

SOUTHSIDE BANCSHARES INC

Form 10-Q

November 07, 2012

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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, 2012

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)

903-531-7111

(Registrant's telephone number, including area code)

75701

(Zip 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):

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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, 2012 was 17,373,835 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)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$44,670	\$40,989
Interest earning deposits	87,302	2,249
Total cash and cash equivalents	131,972	43,238
Investment securities:		
Available for sale, at estimated fair value	558,634	282,956
Held to maturity, at amortized cost	1,009	1,496
Mortgage-backed and related securities:		
Available for sale, at estimated fair value	865,952	716,126
Securities carried at fair value through income	—	647,759
Held to maturity, at amortized cost	293,300	365,631
FHLB stock, at cost	33,939	33,869
Other investments, at cost	2,064	2,064
Loans held for sale	1,158	3,552
Loans:		
Loans	1,221,595	1,087,230
Less: Allowance for loan losses	(20,848	) (18,540)
Net Loans	1,200,747	1,068,690
Premises and equipment, net	49,925	50,595
Goodwill	22,034	22,034
Other intangible assets, net	369	522
Interest receivable	14,728	19,426
Other assets	45,254	45,859
TOTAL ASSETS	\$3,221,085	\$3,303,817
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$567,062	\$505,594
Interest bearing	1,734,755	1,816,077
Total deposits	2,301,817	2,321,671
Short-term obligations:		
Federal funds purchased and repurchase agreements	1,468	2,945
FHLB advances	151,315	361,811
Other obligations	219	219
Total short-term obligations	153,002	364,975
Long-term obligations:		
FHLB advances	381,868	260,724
Long-term debt	60,311	60,311
Total long-term obligations	442,179	321,035
Deferred tax liability	1,359	3,458
Unsettled trades to purchase securities	17,326	1,196

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Other liabilities	28,829	32,555
TOTAL LIABILITIES	2,944,512	3,044,890

Off-Balance-Sheet Arrangements, Commitments and Contingencies (Note 10)

Shareholders' equity:

Common stock - (\$1.25 par, 40,000,000 shares authorized, 19,397,673 shares issued in 2012 and 18,517,101 shares issued in 2011)	24,247	23,146
Paid-in capital	194,485	176,791
Retained earnings	71,691	72,646
Treasury stock (2,023,838 shares at cost)	(28,377	) (28,377
Accumulated other comprehensive income	14,527	14,721
TOTAL SHAREHOLDERS' EQUITY	276,573	258,927
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$3,221,085	\$3,303,817

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

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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,	
	2012	2011	2012	2011
Interest income				
Loans	\$ 17,847	\$ 16,229	\$ 52,143	\$ 50,630
Investment securities – taxable	22	11	73	49
Investment securities – tax-exempt	3,839	3,069	9,467	9,507
Mortgage-backed and related securities	6,695	13,292	27,730	37,899
FHLB stock and other investments	57	50	190	182
Other interest earning assets	4	2	19	15
Total interest income	28,464	32,653	89,622	98,282
Interest expense				
Deposits	2,455	3,879	8,615	11,966
Short-term obligations	1,551	1,643	4,877	5,077
Long-term obligations	2,450	3,115	7,581	10,397
Total interest expense	6,456	8,637	21,073	27,440
Net interest income	22,008	24,016	68,549	70,842
Provision for loan losses	3,265	1,454	8,491	5,452
Net interest income after provision for loan losses	18,743	22,562	60,058	65,390
Noninterest income				
Deposit services	3,907	4,098	11,493	12,005
Gain on sale of securities available for sale	4,302	3,609	13,571	9,080
Gain (loss) on sale of securities carried at fair value through income	—	254	(498	) 592
Total other-than-temporary impairment losses	—	—	(21) —
Portion of loss recognized in other comprehensive income (before taxes)	—	—	(160) —
Net impairment losses recognized in earnings	—	—	(181) —
Fair value gains – securities	—	3,274	—	7,357
FHLB advance option impairment charges	(195	) (7,819	) (2,031	) (7,819
Gain on sale of loans	314	402	743	967
Trust income	705	672	2,051	1,968
Bank owned life insurance income	260	288	780	835
Other	1,205	957	3,439	3,021
Total noninterest income	10,498	5,735	29,367	28,006
Noninterest expense				
Salaries and employee benefits	11,919	11,280	35,894	34,593
Occupancy expense	1,980	1,866	5,589	5,365
Equipment expense	506	540	1,570	1,558
Advertising, travel & entertainment	606	591	1,813	1,694
ATM and debit card expense	251	235	817	716
Director fees	261	193	802	584

