TOMPKINS FINANCIAL CORP
Form 10-Q
August 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 June 30, 2013

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 1-12709

Tompkins Financial Corporation

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	16-1482357 (I.R.S. Employer Identification No.)
The Commons, P.O. Box 460, Ithaca, NY (Address of principal executive offices)	14851 (Zip Code)

Registrant's telephone number, including area code: (888) 503-5753
Former name, former address, and former fiscal year, if changed since last report: NA

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o.

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 o	Accelerated Filer x
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

Indicate the number of shares of the Registrant's Common Stock outstanding as of the latest practicable date:

Class	Outstanding as of July 31, 2013
Common Stock, $0.10 par value	14,455,200 shares

TOMPKINS FINANCIAL CORPORATION

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PART I -FINANCIAL INFORMATION

TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share and per share data)				
(Unaudited)	As of		As of	
ASSETS	06/30/2013		12/31/2012	
Cash and noninterest bearing balances due from banks	$	65,064	$	117,448
Interest bearing balances due from banks		1,479		1,482
Cash and Cash Equivalents		66,543		118,930
Trading securities, at fair value		14,688		16,450
Available-for-sale securities, at fair value (amortized cost of $1,434,468 at June 30, 2013 and $1,349,416 at December 31, 2012)		1,434,454		1,393,340
Held-to-maturity securities, fair value of $21,129 at June 30, 2013, and $25,163 at December 31, 2012		20,173		24,062
Originated loans and leases, net of unearned income and deferred costs and fees		2,309,232		2,133,106
Acquired loans and leases, covered		31,548		37,600
Acquired loans and leases, non-covered		714,403		783,904
Less: Allowance for loan and lease losses		25,458		24,643
Net Loans and Leases		3,029,725		2,929,967
FDIC Indemnification Asset		4,534		4,385
Federal Home Loan Bank stock and Federal Reserve Bank stock		26,039		19,388
Bank premises and equipment, net		54,824		54,581
Corporate owned life insurance		66,143		65,102
Goodwill		92,140		92,305
Other intangible assets, net		17,400		18,643
Accrued interest and other assets		105,220		100,044
Total Assets	$	4,931,883	$	4,837,197
LIABILITIES				
Deposits:				
Interest bearing:				
Checking, savings and money market		2,174,926		2,144,367
Time		937,775		973,883
Noninterest bearing		800,209		831,919
Total Deposits		3,912,910		3,950,169
Federal funds purchased and securities sold under agreements to repurchase		171,498		213,973
Other borrowings, including certain amounts at fair value of $11,423 at June 30, 2013 and $11,847 at December 31, 2012		299,098		111,848
Trust preferred debentures		43,703		43,668
Other liabilities		72,780		76,179

Total Liabilities	$	4,499,989	$	4,395,837
EQUITY				
Tompkins Financial Corporation shareholders' equity:				
Common Stock - par value $.10 per share: Authorized 25,000,000 shares; Issued: 14,635,468 at June 30, 2013; and 14,426,711 at December 31, 2012		1,464		1,443
Additional paid-in capital		339,233		334,649
Retained earnings		120,218		108,709
Accumulated other comprehensive loss		(27,667)		(2,106)
Treasury stock, at cost – 101,055 shares at June 30, 2013, and 100,054 shares at December 31, 2012		(2,871)		(2,787)
Total Tompkins Financial Corporation Shareholders' Equity		430,377		439,908
Noncontrolling interests		1,517		1,452
Total Equity	$	431,894	$	441,360
Total Liabilities and Equity	$	4,931,883	$	4,837,197

