United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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 **1-12709**

TOMPKINS FINANCIAL

Tompkins Financial Corporation

(Exact name of registrant as specified in its charter)

New York	**16-1482357**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.10 par value	TMP	NYSE American, LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐.

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of Exchange Act.☐

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

Indicate the number of shares of the Registrant's Common Stock outstanding as of the latest practicable date: 14,483,757 shares as of November 2, 2022.

TOMPKINS FINANCIAL CORPORATION

FORM 10-Q

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Item 1. Financial Statements

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share and per share data) **ASSETS**		**As of 9/30/2022 (unaudited)**		**As of 12/31/2021 (audited)**
Cash and noninterest bearing balances due from banks	$	20,342	$	23,078
Interest bearing balances due from banks		83,270		40,029
Cash and Cash Equivalents		**103,612**		**63,107**
Available-for-sale debt securities, at fair value (amortized cost of $2,010,101 at September 30, 2022 and $2,063,790 at December 31, 2021)		1,740,936		2,044,513
Held-to-maturity securities, at amortized cost (fair value of $258,755 at September 30, 2022 and $282,288 December 31, 2021)		312,329		284,009
Equity securities, at fair value (amortized cost $771 at September 30, 2022 and $902 at December 31, 2021)		771		902
Total loans and leases, net of unearned income and deferred costs and fees		5,208,436		5,075,467
Less: Allowance for credit losses		44,772		42,843
Net Loans and Leases		**5,163,664**		**5,032,624**
Federal Home Loan Bank and other stock		9,156		10,996
Bank premises and equipment, net		82,636		85,416
Corporate owned life insurance		86,857		86,495
Goodwill		92,602		92,447
Other intangible assets, net		2,932		3,643
Accrued interest and other assets		184,446		115,830
Total Assets	**$**	**7,779,941**	**$**	**7,819,982**
LIABILITIES				
Deposits:				
Interest bearing:				
Checking, savings and money market		4,076,753		4,016,025
Time		599,612		639,674
Noninterest bearing		2,260,361		2,135,736
Total Deposits		**6,936,726**		**6,791,435**
Federal funds purchased and securities sold under agreements to repurchase		55,340		66,787
Other borrowings		101,000		124,000
Other liabilities		113,916		108,819
Total Liabilities	**$**	**7,206,982**	**$**	**7,091,041**
EQUITY				
Tompkins Financial Corporation shareholders' equity:				
Common Stock - par value $0.10 per share: Authorized 25,000,000 shares; Issued: 14,519,667 at September 30, 2022; and 14,696,911 at December 31, 2021		1,452		1,470
Additional paid-in capital		303,431		312,538
Retained earnings		515,870		475,262
Accumulated other comprehensive loss		(243,237)		(55,950)
Treasury stock, at cost – 125,944 shares at September 30, 2022, and 124,709 shares at December 31, 2021		(6,063)		(5,791)
Total Tompkins Financial Corporation Shareholders' Equity		**571,453**		**727,529**
Noncontrolling interests		1,506		1,412
Total Equity	**$**	**572,959**	**$**	**728,941**
Total Liabilities and Equity	**$**	**7,779,941**	**$**	**7,819,982**

See notes to unaudited consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data) (Unaudited)	Three Months Ended 9/30/2022	Three Months Ended 9/30/2021	Nine Months Ended 9/30/2022	Nine Months Ended 9/30/2021
INTEREST AND DIVIDEND INCOME				
Loans	$ 55,041	$ 53,738	$ 158,677	$ 161,598
Due from banks	85	136	190	266
Available-for-sale debt securities	7,157	6,312	20,990	17,188
Held-to-maturity securities	1,221	732	3,551	1,044
Federal Home Loan Bank and other stock	166	196	391	608
Total Interest and Dividend Income	**63,670**	**61,114**	**183,799**	**180,704**
INTEREST EXPENSE				
Time certificates of deposits of $250,000 or more	563	518	1,389	1,724
Other deposits	3,631	2,088	6,898	6,835
Federal funds purchased and securities sold under agreements to repurchase	14	17	45	48
Trust preferred debentures	0	1,237	0	2,233
Other borrowings	1,351	1,156	2,480	3,883
Total Interest Expense	**5,559**	**5,016**	**10,812**	**14,723**
Net Interest Income	**58,111**	**56,098**	**172,987**	**165,981**
Less: Provision (credit) for credit loss expense	1,056	(1,232)	1,392	(6,133)
Net Interest Income After Credit for Credit Loss Expense	**57,055**	**57,330**	**171,595**	**172,114**
NONINTEREST INCOME				
Insurance commissions and fees	10,825	9,833	28,571	27,053
Wealth management fees	4,337	4,957	13,850	14,347
Service charges on deposit accounts	1,917	1,638	5,452	4,579
Card services income	2,731	2,717	8,233	8,051
Other income	977	1,769	3,694	5,408
Net (loss) gain on securities transactions	(95)	(60)	(179)	257
Total Noninterest Income	**20,692**	**20,854**	**59,621**	**59,695**
NONINTEREST EXPENSE				
Salaries and wages	25,344	24,825	73,012	71,477
Other employee benefits	6,489	5,777	18,627	17,887
Net occupancy expense of premises	3,258	3,019	9,930	10,042
Furniture and fixture expense	2,056	2,066	6,051	6,220
Amortization of intangible assets	218	329	655	988
Other operating expense	12,237	14,164	37,286	35,519
Total Noninterest Expenses	**49,602**	**50,180**	**145,561**	**142,133**
Income Before Income Tax Expense	**28,145**	**28,004**	**85,655**	**89,676**
Income Tax Expense	6,774	6,630	20,079	19,781
Net Income Attributable to Noncontrolling Interests and Tompkins Financial Corporation	**21,371**	**21,374**	**65,576**	**69,895**
Less: Net Income Attributable to Noncontrolling Interests	31	32	94	96
Net Income Attributable to Tompkins Financial Corporation	**$ 21,340**	**$ 21,342**	**$ 65,482**	**$ 69,799**
Basic Earnings Per Share	**$ 1.49**	**$ 1.46**	**$ 4.55**	**$ 4.74**
Diluted Earnings Per Share	**$ 1.48**	**$ 1.45**	**$ 4.53**	**$ 4.72**

See notes to unaudited consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)	Three Months Ended 9/30/2022	Three Months Ended 9/30/2021
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	**$ 21,371**	$ 21,374
Other comprehensive (loss) income, net of tax:		
Available-for-sale debt securities:		
Change in net unrealized loss during the period	**(64,873)**	(7,852)
Reclassification adjustment for net realized loss on sale of available-for-sale debt securities included in net income	**37**	41
Employee benefit plans:		
Amortization of net retirement plan actuarial loss	**427**	557
Amortization of net retirement plan prior service cost	**41**	42
Other comprehensive loss	**(64,368)**	(7,212)
Subtotal comprehensive (loss) income attributable to noncontrolling interests and Tompkins Financial Corporation	**(42,997)**	14,162
Less: Net income attributable to noncontrolling interests	**(31)**	(32)
Total comprehensive (loss) income attributable to Tompkins Financial Corporation	**$ (43,028)**	$ 14,130

(In thousands) (Unaudited)	Nine Months Ended 9/30/2022	Nine Months Ended 9/30/2021
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	**$ 65,576**	$ 69,895
Other comprehensive income, net of tax:		
Available-for-sale debt securities:		
Change in net unrealized loss during the period	**(188,727)**	(24,609)
Reclassification adjustment for net realized loss (gain) on sale of available-for-sale debt securities included in net income	**37**	(208)
Employee benefit plans:		
Amortization of net retirement plan actuarial loss	**1,280**	1,671
Amortization of net retirement plan prior service cost	**123**	126
Other comprehensive loss	**(187,287)**	(23,020)
Subtotal comprehensive (loss) income attributable to noncontrolling interests and Tompkins Financial Corporation	**(121,711)**	46,875
Less: Net income attributable to noncontrolling interests	**(94)**	(96)
Total comprehensive (loss) income attributable to Tompkins Financial Corporation	**$ (121,805)**	$ 46,779

See notes to unaudited consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
(In thousands) (Unaudited)	**9/30/2022**	**9/30/2021**
OPERATING ACTIVITIES		
Net income attributable to Tompkins Financial Corporation	$ 65,482	$ 69,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for credit loss expense	1,392	(6,133)
Depreciation and amortization of premises, equipment, and software	7,977	7,696
Amortization of intangible assets	655	988
Earnings from corporate owned life insurance	(357)	(1,478)
Net amortization on securities	4,512	9,360
Amortization/accretion related to purchase accounting	(712)	1,187
Net loss (gain) on securities transactions	179	(257)
Penalties on prepayment of FHLB borrowings	0	2,929
Net gain on sale of loans originated for sale	(140)	(878)
Proceeds from sale of loans originated for sale	7,468	28,623
Loans originated for sale	(7,123)	(23,378)
Net (gain) loss on sale of bank premises and equipment	(92)	11
Net excess tax benefit from stock based compensation	42	346
Stock-based compensation expense	3,062	3,845
Decrease in accrued interest receivable	514	8,675
Decrease in accrued interest payable	(20)	(827)
Other, net	(516)	(9,154)
Net Cash Provided by Operating Activities	**82,323**	**91,354**
INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal paydowns of available-for-sale debt securities	179,305	377,593
Proceeds from sales of available-for-sale debt securities	24,621	142,679
Purchases of available-for-sale debt securities	(154,798)	(1,002,004)
Purchases of held-to-maturity securities	(28,320)	(269,225)
Net (increase) decrease in loans	(132,051)	160,532
Proceeds from sale/redemptions of Federal Home Loan Bank stock	57,152	9,182
Purchases of Federal Home Loan Bank and other stock	(55,312)	(3,166)
Proceeds from sale of bank premises and equipment	188	63
Purchases of bank premises, equipment and software	(6,188)	(3,315)
Redemption of corporate owned life insurance	0	169
Other, net	(142)	124
Net Cash Used in Investing Activities	**(115,545)**	**(587,368)**
FINANCING ACTIVITIES		
Net increase in demand, money market, and savings deposits	185,353	723,881
Net decrease in time deposits	(39,691)	(70,358)
Net (decrease) increase in Federal funds purchased and securities sold under agreements to repurchase	(11,447)	6,645
Increase in other borrowings	235,600	0
Repayment of other borrowings	(258,600)	(157,929)
Redemption of trust preferred debentures	0	(15,150)
Cash dividends	(24,874)	(24,060)
Repurchase of common stock	(15,430)	(21,177)
Shares issued for dividend reinvestment plan	0	2
Shares issued for employee stock ownership plan	2,951	0
Net shares issued related to restricted stock awards	(80)	(122)
Net proceeds from exercise of stock options	(55)	(693)
Net Cash Provided by Financing Activities	**73,727**	**441,039**
Net Increase (Decrease) in Cash and Cash Equivalents	**40,505**	**(54,975)**
Cash and cash equivalents at beginning of period	63,107	388,462
Total Cash and Cash Equivalents at End of Period	**$ 103,612**	**$ 333,487**

See notes to unaudited consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
(In thousands) (Unaudited)	**9/30/2022**	**9/30/2021**
Supplemental Information:		
Cash paid during the year for - Interest	**$ 11,203**	$ 15,935
Cash paid during the year for - Taxes	**17,540**	23,386
Transfer of loans to other real estate owned	**315**	46
Right-of-use assets obtained in exchange for new lease liabilities	**2,488**	1,204

See notes to unaudited consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In thousands except share and per share data) (Unaudited)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interests	Total
Balances at July 1, 2021	**$ 1,487**	**$ 327,881**	**$ 450,773**	**$ (47,882)**	**$ (5,480)**	**$ 1,474**	**$ 728,253**
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			21,342			32	21,374
Other comprehensive loss				(7,212)			(7,212)
Total Comprehensive Income							14,162
Cash dividends ($0.54 per share)			(7,963)				(7,963)
Net exercise of stock options (3,276 shares)		(190)					(190)
Common stock repurchased and returned to unissued status (170,775 shares)	(17)	(13,177)					(13,194)
Stock-based compensation expense		1,411					1,411
Directors deferred compensation plan (1,977 shares)		154			(154)		0
Restricted stock activity (3,179 shares)		(122)					(122)
Balances at September 30, 2021	**$ 1,470**	**$ 315,957**	**$ 464,152**	**$ (55,094)**	**$ (5,634)**	**$ 1,506**	**$ 722,357**
Balances at July 1, 2022	**$ 1,454**	**$ 303,335**	**$ 502,770**	**$ (178,869)**	**$ (5,847)**	**$ 1,475**	**$ 624,318**
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			21,340			31	21,371
Other comprehensive loss				(64,368)			(64,368)
Total Comprehensive Loss							(42,997)
Cash dividends ($0.57 per share)			(8,240)				(8,240)
Net exercise of stock options (257 shares)		(13)					(13)
Common stock repurchased and returned to unissued status (18,182 shares)	(2)	(1,300)					(1,302)
Stock-based compensation expense		1,089					1,089
Directors deferred compensation plan (2,914 shares)		216			(216)		0
Restricted stock activity (2,922 shares)		(51)					(51)
Adjustment to goodwill		155	0				155
Balances at September 30, 2022	**$ 1,452**	**$ 303,431**	**$ 515,870**	**$ (243,237)**	**$ (6,063)**	**$ 1,506**	**$ 572,959**

(In thousands except share and per share data)(Unaudited)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Treasury Stock**	**Non-controlling Interests**	**Total**
Balances at January 1, 2021	**$ 1,496**	**$ 333,976**	**$ 418,413**	**$ (32,074)**	**$ (5,534)**	**$ 1,412**	**$ 717,689**
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			69,799			96	69,895
Other comprehensive loss				(23,020)			(23,020)
Total Comprehensive Income							46,875
Cash dividends ($1.62 per share)			(24,060)				(24,060)
Net exercise of stock options (11,386 shares)	1	(694)					(693)
Common stock repurchased and returned to unissued status (272,310 shares)	(27)	(21,150)					(21,177)
Shares issued for dividend reinvestment plan (32 shares)	0	2					2
Stock-based compensation expense		3,845					3,845
Directors deferred compensation plan (2,025 shares)		100			(100)		0
Restricted stock activity (8,392 shares)		(122)					(122)
Partial repurchase of noncontrolling interest						(2)	(2)
Balances at September 30, 2021	**$ 1,470**	**$ 315,957**	**$ 464,152**	**$ (55,094)**	**$ (5,634)**	**$ 1,506**	**$ 722,357**
Balances at January 1, 2022	**$ 1,470**	**$ 312,538**	**$ 475,262**	**$ (55,950)**	**$ (5,791)**	**$ 1,412**	**$ 728,941**
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			65,482			94	65,576
Other comprehensive loss				(187,287)			(187,287)
Total Comprehensive Loss							(121,711)
Cash dividends ($1.71 per share)			(24,874)				(24,874)
Net exercise of stock options (887 shares)		(55)					(55)
Common stock repurchased and returned to unissued status (197,979 shares)	(20)	(15,410)					(15,430)
Stock-based compensation expense		3,062					3,062
Shares issued for employee stock ownership plan (37,454 shares)	4	2,947					2,951
Directors deferred compensation plan (1,235 shares)		272			(272)		0
Restricted stock activity (17,606 shares)	(2)	(78)					(80)
Adjustment to goodwill		155					155
Balances at September 30, 2022	**$ 1,452**	**$ 303,431**	**$ 515,870**	**$ (243,237)**	**$ (6,063)**	**$ 1,506**	**$ 572,959**

See notes to unaudited consolidated financial statements

NOTES TO UNAUDITED 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, and insurance services. Effective January 1, 2022, the Company's four wholly-owned banking subsidiaries were combined into one bank, with the Bank of of Castile, Mahopac Bank, and VIST Bank merging with and into Tompkins Trust Company (the "Trust Company") with the Trust Company as the surviving institution. Immediately following the merger, the Trust Company changed its name to Tompkins Community Bank. At September 30, 2022, the Company had one wholly-owned banking subsidiary, Tompkins Community Bank. The Company also has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). Tompkins Community Bank provides a full array of trust and 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. The Company’s principal offices are located at 118 E. Seneca Street, Ithaca, New York, 14850, and its telephone number is (888) 503-5753. The Company’s common stock is traded on the NYSE American 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 Exchange Act of 1934, as amended. The Company is subject to the rules of the NYSE American for listed companies.

Tompkins Community Bank is subject to examination and comprehensive regulation by various regulatory authorities, including the Federal Deposit Insurance Corporation ("FDIC"), and the New York State Department of Financial Services ("NYSDFS"). 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. These agencies also examine and regulate the trust business of Tompkins Community Bank.

Tompkins Insurance 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 U.S. Generally Accepted Accounting Principles ("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 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 credit losses and the review of its securities portfolio for other than temporary impairment.

In management’s opinion, the unaudited 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, 2022. The unaudited 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, 2021.

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 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 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. Securities

Available-for-Sale Debt Securities
The following tables summarize available-for-sale debt securities held by the Company at September 30, 2022 and December 31, 2021:

	Available-for-Sale Debt Securities			
September 30, 2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
(In thousands)				
U.S. Treasuries	$ 191,108	$ 0	$ 24,504	$ 166,604
Obligations of U.S. Government sponsored entities	828,313	0	98,285	730,028
Obligations of U.S. states and political subdivisions	95,162	0	12,101	83,061
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	61,553	9	6,503	55,059
U.S. Government sponsored entities	831,465	0	127,651	703,814
U.S. corporate debt securities	2,500	0	130	2,370
Total available-for-sale debt securities	**$ 2,010,101**	**$ 9**	**$ 269,174**	**$ 1,740,936**

	Available-for-Sale Debt Securities			
December 31, 2021	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
(In thousands)				
U.S. Treasuries	$ 160,291	$ 85	$ 2,542	$ 157,834
Obligations of U.S. Government sponsored entities	843,218	4,527	15,372	832,373
Obligations of U.S. states and political subdivisions	102,177	2,092	100	104,169
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	76,502	1,187	532	77,157
U.S. Government sponsored entities	879,102	5,735	14,281	870,556
U.S. corporate debt securities	2,500	0	76	2,424
Total available-for-sale debt securities	**$ 2,063,790**	**$ 13,626**	**$ 32,903**	**$ 2,044,513**

Held-to-Maturity Debt Securities

The following tables summarize held-to-maturity debt securities held by the Company at September 30, 2022 and December 31, 2021:

	Held-to-Maturity Securities			
September 30, 2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
(In thousands)				
U.S. Treasuries	$ 86,530	$ 0	$ 13,494	$ 73,036
Obligations of U.S. Government sponsored entities	225,799	0	40,080	185,719
Total held-to-maturity debt securities	**$ 312,329**	**$ 0**	**$ 53,574**	**$ 258,755**

	Held-to-Maturity Securities			
December 31, 2021	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
(In thousands)				
U.S. Treasuries	$ 86,689	$ 279	$ 600	$ 86,368
Obligations of U.S. Government sponsored entities	197,320	389	1,789	195,920
Total held-to-maturity debt securities	**$ 284,009**	**$ 668**	**$ 2,389**	**$ 282,288**

The Company may from time to time sell debt securities from its available-for-sale portfolio. Realized gains on sales of available-for-sale debt securities were $0 for the three and nine months ended September 30, 2022 and $796,000 and $1.1 million for the three and nine months ended September 30, 2021. Realized losses on sales of available-for-sale debt securities were $48,500 for both the three and nine months ended September 30, 2022, and $851,000 for both the three and nine months ended September 30, 2021. Proceeds from the sale of available-for-sale debt securities were $24.6 million for the three and nine months ended September 30, 2022, and $103.8 million and $142.7 million for the three and nine months ended September 30, 2021, respectively. Sales of available-for-sale investment securities were the result of general investment portfolio and interest rate risk management. The Company's investment portfolio includes callable securities that may be called prior to maturity. There were no realized gains or losses on called available-for-sale debt securities for both the three and nine months ended September 30, 2022 and September 30, 2021. The Company also recognized net losses of $46,900 and $130,600 for the three and nine months ended September 30, 2022, and net losses of $6,000 and $18,000 for the three and nine months ended September 30, 2021 on equity securities, reflecting the change in fair value.

