

**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 March 31, 2024

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**

**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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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: 14,404,486 shares as of May 3, 2024.



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)	As of 03/31/2024	As of 12/31/2023
ASSETS	(unaudited)	(audited)
Cash and noninterest bearing balances due from banks	\$ 47,236	\$ 67,212
Interest bearing balances due from banks	9,905	12,330
	<b>Cash and Cash Equivalents</b>	<b>57,141</b>
Available-for-sale debt securities, at fair value (amortized cost of \$ 1,511,471 at March 31, 2024 and \$ 1,548,482 at December 31, 2023)	1,366,355	1,416,650
Held-to-maturity debt securities, at amortized cost (fair value of \$ 265,102 at March 31, 2024 and \$ 267,455 at December 31, 2023)	312,415	312,401
Equity securities, at fair value	772	787
Total loans and leases, net of unearned income and deferred costs and fees	5,640,524	5,605,935
Less: Allowance for credit losses	51,704	51,584
	<b>Net Loans and Leases</b>	<b>5,588,820</b>
	<b>Total Assets \$</b>	<b>7,778,034 \$</b>
	<b>7,819,749</b>	
<b>LIABILITIES</b>		
Deposits:		
Interest bearing:		
Checking, savings and money market	3,646,960	3,484,878
Time	974,354	998,013
Noninterest bearing	1,828,302	1,916,956
	<b>Total Deposits</b>	<b>6,449,616</b>
	<b>6,399,847</b>	
Federal funds purchased and securities sold under agreements to repurchase	43,681	50,996
Other borrowings	522,600	602,100
Other liabilities	92,799	96,872
	<b>Total Liabilities \$</b>	<b>7,108,696 \$</b>
	<b>7,149,815</b>	
<b>EQUITY</b>		
Tompkins Financial Corporation shareholders' equity:		
Common Stock - par value \$ 0.10 per share: Authorized 25,000,000 shares; Issued: 14,440,029 at March 31, 2024; and 14,441,830 at December 31, 2023	1,444	1,444
Additional paid-in capital	297,790	297,183
Retained earnings	509,668	501,510
Accumulated other comprehensive loss	( 134,816 )	( 125,005 )
Treasury stock, at cost - 123,577 shares at March 31, 2024, and 132,097 shares at December 31, 2023	( 6,180 )	( 6,610 )
	<b>Total Tompkins Financial Corporation Shareholders' Equity</b>	<b>667,906</b>
	<b>668,522</b>	
Noncontrolling interests	1,432	1,412
	<b>Total Equity \$</b>	<b>669,338 \$</b>
	<b>669,934</b>	
	<b>Total Liabilities and Equity \$</b>	<b>7,778,034 \$</b>
	<b>7,819,749</b>	

See notes to unaudited consolidated financial statements.

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

<i>(In thousands, except per share data) (Unaudited)</i>	<b>Three Months Ended</b>	
	<b>03/31/2024</b>	<b>03/31/2023</b>
<b>INTEREST AND DIVIDEND INCOME</b>		
Loans	\$ 71,599	\$ 60,842
Due from banks	154	139
Available-for-sale debt securities	9,611	6,743
Held-to-maturity debt securities	1,218	1,214
Federal Home Loan Bank and other stock	601	300
	<b>Total Interest and Dividend Income</b>	<b>83,183</b>
	<b>69,238</b>	<b>69,238</b>
<b>INTEREST EXPENSE</b>		
Time certificates of deposits of \$250,000 or more	4,010	1,788
Other deposits	20,424	10,394
Federal funds purchased and securities sold under agreements to repurchase	13	14
Other borrowings	8,061	2,796
	<b>Total Interest Expense</b>	<b>32,508</b>
	<b>14,992</b>	<b>14,992</b>
	<b>Net Interest Income</b>	<b>50,675</b>
	<b>54,246</b>	<b>54,246</b>
	Less: Provision (credit) for credit loss expense	854 ( 825 )
	<b>Net Interest Income After Provision (Credit) for Credit Loss Expense</b>	<b>49,821</b>
	<b>55,071</b>	<b>55,071</b>
<b>NONINTEREST INCOME</b>		
Insurance commissions and fees	10,259	9,509
Wealth management fees	4,937	4,509
Service charges on deposit accounts	1,796	1,746
Card services income	2,939	2,682
Other income	2,220	1,941
Net (loss) gain on securities transactions	( 14 )	13
	<b>Total Noninterest Income</b>	<b>22,137</b>
	<b>20,400</b>	<b>20,400</b>
<b>NONINTEREST EXPENSE</b>		
Salaries and wages	24,697	24,512
Other employee benefits	6,411	6,741
Net occupancy expense of premises	3,557	3,299
Furniture and fixture expense	2,125	2,054
Amortization of intangible assets	76	83
Other operating expense	12,991	13,469
	<b>Total Noninterest Expenses</b>	<b>49,857</b>
	<b>50,158</b>	<b>50,158</b>
	<b>Income Before Income Tax Expense</b>	<b>22,101</b>
	<b>25,313</b>	<b>25,313</b>
	<b>Income Tax Expense</b>	<b>5,198</b>
	<b>5,901</b>	<b>5,901</b>
	<b>Net Income Attributable to Noncontrolling Interests and Tompkins Financial Corporation</b>	<b>16,903</b>
	<b>19,412</b>	<b>19,412</b>
	Less: Net Income Attributable to Noncontrolling Interests	31 31
	<b>Net Income Attributable to Tompkins Financial Corporation</b>	<b>\$ 16,872</b>
	<b>\$ 19,381</b>	<b>\$ 19,381</b>
<b>Basic Earnings Per Share</b>	<b>\$ 1.19</b>	<b>\$ 1.35</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 1.18</b>	<b>\$ 1.35</b>

*See notes to unaudited consolidated financial statements.*

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(In thousands) (Unaudited)</i>	<b>Three Months Ended</b>	
	<b>03/31/2024</b>	<b>03/31/2023</b>
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	\$ 16,903	\$ 19,412
Other comprehensive (loss) income, net of tax:		
Available-for-sale debt securities:		
Change in net unrealized loss during the period	( 10,028 )	20,578
Employee benefit plans:		
Amortization of net retirement plan actuarial loss	183	224
Amortization of net retirement plan prior service cost	34	41
Other comprehensive (loss) income	( 9,811 )	20,843
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation	7,092	40,255
Less: Net income attributable to noncontrolling interests	( 31 )	( 31 )
Total comprehensive income attributable to Tompkins Financial Corporation	\$ 7,061	\$ 40,224

*See notes to unaudited consolidated financial statements.*

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands) (Unaudited)	Three Months Ended		
	03/31/2024	03/31/2023	
<b>OPERATING ACTIVITIES</b>			
Net income attributable to Tompkins Financial Corporation			
	\$ 16,872	\$ 19,381	
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (credit) for credit loss expense	854	( 825 )	
Depreciation and amortization of premises, equipment, and software	3,006	2,678	
Amortization of intangible assets	76	83	
Earnings from corporate owned life insurance	( 551 )	( 615 )	
Net amortization on securities	( 297 )	961	
Amortization/accretion related to purchase accounting	( 289 )	( 213 )	
Net loss (gain) on securities transactions	14	( 13 )	
Net gain on sale of loans originated for sale	( 73 )	( 38 )	
Proceeds from sale of loans originated for sale	1,216	1,345	
Loans originated for sale	( 540 )	( 1,453 )	
Net gain on sale of bank premises and equipment	( 174 )	( 20 )	
Net excess tax (expense) benefit from stock based compensation	0	41	
Stock-based compensation expense	984	1,045	
(Increase) decrease in accrued interest receivable	( 2,494 )	1,236	
(Decrease) increase in accrued interest payable	( 353 )	159	
Other, net	4,990	( 994 )	
	<b>Net Cash Provided by Operating Activities</b>	<b>23,241</b>	<b>22,758</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from maturities, calls and principal paydowns of available-for-sale debt securities	38,972	35,646	
Purchases of available-for-sale debt securities	( 1,678 )	( 252 )	
Net increase in loans	( 36,490 )	( 3,218 )	
Proceeds from sale/redemptions of Federal Home Loan Bank stock	22,704	25,507	
Purchases of Federal Home Loan Bank and other stock	( 19,088 )	( 27,113 )	
Proceeds from sale of bank premises and equipment	214	55	
Purchases of bank premises, equipment and software	( 1,389 )	( 1,406 )	
Purchase of corporate owned life insurance	( 6,250 )	0	
Redemption of corporate owned life insurance	3,115	0	
Other, net	( 414 )	( 138 )	
	<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>( 304 )</b>	<b>29,081</b>
<b>FINANCING ACTIVITIES</b>			
Net increase (decrease) in demand, money market, and savings deposits	73,428	( 187,213 )	
Net (decrease) increase in time deposits	( 23,466 )	94,021	
Net (decrease) increase in Federal funds purchased and securities sold under agreements to repurchase	( 7,315 )	7,213	
Increase in other borrowings	0	85,000	
Repayment of other borrowings	( 79,500 )	( 49,300 )	
Cash dividends	( 8,526 )	( 8,712 )	
Common stock issued	41	0	
Net shares issued related to restricted stock awards	0	( 40 )	
Net proceeds from exercise of stock options	0	( 108 )	
	<b>Net Cash Used in Financing Activities</b>	<b>( 45,338 )</b>	<b>( 59,139 )</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>( 22,401 )</b>	<b>( 7,300 )</b>
Cash and cash equivalents at beginning of period		79,542	77,837
<b>Total Cash and Cash Equivalents at End of Period</b>	<b>\$ 57,141</b>	<b>\$ 70,537</b>	

*See notes to unaudited consolidated financial statements.*

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(In thousands) (Unaudited)</i>	<b>Three Months Ended</b>	
	<b>03/31/2024</b>	<b>03/31/2023</b>
<b>Supplemental Information:</b>		
Cash paid during the year for - Interest	\$ 33,053	\$ 14,927
Cash paid during the year for - Taxes	1,460	1,249
Right-of-use assets obtained in exchange for new lease liabilities	181	418

*See notes to unaudited consolidated financial statements.*

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

<i>(In thousands except share and per share data)(Unaudited)</i>	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive (Loss) Income</b>			<b>Treasury Stock</b>	<b>Non- controlling Interests</b>	<b>Total</b>
<b>Balances at January 1, 2023</b>	\$ 1,456	\$ 302,763	\$ 526,727	\$ (208,689)	\$ (6,279)	\$ 1,412	\$ 617,390		
Net income attributable to noncontrolling interests and Tompkins Financial Corporation									
				19,381			31	19,412	
Other comprehensive income					20,843				20,843
Total Comprehensive Income									40,255
Cash dividends (\$ 0.60 per share)				(8,712)					(8,712)
Net exercise of stock options ( 1,509 shares)			(108)						(108)
Stock-based compensation expense			1,045						1,045
Directors deferred compensation plan ( 7,870 shares)			(303)			303			0
Restricted stock activity ( 1,592 shares)			(40)						(40)
Adoption of Accounting Guidance ASU 2022-02				(65)					(65)
<b>Balances at March 31, 2023</b>	\$ 1,456	\$ 303,357	\$ 537,331	\$ (187,846)	\$ (5,976)	\$ 1,443	\$ 649,765		
<b>Balances at January 1, 2024</b>	\$ 1,444	\$ 297,183	\$ 501,510	\$ (125,005)	\$ (6,610)	\$ 1,412	\$ 669,934		
Net income attributable to noncontrolling interests and Tompkins Financial Corporation									
				16,872			31	16,903	
Other comprehensive loss					(9,811)				(9,811)
Total Comprehensive Income									7,092
Cash dividends (\$ 0.60 per share)				(8,643)					(8,643)
Treasury Stock ( 900 shares)			41			12			53
Stock-based compensation expense			984						984
Directors deferred compensation plan ( 7,620 shares)			(418)			418			0
Restricted stock activity ( 1,801 shares)									0
Adjustment due to the adoption of ASU 2023-02				(71)					(71)
Partial repurchase of noncontrolling interest						(11)			(11)
<b>Balances at March 31, 2024</b>	\$ 1,444	\$ 297,790	\$ 509,668	\$ (134,816)	\$ (6,180)	\$ 1,432	\$ 669,338		

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. At March 31, 2024, the Company had one wholly-owned banking subsidiary, Tompkins Community Bank. Tompkins Community Bank provides a full array of trust and wealth management 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 also has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). 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 policy that management considers critical in this respect is the determination of the allowance for credit losses.

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, 2024. 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, 2023.

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.

## Newly Adopted Accounting Standards

ASU No. 2023-02, *"Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method."* This update will allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits or other income tax benefits. This update applies this to all reporting entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a low income housing tax credit ("LIHTC") structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC specific guidance removed from Subtopic 323-740 has been applied. Additionally, the disclosure requirements apply to investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method (including investments within that elected program that do not meet the conditions to apply the proportional amortization method). The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023 and interim periods in those years. The adoption of ASU 2023-02 did not have a significant effect on the Company's financial statements.

Transition for existing tax credits that qualify must be recognized using either a modified retrospective transition or a retrospective transition for all existing tax investments still expected to provide tax benefits and elected under ASU 2023-02 to apply proportional amortization method. The Company has elected to treat all existing tax credit investments requiring adjustment under ASU 2023-02 using the modified retrospective method approach.