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Supplies	178	186	559	571
Professional fees	606	571	1,547	1,583
Postage	179	178	536	543
Telephone and communications	416	285	1,267	967
FDIC Insurance	429	212	1,313	1,710
Other	1,745	1,559	4,987	4,660
Total noninterest expense	19,076	17,696	56,694	54,544
Income before income tax expense	10,165	10,601	32,731	38,852
Provision for income tax expense	1,558	2,038	6,256	7,924
Net income	8,607	8,563	26,475	30,928
Less: Net income attributable to the noncontrolling interest	—	—	—	(1,358)
Net income attributable to Southside Bancshares, Inc.	\$8,607	\$8,563	\$26,475	\$29,570
Earnings per common share – basic	\$0.50	\$0.50	\$1.53	\$1.71
Earnings per common share – diluted	\$0.50	\$0.50	\$1.53	\$1.71
Dividends paid per common share	\$0.20	\$0.18	\$0.58	\$0.52

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$8,607	\$8,563	\$26,475	\$30,928
Other comprehensive income (loss):				
Unrealized holding gains on available for sale securities during the period	15,469	20,722	11,446	47,002
Noncredit portion of other-than-temporary impairment losses on the AFS securities	—	—	160	—
Reclassification adjustment for gain on sale of available for sale securities included in net income	(4,302)	(3,609)	(13,571)	(9,080)
Reclassification of other-than-temporary impairment charges on available for sale securities included in net income	—	—	181	—
Amortization of net actuarial loss, included in net periodic benefit cost	505	366	1,516	1,099
Amortization of prior service credit included in net periodic benefit cost	(10)	(11)	(32)	(33)
Other comprehensive income (loss)	11,662	17,468	(300)	38,988
Income tax benefit (expense) related to other items of comprehensive income	(4,081)	(6,114)	106	(13,646)
Other comprehensive income (loss), net of tax	7,581	11,354	(194)	25,342
Comprehensive income	\$16,188	\$19,917	\$26,281	\$56,270

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

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SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

(in thousands, except share amounts)

	Common Stock	Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance at December 31, 2010	\$22,075	\$162,877	\$64,179	\$(28,377)	\$(6,293)	\$ 1,113	\$215,574
Net Income			29,570			1,358	30,928
Other comprehensive income					25,342		25,342
Issuance of common stock (44,352 shares)	56	804					860
Stock compensation expense		143					143
Tax benefits related to stock compensation		2					2
Capital distribution to noncontrolling interest shareholders						(475)	(475)
Purchase of noncontrolling interest		(2,754)				(1,996)	(4,750)
Dividends paid on common stock (\$0.52 per share)			(8,414)				(8,414)
Stock dividend declared	981	15,014	(15,995)				—
Balance at September 30, 2011	\$23,112	\$176,086	\$69,340	\$(28,377)	\$ 19,049	\$ —	\$259,210
Balance at December 31, 2011	\$23,146	\$176,791	\$72,646	\$(28,377)	\$ 14,721	\$ —	\$258,927
Net Income			26,475				26,475
Other comprehensive loss					(194)		(194)
Issuance of common stock (45,620 shares)	57	906					963
Stock compensation expense		303					303
Tax benefits related to stock compensation		11					11
Net issuance of common stock under employee stock 10 plans		49	(63)				(4)
Dividends paid on common stock (\$0.58 per share)			(9,908)				(9,908)
Stock dividend declared	1,034	16,425	(17,459)				—
Balance at September 30, 2012	\$24,247	\$194,485	\$71,691	\$(28,377)	\$ 14,527	\$ —	\$276,573

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

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SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)
(in thousands)

	Nine Months Ended September 30,	
	2012	2011
OPERATING ACTIVITIES:		
Net income	\$26,475	\$30,928
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	2,706	2,515
Amortization of premium	35,354	26,175
Accretion of discount and loan fees	(3,611)	(3,386)
Provision for loan losses	8,491	5,452
Stock compensation expense	303	143
Deferred tax (benefit) expense	(1,988)	561
Excess tax benefits from stock-based compensation	(11)	—
Loss (gain) on sale of securities carried at fair value through income	498	(592)
Gain on sale of securities available for sale	(13,571)	(9,080)
Net other-than-temporary impairment losses	181	—
Fair value gain – securities	—	(7,357)
FHLB advance option impairment charges	2,031	7,819
Loss on sale of assets	—	3
Loss on retirement of assets	—	90
Impairment on other real estate owned	28	184
Gain on sale of other real estate owned	(2)	(242)
Net change in:		
Interest receivable	4,698	2,076
Other assets	(1,171)	(2,413)
Interest payable	(559)	(861)
Other liabilities	(1,683)	3,598
Loans held for sale	2,394	1,092
Net cash provided by operating activities	60,563	56,705
INVESTING ACTIVITIES:		
Securities held to maturity:		
Purchases	—	(11,875)
Maturities, calls and principal repayments	67,162	34,097
Securities available for sale:		
Purchases	(1,446,425)	(512,910)
Sales	745,085	516,571
Maturities, calls and principal repayments	279,995	195,097
Securities carried at fair value through income:		
Purchases	(57,606)	(707,222)
Sales	675,255	180,723
Maturities, calls and principal repayments	25,279	32,132
Proceeds from redemption of FHLB stock	12,266	16,461
Purchases of FHLB stock and other investments	(12,336)	(10,806)