See notes to unaudited condensed consolidated financial statements

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TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
(In thousands, except per share data) (Unaudited)	06/30/2013	06/30/2012	06/30/2013	06/30/2012
INTEREST AND DIVIDEND INCOME				
Loans	$ 37,550	$ 25,403	$ 73,979	$ 50,706
Due from banks	1	5	8	8
Federal funds sold	0	0	0	2
Trading securities	160	189	325	387
Available-for-sale securities	7,912	7,523	15,392	14,699
Held-to-maturity securities	177	225	368	450
Federal Home Loan Bank stock and Federal Reserve Bank stock	160	196	345	417
Total Interest and Dividend Income	45,960	33,541	90,417	66,669
INTEREST EXPENSE				
Time certificates of deposits of $100,000 or more	1,239	720	2,443	1,454
Other deposits	2,016	1,798	4,198	3,825
Federal funds purchased and securities sold under agreements to repurchase	966	1,074	1,976	2,166
Trust preferred debentures	690	402	1,377	807
Other borrowings	1,223	1,437	2,391	2,866
Total Interest Expense	6,134	5,431	12,385	11,118
Net Interest Income	39,826	28,110	78,032	55,551
Less: Provision for loan and lease losses	2,489	1,011	3,527	2,136
Net Interest Income After Provision for Loan and Lease Losses	37,337	27,099	74,505	53,415
NONINTEREST INCOME				
Insurance commissions and fees	7,167	3,493	14,428	6,890
Investment services income	3,698	3,760	7,486	7,398
Service charges on deposit accounts	2,024	1,593	3,932	3,378
Card services income	1,690	1,280	3,428	2,849
Mark-to-market loss on trading securities	(270)	(75)	(385)	(157)
Mark-to-market gain on liabilities held at fair value	347	77	424	166
Net other-than-temporary impairment losses	0	(65)	0	(65)
Other income	1,810	1,770	4,176	3,034

Gain on securities transactions	75	933	442	935
Total Noninterest Income	16,541	12,766	33,931	24,428
NONINTEREST EXPENSES				
Salaries and wages	16,291	11,081	31,863	22,381
Pension and other employee benefits	5,338	4,123	11,408	8,422
Net occupancy expense of premises	2,954	1,793	6,015	3,598
Furniture and fixture expense	1,462	1,116	2,919	2,216
FDIC insurance	821	554	1,593	1,082
Amortization of intangible assets	547	124	1,104	257
Merger related expenses	37	879	233	972
Other operating expense	10,327	7,185	20,163	14,298
Total Noninterest Expenses	37,777	26,855	75,298	53,226
Income Before Income Tax Expense	16,101	13,010	33,138	24,617
Income Tax Expense	5,061	4,151	10,557	7,912
Net Income attributable to Noncontrolling Interests and Tompkins Financial Corporation	11,040	8,859	22,581	16,705
Less: Net income attributable to noncontrolling interests	33	33	65	65
Net Income Attributable to Tompkins Financial Corporation	$ 11,007	$ 8,826	$ 22,516	$ 16,640
Basic Earnings Per Share	$ 0.76	$ 0.72	$ 1.55	$ 1.43
Diluted Earnings Per Share	$ 0.75	$ 0.72	$ 1.55	$ 1.42

See notes to unaudited condensed consolidated financial statements

Consolidated Statements of Comprehensive Income

	Three Months Ended	
(in thousands) (Unaudited)	June 30, 2013	June 30, 2012
Net income (loss) attributable to noncontrolling interests and Tompkins Financial Corporation	$11,040	$8,859
Other comprehensive (loss) income, net of tax:		
Available-for-sale securities:		
Change in net unrealized (loss) gain during the period	(22,824)	4,407
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income	(45)	(561)
Change in non-credit impairment losses on available-for-sale securities	0	39
Employee benefit plans:		
Amortization of net retirement plan actuarial gain	381	414
Amortization of net retirement plan prior service cost	8	11
Amortization of net retirement plan transition liability	8	10
Other comprehensive (loss) income	(22,472)	4,320
Subtotal comprehensive (loss) income attributable to noncontrolling interests and Tompkins Financial Corporation	(11,432)	13,179
Less: Net income attributable to noncontrolling interests	(33)	(33)
Total comprehensive income attributable to Tompkins Financial Corporation	$(11,465)	$13,146

See notes to unaudited condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Six Months Ended	
(in thousands) (Unaudited)	June 30, 2013	June 30, 2012
Net income (loss) attributable to noncontrolling interests and Tompkins Financial Corporation	$ 22,581	$ 16,705
Other comprehensive (loss) income, net of tax:		
Available-for-sale securities:		
Change in net unrealized (loss) gain during the period	(26,102)	3,949
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income	(265)	(562)
Change in non-credit impairment losses on available-for-sale securities	0	39
Employee benefit plans:		
Amortization of net retirement plan actuarial gain	774	697

Amortization of net retirement plan prior service cost		17		18
Amortization of net retirement plan transition liability		15		20
Other comprehensive (loss) income		(25,561)		4,161
Subtotal comprehensive (loss) income attributable to noncontrolling interests and Tompkins Financial Corporation		(2,980)		20,866
Less: Net income attributable to noncontrolling interests		(65)		(65)
Total comprehensive (loss) income attributable to Tompkins Financial Corporation	$	(3,045)	$	20,801