The Company currently has recorded investments in 2 separate LIHTC structures as of March 31, 2024 totaling \$2.3 million already using proportional amortization with a \$54,000 benefit recorded to income tax expense in the first quarter of 2024 and \$42,000 benefit in the first quarter of 2023. In addition, the Company has a historic rehabilitation tax credit that was previously recorded using the equity investment accounting method and had no residual book value or financial impact in either the current or prior year. The ASU 2023-02 day 1 adoption entry for this tax credit included the recording of a \$40,000 investment and the write-off of a \$444,000 gross timing difference (tax effective at \$111,000) with a corresponding \$71,000 reduction to retained earnings.

The Company has also elected to treat the following categories of tax credit investments under the proportional amortization method:

- LIHTC- Low Income Housing Tax Credits
- New Market Tax Credits
- Historic Rehabilitation Tax Credit
- Renewable Energy Tax Credit
- State Specific Tax Credits

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

The consolidated financial information included herein combines the results of operations, the assets, liabilities, and shareholders' equity of the Company and its subsidiaries. Amounts in the prior periods' unaudited 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 table summarizes available-for-sale debt securities held by the Company at March 31, 2024:

	Available-for-Sale Debt Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
March 31, 2024					
<i>(In thousands)</i>					
U.S. Treasuries	\$ 114,611	\$ 161	\$ 5,244	\$ 109,528	
Obligations of U.S. Government sponsored entities	462,622	4,172	23,595	443,199	
Obligations of U.S. states and political subdivisions	89,796	2	8,762	81,036	
Mortgage-backed securities – residential, issued by					
U.S. Government agencies	47,703	6	5,203	42,506	
U.S. Government sponsored entities	794,239	1,406	107,898	687,747	
U.S. corporate debt securities	2,500	0	161	2,339	
<b>Total available-for-sale debt securities</b>	<b>\$ 1,511,471</b>	<b>\$ 5,747</b>	<b>\$ 150,863</b>	<b>\$ 1,366,355</b>	

The following table summarizes available-for-sale debt securities held by the Company at December 31, 2023:

	Available-for-Sale Debt Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
December 31, 2023					
<i>(In thousands)</i>					
U.S. Treasuries	\$ 114,418	\$ 495	\$ 5,009	\$ 109,904	
Obligations of U.S. Government sponsored entities	472,286	6,449	22,277	456,458	
Obligations of U.S. states and political subdivisions	89,999	2	8,077	81,924	
Mortgage-backed securities – residential, issued by					
U.S. Government agencies	49,976	8	4,744	45,240	
U.S. Government sponsored entities	819,303	2,422	100,895	720,830	
U.S. corporate debt securities	2,500	0	206	2,294	
<b>Total available-for-sale debt securities</b>	<b>\$ 1,548,482</b>	<b>\$ 9,376</b>	<b>\$ 141,208</b>	<b>\$ 1,416,650</b>	

#### Held-to-Maturity Debt Securities

The following table summarizes held-to-maturity debt securities held by the Company at March 31, 2024:

	Held-to-Maturity Debt Securities				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
March 31, 2024					
<i>(In thousands)</i>					
U.S. Treasuries	\$ 86,211	\$ 0	\$ 12,075	\$ 74,136	
Obligations of U.S. Government sponsored entities	226,204	0	35,238	190,966	
<b>Total held-to-maturity debt securities</b>	<b>\$ 312,415</b>	<b>\$ 0</b>	<b>\$ 47,313</b>	<b>\$ 265,102</b>	

The following table summarizes held-to-maturity debt securities held by the Company at December 31, 2023:

December 31, 2023	Held-to-Maturity Debt Securities				
	Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses	
		Fair Value			
<i>(In thousands)</i>					
U.S. Treasuries	\$ 86,266	\$ 0	\$ 11,051	\$ 75,215	
Obligations of U.S. Government sponsored entities	226,135	0	33,895	192,240	
<b>Total held-to-maturity debt securities</b>	<b>\$ 312,401</b>	<b>\$ 0</b>	<b>\$ 44,946</b>	<b>\$ 267,455</b>	

The Company may from time to time sell debt securities from its available-for-sale portfolio. There were no sales of available-for-sale debt securities for both the three months ended March 31, 2024 and the three months ended March 31, 2023. Realized gains (losses) on sales of available-for-sale debt securities were \$ 0 for both the three months ended March 31, 2024 and the three months ended March 31, 2023. The Company's available-for-sale portfolio includes callable securities that may be called prior to maturity. There were no realized gains (losses) on called available-for-sale debt securities for the three months ended March 31, 2024 and the three months ended March 31, 2023. The Company also recognized net losses on equity securities of \$ 14,000 for the three months ended March 31, 2024 and net gains of \$ 13,000 for the same period during 2023, reflecting the change in fair value.

The following table summarizes available-for-sale debt securities that had unrealized losses at March 31, 2024:

<i>(In thousands)</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	\$ 9,942	\$ 1	\$ 65,460	\$ 5,243	\$ 75,402	\$ 5,244
Obligations of U.S. Government sponsored entities	14,384	188	219,684	23,407	234,068	23,595
Obligations of U.S. states and political subdivisions	1,607	13	78,913	8,749	80,520	8,762
Mortgage-backed securities – residential, issued by						
U.S. Government agencies	1,137	8	41,049	5,195	42,186	5,203
U.S. Government sponsored entities	11,000	134	581,249	107,764	592,249	107,898
U.S. corporate debt securities	0	0	2,339	161	2,339	161
<b>Total available-for-sale debt securities</b>	<b>\$ 38,070</b>	<b>\$ 344</b>	<b>\$ 988,694</b>	<b>\$ 150,519</b>	<b>\$ 1,026,764</b>	<b>\$ 150,863</b>

The following table summarizes available-for-sale debt securities that had unrealized losses at December 31, 2023:

<i>(In thousands)</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	\$ 0	\$ 0	\$ 65,663	\$ 5,009	\$ 65,663	\$ 5,009
Obligations of U.S. Government sponsored entities	14,453	110	220,913	22,167	235,366	22,277
Obligations of U.S. states and political subdivisions	10,572	106	69,601	7,971	80,173	8,077
Mortgage-backed securities – residential, issued by						
U.S. Government agencies	1,145	4	43,764	4,740	44,909	4,744
U.S. Government sponsored entities	5,659	66	609,456	100,829	615,115	100,895
U.S. corporate debt securities	0	0	2,294	206	2,294	206
<b>Total available-for-sale debt securities</b>	<b>\$ 31,829</b>	<b>\$ 286</b>	<b>\$ 1,011,691</b>	<b>\$ 140,922</b>	<b>\$ 1,043,520</b>	<b>\$ 141,208</b>

The following table summarizes held-to-maturity debt securities that had unrealized losses at March 31, 2024:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasuries	\$ 0	\$ 0	\$ 74,136	\$ 12,075	\$ 74,136	\$ 12,075
Obligations of U.S. Government sponsored entities	0	0	190,966	35,238	190,966	35,238
<b>Total held-to-maturity debt securities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 265,102</b>	<b>\$ 47,313</b>	<b>\$ 265,102</b>	<b>\$ 47,313</b>

The following table summarizes held-to-maturity debt securities that had unrealized losses at December 31, 2023:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasuries	\$ 0	\$ 0	\$ 75,215	\$ 11,051	\$ 75,215	\$ 11,051
Obligations of U.S. Government sponsored entities	0	0	192,240	33,895	192,240	33,895
<b>Total held-to-maturity debt securities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 267,455</b>	<b>\$ 44,946</b>	<b>\$ 267,455</b>	<b>\$ 44,946</b>

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 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 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 Consolidated Statements 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.

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 March 31, 2024, 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 "low-risk," 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 March 31, 2024 or December 31, 2023.

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.

The Company did not recognize any net credit impairment charge to earnings on investment securities in the first quarter of 2024.

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.

**March 31, 2024**

<i>(In thousands)</i>	<b>Amortized Cost</b>	<b>Fair Value</b>
Available-for-sale debt securities:		
Due in one year or less		
Due in one year or less	\$ 99,896	\$ 99,423
Due after one year through five years	299,154	286,149
Due after five years through ten years	244,129	229,834
Due after ten years	26,350	20,696
Total	669,529	636,102
Mortgage-backed securities		
Total available-for-sale debt securities	\$ 1,511,471	\$ 1,366,355

**December 31, 2023**

<i>(In thousands)</i>	<b>Amortized Cost</b>	<b>Fair Value</b>
Available-for-sale debt securities:		
Due in one year or less		
Due in one year or less	\$ 99,242	\$ 98,650
Due after one year through five years	307,093	296,279
Due after five years through ten years	245,617	233,569
Due after ten years	27,251	22,082
Total	679,203	650,580
Mortgage-backed securities		
Total available-for-sale debt securities	\$ 1,548,482	\$ 1,416,650

**March 31, 2024**

<i>(In thousands)</i>	<b>Amortized Cost</b>	<b>Fair Value</b>
Held-to-maturity debt securities:		
Due after five years through ten years		
Due after five years through ten years	\$ 312,415	\$ 265,102
Total held-to-maturity debt securities	\$ 312,415	\$ 265,102

**December 31, 2023**

<i>(In thousands)</i>	<b>Amortized Cost</b>	<b>Fair Value</b>
Held-to-maturity debt securities:		
Due after five years through ten years		
Due after five years through ten years	\$ 312,401	\$ 267,455
Total held-to-maturity debt securities	\$ 312,401	\$ 267,455

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 Federal Home Loan Bank ("FHLB") stock is tied to the Company's borrowing levels with the FHLB. Holdings of FHLBNY stock and ACBB stock totaled \$ 30.0 million and \$ 95,000 , respectively, at March 31, 2024. 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 March 31, 2024, we determined that no impairment write-downs were required.

#### 4. Loans and Leases

Loans and Leases at March 31, 2024 and December 31, 2023 were as follows:

(In thousands)	03/31/2024	12/31/2023
Commercial and industrial		
Agriculture	\$ 98,984	\$ 101,211
Commercial and industrial other	727,552	721,890
PPP loans	301	404
Subtotal commercial and industrial	826,837	823,505
Commercial real estate		
Construction	317,092	303,406
Agriculture	212,374	221,670
Commercial real estate other	2,616,918	2,587,591
Subtotal commercial real estate	3,146,384	3,112,667
Residential real estate		
Home equity	187,940	188,316
Mortgages	1,371,153	1,373,275
Subtotal residential real estate	1,559,093	1,561,591
Consumer and other		
Indirect	621	841
Consumer and other	97,899	96,942
Subtotal consumer and other	98,520	97,783
Leases		
Total loans and leases	5,645,359	5,610,929
Less: unearned income and deferred costs and fees	( 4,835 )	( 4,994 )
Total loans and leases, net of unearned income and deferred costs and fees	\$ 5,640,524	\$ 5,605,935

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, 2023. 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 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 contractually 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 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 March 31, 2024 and December 31, 2023:

**March 31, 2024**

(In thousands)	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current	Total Loans					
					Loans						
<b>Loans and Leases</b>											
Commercial and industrial											
Agriculture	\$ 0	\$ 0	\$ 0	\$ 98,984	\$ 98,984						
Commercial and industrial other	1,612	18	3,028	4,658	722,894	727,552					
PPP loans	0	0	0	0	301	301					
Subtotal commercial and industrial	1,612	18	3,028	4,658	822,179	826,837					
Commercial real estate											
Construction	502	0	0	502	316,590	317,092					
Agriculture	151	0	0	151	212,223	212,374					
Commercial real estate other	2,029	209	42,620	44,858	2,572,060	2,616,918					
Subtotal commercial real estate	2,682	209	42,620	45,511	3,100,873	3,146,384					
Residential real estate											
Home equity	667	31	1,981	2,679	185,261	187,940					
Mortgages	2,103	246	6,270	8,619	1,362,534	1,371,153					
Subtotal residential real estate	2,770	277	8,251	11,298	1,547,795	1,559,093					
Consumer and other											
Indirect	12	0	7	19	602	621					
Consumer and other	240	195	339	774	97,125	97,899					
Subtotal consumer and other	252	195	346	793	97,727	98,520					
Leases	0	0	0	0	14,525	14,525					
<b>Total loans and leases</b>	<b>7,316</b>	<b>699</b>	<b>54,245</b>	<b>62,260</b>	<b>5,583,099</b>	<b>5,645,359</b>					
Less: unearned income and deferred costs and fees	0	0	0	0	( 4,835 )	( 4,835 )					
<b>Total loans and leases, net of unearned income and deferred costs and fees</b>	<b>\$ 7,316</b>	<b>\$ 699</b>	<b>\$ 54,245</b>	<b>\$ 62,260</b>	<b>\$ 5,578,264</b>	<b>\$ 5,640,524</b>					