The following table summarizes available-for-sale debt securities that had unrealized losses at September 30, 2022, and December 31, 2021:

September 30, 2022	**Less than 12 Months**		**12 Months or Longer**		**Total**	
(In thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasuries	$ 46,222	$ 5,380	$ 120,382	$ 19,124	$ 166,604	$ 24,504
Obligations of U.S. Government sponsored entities	182,146	13,817	547,882	84,468	730,028	98,285
Obligations of U.S. states and political subdivisions	74,961	9,682	8,075	2,419	83,036	12,101
Mortgage-backed securities – residential, issued by						
U.S. Government agencies	30,615	2,076	24,071	4,427	54,686	6,503
U.S. Government sponsored entities	233,738	25,929	470,077	101,722	703,815	127,651
U.S. corporate debt securities	0	0	2,370	130	2,370	130
Total available-for-sale debt securities	**$ 567,682**	**$ 56,884**	**$ 1,172,857**	**$ 212,290**	**$ 1,740,539**	**$ 269,174**

December 31, 2021	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	$ 147,810	$ 2,542	$ 0	$ 0	$ 147,810	$ 2,542
Obligations of U.S. Government sponsored entities	362,895	6,694	289,210	8,678	652,105	15,372
Obligations of U.S. states and political subdivisions	9,700	85	1,283	15	10,983	100
Mortgage-backed securities – residential, issued by						
U.S. Government agencies	22,074	160	16,846	372	38,920	532
U.S. Government sponsored entities	553,351	11,440	84,537	2,841	637,888	14,281
U.S. corporate debt securities	0	0	2,424	76	2,424	76
Total available-for-sale debt securities	**$ 1,095,830**	**$ 20,921**	**$ 394,300**	**$ 11,982**	**$ 1,490,130**	**$ 32,903**

The following table summarizes held-to-maturity debt securities that had unrealized losses at September 30, 2022 and December 31, 2021:

September 30, 2022	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	$ 43,325	$ 7,410	$ 29,711	$ 6,084	$ 73,036	$ 13,494
Obligations of U.S. Government sponsored entities	119,809	24,768	65,910	15,312	185,719	40,080
Total held-to-maturity debt securities	**$ 163,134**	**$ 32,178**	**$ 95,621**	**$ 21,396**	**$ 258,755**	**$ 53,574**

December 31, 2021	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	$ 35,280	$ 600	$ 0	$ 0	$ 35,280	$ 600
Obligations of U.S. Government sponsored entities	84,592	1,789	0	0	84,592	1,789
Total held-to-maturity debt securities	**$ 119,872**	**$ 2,389**	**$ 0**	**$ 0**	**$ 119,872**	**$ 2,389**

The Company evaluates available-for-sale debt securities for expected credit losses ("ECL") in unrealized loss positions at each measurement date to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors.

Factors that may be indicative of ECL include, but are not limited to, the following:

- Extent to which the fair value is less than the amortized cost basis.
- Adverse conditions specifically related to the security, an industry, or geographic area (changes in technology, business practice).
- Payment structure of the debt security with respect to underlying issuer or obligor.
- Failure of the issuer to make scheduled payment of principal and/or interest.
- Changes to the rating of a security or issuer by a nationally recognized statistical rating organization.
- Changes in tax or regulatory guidelines that impact a security or underlying issuer.

For available-for-sale debt securities in an unrealized loss position, the Company evaluates the securities to determine whether the decline in the fair value below the amortized cost basis (technical impairment) is the result of changes in interest rates or reflects a fundamental change in the credit worthiness of the underlying issuer. Any impairment that is not credit related is recognized in other comprehensive income (loss), net of applicable taxes. Credit-related impairment is recognized as an allowance for credit losses ("ACL") on the Statement of Condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change.

The gross unrealized losses reported for residential mortgage-backed securities relate to investment securities issued by U.S. government sponsored entities such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and
U.S. government agencies such as Government National Mortgage Association. The total gross unrealized losses, shown in the tables above, were primarily attributable to changes in interest rates and levels of market liquidity, relative to when the investment securities were purchased, and not due to the credit-related quality of the investment securities. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity debt securities from the estimate of credit losses. As of September 30, 2022, the held-to-maturity portfolio consisted of U.S. Treasury securities and securities issued by U.S. government-sponsored enterprises, including The Federal National Mortgage Agency and the Federal Farm Credit Banks Funding Corporation. U.S. Treasury securities are backed by the full faith and credit of and/or guaranteed by the U.S. government, and it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities. Securities issued by U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as "risk-free," and have a long history of zero credit loss. As such, the Company did not record an allowance for credit losses for these securities as of September 30, 2022 or December 31, 2021.

The amortized cost and estimated fair value of debt securities by contractual maturity are shown in the following table. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities are shown separately since they are not due at a single maturity date.

September 30, 2022

(In thousands)	Amortized Cost	Fair Value
Available-for-sale debt securities:		
Due in one year or less	$ 32,225	$ 31,929
Due after one year through five years	572,260	520,304
Due after five years through ten years	470,646	398,123
Due after ten years	41,952	31,707
Total	1,117,083	982,063
Mortgage-backed securities	893,018	758,873
Total available-for-sale debt securities	**$ 2,010,101**	**$ 1,740,936**

December 31, 2021

(In thousands)	Amortized Cost	Fair Value
Available-for-sale debt securities:		
Due in one year or less	$ 77,159	$ 77,892
Due after one year through five years	474,537	471,776
Due after five years through ten years	501,748	492,573
Due after ten years	54,742	54,559
Total	1,108,186	1,096,800
Mortgage-backed securities	955,604	947,713
Total available-for-sale debt securities	**$ 2,063,790**	**$ 2,044,513**

September 30, 2022

(In thousands)	Amortized Cost	Fair Value
Held-to-maturity debt securities:		
Due after five years through ten years	$ 312,329	$ 258,755
Total held-to-maturity debt securities	**$ 312,329**	**$ 258,755**

December 31, 2021

(In thousands)	Amortized Cost	Fair Value
Held-to-maturity debt securities:		
Due after five years through ten years	$ 284,009	$ 282,288
Total held-to-maturity debt securities	**$ 284,009**	**$ 282,288**

The Company also holds non-marketable Federal Home Loan Bank New York ("FHLBNY") stock and non-marketable Atlantic Community Bankers Bank ("ACBB") stock, all of which are required to be held for regulatory purposes and for borrowing availability. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. Holdings of FHLBNY stock and ACBB stock totaled $9.1 million and $95,000, respectively, at September 30, 2022. These securities are carried at par, which is also cost. The FHLBNY continues to pay dividends and repurchase stock. Quarterly, we evaluate our investment in the FHLB for impairment. We evaluate recent and long-term operating performance, liquidity, funding and capital positions, stock repurchase history, dividend history and impact of legislative and regulatory changes. Based on our most recent evaluation, as of September 30, 2022, we determined that no impairment write-downs were required.

4. Loans and Leases

Loans and leases at September 30, 2022 and December 31, 2021 were as follows:

(In thousands)	**9/30/2022**	12/31/2021
Commercial and industrial		
Agriculture	**$ 66,576**	$ 99,172
Commercial and industrial other	**718,726**	699,121
PPP loans*	**875**	71,260
Subtotal commercial and industrial	**786,177**	869,553
Commercial real estate		
Construction	**199,144**	178,582
Agriculture	**210,140**	195,973
Commercial real estate other	**2,399,951**	2,278,599
Subtotal commercial real estate	**2,809,235**	2,653,154
Residential real estate		
Home equity	**188,002**	182,671
Mortgages	**1,344,741**	1,290,911
Subtotal residential real estate	**1,532,743**	1,473,582
Consumer and other		
Indirect	**2,712**	4,655
Consumer and other	**66,262**	67,396
Subtotal consumer and other	**68,974**	72,051
Leases	**15,749**	13,948
Total loans and leases	**5,212,878**	5,082,288
Less: unearned income and deferred costs and fees	**(4,442)**	(6,821)
Total loans and leases, net of unearned income and deferred costs and fees	**$ 5,208,436**	$ 5,075,467

**SBA Paycheck Protection Program ("PPP")*

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. Management reviews these policies and procedures on a regular basis. The Company discussed its lending policies and underwriting guidelines for its various lending portfolios in Note 3 – "Loans and Leases" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes in these policies and guidelines since the date of that report. As such, these policies are reflective of new originations as well as those balances held at December 31, 2021. The Company's Board of Directors approves the lending policies at least annually. The Company recognizes that exceptions to policy guidelines may occasionally occur and has established procedures for approving exceptions to these policy guidelines. Management has also implemented reporting systems to monitor loan origination, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments are due. Generally loans are placed on nonaccrual status if principal or interest payments become 90 days or more past due and/or management deems the collectability of the principal and/or interest to be in question as well as when required by regulatory agencies. When interest accrual is discontinued, all unpaid accrued interest is reversed. Payments received on loans on nonaccrual are generally applied to reduce the principal balance of the loan. Loans are generally returned to accrual status when all the principal and interest amounts due are brought current, the borrower has established a payment history, and future payments are reasonably assured. When management determines that the collection of principal in full is not probable, management will charge-off a partial amount or full amount of the loan balance. Management considers specific facts and circumstances relative to each individual credit in making such a determination. For residential and consumer loans, management uses specific regulatory guidance and thresholds for determining charge-offs.

The below tables are an age analysis of past due loans, segregated by class of loans, as of September 30, 2022 and December 31, 2021:

September 30, 2022

(In thousands)	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current Loans	Total Loans
Loans and Leases						
Commercial and industrial						
Agriculture	$ 0	$ 0	$ 0	$ 0	$ 66,576	$ 66,576
Commercial and industrial other	37	400	185	622	718,104	718,726
PPP loans	31	0	0	31	844	875
Subtotal commercial and industrial	68	400	185	653	785,524	786,177
Commercial real estate						
Construction	0	0	0	0	199,144	199,144
Agriculture	0	0	219	219	209,921	210,140
Commercial real estate other	0	0	12,722	12,722	2,387,229	2,399,951
Subtotal commercial real estate	0	0	12,941	12,941	2,796,294	2,809,235
Residential real estate						
Home equity	307	306	1,226	1,839	186,163	188,002
Mortgages	0	1,342	6,417	7,759	1,336,982	1,344,741
Subtotal residential real estate	307	1,648	7,643	9,598	1,523,145	1,532,743
Consumer and other						
Indirect	35	67	86	188	2,524	2,712
Consumer and other	571	64	94	729	65,533	66,262
Subtotal consumer and other	606	131	180	917	68,057	68,974
Leases	0	0	0	0	15,749	15,749
Total loans and leases	**981**	**2,179**	**20,949**	**24,109**	**5,188,769**	**5,212,878**
Less: unearned income and deferred costs and fees	0	0	0	0	(4,442)	(4,442)
Total loans and leases, net of unearned income and deferred costs and fees	**$ 981**	**$ 2,179**	**$ 20,949**	**$ 24,109**	**$ 5,184,327**	**$ 5,208,436**

December 31, 2021

(In thousands)	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current Loans	Total Loans
Loans and Leases						
Commercial and industrial						
Agriculture	$ 0	$ 0	$ 0	$ 0	$ 99,172	$ 99,172
Commercial and industrial other	506	6	88	600	698,521	699,121
PPP loans	0	0	0	0	71,260	71,260
Subtotal commercial and industrial	506	6	88	600	868,953	869,553
Commercial real estate						
Construction	0	0	0	0	178,582	178,582
Agriculture	121	0	0	121	195,852	195,973
Commercial real estate other	150	257	3,305	3,712	2,274,887	2,278,599
Subtotal commercial real estate	271	257	3,305	3,833	2,649,321	2,653,154
Residential real estate						
Home equity	441	417	798	1,656	181,015	182,671
Mortgages	7	839	3,917	4,763	1,286,148	1,290,911
Subtotal residential real estate	448	1,256	4,715	6,419	1,467,163	1,473,582
Consumer and other						
Indirect	77	86	2	165	4,490	4,655
Consumer and other	120	45	45	210	67,186	67,396
Subtotal consumer and other	197	131	47	375	71,676	72,051
Leases	0	0	0	0	13,948	13,948
Total loans and leases	**1,422**	**1,650**	**8,155**	**11,227**	**5,071,061**	**5,082,288**
Less: unearned income and deferred costs and fees	0	0	0	0	(6,821)	(6,821)
Total loans and leases, net of unearned income and deferred costs and fees	**$ 1,422**	**$ 1,650**	**$ 8,155**	**$ 11,227**	**$ 5,064,240**	**$ 5,075,467**

The following tables present the amortized cost basis of loans on nonaccrual status and the amortized cost basis of loans on nonaccrual status for which there was no related allowance for credit losses. The below tables are an age analysis of nonaccrual loans segregated by class of loans, as of September 30, 2022 and December 31, 2021:

September 30, 2022

(In thousands)	Nonaccrual Loans and Leases with no ACL	Nonaccrual Loans and Leases	Loans and Leases Past Due Over 89 Days and Accruing
Loans and Leases			
Commercial and industrial			
Commercial and industrial other	$ 478	$ 803	$ 0
Subtotal commercial and industrial	478	803	0
Commercial real estate			
Agriculture	219	219	0
Commercial real estate other	14,677	15,682	161
Subtotal commercial real estate	14,896	15,901	161
Residential real estate			
Home equity	385	2,357	0
Mortgages	1,780	10,684	0
Subtotal residential real estate	2,165	13,041	0
Consumer and other			
Indirect	0	151	0
Consumer and other	0	117	0
Subtotal consumer and other	0	268	0
Total loans and leases	**$ 17,539**	**$ 30,013**	**$ 161**

December 31, 2021

(In thousands)	Nonaccrual Loans and Leases with no ACL	Nonaccrual Loans and Leases	Loans and Leases Past Due Over 89 Days and Accruing
Loans and Leases			
Commercial and industrial			
Commercial and industrial other	$ 502	$ 533	$ 0
Subtotal commercial and industrial	502	533	0
Commercial real estate			
Construction	671	671	0
Agriculture	348	456	0
Commercial real estate other	12,483	12,766	0
Subtotal commercial real estate	13,502	13,893	0
Residential real estate			
Home equity	380	2,459	0
Mortgages	716	8,719	0
Subtotal residential real estate	1,096	11,178	0
Consumer and other			
Indirect	1	246	0
Consumer and other	0	183	0
Subtotal consumer and other	1	429	0
Total loans and leases	**$ 15,101**	**$ 26,033**	**$ 0**

The Company recognized $0 of interest income on nonaccrual loans during the three and nine months ended September 30, 2022 and 2021.

5. Allowance for Credit Losses

Management reviews the appropriateness of the allowance for credit losses ("allowance" or "ACL") on a regular basis. Management considers the accounting policy relating to the allowance to be a critical accounting policy, given the inherent uncertainty in evaluating the levels of the allowance required to cover credit losses in the portfolio and the material effect that assumptions could have on the Company's results of operations. The Company has developed a methodology to measure the amount of estimated credit loss exposure inherent in the loan portfolio to assure that an appropriate allowance is maintained. The Company's methodology is based upon guidance provided in SEC Staff Accounting Bulletin No. 119, *Measurement of Credit Losses on Financial Instruments ("CECL"), and Financial Instruments - Credit Losses* and *ASC Topic 326, Financial Instruments - Credit Losses* (ASU 2016-3).

The Company uses a discounted cash flow ("DCF") method to estimate expected credit losses for all loan segments excluding the leasing segment. For each of these loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, recovery lag, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on internal historical data.

The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the loss drivers. For all loans utilizing the DCF method, management utilizes forecasts of national unemployment and a one year percentage change in national gross domestic product as loss drivers in the model.

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over eight quarters on a straight-line basis. Management leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the four-quarter forecast period. Other internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.

The combination of adjustments for credit expectations and timing expectations produces an expected cash flow stream at the instrument level. Instrument effective yield is calculated, net of the impacts of prepayment assumptions, and the instrument expected cash flows are then discounted at that effective yield to produce a net present value of expected cash flows ("NPV"). An ACL is established for the difference between the NPV and amortized cost basis.

Since the methodology is based upon historical experience and trends, current conditions, and reasonable and supportable forecasts, as well as management's judgment, factors may arise that result in different estimates. While management's evaluation of the allowance as of September 30, 2022, considers the allowance to be appropriate, under certain conditions or assumptions, the Company would need to increase or decrease the allowance. In addition, various federal and State regulatory agencies, as part of their examination process, review the Company's allowance and may require the Company to recognize additions to the allowance based on their judgements and information available to them at the time of their examinations.

Loan Commitments and Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans, and commercial letters of credit. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancellable, through a charge to credit loss expense for off-balance sheet credit exposures included in provision expense in the Company's consolidated statements of income.

The following table details activity in the allowance for credit losses on loans for the three and nine months ended September 30, 2022 and 2021. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Three Months Ended September 30, 2022

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 7,814	$ 23,227	$ 11,082	$ 1,591	$ 79	$ 43,793
Charge-offs	(343)	0	51	(132)	0	(424)
Recoveries	106	105	8	83	0	302
(Credit) provision for credit loss expense	(1,053)	3,207	(698)	(362)	7	1,101
Ending Balance	**$ 6,524**	**$ 26,539**	**$ 10,443**	**$ 1,180**	**$ 86**	**$ 44,772**

Three Months Ended September 30, 2021

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 7,113	$ 29,201	$ 9,534	$ 1,590	$ 67	$ 47,505
Charge-offs	(157)	0	0	(53)	0	(210)
Recoveries	16	2	65	58	0	141
(Credit) provision for credit loss expense	(774)	(119)	(184)	(99)	(1)	(1,177)
Ending Balance	**$ 6,198**	**$ 29,084**	**$ 9,415**	**$ 1,496**	**$ 66**	**$ 46,259**

Nine Months Ended September 30, 2022

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 6,335	$ 24,813	$ 10,139	$ 1,492	$ 64	$ 42,843
Charge-offs	(366)	(50)	0	(410)	0	(826)
Recoveries	132	910	315	251	0	1,608
(Credit) provision for credit loss expense	423	866	(11)	(153)	22	1,147
Ending Balance	**$ 6,524**	**$ 26,539**	**$ 10,443**	**$ 1,180**	**$ 86**	**$ 44,772**

Nine Months Ended September 30, 2021

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 9,239	$ 30,546	$ 10,257	$ 1,562	$ 65	$ 51,669
Charge-offs	(274)	0	(51)	(218)	0	(543)
Recoveries	116	1,040	229	153	0	1,538
(Credit) provision for credit loss expense	(2,883)	(2,502)	(1,020)	(1)	1	(6,405)
Ending Balance	**$ 6,198**	**$ 29,084**	**$ 9,415**	**$ 1,496**	**$ 66**	**$ 46,259**

The following table details activity in the liabilities for off-balance sheet credit exposures for the three and nine months ended September 30, 2022 and 2021:

Three Months Ended September 30,

(In thousands)	2022	2021
Liabilities for off-balance sheet credit exposures at beginning of period	**$ 2,796**	$ 2,247
Credit for credit loss expense related to off-balance sheet credit exposures	**(45)**	(55)
Liabilities for off-balance sheet credit exposures at end of period	**$ 2,751**	$ 2,192

Nine Months Ended September 30,

(In thousands)	2022	2021
Liabilities for off-balance sheet credit exposures at beginning of period	**$ 2,506**	$ 1,920
Provision for credit loss expense related to off-balance sheet credit exposures	**245**	272
Liabilities for off-balance sheet credit exposures at end of period	**$ 2,751**	$ 2,192

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related allowance for credit losses allocated to these loans:

(In thousands)	Real Estate	Business Assets	Other	Total	ACL Allocation
September 30, 2022					
Commercial and Industrial	$ 435	$ 335	$ 172	$ 942	$ 159
Commercial Real Estate	12,268	0	2,628	14,896	0
Commercial Real Estate - Agriculture	1,525	0	0	1,525	0
Residential Real Estate	335	0	0	335	28
Total	**$ 14,563**	**$ 335**	**$ 2,800**	**$ 17,698**	**$ 187**

(In thousands)	Real Estate	Business Assets	Other	Total	ACL Allocation
December 31, 2021					
Commercial and Industrial	$ 142	$ 395	$ 328	$ 865	$ 26
Commercial Real Estate	13,334	0	1,931	15,265	40
Residential Real Estate	32	0	0	32	1
Total	**$ 13,508**	**$ 395**	**$ 2,259**	**$ 16,162**	**$ 67**

Loans are considered modified in a troubled debt restructuring ("TDR") when, due to a borrower's financial difficulties, the Company makes concessions to the borrower that it would not otherwise consider. These modifications may include, among others, an extension for the term of the loan, and granting a period when interest-only payments can be made with the principal payments made over the remaining term of the loan or at maturity.

The following tables present information on loans modified in a TDR during the three and nine months ended September 30, 2022 and 2021. Post-modification amounts are presented as of September 30, 2022 and September 30, 2021.