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	06/30/2013	06/30/2012
OPERATING ACTIVITIES		
Net income attributable to Tompkins Financial Corporation	$ 22,516	$ 16,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	3,527	2,136
Depreciation and amortization of premises, equipment, and software	2,890	2,416
Amortization of intangible assets	1,104	257
Earnings from corporate owned life insurance	(1,038)	(817)
Net amortization on securities	7,597	5,135
Other than temporary impairment loss	0	65
Mark-to-market loss on trading securities	385	157
Mark-to-market gain on liabilities held at fair value	(424)	(166)
Gain on securities transactions	(442)	(935)
Net gain on sale of loans	(97)	(250)
Proceeds from sale of loans	1,860	11,161
Loans originated for sale	(2,053)	(11,083)
Net gain on sale of bank premises and equipment	(13)	(6)
Stock-based compensation expense	567	688
Decrease (increase) in accrued interest receivable	484	(111)
Decrease in accrued interest payable	(152)	(67)
Proceeds from maturities and payments of trading securities	1,360	1,484
Contribution to pension plan	0	(5,000)
Decrease in FDIC prepaid insurance	5,386	0
Other, net	7,426	3,229
Net Cash Provided by Operating Activities	50,883	24,933
INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal paydowns of available-for-sale securities	146,700	163,264
Proceeds from sales of available-for-sale securities	76,454	92,670
Proceeds from maturities, calls and principal paydowns of held-to-maturity securities	8,617	4,908
Purchases of available-for-sale securities	(315,342)	(294,007)
Purchases of held-to-maturity securities	(4,729)	(5,358)
Net increase in loans	(102,995)	(40,524)
Net (increase) decrease in Federal Home Loan Bank stock and Federal Reserve Bank stock	(6,651)	2,378
Proceeds from sale of bank premises and equipment	84	18

Purchases of bank premises and equipment	(2,792)	(2,413)
Net cash used in acquisition	0	(1,038)
Other, net	(3,503)	(748)
Net Cash Used in Investing Activities	(204,157)	(80,850)
FINANCING ACTIVITIES		
Net (decrease) increase in demand, money market, and savings deposits	(1,151)	113,300
Net decrease in time deposits	(36,108)	(8,771)
Net decrease in Federal funds purchases and securities sold under agreements to repurchase	(42,475)	(7,428)
Increase in other borrowings	194,674	0
Repayment of other borrowings	(7,000)	(63,975)
Cash dividends	(11,007)	(8,405)
Common stock issued	0	37,978
Shares issued for dividend reinvestment plan	1,941	936
Shares issued for employee stock ownership plan	717	1,037
Net proceeds from exercise of stock options	1,188	1,370
Tax benefit from stock option exercises	108	87
Net Cash Provided by Financing Activities	100,887	66,129
Net (Decrease) Increase in Cash and Cash Equivalents	(52,387)	10,212
Cash and cash equivalents at beginning of period	118,930	49,567
Total Cash & Cash Equivalents at End of Period	66,543	59,779

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	06/30/2013	06/30/2012
Supplemental Information:		
Cash paid during the year for - Interest	$12,537	$11,185
Cash paid during the year for - Taxes	697	8,629
Transfer of loans to other real estate owned	1,794	1,314

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interests	Total
Balances at January 1, 2012	$1,116	$ 206,395	$96,445	$ (3,677)	$(2,588)	$ 1,452	$299,143
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			16,640			65	16,705
Other comprehensive income				4,161			4,161
Total Comprehensive Income							20,866
Cash dividends ($0.72 per share)			(8,405)				(8,405)
Exercise of stock options and related tax benefit (45,853 shares, net)	5	1,452					1,457
Stock-based compensation expense		688					688
Shares issued for dividend reinvestment plan (23,168 shares, net)	2	934					936
Shares issued for employee stock ownership plan (25,655 shares)	2	1,035					1,037
Directors deferred compensation plan (483) shares, net)		22			(22)		0
Common stock issued (1,006,250 shares)	101	37,877					37,978
Forfeiture of restricted shares (692 shares)							
Balances at June 30, 2012	$1,226	$ 248,403	$104,680	$ 484	$(2,610)	$ 1,517	$353,700
Balances at January 1, 2013	$1,443	$ 334,649	$108,709	$ (2,106)	$(2,787)	$ 1,452	$441,360