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Net (increase) decrease in loans	(142,126)	27,344
Purchases of premises and equipment	(2,036)	(2,951)
Proceeds from sales of premises and equipment	—	6
Proceeds from sales of other real estate owned	401	676
Proceeds from sales of repossessed assets	3,416	3,933
Net cash provided by (used in) investing activities	148,330	(238,724)

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SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED) (continued)
(in thousands)

	Nine Months Ended September 30,	
	2012	2011
FINANCING ACTIVITIES:		
Net increase in demand and savings accounts	157,650	133,513
Net (decrease) increase in certificates of deposit	(178,046)	30,099
Net decrease in federal funds purchased and repurchase agreements	(1,477)	(847)
Proceeds from FHLB advances	12,560,845	8,005,080
Repayment of FHLB advances	(12,650,197)	(8,004,991)
Net capital distributions to noncontrolling interest in consolidated entities	—	(475)
Purchase of noncontrolling interest	—	(4,750)
Excess tax benefits from stock-based compensation	11	2
Proceeds from the issuance of common stock	963	860
Dividends paid	(9,908)	(8,414)
Net cash (used in) provided by financing activities	(120,159)	150,077
Net increase (decrease) in cash and cash equivalents	88,734	(31,942)
Cash and cash equivalents at beginning of period	43,238	79,073
Cash and cash equivalents at end of period	\$131,972	\$47,131

SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION:

Interest paid	\$21,633	\$28,301
Income taxes paid	\$11,200	\$6,500

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING
ACTIVITIES:**

Loans transferred to other repossessed assets and real estate through foreclosure	\$4,028	\$4,790
Adjustment to pension liability	\$(1,484)	\$(1,066)
5% stock dividend	\$17,459	\$15,995
Unsettled trades to purchase securities	\$(17,326)	\$—

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

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SOUTHSIDE BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

In this report, the words “the Company,” “we,” “us,” and “our” refer to the combined entities of Southside Bancshares, Inc. and its subsidiaries. The words “Southside” and “Southside Bancshares” refer to Southside Bancshares, Inc. The words “Southside Bank” and “the Bank” refer to Southside Bank (which, subsequent to the internal merger of Fort Worth National Bank (“FWNB”) with and into Southside Bank, includes FWNB). “FWBS” refers to Fort Worth Bancshares, Inc., a bank holding company acquired by Southside of which FWNB was a wholly-owned subsidiary. “SFG” refers to SFG Finance, LLC (formerly Southside Financial Group, LLC) which is a wholly-owned subsidiary of the Bank as of July 15, 2011. “SSI” refers to Southside Securities, Inc., which is a wholly-owned subsidiary of Southside Bancshares, Inc.

The consolidated balance sheet as of September 30, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows and notes to the financial statements for the three and nine month periods ended September 30, 2012 and 2011 are unaudited; in the opinion of management, all adjustments necessary for a fair statement of such financial statements have been included. Such adjustments consisted only of normal recurring items. All significant intercompany accounts and transactions are eliminated in consolidation. The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires the use of management’s estimates. These estimates are subjective in nature and involve matters of judgment. Actual amounts could differ from these estimates.

Interim results are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with the financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2011. All share data has been adjusted to give retroactive recognition to stock splits and stock dividends. For a description of our significant accounting and reporting policies, refer to Note 1 of the Notes to Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

Accounting Standards

ASU No. 2011-03, “Transfers and Servicing (Topic 860) - Reconsideration of Effective Control for Repurchase Agreements.” ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 became effective for us on January 1, 2012 and did not have a significant impact on our consolidated financial statements.

ASU 2011-04, “Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 amends Topic 820, “Fair Value Measurements and Disclosures,” to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. We adopted ASU 2011-04 on January 1, 2012 and it did not have a significant impact on our consolidated financial statements. See “Note 9 - Fair Value Measurement.”

ASU 2011-05, “Comprehensive Income (Topic 220) - Presentation of Comprehensive Income.” ASU 2011-05 amends Topic 220, “Comprehensive Income,” to require that all nonowner changes in stockholders’ equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity was eliminated. ASU 2011-05 is effective for annual and interim periods beginning after December 15, 2011; however, certain provisions related to the presentation of reclassification adjustments have been deferred by ASU 2011-12 “Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.” ASU 2011-05 did not have a significant impact on our consolidated financial statements. See “Consolidated Statements of Comprehensive Income” directly following our Consolidated Statements of Income in our consolidated financial statements.

