Net Unrealized Securities Holding Gains Arising During the Period	220	(98)
Reclassification Adjustment for Securities Gains Included in Net Income	(318)	(303)
Amortization of Net Retirement Plan Actuarial Loss	236	228
Accretion of Net Retirement Plan Prior Service Credit	—	(4)
Other Comprehensive Income (Loss)	138	(177)
Comprehensive Income	$5,319	$5,111

See Notes to Unaudited Interim Consolidated Financial Statements.

5

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unallo-cated ESOP Shares	Accumu-lated Other Com-prehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2012	$16,416	$218,650	$26,251	$ (2,150)	$ (8,462)	$(74,880)	$175,825
Net Income	—	—	5,181	—	—	—	5,181
Other Comprehensive (Loss) Income	—	—	—	—	138	—	138
Cash Dividends Paid, $.25 per Share [1]	—	—	(3,009)	—	—	—	(3,009)
Stock Options Exercised (23,434 Shares)	—	259	—	—	—	231	490
Shares Issued Under the Directors' Stock Plan (396 Shares)	—	6	—	—	—	4	10
Shares Issued Under the Employee Stock Purchase Plan (4,683 Shares)	—	64	—	—	—	46	110
Stock-Based Compensation Expense	—	97	—	—	—	—	97
Tax Benefit for Disposition of Stock Options	—	8	—	—	—	—	8
Purchase of Treasury Stock (54,231 Shares)	—	—	—	—	—	(1,328)	(1,328)
Acquisition of Subsidiaries (3,757 Shares)	—	54	—	—	—	37	91
Allocation of ESOP Stock (7,718 Shares)	—	40	—	150	—	—	190
Balance at March 31, 2013	$16,416	$219,178	$28,423	$ (2,000)	$ (8,324)	$(75,890)	$177,803
Balance at December 31, 2011	$16,094	$207,600	$23,947	$ (2,500)	$ (6,695)	$(72,061)	$166,385
Net Income	—	—	5,288	—	—	—	5,288
Other Comprehensive (Loss) Income	—	—	—	—	(177)	—	(177)
Cash Dividends Paid, $.245 per Share [1]	—	—	(2,944)	—	—	—	(2,944)
Stock Options Exercised (52,502 Shares)	—	627	—	—	—	522	1,149
Shares Issued Under the Employee Stock Purchase Plan (4,542 Shares)	—	62	—	—	—	45	107

Shares Issued for Dividend Reinvestment Plans (19,032 Shares)	—	275	—	—	—	189	464
Stock-Based Compensation Expense	—	99	—	—	—	—	99
Tax Benefit for Disposition of Stock Options	—	53	—	—	—	—	53
Purchase of Treasury Stock (90,017 Shares)	—	—	—	—	—	(2,237)	(2,237)
Acquisition of Subsidiaries (3,724 Shares)	—	54	—	—	—	37	91
Allocation of ESOP Stock (7,563 Shares)	—	38	—	150	—	—	188
Balance at March 31, 2012	$16,094	$208,808	$26,291	$ (2,350)	$ (6,872)	$(73,505)	$168,466

[1] Cash dividends paid per share have been adjusted for the September 2012 2% stock dividend.

See Notes to Unaudited Interim Consolidated Financial Statements.

6

ARROW FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
Cash Flows from Operating Activities:	2013	2012
Net Income	$5,181	$5,288
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	100	280
Depreciation and Amortization	2,373	2,043
Allocation of ESOP Stock	190	188
Gains on the Sale of Securities Available-for-Sale	(527)	(502)
Loans Originated and Held-for-Sale	(18,842)	(10,469)
Proceeds from the Sale of Loans Held-for-Sale	21,385	10,630
Net Gains on the Sale of Loans	(607)	(357)
Net Gains on the Sale of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	105	30
Contributions to Pension Plans	(111)	(80)
Deferred Income Tax Expense (Benefit)	358	(288)
Shares Issued Under the Directors’ Stock Plan	10	—
Stock-Based Compensation Expense	97	99
Net (Increase) Decrease in Other Assets	(991)	1,064
Net Increase in Other Liabilities	926	659
Net Cash Provided By Operating Activities	9,647	8,585
Cash Flows from Investing Activities:		
Proceeds from the Sale of Securities Available-for-Sale	16,261	10,851
Proceeds from the Maturities and Calls of Securities Available-for-Sale	22,846	77,782
Purchases of Securities Available-for-Sale	(39,928)	(288)
Proceeds from the Maturities and Calls of Securities Held-to-Maturity	6,815	8,987
Purchases of Securities Held-to-Maturity	(18,930)	(59,043)
Net Decrease (Increase) in Loans	4,247	(6,355)
Proceeds from the Sales of Premises and Equipment, Other Real Estate Owned and Repossessed Assets	341	230
Purchase of Premises and Equipment	(991)	(1,025)
Cash Paid for Subsidiaries, Net	(75)	(75)
Net Decrease in Other Investments	1,299	2,340
Net Cash (Used In) Provided By Investing Activities	(8,115)	33,404
Cash Flows from Financing Activities:		
Net Increase in Deposits	120,051	116,832
Net Decrease in Short-Term Borrowings	(29,512)	(51,641)
Repayments of Federal Home Loan Bank Term Advances	—	(10,000)
Purchase of Treasury Stock	(1,328)	(2,237)
Stock Options Exercised	490	1,149
Shares Issued Under the Employee Stock Purchase Plan	110	107
Tax Benefit from Exercise of Stock Options	8	53
Shares Issued for Dividend Reinvestment Plans	—	464
Cash Dividends Paid	(3,009)	(2,944)
Net Cash Provided By Financing Activities	86,810	51,783

