

TOMPKINS FINANCIAL CORP
Form 10-Q/A
May 16, 2014

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended March 31, 2014

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 Corporation

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

16-1482357

(I.R.S. Employer Identification No.)

The Commons, P.O. Box 460, Ithaca, NY

(Address of principal executive offices)

14851

(Zip Code)

Registrant's telephone number, including area code: **(888) 503-5753**

Former name, former address, and former fiscal year, if changed since last report: NA

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

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

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

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

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

| <u>Class</u> | <u>Outstanding as of April 30, 2014</u> |
|--------------------------------|---|
| Common Stock, \$0.10 par value | 14,857,722 shares |

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (this "Amendment") to the Quarterly Report on Form 10-Q of Tompkins Financial Corporation (the "Company") for the quarter ended March 31, 2014, originally filed with the U.S. Securities and Exchange Commission (the "SEC") on May 12, 2014 (the "Original Filing"), is being filed solely for the purpose of correcting three typographical errors appearing in Item 1, Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements on page 16 of the Original Filing. These errors are related to the outstanding principal balance and the carrying amount of the Company's loans acquired in the VIST Bank acquisition. At December 31, 2013, the outstanding principal balance of Acquired Credit Impaired Loans was \$62,146, not \$59,979; the carrying amount of Acquired Non-Credit Impaired Loans was \$620,231, not \$59,979; and the outstanding principal balance of Total Acquired Loans was \$692,746, not \$736,816.

These disclosures appeared in Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements, which has been corrected and restated below in its entirety:

5. Loans and Leases

Loans and Leases at March 31, 2014 and December 31, 2013 were as follows:

| <i>(in thousands)</i> | 3/31/2014 | | | 12/31/2013 | | |
|------------------------------------|------------|----------|--------------------------------------|------------|----------|------------------------------|
| | Originated | Acquired | Total Loans and Leases | Originated | Acquired | Total Loans and Leases |
| Commercial and industrial | | | | | | |
| Agriculture | \$53,261 | \$0 | \$53,261 | \$74,788 | \$0 | \$74,788 |
| Commercial and industrial other | 577,784 | 129,878 | 707,662 | 562,439 | 128,503 | 690,942 |
| Subtotal commercial and industrial | 631,045 | 129,878 | 760,923 | 637,227 | 128,503 | 765,730 |
| Commercial real estate | | | | | | |
| Construction | 53,380 | 40,655 | 94,035 | 46,441 | 39,353 | 85,794 |
| Agriculture | 57,225 | 3,055 | 60,280 | 52,627 | 3,135 | 55,762 |
| Commercial real estate other | 922,024 | 351,095 | 1,273,119 | 903,320 | 366,438 | 1,269,758 |
| Subtotal commercial real estate | 1,032,629 | 394,805 | 1,427,434 | 1,002,388 | 408,926 | 1,411,314 |
| Residential real estate | | | | | | |
| Home equity | 173,169 | 64,039 | 237,208 | 171,809 | 67,183 | 238,992 |
| Mortgages | 663,335 | 34,704 | 698,039 | 658,966 | 35,336 | 694,302 |

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| | | | | | | |
|--|-------------|-----------|-------------|-------------|-----------|-------------|
| Subtotal residential real estate | 836,504 | 98,743 | 935,247 | 830,775 | 102,519 | 933,294 |
| Consumer and other | | | | | | |
| Indirect | 19,902 | 2 | 19,904 | 21,202 | 5 | 21,207 |
| Consumer and other | 32,154 | 1,156 | 33,310 | 32,312 | 1,219 | 33,531 |
| Subtotal consumer and other | 52,056 | 1,158 | 53,214 | 53,514 | 1,224 | 54,738 |
| Leases | 5,529 | 0 | 5,529 | 5,563 | 0 | 5,563 |
| Covered loans | 0 | 24,106 | 24,106 | 0 | 25,868 | 25,868 |
| Total loans and leases | 2,557,763 | 648,690 | 3,206,453 | 2,529,467 | 667,040 | 3,196,507 |
| Less: unearned income and deferred costs and fees | (2,241) | 0 | (2,241) | (2,223) | 0 | (2,223) |
| Total loans and leases, net of unearned income and deferred costs and fees | \$2,555,522 | \$648,690 | \$3,204,212 | \$2,527,244 | \$667,040 | \$3,194,284 |