Net income attributable to noncontrolling interests and Tompkins Financial Corporation			22,516			65	22,581
Other comprehensive loss				(25,561)			(25,561)
Total Comprehensive Income							(2,980)
Cash dividends ($0.76 per share)			(11,007)				(11,007)
Exercise of stock options and related tax benefit (38,742 shares, net)	4	1,292					1,296
Stock-based compensation expense		567					567
Shares issued for dividend reinvestment plan (47,019 shares, net)	5	1,936					1,941
Shares issued for employee stock ownership plan (17,290 shares, net)	2	715					717
Directors deferred compensation plan (1,001 shares, net)		84			(84)		0
Net shares issued related to restricted stock awards (106,325 shares)	10	(10)					0
Forfeiture of restricted shares (619 shares)							
Balances at June 30, 2013	$1,464	$ 339,233	$120,218	$ (27,667)	$(2,871)	$ 1,517	$431,894

See notes to unaudited condensed consolidated financial statements

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Tompkins Financial Corporation ("Tompkins" or the "Company") is headquartered in Ithaca, New York and is registered as a Financial Holding Company with the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended. The Company is a locally oriented, community-based financial services organization that offers a full array of products and services, including commercial and consumer banking, leasing, trust and investment management, financial planning and wealth management, insurance, and brokerage services. At June 30, 2013, the Company's subsidiaries included: four wholly-owned banking subsidiaries, Tompkins Trust Company (the "Trust Company"), The Bank of Castile, Mahopac National Bank, VIST Bank; TFA Wealth Management, Inc., a wholly owned registered investment advisor ("TFA Wealth Management"); and a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). TFA Wealth Management and the trust division of the Trust Company provide a full array of investment services under the Tompkins Financial Advisors brand, including investment management, trust and estate, financial and tax planning as well as life, disability and long-term care insurance services. VIST Bank, through its VIST Capital Management brand ("VIST Capital Management") provides investment advisory, retirement planning solutions, and brokerage services to our customers in southeastern Pennsylvania. The Company's principal offices are located at The Commons, Ithaca, New York, 14851, and its telephone number is (607) 273-3210. The Company's common stock is traded on the NYSE MKT LLC under the Symbol "TMP."

As a registered financial holding company, the Company is regulated under the Bank Holding Company Act of 1956 ("BHC Act"), as amended and is subject to examination and comprehensive regulation by the Federal Reserve Board ("FRB"). The Company is also subject to the jurisdiction of the Securities and Exchange Commission ("SEC") and is subject to disclosure and regulatory requirements under the Securities Act of 1933, as amended, and the Securities Act of 1934, as amended. The Company is subject to the rules of the NYSE MKT LLC for listed companies.

The Company's banking subsidiaries are subject to examination and comprehensive regulation by various regulatory authorities, including the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC"), the New York State Department of Financial Services ("NYSDFS"), and the Pennsylvania Department of Banking and Securities ("PDBS"). Each of these agencies issues regulations and requires the filing of reports describing the activities and financial condition of the entities under its jurisdiction. Likewise, such agencies conduct examinations on a recurring basis to evaluate the safety and soundness of the institutions, and to test compliance with various regulatory requirements, including: consumer protection, privacy, fair lending, the Community Reinvestment Act, the Bank Secrecy Act, sales of non-deposit investments, electronic data processing, and trust department activities.

The Company's wealth management subsidiary is subject to examination and regulation by various regulatory agencies, including the SEC and the Financial Industry Regulatory Authority ("FINRA"). The trust division of Tompkins Trust Company is subject to examination and comprehensive regulation by the FDIC and NYSDFS.

The Company's insurance subsidiary is subject to examination and regulation by the NYSDFS and the Pennsylvania Insurance Department.

2. Basis of Presentation

The unaudited consolidated financial statements included in this quarterly report do not include all of the information and footnotes required by GAAP for a full year presentation and certain disclosures have been condensed or omitted in accordance with rules and regulations of the SEC. In the application of certain accounting policies, management is required to make assumptions regarding the effect of matters that are inherently uncertain. These estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues, and expenses in the unaudited condensed consolidated financial statements. Different amounts could be reported under different conditions, or if different assumptions were used in the application of these accounting policies. The accounting policies that management considers critical in this respect are the determination of the allowance for loan and lease losses, the expenses and liabilities associated with the Company's pension and post-retirement benefits, and the review of its securities portfolio for other than temporary impairment.