Net Increase in Cash and Cash Equivalents	88,342	93,772
Cash and Cash Equivalents at Beginning of Period	48,832	43,736
Cash and Cash Equivalents at End of Period	$137,174	$137,508
Supplemental Disclosures to Statements of Cash Flow Information:		
Interest on Deposits and Borrowings	$2,299	$3,704
Income Taxes	511	191
Non-cash Investing and Financing Activity:		
Transfer of Loans to Other Real Estate Owned and Repossessed Assets	604	232
Acquisition of Subsidiaries	91	91

See Notes to Unaudited Interim Consolidated Financial Statements.

7

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. ACCOUNTING POLICIES

In the opinion of the management of Arrow Financial Corporation (Arrow), the accompanying unaudited consolidated interim financial statements contain all of the adjustments necessary to present fairly the financial position as of March 31, 2013, December 31, 2012 and March 31, 2012; the results of operations for the three-month periods ended March 31, 2013 and 2012; the consolidated statements of comprehensive income for the three-month periods ended March 31, 2013 and 2012; the changes in stockholders' equity for the three-month periods ended March 31, 2013 and 2012; and the cash flows for the three-month periods ended March 31, 2013 and 2012. All such adjustments are of a normal recurring nature. The preparation of financial statements requires the use of management estimates. The unaudited consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of Arrow for the year ended December 31, 2012, included in Arrow's 2012 Form 10-K.

New Accounting Standards Updates (ASU): During 2013, through the date of this report, the FASB issued five accounting standards updates. Four did not apply to Arrow. ASU 2013-02 "Comprehensive Income" requires additional disclosures relating to reclassifications out of accumulated other comprehensive income. Since the ASU was effective for this Form 10-Q, the new disclosures are included in the Consolidating Statements of Income and Note 5 - Comprehensive Income.

Note 2. INVESTMENT SECURITIES (In Thousands)

The following table is the schedule of Available-For-Sale Securities at March 31, 2013, December 31, 2012 and March 31, 2012:
Available-For-Sale Securities

	U.S. Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities - Residential	Corporate and Other Debt Securities	Mutual Funds and Equity Securities	Total Available-For-Sale Securities
March 31, 2013						
Available-For-Sale Securities, at Amortized Cost	$132,217	$104,304	$219,067	$12,913	$1,120	$469,621
Available-For-Sale Securities, at Fair Value	132,153	104,469	228,323	12,691	1,139	478,775
Gross Unrealized Gains	23	228	9,256	2	19	9,528
Gross Unrealized Losses	87	63	—	224	—	374
Available-For-Sale Securities, Pledged as Collateral						274,433
Maturities of Debt Securities, at Amortized Cost:						
Within One Year	—	29,880	14,955	—		44,835
From 1 - 5 Years	132,217	69,269	193,002	11,913		406,401
From 5 - 10 Years	—	4,235	11,110	—		15,345
Over 10 Years	—	920	—	1,000		1,920

Maturities of Debt Securities, at Fair Value:						
Within One Year	—	29,925	15,367	—		45,292
From 1 - 5 Years	132,153	69,340	200,956	11,891		414,340
From 5 - 10 Years	—	4,284	12,000	—		16,284
Over 10 Years	—	920	—	800		1,720
Securities in a Continuous Loss Position, at Fair Value:						
Less than 12 Months	$94,909	$31,325	$3	$8,452	$—	$134,689
12 Months or Longer	—	1,481	—	—	—	1,481
Total	$94,909	$32,806	$3	$8,452	$—	$136,170
Number of Securities in a Continuous Loss Position	28	154	1	11	—	194
Unrealized Losses on Securities in a Continuous Loss Position:						
Less than 12 Months	$87	$61	$—	$224	$—	$372