September 30, 2022	**Three Months Ended**				
				Defaulted TDRs[2]	
(In thousands)	**Number of Loans**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number of Loans**	**Post-Modification Outstanding Recorded Investment**
Residential real estate					
Residential real estate[1]	6	$ 608	$ 608	0	$ 0
Total	**6**	**$ 608**	**$ 608**	**0**	**$ 0**

[1] *Represents the following concessions: extension of term and reduction of rate.*
[2] *TDRs that defaulted during the three months ended September 30, 2022 that were restructured in the prior twelve months.*

September 30, 2021	**Three Months Ended**				
				Defaulted TDRs[2]	
(In thousands)	**Number of Loans**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number of Loans**	**Post-Modification Outstanding Recorded Investment**
Residential real estate					
Home equity[1]	1	$ 112	$ 112	1	$ 201
Total	**1**	**$ 112**	**$ 112**	**1**	**$ 201**

[1] *Represents the following concessions: extension of term and reduction of rate.*
[2] *TDRs that defaulted during the three months ended* September 30, 2021 *that were restructured in the prior twelve months.*

September 30, 2022	**Nine Months Ended**				
				Defaulted TDRs[2]	
(In thousands)	**Number of Loans**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number of Loans**	**Post-Modification Outstanding Recorded Investment**
Residential real estate					
Mortgages[1]	6	$ 608	$ 608	0	$ 0
Total	6	$ 608	$ 608	0	$0

[1] *Represents the following concessions: extension of term and reduction of rate.*
[2] *TDRs that defaulted during the nine months ended September 30, 2022 that were restructured in the prior twelve months.*

September 30, 2021	**Nine Months Ended**				
				Defaulted TDRs[2]	
(In thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Post-Modification Outstanding Recorded Investment
Residential real estate					
Home equity[1]	1	$ 112	$ 112	1	$ 201
Total	**1**	**$ 112**	**$ 112**	**1**	**$ 201**

[1] *Represents the following concessions: extension of term and reduction of rate.*
[2] *TDRs that defaulted during the nine months ended* September 30, 2021 *that were restructured in the prior twelve months.*

The following table presents credit quality indicators by total loans on an amortized cost basis by origination year as of September 30, 2022 and December 31, 2021:

September 30, 2022

(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
Commercial and Industrial - Other:									
Pass	$ 105,118	$ 100,909	$ 43,941	$ 45,679	$ 36,484	$ 162,074	$ 208,925	$ 3,849	$ 706,979
Special Mention	0	135	455	275	11	1,432	764	0	3,072
Substandard	0	119	474	39	454	519	7,070	0	8,675
Total Commercial and Industrial - Other	**$ 105,118**	**$ 101,163**	**$ 44,870**	**$ 45,993**	**$ 36,949**	**$ 164,025**	**$ 216,759**	**$ 3,849**	**$ 718,726**
Commercial and Industrial - PPP:									
Pass	$ 0	$ 498	$ 377	$ 0	$ 0	$ 0	$ 0	$ 0	$ 875
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
Total Commercial and Industrial - PPP	**$ 0**	**$ 498**	**$ 377**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 875**
Commercial and Industrial - Agriculture:									
Pass	$ 11,505	$ 4,460	$ 5,359	$ 4,528	$ 8,132	$ 5,610	$ 22,960	$ 239	$ 62,793
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	74	0	0	2,298	1,411	0	3,783
Total Commercial and Industrial - Agriculture	**$ 11,505**	**$ 4,460**	**$ 5,433**	**$ 4,528**	**$ 8,132**	**$ 7,908**	**$ 24,371**	**$ 239**	**$ 66,576**
Commercial Real Estate									
Pass	$ 276,588	$ 362,770	$ 312,387	$ 279,146	$ 206,351	$ 836,400	$ 10,778	$ 25,170	$ 2,309,590
Special Mention	643	3,427	1,700	11,542	2,965	43,006	0	0	63,283
Substandard	83	112	0	3,572	2,250	20,920	141	0	27,078
Total Commercial Real Estate	**$ 277,314**	**$ 366,309**	**$ 314,087**	**$ 294,260**	**$ 211,566**	**$ 900,326**	**$ 10,919**	**$ 25,170**	**$ 2,399,951**
Commercial Real Estate - Agriculture:									
Pass	$ 24,003	$ 24,407	$ 23,558	$ 26,739	$ 38,919	$ 67,610	$ 2,810	$ 1,248	$ 209,294
Special Mention	0	0	0		0	375	0	0	375
Substandard	0	0	0	219	38	214	0	0	471
Total Commercial Real Estate - Agriculture	**$ 24,003**	**$ 24,407**	**$ 23,558**	**$ 26,958**	**$ 38,957**	**$ 68,199**	**$ 2,810**	**$ 1,248**	**$ 210,140**
Commercial Real Estate - Construction									
Pass	$ 12,059	$ 76,821	$ 44,319	$ 24,559	$ 9,511	$ 7,380	$ 23,187	$ 1,308	$ 199,144
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
Total Commercial Real Estate - Construction	**$ 12,059**	**$ 76,821**	**$ 44,319**	**$ 24,559**	**$ 9,511**	**$ 7,380**	**$ 23,187**	**$ 1,308**	**$ 199,144**

December 31, 2021

(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
Commercial and Industrial - Other:									
Internal risk grade:									
Pass	$ 123,996	$ 58,432	$ 54,116	$ 42,093	$ 35,725	$ 239,093	$ 125,476	$ 10,039	$ 688,970
Special Mention	156	770	450	100	201	393	1,417	0	3,487
Substandard	179	584	47	575	0	637	4,642	0	6,664
Total Commercial and Industrial - Other	**$ 124,331**	**$ 59,786**	**$ 54,613**	**$ 42,768**	**$ 35,926**	**$ 240,123**	**$ 131,535**	**$ 10,039**	**$ 699,121**
Commercial and Industrial - Agriculture:									
Pass	$ 8,573	$ 6,782	$ 5,700	$ 10,136	$ 6,867	$ 3,186	$ 53,145	$ 595	$ 94,984
Special Mention	0	0	0	23	0	0	0	0	23
Substandard	0	85	11	0	93	2,316	1,660	0	4,165
Total Commercial and Industrial - Agriculture	**$ 8,573**	**$ 6,867**	**$ 5,711**	**$ 10,159**	**$ 6,960**	**$ 5,502**	**$ 54,805**	**$ 595**	**$ 99,172**
Commercial and Industrial - PPP:									
Pass	$ 71,260	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 71,260
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
Total Commercial and Industrial - PPP	**$ 71,260**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 71,260**
Commercial Real Estate									
Pass	$ 325,874	$ 271,680	$ 249,266	$ 201,992	$ 212,991	$ 810,713	$ 44,264	$ 43,225	$ 2,160,005
Special Mention	0	1,763	11,772	3,217	2,167	61,723	358	0	81,000
Substandard	3,482	0	2,262	2,518	8,509	20,401	422	0	37,594
Total Commercial Real Estate	**$ 329,356**	**$ 273,443**	**$ 263,300**	**$ 207,727**	**$ 223,667**	**$ 892,837**	**$ 45,044**	**$ 43,225**	**$ 2,278,599**
Commercial Real Estate - Agriculture:									
Pass	$ 23,151	$ 21,856	$ 28,943	$ 41,064	$ 23,195	$ 50,809	$ 1,949	$ 2,850	$ 193,817
Special Mention	0	479	0	0	0	350	35	0	864
Substandard	0	0	0	39	0	1,253	0	0	1,292
Total Commercial Real Estate - Agriculture	**$ 23,151**	**$ 22,335**	**$ 28,943**	**$ 41,103**	**$ 23,195**	**$ 52,412**	**$ 1,984**	**$ 2,850**	**$ 195,973**
Commercial Real Estate - Construction									
Pass	$ 12,840	$ 10,025	$ 16,325	$ 7,542	$ 1,274	$ 6,559	$ 112,537	$ 10,037	$ 177,139
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	643	800	0	1,443
Total Commercial Real Estate - Construction	**$ 12,840**	**$ 10,025**	**$ 16,325**	**$ 7,542**	**$ 1,274**	**$ 7,202**	**$ 113,337**	**$ 10,037**	**$ 178,582**

The following table presents credit quality indicators by total loans on an amortized cost basis by origination year as of September 30, 2022 and December 31, 2021, continued:

September 30, 2022

(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
Residential - Home Equity									
Performing	$ 1,603	$ 1,115	$ 671	$ 1,026	$ 839	$ 3,442	$ 175,683	$ 1,267	$ 185,646
Nonperforming	0	0	0	14	0	67	2,275	0	2,356
Total Residential - Home Equity	**$ 1,603**	**$ 1,115**	**$ 671**	**$ 1,040**	**$ 839**	**$ 3,509**	**$ 177,958**	**$ 1,267**	**$ 188,002**
Residential - Mortgages									
Performing	$ 159,027	$ 274,096	$ 244,259	$ 120,582	$ 67,999	$ 468,094	$ 0	$ 0	$ 1,334,057
Nonperforming	0	340	635	603	1,566	7,540	0	0	10,684
Total Residential - Mortgages	**$ 159,027**	**$ 274,436**	**$ 244,894**	**$ 121,185**	**$ 69,565**	**$ 475,634**	**$ 0**	**$ 0**	**$ 1,344,741**
Consumer - Direct									
Performing	$ 17,881	$ 15,882	$ 7,825	$ 6,937	$ 4,764	$ 8,439	$ 4,417	$ 0	$ 66,145
Nonperforming	0	0	3	22	77	9	6 $	0	117
Total Consumer - Direct	**$ 17,881**	**$ 15,882**	**$ 7,828**	**$ 6,959**	**$ 4,841**	**$ 8,448**	**$ 4,423**	**$ 0**	**$ 66,262**
Consumer - Indirect									
Performing	$ 0	$ 169	$ 171	$ 1,307	$ 780	$ 134	$ 0	$ 0	$ 2,561
Nonperforming	0	0	0	95	38	18	0	0	151
Total Consumer - Indirect	**$ 0**	**$ 169**	**$ 171**	**$ 1,402**	**$ 818**	**$ 152**	**$ 0**	**$ 0**	**$ 2,712**

December 31, 2021

(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total Loans
Residential - Home Equity									
Performing	$ 2,033	$ 1,142	$ 3,041	$ 1,600	$ 1,572	$ 3,144	$ 161,630	$ 6,050	$ 180,212
Nonperforming	0	0	16	0	0	604	1,839	0	2,459
Total Residential - Home Equity	**$ 2,033**	**$ 1,142**	**$ 3,057**	**$ 1,600**	**$ 1,572**	**$ 3,748**	**$ 163,469**	**$ 6,050**	**$ 182,671**
Residential - Mortgages									
Performing	$ 324,967	$ 282,202	$ 162,574	$ 97,778	$ 124,221	$ 275,133	$ 14,112	$ 1,205	$ 1,282,192
Nonperforming	0	0	241	702	693	7,060	23	0	8,719
Total Residential - Mortgages	**$ 324,967**	**$ 282,202**	**$ 162,815**	**$ 98,480**	**$ 124,914**	**$ 282,193**	**$ 14,135**	**$ 1,205**	**$ 1,290,911**
Consumer - Direct									
Performing	$ 20,653	$ 10,735	$ 9,397	$ 5,542	$ 4,849	$ 10,602	$ 5,435	$ 0	$ 67,213
Nonperforming	0	9	44	117	12	0	1	0	183
Total Consumer - Direct	**$ 20,653**	**$ 10,744**	**$ 9,441**	**$ 5,659**	**$ 4,861**	**$ 10,602**	**$ 5,436**	**$ 0**	**$ 67,396**
Consumer - Indirect									
Performing	$ 1,809	$ 854	$ 812	$ 506	$ 362	$ 66	$ 0	$ 0	$ 4,409
Nonperforming	0	2	148	81	1	14	0	0	246
Total Consumer - Indirect	**$ 1,809**	**$ 856**	**$ 960**	**$ 587**	**$ 363**	**$ 80**	**$ 0**	**$ 0**	**$ 4,655**

6. Earnings Per Share

Earnings per share in the table below, for the three and nine month periods ended September 30, 2022 and 2021 are calculated under the two-class method as required by ASC Topic 260, Earnings Per Share (ASC 260). ASC 260 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company has issued restricted stock awards that contain such rights and are therefore considered participating securities. Basic earnings per common share are calculated by dividing net income allocable to common stock by the weighted average number of common shares, excluding participating securities, during the period. Diluted earnings per common share include the dilutive effect of participating securities.

(In thousands, except share and per share data)	Three Months Ended 9/30/2022	9/30/2021
Basic		
Net income available to common shareholders	**$ 21,340**	$ 21,342
Less: income attributable to unvested stock-based compensation awards	**(66)**	(154)
Net earnings allocated to common shareholders	**21,274**	21,188
Weighted average shares outstanding, including unvested stock-based compensation awards	**14,489,970**	14,724,141
Less: average unvested stock-based compensation awards	**(200,948)**	(229,608)
Weighted average shares outstanding - Basic	**14,289,022**	14,494,533
Diluted		
Net earnings allocated to common shareholders	**21,274**	21,188
Weighted average shares outstanding - Basic	**14,289,022**	14,494,533
Plus: incremental shares from assumed conversion of stock-based compensation awards	**78,127**	73,801
Weighted average shares outstanding - Diluted	**14,367,149**	14,568,334
Basic EPS	**$ 1.49**	$ 1.46
Diluted EPS	**$ 1.48**	$ 1.45

Stock-based compensation awards representing 369 and 2,032 of common shares during the three months ended September 30, 2022 and 2021, respectively, were not included in the computations of diluted earnings per common share because the effect on those periods would have been anti-dilutive.

(In thousands, except share and per share data)	Nine Months Ended 9/30/2022	9/30/2021
Basic		
Net income available to common shareholders	**$ 65,482**	$ 69,799
Less: income attributable to unvested stock-based compensation awards	**(209)**	(504)
Net earnings allocated to common shareholders	**65,273**	69,295
Weighted average shares outstanding, including unvested stock-based compensation awards	**14,541,772**	14,840,420
Less: unvested stock-based compensation awards	**(206,738)**	(232,538)
Weighted average shares outstanding - Basic	**14,335,034**	14,607,882
Diluted		
Net earnings allocated to common shareholders	**65,273**	69,295
Weighted average shares outstanding - Basic	**14,335,034**	14,607,882
Plus: incremental shares from assumed conversion of stock-based compensation awards	**75,498**	79,303
Weighted average shares outstanding - Diluted	**14,410,532**	14,687,185
Basic EPS	**$ 4.55**	$ 4.74
Diluted EPS	**$ 4.53**	$ 4.72

Stock-based compensation awards representing approximately 4,719 and 6,113 of common shares during the nine months ended September 30, 2022 and 2021, respectively were not included in the computations of diluted earnings per common share because the effect on those periods would have been anti-dilutive.

7. Other Comprehensive Income (Loss)

The following tables present reclassifications out of accumulated other comprehensive income (loss) for the three and nine month periods ended September 30, 2022 and 2021:

	Three Months Ended September 30, 2022		
(In thousands)	**Before-Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax**
Available-for-sale debt securities:			
Change in net unrealized loss during the period	$ (85,912)	$ 21,039	$ (64,873)
Reclassification adjustment for net realized loss on sale of available-for-sale debt securities included in net income	49	(12)	37
Net unrealized gains/losses	(85,863)	21,027	(64,836)
Employee benefit plans:			
Amortization of net retirement plan actuarial gain	565	(138)	427
Amortization of net retirement plan prior service cost	54	(13)	41
Employee benefit plans	619	(151)	468
Other comprehensive (loss) income	**$ (85,244)**	**$ 20,876**	**$ (64,368)**

	Three Months Ended September 30, 2021		
(In thousands)	**Before-Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax**
Available-for-sale debt securities:			
Change in net unrealized loss during the period	$ (10,400)	$ 2,548	$ (7,852)
Reclassification adjustment for net realized loss on sale of available-for-sale debt securities included in net income	54	(13)	41
Net unrealized gains/losses	(10,346)	2,535	(7,811)
Employee benefit plans:			
Amortization of net retirement plan actuarial gain	738	(181)	557
Amortization of net retirement plan prior service cost	56	(14)	42
Employee benefit plans	794	(195)	599
Other comprehensive (loss) income	**$ (9,552)**	**$ 2,340**	**$ (7,212)**

	Nine Months Ended September 30, 2022		
(In thousands)	Before-Tax Amount	Tax (Expense) Benefit	Net of Tax
Available-for-sale debt securities:			
Change in net unrealized loss during the period	$ (249,937)	$ 61,210	$ (188,727)
Reclassification adjustment for net realized loss on sale of available-for-sale debt securities included in net income	49	(12)	37
Net unrealized gains/losses	(249,888)	61,198	(188,690)
Employee benefit plans:			
Amortization of net retirement plan actuarial loss	1,695	(415)	1,280
Amortization of net retirement plan prior service cost	162	(39)	123
Employee benefit plans	1,857	(454)	1,403
Other comprehensive (loss) income	**$ (248,031)**	**$ 60,744**	**$ (187,287)**

	Nine Months Ended September 30, 2021		
(In thousands)	Before-Tax Amount	Tax (Expense) Benefit	Net of Tax
Available-for-sale debt securities:			
Change in net unrealized loss during the period	$ (32,595)	$ 7,986	$ (24,609)
Reclassification adjustment for net realized gain on sale of available-for-sale debt securities included in net income	(275)	67	(208)
Net unrealized gains/losses	(32,870)	8,053	(24,817)
Employee benefit plans:			
Amortization of net retirement plan actuarial loss	2,213	(542)	1,671
Amortization of net retirement plan prior service cost	167	(41)	126
Employee benefit plans	2,380	(583)	1,797
Other comprehensive (loss) income	**$ (30,490)**	**$ 7,470**	**$ (23,020)**

The following table presents the activity in our accumulated other comprehensive (loss) income for the periods indicated:

(In thousands)	Available-for-Sale Debt Securities	Employee Benefit Plans	Accumulated Other Comprehensive (Loss) Income
Balance at June 30, 2022	$ (138,414)	$ (40,455)	$ (178,869)
Other comprehensive (loss) income before reclassifications	(64,873)	0	(64,873)
Amounts reclassified from accumulated other comprehensive (loss) income	37	468	505
Net current-period other comprehensive (loss) income	(64,836)	468	(64,368)
Balance at September 30, 2022	**$ (203,250)**	**$ (39,987)**	**$ (243,237)**
Balance at January 1, 2022	$ (14,560)	$ (41,390)	$ (55,950)
Other comprehensive (loss) income before reclassifications	(188,727)	0	(188,727)
Amounts reclassified from accumulated other comprehensive (loss) income	37	1,403	1,440
Net current-period other comprehensive (loss) income	(188,690)	1,403	(187,287)
Balance at September 30, 2022	**$ (203,250)**	**$ (39,987)**	**$ (243,237)**

(In thousands)	Available-for-Sale Debit Securities	Employee Benefit Plans	Accumulated Other Comprehensive (Loss) Income
Balance at June 30, 2021	$ 3,603	$ (51,485)	$ (47,882)
Other comprehensive (loss) income before reclassifications	(7,852)	0	(7,852)
Amounts reclassified from accumulated other comprehensive (loss) income	41	599	640
Net current-period other comprehensive (loss) income	(7,811)	599	(7,212)
Balance at September 30, 2021	**$ (4,208)**	**$ (50,886)**	**$ (55,094)**
Balance at January 1, 2021	$ 20,609	$ (52,683)	$ (32,074)
Other comprehensive (loss) income before reclassifications	(24,609)	0	(24,609)
Amounts reclassified from accumulated other comprehensive (loss) income	(208)	1,797	1,589
Net current-period other comprehensive (loss) income	(24,817)	1,797	(23,020)
Balance at September 30, 2021	**$ (4,208)**	**$ (50,886)**	**$ (55,094)**

The following tables present the amounts reclassified out of each component of accumulated other comprehensive (loss) income for the three and nine months ended September 30, 2022 and 2021:

Three Months Ended September 30, 2022

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)		Amount Reclassified from Accumulated Other Comprehensive (Loss) Income[1]	Affected Line Item in the Statement Where Net Income is Presented
Available-for-sale debt securities:			
Unrealized gains and losses on available-for-sale debt securities	$	(49)	Net (loss) gain on securities transactions
		12	Tax expense
		(37)	Net of tax
Employee benefit plans:			
Amortization of the following [2]			
Net retirement plan actuarial loss		(565)	Other operating expense
Net retirement plan prior service cost		(54)	Other operating expense
		(619)	Total before tax
		151	Tax benefit
	$	**(468)**	Net of tax

Three Months Ended September 30, 2021

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)		Amount Reclassified from Accumulated Other Comprehensive (Loss) Income[1]	Affected Line Item in the Statement Where Net Income is Presented
Available-for-sale debt securities:			
Unrealized gains and losses on available-for-sale debt securities	$	(54)	Net (loss) gain on securities transactions
		13	Tax expense
		(41)	Net of tax
Employee benefit plans:			
Amortization of the following[2]			
Net retirement plan actuarial loss		(738)	Other operating expense
Net retirement plan prior service cost		(56)	Other operating expense
		(794)	Total before tax
		195	Tax benefit
	$	**(599)**	Net of tax

Nine Months Ended September 30, 2022

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)		Amount Reclassified from Accumulated Other Comprehensive (Loss) Income[1]	Affected Line Item in the Statement Where Net Income is Presented
Available-for-sale debt securities:			
Unrealized gains and losses on available-for-sale debt securities	$	(49)	Net (loss) gain on securities transactions
		12	Tax expense
		(37)	Net of tax
Employee benefit plans:			
Amortization of the following[2]			
Net retirement plan actuarial loss		(1,695)	Other operating expense
Net retirement plan prior service cost		(162)	Other operating expense
		(1,857)	Total before tax
		454	Tax benefit
	$	**(1,403)**	Net of tax

Nine Months Ended September 30, 2021

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)		Amount Reclassified from Accumulated Other Comprehensive (Loss) Income[1]	Affected Line Item in the Statement Where Net Income is Presented
Available-for-sale debt securities:			
Unrealized gains and losses on available-for-sale debt securities	$	275	Net (loss) gain on securities transactions
		(67)	Tax expense
		208	Net of tax
Employee benefit plans:			
Amortization of the following[2]			
Net retirement plan actuarial loss		(2,213)	Other operating expense
Net retirement plan prior service cost		(167)	Other operating expense
		(2,380)	Total before tax
		583	Tax benefit
	$	**(1,797)**	Net of tax

[1] *Amounts in parentheses indicated debits in income statement.*

[2] *The accumulated other comprehensive (loss) income components are included in the computation of net periodic benefit cost (See Note 8 - "Employee Benefit Plan").*

8. Employee Benefit Plans

The following tables set forth the amount of the net periodic benefit cost recognized by the Company for the Company's pension plan, post-retirement plan (Life and Health), and supplemental employee retirement plans ("SERP") including the following components: service cost, interest cost, expected return on plan assets for the period, amortization of the unrecognized transitional obligation or transition asset, and the amounts of recognized gains and losses, prior service cost recognized, and gain or loss recognized due to settlement or curtailment.