December 31, 2023

(In thousands)	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current Loans	Total Loans
<b>Loans and Leases</b>						
Commercial and industrial						
Agriculture	\$ 0	\$ 0	\$ 0	\$ 0	\$ 101,211	\$ 101,211
Commercial and industrial other	389	887	2,124	3,400	718,490	721,890
PPP loans	0	0	0	0	404	404
<b>Subtotal commercial and industrial</b>	<b>389</b>	<b>887</b>	<b>2,124</b>	<b>3,400</b>	<b>820,105</b>	<b>823,505</b>
Commercial real estate						
Construction	0	0	0	0	303,406	303,406
Agriculture	61	0	0	61	221,609	221,670
Commercial real estate other	290	0	25,056	25,346	2,562,245	2,587,591
<b>Subtotal commercial real estate</b>	<b>351</b>	<b>0</b>	<b>25,056</b>	<b>25,407</b>	<b>3,087,260</b>	<b>3,112,667</b>
Residential real estate						
Home equity	466	211	1,968	2,645	185,671	188,316
Mortgages	1,353	111	6,916	8,380	1,364,895	1,373,275
<b>Subtotal residential real estate</b>	<b>1,819</b>	<b>322</b>	<b>8,884</b>	<b>11,025</b>	<b>1,550,566</b>	<b>1,561,591</b>
Consumer and other						
Indirect	7	11	11	29	812	841
Consumer and other	302	122	270	694	96,248	96,942
<b>Subtotal consumer and other</b>	<b>309</b>	<b>133</b>	<b>281</b>	<b>723</b>	<b>97,060</b>	<b>97,783</b>
Leases	0	0	0	0	15,383	15,383
<b>Total loans and leases</b>	<b>2,868</b>	<b>1,342</b>	<b>36,345</b>	<b>40,555</b>	<b>5,570,374</b>	<b>5,610,929</b>
Less: unearned income and deferred costs and fees	0	0	0	0	( 4,994 )	( 4,994 )
<b>Total loans and leases, net of unearned income and deferred costs and fees</b>	<b>\$ 2,868</b>	<b>\$ 1,342</b>	<b>\$ 36,345</b>	<b>\$ 40,555</b>	<b>\$ 5,565,380</b>	<b>\$ 5,605,935</b>

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 March 31, 2024 and December 31, 2023:

**March 31, 2024**

(In thousands)	Nonaccrual Loans and Leases with no ACL	Nonaccrual Loans and Leases	Loans and Leases Past Due Over 89 Days and Accruing
<b>Loans and Leases</b>			
Commercial and industrial			
Commercial and industrial other	\$ 400	\$ 4,267	\$ 0
Subtotal commercial and industrial	400	4,267	0
Commercial real estate			
Agriculture	0	142	0
Commercial real estate other	41,505	43,093	0
Subtotal commercial real estate	41,505	43,235	0
Residential real estate			
Home equity	0	3,474	0
Mortgages	0	11,255	0
Subtotal residential real estate	0	14,729	0
Consumer and other			
Indirect	0	33	0
Consumer and other	0	280	151
Subtotal consumer and other	0	313	151
<b>Total loans and leases</b>	<b>\$ 41,905</b>	<b>\$ 62,544</b>	<b>\$ 151</b>

**December 31, 2023**

(In thousands)	Nonaccrual Loans and Leases with no ACL	Nonaccrual Loans and Leases	Loans and Leases Past Due Over 89 Days and Accruing
<b>Loans and Leases</b>			
Commercial and industrial			
Agriculture	\$ 0	\$ 20	\$ 0
Commercial and industrial other	0	2,253	0
Subtotal commercial and industrial	0	2,273	0
Commercial real estate			
Agriculture	0	170	0
Commercial real estate other	42,038	44,280	0
Subtotal commercial real estate	42,038	44,450	0
Residential real estate			
Home equity	0	3,230	0
Mortgages	0	11,942	0
Subtotal residential real estate	0	15,172	0
Consumer and other			
Indirect	0	40	0
Consumer and other	0	230	101
Subtotal consumer and other	0	270	101
<b>Total loans and leases</b>	<b>\$ 42,038</b>	<b>\$ 62,165</b>	<b>\$ 101</b>

The Company recognized \$ 0 of interest income on nonaccrual loans during the three months ended March 31, 2024.

## **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*.

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, and scenario weightings, are also considered by management when developing the forecast metrics.

Due to the size and characteristics of the leasing portfolio, the Company uses the remaining life method, using the historical loss rate of the commercial and industrial segment, to determine the allowance for credit losses.

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 March 31, 2024, considers the allowance to be appropriate, under adversely different 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 for credit loss expense in the Company's consolidated statements of income.

The following table details activity in the allowance for credit losses on loans and leases for the three months ended March 31, 2024 and 2023. 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 March 31, 2024**

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 6,667	\$ 31,581	\$ 11,700	\$ 1,557	\$ 79	\$ 51,584
Charge-offs	0	0	0	( 445 )	0	( 445 )
Recoveries	7	2	120	88	0	217
Provision (credit) for credit loss expense	912	( 116 )	( 639 )	196	( 5 )	348
<b>Ending Balance</b>	<b>\$ 7,586</b>	<b>\$ 31,467</b>	<b>\$ 11,181</b>	<b>\$ 1,396</b>	<b>\$ 74</b>	<b>\$ 51,704</b>

**Three Months Ended March 31, 2023**

(In thousands)	Commercial & Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 6,039	\$ 27,287	\$ 11,154	\$ 1,358	\$ 96	\$ 45,934
Impact of adopting ASU 2016-13	2	16	46	0	0	64
Charge-offs	0	0	( 2 )	( 106 )	0	( 108 )
Recoveries	46	1,246	64	33	0	1,389
Provision (credit) for credit loss expense	229	( 1,363 )	( 404 )	343	15	( 1,180 )
<b>Ending Balance</b>	<b>\$ 6,316</b>	<b>\$ 27,186</b>	<b>\$ 10,858</b>	<b>\$ 1,628</b>	<b>\$ 111</b>	<b>\$ 46,099</b>

The following table details activity in the liabilities for off-balance sheet credit exposures for the three months ended March 31, 2024 and 2023:

(In thousands)	2024	2023
Liabilities for off-balance sheet credit exposures at beginning of period	\$ 2,270	\$ 2,796
Provision for credit loss expense related to off-balance sheet credit exposures	506	355
Liabilities for off-balance sheet credit exposures at end of period	\$ 2,776	\$ 3,151

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:

**March 31, 2024**

(In thousands)	Business			ACL	
	Real Estate	Assets	Other	Total	Allocation
Commercial and Industrial	\$ 2,678	\$ 0	\$ 0	\$ 2,678	\$ 300
Commercial Real Estate	41,857	0	0	41,857	1,082
<b>Total Loans and Leases</b>	<b>\$ 44,535</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 44,535</b>	<b>\$ 1,382</b>

December 31, 2023

(In thousands)	Business Assets			Total		ACL Allocation
	Real Estate	Other	Total			
Commercial and Industrial	\$ 2,035	\$ 0	\$ 2,035	\$ 0	\$ 0	0
Commercial Real Estate	42,333	0	42,333	0	42,333	1,082
<b>Total Loans and Leases</b>	<b>\$ 44,368</b>	<b>\$ 0</b>	<b>\$ 44,368</b>	<b>\$ 0</b>	<b>\$ 44,368</b>	<b>1,082</b>

**Loan Modifications to Borrowers Experiencing Financial Difficulty**

The Company adopted ASU 2022-02 Financial Instruments - Credit Losses (Topic 326) effective January 1, 2023. This standard eliminated the previous trouble debt restructuring accounting model and replaced it with guidance and disclosure requirements for identifying modifications to loans to borrowers experiencing financial difficulty. Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

The following table shows the amortized cost basis at March 31, 2024 of the loans modified to borrowers experiencing financial difficulty for the three months ended March 31, 2024, disaggregated by class of financing receivable and type of concession granted:

(In thousands)	Term Payment Delay Extension and					% of Total Class of	
	Term Extension	Interest Rate Reduction	and Term Extension	Interest Rate Reduction	Payment Delay	Total	Loans and Leases
<b>Commercial Real Estate</b>							
Commercial Real Estate Other	\$ 0	\$ 3,084	\$ 0	\$ 0	\$ 0	3,084	0.12 %
<b>Total Commercial Real Estate</b>	<b>0</b>	<b>3,084</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,084</b>	<b>0.10 %</b>
<b>Residential</b>							
Mortgages	0	0	0	0	396	396	0.03 %
<b>Total Residential</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>396</b>	<b>396</b>	<b>0.03 %</b>
<b>Consumer</b>							
Consumer and Other	22	0	0	0	0	22	0.02 %
<b>Total Consumer</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>0.02 %</b>
<b>Total Loans and Leases</b>	<b>\$ 22</b>	<b>\$ 3,084</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 396</b>	<b>\$ 3,502</b>	<b>0.06 %</b>

There were no loan modifications made to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2024.

The following table shows the aging analysis of loan modifications made to borrowers experiencing financial difficulty as of March 31, 2024:

March 31, 2024 (In thousands)	Payment Status (Amortized Cost Basis)						Total
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Non-Accrual		
<b>Commercial Real Estate</b>							
Commercial real estate other	\$ 3,084	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,084
Total Commercial Real Estate	3,084	0	0	0	0	0	3,084
<b>Residential Real Estate</b>							
Mortgages	157	0	0	0	239	239	396
Total Residential Real Estate	157	0	0	0	239	239	396
<b>Consumer and Other</b>							
Consumer and other	0	0	0	0	22	22	22
Total Consumer and Other	0	0	0	0	22	22	22
<b>Total</b>	<b>\$ 3,241</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 261</b>	<b>\$ 261</b>	<b>\$ 3,502</b>

There were no loan modifications made to borrowers experiencing financial difficulty as of March 31, 2023.

The following tables present credit quality indicators by total loans on an amortized cost basis by origination year as of March 31, 2024 and December 31, 2023:

March 31, 2024

(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving	Revolving	Converted to
							Loans	Loans	
							Amortized	Term	Total Loans
<b>Commercial and Industrial - Other:</b>									
Internal risk grade:									
Pass	\$ 21,184	\$ 122,804	\$ 96,426	\$ 64,762	\$ 25,160	\$ 167,533	\$ 216,495	\$ 4,592	\$ 718,956
Special Mention	1,042	858	184	199	205	349	130	0	2,967
Substandard	0	735	31	69	162	2,922	1,710	0	5,629
<b>Total Commercial and Industrial - Other</b>	<b>\$ 22,226</b>	<b>\$ 124,397</b>	<b>\$ 96,641</b>	<b>\$ 65,030</b>	<b>\$ 25,527</b>	<b>\$ 170,804</b>	<b>\$ 218,335</b>	<b>\$ 4,592</b>	<b>\$ 727,552</b>
<b>Current-period gross writeoffs</b>									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
<b>Total Commercial and Industrial - PPP:</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 233</b>	<b>\$ 68</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 301</b>
<b>Current-period gross writeoffs</b>									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
<b>Total Commercial and Industrial - Agriculture:</b>	<b>\$ 2,581</b>	<b>\$ 29,717</b>	<b>\$ 11,582</b>	<b>\$ 2,661</b>	<b>\$ 2,624</b>	<b>\$ 9,681</b>	<b>\$ 38,347</b>	<b>\$ 1,686</b>	<b>\$ 98,879</b>
Pass	\$ 2,581	\$ 29,717	\$ 11,582	\$ 2,661	\$ 2,624	\$ 9,681	\$ 38,347	\$ 1,686	\$ 98,879
Special Mention	0	0	0	44	0	0	0	0	44
Substandard	0	0	0	0	52	8	1	0	61
<b>Total Commercial and Industrial - Agriculture</b>	<b>\$ 2,581</b>	<b>\$ 29,717</b>	<b>\$ 11,582</b>	<b>\$ 2,705</b>	<b>\$ 2,676</b>	<b>\$ 9,689</b>	<b>\$ 38,348</b>	<b>\$ 1,686</b>	<b>\$ 98,984</b>
<b>Current-period gross writeoffs</b>									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Mention	0	0	0	0	0	0	0	0	41,913
Substandard	0	0	15,018	2,127	0	48,114	1,276	0	66,535
<b>Total Commercial Real Estate</b>	<b>\$ 61,676</b>	<b>\$ 256,427</b>	<b>\$ 341,242</b>	<b>\$ 370,270</b>	<b>\$ 289,733</b>	<b>\$ 1,165,957</b>	<b>\$ 19,507</b>	<b>\$ 3,658</b>	<b>\$ 2,508,470</b>
Pass	\$ 61,676	\$ 256,427	\$ 341,242	\$ 370,270	\$ 289,733	\$ 1,165,957	\$ 19,507	\$ 3,658	\$ 2,508,470
Special Mention	0	0	627	0	17,012	24,274	0	0	41,913
Substandard	0	0	15,018	2,127	0	48,114	1,276	0	66,535
<b>Total Commercial Real Estate</b>	<b>\$ 61,676</b>	<b>\$ 256,427</b>	<b>\$ 356,887</b>	<b>\$ 372,397</b>	<b>\$ 306,745</b>	<b>\$ 1,238,345</b>	<b>\$ 20,783</b>	<b>\$ 3,658</b>	<b>\$ 2,616,918</b>
<b>Current-period gross writeoffs</b>									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Mention	0	0	0	0	0	1,378	0	0	1,378
Substandard	0	0	0	0	0	187	0	0	187
<b>Total Commercial Real Estate - Agriculture</b>	<b>\$ 417</b>	<b>\$ 14,236</b>	<b>\$ 38,943</b>	<b>\$ 22,508</b>	<b>\$ 20,752</b>	<b>\$ 111,386</b>	<b>\$ 4,132</b>	<b>\$ 0</b>	<b>\$ 212,374</b>
<b>Current-period gross writeoffs</b>									
Pass	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0