8

Available-For-Sale Securities

	U.S. Agency Obligations	State and Municipal Obligations	Mortgage-Backed Securities - Residential	Corporate and Other Debt Securities	Mutual Funds and Equity Securities	Total Available-For-Sale Securities
12 Months or Longer	—	2	—	—	—	2
Total	$87	$63	$—	$224	$—	$374
December 31, 2012						
Available-For-Sale Securities, at Amortized Cost	$122,297	$84,798	$252,480	$8,689	$1,120	$469,384
Available-For-Sale Securities, at Fair Value	122,457	84,838	261,804	8,451	1,148	478,698
Gross Unrealized Gains	204	206	9,405	—	28	9,843
Gross Unrealized Losses	44	166	81	238	—	529
Available-For-Sale Securities, Pledged as Collateral						260,292
Securities in a Continuous Loss Position, at Fair Value:						
Less than 12 Months	$72,531	$46,627	$10,230	$8,451	$—	$137,839
12 Months or Longer	—	2,149	4,968	—	—	7,117
Total	$72,531	$48,776	$15,198	$8,451	$—	$144,956
Number of Securities in a Continuous Loss Position	22	198	7	11	—	238
Unrealized Losses on Securities in a Continuous Loss Position:						
Less than 12 Months	$44	$160	$50	$238	$—	$492
12 Months or Longer	—	6	31	—	—	37
Total	$44	$166	$81	$238	$—	$529
March 31, 2012						
Available-For-Sale Securities, at Amortized Cost	$65,303	$43,186	$345,294	$1,028	$1,365	$456,176
Available-For-Sale Securities, at Fair Value	65,660	43,482	355,382	828	1,433	466,785
Gross Unrealized Gains	357	308	10,240	—	74	10,979
Gross Unrealized Losses	—	12	152	200	6	370
Available-For-Sale Securities, Pledged as Collateral						304,303
Securities in a Continuous Loss Position, at Fair Value:						
Less than 12 Months	$—	$2,831	$14,205	$800	$39	$17,875
12 Months or Longer	—	—	—	—	—	—
Total	$—	$2,831	$14,205	$800	$39	$17,875
Number of Securities in a Continuous Loss Position	—	7	4	1	1	13

Unrealized Losses on Securities in a Continuous Loss Position:						
Less than 12 Months	$—	$12	$152	$200	$6	$370
12 Months or Longer	—	—	—	—	—	—
Total	$—	$12	$152	$200	$6	$370

9

The following table is the schedule of Held-To-Maturity Securities at March 31, 2013, December 31, 2011 and March 31, 2012:
Held-To-Maturity Securities

	State and Municipal Obligations	Mortgage-Backed Securities - Residential	Corporate and Other Debt Securities	Total Held-To Maturity Securities
March 31, 2013				
Held-To-Maturity Securities, at Amortized Cost	$198,858	$51,598	$1,000	$251,456
Held-To-Maturity Securities, at Fair Value	206,141	52,421	1,000	259,562
Gross Unrealized Gains	7,317	823	—	8,140
Gross Unrealized Losses	34	—	—	34
Held-To-Maturity Securities, Pledged as Collateral				250,456
Maturities of Debt Securities, at Amortized Cost:				
Within One Year	46,701	—	—	46,701
From 1 - 5 Years	71,562	51,598	—	123,160
From 5 - 10 Years	75,122	—	—	75,122
Over 10 Years	5,473	—	1,000	6,473
Maturities of Debt Securities, at Fair Value:				
Within One Year	46,740	—	—	46,740
From 1 - 5 Years	72,640	52,421	—	125,061
From 5 - 10 Years	80,919	—	—	80,919
Over 10 Years	5,842	—	1,000	6,842
Securities in a Continuous Loss Position, at Fair Value:				
Less than 12 Months	$8,794	$—	$—	$8,794
12 Months or Longer	173	—	—	173
Total	$8,967	$—	$—	$8,967
Number of Securities in a Continuous Loss Position	33	—	—	33
Unrealized Losses on Securities in a Continuous Loss Position:				
Less than 12 Months	$34	$—	$—	$34
12 Months or Longer	—	—	—	—
Total	$34	$—	$—	$34

10

Held-To-Maturity Securities

	State and Municipal Obligations	Mortgage-Backed Securities - Residential	Corporate and Other Debt Securities	Total Held-To Maturity Securities
December 31, 2012				
Held-To-Maturity Securities, at Amortized Cost	$183,373	$55,430	$1,000	$239,803
Held-To-Maturity Securities, at Fair Value	191,196	56,056	1,000	248,252
Gross Unrealized Gains	7,886	626	—	8,512
Gross Unrealized Losses	63	—	—	63
Held-To-Maturity Securities, Pledged as Collateral				238,803
Securities in a Continuous Loss Position, at Fair Value:				
Less than 12 Months	$21,583	$—	$—	$21,583
12 Months or Longer	503	—	—	503
Total	$22,086	$—	$—	$22,086
Number of Securities in a Continuous Loss Position	61	—	—	61
Unrealized Losses on Securities in a Continuous Loss Position:				
Less than 12 Months	$62	$—	$—	$62
12 Months or Longer	1	—	—	1
Total	$63	$—	$—	$63
March 31, 2012				
Held-To-Maturity Securities, at Amortized Cost	$159,790	$39,817	$1,000	$200,607
Held-To-Maturity Securities, at Fair Value	167,109	39,670	1,000	207,779
Gross Unrealized Gains	7,415	17	—	7,432
Gross Unrealized Losses	96	164	—	260
Held-To-Maturity Securities, Pledged as Collateral				199,607
Securities in a Continuous Loss Position, at Fair Value:				
Less than 12 Months	$11,719	$33,704	$—	$45,423
12 Months or Longer	—	—	—	—
Total	$11,719	$33,704	$—	$45,423
Number of Securities in a Continuous Loss Position	33	18	—	51
Unrealized Losses on				