ASU 2011-08, “Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment.” ASU 2011-08 amends Topic 350, “Intangibles – Goodwill and Other,” to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit

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is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. ASU 2011-08 is effective for annual and interim impairment tests beginning after December 15, 2011, and did not have a significant impact on our consolidated financial statements.

ASU 2011-11, “Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities.” ASU 2011-11 amends Topic 210, “Balance Sheet,” to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have a significant impact on our consolidated financial statements.

2. Earnings Per Share

Earnings per share attributable to Southside Bancshares, Inc. on a basic and diluted basis have been adjusted to give retroactive recognition to stock splits and stock dividends and is calculated as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic and Diluted Earnings:				
Net income – Southside Bancshares, Inc.	\$8,607	\$8,563	\$26,475	\$29,570
Basic weighted-average shares outstanding	17,363	17,279	17,342	17,263
Add: Stock options	14	7	12	7
Diluted weighted-average shares outstanding	17,377	17,286	17,354	17,270
Basic Earnings Per Share:				
Net Income - Southside Bancshares, Inc.	\$0.50	\$0.50	\$1.53	\$1.71
Diluted Earnings Per Share:				
Net Income - Southside Bancshares, Inc.	\$0.50	\$0.50	\$1.53	\$1.71

On March 29, 2012 our board of directors declared a 5% stock dividend to common stock shareholders of record as of April 18, 2012, which was paid May 9, 2012.

During the third quarter of 2012, our board of directors approved equity grants in the form of stock options and restricted stock units. These equity grants were made pursuant to the shareholder-approved Southside Bancshares, Inc. 2009 Incentive Plan.

For the three and nine month periods ended September 30, 2012, there were approximately 16,000 and 7,000 anti-dilutive shares, respectively. For the three and nine month periods ended September 30, 2011, there were approximately 29,000 and 10,000 anti-dilutive shares, respectively.

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3. Comprehensive (Loss) Income

The components of other comprehensive (loss) income are as follows (in thousands):

	Nine Months Ended September 30, 2012		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized losses on securities:			
Unrealized holding gains arising during period	\$ 11,446	\$ (4,006)	\$ 7,440
Noncredit portion of other-than-temporary impairment losses on the AFS securities	160	(56)	104
Less: reclassification adjustment for gain on sale of AFS securities included in net income	13,571	(4,750)	8,821
Less: reclassification of other-than-temporary impairment charges of AFS securities included in net income	(181)	63	(118)
Net unrealized losses on securities	(1,784)	625	(1,159)
Change in pension plans	1,484	(519)	965
Other comprehensive loss	\$ (300)	\$ 106	\$ (194)
	Three Months Ended September 30, 2012		
	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Unrealized gains on securities:			
Unrealized holding gains arising during period	\$ 15,469	\$ (5,414)	\$ 10,055
Less: reclassification adjustment for gain on sale of AFS securities included in net income	4,302	(1,506)	2,796
Net unrealized gains on securities	11,167	(3,908)	7,259
Change in pension plans	495	(173)	322
Other comprehensive income	\$ 11,662	\$ (4,081)	\$ 7,581
	Nine Months Ended September 30, 2011		
	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Unrealized gains on securities:			
Unrealized holding gains arising during period	\$ 47,002	\$ (16,451)	\$ 30,551
Less: reclassification adjustment for gain on sale of AFS securities included in net income	9,080	(3,178)	5,902
Net unrealized gains on securities	37,922	(13,273)	24,649
Change in pension plans	1,066	(373)	693
Other comprehensive income	\$ 38,988	\$ (13,646)	\$ 25,342

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	Three Months Ended September 30, 2011		
	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Unrealized gains on securities:			
Unrealized holding gains arising during period	\$20,722	\$(7,253)	) \$13,469
Less: reclassification adjustment for gain on sale of AFS securities included in net income	3,609	(1,263)	) 2,346
Net unrealized gains on securities	17,113	(5,990)	) 11,123
Change in pension plans	355	(124)	) 231
Other comprehensive income	\$17,468	\$(6,114)	) \$11,354

4. Securities

The amortized cost and estimated fair value of investment and mortgage-backed securities as of September 30, 2012 and December 31, 2011, are reflected in the tables below (in thousands):

AVAILABLE FOR SALE:	September 30, 2012		Gross Unrealized Losses		Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	OTTI	Other	
Investment Securities:					
State and Political Subdivisions	\$520,975	\$34,110	\$—	\$	