(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving	Revolving	
							Loans Amortized	Cost Basis	Term
<b>Commercial Real Estate - Construction</b>									
Pass	\$ 0	\$ 0	\$ 690	\$ 7,413	\$ 2,057	\$ 328	\$ 306,104	\$ 500	\$ 317,092
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
<b>Total Commercial Real Estate - Construction</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 690</b>	<b>\$ 7,413</b>	<b>\$ 2,057</b>	<b>\$ 328</b>	<b>\$ 306,104</b>	<b>\$ 500</b>	<b>\$ 317,092</b>
<b>Current-period gross writeoffs</b>									
Residential - Home Equity	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Performing	\$ 72	\$ 2,105	\$ 2,021	\$ 862	\$ 496	\$ 13,575	\$ 164,952	\$ 383	\$ 184,466
Nonperforming	0	0	0	0	0	793	2,681	0	3,474
<b>Total Residential - Home Equity</b>	<b>\$ 72</b>	<b>\$ 2,105</b>	<b>\$ 2,021</b>	<b>\$ 862</b>	<b>\$ 496</b>	<b>\$ 14,368</b>	<b>\$ 167,633</b>	<b>\$ 383</b>	<b>\$ 187,940</b>
<b>Current-period gross writeoffs</b>									
Residential - Mortgages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Performing	\$ 17,791	\$ 134,697	\$ 183,845	\$ 252,852	\$ 218,740	\$ 551,972	\$ 0	\$ 0	\$ 1,359,897
Nonperforming	0	0	391	422	877	9,566	0	0	11,256
<b>Total Residential - Mortgages</b>	<b>\$ 17,791</b>	<b>\$ 134,697</b>	<b>\$ 184,236</b>	<b>\$ 253,274</b>	<b>\$ 219,617</b>	<b>\$ 561,538</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,371,153</b>
<b>Current-period gross writeoffs</b>									
Consumer - Direct	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Performing	\$ 32,279	\$ 21,706	\$ 12,354	\$ 10,538	\$ 4,872	\$ 13,201	\$ 2,670	\$ 0	\$ 97,620
Nonperforming	0	0	3	13	0	256	7	0	279
<b>Total Consumer - Direct</b>	<b>\$ 32,279</b>	<b>\$ 21,706</b>	<b>\$ 12,357</b>	<b>\$ 10,551</b>	<b>\$ 4,872</b>	<b>\$ 13,457</b>	<b>\$ 2,677</b>	<b>\$ 0</b>	<b>\$ 97,899</b>
<b>Current-period gross writeoffs</b>									
Consumer - Indirect	\$ 401	\$ 8	\$ 2	\$ 16	\$ 5	\$ 10	\$ 0	\$ 0	\$ 442
Performing	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82	\$ 54	\$ 452	\$ 0	\$ 588
Nonperforming	0	0	0	0	0	33	0	0	33
<b>Total Consumer - Indirect</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 82</b>	<b>\$ 54</b>	<b>\$ 485</b>	<b>\$ 0</b>	<b>\$ 621</b>
<b>Current-period gross writeoffs</b>									
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3	\$ 0	\$ 3

December 31, 2023

(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving	Converted to	
							Loans	Loans		
							Amortized	Cost Basis	Term	Total Loans
<b>Commercial and Industrial - Other:</b>										
Pass	\$ 130,993	\$ 92,335	\$ 68,030	\$ 28,237	\$ 33,618	\$ 141,758	\$ 212,349	\$ 5,063	\$ 712,383	
Special Mention	915	196	222	242	79	1,287	682	0	3,623	
Substandard	0	46	78	329	18	2,833	2,580	0	5,884	
<b>Total Commercial and Industrial - Other</b>	<b>\$ 131,908</b>	<b>\$ 92,577</b>	<b>\$ 68,330</b>	<b>\$ 28,808</b>	<b>\$ 33,715</b>	<b>\$ 145,878</b>	<b>\$ 215,611</b>	<b>\$ 5,063</b>	<b>\$ 721,890</b>	
<b>Current-period gross writeoffs</b>										
	\$ 6	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29	\$ 0	\$ 0	\$ 0	\$ 35
<b>Commercial and Industrial - Agriculture:</b>										
Pass	\$ 24,924	\$ 11,935	\$ 3,341	\$ 3,114	\$ 3,268	\$ 16,759	\$ 36,728	\$ 1,030	\$ 101,099	
Special Mention	0	0	47	0	0	0	0	0	0	47
Substandard	0	0	0	56	0	8	1	0	0	65
<b>Total Commercial and Industrial - Agriculture</b>	<b>\$ 24,924</b>	<b>\$ 11,935</b>	<b>\$ 3,388</b>	<b>\$ 3,170</b>	<b>\$ 3,268</b>	<b>\$ 16,767</b>	<b>\$ 36,729</b>	<b>\$ 1,030</b>	<b>\$ 101,211</b>	
<b>Current-period gross writeoffs</b>										
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Commercial and Industrial - PPP:</b>										
Pass	\$ 0	\$ 0	\$ 264	\$ 140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	404
Special Mention	0	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0	0
<b>Total Commercial and Industrial - PPP</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 264</b>	<b>\$ 140</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>404</b>
<b>Current-period gross writeoffs</b>										
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Commercial Real Estate</b>										
Pass	\$ 246,016	\$ 317,583	\$ 365,975	\$ 292,960	\$ 272,722	\$ 921,201	\$ 34,346	\$ 24,949	\$ 2,475,752	
Special Mention	0	632	0	17,133	11,422	16,100	0	0	0	45,287
Substandard	0	15,300	2,128	0	2,059	45,709	1,356	0	0	66,552
<b>Total Commercial Real Estate</b>	<b>\$ 246,016</b>	<b>\$ 333,515</b>	<b>\$ 368,103</b>	<b>\$ 310,093</b>	<b>\$ 286,203</b>	<b>\$ 983,010</b>	<b>\$ 35,702</b>	<b>\$ 24,949</b>	<b>\$ 2,587,591</b>	
<b>Current-period gross writeoffs</b>										
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Commercial Real Estate - Agriculture:</b>										
Pass	\$ 14,668	\$ 37,256	\$ 22,813	\$ 21,001	\$ 23,794	\$ 93,890	\$ 257	\$ 6,364	\$ 220,043	
Special Mention	0	0	0	0	378	1,033	0	0	0	1,411
Substandard	0	0	0	0	170	46	0	0	0	216
<b>Total Commercial Real Estate - Agriculture</b>	<b>\$ 14,668</b>	<b>\$ 37,256</b>	<b>\$ 22,813</b>	<b>\$ 21,001</b>	<b>\$ 24,342</b>	<b>\$ 94,969</b>	<b>\$ 257</b>	<b>\$ 6,364</b>	<b>\$ 221,670</b>	
<b>Current-period gross writeoffs</b>										
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving	
							Loans Amortized	Loans Converted to Cost Basis	Term
<b>Commercial Real Estate - Construction</b>									
Pass	\$ 9,265	\$ 2,793	\$ 8,068	\$ 2,501	\$ 357	\$ 596	\$ 274,224	\$ 5,602	\$ 303,406
Special Mention	0	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0	0
<b>Total Commercial Real Estate - Construction</b>	<b>\$ 9,265</b>	<b>\$ 2,793</b>	<b>\$ 8,068</b>	<b>\$ 2,501</b>	<b>\$ 357</b>	<b>\$ 596</b>	<b>\$ 274,224</b>	<b>\$ 5,602</b>	<b>\$ 303,406</b>
<b>Current-period gross writeoffs</b>									
Residential - Home Equity	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Performing	\$ 2,378	\$ 2,237	\$ 890	\$ 529	\$ 832	\$ 8,178	\$ 164,205	\$ 5,837	\$ 185,086
Nonperforming	0	0	0	0	0	337	2,893	0	3,230
<b>Total Residential - Home Equity</b>	<b>2,378</b>	<b>2,237</b>	<b>890</b>	<b>529</b>	<b>832</b>	<b>8,515</b>	<b>167,098</b>	<b>5,837</b>	<b>188,316</b>
<b>Current-period gross writeoffs</b>									
Residential - Mortgages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20	\$ 0	\$ 0	\$ 20
Performing	\$ 131,004	\$ 186,401	\$ 256,127	\$ 221,945	\$ 109,594	\$ 456,167	\$ 0	\$ 0	\$ 1,361,238
Nonperforming	0	393	329	986	883	9,446	0	0	12,037
<b>Total Residential - Mortgages</b>	<b>\$ 131,004</b>	<b>\$ 186,794</b>	<b>\$ 256,456</b>	<b>\$ 222,931</b>	<b>\$ 110,477</b>	<b>\$ 465,613</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,373,275</b>
<b>Current-period gross writeoffs</b>									
Consumer - Direct	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Performing	\$ 50,295	\$ 13,327	\$ 11,316	\$ 5,157	\$ 4,037	\$ 9,857	\$ 2,723	\$ 0	\$ 96,712
Nonperforming	2	0	0	0	70	157	1	0	230
<b>Total Consumer - Direct</b>	<b>\$ 50,297</b>	<b>\$ 13,327</b>	<b>\$ 11,316</b>	<b>\$ 5,157</b>	<b>\$ 4,107</b>	<b>\$ 10,014</b>	<b>\$ 2,724</b>	<b>\$ 0</b>	<b>\$ 96,942</b>
<b>Current-period gross writeoffs</b>									
Consumer - Indirect	\$ 801	\$ 29	\$ 16	\$ 21	\$ 83	\$ 28	\$ 0	\$ 0	\$ 978
Performing	\$ 0	\$ 0	\$ 97	\$ 68	\$ 402	\$ 234	\$ 0	\$ 0	\$ 801
Nonperforming	0	0	0	0	30	10	0	0	40
<b>Total Consumer - Indirect</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 97</b>	<b>\$ 68</b>	<b>\$ 432</b>	<b>\$ 244</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 841</b>
<b>Current-period gross writeoffs</b>									
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53	\$ 14	\$ 0	\$ 0	\$ 67

#### 6. Earnings Per Share

Earnings per share in the table below, for the three month periods ended March 31, 2024 and 2023 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. Prior to 2019, the Company issued restricted stock awards that contained such rights and are therefore considered participating securities. Since 2019, the Company has issued restricted stock awards that do not have nonforfeitable rights to dividends and are therefore not 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	
	03/31/2024	03/31/2023
<b>Basic</b>		
Net income available to common shareholders	\$ 16,872	\$ 19,381
Less: income attributable to unvested stock-based compensation awards	0	( 18 )
Net earnings allocated to common shareholders	16,872	19,363
Weighted average shares outstanding, including unvested stock-based compensation awards	14,405,747	14,520,092
Less: average unvested stock-based compensation awards	( 193,837 )	( 193,497 )
Weighted average shares outstanding - Basic	14,211,910	14,326,595
<b>Diluted</b>		
Net earnings allocated to common shareholders	16,872	19,363
Weighted average shares outstanding - Basic	14,211,910	14,326,595
Plus: incremental shares from assumed conversion of stock-based compensation awards	26,447	63,078
Weighted average shares outstanding - Diluted	14,238,357	14,389,673
Basic EPS	\$ 1.19	\$ 1.35
Diluted EPS	\$ 1.18	\$ 1.35

Stock-based compensation awards representing 110,135 and 2,860 of common shares during the three months ended March 31, 2024 and 2023, 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 the accumulated other comprehensive income (loss) for the three month periods ended March 31, 2024 and 2023:

(In thousands)	Three Months Ended March 31, 2024		
	Before-Tax Amount	Tax (Expense) Benefit	Net of Tax
<b>Available-for-sale debt securities:</b>			
Change in net unrealized (loss) gain during the period	\$ ( 13,284 )	\$ 3,256	\$ ( 10,028 )
Net unrealized losses	( 13,284 )	3,256	( 10,028 )
<b>Employee benefit plans:</b>			
Amortization of net retirement plan actuarial gain (loss)	242	( 59 )	183
Amortization of net retirement plan prior service cost	45	( 11 )	34
Employee benefit plans	287	( 70 )	217
<b>Other comprehensive (loss) income</b>	<b>\$ ( 12,997 )</b>	<b>\$ 3,186</b>	<b>\$ ( 9,811 )</b>

Three Months Ended March 31, 2023

(In thousands)	Before-Tax Amount	Tax (Expense) Benefit	Net of Tax
<b>Available-for-sale debt securities:</b>			
Change in net unrealized gain (loss) during the period	\$ 27,255	\$ ( 6,677 )	\$ 20,578
Net unrealized gains (losses)	27,255	( 6,677 )	20,578
<b>Employee benefit plans:</b>			
Amortization of net retirement plan actuarial gain (loss)	297	( 73 )	224
Amortization of net retirement plan prior service cost	55	( 14 )	41
Employee benefit plans	352	( 87 )	265
<b>Other comprehensive income (loss)</b>	<b>\$ 27,607</b>	<b>\$ ( 6,764 )</b>	<b>\$ 20,843</b>