Securities in a Continuous Loss Position:				
Less than 12 Months	$96	$164	$—	$260
12 Months or Longer	—	—	—	—
Total	$96	$164	$—	$260

In the tables above, maturities of mortgage-backed-securities - residential are included based on their expected average lives. Actual maturities will differ from the table below because issuers may have the right to call or prepay obligations with or without prepayment penalties.

11

In the available-for-sale category at March 31, 2013, U.S. agency obligations consisted solely of U.S. Government Agency securities with an amortized cost of $132.2 million and a fair value of $132.2 million. Mortgage-backed securities-residential consisted of U.S. Government Agency securities with an amortized cost of $35.3 million and a fair value of $37.2 million and GSE securities with an amortized cost of $183.8 million and a fair value of $191.1 million. In the held-to-maturity category at March 31, 2013, mortgage-backed securities-residential consisted of GSEs with an amortized cost of $51.6 million and a fair value of $52.4 million.

In the available-for-sale category at March 31, 2012, U.S. agency obligations consisted solely of U.S. Government Agency securities with an amortized cost of $65.3 million and a fair value of $65.7 million. Mortgage-backed securities-residential consisted of US Government Agency securities with an amortized cost of $44.4 million and a fair value of $45.9 million and GSEs with an amortized cost of $300.9 million and a fair value of $309.5 million. In the held-to-maturity category at March 31, 2012, mortgage-backed securities-residential consisted of GSEs with an amortized cost of $39.8 million and a fair value of $39.7 million.

Securities in a continuous loss position, in the tables above for March 31, 2013, December 31, 2012 and March 31, 2012 do not reflect any deterioration of the credit worthiness of the issuing entities. U.S. Agency issues, including agency-backed collateralized mortgage obligations and mortgage-backed securities, are all rated Aaa by Moody's and AA+ by Standard and Poor's. The state and municipal obligations are general obligations supported by the general taxing authority of the issuer, and in some cases are insured. Obligations issued by school districts are supported by state aid. For any non-rated municipal securities, credit analysis is performed in-house based upon data that has been submitted by the issuers to the NY State Comptroller. That analysis shows no deterioration in the credit worthiness of the municipalities. Subsequent to March 31, 2013, there were no securities downgraded below investment grade.

The unrealized losses on these temporarily impaired securities are primarily the result of changes in interest rates for fixed rate securities where the interest rate received is less than the current rate available for new offerings of similar securities, changes in market spreads as a result of shifts in supply and demand, and/or changes in the level of prepayments for mortgage related securities.   Because we do not currently intend to sell any of our temporarily impaired securities, and because it is not more likely-than-not that we would be required to sell the securities prior to recovery, the impairment is considered temporary.

Note 3.   LOANS (In Thousands)

Loan Categories and Past Due Loans

The following table presents loan balances outstanding as of March 31, 2013, December 31, 2012 and March 31, 2012 and an analysis of the recorded investment in loans that are past due at these dates. Generally, Arrow considers a loan past due 30 or more days if the borrower is two or more payments past due.   Loans held-for-sale of $864, $2,801 and $1,089 as of March 31, 2013, December 31, 2012 and March 31, 2012, respectively, are included in the residential real estate loan balances.