The outstanding principal balance and the related carrying amount of the Company's loans acquired in the VIST Bank acquisition are as follows at March 31, 2014 and December 31, 2013:

| (in thousands) | 03/31/2014 | 12/31/2013 |
|------------------------------------|------------|------------|
| Acquired Credit Impaired Loans | | |
| Outstanding principal balance | \$57,121 | \$62,146 |
| Carrying amount | 43,194 | 46,809 |
| Acquired Non-Credit Impaired Loans | | |
| Outstanding principal balance | 615,510 | 630,600 |
| Carrying amount | 605,496 | 620,231 |
| Total Acquired Loans | | |
| Outstanding principal balance | 672,631 | 692,746 |
| Carrying amount | 648,690 | 667,040 |

The following tables present changes in accretable yield on loans acquired from VIST Bank that were considered credit impaired.

(in thousands)

| | |
|---|-----------------|
| Balance at January 1, 2013 | \$7,337 |
| Accretion | (8,896) |
| Disposals (loans paid in full) | (212) |
| Reclassifications to/from nonaccretable difference ¹ | 7,933 |
| Other changes in expected cash flows ² | 4,792 |
| Balance at December 31, 2013 | \$10,954 |

(in thousands)

| | |
|---|-----------------|
| Balance at January 1, 2014 | \$10,954 |
| Accretion | (1,264) |
| Disposals (loans paid in full) | (211) |
| Reclassifications to/from nonaccretable difference ¹ | 752 |
| Other changes in expected cash flows ² | 0 |
| Balance at March 31, 2014 | \$10,231 |

¹ Results in increased interest income as a prospective yield adjustment over the remaining life of the loans, as well as increased interest income from loan sales, modification and prepayments.

² Represents changes in cash flows expected to be collected due to factors other than credit (e.g. changes in prepayment assumptions and/or changes in interest rates on variable rate loans).

During the first quarter of 2014 we increased our estimate of future cash flows on acquired loans to reflect our current outlook for prepayment speeds on these balances and increases in interest rates on variable rate loans. The decreases in prepayment speed assumptions and increases in interest rate assumptions increased our accretable discount by \$752,000. This change did not materially impact our current quarter interest income or net interest margin.

At March 31, 2014, acquired loans included \$24.1 million of covered loans. VIST Bank had previously acquired these loans in an FDIC assisted transaction in the fourth quarter of 2010. In accordance with a loss sharing agreement with the FDIC, certain losses and expenses relating to covered loans may be reimbursed by the FDIC at 70% or, if net losses exceed certain levels specified in the loss sharing agreements, 80%. See Note 7 – “FDIC Indemnification Asset Related to Covered Loans” for further discussion of the loss sharing agreements and related FDIC indemnification assets.

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 6 – “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, 2013. There have been no significant changes in these policies and guidelines. As such, these policies are reflective of new originations as well as those balances held at March 31, 2014. 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 contractually 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 improbable, 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.

Acquired loans that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing after the date of acquisition, regardless of whether the customer is contractually delinquent, if we can reasonably estimate the timing and amount of the expected cash flows on such loans and if the Company expects to fully collect the new carrying value of the loans. As such, we may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount. To the extent we cannot reasonably estimate cash flows, interest income recognition is discontinued. The Company has determined that it can reasonably estimate future cash flows on our acquired loans that are past due 90 days or more and accruing interest and the Company expects to fully collect the carrying value of the loans.

The below table is an age analysis of past due loans, segregated by originated and acquired loan and lease portfolios, and by class of loans, as of March 31, 2014 and December 31, 2013.