Components of Net Periodic Benefit Cost

	Pension Benefits Three Months Ended		Life and Health Three Months Ended		SERP Benefits Three Months Ended	
(In thousands)	**9/30/2022**	**9/30/2021**	**9/30/2022**	**9/30/2021**	**9/30/2022**	**9/30/2021**
Service cost	**$ 0**	$ 0	**$ 43**	$ 47	**$ 19**	$ 58
Interest cost	**496**	407	**56**	45	**203**	173
Expected return on plan assets	**(1,471)**	(1,413)	**0**	0	**0**	0
Amortization of net retirement plan actuarial loss	**304**	390	**49**	78	**212**	270
Amortization of net retirement plan prior service (credit) cost	**0**	0	**(15)**	(15)	**69**	71
Net periodic benefit (income) cost	**$ (671)**	$ (616)	**$ 133**	$ 155	**$ 503**	$ 572

	Pension Benefits Nine Months Ended		Life and Health Nine Months Ended		SERP Benefits Nine Months Ended	
(In thousands)	**9/30/2022**	**9/30/2021**	**9/30/2022**	**9/30/2021**	**9/30/2022**	**9/30/2021**
Service cost	**$ 0**	$ 0	**$ 130**	$ 140	**$ 58**	$ 173
Interest cost	**1,489**	1,221	**167**	135	**610**	519
Expected return on plan assets	**(4,414)**	(4,239)	**0**	0	**0**	0
Amortization of net retirement plan actuarial loss	**913**	1,170	**147**	234	**635**	810
Amortization of net retirement plan prior service cost (credit)	**0**	0	**(46)**	(45)	**208**	212
Net periodic benefit (income) cost	**$ (2,012)**	$ (1,848)	**$ 398**	$ 464	**$ 1,511**	$ 1,714

The service component of net periodic benefit cost for the Company's benefit plans is recorded as a part of salaries and wages in the consolidated statements of income. All other components are recorded as part of other operating expenses in the consolidated statements of income.

The Company realized approximately $1.4 million and $1.8 million, net of tax, as amortization of amounts previously recognized in accumulated other comprehensive (loss) income, for the nine months ended September 30, 2022 and 2021, respectively.

The Company is not required to contribute to the pension plan, but it may make voluntary contributions. The Company did not contribute to the pension plan in the first nine months of 2022 and 2021.

9. Other Income and Operating Expense

Other income and operating expense totals are presented in the table below. Components of these totals exceeding 1% of the aggregate of total noninterest income and total noninterest expenses for any of the periods presented below are stated separately.

(In thousands)	Three Months Ended 9/30/2022	Three Months Ended 9/30/2021	Nine Months Ended 9/30/2022	Nine Months Ended 9/30/2021
Noninterest Income				
Other service charges	**$ 721**	$ 685	**$ 2,017**	$ 2,064
Earnings (loss) from corporate owned life insurance	**(236)**	367	**357**	1,478
Net gains on the sales of loans originated for sale	**83**	296	**140**	878
Other income	**409**	421	**1,180**	988
Total other income	**$ 977**	$ 1,769	**$ 3,694**	$ 5,408
Noninterest Expenses				
Marketing expense	**$ 1,207**	$ 1,171	**$ 3,719**	$ 2,798
Professional fees	**1,665**	1,854	**4,990**	5,280
Legal fees	**298**	294	**1,006**	735
Technology expense	**3,890**	2,913	**11,253**	8,818
Cardholder expense	**1,129**	827	**3,551**	2,489
Other expenses	**4,048**	7,105	**12,767**	15,399
Total other operating expense	**$ 12,237**	$ 14,164	**$ 37,286**	$ 35,519

10. Revenue Recognition

As stated in Note 1 - "Summary of Significant Accounting Policies," in the 2021 Annual Report on Form 10-K, the Company adopted ASU No. 2014-09 "*Revenue from Contracts with Customers*" (ASC 606) and all subsequent ASUs that modified ASC 606, on January 1, 2018. ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of ASC 606. ASC 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of ASC 606.

Insurance Commissions and Fees

Insurance commissions and fees from insurance product sales are typically earned upon the effective date of bound coverage, as no significant performance obligation remains after coverage is bound. Commission revenue on policies billed in installments is now accrued based upon the completion of the performance obligation creating a current asset for the unbilled revenue until such time as an invoice is generated, typically not to exceed twelve months. The impact of these changes was not significant, but it will result in slight variances from quarter to quarter. Contingent commissions are estimated based upon management’s expectations for the year with an appropriate constraint applied and accrued relative to the recognition of the corresponding core commissions.

Trust & Asset Management

Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company’s performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers’ accounts. The Company does not earn performance-based incentives. Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company’s performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Mutual Fund & Investment Income

Mutual fund and investment income consists of other recurring revenue streams such as commissions from sales of mutual funds and other investments, and investment advisory fees from the Company's Strategic Asset Management Services (SAM) wealth management product. Commissions from the sale of mutual funds and other investments are recognized on the trade date, which is when the Company has satisfied its performance obligation. The Company also receives periodic service fees (i.e., trailers) from mutual fund companies typically based on a percentage of net asset value, recorded over time, usually monthly or quarterly, as net asset value is determined. Investment advisor fees from the wealth management product is earned over time and based on an annual percentage rate of the net asset value. The investment advisor fees are charged to the customer's account in advance on the first month of the quarter, and the revenue is recognized over the following three-month period. The Company does engage a third party, LPL Financial, LLC (LPL), to satisfy part of this performance obligation, and therefore this income is reported net of any corresponding expenses paid to LPL.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Card Services Income

Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees, merchant services income, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as MasterCard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. The Company's performance obligation for fees and exchange are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other

Other service charges include revenue from processing wire and ACH transfers, lock box service and safe deposit box rental. Payment on these revenue streams is received primarily through a direct charge to the customer's account, immediately or in the following month, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time.

The following tables present noninterest income, segregated by revenue streams in-scope and out-of-scope of ASC 606, for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended	
(In thousands)	**09/30/2022**	**09/30/2021**
Noninterest Income		
In-scope of Topic 606:		
Commissions and Fees	**$ 9,827**	$ 8,930
Installment Billing	**126**	166
Refund of Commissions	**(133)**	(103)
Contract Liabilities/Deferred Revenue	**1**	0
Contingent Commissions	**1,004**	840
Subtotal Insurance Revenues	**10,825**	9,833
Trust and Asset Management	**3,209**	3,522
Mutual Fund & Investment Income	**1,128**	1,435
Subtotal Investment Service Income	**4,337**	4,957
Service Charges on Deposit Accounts	**1,917**	1,638
Card Services Income	**2,731**	2,717
Other	**332**	286
Noninterest Income (in-scope of ASC 606)	**20,142**	19,431
Noninterest Income (out-of-scope of ASC 606)	**550**	1,423
Total Noninterest Income	**$ 20,692**	$ 20,854

	Nine Months Ended	
(In thousands)	**9/30/2022**	**9/30/2021**
Noninterest Income		
In-scope of Topic 606:		
Commissions and Fees	**$ 25,663**	$ 24,101
Installment Billing	**124**	149
Refund of Commissions	**(151)**	(92)
Contract Liabilities/Deferred Revenue	**(266)**	(237)
Contingent Commissions	**3,201**	3,132
Subtotal Insurance Revenues	**28,571**	27,053
Trust and Asset Management	**9,834**	10,222
Mutual Fund & Investment Income	**4,016**	4,125
Subtotal Investment Service Income	**13,850**	14,347
Service Charges on Deposit Accounts	**5,452**	4,579
Card Services Income	**8,233**	8,051
Other	**957**	885
Noninterest Income (in-scope of ASC 606)	**57,063**	54,915
Noninterest Income (out-of-scope of ASC 606)	**2,558**	4,780
Total Noninterest Income	**$ 59,621**	$ 59,695

Contract Balances

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration or before payment is due, which would result in contract receivables or assets, respectively. A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment or for which payment is due from the customer. The Company's noninterest revenue streams, excluding some insurance commissions and fees, are largely based on transactional activity, or standard month-end revenue accruals such as asset management fees based on month-end market values. Receivables primarily consist of amounts due for insurance and wealth management services performed for which the Company's performance obligations have been fully satisfied. Receivables for the insurance and wealth management services segments amounted to $5.7 million and $2.4 million, respectively, at September 30, 2022, compared to $6.0 million and $2.3 million, respectively, at December 31, 2021. Included in those amounts are contract assets related to contingent income of $2.1 million and $3.0 million, respectively, at September 30, 2022 and December 31, 2021, and contract liabilities of $747,847 and $1.7 million, respectively at September 30, 2022 and December 31, 2021.

Contract Acquisition Costs
The Company is required to capitalize, and subsequently amortize into expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The Company utilizes the practical expedient which allows entities to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less.

11. Financial Guarantees

The Company currently does not issue any guarantees that would require liability recognition or disclosure, other than standby letters of credit. The Company extends standby letters of credit to its customers in the normal course of business. The standby letters of credit are generally short-term. As of September 30, 2022, the Company's maximum potential obligation under standby letters of credit was $35.7 million compared to $39.8 million at December 31, 2021. Management uses the same credit policies to extend standby letters of credit that it uses for on-balance sheet lending decisions and may require collateral to support standby letters of credit based upon its evaluation of the counterparty. Management does not anticipate any significant losses as a result of these transactions, and has determined that the fair value of standby letters of credit is not significant.

12. Segment and Related Information

The Company manages its operations through three reportable business segments in accordance with the standards set forth in FASB ASC 280, "Segment Reporting": (i) banking ("Banking"), (ii) insurance ("Tompkins Insurance") and (iii) wealth management ("Tompkins Financial Advisors"). The Company's insurance services and wealth management services, other than trust services, are managed separately from the Banking segment.

Banking
Tompkins Community Bank has thirteen banking offices located in Ithaca, NY and surrounding communities; sixteen banking offices located in the Genesee Valley region of New York State as well as Monroe County; fourteen full-service banking offices located in the counties north of New York City; and nineteen banking offices headquartered and operating in the areas surrounding southeastern Pennsylvania.

Insurance
The Company provides property and casualty insurance services and employee benefits consulting through Tompkins Insurance Agencies, Inc., a 100% wholly-owned subsidiary of the Company, headquartered in Batavia, New York. Tompkins Insurance is an independent insurance agency, representing many major insurance carriers and provides employee benefit consulting to employers in Western and Central New York and Southeastern Pennsylvania, assisting them with their medical, group life insurance and group disability insurance. Tompkins Insurance has five stand-alone offices in Western New York.

Wealth Management
The Wealth Management segment is generally organized under the Tompkins Financial Advisors brand. Tompkins Financial Advisors offers a comprehensive suite of financial services to customers, including trust and estate services, investment management and financial and insurance planning for individuals, corporate executives, small business owners and high net worth individuals. Tompkins Financial Advisors has offices in each of the Company's regional markets.

Summarized financial information concerning the Company's reportable segments and the reconciliation to the Company's consolidated results is shown in the following table. Investment in subsidiaries is netted out of the presentations below. The "Intercompany" column identifies the intercompany activities of revenues, expenses and other assets between the banking, insurance and wealth management services segments. The Company accounts for intercompany fees and services at an estimated fair value according to regulatory requirements for the services provided. Intercompany items relate primarily to the use of human resources, information systems, accounting and marketing services provided by any of the banks and the holding company. All other accounting policies are the same as those described in the summary of significant accounting policies in the 2021 Annual Report on Form 10-K.

Three Months Ended September 30, 2022					
(In thousands)	**Banking**	**Insurance**	**Wealth Management**	**Intercompany**	**Consolidated**
Interest income	$ 63,670	$ 1	$ 0	$ (1)	$ 63,670
Interest expense	5,560	0	0	(1)	5,559
Net interest income	58,110	1	0	0	58,111
Credit for credit loss expense	1,056	0	0	0	1,056
Noninterest income	5,973	10,953	4,342	(576)	20,692
Noninterest expense	39,448	7,178	3,552	(576)	49,602
Income before income tax expense	23,579	3,776	790	0	28,145
Income tax expense	5,528	1,052	194	0	6,774
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	18,051	2,724	596	0	21,371
Less: Net income attributable to noncontrolling interests	31	0	0	0	31
Net Income attributable to Tompkins Financial Corporation	$ 18,020	$ 2,724	$ 596	$ 0	$ 21,340
Depreciation and amortization	$ 2,652	$ 44	$ 36	$ 0	$ 2,732
Assets	7,721,022	46,807	28,761	(16,649)	7,779,941
Goodwill	64,655	19,866	8,081	0	92,602
Other intangibles, net	1,137	1,742	53	0	2,932
Net loans and leases	5,163,664	0	0	0	5,163,664
Deposits	6,954,839	0	(1,974)	(16,139)	6,936,726
Total Equity	511,298	35,625	26,036	0	572,959

Three Months Ended September 30, 2021					
(In thousands)	**Banking**	**Insurance**	**Wealth Management**	**Intercompany**	**Consolidated**
Interest income	$ 61,110	$ 8	$ 0	$ (4)	$ 61,114
Interest expense	5,020	0	0	(4)	5,016
Net interest income	56,090	8	0	0	56,098
Credit for credit loss expense	(1,232)	0	0	0	(1,232)
Noninterest income	6,416	9,950	5,047	(559)	20,854
Noninterest expense	40,587	6,846	3,306	(559)	50,180
Income before income tax expense	23,151	3,112	1,741	0	28,004
Income tax expense	5,351	855	424	0	6,630
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	17,800	2,257	1,317	0	21,374
Less: Net income attributable to noncontrolling interests	32	0	0	0	32
Net Income attributable to Tompkins Financial Corporation	$ 17,768	$ 2,257	$ 1,317	$ 0	$ 21,342
Depreciation and amortization	$ 2,528	$ 52	$ 14	$ 0	$ 2,594
Assets	8,051,446	45,855	32,257	(16,448)	8,113,110
Goodwill	64,370	19,866	8,211	0	92,447
Other intangibles, net	1,814	2,102	73	0	3,989
Net loans and leases	5,050,519	0	0	0	5,050,519
Deposits	7,105,651	0	0	(14,753)	7,090,898
Total Equity	659,365	33,529	29,463	0	722,357

Nine Months Ended September 30, 2022					
(In thousands)	**Banking**	**Insurance**	**Wealth Management**	**Intercompany**	**Consolidated**
Interest income	$ 183,798	$ 4	$ 0	$ (3)	$ 183,799
Interest expense	10,815	0	0	(3)	10,812
Net interest income	172,983	4	0	0	172,987
Provision for credit loss expense	1,392	0	0	0	1,392
Noninterest income	18,495	28,959	13,874	(1,707)	59,621
Noninterest expense	116,031	20,492	10,745	(1,707)	145,561
Income before income tax expense	74,055	8,471	3,129	0	85,655
Income tax expense	16,948	2,361	770	0	20,079
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	57,107	6,110	2,359	0	65,576
Less: Net income attributable to noncontrolling interests	94	0	0	0	94
Net Income attributable to Tompkins Financial Corporation	$ 57,013	$ 6,110	$ 2,359	$ 0	$ 65,482
Depreciation and amortization	$ 7,745	$ 132	$ 100	$ 0	$ 7,977

Nine Months Ended September 30, 2021					
(In thousands)	**Banking**	**Insurance**	**Wealth Management**	**Intercompany**	**Consolidated**
Interest income	$ 180,708	$ 10	$ 0	$ (14)	$ 180,704
Interest expense	14,737	0	0	(14)	14,723
Net interest income	165,971	10	0	0	165,981
Credit for credit loss expense	(6,133)	0	0	0	(6,133)
Noninterest income	19,175	27,531	14,638	(1,649)	59,695
Noninterest expense	113,792	20,044	9,946	(1,649)	142,133
Income before income tax expense	77,487	7,497	4,692	0	89,676
Income tax expense	16,595	2,057	1,129	0	19,781
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	60,892	5,440	3,563	0	69,895
Less: Net income attributable to noncontrolling interests	96	0	0	0	96
Net Income attributable to Tompkins Financial Corporation	$ 60,796	$ 5,440	$ 3,563	$ 0	$ 69,799
Depreciation and amortization	$ 7,493	$ 162	$ 41	$ 0	$ 7,696

13. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Transfers between levels, when determined to be appropriate, are recognized at the end of each reporting period.

The three levels of the fair value hierarchy under ASC 820 are:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021, segregated by the level of valuation inputs within the fair value hierarchy used to measure fair value:

Recurring Fair Value Measurements
September 30, 2022

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)
Available-for-sale debt securities				
U.S. Treasuries	$ 166,604	$ 0	$ 166,604	$ 0
Obligations of U.S. Government sponsored entities	730,028	0	730,028	0
Obligations of U.S. states and political subdivisions	83,061	0	83,061	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	55,059	0	55,059	0
U.S. Government sponsored entities	703,814	0	703,814	0
U.S. corporate debt securities	2,370	0	2,370	0
Total Available-for-sale debt securities	**$ 1,740,936**	**$ 0**	**$ 1,740,936**	**$ 0**
Equity securities, at fair value	**$ 771**	**$ 0**	**$ 0**	**$ 771**

Recurring Fair Value Measurements
December 31, 2021

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)
Available-for-sale debt securities				
U.S. Treasuries	$ 138,928	$ 0	$ 138,928	$ 0
Obligations of U.S. Government sponsored entities	810,343	0	810,343	0
Obligations of U.S. states and political subdivisions	109,911	0	109,911	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	89,320	0	89,320	0
U.S. Government sponsored entities	916,004	0	916,004	0
U.S. corporate debt securities	2,421	0	2,421	0
Total Available-for-sale debt securities	**$ 2,066,927**	**$ 0**	**$ 2,066,927**	**$ 0**
Equity securities, at fair value	**$ 910**	**$ 0**	**$ 0**	**$ 910**

Securities: Fair values for U.S. Treasury securities are based on quoted market prices. Fair values for obligations of U.S. government sponsored entities, mortgage-backed securities-residential, obligations of U.S. states and political subdivisions, and U.S. corporate debt securities are based on quoted market prices, where available, as provided by third party pricing vendors. If quoted market prices were not available, fair values are based on quoted market prices of comparable instruments in active markets and/or based upon a matrix pricing methodology, which uses comprehensive interest rate tables to determine market price, movement and yield relationships. These securities are reviewed periodically to determine if there are any events or changes in circumstances that would adversely affect their value.

The change in the fair value of equity securities valued using significant unobservable inputs (level 3), for the periods ended September 30, 2022 and December 31, 2021, was immaterial.

There were no transfers between Levels 1, 2 and 3 for the nine months ended September 30, 2022.

The Company determines fair value for its available-for-sale debt securities using an independent bond pricing service for identical assets or very similar securities. The Company determines fair value for its equity securities based on the underlying equity fund's pricing and valuation procedures which consider recent sales price, market quotations from a pricing service, or market quotes from an independent broker-dealer. The Company has reviewed the pricing sources, including methodologies used, and finds them to be fairly stated.

Certain assets are measured at fair value on a nonrecurring basis. For the Company, these include loans held for sale, individually evaluated loans, and other real estate owned ("OREO"). For the three and nine months ended September 30, 2022, certain individually evaluated loans were remeasured and reported at fair value through a specific valuation allowance and/or partial charge-offs for credit losses based upon the fair value of the underlying collateral. Collateral values are estimated using Level 3 inputs based upon customized discounting criteria. In addition to collateral dependent evaluated loans, certain other real estate owned were remeasured and reported at fair value based upon the fair value of the underlying collateral. The fair values of other real estate owned are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. In general, the fair values of other real estate owned are based upon appraisals, with discounts made to reflect estimated costs to sell the real estate. Upon initial recognition, fair value write-downs are taken through a charge-off to the allowance for credit losses. Subsequent fair value write-downs on other real estate owned are reported in other noninterest expense.

Three months ended September 30, 2022

(In thousands)		**Fair value measurements at reporting date using:**			**Gain (losses) from fair value changes**
Assets:	As of 09/30/2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Three months ended 9/30/2022
Individually evaluated loans	$ 8,099	$ 0	$ 0	$ 8,099	$ 0
Other real estate owned	247	0		247	27

Three months ended September 30, 2021

(In thousands)		**Fair value measurements at reporting date using:**			**Gain (losses) from fair value changes**
Assets:	As of 09/30/2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Three months ended 9/30/2021
Individually evaluated loans	$ 1,122	$ 0	$ 0	$ 1,122	$ (150)

Nine months ended September 30, 2022

(In thousands)		**Fair value measurements at reporting date using:**			**Gain (losses) from fair value changes**
Assets:	As of 09/30/2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Nine months ended 9/30/2022
Individually evaluated loans	$ 10,138	$ 0	$ 0	$ 10,138	$ 59
Other real estate owned	247	0		247	49

Nine months ended September 30, 2021

(In thousands)		Fair value measurements at reporting date using:			Gain (losses) from fair value changes
Assets:	As of 09/30/2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Nine months ended 9/30/2021
Individually evaluated loans	$ 30,848	$ 0	$ 0	$ 30,848	$ (150)

The fair value estimates, methods and assumptions set forth below for the Company's financial instruments, including those financial instruments carried at cost, are made solely to comply with disclosures required by U.S. GAAP and should be read in conjunction with the financial statements and notes included in this Report.