Past Due Loans

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Total
March 31, 2013							
Loans Past Due 30-59 Days	$428	$—	$1,351	$26	$1,986	$1,481	$5,272
Loans Past Due 60-89 Days	421	—	200	10	375	1,058	2,064
Loans Past Due 90 or more Days	130	—	1,886	—	98	1,302	3,416
Total Loans Past Due	979	—	3,437	36	2,459	3,841	10,752
Current Loans	88,188	27,380	251,805	6,995	351,542	428,097	1,154,007
Total Loans	$89,167	$27,380	$255,242	$7,031	$354,001	$431,938	$1,164,759
Loans 90 or More Days Past Due and Still Accruing Interest	$—	$—	$—	$—	$—	$259	$259
Nonaccrual Loans	$253	$—	$1,953	$4	$334	$2,674	$5,218
December 31, 2012							
Loans Past Due 30-59 Days	$1,045	$—	$534	$43	$2,427	$407	$4,456
Loans Past Due 60-89 Days	1,588	—	1,332	17	793	2,466	6,196
Loans Past Due 90 or more Days	494	—	1,871	—	185	1,462	4,012
Total Loans Past Due	3,127	—	3,737	60	3,405	4,335	14,664
Current Loans	102,409	29,149	241,440	6,624	345,695	432,360	1,157,677
Total Loans	$105,536	$29,149	$245,177	$6,684	$349,100	$436,695	$1,172,341
Loans 90 or More Days Past Due and Still Accruing Interest	$126	$—	$378	$—	$42	$374	$920
Nonaccrual Loans	$1,787	$—	$2,026	$1	$419	$2,400	$6,633
March 31, 2012							
Loans Past Due 30-59 Days	$368	$—	$427	$21	$1,930	$1,089	$3,835
Loans Past Due 60-89 Days	44	—	117	20	256	943	1,380
Loans Past Due 90 or more Days	9	—	1,073	15	158	2,704	3,959
Total Loans Past Due	421	—	1,617	56	2,344	4,736	9,174
Current Loans	101,732	10,814	232,700	6,414	326,332	450,381	1,128,373
Total Loans	$102,153	$10,814	$234,317	$6,470	$328,676	$455,117	$1,137,547
Loans 90 or More Days Past Due and Still Accruing Interest	$9	$—	$—	$—	$—	$112	$121
Nonaccrual Loans	$35	$—	$1,925	$15	$500	$3,001	$5,476

Allowance for Loan Losses

The following table presents a roll-forward of the allowance for loan losses and other information pertaining to the allowance for loan losses:

Allowance for Loan Losses

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Unallocated	Total
Roll-forward of the Allowance for Loan Losses for the Year-to-Date Periods:								
December 31, 2012	$2,344	$601	$3,050	$304	$4,536	$3,405	$1,058	$15,298
Charge-offs	(773)	—	(11)	(8)	(98)	—	—	(890)
Recoveries	4	—	—	—	91	—	—	95
Provision	44	11	340	12	(235)	(13)	(59)	100
March 31, 2013	$1,619	$612	$3,379	$308	$4,294	$3,392	$999	$14,603
December 31, 2011	$1,927	$602	$3,136	$350	$4,496	$3,414	$1,078	$15,003
Charge-offs	(5)	—	(167)	(19)	(106)	—	—	(297)
Recoveries	2	—	—	6	59	—	—	67
Provision	(90)	59	328	15	81	(114)	1	280
March 31, 2012	$1,834	$661	$3,297	$352	$4,530	$3,300	$1,079	$15,053
March 31, 2013								
Allowance for loan losses - Loans Individually Evaluated for Impairment	$—	$—	$—	$—	$—	$—	$—	$—
Allowance for loan losses - Loans Collectively Evaluated for Impairment	$1,619	$612	$3,379	$308	$4,294	$3,392	$999	$14,603
Ending Loan Balance - Individually Evaluated for Impairment	$37	$—	$1,505	$—	$182	$1,085	$—	$2,809
Ending Loan Balance - Collectively Evaluated for	$89,130	$27,380	$253,737	$7,031	$353,819	$430,853	$—	$1,161,950

Impairment

14

Allowance for Loan Losses

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Unallocated	Total
December 31, 2012								
Allowance for loan losses - Loans Individually Evaluated for Impairment	$ 853	$ —	$—	$—	$—	$—	$—	$853
Allowance for loan losses - Loans Collectively Evaluated for Impairment	$ 1,491	$ 601	$3,050	$304	$4,536	$3,405	$1,058	$14,445
Ending Loan Balance - Individually Evaluated for Impairment	$ 1,432	$ —	$2,528	$—	$203	$1,090	$—	$5,253
Ending Loan Balance - Collectively Evaluated for Impairment	$ 104,104	$ 29,149	$242,649	$6,684	$348,897	$435,605	$—	$1,167,088
March 31, 2012								
Allowance for loan losses - Loans Collectively Evaluated for Impairment	$ 1,834	$ 661	$3,297	$352	$4,530	$3,300	$1,079	$15,053
Ending Loan Balance - Individually Evaluated for Impairment	$ 62	$ —	$1,454	$—	$240	$2,108	$—	$3,864
Ending Loan Balance - Collectively Evaluated for Impairment	$ 102,091	$ 10,814	$232,863	$6,470	$328,436	$453,009	$—	$1,133,683

Through the provision for loan losses, an allowance is maintained that reflects our best estimate of losses related to specifically identified loans and the inherent risk of probable losses for categories of loans in the remaining portfolio. Actual loan losses are charged against this allowance when loans are deemed uncollectible.

We use a two-step process to determine the provision for loans losses and the amount of the allowance for loan losses. We evaluate nonaccrual loans over $250 thousand and all troubled debt restructured loans individually for impairment, while we evaluate the remainder of the portfolio on a pooled basis as described below.