March 31, 2014

| <i>(in thousands)</i> | 30-89 days | 90 days or more | Current Loans | Total Loans | 90 days and accruing¹ | Nonaccrual |
|--|----------------|--------------------|--------------------|------------------------|---|-------------------|
| Originated Loans and Leases | | | | | | |
| Commercial and industrial | | | | | | |
| Agriculture | \$0 | \$0 | \$53,261 | \$53,261 | \$0 | \$0 |
| Commercial and industrial other | 971 | 410 | 576,403 | 577,784 | 0 | 413 |
| Subtotal commercial and industrial | 971 | 410 | 629,664 | 631,045 | 0 | 413 |
| Commercial real estate | | | | | | |
| Construction | 0 | 8,558 | 44,822 | 53,380 | 0 | 9,335 |
| Agriculture | 17 | 0 | 57,208 | 57,225 | 0 | 25 |
| Commercial real estate other | 389 | 7,427 | 914,208 | 922,024 | 278 | 8,486 |
| Subtotal commercial real estate | 406 | 15,985 | 1,016,238 | 1,032,629 | 278 | 17,846 |
| Residential real estate | | | | | | |
| Home equity | 269 | 1,647 | 171,253 | 173,169 | 61 | 1,933 |
| Mortgages | 2,971 | 6,098 | 654,266 | 663,335 | 0 | 6,545 |
| Subtotal residential real estate | 3,240 | 7,745 | 825,519 | 836,504 | 61 | 8,478 |
| Consumer and other | | | | | | |
| Indirect | 462 | 203 | 19,237 | 19,902 | 0 | 234 |
| Consumer and other | 523 | 0 | 31,631 | 32,154 | 0 | 3 |
| Subtotal consumer and other | 985 | 203 | 50,868 | 52,056 | 0 | 237 |
| Leases | 58 | 0 | 5,471 | 5,529 | 0 | 0 |
| Total loans and leases | 5,660 | 24,343 | 2,527,760 | 2,557,763 | 339 | 26,974 |
| Less: unearned income and deferred costs and fees | 0 | 0 | 0 | (2,241) | 0 | 0 |
| Total originated loans and leases, net of unearned income and deferred costs and fees | \$5,660 | \$24,343 | \$2,527,760 | \$2,555,522 | \$339 | \$26,974 |
| Acquired Loans and Leases | | | | | | |
| Commercial and industrial | | | | | | |
| Commercial and industrial other | 368 | 1,488 | 128,022 | 129,878 | 859 | 930 |
| Subtotal commercial and industrial | 368 | 1,488 | 128,022 | 129,878 | 859 | 930 |
| Commercial real estate | | | | | | |
| Construction | 0 | 2,160 | 38,495 | 40,655 | 1,691 | 469 |
| Agriculture | 0 | 0 | 3,055 | 3,055 | 0 | 0 |
| Commercial real estate other | 956 | 2,251 | 347,888 | 351,095 | 341 | 3,130 |
| Subtotal commercial real estate | 956 | 4,411 | 389,438 | 394,805 | 2,032 | 3,599 |
| Residential real estate | | | | | | |
| Home equity | 265 | 956 | 62,818 | 64,039 | 351 | 773 |

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| | | | | | | |
|--|----------------|----------------|------------------|------------------|-----------------|-----------------|
| Mortgages | 702 | 681 | 33,321 | 34,704 | 504 | 1,634 |
| Subtotal residential real estate | 967 | 1,637 | 96,139 | 98,743 | 855 | 2,407 |
| Consumer and other | | | | | | |
| Indirect | 0 | 0 | 2 | 2 | 0 | 0 |
| Consumer and other | 2 | 0 | 1,154 | 1,156 | 0 | 0 |
| Subtotal consumer and other | 2 | 0 | 1,156 | 1,158 | 0 | 0 |
| Covered loans | 635 | 1,705 | 21,766 | 24,106 | 1,135 | 0 |
| Total acquired loans and leases, net of unearned income and deferred costs and fees | \$2,928 | \$9,241 | \$636,521 | \$648,690 | \$ 4,881 | \$ 6,936 |

¹ Includes acquired loans that were recorded at fair value at the acquisition date.