In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year ended December 31, 2013. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. There have been no significant changes to the Company's accounting policies from those presented in the 2012 Annual Report on Form 10-K. Refer to Note 3- "Accounting Standards Updates" of this Report for a discussion of recently issued accounting guidelines.

Cash and cash equivalents in the consolidated statements of cash flow include cash and noninterest bearing balances due from banks, interest-bearing balances due from banks, and money market funds. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

The Company has evaluated subsequent events for potential recognition and/or disclosure, and determined that no further disclosures were required.

The consolidated financial information included herein combines the results of operations, the assets, liabilities, and shareholders' equity of the Company and its subsidiaries. Amounts in the prior periods' unaudited condensed consolidated financial statements are reclassified when necessary to conform to the current periods' presentation. All significant intercompany balances and transactions are eliminated in consolidation.

3. Accounting Standards Updates

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 No. 2013-01, "Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," clarifies that ordinary trade receivables are not within the scope of ASU 2011-11. ASU 2011-11, as amended by ASU 2013-01, became effective for the Company on January 1, 2013 and did not have a significant impact on the Company's financial statements.

ASU 2012-02, "Intangibles – Goodwill and Other (Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment." ASU 2012-02 gives 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 an indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that an indefinite-lived intangible asset is impaired, then the entity must perform the quantitative impairment test. If, under the quantitative impairment test, the carrying amount of the intangible asset exceeds its fair value, an entity should recognize an impairment loss in the amount of that excess. Permitting an entity to assess qualitative factors when testing indefinite-lived intangible assets for impairment results in guidance that is similar to the goodwill impairment testing guidance in ASU 2011-08. ASU 2012-02 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company's financial statements.

ASU 2012-06, "Business Combinations (Topic 805) – Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution (a consensus of the FASB Emerging Issues Task Force)." ASU 2012-06 clarifies the applicable guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution. Under ASU 2012-06, when a reporting entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and, subsequently, a change in the cash flows expected to be collected on the indemnification asset occurs (as a result of a change in cash flows expected to be collected on the assets subject to indemnification), the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). ASU 2012-06 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company's financial statements.

ASU 2013-02, “Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” ASU 2013-02 amends recent guidance related to the reporting of comprehensive income to enhance the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 became effective for the Company on January 1, 2013 and did not have a significant impact on the Company’s financial statements other than providing the additional required disclosure, which are disclosed in Note 10 – “Other Comprehensive Income (Loss)”.

4. Mergers and Acquisitions

On August 1, 2012, Tompkins completed its acquisition of VIST Financial Corp. ("VIST Financial"), a financial holding company headquartered in Wyomissing, Pennsylvania, and parent to VIST Bank, VIST Insurance, LLC ("VIST Insurance"), and VIST Capital Management, LLC ("VIST Capital Management"). On the acquisition date, VIST Financial had $1.4 billion in total assets, which included $889.3 million in loans, and $1.2 billion in deposits. On the acquisition date, VIST Financial was merged into Tompkins. VIST Bank, a Pennsylvania state-chartered commercial bank, became a wholly-owned subsidiary of Tompkins and will continue to operate as a separate subsidiary bank of Tompkins. VIST Insurance was merged into Tompkins Insurance Agencies, Inc., and VIST Capital Management became part of VIST Bank. The acquisition expands the Company's presence into the southeastern region of Pennsylvania.

The acquisition was a stock transaction. Under the terms of the merger agreement, each share of VIST Financial common stock was cancelled and converted into the right to receive 0.3127 shares of Tompkins common stock, with any fractional share entitlement paid in cash, resulting in the Company issuing 2,093,689 shares at a fair value of $82.2 million. The Company also paid $1.2 million to retire outstanding VIST Financial employee stock options; while other VIST Financial employee stock options were converted into options to purchase Tompkins' common stock, with an aggregate fair value of $1.1 million. In addition, immediately prior to the completion of the merger, Tompkins purchased from the United States Department of the Treasury the issued and outstanding shares of VIST Financial Fixed Rate Cumulative Perpetual Preferred Stock, Series A, as well as the warrant to purchase shares of VIST Financial common stock issued in connection with the issuance of the preferred stock (the "TARP Purchase") and any accrued and unpaid dividends for an aggregate purchase price of $26.5 million. The securities purchased in the TARP Purchase were cancelled in connection with the consummation of the merger.