For loans where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. For real estate loans, fair value of the loan's collateral is determined by third party appraisals, which are then adjusted for the estimated selling and closing costs related to liquidation of the collateral. For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. For example, land is generally based on the sales comparable method while construction is based on the income and/or sales comparable methods. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. The Company reviews the third party appraisal for appropriateness and adjusts the value downward to consider selling and closing costs, which typically range from 5% to 8% of the appraised value. For non-real estate loans, fair value of the loan's collateral may be determined using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2022 and December 31, 2021. The carrying amounts shown in the table are included in the Consolidated Statements of Condition under the indicated captions.

Estimated Fair Value of Financial Instruments
September 30, 2022

(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$ 103,612	$ 103,612	$ 103,612	$ 0	$ 0
Securities - held-to-maturity	312,329	258,755	0	258,755	0
FHLB and other stock	9,156	9,156	0	9,156	0
Accrued interest receivable	22,083	22,083	0	22,083	0
Loans/leases, net[1]	5,163,664	4,954,596	0	0	4,954,596
Financial Liabilities:					
Time deposits	$ 599,612	$ 584,165	$ 0	$ 584,165	$ 0
Other deposits	6,337,114	6,337,114	0	6,337,114	0
Fed funds purchased and securities sold under agreements to repurchase	55,340	55,340	0	55,340	0
Other borrowings	101,000	98,817	0	98,817	0
Accrued interest payable	881	881	0	881	0

Estimated Fair Value of Financial Instruments
December 31, 2021

(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$ 63,107	$ 63,107	$ 63,107	$ 0	$ 0
FHLB and other stock	10,996	10,996	0	10,996	0
Accrued interest receivable	22,597	22,597	0	22,597	0
Loans/leases, net[1]	5,032,624	5,028,734	0	0	5,028,734
Financial Liabilities:					
Time deposits	$ 639,674	$ 641,517	$ 0	$ 641,517	$ 0
Other deposits	6,151,761	6,151,761	0	6,151,761	0
Fed funds purchased and securities sold under agreements to repurchase	66,787	66,787	0	66,787	0
Other borrowings	124,000	125,700	0	125,700	0
Accrued interest payable	901	901	0	901	0

[1] *Lease receivables, although excluded from the scope of ASC Topic 825, are included in the estimated fair value amounts at their carrying value.*

The following methods and assumptions were used in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the Consolidated Statements of Condition for cash, noninterest-bearing deposits, money market funds, and Federal funds sold approximate the fair value of those assets.

FHLB Stock and Other Stock: The carrying amount of FHLB stock approximates fair value. If the stock is redeemed, the Company will receive an amount equal to the par value of the stock. For miscellaneous equity securities, carrying value is cost.

Loans and Leases: Fair value for loans are calculated using an exit price notion. The Company's valuation methodology takes into account factors such as estimated cash flows, including contractual cash flow and assumptions for prepayments; liquidity risk; and credit risk. The fair values of residential loans were estimated using discounted cash flow analyses, based upon available market benchmarks for rates and prepayment assumptions. The fair values of commercial and consumer loans were estimated using discounted cash flow analyses, based upon interest rates currently offered for loans and leases with similar terms and credit quality. The fair values of loans held for sale were determined based upon contractual prices for loans with similar characteristics.

Accrued Interest Receivable and Accrued Interest Payable: The carrying amount of these short term instruments approximate fair value.

Deposits: The fair values disclosed for noninterest bearing accounts and accounts with no stated maturities are equal to the amount payable on demand at the reporting date. The fair value of time deposits is based upon discounted cash flow analyses using rates offered for FHLB advances, which is the Company's primary alternative source of funds.

Other borrowings: The fair value of other borrowings is based upon discounted cash flow analyses using current rates offered for FHLB advances, with similar terms.

14. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. The Company's existing credit derivatives result from participation in loan participation arrangements, therefore, are not used to manage interest rate risk in the Company's assets or liabilities.

Non-designated Hedges

The Company's existing credit derivatives result from participation in or out of interest rate swaps provided by or to external lenders as part of loan participation arrangements, and therefore, are not used to manage interest rate risk in the Company's assets or liabilities. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain lenders which participate in loans.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated statements of condition as of September 30, 2022 and December 31, 2021. The Company began entering into derivative transactions in the second quarter of 2022.

Derivative Liabilities

	September 30, 2022		
(In thousands)	**Notional Amount**	**Balance Sheet Location**	**Fair Value**
Derivatives not designated as hedging instruments			
Interest Rate Products	$ 0	Other Liabilities	$ 0
Other Contracts	7,499	Other Liabilities	22
Total derivatives not designated as hedging instruments			**$ 22**

Tabular Disclosure of the Effect of Derivatives Not Designated as Hedging Instruments on the Income Statement

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the consolidated statements of income for the three and nine months ended September 30, 2022:

Effect of Derivatives Not Designated as Hedging Instruments on the Statement of Financial Performance

Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**
(In thousands)		**Three Months Ended September 30, 2022**	**Nine Months Ended September 30, 2022**
Interest Rate Products	Other income / (expense)	$ 0	$ 0
Other Contracts	Other income / (expense)	15	56
Total		**$ 15**	**$ 56**

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS

Corporate Overview and Strategic Initiatives

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, and insurance services. Effective January 1, 2022, the Company's four wholly-owned banking subsidiaries were combined into one bank, with the Bank of of Castile, Mahopac Bank, and VIST Bank merging with and into Tompkins Trust Company (the "Trust Company") with the Trust Company as the surviving institution. Immediately following the merger, the Trust Company changed its name to Tompkins Community Bank. At September 30, 2022, the Company had one wholly-owned banking subsidiary, Tompkins Community Bank. The Company also has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). The trust division of the Trust Company provides a full array of investment services, including investment management, trust and estate, financial and tax planning as well as life, disability and long-term care insurance services. The Company’s principal offices are located at 118 E. Seneca Street, Ithaca, NY, 14850, and its telephone number is (888) 503-5753. The Company’s common stock is traded on the NYSE American under the Symbol "TMP."

The Tompkins strategy centers around our core values and a commitment to delivering long-term value to our clients, communities, and shareholders. A key strategic initiative for the Company is a focus on responsible and sustainable growth, including initiatives to grow organically through our current businesses, as well as through possible acquisitions of financial institutions, branches, and financial services businesses. As such, the Company has acquired, and from time to time considers acquiring, banks, thrift institutions, branch offices of banks or thrift institutions, or other businesses that would complement the Company’s business or its geographic reach. The Company generally targets merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale and expanded services.

Business Segments

Banking services consist primarily of attracting deposits from the areas served by the Company’s one banking subsidiary’s 62 banking offices (43 offices in New York and 19 offices in Pennsylvania) and using those deposits to originate a variety of commercial loans, consumer loans, real estate loans (including commercial loans collateralized by real estate), and leases. The Company’s lending function is managed within the guidelines of a comprehensive Board-approved lending policy. Reporting systems are in place to provide management with ongoing information related to loan production, loan quality, concentrations of credit, loan delinquencies, and nonperforming and potential problem loans. Banking services also include a full suite of products such as debit cards, credit cards, remote deposit, electronic banking, mobile banking, cash management, and safe deposit services.

Wealth management services consist of investment management, trust and estate, financial and tax planning as well as life, disability and long-term care insurance services. Wealth management services are provided by Tompkins Community Bank under the trade name Tompkins Financial Advisors. Tompkins Financial Advisors offers services to customers of Tompkins Community Bank and shares offices in each of the banking markets.

Insurance services include property and casualty insurance, employee benefit consulting, and life, long-term care and disability insurance. Tompkins Insurance is headquartered in Batavia, New York. Over the years, Tompkins Insurance has acquired smaller insurance agencies in the market areas serviced by the Company’s banking subsidiaries and successfully consolidated them into Tompkins Insurance. Tompkins Insurance offers services to customers of Tompkins Community Bank and shares offices in each of the banking markets. In addition to these shared offices, Tompkins Insurance has five stand-alone offices in Western New York, and one stand-alone office in Tompkins County, New York.

The Company’s principal expenses are interest on deposits, interest on borrowings, and operating and general administrative expenses, as well as provisions for credit losses. Funding sources, other than deposits, include borrowings, securities sold under agreements to repurchase, and cash flow from lending and investing activities.

Competition
Competition for commercial banking and other financial services is strong in the Company's market areas. In one or more aspects of its business, the Company's subsidiaries compete with other commercial banks, savings and loan associations, credit unions, finance companies, Internet-based financial services companies, mutual funds, insurance companies, brokerage and investment banking companies, and other financial intermediaries. Some of these competitors have substantially greater resources and lending capabilities and may offer services that the Company does not currently provide. In addition, many of the Company's non-bank competitors are not subject to the same extensive Federal regulations that govern financial holding companies and Federally-insured banks.

Competition among financial institutions is based upon interest rates offered on deposit accounts, interest rates charged on loans and other credit and service charges, the quality and scope of the services rendered, the convenience of facilities and services, and, in the case of loans to commercial borrowers, relative lending limits. Management believes that a community-based financial organization is better positioned to establish personalized financial relationships with both commercial customers and individual households. The Company's community commitment and involvement in its primary market areas, as well as its commitment to quality and personalized financial services, are factors that contribute to the Company's competitiveness. Management believes that each of the Company's subsidiary banks can compete successfully in its primary market areas by making prudent lending decisions quickly and more efficiently than its competitors, without compromising asset quality or profitability. In addition, the Company focuses on providing unparalleled customer service, which includes offering a strong suite of products and services, including products that are accessible to our customers through digital means. Although management feels that this business model has caused the Company to grow its customer base in recent years and allows it to compete effectively in the markets it serves, we cannot assure you that such factors will result in future success.

Regulation
Banking, insurance services and wealth management are highly regulated. As a financial holding company including a community bank, a registered investment adviser, and an insurance agency subsidiary, the Company and its subsidiaries are subject to examination and regulation by the Federal Reserve Board ("FRB"), Securities and Exchange Commission ("SEC"), the Federal Deposit Insurance Corporation ("FDIC"), the New York State Department of Financial Services, Pennsylvania Department of Banking and Securities, the Financial Industry Regulatory Authority, and the Pennsylvania Insurance Department.

OTHER IMPORTANT INFORMATION

The following discussion is intended to provide an understanding of the consolidated financial condition and results of operations of the Company for the three and nine months ended September 30, 2022. It should be read in conjunction with the Company's Audited Consolidated Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and the Unaudited Consolidated Financial Statements and notes thereto included in Part I of this Quarterly Report on Form 10-Q.

In this Report, there are comparisons of the Company's performance to that of a peer group, which is comprised of the group of 164 domestic bank holding companies with $3 billion to $10 billion in total assets as defined in the Federal Reserve's "Bank Holding Company Performance Report" for June 30, 2022 (the most recent report available). Although the peer group data is presented based upon financial information that is one fiscal quarter behind the financial information included in this report, the Company believes that it is relevant to include certain peer group information for comparison to current quarter numbers.

Forward-Looking Statements
This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this Report that are not statements of historical fact may include forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements may be identified by use of such words as "may", "will", "estimate", "intend", "continue", "believe", "expect", "plan", or "anticipate", and other similar words. Examples of forward-looking statements may include statements regarding the asset quality of the Company's loan portfolios; the level of the Company's allowance for credit losses; whether, when and how borrowers will repay deferred amounts and resume scheduled payments; the sufficiency of liquidity sources; the Company's exposure to changes in interest rates, and to new, changed, or extended government/regulatory expectations; the impact of changes in accounting standards; and trends, plans, prospects, growth and strategies. Forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and are subject to certain uncertainties and factors relating to the Company's operations and economic environment, all of which are difficult to predict and many of which are beyond the control of the Company, that could cause actual results of the Company to differ materially from those expressed and/or implied by forward-looking statements. The following factors, in addition to those listed as Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, are among those that could cause actual results to differ

materially from the forward-looking statements: changes in general economic, market and regulatory conditions; GDP growth and inflation trends; the impact of the interest rate and inflationary environment on the Company' business, financial condition and results of operations; other income or cash flow anticipated from the Company's operations, investment and/or lending activities; changes in laws and regulations affecting banks, bank holding companies and/or financial holding companies, such as the Dodd-Frank Act and Basel III and the Economic Growth, Regulatory Relief, and Consumer Protection Act; the impact of any change in the FDIC insurance assessment rate or the rules and regulations related to the calculation of the FDIC insurance assessment amount; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; governmental and public policy changes, including environmental regulation; reliance on large customers; uncertainties arising from national and global events, including the war in Ukraine, as well as the potential impact of widespread protests, civil unrest, political uncertainty on the economy and the financial services industry, and pandemics or other public health crises, including the COVID-19 pandemic; and financial resources in the amounts, at the times and on the terms required to support the Company's future businesses.

Critical Accounting Policies

The accounting and reporting policies followed by the Company conform, in all material respects, to U.S. generally accepted accounting principles ("GAAP") and to general practices within the financial services industry. In the course of normal business activity, management must select and apply many accounting policies and methodologies and make estimates and assumptions that lead to the financial results presented in the Company's consolidated financial statements and accompanying notes. There are uncertainties inherent in making these estimates and assumptions, which could materially affect the Company's results of operations and financial position.

Management considers accounting estimates to be critical to reported financial results if (i) the accounting estimates require management to make assumptions about matters that are highly uncertain, and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the Company's financial statements. Management considers the accounting policies relating to the allowance for credit losses ("allowance", or "ACL"), and the review of the securities portfolio for other-than-temporary impairment to be critical accounting policies because of the uncertainty and subjectivity involved in these policies and the material effect that estimates related to these areas can have on the Company's results of operations.

For information on the Company's significant accounting policies and to gain a greater understanding of how the Company's financial performance is reported, refer to Note 1 – "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. Refer to "Recently Issued Accounting Standards" in Management's Discussion and Analysis in this Quarterly Report on Form 10-Q for a discussion of recent accounting updates.

Critical Accounting Estimates

The Company's significant accounting policies conform with U.S. generally accepted accounting principles ("GAAP") and are described in Note 1 of Notes to Financial Statements. In applying those accounting policies, management of the Company is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. Certain critical accounting estimates are more dependent on such judgment and in some cases may contribute to volatility in the Company's reported financial performance should the assumptions and estimates used change over time due to changes in circumstances. The more significant area in which management of the Company applies critical assumptions and estimates includes the following:

- Accounting for credit losses - The Company accounts for the allowance for credit losses using the current expected credit loss model. Under this accounting guidance, the allowance for credit losses represents a valuation account that is deducted from the amortized cost basis of certain financial assets, including loans and leases, to present the net amount expected to be collected at the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. In estimating expected losses in the loan and lease portfolio, borrower-specific financial data and macro-economic assumptions are utilized to project losses over a reasonable and supportable forecast period. For certain loan pools that share similar risk characteristics, the Company utilizes statistically developed models to estimate amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers' abilities to repay obligations. Such models consider historical correlations of credit losses with various macroeconomic assumptions including unemployment and gross domestic product. These forecasts may be adjusted for inherent limitations or biases of the models. Subsequent to the forecast period, the Company utilizes longer-term historical loss experience to estimate losses over the remaining contractual life of the loans. Changes in the circumstances considered when determining management's estimates and assumptions could result in changes in those estimates and assumptions, which could result in adjustment of the allowance for credit losses in future periods. A discussion of facts and circumstances considered by management in determining the allowance for credit losses is included herein in Note 4 of Notes to Financial Statements.

COVID-19 Pandemic and Recent Events

The COVID-19 global pandemic continued to present health and economic challenges in the third quarter of 2022, but conditions were generally improved from 2021. In accordance with the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and the interagency guidance, the Company elected to adopt the provisions to not report qualified loan modifications as troubled debt restructurings ("TDRs"). The relief related to TDRs under the CARES Act was extended by the Consolidated Appropriations Act, 2021. Under the Consolidated Appropriations Act, relief under the CARES Act was extended until the earlier of (i) 60 days after the date the COVID-19 national emergency comes to an end or (ii) January 1, 2022. Management continues to monitor credit conditions carefully at the individual borrower level, as well as by industry segment, in order to be responsive to changing credit conditions.

The Company funded a total of 5,140 applications for Paycheck Protection Plan ("PPP") loans totaling $694.1 million in 2020 and 2021. Out of the $694.1 million of PPP loans that the Company funded, approximately $693.2 million have been forgiven by the Small Business Administration ("SBA") under the terms of the program as of September 30, 2022, or paid back by the borrower. As of September 30, 2022, there were fourteen outstanding PPP loans totaling approximately $875,000. Total net deferred fees on the remaining balance of PPP loans amounted to $19,000 at September 30, 2022.

RESULTS OF OPERATION

Performance Summary

Net income for the third quarter of 2022 was $21.3 million or $1.48 diluted earnings per share, compared to $21.3 million or $1.45 diluted earnings per share for the same period in 2021. Net income for the first nine months of 2022 was $65.5 million or $4.53 diluted earnings per share compared to $69.8 million or $4.72 diluted earnings per share for the first nine months of 2021. Net income for the third quarter of 2022 was in line with the same quarter in 2021. For the year-to-date period ended September 30, 2022, net income decreased by $4.3 million or 6.2%. The decrease in net income for the nine month period in 2022 compared to the same period in 2021 was mainly a result of the provision for credit losses, which was an expense of $1.4 million in 2022, versus a credit of $6.1 million in 2021, a pre-tax variance of $7.5 million.

Return on average assets ("ROA") for the quarter ended September 30, 2022 was 1.08%, compared to 1.05% for the quarter ended September 30, 2021. Return on average shareholders' equity ("ROE") for the third quarter of 2022 was 13.33%, compared to 11.55% for the same period in 2021. For the year-to-date period ended September 30, 2022, ROA and ROE totaled 1.11% and 13.22%, respectively, compared to 1.17% and 12.87%, for the same period in 2021.

Segment Reporting

The Company operates in the following three business segments, banking, insurance, and wealth management. Insurance is comprised of property and casualty insurance services and employee benefit consulting operated under the Tompkins Insurance Agencies, Inc. subsidiary. Wealth management activities include the results of the Company's trust, financial planning, and wealth management services, organized under the Tompkins Financial Advisors brand. All other activities are considered banking.

Banking Segment
The banking segment reported net income of $18.0 million for the third quarter of 2022, an increase of $252,000 or 1.4% from net income of $17.8 million for the same period in 2021. For the nine months ended September 30, 2022, the banking segment reported net income of $57.0 million, a decrease of $3.8 million or 6.2% from the same period in 2021. The year-to-date decrease in net income was mainly due to a $7.5 million increase in provision expense over prior year, partially offset by increased net interest income.

Net interest income of $58.1 million for the third quarter of 2022 was up $2.0 million or 3.6% from the same period in 2021. For the nine months ended September 30, 2022, net interest income of $173.0 million was up $7.0 million or 4.2% compared to the first nine months of 2021, the improvement is mainly due to higher yields on interest earning assets as well as lower interest expense on other borrowings due to lower balances in the first nine months of 2022 compared to the same period in 2021. Net interest income for the three and nine months ended September 30, 2022 included net deferred loan fees associated with PPP loans of $88,000 and $3.0 million, respectively, compared to net deferred loan fees of $3.3 million and $8.0 million for the three and nine months ended September 30, 2021, respectively.

The provision for credit losses was an expense of $1.1 million for the three months ended September 30, 2022, compared to a credit of $1.2 million for the same period in 2021. For the nine month period ended September 30, 2022, the provision for credit losses was an expense of $1.4 million compared to a credit of $6.1 million for the same period in 2021. The increase in provision for credit losses for both the three and nine month periods is mainly driven by current economic forecasts coupled with loan growth. For additional information, see the section titled "The Allowance for Credit Losses" below.

Noninterest income of $6.0 million for the three months ended September 30, 2022 was down $443,000 or 6.9% compared to the same period in 2021. For the nine months ended September 30, 2022, noninterest income of $18.5 million was down $680,000 or 3.6% compared to the nine months ended September 30, 2021. The decrease was mainly driven by reduced income on bank owned life insurance and lower gains on sales of residential loans, which were down $604,000 and $213,000, respectively, in the third quarter of 2022 compared to the same quarter in 2021, and down $1.2 million and $738,000, respectively, for the year-to-date period ended September 30, 2022 compared to the same period in 2021. Service charges on deposit accounts were up $279,000 or 17.0% in the third quarter of 2022 over the third quarter of 2021 and up $873,000 or 19.1% for the nine months ended September 30, 2022 over the same period in 2021.

Noninterest expense of $39.4 million and $116.0 million for the three and nine months ended September 30, 2022, respectively, was down $1.1 million or 2.8% and $2.2 million or 2.0%, respectively, over the same periods in 2021. The main driver for the decrease in noninterest expenses was mainly due to penalties of $2.9 million related to the prepayment of $135.0 million in FHLB fixed rate advances paid in the third quarter of 2021. Included in the quarter and year-to-date periods of 2022 were nonrecurring expenses of $196,000 and $1.2 million, respectively, related to the consolidation of the Company's four banking charters, including the related conversion of the core banking system and rebranding.

Insurance Segment
The insurance segment reported net income of $2.7 million for the three months ended September 30, 2022, which was up $467,000 or 20.7% compared to the third quarter of 2021. Total noninterest revenue was up $1.0 million or 10.1% for the third quarter of 2022 compared to the same quarter in the prior year, primarily due to growth in both commercial and personal lines, and property and casualty commissions. The growth in property and casualty commission revenue is attributed to new business, growth within the existing client base, and premium increases related to change in general market conditions.