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

(In thousands)	Available-for-Sale Debt Securities	Employee Benefit Plans	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2024	\$ ( 99,535 )	\$ ( 25,470 )	\$ ( 125,005 )
Other comprehensive loss before reclassifications	( 10,028 )	0	( 10,028 )
Amounts reclassified from accumulated other comprehensive (loss) income	0	217	217
Net current-period other comprehensive (loss) income	( 10,028 )	217	( 9,811 )
<b>Balance at March 31, 2024</b>	<b>\$ ( 109,563 )</b>	<b>\$ ( 25,253 )</b>	<b>\$ ( 134,816 )</b>
Balance at January 1, 2023	\$ ( 178,803 )	\$ ( 29,886 )	\$ ( 208,689 )
Other comprehensive income before reclassifications	20,578	0	20,578
Amounts reclassified from accumulated other comprehensive (loss) income	0	265	265
Net current-period other comprehensive income (loss)	20,578	265	20,843
<b>March 31, 2023</b>	<b>\$ ( 158,225 )</b>	<b>\$ ( 29,621 )</b>	<b>\$ ( 187,846 )</b>

The following tables present the amounts reclassified out of each component of accumulated other comprehensive (loss) income for the three months ended March 31, 2024 and 2023:

**Three Months Ended March 31, 2024**

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)	Amount Reclassified from Accumulated Other Comprehensive (Loss) Income <sup>1</sup>	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	\$ 0	Net loss on securities transactions	
	0	Tax expense	
	0	Net of tax	
Employee benefit plans:			
Amortization of the following <sup>2</sup>			
Net retirement plan actuarial loss	( 242 )	Other operating expense	
Net retirement plan prior service cost	( 45 )	Other operating expense	
	( 287 )	Total before tax	
	70	Tax benefit	
	\$ ( 217 )	Net of tax	

**Three Months Ended March 31, 2023**

Details about Accumulated other Comprehensive Income (Loss) Components (In thousands)	Amount Reclassified from Accumulated Other Comprehensive (Loss) Income <sup>1</sup>	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	\$ 0	Net loss on securities transactions	
	0	Tax expense	
	0	Net of tax	
Employee benefit plans:			
Amortization of the following <sup>2</sup>			
Net retirement plan actuarial loss	( 297 )	Other operating expense	
Net retirement plan prior service cost	( 55 )	Other operating expense	
	( 352 )	Total before tax	
	87	Tax benefit	
	\$ ( 265 )	Net of tax	

<sup>1</sup> Amounts in parentheses indicated debits in income statement.

<sup>2</sup> 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 Plan

The following table sets 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 net retirement plan actuarial loss, and prior service cost recognized.

Components of Net Periodic Benefit Cost:

(In thousands)	Pension Benefits		Life and Health		SERP Benefits	
	Three Months Ended		Three Months Ended		Three Months Ended	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Service cost	\$ 0	\$ 0	\$ 7	\$ 15	\$ 12	\$ 14
Interest cost	832	823	90	89	298	299
Expected return on plan assets	( 1,232 )	( 1,199 )	0	0	0	0
Amortization of net retirement plan actuarial loss	259	304	( 17 )	( 7 )	0	0
Amortization of net retirement plan prior service (credit) cost	0	0	( 11 )	( 15 )	56	70
Net periodic benefit (income) cost	\$ ( 141 )	\$ ( 72 )	\$ 69	\$ 82	\$ 366	\$ 383

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 \$ 217,000 and \$ 266,000 , net of tax, as amortization of amounts previously recognized in accumulated other comprehensive (loss) income, for the three months ended March 31, 2024 and 2023, respectively.

The Company is not required to contribute to the pension plan in 2024, but it may make voluntary contributions. The Company did not contribute to the pension plan in the first three months of 2024 and 2023.

## 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 periods presented below are stated separately.

(In thousands)	Three Months Ended	
	03/31/2024	03/31/2023
<b>Noninterest Income</b>		
Other service charges	\$ 656	\$ 615
Earnings from corporate owned life insurance	551	615
Net gains on the sale of loans originated for sale	73	38
Other income	940	673
<b>Total other income \$</b>	<b>2,220</b>	<b>\$ 1,941</b>
<b>Noninterest Expenses</b>		
Marketing expense	\$ 975	\$ 1,105
Professional fees	1,700	1,804
Legal fees	223	419
Technology expense	4,065	4,007
FDIC insurance	1,409	1,054
Cardholder expense	1,060	1,016
Other expenses	3,559	4,064
<b>Total other operating expense \$</b>	<b>12,991</b>	<b>\$ 13,469</b>

## **10. Revenue Recognition**

The Company recognizes revenue in accordance with ASU No. 2014-09 Revenue from Contracts with Customers (ASC 606) and all subsequent ASUs that modified ASC 606. ASC 606 is applicable to the Company's noninterest revenue streams including its deposit related fees, card services income, trust and management, and insurance commissions and fees. Noninterest revenue streams in-scope of Topic 606 are discussed below.

### ***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 table presents noninterest income, segregated by revenue streams, for the three months ended March 31, 2024 and 2023:

<i>(In thousands)</i>	Three Months Ended	
	03/31/2024	03/31/2023
<b>Noninterest Income</b>		
<i>In-scope of Topic 606:</i>		
Commissions and Fees	\$ 8,922	\$ 8,517
Installment Billing	54	1
Refund of Commissions	( 19 )	59
Contract Liabilities/Deferred Revenue	( 4 )	( 3 )
Contingent Commissions	1,306	935
Subtotal Insurance Revenues	10,259	9,509
Trust and Asset Management	4,468	3,435
Mutual Fund & Investment Income	469	1,074
Subtotal Investment Service Income	4,937	4,509
Service Charges on Deposit Accounts	1,796	1,746
Card Services Income	2,939	2,682
Other	320	351
Noninterest Income (in-scope of ASC 606)	20,251	18,797
Noninterest Income (out-of-scope of ASC 606)	1,886	1,603
<b>Total Noninterest Income</b>	<b>\$ 22,137</b>	<b>\$ 20,400</b>

### 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 amounted to \$ 5.0 million and \$ 3.6 million, respectively, at March 31, 2024, compared to \$ 5.7 million and \$ 3.0 million, respectively, at December 31, 2023. Additionally, the Company had contract assets related to contingent income of \$ 615,000 and \$ 2.8 million, respectively, at March 31, 2024 and December 31, 2023, and contract liabilities of \$ 765,000 and \$ 1.9 million, respectively at March 31, 2024 and December 31, 2023.

### Contract Acquisition Costs

In connection with the adoption of ASC 606, an entity 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. Upon adoption of ASC 606, the Company did not capitalize any contract acquisition costs.

## **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 March 31, 2024, the Company's maximum potential obligation under standby letters of credit was \$ 30.1 million compared to \$ 39.1 million at December 31, 2023. 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 twelve banking offices located in Ithaca, NY and surrounding communities; fifteen banking offices located in the Genesee Valley region of New York State, which includes Monroe County; twelve banking offices located in the counties north of New York City; and sixteen 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 four 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 the bank and the holding company. All other accounting policies are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

**Three months ended March 31, 2024**

(In thousands)	Banking	Insurance	Wealth Management	Intercompany	Consolidated
Interest income	\$ 83,183	\$ 1	\$ 0	\$ ( 1 )	\$ 83,183
Interest expense	32,509	0	0	( 1 )	32,508
<b>Net interest income</b>	<b>50,674</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>50,675</b>
Provision for credit loss expense	854	0	0	0	854
Noninterest income	7,111	10,526	5,039	( 539 )	22,137
Noninterest expense	39,363	7,227	3,806	( 539 )	49,857
<b>Income before income tax expense</b>	<b>17,568</b>	<b>3,300</b>	<b>1,233</b>	<b>0</b>	<b>22,101</b>
Income tax expense	3,986	906	306	0	5,198
<b>Net Income attributable to noncontrolling interests and Tompkins Financial Corporation</b>	<b>13,582</b>	<b>2,394</b>	<b>927</b>	<b>0</b>	<b>16,903</b>
Less: Net income attributable to noncontrolling interests	31	0	0	0	31
<b>Net Income attributable to Tompkins Financial Corporation</b>	<b>13,551</b>	<b>\$ 2,394</b>	<b>\$ 927</b>	<b>0</b>	<b>\$ 16,872</b>
Depreciation and amortization	\$ 2,922	\$ 43	\$ 41	\$ 0	\$ 3,006
Assets	7,719,504	45,987	29,577	( 17,034 )	7,778,034
Goodwill	64,525	19,866	8,211	0	92,602
Other intangibles, net	953	1,262	32	0	2,247
Net loans and leases	5,588,820	0	0	0	5,588,820
Deposits	6,473,721	0	0	( 24,105 )	6,449,616
Total Equity	\$ 598,717	\$ 37,039	\$ 33,582	\$ 0	\$ 669,338

**Three months ended March 31, 2023**

(In thousands)	Banking	Insurance	Wealth Management	Intercompany	Consolidated
Interest income	\$ 69,238	\$ 1	\$ 0	\$ ( 1 )	\$ 69,238
Interest expense	14,993	0	0	( 1 )	14,992
<b>Net interest income</b>	<b>54,245</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>54,246</b>
(Credit) provision for credit loss expense	( 825 )	0	0	0	( 825 )
Noninterest income	6,698	9,636	4,621	( 555 )	20,400
Noninterest expense	39,848	7,215	3,650	( 555 )	50,158
<b>Income before income tax expense</b>	<b>21,920</b>	<b>2,422</b>	<b>971</b>	<b>0</b>	<b>25,313</b>
Income tax expense	4,989	673	239	0	5,901
<b>Net Income attributable to noncontrolling interests and Tompkins Financial Corporation</b>	<b>16,931</b>	<b>1,749</b>	<b>732</b>	<b>0</b>	<b>19,412</b>
Less: Net income attributable to noncontrolling interests	31	0	0	0	31
<b>Net Income attributable to Tompkins Financial Corporation</b>	<b>16,900</b>	<b>\$ 1,749</b>	<b>\$ 732</b>	<b>0</b>	<b>\$ 19,381</b>
Depreciation and amortization	\$ 2,589	\$ 44	\$ 45	\$ 0	\$ 2,678
Assets	7,586,753	43,779	29,013	( 15,174 )	7,644,371
Goodwill	64,655	19,866	8,081	0	92,602
Other intangibles, net	984	1,576	45	0	2,605
Net loans and leases	5,227,572	0	0	0	5,227,572
Deposits	6,527,953	0	( 4,245 )	( 14,699 )	6,509,009
Total Equity	\$ 584,650	\$ 35,625	\$ 29,490	\$ 0	\$ 649,765

### 13. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB ASC Topic 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 FASB ASC Topic 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 tables summarize financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023, segregated by the level of valuation inputs within the fair value hierarchy used to measure fair value:

#### Recurring Fair Value Measurements

March 31, 2024

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>				
<b>Available-for-sale debt securities</b>				
U.S. Treasuries	\$ 109,528	\$ 0	\$ 109,528	\$ 0
Obligations of U.S. Government sponsored entities	443,199	0	443,199	0
Obligations of U.S. states and political subdivisions	81,036	0	81,036	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	42,506	0	42,506	0
U.S. Government sponsored entities	687,747	0	687,747	0
U.S. corporate debt securities	2,339	0	2,339	0
<b>Total Available-for-sale debt securities</b>	<b>\$ 1,366,355</b>	<b>\$ 0</b>	<b>\$ 1,366,355</b>	<b>\$ 0</b>
<b>Equity securities, at fair value</b>				
Derivatives designated as hedging instruments	2,653	0	2,653	0
Derivatives not designated as hedging instruments	887	0	887	0
<b>Liabilities</b>				
Derivatives not designated as hedging instruments	\$ 1,044	\$ 0	\$ 1,044	\$ 0

**Recurring Fair Value Measurements**

**December 31, 2023**

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>				
<b>Available-for-sale debt securities</b>				
U.S. Treasuries	\$ 109,904	\$ 0	\$ 109,904	\$ 0
Obligations of U.S. Government sponsored entities	456,458	0	456,458	0
Obligations of U.S. states and political subdivisions	81,924	0	81,924	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	45,240	0	45,240	0
U.S. Government sponsored entities	720,830	0	720,830	0
U.S. corporate debt securities	2,294	0	2,294	0
<b>Total Available-for-sale debt securities</b>	<b>\$ 1,416,650</b>	<b>\$ 0</b>	<b>\$ 1,416,650</b>	<b>\$ 0</b>
<b>Equity securities, at fair value</b>				
Derivatives designated as hedging instruments	1,503	0	1,503	0
Derivatives not designated as hedging instruments	1,610	0	1,610	0
<b>Liabilities</b>				
<b>Derivatives not designated as hedging instruments</b>	<b>\$ 1,826</b>	<b>\$ 0</b>	<b>\$ 1,826</b>	<b>\$ 0</b>

**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), between December 31, 2023 and March 31, 2024, was immaterial.

There were no transfers between Levels 1, 2 and 3 for the three months ended March 31, 2024.

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.

**Derivatives:** The Company has contracted with a third party vendor to provide periodic valuations for its interest rate derivatives to determine the fair value of its interest rate contracts. The vendor utilizes standard valuation methodologies applicable to interest rate derivatives such as discounted cash flow analysis. Such valuations are based upon readily observable market data and are therefore considered Level 2 valuations by the Company.