Quantitative Analysis: Quantitatively, we determine the historical loss rate for each homogeneous loan pool. During the previous five years we have had little charge-off activity on loans secured by residential real estate. Indirect consumer lending (principally automobile loans) represents a significant component of our total loan portfolio and contains the majority of our total loan charge-offs. We have had only two small losses on commercial real estate loans in the previous five years. Prior to this most recent quarter, losses on commercial loans (other than those secured by real estate) were also historically low, but can vary widely from year-to-year; this is the most complex category of loans in our loss analysis. For the whole portfolio, our net charge-offs for the previous five years have been at or near historical lows for our Company. Annualized net charge-offs for the entire loan portfolio has ranged from .04% to .09% of average loans during this period, although we may exceed that range for all of 2013, due to one large commercial charge-off in the first quarter of 2013.

Qualitative Analysis: While historical loss experience provides a reasonable starting point for our analysis, historical losses, or even recent trends in losses, do not by themselves form a sufficient basis to determine the appropriate level for the allowance. Therefore, we also consider and adjust historical loss factors for qualitative and environmental factors that are likely to impact the inherent risk of loss associated with our existing portfolio. These included:

- Changes in the volume and severity of past due, nonaccrual and adversely classified loans
- Changes in the nature and volume of the portfolio and in the terms of loans
- Changes in the value of the underlying collateral for collateral dependent loans
- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses

15

- Changes in the quality of the loan review system
- Changes in the experience, ability, and depth of lending management and other relevant staff
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the portfolio
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio or pool

For each homogeneous loan pool, we estimate a loss factor expressed in basis points for each of the qualitative factors above, and for historical net credit losses. We update and change, if necessary, the loss-rates assigned to various pools based on the analysis of loss trends and the change in qualitative and environmental factors on a quarterly basis.

Due to the imprecise nature of the loan loss estimation process and ever changing economic conditions, the risk attributes of our portfolio may not be adequately captured in data related to the formula-based loan loss components used to determine allocations in our analysis of the adequacy of the allowance for loan losses. Management, therefore, has established and held an unallocated portion within the allowance for loan losses reflecting the uncertainty of economic conditions within our market area.

Credit Quality Indicators

The following table presents the credit quality indicators by loan category at March 31, 2013, December 31, 2012 and March 31, 2012:

Loan Credit Quality Indicators

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Total
March 31, 2013							
Credit Risk Profile by Creditworthiness Category:							
Satisfactory	$82,063	$26,180	$234,609				$342,852
Special Mention	183	—	1,385				1,568
Substandard	6,921	1,200	19,248				27,369
Doubtful	—	—	—				—
Credit Risk Profile Based on Payment Activity:							
Performing				$7,027	$353,667	$429,004	789,698
Nonperforming				4	334	2,934	3,272
December 31, 2012							
Credit Risk Profile by Creditworthiness Category:							
Satisfactory	97,085	27,913	225,312				350,310
Special Mention	192	—	1,419				1,611
Substandard	6,872	1,236	18,446				26,554
Doubtful	1,387	—	—				1,387
Credit Risk Profile Based on Payment Activity:							
Performing				6,683	348,676	433,922	789,281
Nonperforming				1	424	2,773	3,198

March 31, 2012							
Credit Risk Profile by Creditworthiness Category:							
Satisfactory	95,385	8,969	213,429				317,783
Special Mention	2,066	—	2,545				4,611
Substandard	4,702	1,845	18,343				24,890
Doubtful	—	—	—				—
Credit Risk Profile Based on Payment Activity:							
Performing				6,455	328,176	452,004	786,635
Nonperforming				$15	$500	$3,113	$3,628

We use an internally developed system of five credit quality indicators to rate the credit worthiness of each commercial loan defined as follows: 1) Satisfactory - "Satisfactory" borrowers have acceptable financial condition with satisfactory record of earnings and sufficient

16

historical and projected cash flow to service the debt. Borrowers have satisfactory repayment histories and primary and secondary sources of repayment can be clearly identified; 2) Special Mention - Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. "Special mention" assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Loans which might be assigned this risk rating include loans to borrowers with deteriorating financial strength and/or earnings record and loans with potential for problems due to weakening economic or market conditions; 3) Substandard - Loans classified as "substandard" are inadequately protected by the current sound net worth or paying capacity of the borrower or the collateral pledged, if any. Loans in this category have well defined weaknesses that jeopardize the repayment. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected. "Substandard" loans may include loans which are likely to require liquidation of collateral to effect repayment, and other loans where character or ability to repay has become suspect. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard; 4) Doubtful - Loans classified as "doubtful" have all of the weaknesses inherent in those classified as "substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values highly questionable and improbable. Although possibility of loss is extremely high, classification of these loans as "loss" has been deferred due to specific pending factors or events which may strengthen the value (i.e. possibility of additional collateral, injection of capital, collateral liquidation, debt restructure, economic recovery, etc). Loans classified as "doubtful" need to be placed on non-accrual; and 5) Loss - Loans classified as "loss" are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. As of the date of the balance sheet, all loans in this category have been charged-off to the allowance for loan losses. Commercial loans are evaluated on an annual basis, unless the credit quality indicator falls to a level of "substandard" or below, when the loan is evaluated quarterly. The credit quality indicator is one of the factors used to determine any loss, as further described in this footnote.