December 31, 2013

| <i>(in thousands)</i> | 30-89 days | 90 days or more | Current Loans | Total Loans | 90 days and accruing ¹ | Nonaccrual |
|--|----------------|--------------------|--------------------|--------------------|---|------------------|
| Originated loans and leases | | | | | | |
| Commercial and industrial | | | | | | |
| Agriculture | \$0 | \$0 | \$74,788 | \$74,788 | \$0 | \$0 |
| Commercial and industrial other | 211 | 1,187 | 561,041 | 562,439 | 0 | 1,260 |
| Subtotal commercial and industrial | 211 | 1,187 | 635,829 | 637,227 | 0 | 1,260 |
| Commercial real estate | | | | | | |
| Construction | 216 | 7,657 | 38,568 | 46,441 | 0 | 9,873 |
| Agriculture | 180 | 0 | 52,447 | 52,627 | 0 | 46 |
| Commercial real estate other | 1,104 | 6,976 | 895,240 | 903,320 | 161 | 9,522 |
| Subtotal commercial real estate | 1,500 | 14,633 | 986,255 | 1,002,388 | 161 | 19,441 |
| Residential real estate | | | | | | |
| Home equity | 784 | 1,248 | 169,777 | 171,809 | 62 | 1,477 |
| Mortgages | 2,439 | 5,946 | 650,581 | 658,966 | 384 | 7,443 |
| Subtotal residential real estate | 3,223 | 7,194 | 820,358 | 830,775 | 446 | 8,920 |
| Consumer and other | | | | | | |
| Indirect | 768 | 152 | 20,282 | 21,202 | 0 | 216 |
| Consumer and other | 60 | 0 | 32,252 | 32,312 | 0 | 38 |
| Subtotal consumer and other | 828 | 152 | 52,534 | 53,514 | 0 | 254 |
| Leases | 0 | 0 | 5,563 | 5,563 | 0 | 0 |
| Total loans and leases | 5,762 | 23,166 | 2,500,539 | 2,529,467 | 607 | 29,875 |
| Less: unearned income and deferred costs and fees | 0 | 0 | 0 | (2,223) | 0 | 0 |
| Total originated loans and leases, net of unearned income and deferred costs and fees | \$5,762 | \$23,166 | \$2,500,539 | \$2,527,244 | \$ 607 | \$ 29,875 |
| Acquired loans and leases | | | | | | |
| Commercial and industrial | | | | | | |
| Commercial and industrial other | 554 | 1,651 | 126,298 | 128,503 | 1,231 | 419 |
| Subtotal commercial and industrial | 554 | 1,651 | 126,298 | 128,503 | 1,231 | 419 |
| Commercial real estate | | | | | | |
| Construction | 0 | 2,148 | 37,205 | 39,353 | 1,676 | 473 |
| Agriculture | 0 | 0 | 3,135 | 3,135 | 0 | 0 |
| Commercial real estate other | 403 | 3,585 | 362,450 | 366,438 | 709 | 3,450 |
| Subtotal commercial real estate | 403 | 5,733 | 402,790 | 408,926 | 2,385 | 3,923 |
| Residential real estate | | | | | | |
| Home equity | 213 | 934 | 66,036 | 67,183 | 347 | 1,844 |
| Mortgages | 345 | 1,264 | 33,727 | 35,336 | 594 | 2,322 |
| Subtotal residential real estate | 558 | 2,198 | 99,763 | 102,519 | 941 | 4,166 |
| Consumer and other | | | | | | |
| Indirect | 0 | 0 | 5 | 5 | 0 | 0 |
| Consumer and other | 17 | 0 | 1,202 | 1,219 | 0 | 0 |
| Subtotal consumer and other | 17 | 0 | 1,207 | 1,224 | 0 | 0 |
| Covered loans | 0 | 2,416 | 23,452 | 25,868 | 2,416 | 0 |

| | | | | | | |
|--|---------|----------|-----------|-----------|----------|----------|
| Total acquired loans and leases, net of unearned income and deferred costs and fees | \$1,532 | \$11,998 | \$653,510 | \$667,040 | \$ 6,973 | \$ 8,508 |
|--|---------|----------|-----------|-----------|----------|----------|

¹ Includes acquired loans that were recorded at fair value at the acquisition date.

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Except as described above, this Amendment does not modify or update the disclosures presented in, or exhibits to, the Original Filing in any way. This Amendment speaks as of the date of the Original Filing and does not reflect events occurring after the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing, as well as any other filings made by the Company with the SEC pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, as amended, subsequent to the filing of the Original Filing.

Part II. Other Information

Item 6. Exhibits

The following exhibits are filed as part of this Amendment No. 1 to Quarterly Report on Form 10-Q/A:

| Exhibit Number | Description |
|----------------|---|
| 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 Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, 18 U.S.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** | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Condition as of March 31, 2014 and December 31, 2013; (ii) Condensed Consolidated Statements of Income for the three months ended March 31, 2014 and 2013; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013; (v) Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2014 and 2013; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements. |

*Filed herewith.

**Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, as filed with the SEC on May 12, 2014.

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: May 16, 2014

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 INDEX

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