Certain assets are measured at fair value on a nonrecurring basis. For the Company, these include loans held for sale, collateral dependent individually evaluated loans, and other real estate owned ("OREO"). As of March 31, 2024 and 2023, certain collateral dependent 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. 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.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2024 and 2023. The carrying amounts shown in the table are included in the Consolidated Statements of Condition under the indicated captions:

**Three months ended March 31, 2024**

<i>(In thousands)</i>	Fair value measurements at reporting date using:				<b>Gain (losses) from fair value changes</b>
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Three months ended 03/31/2024	
Assets:	As of 03/31/2024				
Individually evaluated loans	\$ 1,248	\$ 0	\$ 0	\$ 1,248	\$ 0
Other real estate owned	0	0	0	0	43

**Three months ended March 31, 2023**

<i>(In thousands)</i>	Fair value measurements at reporting date using:				<b>Gain (losses) from fair value changes</b>
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Three months ended 03/31/2023	
Assets:	As of 03/31/2023				
Individually evaluated loans	\$ 0	\$ 0	\$ 0	\$ 0	\$ 826
Other real estate owned	36	0	0	36	22

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 herein.

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.

**Estimated Fair Value of Financial Instruments**

**March 31, 2024**

(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 57,141	\$ 57,141	\$ 57,141	\$ 0	\$ 0
Securities - held-to-maturity	312,415	265,102	0	265,102	0
FHLB stock and other stock	30,103	30,103	0	30,103	0
Accrued interest receivable	28,601	28,601	0	28,601	0
Loans/leases, net <sup>1</sup>	5,588,820	5,146,652	0	0	5,146,652
<b>Financial Liabilities:</b>					
Time deposits	\$ 974,354	\$ 966,754	\$ 0	\$ 966,754	\$ 0
Other deposits	5,475,262	5,475,262	0	5,475,262	0
Fed funds purchased and securities sold					
under agreements to repurchase	43,681	43,681	0	43,681	0
Other borrowings	522,600	520,946	0	520,946	0
Accrued interest payable	3,121	3,121	0	3,121	0

**Estimated Fair Value of Financial Instruments**

**December 31, 2023**

(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 79,542	\$ 79,542	\$ 79,542	\$ 0	\$ 0
Securities - held to maturity	312,401	267,455	0	267,455	0
FHLB stock and other stock	33,719	33,719	0	33,719	0
Accrued interest receivable	26,107	26,107	0	26,107	0
Loans/leases, net <sup>1</sup>	5,554,351	5,126,679	0	0	5,126,679
<b>Financial Liabilities:</b>					
Time deposits	\$ 998,013	\$ 990,933	\$ 0	\$ 990,933	\$ 0
Other deposits	5,401,834	5,401,834	0	5,401,834	0
Fed funds purchased and securities sold					
under agreements to repurchase	50,996	50,996	0	50,996	0
Other borrowings	602,100	600,814	0	600,814	0
Accrued interest payable	3,474	3,474	0	3,474	0

<sup>1</sup> 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:** 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 other stock reported above, 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 risk 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 and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company also enters into interest rate derivatives to accommodate the business requirements of certain qualifying customers. All derivatives are recognized as other assets or other liabilities on the Company's Consolidated Statements of Condition at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and resulting designation.

##### **Derivatives Designated as Hedging Instruments**

###### ***Fair Value Hedges of Interest Rate Risk***

The Company is exposed to changes in the fair value of certain of its fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. As of March 31, 2024, the Company had interest rate swaps with a total notional amount of \$ 150.0 million hedging fixed-rate residential mortgage loans.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

As of March 31, 2024 and December 31, 2023, the following amounts were recorded on the consolidated statements of condition related to cumulative basis adjustment for fair value hedges.

Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)
	March 31, 2024	March 31, 2024	December 31, 2023
Fixed Rate Loans <sup>1</sup>	\$ 147,467	\$( 2,533 )	\$ 148,633
Total	\$ 147,467	\$( 2,533 )	\$ 148,633

<sup>1</sup> These amounts include the amortized cost basis of closed portfolios of fixed rate loans used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At March 31, 2024 and December 31, 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was \$ 753.0 million and \$ 763.4 million respectively; the cumulative basis adjustments associated with these hedging relationships was \$ 2.5 million and \$ 1.4 million, respectively; and the amounts of the designated hedged items were \$ 150.0 million for both periods.

#### Derivatives Not Designated as Hedging Instruments

The Company enters into interest rate swaps to help commercial loan borrowers manage their interest rate risk. These interest rate swap contracts allow borrowers to convert variable-rate loan payments to fixed-rate loan payments. When the Company enters into an interest rate derivative contract with a commercial loan borrower, it simultaneously enters into a "mirror" interest rate contract with a third party. For interest rate swaps, the third party exchanges the client's fixed-rate loan payments for variable-rate loan payments. The Company's credit policies with respect to interest rate contracts with commercial borrowers are similar to those used for loans. The Company retains the risk that is associated with the potential failure of counterparties and the risk inherent in originating loans. The interest rate contracts with counterparties are generally subject to bilateral collateralization terms. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings.

The Company has entered into risk participation agreements with other banks in commercial loan arrangements. Participating banks guarantee the performance on borrower-related interest rate swap contracts. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings.

Under a risk participation-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Company assumes, or participates in, a portion of the credit risk associated with the interest rate swap position with the commercial borrower for a fee received from the other bank.

#### Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Statements of Condition

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 March 31, 2024 and December 31, 2023. The Company began entering into derivative transactions in the second quarter of 2022.

##### Derivative Assets

	March 31, 2024		
(In thousands)	Notional Amount	Balance Sheet Location	Fair Value*
Derivatives designated as hedging instruments			
Interest Rate Products	\$ 150,000	Other Assets	\$ 2,653
<b>Total derivatives designated as hedging instruments</b>			<b>\$ 2,653</b>
Derivatives not designated as hedging instruments			
Interest Rate Products	\$ 52,545	Other Assets	\$ 887
Risk Participation Agreement	0	Other Assets	0
<b>Total derivatives not designated as hedging instruments</b>			<b>\$ 887</b>

#### Derivative Assets

	December 31, 2023		
(In thousands)	Notional Amount	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments			
Interest Rate Products	\$ 150,000	Other Assets	\$ 1,503
<b>Total derivatives designated as hedging instruments</b>			<b>\$ 1,503</b>
Derivatives not designated as hedging instruments			
Interest Rate Products	\$ 34,930	Other Assets	\$ 1,610
Risk Participation Agreement	0	Other Assets	0
<b>Total derivatives not designated as hedging instruments</b>			<b>\$ 1,610</b>

#### Derivative Liabilities

	March 31, 2024		
(In thousands)	Notional Amount	Balance Sheet Location	Fair Value*
Derivatives not designated as hedging instruments			
Interest Rate Products	\$ 52,545	Other Liabilities	\$ 1,019
Risk Participation Agreement	17,302	Other Liabilities	25
<b>Total derivatives not designated as hedging instruments</b>			<b>\$ 1,044</b>
	December 31, 2023		
(In thousands)	Notional Amount	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments			
Interest Rate Products	\$ 34,930	Other Liabilities	\$ 1,778
Risk Participation Agreement	7,542	Other Liabilities	48
<b>Total derivatives not designated as hedging instruments</b>			<b>\$ 1,826</b>

#### Tabular Disclosure of the Effect of Fair Value and Cash Flow Hedge Accounting on the Consolidated Statements of Income

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of income for the three months ended March 31, 2024 and 2023:

#### The Effect of Fair Value and Cash Flow Hedge Accounting on the Statement of Consolidated Income

	Location of Gain or (Loss) Recognized in Income on Derivative	
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
(In thousands)		
Interest Income		
Total amounts of income and expense line items presented in the statement of financial performance in which the effects of fair value or cash flow hedges are recorded	\$ 664	\$ 0
<b>The effects of fair value and cash flow hedging:</b>		
<b>Gain or (loss) on fair value hedging relationships in Subtopic 815-20</b>		
Interest contracts		
Hedged items	( 1,165 )	0
Derivatives designated as hedging instruments	1,829	0

#### 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 months ending March 31, 2024 and March 31, 2023:

#### Effect of Derivatives Not Designated as Hedging Instruments on the Statement of Consolidated Income

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
Three Months Ended			
(In thousands)		March 31, 2024	March 31, 2023
Interest Rate Products	Other Income	\$ 36	\$ 0
Risk Participation Agreement	Other Income	72	( 6 )
<b>Total</b>		<b>\$ 108</b>	<b>\$ ( 6 )</b>
Fee Income	Other income	\$ 239	\$ 0

#### Credit-risk-related Contingent Features

##### **Applicable for OTC derivatives with dealers**

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the company could also be declared in default on its derivative obligations.

As of March 31, 2024 and December 31, 2023, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$ 1.1 million and \$ 1.8 million, respectively. As of March 31, 2024 and December 31, 2023, the Company has posted \$ 851,444 and \$ 1.5 million, respectively, in collateral related to these agreements. The interest rate hedge counterparty has posted \$ 2.4 million and \$ 1.5 million of collateral in proportion to potential losses in the derivative position at March 31, 2024 and December 31, 2023, respectively.

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

##### **BUSINESS**

###### **Overview**

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. At March 31, 2024, the Company had one wholly-owned banking subsidiary, Tompkins Community Bank. Tompkins Community Bank provides a full array of wealth management 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 also has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). The Company's principal offices are located at 118 E. Seneca Street, P.O. Box 460, 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 Tompkins Community Bank, which has 55 banking offices (39 offices in New York and 16 offices in Pennsylvania) and using those deposits to originate a variety of commercial loans, agricultural loans, consumer loans, real estate loans, 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 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 the Company's subsidiary bank 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, 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 months ended March 31, 2024. 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, 2023, 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 180 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 December 31, 2023 (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 need to sell securities before recovery of amortized cost; 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 and historical performance. The following factors, in addition to those listed as Risk Factors in Item 1A of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023, are among those that could cause actual results to differ materially from the forward-looking statements and historical performance: changes in general economic, market and regulatory conditions; our ability to attract and retain deposits and other sources of liquidity; gross domestic product growth and inflation trends; the impact of the interest rate and inflationary environment on the Company's 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 public companies, banks, bank holding companies and/or financial holding companies, and state and local government mandates; 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; cybersecurity incidents and threats; 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; the ability to access financial resources in the amounts, at the times and on the terms required to support the Company's future businesses; and the economic impact of national and global events, including the response to bank failures, the wars in Ukraine and Israel, widespread protests, civil unrest, political uncertainty, and pandemics or other public health crises.

#### ***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 policy relating to the allowance for credit losses ("allowance", or "ACL") to be a critical accounting policy because of the uncertainty and subjectivity involved in this policy and the material effect that estimates related to this area can have on the Company's results of operations.

The Company's methodology for estimating the allowance considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. Refer to "Allowance for Credit Losses" below, Note 5 - "Allowance for Credit Losses", and 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, 2023.

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, 2023. 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 GAAP and are described in 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, 2023. 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 model., 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 5 - "Allowance for Credit Losses" in the Notes to the Unaudited Consolidated Financial Statements.

#### **RESULTS OF OPERATIONS**

##### ***Performance Summary***

Net income for the first quarter of 2024 was \$16.9 million or \$1.18 diluted earnings per share, compared to \$19.4 million or \$1.35 diluted earnings per share for the same period in 2023. The decrease in net income from the first quarter of 2023 was mainly a result of increased funding costs and increased provision for credit loss expense, partially offset by an increase in noninterest income and a decrease in noninterest expenses.

Return on average assets ("ROA") for the quarter ended March 31, 2024 was 0.87%, compared to 1.03% for the quarter ended March 31, 2023. Return on average shareholders' equity ("ROE") for the first quarter of 2024 was 10.18%, compared to 12.45% for the same period in 2023.

##### ***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 \$13.6 million for the first quarter of 2024, a decrease of \$3.3 million or 19.8% from net income of \$16.9 million for the same period in 2023. The decrease in net income for the first quarter of 2024 compared to the first quarter of 2023 was primarily due to increased funding costs as well as an increased provision for credit loss expense, partially offset by an increase in noninterest income and a decrease in noninterest expense.

Net interest income of \$50.7 million for the first quarter of 2024 was down \$3.6 million or 6.6% from the same period in 2023. The decrease in net interest income was primarily due to higher funding costs, partially offset by an increase in the average yields on interest-earning assets in the first quarter of 2024 compared to the first quarter of 2023. The average yield on interest-earning assets benefited from higher market interest rates as well as a shift in the composition of average earning assets with growth in average loan balances. The increase in funding costs reflects the impact of higher market interest rates as well as the mix of funding sources, with an increase in average time deposits and other borrowings.

The provision for credit loss expense was \$854,000 for the three months ended March 31, 2024, compared to a provision credit of \$825,000 for the same period in 2023. The provision in the first quarter of 2023 benefited from significant net loan recoveries during the quarter. For additional information, see the section titled "The Allowance for Credit Losses" below.