For the nine months ended September 30, 2022, net income was up $670,000 or 12.3% compared to the same period in the prior year. Total revenue for the year-to-date period ended September 30, 2022, was up $1.4 million or 5.2% compared to the same period in September 30, 2021. The increase in revenues and net income for the nine months ended September 30, 2022 compared to the prior year is mainly due to growth in overall commission revenue of $1.5 million or 6.4%, primarily in commercial and personal lines, which were up 10.8% and 5.1% respectively.

Noninterest expenses for the three months ended September 30, 2022 were up $332,000 or 4.9% compared to the three months ended September 30, 2021. Year-to-date noninterest expenses were up $448,000 or 2.2% compared to the nine months ended September 30, 2021. The increases in noninterest expenses for the three and nine months ended September 30, 2022 were mainly the result of increases in wages and new business commissions along with related tax and benefit expenses tied to the increase in commission revenue.

Wealth Management Segment

The wealth management segment reported net income of $596,000 for the three months ended September 30, 2022, which was down $721,000 or 54.8% compared to the third quarter of 2021. Revenue for the third quarter of 2022 was down $705,000 or 14.0% compared to the third quarter of 2021. The decrease for the three months ended September 30, 2022 was mainly in advisory revenues related to a decrease in assets under management, largely a result of unfavorable market conditions. Total expense for the third quarter of 2022 was up $246,000 or 7.4% compared to the third quarter of 2021. The increase in expense was primarily due to technology costs, mainly related to the implementation of a new core platform. For the nine months ended September 30, 2022, net income of $2.4 million was down $1.2 million or 33.8% compared to the prior year, mainly due to the items outlined above.

Net Interest Income

The following tables show average interest-earning assets and interest-bearing liabilities, and the corresponding yield or cost associated with each for the three and nine month periods ended September 30, 2022 and 2021:

Average Consolidated Statements of Condition and Net Interest Analysis (Unaudited)

	Quarter Ended September 30, 2022			Quarter Ended September 30, 2021		
(Dollar amounts in thousands)	Average Balance (QTD)	Interest	Average Yield/Rate	Average Balance (QTD)	Interest	Average Yield/Rate
ASSETS						
Interest-earning assets						
Interest-bearing balances due from banks	$ 63,516	$ 85	0.53 %	$ 376,341	$ 136	0.14 %
Securities (1)						
U.S. Government securities	2,276,380	7,853	1.37 %	2,133,984	6,467	1.20 %
State and municipal (2)	95,627	614	2.55 %	109,375	697	2.53 %
Other securities (2)	3,323	37	4.44 %	3,417	23	2.64 %
Total securities	2,375,330	8,504	1.42 %	2,246,776	7,187	1.27 %
FHLBNY and FRB stock	15,058	166	4.38 %	15,330	196	5.07 %
Total loans and leases, net of unearned income (2)(3)	5,185,219	55,265	4.23 %	5,115,253	53,989	4.19 %
Total interest-earning assets	**7,639,123**	**64,020**	**3.32 %**	**7,753,700**	**61,508**	**3.15 %**
Other assets	214,724			348,370		
Total assets	**$ 7,853,847**			**$ 8,102,070**		
LIABILITIES & EQUITY						
Deposits						
Interest-bearing deposits						
Interest bearing checking, savings, & money market	3,979,590	2,863	0.29 %	4,090,840	906	0.09 %
Time deposits	596,299	1,331	0.89 %	707,212	1,700	0.95 %
Total interest-bearing deposits	4,575,889	4,194	0.36 %	4,798,052	2,606	0.22 %
Federal funds purchased & securities sold under agreements to repurchase	53,810	14	0.10 %	60,798	17	0.11 %
Other borrowings	232,158	1,351	2.31 %	224,459	1,156	2.04 %
Trust preferred debentures	0	0	0.00 %	3,444	1,237	142.50 %
Total interest-bearing liabilities	**4,861,857**	**5,559**	**0.45 %**	**5,086,753**	**5,016**	**0.39 %**
Noninterest bearing deposits	2,250,263			2,165,537		
Accrued expenses and other liabilities	106,403			116,663		
Total liabilities	7,218,523			7,368,953		
Tompkins Financial Corporation Shareholders' equity	633,837			731,629		
Noncontrolling interest	1,487			1,488		
Total equity	**635,324**			**733,117**		
Total liabilities and equity	**$ 7,853,847**			**$ 8,102,070**		
Interest rate spread			**2.87 %**			**2.76 %**
Net interest income/margin on earning assets		**58,461**	**3.04 %**		**56,492**	**2.89 %**
Tax Equivalent Adjustment		**(350)**			**(394)**	
Net interest income per consolidated financial statements		**$ 58,111**			**$ 56,098**	

Average Consolidated Statements of Condition and Net Interest Analysis (Unaudited)

(Dollar amounts in thousands)	Year to Date Period Ended September 30, 2022 Average Balance (YTD)	Interest	Average Yield/Rate	Year to Date Period Ended September 30, 2021 Average Balance (YTD)	Interest	Average Yield/Rate
ASSETS						
Interest-earning assets						
Interest-bearing balances due from banks	$ 94,988	$ 190	0.27 %	$ 333,769	$ 266	0.11 %
Securities (1)						
U.S. Government securities	2,291,636	22,960	1.34 %	1,920,717	16,417	1.14 %
State and municipal (2)	98,262	1,882	2.56 %	114,809	2,200	2.56 %
Other securities (2)	3,349	88	3.52 %	3,420	69	2.70 %
Total securities	2,393,247	24,930	1.39 %	2,038,946	18,685	1.23 %
FHLBNY and FRB stock	12,481	391	4.19 %	16,328	608	4.98 %
Total loans and leases, net of unearned income (2)(3)	5,119,309	159,353	4.16 %	5,225,087	162,355	4.15 %
Total interest-earning assets	**7,620,025**	**184,864**	**3.24 %**	**7,614,130**	**181,915**	**3.19 %**
Other assets	244,615			346,441		
Total assets	**$ 7,864,640**			**$ 7,960,571**		
LIABILITIES & EQUITY						
Deposits						
Interest-bearing deposits						
Interest bearing checking, savings, & money market	4,070,607	4,502	0.15 %	4,002,724	2,943	0.10 %
Time deposits	610,432	3,785	0.83 %	727,445	5,616	1.03 %
Total interest-bearing deposits	4,681,039	8,287	0.24 %	4,730,169	8,559	0.24 %
Federal funds purchased & securities sold under agreements to repurchase	57,606	45	0.10 %	57,498	48	0.11 %
Other borrowings	176,007	2,480	1.88 %	254,002	3,883	2.04 %
Trust preferred debentures	0	0	0.00 %	9,849	2,233	30.32 %
Total interest-bearing liabilities	**4,914,652**	**10,812**	**0.29 %**	**5,051,518**	**14,723**	**0.39 %**
Noninterest bearing deposits	2,183,258			2,066,567		
Accrued expenses and other liabilities	104,446			117,383		
Total liabilities	7,202,356			7,235,468		
Tompkins Financial Corporation Shareholders' equity	660,826			723,645		
Noncontrolling interest	1,458			1,458		
Total equity	**662,284**			**725,103**		
Total liabilities and equity	**$ 7,864,640**			**$ 7,960,571**		
Interest rate spread			**2.95 %**			**2.80 %**
Net interest income/margin on earning assets		**174,052**	**3.05 %**		**167,192**	**2.94 %**
Tax Equivalent Adjustment		**(1,065)**			**(1,211)**	
Net interest income per consolidated financial statements		**$ 172,987**			**$ 165,981**	

[1] Average balances and yields on available-for-sale debt securities are based on historical amortized cost.
[2] Interest income includes the tax effects of taxable-equivalent adjustments using an effective income tax rate of 21% in 2022 and 2021 to increase tax exempt interest income to taxable-equivalent basis.
[3] Nonaccrual loans are included in the average asset totals presented above. Payments received on nonaccrual loans have been recognized as disclosed in Note 1 of the Company's consolidated financial statements included in Part 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Net Interest Income

Net interest income is the Company's largest source of revenue, representing 73.7% and 74.4%, respectively, of total revenues for the three and nine months ended September 30, 2022, compared to 72.9% and 73.6% for the same periods in 2021. Net interest income is dependent on the volume and composition of interest earning assets and interest-bearing liabilities and the level of market interest rates. The above table shows average interest-earning assets and interest-bearing liabilities, and the corresponding yield or cost associated with each.

Taxable-equivalent net interest income for the three months ended September 30, 2022 increased $2.0 million or 3.5% from the same period in the prior year. The increase in net interest income for the three months ended September 30, 2022, was mainly a result of the 17 basis point increase in rates paid on interest earning assets, and was partially offset by a 6 basis point increase on rates paid on interest earning liabilities. Taxable-equivalent net interest income for the nine month period ended September 30, 2022 increased $6.9 million or 4.1% from the nine month period ended September 30, 2021. Net interest income in the first nine months of 2022 benefited from the growth in average securities balances and average yields on securities, which were up 17.4% and 16 basis points over the same nine month period in 2021, and a 10 basis point decrease in the average rate paid on interest bearing liabilities.

Net interest margin for the three months ended September 30, 2022 was 3.04% compared to 2.89% for the same period in 2021. Net interest margin for the nine months ended September 30, 2022 was 3.05% compared to 2.94% for the same period in 2021. The increase in net interest margin for the three and nine months ended September 30, 2022 compared to the same periods in 2021 was mainly due to an increase in higher yielding securities, reflecting the investment of excess liquidity in securities.

Taxable-equivalent interest income for the three and nine months ended September 30, 2022, was $64.0 million and $184.9 million, up 4.1% and 1.6%, respectively, compared to the same periods in 2021. The growth in the three month period reflects higher average asset yields and growth in total securities, while the year-to-date reflects growth in average earning assets. Average asset yields for the three months ended September 30, 2022 were up 17 basis points compared to the same period in 2021 driven by growth in higher yielding securities as excess liquidity was invested in securities and loans. For the three months ended September 30, 2022, the average yield on securities and loans were up 15 and 4 basis points, respectively, over the same period in 2021 Average asset yields for the nine months ended September 30, 2022 were up 5 basis points compared to the same period in 2021. As a result of its participation in the SBA's PPP, the Company recorded net deferred loan fees of $88,000 and $3.0 million, respectively, in the three and nine months ended September 30, 2022, compared to $3.3 million and $8.0 million, respectively, for the three and nine months ended September 30, 2021. These net deferred loan fees are included in interest income.

For the three months ended September 30, 2022, average earning assets were down $114.6 million or 1.5% over the same period in 2021 with the majority of the decrease in average interest-bearing balances due from banks and partially off-set by increases in average securities and loan balances. Average earning assets for the nine months ended September 30, 2022 were in line with same period in 2021. Average loan balances for the three months ended September 30, 2022, were up $70.0 million or 1.4% from the three months ended September 30, 2021. Average loan balances for the nine months ended September 30, 2022 were down $105.8 million or 2.0% from the nine months ended September 30, 2021. The decrease in average loans was primarily due to a decline in average PPP loans. Average securities balances for the three and nine months ended September 30, 2022, were up $128.6 million or 5.7%, and $354.3 million or 17.4%, respectively. Average interest-bearing balances due from banks were down $312.8 million or 83.1%, and $238.8 million or 71.5%, respectively, compared to the same periods in 2021.

Interest expense for the three months ended September 30, 2022, increased $543,000 or 10.8%, and for the nine month period ended September 30, 2022 decreased by $3.9 million or 26.6% compared to the same periods in 2021. The average cost of interest-bearing deposits during the three and nine months ended September 30, 2022 was 0.45% and 0.29%, respectively, up 6 basis points for the three month period and down 10 basis points for the nine months period end, compared to the same periods in 2021. Average interest-bearing deposits were down $222.2 million or 4.6% and $49.1 million or 1.0%, respectively, for the same three and nine months ended 2021. Average noninterest bearing deposits were up $84.7 million or 3.9% for the three months ended September 30, 2022 when compared to the third quarter of 2021, and for the nine months ended September 30, 2022 were up $116.7 million or 5.7% compared to the same period in 2021. Average other borrowings for the three and nine months ended September 30, 2022 were up $7.7 million or 3.4%, and down $78.0 million or 30.7%, respectively, compared to the same periods in 2021.

Net interest margin for the third quarter of 2022 of 3.04% was down from a net interest margin of 3.09% for the second quarter of 2022. Taxable-equivalent interest income was up $2.5 million or 4.1%, as yields on average earning assets were up 9 basis points over the second quarter of 2022 to 3.32%, while average earning assets were flat compared to the second quarter of 2022. Interest expense was up $2.9 million or 106.6%, as the average cost of interest bearing liabilities increased 23 basis points over the second quarter of 2022 to 0.45%; reflecting a 18 basis point increase in the average cost of interest bearing deposits and a 182 basis point increase in the average cost of borrowings with the FHLB.

Provision for Credit Losses

The provision for credit losses represents management's estimate of the amount necessary to maintain the allowance for credit losses ("ACL") at an appropriate level. Provision for credit losses in the third quarter of 2022 was $1.1 million compared to a credit of $1.2 million for the third quarter of 2021. Provision for credit losses for the nine months ended September 30, 2022 was an expense of $1.4 million compared to a provision credit of $6.1 million for the same period in 2021. The provision for credit losses for the three and nine months ended September 30, 2022 included a provision credit of $45,000 and expense of $245,000, respectively, related to off-balance sheet credit exposures compared to a provision credit of $55,000 and a provision expense of $272,000, respectively, for the same periods in 2021. The increase in provision for credit losses for both the three and nine month periods is mainly driven by current economic forecasts coupled with loan growth. The section captioned "Financial Condition – The Allowance for Credit Losses" below has further details on the allowance for credit losses and asset quality metrics.

Noninterest Income

Noninterest income was $20.7 million and $59.6 million for the three and nine months ended September 30, 2022, which were both in line with the same periods in 2021. Noninterest income represented 26.3% of total revenue for the third quarter of 2022 and 25.6% for the nine months ended September 30, 2022, compared to 27.1% and 26.5%, respectively, for the same periods in 2021.

Insurance commissions and fees, the largest component of noninterest income, were $10.8 million for the third quarter of 2022, an increase of 10.1% from the same period prior year. The increase in insurance commissions and fees in the third quarter of 2022 over the same period in 2021 was mainly commercial and personal lines property and casualty commissions which grew by 17.6% and 4.9%, respectively. For the first nine months of 2022, insurance commissions and fees were up $1.5 million or 5.6% compared to the same period in 2021. The increase in revenues for the nine months ended September 30, 2022, compared to the prior year was primarily due to growth in commercial lines and personal lines revenue, which were up 10.8% and 5.1%, respectively, and attributable to increased new business, growth within the existing client base, and premium increases related to changes in general market conditions and exposures for certain business sectors.

Wealth management fees of $4.3 million in the third quarter of 2022 were down $620,000 or 12.5% compared to the third quarter of 2021. For the first nine months of 2022, wealth management fees were down $497,000 or 3.5% compared to the same period in 2021. Wealth management fees include trust services, financial planning, wealth management services, and brokerage related services. The fair value of assets managed by, or in custody of, Tompkins was $2.8 billion at September 30, 2022. The fair value of assets managed by, or in custody of, Tompkins was $5.3 billion at September 30, 2021, which included $1.7 billion of Company-owned securities where Tompkins is custodian. The decline in assets from prior year resulted in part from the outsourcing of the management of the Tompkins Retirement Account ($94.0 million) and custody of Company-owned securities where Tompkins was custodian ($1.7 billion); however, as these were inter-company related items, they did not have a meaningful impact on total income. The remaining decline in assets is related to negative market performance seen throughout the year.

Service fees were up and included service charges on deposit accounts of $1.9 million and $5.5 million for the three and nine months ended September 30, 2022, up $279,000 or 17.0% and $873,000 or 19.1%, respectively, over the same periods in 2021.
Card services income in the third quarter of 2022 was in line with the same three month period end in 2021, while the nine months ended September 30, 2022, was up $182,000 or 2.3% compared to the same period in 2021. Debit card income, the largest component of card services income, was in line with both the three and nine month period ended September 30, 2022. Interchange income related to credit card services was up $37,000 and $167,000, respectively, compared to the same three and nine month periods in 2021.

Other income of $1.0 million in the third quarter of 2022 was down $792,000 or 44.8% compared to the same period in 2021. For the first nine months of 2022, other income of $3.7 million was down $1.7 million or 31.7% compared to the same period in 2021. The decrease for the three and nine months ended September 30, 2022 compared to the same periods in 2021, was mainly due to lower earnings on bank owned life insurance and lower gains on sales of residential loans. Earnings on bank owned life insurance were down $603,000 and $1.2 million, respectively, as certain separate account policies were unfavorably impacted by decreases in the market value of the underlying assets. Gains on sales of loans were down $213,000 and $738,000, respectively, for the three and nine months ended September 30, 2022, compared to the same periods in the prior year.

Noninterest Expense

Noninterest expense of $49.6 million for the third quarter of 2022 and $145.6 million for the first nine months of 2022, was down 1.2% for the third quarter of 2022, and up 2.4% for the first nine months of 2022, compared to the same periods in 2021.

Expenses associated with compensation and benefits comprise the largest component of noninterest expense, representing 64.2% and 63.0% of total noninterest expense for the three and nine months ended September 30, 2022. Salaries and wages expense for the three and nine months ended September 30, 2022 increased by $519,000 or 2.1%, and $1.5 million or 2.1%, respectively, compared to the same periods in 2021. The increases were mainly due to normal merit adjustments. Employee benefits for the three and nine months ended September 30, 2022 increased by $712,000 or 12.3% and $740,000 or 4.1%, respectively. The increase is mainly as a result of higher health care expense.

Other expense categories, not related to compensation and benefits, for the three and nine months ended September 30, 2022 were down $1.8 million or 9.2%, and up $1.2 million or 2.2%, respectively. The main driver for the three month period end decline in balance was due to penalties of $2.9 million related to the prepayment of $135.0 million in FHLB fix rate advances paid in the third quarter of 2021. For the three and nine months ended September 30, 2022, compared to the same periods in 2021, marketing expenses were up $35,000 or 3.0% and $921,000 or 32.9%, respectively, cardholder expense was up $302,000 or 36.6% and $1.1 million or 42.7%, respectively, and technology expense was up $967,000 or 33.2% and $2.4 million or 27.6%, respectively. Contributing to the growth in these expenses for the year-to-date period ended September 30, 2022, were nonrecurring expenses of $1.2 million, related to the consolidation of the Company's four banking charters, including the related conversion of the core banking system and rebranding. Business travel and related expenses were up $222,000 or 106.2% and $520,000 or 130.3%, respectively, for the three and nine months ended September 30, 2022, over the same periods in 2021. Also included in other expense was a one-time lease expense of $452,000, which was related to one lease that included seven branches in Pennsylvania region.

Income Tax Expense
The provision for income taxes was $6.8 million for an effective rate of 24.1% for the third quarter of 2022, compared to tax expense of $6.6 million and an effective rate of 23.7% for the same quarter in 2021. For the first nine months of 2022, the provision for income taxes was $20.1 million for an effective rate of 23.4% compared to tax expense of $19.8 million and an effective rate of 22.1% for the same period in 2021. The effective rates differ from the U.S. and state statutory rates primarily due to the effect of tax-exempt income from loans, securities and life insurance assets, and the income tax effects associated with stock based compensation. The increase in the effective tax rate for the three and nine months ended September 30, 2022, over the same period in 2021, is largely due to the anticipated loss of certain New York State tax benefits due to the expectation that average assets will exceed $8.0 billion for the 2022 tax year.

The Company's banking subsidiary has an investment in a real estate investment trust that provides certain benefits on its New York State tax return for qualifying entities. A condition to claim the benefit is that the consolidated company has average assets of no more than $8.0 billion for the taxable year. The Company expects average assets to exceed the $8.0 billion threshold for the 2022 tax year. As of September 30, 2022, the Company's consolidated average assets, as defined by New York tax law, were slightly over the $8.0 billion threshold. The Company will continue to monitor the consolidated average assets during 2022 to determine future eligibility.

FINANCIAL CONDITION

Total assets were $7.8 billion at September 30, 2022, down $40.0 million or 0.5% from December 31, 2021. The decrease in total assets from year-end 2021 was mainly due to decreased security balances partially offset by an increase in the loan portfolio, compared to December 31, 2021. Total securities were $2.1 billion at September 30, 2022, down $275.4 million or 11.8% compared to the $2.3 billion reported at year-end 2021. The decrease was the result of an increase in unrealized losses on the available-for-sale portfolio from $19.3 million at year-end 2021 to $269.2 million at September 30, 2022, as a result of the increase in market interest rates in 2022. Total cash and cash equivalents were up $40.5 million or 64.2% compared to December 31, 2021. Total deposits at September 30, 2022 were up $145.3 million or 2.1% from December 31, 2021. Other borrowings at September 30, 2022 decreased $23.0 million or 18.6% from December 31, 2021, as loan growth outpaced deposit growth.