For the purposes of the table above, nonperforming consumer loans are those loans on nonaccrual status or are 90 days or more past due and still accruing interest.

Impaired Loans

The following table presents information on impaired loans based on whether the impaired loan has a recorded related allowance or has no recorded related allowance:

Impaired Loans

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Total
March 31, 2013							
Recorded Investment:							
With No Related Allowance	$37	$—	$1,505	$—	$182	$1,085	$2,809
With a Related Allowance	—	—	—	—	—	—	—
Unpaid Principal Balance:							
With No Related Allowance	37	—	1,505	—	182	1,085	2,809
With a Related Allowance	—	—	—	—	—	—	—
December 31, 2012							
Recorded Investment:							
With No Related Allowance	$45	$—	$2,528	$—	$203	$1,090	$3,866
With a Related Allowance	1,387	—	—	—	—	—	1,387
Unpaid Principal Balance:							
With No Related Allowance	45	—	2,695	—	203	1,090	4,033
With a Related Allowance	1,387	—	—	—	—	—	1,387
March 31, 2012							
Recorded Investment:							
With No Related Allowance	$62	$—	$1,454	$—	$240	$2,108	$3,864
Unpaid Principal Balance:							
With No Related Allowance	62	—	1,621	—	240	2,108	4,031
For the Year-To-Date Period Ended:							
March 31, 2013							
Average Recorded Balance:							
With No Related Allowance	$41	$—	$2,017	$—	$193	$1,088	$3,339
With a Related Allowance	694	—	—	—	—	—	694
Interest Income Recognized:							
With No Related Allowance	1	—	—	—	2	4	7
With a Related Allowance	72	—	—	—	—	—	72
Cash Basis Income:							
With No Related Allowance	—	—	—	—	—	—	—
With a Related Allowance	72	—	—	—	—	—	72
March 31, 2012							
Average Recorded Balance:							
With No Related Allowance	$65	$—	$1,584	$—	$172	$2,108	$3,929
Interest Income Recognized:							
With No Related Allowance	2	—	38	—	2	1	43
Cash Basis Income:							
With No Related Allowance	—	—	38	—	—	—	38

At March 31, 2013, December 31, 2012 and March 31, 2012, all impaired loans were considered to be collateral dependent and were therefore evaluated for impairment based on the fair value of collateral less estimated cost to sell. There was no allowance for loan losses allocated to impaired loans at March 31, 2013 and March 31, 2012. Interest income recognized in the table above, represents income earned after the loans became impaired and includes restructured loans in compliance with their modified terms and nonaccrual loans where we have recognized interest income on a cash basis.

Loans Modified in Trouble Debt Restructurings

The following table presents information on loans modified in trouble debt restructurings during the periods indicated:

Loans Modified in Trouble Debt Restructurings During the Period

	Commercial	Commercial Construction	Commercial Real Estate	Other Consumer	Automobile	Residential	Total
For the Year-To-Date Period Ended:							
March 31, 2013							
Number of Loans	—	—	—	—	2	—	2
Pre-Modification Outstanding Recorded Investment	$—	$—	$—	$—	$11	$—	$11
Post-Modification Outstanding Recorded Investment	$—	$—	$—	$—	$11	$—	$11
March 31, 2012							
Number of Loans	—	—	—	—	5	—	5
Pre-Modification Outstanding Recorded Investment	$—	$—	$—	$—	$44	$—	$44
Post-Modification Outstanding Recorded Investment	$—	$—	$—	$—	$44	$—	$44

In general, loans requiring modification are restructured to accommodate the projected cash-flows of the borrower. As indicated in the table above, no loans modified during the preceding twelve months subsequently defaulted as of March 31, 2013.

Note 4. GUARANTEES (In Thousands)

The following table presents the balance for standby letters of credit for the periods ended March 31, 2013, December 31, 2012 and March 31, 2012:

Loan Commitments and Letters of Credit

	03/31/2013	12/31/2012	03/31/2012
Notional Amount:			
Commitments to Extend Credit	$215,498	$198,405	$201,742
Standby Letters of Credit	3,562	10,929	11,641
Fair Value:			
Commitments to Extend Credit	$—	$—	$—
Standby Letters of Credit	52	118	86

Arrow is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Commitments to extend credit include home equity lines of credit, commitments for residential and commercial construction loans and other personal and commercial lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of the involvement Arrow has in particular classes of financial instruments.