Noninterest income of \$7.1 million for the three months ended March 31, 2024 was up \$413,000 or 6.2% compared to the same period in 2023. The increase in the three months ended March 31, 2024 from the same period in 2023 included an increase in derivatives related income of \$353,000.

Noninterest expense of \$39.4 million for the first quarter of 2024 was down \$485,000 or 1.2% from the same period in 2023. Salary and employee benefits were down compared to the same period in 2023 mainly due to reduced health insurance, incentive pay and disability insurance expenses. FDIC insurance expense for the first quarter of 2024 was \$1.4 million, up 33.7% over the first quarter of 2023. The increase in FDIC insurance expense was mainly offset by decreases in legal, marketing, and travel and meetings expenses.

### ***Insurance Segment***

The insurance segment reported net income of \$2.4 million for the three months ended March 31, 2024, which was up \$645,000 or 36.9% compared to the first quarter of 2023. Noninterest income in the first quarter of 2024 increased by \$890,000 or 9.2% compared to the same period in 2023. Insurance commissions were up \$390,000 or 4.5%, contingency income was up \$371,000 or 39.6%, and other income increased by \$132,000 compared to the first quarter of 2023. Included in other income for the first quarter of 2024 was a gain recognized on the sale of a building in the amount of \$135,000.

Noninterest expenses were up \$12,000 or 0.2% for the first quarter of 2024 compared to the first quarter of 2023.

### ***Wealth Management Segment***

The wealth management segment reported net income of \$927,000 for the three months ended March 31, 2024, which was up \$195,000 or 26.6% compared to the first quarter of 2023. The increase in net income for the three month period ended March 31, 2024, compared to the same period in 2023, was mainly attributable to an increase in revenue. The increase in revenue was a result of growth in assets under management, which was mainly driven by new production and positive market performance experienced at the end of 2023 through March 31, 2024. Noninterest expense for the first quarter of 2024 increased by \$156,000 or 4.3% compared to the same period of 2023. The increase in noninterest expense was mainly attributable to an increase in salaries and employee benefits, which were up \$190,000 or 8.1% for the first three months of 2024 compared to the same period in 2023, and was mainly driven by an increase in average full time equivalent employees. The increase in noninterest was partially offset by decreases in marketing and professional fees.

#### Average 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 each of the three month periods ended March 31, 2024 and 2023 and the prior quarter ended December 31, 2023:

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

(Dollar amounts in thousands)	Quarter Ended March 31, 2024			Quarter Ended December 31, 2023		
	Average Balance (QTD)	Average Interest	Average Yield/Rate	Average Balance (QTD)	Average Interest	Average Yield/Rate
<b>ASSETS</b>						
Interest-earning assets						
Interest-bearing balances due from banks	\$ 12,202	\$ 154	5.08 %	\$ 14,351	\$ 227	6.28 %
Securities (1)						
U.S. Government securities	1,756,122	10,303	2.36 %	1,789,043	10,411	2.31 %
State and municipal (2)	89,886	570	2.55 %	90,070	574	2.53 %
Other securities	3,278	60	7.32 %	3,242	60	7.37 %
Total securities	1,849,286	10,933	2.38 %	1,882,355	11,045	2.33 %
FHLBNY and FRB stock	34,613	601	6.99 %	24,555	584	9.44 %
Total loans and leases, net of unearned income (2)(3)	5,621,604	71,779	5.14 %	5,486,715	69,197	5.00 %
<b>Total interest-earning assets</b>	<b>7,517,705</b>	<b>83,467</b>	<b>4.47 %</b>	<b>7,407,976</b>	<b>81,053</b>	<b>4.34 %</b>
Other assets						
Total assets	<b>\$ 7,801,125</b>			<b>\$ 7,666,982</b>		
<b>LIABILITIES &amp; EQUITY</b>						
Deposits						
Interest-bearing deposits						
Interest bearing checking, savings, & money market	3,546,216	15,036	1.71 %	3,643,919	14,915	1.62 %
Time deposits	988,891	9,398	3.82 %	925,790	8,560	3.67 %
Total interest-bearing deposits	4,535,107	24,434	2.17 %	4,569,709	23,475	2.04 %
Federal funds purchased & securities sold under agreements to repurchase	48,779	13	0.10 %	51,903	14	0.10 %
Other borrowings	622,951	8,061	5.21 %	398,932	4,937	4.91 %
<b>Total interest-bearing liabilities</b>	<b>5,206,836</b>	<b>32,508</b>	<b>2.51 %</b>	<b>5,020,544</b>	<b>28,426</b>	<b>2.25 %</b>
Noninterest bearing deposits						
Accrued expenses and other liabilities						
<b>Total liabilities</b>	<b>7,134,373</b>			<b>7,044,702</b>		
Tompkins Financial Corporation Shareholders' equity						
Noncontrolling interest						
<b>Total equity</b>	<b>666,752</b>			<b>622,280</b>		
<b>Total liabilities and equity</b>	<b>\$ 7,801,125</b>			<b>\$ 7,666,982</b>		
Interest rate spread		1.95 %				2.09 %
Net interest income/margin on earning assets		50,959	2.73 %		52,627	2.82 %
Tax Equivalent Adjustment		(284)			(268)	
Net interest income per consolidated financial statements	<b>\$ 50,675</b>			<b>\$ 52,359</b>		

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

(Dollar amounts in thousands)	Quarter Ended March 31, 2024			Quarter Ended March 31, 2023		
	Average Balance (QTD)	Average Interest	Average Yield/Rate	Average Balance (QTD)	Average Interest	Average Yield/Rate
<b>ASSETS</b>						
Interest-earning assets						
Interest-bearing balances due from banks	\$ 12,202	\$ 154	5.08 %	\$ 12,733	\$ 139	4.42 %
Securities (1)						
U.S. Government securities	1,756,122	10,303	2.36 %	2,033,307	7,424	1.48 %
State and municipal (2)	89,886	570	2.55 %	93,201	599	2.60 %
Other securities	3,278	60	7.32 %	3,284	53	6.55 %
Total securities	1,849,286	10,933	2.38 %	2,129,792	8,076	1.54 %
FHLBNY and FRB stock	34,613	601	6.99 %	16,750	300	7.26 %
Total loans and leases, net of unearned income (2)(3)	5,621,604	71,779	5.14 %	5,251,278	61,034	4.71 %
<b>Total interest-earning assets</b>	<b>7,517,705</b>	<b>83,467</b>	<b>4.47 %</b>	<b>7,410,553</b>	<b>69,549</b>	<b>3.81 %</b>
Other assets						
	283,420				223,240	
<b>Total assets</b>	<b>\$ 7,801,125</b>				<b>\$ 7,633,793</b>	
<b>LIABILITIES &amp; EQUITY</b>						
Deposits						
Interest-bearing deposits						
Interest bearing checking, savings, & money market	3,546,216	15,036	1.71 %	3,833,566	8,641	0.91 %
Time deposits	988,891	9,398	3.82 %	673,871	3,541	2.13 %
Total interest-bearing deposits	4,535,107	24,434	2.17 %	4,507,437	12,182	1.10 %
Federal funds purchased & securities sold under agreements to repurchase	48,779	13	0.10 %	57,523	14	0.10 %
Other borrowings	622,951	8,061	5.21 %	269,752	2,796	4.20 %
<b>Total interest-bearing liabilities</b>	<b>5,206,836</b>	<b>32,508</b>	<b>2.51 %</b>	<b>4,834,712</b>	<b>14,992</b>	<b>1.26 %</b>
Noninterest bearing deposits					2,065,701	
Accrued expenses and other liabilities					102,172	
<b>Total liabilities</b>	<b>7,134,373</b>				<b>7,002,585</b>	
Tompkins Financial Corporation Shareholders' equity					629,784	
Noncontrolling interest					1,424	
<b>Total equity</b>	<b>666,752</b>				<b>631,208</b>	
<b>Total liabilities and equity</b>	<b>\$ 7,801,125</b>				<b>\$ 7,633,793</b>	
Interest rate spread			1.95 %			2.55 %
Net interest income/margin on earning assets		50,959	2.73 %		54,557	2.99 %
Tax Equivalent Adjustment		(284)			(311)	
Net interest income per consolidated financial statements	<b>\$ 50,675</b>				<b>\$ 54,246</b>	

<sup>1</sup> Average balances and yields on available-for-sale debt securities are based on historical amortized cost

<sup>2</sup> Interest income includes the tax effects of taxable-equivalent adjustments using an effective income tax rate of 21% in 2024 and 2023 to increase tax exempt interest income to taxable-equivalent basis.

<sup>3</sup> 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, 2023.

**Net Interest Income**

Net interest income is the Company's largest source of revenue, representing 69.6% of total revenues for the three months ended March 31, 2024, compared to 72.7% for the same period in 2023. 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.



Net interest income for the three months ended March 31, 2024 of \$50.7 million was down \$3.6 million or 6.6% from the same period in 2023. The decrease was due to the impact of higher interest rates on funding mechanisms, including customer migration to higher yielding deposit products, as well as higher average borrowings, partially offset by higher yields on average interest-earning assets and higher average loan balances. The average rates paid on interest-bearing liabilities for the three months ended March 31, 2024 was up 125 basis points over the same period in 2023, while the average yield on interest-earning assets increased 66 basis points over the same period.

Net interest margin for the three months ended March 31, 2024 was 2.73% compared to 2.99% for the same period in 2023. The decrease in net interest margin for 2024 compared to 2023 was due to higher funding costs, driven by market rates and funding mix, outpacing increases on interest earning asset yields and growth in average loan balances.

The quarterly net interest margin for the first quarter of 2024 of 2.73%, which was down from a net interest margin of 2.82% for the fourth quarter of 2023. The average cost of interest-bearing liabilities for the first quarter of 2024 was up 26 basis points over the fourth quarter of 2023. For the first quarter of 2024, the average yield on interest-earning assets was up 13 basis points over the fourth quarter of 2023.

Interest income for the three months ended March 31, 2024 was \$83.5 million, up 20.0% compared to the same period in 2023, reflecting higher average balances and yields of interest-earning assets. The average yield on interest-earning assets increased 66 basis points, while average interest earning assets increased \$107.2 million or 1.4%.

The increase in interest income was mainly in interest and fees on loans, driven by higher yields and higher average balances for the three months ended March 31, 2024, compared to the same period in 2023. Average loan balances for the first quarter of 2024 were up \$370.3 million or 7.1% from the first quarter of 2023, while the average yield on loans of 5.14% for the first quarter of 2024 was up 43 basis points from the average yield on loans in the first quarter of 2023.

Interest income on securities, excluding dividends on FHLB stock, for the three months ended March 31, 2024, was up \$2.9 million or 35.4% as compared to the same period in 2023, as higher average yields more than offset lower average balances. The average yield on total securities for the first quarter of 2024 increased 84 basis points, while average balances for securities decreased \$280.5 million, or 13.2%, from the same period in 2023. The increase in securities yields was driven by market interest rate increases and the repositioning of the investment portfolio through the sale of approximately \$510.5 million of available-for-sale investment securities in the second and third quarters of 2023. The securities sold had an average yield of 0.86%, while the proceeds of the sale were largely reinvested into securities with an estimated yield of approximately 5.09%.

Interest expense for the three months ended March 31, 2024 increased by \$17.5 million or 116.8% compared to the same period in 2023, reflecting higher average costs of funds and a shift in funding mix. The average cost of interest-bearing liabilities for the first quarter of 2024 was 2.51%, an increase of 125 basis points from the first quarter of 2023, as a result of higher market interest rates and a change in the mix of interest-bearing liabilities, with an increase in average time deposits and average other borrowings. Average time deposits for the first quarter of 2024 were up \$315.0 million or 46.7% compared to the same period in 2023, while the average cost of time deposits was up 169 basis points over the same period. Average other borrowings for the three months ended March 31, 2024 were up \$353.2 million or 130.9% compared to the same period in 2023. The average rate paid on other borrowings for the first quarter of 2024 was up 101 basis points over the same period in 2023. The increase in the cost of average borrowings was primarily the result of the greater utilization of comparatively higher rate overnight borrowings to fund loan growth as a result of lower average deposit balances.

#### ***Provision for Credit Losses***

The provision for credit losses represents management's estimate of the amount necessary to maintain the allowance for credit losses at an appropriate level. The provision for credit losses for the three months ended March 31, 2024 was \$854,000 compared to a credit of \$825,000 for the same period in 2023. Included in the provision for credit losses for both the first quarter of 2024 and 2023 were provision expenses of \$506,000 and \$355,000, respectively, related to off-balance sheet exposures related to growth in commercial loan pipeline. In addition to the increase in off-balance sheet exposures, the increase in provision expense for the first quarter of 2024 was due to loan growth and changes in asset quality. The provision credit in the first quarter of 2023 was largely driven by significant net recoveries. Net charge-offs for the first quarter of 2024 were \$228,000 compared to net recoveries of \$1.3 million reported for the same period in 2023. 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 \$22.1 million for the first quarter of 2024, up 8.5% compared to the first quarter of 2023. Noninterest income represented 30.4% of total revenue for the three months ended March 31, 2024, compared to 27.3% for the same period in 2023.

Insurance commissions and fees of \$10.3 million in the first quarter of 2024 were up \$750,000 or 7.9% compared to the same period in 2023. Insurance commissions were up \$390,000 or 4.5%, while contingency income was up \$371,000 or 39.6%, compared to the first quarter of 2023.