Securities

As of September 30, 2022, the Company's securities portfolio was $2.1 billion or 26.4% of total assets, compared to $2.3 billion or 29.8% of total assets at year end 2021. The following table details the composition of the securities portfolio:

Available-for-Sale Debt Securities

	September 30, 2022		December 31, 2021	
(In thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
U.S. Treasuries	**$ 191,108**	**$ 166,604**	$ 160,291	$ 157,834
Obligations of U.S. Government sponsored entities	**828,313**	**730,028**	843,218	832,373
Obligations of U.S. states and political subdivisions	**95,162**	**83,061**	102,177	104,169
Mortgage-backed securities - residential, issued by				
U.S. Government agencies	**61,553**	**55,059**	76,502	77,157
U.S. Government sponsored entities	**831,465**	**703,814**	879,102	870,556
U.S. corporate debt securities	**2,500**	**2,370**	2,500	2,424
Total available-for-sale debt securities	**$ 2,010,101**	**$ 1,740,936**	$ 2,063,790	$ 2,044,513

Held-to-Maturity Debt Securities

	September 30, 2022		December 31, 2021	
(In thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
U.S. Treasuries	**$ 86,530**	**$ 73,036**	$ 86,689	$ 86,368
Obligations of U.S. Government sponsored entities	**225,799**	**185,719**	197,320	195,920
Total held-to-maturity debt securities	**$ 312,329**	**$ 258,755**	$ 284,009	$ 282,288

As of September 30, 2022, the available-for-sale debt securities portfolio had net unrealized losses of $269.2 million compared to net unrealized losses of $19.3 million at December 31, 2021. The increase in unrealized losses related to the available-for-sale debt securities portfolio, which reflects the amount that the amortized cost exceeds fair value, was due to increases in market interest rates during the first nine months of 2022. Management's policy is to purchase investment grade securities that on average have relatively short duration, which helps mitigate interest rate risk and provides sources of liquidity without significant risk to capital.

The Company evaluates available-for-sale and held-to-maturity debt securities in an unrealized loss position to determine whether the decline in the fair value below the amortized cost basis (impairment) is the result of changes in interest rates or reflects a fundamental change in the credit worthiness of the underlying issuer. Any impairment that is not credit related is recognized in other comprehensive income (loss), net of applicable taxes. Credit-related impairment is recognized as an allowance for credit losses on the Statement of Condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change.

The Company determined that at September 30, 2022, all impaired available-for-sale and held-to-maturity debt securities were because of changes in interest rates and levels of market liquidity, relative to when the investment securities were purchased, and not due to the credit worthiness of the underlying issuers. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost. Therefore, the Company carried no ACL at September 30, 2022 and there was no credit loss expense recognized by the Company with respect to the securities portfolio during the three and nine months ended September 30, 2022.

Loans and Leases

Loans and leases as of the end of the third quarter and prior year-end period were as follows:

(In thousands)	**9/30/2022**	12/31/2021
Commercial and industrial		
Agriculture	**$ 66,576**	$ 99,172
Commercial and industrial other	**718,726**	699,121
PPP loans	**875**	71,260
Subtotal commercial and industrial	**786,177**	869,553
Commercial real estate		
Construction	**199,144**	178,582
Agriculture	**210,140**	195,973
Commercial real estate other	**2,399,951**	2,278,599
Subtotal commercial real estate	**2,809,235**	2,653,154
Residential real estate		
Home equity	**188,002**	182,671
Mortgages	**1,344,741**	1,290,911
Subtotal residential real estate	**1,532,743**	1,473,582
Consumer and other		
Indirect	**2,712**	4,655
Consumer and other	**66,262**	67,396
Subtotal consumer and other	**68,974**	72,051
Leases	**15,749**	13,948
Total loans and leases	**5,212,878**	5,082,288
Less: unearned income and deferred costs and fees	**(4,442)**	(6,821)
Total loans and leases, net of unearned income and deferred costs and fees	**$ 5,208,436**	$ 5,075,467

Total loans and leases of $5.2 billion at September 30, 2022 were up $133.0 million or 2.6% from December 31, 2021, mainly in the commercial real estate and residential real estate portfolios, and partially offset by the decline in PPP loan balances. PPP loans decreased $70.4 million from $71.3 million at year-end 2021, to $875,000 at September 30, 2022. Excluding PPP loans, total loans at September 30, 2022 were up $203.4 million or 4.1% from December 31, 2021. As of September 30, 2022, total loans and leases represented 66.9% of total assets compared to 64.9% of total assets at December 31, 2021.

Residential real estate loans, including home equity loans, were $1.5 billion at September 30, 2022, up $59.2 million or 4.0% compared to December 31, 2021, and comprised 29.4% of total loans and leases at September 30, 2022. Changes in residential loan balances reflect the Company's decision to retain these loans or sell them in the secondary market due to interest rate considerations. The Company's Asset/Liability Committee meets regularly and establishes standards for selling and retaining residential real estate mortgage originations.

The Company may sell residential real estate loans in the secondary market based on interest rate considerations. These residential real estate loans are generally sold to Federal Home Loan Mortgage Corporation ("FHLMC") or State of New York Mortgage Agency ("SONYMA") without recourse in accordance with standard secondary market loan sale agreements. These residential real estate loans also are subject to customary representations and warranties made by the Company, including representations and warranties related to gross incompetence and fraud. The Company has not had to repurchase any loans as a result of these representations and warranties.

During the first nine months of 2022 and 2021, the Company sold residential loans totaling $7.3 million and $27.7 million, respectively, recognizing gains of $140,000 and $878,000, respectively. These residential real estate loans were sold without recourse in accordance with standard secondary market loan sale agreements. When residential mortgage loans are sold, the Company typically retains all servicing rights, which provides the Company with a source of fee income. Mortgage servicing rights totaled $1.0 million at both September 30, 2022 and December 31, 2021.

Commercial real estate loans and commercial and industrial loans totaled $2.8 billion and $786.2 million, respectively, and represented 53.9% and 15.1%, respectively, of total loans and leases as of September 30, 2022. The commercial real estate portfolio was up $156.1 million or 5.9% over year-end 2021, while commercial and industrial loans were down $83.4 million or 9.6%. The decrease in commercial and industrial loans over year-end 2021 was mainly in PPP loans, which were down $70.4 million or 98.8% to $875,000 at September 30, 2022.

As of September 30, 2022, agriculturally-related loans totaled $276.7 million or 5.3% of total loans and leases, compared to $295.1 million or 5.8% of total loans and leases at December 31, 2021. Agriculturally-related loans include loans to dairy farms and crop farms. Agricultural-related loans are primarily made based on identified cash flows of the borrower with consideration given to underlying collateral, personal guarantees, and government related guarantees. Agriculturally-related loans are generally secured by the assets or property being financed or other business assets such as accounts receivable, livestock, equipment or commodities/crops.

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. Management reviews these policies and procedures on a regular basis. The Company discussed its lending policies and underwriting guidelines for its various lending portfolios in Note 4 – "Loans and Leases" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes in these policies and guidelines since the date of that report. The Company's Board of Directors approves the lending policies at least annually. The Company recognizes that exceptions to policy guidelines may occasionally occur and has established procedures for approving exceptions to these policy guidelines. Management has also implemented reporting systems to monitor loan originations, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans.

The Company's loan and lease customers are located primarily in the New York and Pennsylvania communities served by its subsidiary bank. Although operating in numerous communities in New York State and Pennsylvania, the Company is still dependent on the general economic conditions of these states and the local economic conditions of the communities within those states in which the Company does business.

The Allowance for Credit Losses

The below table represents the allowance for credit losses as of September 30, 2022 and December 31, 2021. The table provides, as of the dates indicated, an allocation of the allowance for credit losses for inherent loan losses by type. The allocation is neither indicative of the specific amounts or the loan categories in which future charge-offs may occur, nor is it an indicator of future loss trends. The allocation of the allowance for credit losses to each category does not restrict the use of the allowance to absorb losses in any category.

(In thousands)	**9/30/2022**	**12/31/2021**
Allowance for credit losses		
Commercial and industrial	**$ 6,524**	$ 6,335
Commercial real estate	**26,539**	24,813
Residential real estate	**10,443**	10,139
Consumer and other	**1,180**	1,492
Finance leases	**86**	64
Total	**$ 44,772**	$ 42,843

As of September 30, 2022, the total allowance for credit losses was $44.8 million, up $1.9 million or 4.5% compared to December 31, 2021. The ACL as a percentage of total loans measured 0.86% at September 30, 2022, compared to 0.84% at December 31, 2021.

The increase in the ACL from year-end 2021 reflects updated economic forecasts for unemployment and gross domestic product ("GDP") coupled with loan growth, mainly in the real estate portfolios. Forecasts related to unemployment are beginning to deteriorate and GDP forecasts continue to weaken showing less growth compared to prior forecasts. Qualitative reserves established as a result of the COVID-19 pandemic to address specific portfolios with increased risk characteristics, including loans in our hotel portfolio, have been removed as of September 30, 2022, due to improved metrics that have stabilized and are in line with pre-pandemic trends.

Asset quality measures at September 30, 2022 were generally favorable compared with December 31, 2021. Loans internally-classified Special Mention or Substandard were down $30.8 million or 22.4% compared to December 31, 2021. Nonperforming loans and leases were up $3.7 million or 12.0% from year end 2021 and represented 0.67% of total loans at September 30, 2022 compared to 0.61% at December 31, 2021. The allowance for credit losses covered 128.27% of nonperforming loans and leases at September 30, 2022, compared to 137.51% at December 31, 2021. The increase in nonperforming loans and leases is mainly due to one commercial real estate relationship, made up of two loans, totaling approximately $7.4 million that moved into nonaccrual during the third quarter of 2022, this loan has previously been reported as substandard.

Activity in the Company's allowance for credit losses during the nine months of 2022 and 2021 is illustrated in the table below:

Analysis of the Allowance for Credit Losses

(In thousands)	**9/30/2022**	9/30/2021
Average loans outstanding during period	**$ 5,119,309**	$ 5,225,087
Allowance at beginning of year, prior to adoption of ASU 2016-13	**42,843**	51,669
LOANS CHARGED-OFF:		
Commercial and industrial	**366**	274
Commercial real estate	**50**	0
Residential real estate	**0**	51
Consumer and other	**410**	218
Finance leases	**0**	0
Total loans charged-off	**$ 826**	$ 543
RECOVERIES OF LOANS PREVIOUSLY CHARGED-OFF:		
Commercial and industrial	**132**	116
Commercial real estate	**910**	1,040
Residential real estate	**315**	229
Consumer and other	**251**	153
Finance Leases	**0**	0
Total loans recovered	**$ 1,608**	$ 1,538
Net loans recovered	**(782)**	(995)
Provision (credit) for credit losses related to loans	**1,147**	(6,405)
Balance of allowance at end of period	**$ 44,772**	$ 46,259
Allowance for credit losses as a percentage of total loans and leases	0.86 %	0.91 %
Annualized net (recoveries) charge-offs on loans to average total loans and leases during the period	**(0.02)%**	(0.01)%

The provision for credit losses for loans was an expense of $1.1 million for the three months ended September 30, 2022, compared to a credit of $1.2 million for the same period in 2021. For the nine month period ended September 30, 2022, the provision for credit losses for loans was an expense of $1.1 million compared to credit of $6.4 million for the same period in 2021. The provision expense for credit losses for loans is based upon the Company's quarterly evaluation of the appropriateness of the allowance for credit losses. As discussed above, the ACL model estimated higher reserves at September 30, 2022 due to lower GDP and unemployment forecasts coupled with loan growth. Net loan and lease recoveries for the nine months ended September 30, 2022 were $782,000 compared to net recoveries of $995,000 for the same period in 2021.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans, and commercial letters of credit. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancellable, through a charge to credit loss expense for off-balance sheet credit exposures included in provision for credit loss expense in the Company's consolidated statements of income.

For the three months ended September 30, 2022, the provision for credit losses for off-balance sheet credit exposures was a credit of $45,000 compared to a credit of $55,000 for the same period in 2021. For the nine month period ended September 30, 2022, the provision for credit losses for off-balance sheet credit exposures was $245,000 compared to $272,000 for the same nine month period in 2021. The provision in 2022 was driven by an increase in off-balance sheet exposures, specifically commercial real estate loan commitments.

Analysis of Past Due and Nonperforming Loans

(In thousands)		**9/30/2022**		12/31/2021		9/30/2021
Loans 90 days past due and accruing						
Commercial real estate	**$**	**161**	$	0	$	7,463
Total loans 90 days past due and accruing	**$**	**161**	$	0	$	7,463
Nonaccrual loans						
Commercial and industrial	**$**	**803**	$	533	$	543
Commercial real estate		**15,901**		13,893		35,022
Residential real estate		**13,041**		11,178		11,965
Consumer and other		**268**		429		411
Total nonaccrual loans	**$**	**30,013**	$	26,033	$	47,941
Troubled debt restructurings not included above		**4,730**		5,124		5,343
Total nonperforming loans and leases	**$**	**34,904**	$	31,157	$	60,747
Other real estate owned		**335**		135		135
Total nonperforming assets	**$**	**35,239**	$	31,292	$	60,882
Allowance as a percentage of nonperforming loans and leases		**128.27 %**		137.51 %		76.15 %
Total nonperforming loans and leases as percentage of total loans and leases		**0.67 %**		0.61 %		1.19 %
Total nonperforming assets as percentage of total assets		**0.45 %**		0.40 %		0.75 %

Nonperforming assets include loans past due 90 days and accruing, nonaccrual loans, TDRs, and foreclosed real estate/other real estate owned. Total nonperforming assets of $35.2 million at September 30, 2022 were up $3.9 million or 12.6% compared to December 31, 2021, and down $25.6 million or 42.1% compared to September 30, 2021. The decrease in nonperforming assets from September 30, 2021, was mainly in the commercial real estate portfolio and included the payoff of one relationship totaling $11.8 million in the hospitality industry and a $7.0 million charge-off of another relationship that included two loans in the hospitality industry during the fourth quarter of 2021. During the third quarter of 2022 there was one commercial real estate relationship totaling approximately $7.4 million that was moved into nonaccrual, this relationship was previously, and currently, included in Substandard loans. Nonperforming assets represented 0.45% of total assets at September 30, 2022, up from 0.40% at December 31, 2021, and down from the 0.75% reported for September 30, 2021. The Company's ratio of nonperforming assets to total assets compares to our peer groups's most recent ratio of 0.38% at June 30, 2022.

Loans are considered modified in a TDR when, due to a borrower’s financial difficulties, the Company makes a concession(s) to the borrower that it would not otherwise consider and the borrower could not obtain elsewhere. These modifications may include, among others, an extension of the term of the loan, and granting a period when interest-only payments can be made, with the principal payments made over the remaining term of the loan or at maturity. TDRs are included in the above table within the following categories: "loans 90 days past due and accruing", "nonaccrual loans", or "troubled debt restructurings not included above". Loans in the latter category include loans that meet the definition of a TDR but are performing in accordance with the modified terms and therefore classified as accruing loans. At September 30, 2022, the Company had $6.6 million in TDRs, and of that total $1.9 million was reported as nonaccrual and $4.7 million was considered performing and included in the table above.

In general, the Company places a loan on nonaccrual status if principal or interest payments become 90 days or more past due and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by applicable regulations. Although in nonaccrual status, the Company may continue to receive payments on these loans. These payments are generally recorded as a reduction to principal, and interest income is recorded only after principal recovery is reasonably assured.

The ratio of the allowance to nonperforming loans and leases (loans past due 90 days and accruing, nonaccrual loans and restructured troubled debt) was 128.27% at September 30, 2022, compared to 137.51% at December 31, 2021, and 76.15% at September 30, 2021. The Company's nonperforming loans and leases are mostly made up of individually evaluated loans with limited exposure or loans that require limited specific reserves due to the level of collateral available with respect to these loans and/or previous charge-offs.

The Company, through its internal loan review function, identified 17 commercial relationships from the loan portfolio totaling $22.9 million at September 30, 2022, that were potential problem loans. At December 31, 2021, the Company had identified 25 relationships totaling $36.5 million that were potential problem loans. Of the 17 relationships at September 30, 2022, that were Substandard, there were 6 relationships that equaled or exceeded $1.0 million, which in aggregate totaled $19.1 million, the largest of which was $4.0 million. The Company continues to monitor these potential problem relationships; however, management cannot predict the extent to which continued weak economic conditions or other factors may further impact borrowers. These loans remain in a performing status due to a variety of factors, including payment history, the value of collateral supporting the credits, and personal or government guarantees. These factors, when considered in the aggregate, give management reason to believe that the current risk exposure on these loans does not warrant accounting for these loans as nonperforming. However, these loans do exhibit certain risk factors, which have the potential to cause them to become nonperforming. Accordingly, management's attention is focused on these credits, which are reviewed on at least a quarterly basis.

Capital

Total equity was $573.0 million at September 30, 2022, a decrease of $156.0 million or 21.4% from December 31, 2021. The decrease was the result of an increase in unrealized losses on the available-for-sale portfolio from $14.6 million at year-end 2021 to $203.2 million at September 30, 2022, as a result of the increase in market interest rates in 2022. The decrease was partially offset by an increase in retained earnings.

Additional paid-in capital decreased by $9.1 million, from $312.5 million at December 31, 2021, to $303.4 million at September 30, 2022. The decrease was primarily attributable to a $15.4 million aggregate purchase price related to the Company's repurchase and retirement of 197,979 shares of its common stock during the first nine months of 2022 pursuant to its publicly announced stock repurchase plan; partially offset by $2.9 million related shares issued for the employee stock ownership program and $3.1 million attributed to stock-based compensation.

Retained earnings increased by $40.6 million or 8.5% from $475.3 million at December 31, 2021, to $515.9 million at September 30, 2022, mainly reflecting net income of $65.5 million for the year-to-date period, less dividends of $24.9 million.

Accumulated other comprehensive loss increased from a net loss of $56.0 million at December 31, 2021, to a net loss of $243.2 million at September 30, 2022, reflecting a $188.7 million increase in unrealized losses on available-for-sale debt securities mainly due to changes in market rates, partially offset by a $1.4 million decrease related to post-retirement benefit plan losses.

Cash dividends paid in the first nine months of 2022 totaled approximately $24.9 million or $1.71 per common share, representing 38.0% of year to date 2022 earnings through September 30, 2022, compared to cash dividends of $24.1 million or $1.62 per common share paid in the first nine months of 2021. Cash dividends per share during the first nine months of 2022 were up 5.6% over the same period in 2021.

The Company and its subsidiary bank are subject to various regulatory capital requirements administered by Federal bank regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's business, results of operation and financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action (PCA), banks must meet specific guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications of the Company and its subsidiary banks are also subject to qualitative judgments by regulators concerning components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios of common equity Tier 1 capital, Total capital and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes that the Company and its subsidiary bank meets all capital adequacy requirements to which they are subject.

The following table provides a summary of the Company's capital ratios as of September 30, 2022:

Regulatory Capital Analysis

September 30, 2022	Actual		Minimum Capital Required - Basel III Fully Phased-In		Well Capitalized Requirement	
(dollar amounts in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to risk weighted assets)	$ 769,165	14.26 %	$ 566,543	10.50 %	$ 539,564	10.00 %
Tier 1 Capital (to risk weighted assets)	$ 720,136	13.35 %	$ 458,630	8.50 %	$ 431,652	8.00 %
Tier 1 Common Equity (to risk weighted assets)	$ 720,136	13.35 %	$ 377,695	7.00 %	$ 350,717	6.50 %
Tier 1 Capital (to average assets)	$ 720,136	9.14 %	$ 315,268	4.00 %	$ 394,085	5.00 %

As of September 30, 2022, the Company's capital ratios exceeded the minimum required capital ratios plus the fully phased-in capital conservation buffer, and the minimum required capital ratios for well capitalized institutions. The capital levels required to be considered well capitalized, presented in the above table, are based upon prompt corrective action regulations, as amended to reflect the changes under Basel III Capital Rules.

Total capital as a percent of risk weighted assets increased to 14.3% at September 30, 2022, compared with 14.2% as of December 31, 2021. Tier 1 capital as a percent of risk weighted assets increased from 13.3% at the end of 2021 to 13.4% as of September 30, 2022. Tier 1 capital as a percent of average assets was 9.1% at September 30, 2022, up from 8.7% as of December 31, 2021. Common equity Tier 1 capital was 13.4% at the end of the third quarter of 2022, up from 13.3% at the end of 2021.

As of September 30, 2022, the capital ratios for the Company's subsidiary bank also exceeded the minimum required capital ratios for well capitalized institutions, plus the fully phased-in capital conservation buffer.

In the first quarter of 2020, U.S. Federal regulatory authorities issued an interim final rule that provides banking organizations that adopt CECL during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition in total). In connection with our adoption of CECL on January 1, 2020, we elected to utilize the five-year CECL transition.

Deposits and Other Liabilities

Total deposits of $6.9 billion at September 30, 2022 were up $145.3 million or 2.1% from December 31, 2021. The increase from year-end 2021 was primarily in noninterest bearing deposits up $124.6 million or 5.8% and in checking, money market and savings balances, which collectively were up $60.7 million or 1.5%. These were slightly offset by decreases in time deposits, which were down $40.1 million or 6.3% compared to December 31, 2021.