Arrow's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Arrow uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Arrow evaluates each customer's creditworthiness on a case-by-case basis. Home equity lines of credit are secured by residential real estate. Construction lines of credit are secured by underlying real estate. For other lines of credit, the amount of collateral obtained, if deemed necessary by Arrow upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Most of the commitments are variable rate instruments.

Arrow has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit at March 31, 2013, December 31, 2012 and March 31, 2012 represent the maximum potential future payments Arrow could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios will generally range from 50% for movable assets, such as inventory, to 100% for liquid assets, such as bank CD's. Fees for standby letters of credit range from 1% to 3% of the notional amount. Fees are collected upfront and amortized over the life of the commitment. The fair values of Arrow's standby letters of credit at March 31, 2013, December 31, 2012 and March 31, 2012, in the table above, were the same as the carrying amounts. The fair value of standby letters of credit is based on the fees currently charged for similar agreements or the cost to terminate the arrangement with the counterparties.

The fair value of commitments to extend credit is determined by estimating the fees to enter into similar agreements, taking into account the remaining terms and present creditworthiness of the counterparties, and for fixed rate loan commitments, the difference between the current and committed interest rates. Arrow provides several types of commercial lines of credit and standby letters of credit to its commercial customers. The pricing of these services is not isolated as Arrow considers the customer's complete deposit and borrowing relationship in pricing individual products and services. The commitments to extend credit also include commitments under home equity lines of credit, for which Arrow charges no fee. The carrying value and fair value of commitments to extend credit are not material and Arrow does not expect to incur any material loss as a result of these commitments.

Note 5. COMPREHENSIVE INCOME (In Thousands)

The following table presents the components of other comprehensive income for the three months ended March 31, 2013 and 2012 :
Schedule of Comprehensive Income

	Three Months Ended March 31,		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2013			
Net Unrealized Securities Holding Gains Arising During the Period	$367	$(147)	$220
Reclassification Adjustment for Securities Gains Included in Net Income	(527)	209	(318)
Amortization of Net Retirement Plan Actuarial Loss	391	(155)	236
Accretion of Net Retirement Plan Prior Service Credit	—	—	—
Other Comprehensive Income	$231	$(93)	$138
2012			
Net Unrealized Securities Holding Gains Arising During the Period	$(162)	$64	$(98)
Reclassification Adjustment for Securities Gains Included in Net Income	(502)	199	(303)
Amortization of Net Retirement Plan Actuarial Loss	378	(150)	228
Accretion of Net Retirement Plan Prior Service Credit	(7)	3	(4)
Other Comprehensive Income	$(293)	$116	$(177)

The following table presents the changes in accumulated other comprehensive income by component:

Changes in Accumulated Other Comprehensive Income by Component [1]

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Plan Items		
		Net Gain (Loss)	Net Prior Service (Cost) Credit	Total
For the Year-to-date periods:				
December 31, 2012	$5,625	$(14,036)	$(51)	$(8,462)
Other comprehensive income before reclassifications	220	—	—	220
Amounts reclassified from accumulated other comprehensive income	(318)	236	—	(82)
Net current-period other comprehensive income	(98)	236	—	138
March 31, 2013	$5,527	$(13,800)	$(51)	$(8,324)
December 31, 2011	$6,808	$(13,709)	$206	$(6,695)
Other comprehensive income before reclassifications	(98)	—	—	(98)
Amounts reclassified from accumulated other comprehensive income	(303)	228	(4)	(79)
Net current-period other comprehensive income	(401)	228	(4)	(177)
March 31, 2012	$6,407	$(13,481)	$202	$(6,872)

(1) All amounts are net of tax. Amounts in parentheses indicate debits.

22

The following table presents the reclassifications out of accumulated other comprehensive income:

Reclassifications Out of Accumulated Other Comprehensive Income (1)

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement Where Net Income Is Presented
For the Year-to-date periods:			
March 31, 2013			
Unrealized gains and losses on available-for-sale securities			
	$527		Gain on Securities Transactions
	527		Total before tax
	(209	)	Provision for Income Taxes
	$318		Net of tax
Amortization of defined benefit pension items			
Prior-service costs	$—	(2)	Salaries and Employee Benefits
Actuarial gains/(losses)	(391	) (2)	Salaries and Employee Benefits
	(391	)	Total before tax
	155		Provision for Income Taxes
	$(236	)	Net of tax
Total reclassifications for the period	$82		Net of tax
March 31, 2012			
Unrealized gains and losses on available-for-sale securities			
	$502		Gain on Securities Transactions
	502		Total before tax
	(199	)	Provision for Income Taxes
	$303		Net of tax
Amortization of defined benefit pension items			
Prior-service costs	$7	(2)	Salaries and Employee Benefits
Actuarial gains/(losses)	(378		