The acquisition was accounted for under the acquisition method of accounting and accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at their estimated fair values as of acquisition date. VIST Financial's assets and liabilities were recorded at their preliminary estimated fair values as of August 1, 2012, the acquisition date, and VIST Financial's results of operations have been included in the Company's Consolidated Statements of Income since that date.

The assets acquired and liabilities assumed in the acquisition were recorded at their estimated fair values based upon management's best estimates using information available at the date of the acquisition, including the use of third party valuation specialist. The fair values are preliminary estimates and subject to adjustment for up to one year after the closing date of the acquisition. The following table summarizes the estimated fair value of the acquired assets and liabilities.

Consideration Paid (in thousands)	August 1, 2012
Tompkins common stock issued	$82,198
Cash payment for fractional shares	13
Cash payments for VIST Financial employee stock options	1,236
Fair value of VIST Financial employee stock options, converted to Tompkins' common stock options	1,107
Cash payment for VIST Financial TARP, warrants and accrued and unpaid dividends	26,454
	$111,008
Recognized amounts of identifiable assets acquired and liabilities assumed at estimated fair value	
Cash and cash equivalents	$32,985

Available-for-sale securities	376,298
FHLB stock	4,751
Loans and leases	889,336
Premises and equipment	7,343
Identifiable intangible assets	16,017
Accrued interest receivable and other assets	68,045
Deposits	(1,185,235)
Borrowings	(138,263)
Other liabilities	(7,698)
Total identifiable assets	$63,579
Goodwill	$47,429

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Loans and leases acquired in the VIST Financial acquisition were recorded at fair value and subsequently accounted for in accordance with ASC Topic 310, and there was no carryover of related allowance for loan and lease losses. The fair values of loans acquired from VIST Financial were estimated using cash flow projections based on the remaining maturity and repricing terms. Cash flows were adjusted for estimated future credit losses and the rate of prepayments. Projected cash flows were then discounted to present value using a risk-adjusted market rate for similar loans.

The following is a summary of the loans acquired in the VIST Financial acquisition as of the closing date.

	Acquired Credit Impaired Loans	Acquired Non-Credit Impaired Loans	Total Acquired Loans
Contractually required principal and interest at acquisition	$159,325	$1,058,708	$1,218,033
Contractual cash flows not expected to be collected (non-accretable difference)	57,545	0	57,545
Expected cash flows at acquisition	101,780	1,058,708	1,160,488
Interest component of expected cash flows (accretable difference)	10,008	261,144	271,152
Fair value of acquired loans	91,772	797,564	889,336

The core deposit intangible and customer related intangibles totaled $10.7 million and $5.3 million, respectively and are being amortized over their estimated useful lives of approximately 10 years and 15 years, respectively, using an accelerated method. The goodwill is not being amortized but will be evaluated at least annually for impairment. The goodwill, core deposit intangibles, and customer related intangibles are not deductible for taxes.

The fair values of deposit liabilities with no stated maturities such as checking, money market, and savings accounts, were assumed to equal the carrying amounts since these deposits are payable on demand. The fair values of certificates of deposits and IRAs represent the present value of contractual cash flows discounted at market rates for similar certificates of deposit.

The fair value of borrowings, which were mainly repurchase agreements with a large money center bank, was determined by discounted cash flow, as well as obtaining quotes from the money center bank. The Company also assumed trust preferred debentures. The fair value of these instruments was estimated by using the income approach whereby the expected cash flows over remaining estimated life are discounted using the Company's credit spread over the current fully indexed yield based on an expectation of future interest rates derived from observed market interest rate curve and volatilities.

Direct costs related to the acquisition were expensed as incurred. During the twelve months ended December 31, 2012, the Company incurred $15.6 million of merger and acquisition integration-related expenses, which have been separately stated in the Company's Consolidated Statements of Income. For the six months ended June 30, 2013, the Company incurred $233,000 of merger and acquisition integration-related expenses.

5. Securities

Available-for-Sale Securities
The following table summarizes available-for-sale securities held by the Company at June 30, 2013:

	Available-for-Sale Securities			
June 30, 2013 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value