The most significant source of funding for the Company is core deposits. The Company defines core deposits as total deposits less time deposits of $250,000 or more, brokered deposits, municipal money market deposits, and reciprocal deposit relationships with municipalities. Core deposits grew by $191.0 million or 3.3% from year-end 2021, to $6.0 billion at September 30, 2022. Core deposits represented 86.1% of total deposits at September 30, 2022, compared to 85.1% of total deposits at December 31, 2021.

The Company uses both retail and wholesale repurchase agreements. Retail repurchase agreements are arrangements with local customers of the Company, in which the Company agrees to sell securities to the customer with an agreement to repurchase those securities at a specified later date. Retail repurchase agreements totaled $55.3 million at September 30, 2022, and $66.8 million at December 31, 2021. Management generally views retail repurchase agreements as an alternative to large time deposits.

The Company's other borrowings totaled $101.0 million at September 30, 2022, down $23.0 million or 18.6% from $124.0 million at December 31, 2021. Borrowings at September 30, 2022 consisted of $41.0 million in overnight FHLB advances and $60.0 million of FHLB term advances, compared to $14.0 million in FHLB overnight advances and $110.0 million of FHLB term advances at year end 2021. Of the $60.0 million in FHLB term advances at September 30, 2022, $20.0 million is due to mature in less than one year and $40.0 million is due to mature in over one year.

Liquidity
The objective of liquidity management is to ensure the availability of adequate funding sources to satisfy the demand for credit, deposit withdrawals, and business investment opportunities. The Company's large, stable core deposit base and strong capital position are the foundation for the Company's liquidity position. The Company uses a variety of resources to meet its liquidity needs, which include deposits, cash and cash equivalents, short-term investments, cash flow from lending and investing activities, repurchase agreements, and borrowings. The Company's Asset/Liability Management Committee monitors asset and liability positions of the Company's subsidiary banks individually and on a combined basis. The Committee reviews periodic reports on liquidity and interest rate sensitivity positions. Comparisons with industry and peer groups are also monitored. The Company's strong reputation in the communities it serves, along with its strong financial condition, provides access to numerous sources of liquidity as described below. Management believes these diverse liquidity sources provide sufficient means to meet all demands on the Company's liquidity that are reasonably likely to occur.

Core deposits, discussed above under "Deposits and Other Liabilities", are a primary and low cost funding source obtained primarily through the Company's branch network. In addition to core deposits, the Company uses non-core funding sources to support asset growth. These non-core funding sources include time deposits of $250,000 or more, brokered time deposits, municipal money market deposits, reciprocal deposits, bank borrowings, securities sold under agreements to repurchase and overnight and term advances from the FHLB. Rates and terms are the primary determinants of the mix of these funding sources. Non-core funding sources of $1.1 billion at September 30, 2022 decreased $80.1 million or 6.7% as compared to year-end 2021. Non-core funding sources, as a percentage of total liabilities, were 15.6% at September 30, 2022, compared to 17.0% at December 31, 2021.

Non-core funding sources may require securities to be pledged against the underlying liability. Securities held at fair value were $1.7 billion at September 30, 2022 and $1.4 billion at December 31, 2021, and were either pledged or sold under agreements to repurchase. Pledged securities represented 71.5% of total securities at September 30, 2022, compared to 59.4% of total securities at December 31, 2021.

Cash and cash equivalents totaled $103.6 million as of September 30, 2022 which increased from $63.1 million at December 31, 2021. Short-term investments, consisting of securities due in one year or less, decreased from $77.9 million at December 31, 2021, to $31.9 million on September 30, 2022.

Cash flow from the loan and investment portfolios provides a significant source of liquidity. These assets may have stated maturities in excess of one year, but have monthly principal reductions. Total mortgage-backed securities, at fair value, were $758.9 million at September 30, 2022 compared with $947.7 million at December 31, 2021. Outstanding principal balances of residential mortgage loans, consumer loans, and leases totaled approximately $1.6 billion at September 30, 2022, up $57.9 million or 3.7% compared with year-end 2021. Aggregate amortization from monthly payments on these assets provides significant additional cash flow to the Company.

The Company's liquidity is enhanced by ready access to national and regional wholesale funding sources including Federal funds purchased, repurchase agreements, brokered deposits, and FHLB advances. Through its subsidiary bank, the Company has borrowing relationships with the FHLB and correspondent banks, which provide secured and unsecured borrowing capacity. As members of the FHLB, the Company can use certain unencumbered mortgage-related assets and securities to secure borrowings from the FHLB. At September 30, 2022, the established borrowing capacity with the FHLB was $1.6 billion, with available unencumbered mortgage-related assets of $1.5 billion. Additional assets may also qualify as collateral for FHLB advances, upon approval of the FHLB.

Accounting Standards Pending Adoption

ASU No. 2020-06, "Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." The amendments in this update provides clarification on guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and provides new disclosure requirements for equity securities subject to contractual sale restrictions, that are measured at fair value. ASU 2022-06 is effective December 15, 2023 and is not expected to have a significant impact on our consolidated financial statements.

ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. It provides optional expedients and exceptions for applying U.S. generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update are effective for all entities as of

March 12, 2020 through December 31, 2022. The Company does not expect the adoption of this standard to have a material impact on our consolidated financial statements.

ASU 2022-01, "Derivatives and Hedging (Topic 815)" ("ASU 2022-01") clarifies the guidance in ASC 815 on fair value hedge accounting of interest rate risk for portfolios and financial assets. Among other things, the amended guidance established the “last-of-layer” method for making the fair value hedge accounting for these portfolios more accessible and renamed that method the “portfolio layer” method. ASU 2022-01 is effective January 1, 2023 and is not expected to have a significant impact on our consolidated financial statements.

ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2022-02") eliminates the guidance on troubled debt restructurings and requires entities to evaluate all loan modifications to determine if they result in a new loan or a continuation of the existing loan. ASU 2022-02 also requires that entities disclose current-period gross charge-offs by year of origination for loans and leases. ASU 2022-02 is effective January 1, 2023, with early adoption permitted. While the guidance will result in expanded disclosures, the Company does not expect the adoption of this standard to have a material impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest rate risk is the primary market risk category associated with the Company’s operations. Interest rate risk refers to the volatility of earnings caused by changes in interest rates. The Company manages interest rate risk using income simulation to measure interest rate risk inherent in its on-balance sheet and off-balance sheet financial instruments at a given point in time. The simulation models are used to estimate the potential effect of interest rate shifts on net interest income for future periods. Each quarter, the Company’s Asset/Liability Management Committee reviews the simulation results to determine whether the exposure of net interest income to changes in interest rates remains within levels approved by the Company’s Board of Directors. The Committee also considers strategies to manage this exposure and incorporates these strategies into the investment and funding decisions of the Company.

The Company’s Board of Directors has set a policy that interest rate risk exposure will remain within a range whereby net interest income will not decline by more than 10% in one year as a result of a 100 basis point parallel change in rates. Based upon the simulation analysis performed as of August 31, 2022, a 200 basis point parallel upward change in interest rates over a one-year time frame would result in a one-year decrease in net interest income from the base case of approximately 3.6%, while a 100 basis point parallel decline in interest rates over a one-year period would result in a one year increase in net interest income of 1.0% from the base case. The simulation assumes no balance sheet growth and no management action to address balance sheet mismatches.

The decrease in net interest income in the rising rate scenario is a result of the balance sheet showing a more liability sensitive position over a two year time horizon. As such, in the short-term net interest income is expected to trend below the base assumption, as upward adjustments to rate sensitive deposits and short-term funding outpace increases to asset yields which are concentrated in intermediate to longer-term products. As intermediate and longer-term assets continue to reprice/adjust into higher rate environment and funding costs stabilize, net interest income is expected to trend upwards.

The down 100 rate scenario increases net interest income slightly in the first year based on the Company's assets repricing downward to a lesser degree than the rates on the Company's interest-bearing liabilities, mainly deposits and overnight borrowings. In addition, the model assumes that prepayments accelerate in the down interest rate environment resulting in additional pressure on asset yields as proceeds are reinvested at lower rates.

The most recent simulation of a base case scenario, which assumes interest rates remain unchanged from the date of the simulation, reflects a net interest margin that is increasing slightly over the next 12 to 18 months as assets reprice/adjust into higher rates and funding costs are assumed to remain stabilized.

Although the simulation model is useful in identifying potential exposure to interest rate movements, actual results may differ from those modeled as the repricing, maturity, and prepayment characteristics of financial instruments may change to a different degree than modeled. In addition, the model does not reflect actions that management may employ to manage the Company’s interest rate risk exposure. The Company’s current liquidity profile, capital position, and growth prospects, offer a level of flexibility for management to take actions that could offset some of the negative effects of unfavorable movements in interest rates. Management believes the current exposure to changes in interest rates is not significant in relation to the capital strength of the Company.

In addition to the simulation analysis, management uses an interest rate gap measure. The table below is a Condensed Static Gap Report, which illustrates the anticipated repricing intervals of assets and liabilities as of September 30, 2022. The Company’s one-year net interest rate gap was a negative $520.9 million or 6.70% of total assets at September 30, 2022, compared with a negative $331.5 million or 4.24% of total assets at December 31, 2021. A negative gap position exists when the amount of interest-bearing liabilities maturing or repricing exceeds the amount of interest-earning assets maturing or repricing within a particular time period. This analysis suggests that the Company’s net interest income contains a higher degree of risk in a rising rate environment over the next 12 months. An interest rate gap measure could be affected by external factors such as a rise or decline in interest rates, loan or securities prepayments, and deposit withdrawals.

Condensed Static Gap - September 30, 2022		Repricing Interval			
(In thousands)	Total	0-3 months	3-6 months	6-12 months	Cumulative 12 months
Interest-earning assets[1]	$ 7,624,064	$ 1,070,326	$ 298,004	$ 573,387	$ 1,941,717
Interest-bearing liabilities	4,832,705	2,159,187	140,327	163,117	2,462,631
Net gap position		$ (1,088,861)	$ 157,677	$ 410,270	$ (520,914)
Net gap position as a percentage of total assets		(14.00)%	2.03 %	5.27 %	(6.70)%

[1] *Balances of available securities are shown at amortized cost*

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2022.

Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Report on Form 10-Q, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2022, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various claims and legal actions that arise in the ordinary course of conducting business. As of September 30, 2022, management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability arising out of litigation pending or threatened against the Company or its subsidiaries will be material to the Company's consolidated financial position. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with such legal proceedings. Although the Company does not believe that the outcome of pending litigation will be material to the Company's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed under Item 1A. of the Company’s Annual Report on Form 10-K, for the fiscal year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	(a)	(b)	(c)	(d)
July 1, 2022 through July 31, 2022	15,220	$ 71.67	12,958	175,042
August 1, 2022 through August 31, 2022	3,536	73.21	2,437	172,605
September 1, 2022 through September 30, 2022	3,034	72.09	2,787	169,818
Total	**21,790**	**$ 71.98**	**18,182**	**169,818**

Included in the table above are 2,262 shares purchased in July 2022, at an average cost of $72.94, and 652 shares purchased in August 2022, at an average cost of $78.11, by the trustee of the rabbi trust established by the Company under the Company's Stock Retainer Plan For Eligible Directors of Tompkins Financial Corporation and Participating Subsidiaries, which were part of the director deferred compensation under that plan. In addition, the table includes 447 shares delivered to the Company in August 2022 in addition to 247 shares in September at an average cost of $72.73 and 76.23, respectively to satisfy mandatory tax withholding requirements upon vesting of restricted stock under the Company's 2009 and 2019 Equity Plans.

On October 22, 2021, the Company's Board of Directors authorized a share repurchase plan (the "2021 Repurchase Plan") for the repurchase of up to 400,000 shares of the Company's common stock over the 24 months following adoption of the 2021 Repurchase Plan. Shares may be repurchased from time to time under the 2021 Repurchase Plan in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws, and the repurchase program may be suspended, modified or terminated by the Board of Directors at any time for any reason. Under the 2021 Repurchase Plan, the Company had repurchased 230,182 shares through September 30, 2022, at an average cost of $78.31.

Recent Sales of Unregistered Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Effective November 9, 2022, the Compensation Committee of the Tompkins Financial Board of Directors adopted performance-based restricted stock units as a component of its 2022 executive compensation program, in which each Named Executive Officer participates. Previously, performance-based restricted stock replaced a portion of time-vested restricted stock in grants to our President & Chief Executive Officer, and to our Executive Vice President, Chief Financial Officer & Chief Operating Officer. Beginning in 2022, all of our Named Executive Officers will now receive a portion of their equity award as performance-based restricted stock, and a portion as time-vested restricted stock (vesting over a 5-year period). The performance-based restricted stock units will vest over a three-year performance period, and recipients will have the opportunity to earn an amount in excess of the target number of performance-based restricted stock units for achievement of enhanced performance goals. Payout can range from 0-170% of the target amount depending on the performance level achieved and recipient's position within the organization.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q, filed with the Commission on August 11, 2008.
3.2	Second Amended and Restated Bylaws of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 31, 2011.
10.1	Form of Performance Share Award Agreement - 2019 Equity Incentive Plan.
31.1	Certification of Principal Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Certification of Principal Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, 18 U.S.C. Section 1350.C. Section 1350
32.2	Certification of Principal Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, 18 U.S.C. Section 1350
101 INS**	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101 SCH**	Inline XBRL Taxonomy Extension Schema Document
101 CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101 LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101 PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive date file because its XBRL tags are embedded with the inline XBRL document.

** Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Condition as of September 30, 2022 and December 31, 2021; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2022 and 2021; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2022 and 2021; (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021; (v) Consolidated Statements of Changes in Shareholders' Equity for the three and nine months ended September 30, 2022 and 2021; and (vi Notes to Unaudited Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 07, 2022

TOMPKINS FINANCIAL CORPORATION

By: /s/ Stephen S. Romaine
Stephen S. Romaine
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Francis M. Fetsko
Francis M. Fetsko
Executive Vice President, Chief Financial Officer, and Chief Operating Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 10.1 – Form of Performance Share Award Agreement

TOMPKINS FINANCIAL CORPORATION
2019 EQUITY PLAN
PERFORMANCE SHARE AWARD AGREEMENT

1) Tompkins Financial Corporation (the "Company") hereby grants to ###PARTICIPANT_NAME### (the "Participant") the award(s) summarized below (the "Grant"), pursuant to the terms and conditions of the Company's 2019 Equity Plan, as it may be amended from time to time (the "Plan"). The terms, conditions and restrictions of your award are set forth in this Award Agreement, which is governed by the terms of the Plan. Capitalized terms used but not defined in this Award Agreement have the meanings given to them in the Plan. For the award to be effective, you must sign below and return this Award Agreement to the Company, acknowledging that you have received and read the Prospectus dated May 13, 2019 and any applicable prospectus supplements (together, the "Prospectus"), and agree to the terms of this Award Agreement and the Plan.

2) Award Summary:

Performance Share Award Summary	
Award Date:	
Number of Target Restricted Stock Units ("Target PSUs"):	
Number of Enhanced Restricted Stock Units ("Enhanced PSUs"):	
Performance Period:	
Performance Goals for Target PSUs:	
Additional Vesting Requirements (if any):	

3) Explanation of Performance Goals and Additional Vesting Requirements (if any):

Performance Goals: The entire Grant covered by this Award Agreement shall remain subject to forfeiture unless and until the Committee determines, in accordance with the Plan, that the Performance Goals have been attained.

Following such calculations, the Committee shall determine whether the Performance Goal has been attained with respect to the Target PSUs, and whether the Performance Goals have been attained with respect to the Enhanced PSUs. In making such determination, the Committee may make such adjustments as it determines, in its discretion, are necessary or appropriate, in accordance with the provisions of the Plan. The Committee shall notify the Participant of its determination within 15 days of making such determination.

Additional Vesting Requirements (if any):

4) To the extent the Performance Goals for the Target PSUs and Enhanced PSUs are achieved, any shares that are issuable under the Grant will be distributed as soon as practicable following the Committee's determination of the satisfaction of the performance measures.

5) Subject to any additional conditions or restrictions set forth above under "Additional Vesting Requirements", and provided the Participant (a) is an Eligible Retiree as defined below, and (b) agrees in writing not to compete with the Company during the three-year period following the date of the Participant's retirement, then, in the event of the Participant's Retirement prior to the expiration of the Performance Period, the Participant shall remain eligible to receive shares covered by the Target PSUs, so long as the Performance Goal is attained at the end of the Performance Period, and the Enhanced PSUs shall be forfeited. The Performance Period will not be shortened, nor shall the Performance Goal be altered, as a result of the Participant's Retirement during the Performance Period.

If the Participant is not an Eligible Retiree but (a) terminates employment due to Retirement (as determined by the Committee in its sole discretion), and (b) agrees in writing not to compete with the Company during the three-year period following the date of the Participant's retirement, then, in the event of the Participant's Retirement prior to the expiration of the Performance Period, the Participant shall remain eligible to receive a number of shares covered by the Target PSUs equal to the product (rounded down to the nearest whole share) obtained by multiplying (x) the number of Target PSUs and (y) a fraction, the numerator of which is the number of full years completed between the first day of the Performance Period and the date of the Participant's Retirement and the denominator of which is three, so long as the Performance Goal is attained at the end of the Performance Period, and the Enhanced PSUs shall be forfeited. Notwithstanding anything to the contrary herein, no fractional shares covered by the Grant shall be issued to the Participant.

For purposes of this Agreement, an "Eligible Retiree" means a Participant who, upon Retirement, (x) is at least 55 years old, (y) has at least 10 years of service with the Company (including, to the extent approved by the Committee, service with a prior employer acquired by the Company through merger or other acquisition), and (z) has an age plus years of service totaling at least 75.

For the avoidance of doubt, in the event the Participant is terminated by the Company for Cause (as defined in the Plan or any applicable employment agreement between the Company and Participant) or terminates employment for any reason other than Retirement, the entire Award shall be terminated.

Notwithstanding the foregoing, to the extent that the Participant's continued eligibility following Retirement as set forth above would cause the Company to issue shares of Company Stock under the Plan in excess of the limitation set forth in Section 4.7 of the Plan, the number of shares of Company Stock covered by the Grant and subject to such continued eligibility shall be reduced by such number (and may be reduced to zero) as is necessary to cause such limitation not to be exceeded.

6) At the end of the Performance Period, Participants will be eligible to receive Dividend Equivalents on the Target PSUs and the Enhanced PSUs, to the extent earned. During the Performance Period, in the event of any issuance of a cash dividend on the shares of Common Stock (a "Dividend"), the Participant shall be credited, as of the payment date for such Dividend, with a Dividend Equivalent equal to (a) the number of Target PSUs or Enhanced PSUs, as applicable, granted pursuant to this Agreement multiplied by (b) the amount of the Dividend per share. The amount attributable to the Dividend Equivalents credited with respect to the Target PSUs or Enhanced PSUs, as applicable, shall be paid in cash within 30 days following the issuance and delivery of the shares of Common Stock underlying the Target PSUs and Enhanced PSUs, as applicable. In the event that the performance measures with respect to the Target PSUs or Enhanced PSUs are not achieved, the Dividend Equivalents credited with respect to such Target PSUs or Enhanced PSUs shall be forfeited.

7) The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock underlying this Grant unless, until and to the extent that (a) the Company shall have issued and delivered to the Participant the shares of Common Stock underlying the Target PSUs and Enhanced PSUs and (b) the Participant's name shall have been entered as a stockholder of record with respect to such shares of Common Stock on the books of the Company. The Company shall cause the actions described in clauses (a) and (b) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws

8) For purposes of Section 12.1 of the Plan, the "target payout" with respect to this Performance Share Award shall be the Target PSUs.

9) This Grant is intended to be exempt from, or compliant with, Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant's consent, modify such provision to (a) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (b) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 9 does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the Grant will not be subject to interest and penalties under Section 409A.

10) By accepting this award, I hereby acknowledge receipt of this Grant on the date shown above on the terms stated herein, which has been issued to me under the terms and conditions of the Plan. I further acknowledge receipt of a copy of the Plan and the Prospectus and agree to be bound by all of the terms and conditions of the Plan as if they were set out in full in this Award Agreement. I agree to accept as binding, conclusive and final all decisions or interpretations of the Committee or the Board, as the case may be, upon any questions relating to the Plan or this Grant. I further understand that I am a Covered Executive under the Tompkins Financial Corporation Clawback Policy, and I acknowledge and agree that I have received and understand such Policy.

I understand that in the event the Committee determines, in its sole discretion, that I engaged in any activity contrary or harmful to the interests of the Company or its customers, including without limitation, any violation of Company policy or procedures, any unvested awards I hold shall immediately be forfeited and any rights thereunder shall terminate.

Accepted by ###PARTICIPANT_NAME## on _###ACCEPTANCE_DATE###

Exhibit 31.1

CERTIFICATION

I, Stephen S. Romaine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tompkins Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 07, 2022

/s/ Stephen S. Romaine
Stephen S. Romaine
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Francis M. Fetsko, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tompkins Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 07, 2022

/s/ Francis M. Fetsko

Francis M. Fetsko
Executive Vice President, Chief Financial Officer, and Chief Operating Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 (the “Report”) by Tompkins Financial Corporation (the “Company”), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 07, 2022

/s/ Stephen S. Romaine

Stephen S. Romaine
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 (the “Report”) by Tompkins Financial Corporation (the “Company”), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 07, 2022

/s/ Francis M. Fetsko
Francis M. Fetsko
Executive Vice President,
Chief Financial Officer, and Chief Operating Officer
(Principal Financial Officer)
(Principal Accounting Officer)