Wealth management fees of \$4.9 million in the first quarter of 2024 were up \$428,000 or 9.5% compared to the first quarter of 2023. The increase in investment services income for the three-month period ended March 31, 2024 was mainly a result of an increase in assets under management as of March 31, 2024 compared to March 31, 2023, which was due to market performance and new business production. Wealth management fees include trust services, financial planning, wealth management services, and brokerage related services and are generally based on the market value of assets within an account and are thus impacted by volatility in equity and bond markets. The fair value of assets managed by, or in custody of, Tompkins was \$3.2 billion at March 31, 2024, up from \$3.1 billion at March 31, 2023.

Card services income of \$2.9 million in the first quarter of 2024 was up \$257,000 or 9.6% compared to the same period in 2023. The first quarter of 2024 included a \$255,000 sign-on bonus related to the renewal of a card services contract.

Other income of \$2.2 million in the first quarter of 2024 was up \$279,000 or 14.4% compared to the same period in 2023. The increase in the first quarter of 2024 compared to the same period in 2023 included derivatives related income (up \$353,000), gains on sale of fixed assets (up \$154,000), and miscellaneous investments (up \$159,000). The first quarter of 2023 included recognition of incentives related to card services contract (\$450,000).

#### **Noninterest Expense**

Noninterest expense was \$49.9 million for the first quarter of 2024, down 0.6% compared to the same period in 2023. Noninterest expense as a percentage of total revenue for the first quarter of 2024 was 68.5% compared to 67.2% for the same period in 2023.

Expenses associated with salaries and wages and employee benefits are the largest component of noninterest expense, representing 62.4% of total noninterest expense for the first quarter of 2024, compared to 62.3% for the first quarter of 2023. Salaries and wages and employee benefit expense for the three months ended March 31, 2024 were in line with the same period in 2023, as normal merit adjustments were offset by a decrease in average full time equivalents as well as decreases in healthcare and incentive expense in the first quarter of 2024 compared to the same period in 2023.

The increase in net occupancy expense of premises and furniture and fixture expense in the first quarter of 2024 over the first quarter of 2023 included \$386,000 related to the closure of one branch location in the first quarter of 2024.

Other operating expenses of \$13.0 million decreased by \$478,000 or 3.5% compared to the first quarter of 2023. Contributing to the decrease in other operating expenses for the quarter ended March 31, 2024, compared to the same period in 2023 were the following: legal, down \$196,000 or 46.8%; travel and meetings, down \$154,000 or 45.2%; marketing expenses, down \$130,000, or 11.8%; and professional fees, down \$104,000, or 5.8%; when compared to 2023. FDIC insurance expense for the first quarter of 2024 was up \$355,000 or 33.7% over the same period in 2023, driven by an increase in assessment rates.

#### **Income Tax Expense**

The provision for income taxes was \$5.2 million for an effective rate of 23.52% for the first quarter of 2024, compared to tax expense of \$5.9 million and an effective rate of 23.31% for the same quarter in 2023. The effective rates differ from the U.S. statutory rate 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 effective tax rate for both periods presented assumes the anticipated loss of certain New York State tax benefits due to the expectation that average assets will exceed \$8.0 billion for the end of 2023 and 2024 tax years.

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 2024 tax year. The Company will continue to monitor the consolidated average assets during 2024 to determine future eligibility.

## FINANCIAL CONDITION

Total assets were \$7.8 billion at March 31, 2024, down \$41.7 million or 0.5% from December 31, 2023. Total loans were up \$34.6 million or 0.6% compared to December 31, 2023. Total securities were down \$50.3 million or 2.9% compared to year-end 2023, the decrease was mainly in available-for-sale securities. Total deposits were down \$49.8 million or 0.8% from December 31, 2023, and total borrowings were down \$79.5 million or 13.2% from December 31, 2023.

### Securities

As of March 31, 2024, the Company's securities portfolio was \$1.7 billion or 21.6% of total assets, compared to \$1.7 billion or 22.1% of total assets at year-end 2023. The following table details the composition of the securities portfolio:

#### Available-for-Sale Debt Securities

(In thousands)	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasuries	\$ 114,611	\$ 109,528	\$ 114,418	\$ 109,904
Obligations of U.S. Government sponsored entities	462,622	443,199	472,286	456,458
Obligations of U.S. states and political subdivisions	89,796	81,036	89,999	81,924
Mortgage-backed securities - residential, issued by				
U.S. Government agencies	47,703	42,506	49,976	45,240
U.S. Government sponsored entities	794,239	687,747	819,303	720,830
U.S. corporate debt securities	2,500	2,339	2,500	2,294
<b>Total available-for-sale debt securities</b>	<b>\$ 1,511,471</b>	<b>\$ 1,366,355</b>	<b>\$ 1,548,482</b>	<b>\$ 1,416,650</b>

#### Held-to-Maturity Debt Securities

(In thousands)	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasuries	\$ 86,211	\$ 74,136	\$ 86,266	\$ 75,215
Obligations of U.S. Government sponsored entities	226,204	190,966	226,135	192,240
<b>Total held-to-maturity debt securities</b>	<b>\$ 312,415</b>	<b>\$ 265,102</b>	<b>\$ 312,401</b>	<b>\$ 267,455</b>

The increase in unrealized losses, which reflects the amount that amortized cost exceeds fair value, related to the available-for-sale debt and held-to-maturity debt portfolios was due primarily to changes in market interest rates during the first three months of 2024. 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.

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 creditworthiness 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 Statements 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 March 31, 2024, 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, the FHLB 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 March 31, 2024.

The Company did not recognize any net credit impairment charge to earnings on investment securities in the first quarter of 2024.

#### **Loans and Leases**

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

(In thousands)	03/31/2024	12/31/2023
Commercial and industrial		
Agriculture	\$ 98,984	\$ 101,211
Commercial and industrial other	727,552	721,890
PPP loans	301	404
Subtotal commercial and industrial	826,837	823,505
Commercial real estate		
Construction	317,092	303,406
Agriculture	212,374	221,670
Commercial real estate other	2,616,918	2,587,591
Subtotal commercial real estate	3,146,384	3,112,667
Residential real estate		
Home equity	187,940	188,316
Mortgages	1,371,153	1,373,275
Subtotal residential real estate	1,559,093	1,561,591
Consumer and other		
Indirect	621	841
Consumer and other	97,899	96,942
Subtotal consumer and other	98,520	97,783
Leases		
Total loans and leases	5,645,359	5,610,929
Less: unearned income and deferred costs and fees	(4,835)	(4,994)
Total loans and leases, net of unearned income and deferred costs and fees	\$ 5,640,524	\$ 5,605,935

The below table shows a more detailed break-out of CRE loans as of March 31, 2024 and December 31, 2023.

(In thousands)	03/31/2024		12/31/2023	
	Balance	% CRE	Balance	% CRE
Construction	\$ 317,092	10.08 %	\$ 303,406	9.75 %
Multi-family/Single family real estate	615,522	19.56 %	603,118	19.38 %
Agriculture	211,956	6.74 %	221,670	7.12 %
Retail <sup>1</sup>	424,475	13.49 %	425,871	13.68 %
Hotels/motels	172,444	5.48 %	167,408	5.38 %
Office space <sup>2</sup>	233,974	7.44 %	236,721	7.61 %
Industrial <sup>3</sup>	215,810	6.86 %	215,459	6.92 %
Mixed Use	358,077	11.38 %	349,985	11.24 %
Medical <sup>4</sup>	137,320	4.36 %	138,057	4.44 %
Other	459,714	14.61 %	450,972	14.49 %
<b>Total</b>	<b>\$ 3,146,384</b>	<b>100.00 %</b>	<b>\$ 3,112,667</b>	<b>100.00 %</b>

<sup>1</sup>Retail includes \$2.87% and \$2.88% of owner occupied real estate at March 31, 2024 and December 31, 2023.

<sup>2</sup>Office space includes 1.39% and 1.42% of owner occupied real estate at both March 31, 2024 and December 31, 2023.

<sup>3</sup>Industrial includes 2.10% and 2.16% of owner occupied real estate at March 31, 2024 and December 31, 2023.

<sup>4</sup>Medical includes 2.63% and 2.69% of owner occupied real estate at March 31, 2024 and December 31, 2023.

Total loans and leases of \$5.6 billion at March 31, 2024 were up \$34.6 million or 0.6% from December 31, 2023. The increase was mainly in commercial real estate loans, which were up \$33.7 million or 1.1%, to \$3.1 billion at March 31, 2024. As of March 31, 2024, total loans and leases represented 72.5% of total assets compared to 71.7% of total assets at December 31, 2023.

Residential real estate loans, including home equity loans, were \$1.6 billion at March 31, 2024, down \$2.5 million or 0.2% compared to December 31, 2023, and comprised 27.6% of total loans and leases at March 31, 2024. Changes in residential loan balances are impacted by 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. The Company's Asset/Liability Committee meets regularly and establishes standards for selling and retaining residential real estate mortgage originations. 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 three months of 2024 and 2023, the Company sold residential loans totaling \$1.1 million and \$1.3 million, respectively, recognizing gains on these sales of \$73,000 and \$38,000, 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 \$923,000 at March 31, 2024 and \$927,000 December 31, 2023.

Commercial real estate loans and commercial and industrial loans totaled \$3.1 billion and \$826.8 million, respectively, and represented 55.8% and 14.7%, respectively, of total loans at March 31, 2024. The commercial real estate loans and commercial and industrial loans as of March 31, 2024 were up \$33.7 million or 1.1% and \$3.3 million or 0.4% over year-end 2023, respectively.

As of March 31, 2024, agriculturally-related loans totaled \$311.4 million or 5.5% of total loans and leases, compared to \$322.9 million or 5.8% of total loans and leases at December 31, 2023. 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, 2023. 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 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.

#### **Allowance for Credit Losses**

The below tables represent the allowance for credit losses as of March 31, 2024 and December 31, 2023. The tables provide, 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.

<i>(In thousands)</i>	<b>03/31/2024</b>	<b>12/31/2023</b>
<b>Allowance for credit losses</b>		
Commercial and industrial	\$ 7,586	6,667
Commercial real estate	31,467	31,581
Residential real estate	11,181	11,700
Consumer and other	1,396	1,557
Finance leases	74	79
<b>Total</b>	<b>\$ 51,704</b>	<b>\$ 51,584</b>

As of March 31, 2024, the total allowance for credit losses for loans was \$51.7 million, and was in line with December 31, 2023. The allowance for credit losses as a percentage of total loans measured 0.92% at both March 31, 2024 and December 31, 2023.

Asset quality measures at March 31, 2024 were generally consistent with December 31, 2023. Loans internally-classified Special Mention or Substandard were down \$4.4 million or 3.6% compared to December 31, 2023. Nonperforming loans and leases were flat compared to year end 2023 and represented 1.11% of total loans at March 31, 2024 and December 31, 2023. The allowance for credit losses covered 82.47% of nonperforming loans and leases as of March 31, 2024, compared to 82.84% at December 31, 2023. The Company had net charge-offs of \$228,000 in the first quarter of 2024, compared to net recoveries of \$1.3 million for the same period in 2023.

Activity in the Company's allowance for credit losses during the first three months of 2024 and 2023 is illustrated in the table below:

**Analysis of the Allowance for Credit Losses**

(In thousands)

	03/31/2024	03/31/2023
Average loans outstanding during period	\$ 5,621,604	\$ 5,251,278
Allowance at beginning of year, prior to adoption of ASU 2022-02	51,584	45,934
Impact of adopting ASU 2022-02	0	64
Balance of allowance at beginning of year	51,584	45,998
<b>LOANS CHARGED-OFF:</b>		
Residential real estate	0	2
Consumer and other	445	106
Total loans charged-off	\$ 445	\$ 108
<b>RECOVERIES OF LOANS PREVIOUSLY CHARGED-OFF:</b>		
Commercial and industrial	7	46
Commercial real estate	2	1,246
Residential real estate	120	64
Consumer and other	88	33
Total loans recovered	\$ 217	\$ 1,389
Net loans charged-off (recovered)	228	(1,281)
Provision (credit) for credit losses related to loans	348	(1,180)
Balance of allowance at end of period	\$ 51,704	\$ 46,099
Allowance for credit losses as a percentage of total loans and leases	0.92 %	0.87 %
Annualized net charge-offs (recoveries) on loans to average total loans and leases during the period	0.02 %	(0.10)%

As of March 31, 2024, the total allowance for credit losses was \$51.7 million, an increase of \$120,000 or 0.2% from year-end 2023. The increase reflects net loan charge-offs of \$228,000 and provision for credit loss expense of \$348,000. The ratio of the allowance for credit losses as a percentage of total loans was 0.92% at March 31, 2024, unchanged from year-end 2023.

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. The increase in the ACL from year-end 2023 reflects loan growth, mainly in commercial real estate and commercial loans, and changes in asset quality; partially offset by improvements in economic forecasts for unemployment and gross domestic product ("GDP"). Forecasts related to unemployment continue to improve and GDP forecasts show more growth compared to prior forecasts. Qualitative reserves were added to the commercial portfolio at March 31, 2024, driven by increases in non-performing loans during the first quarter of 2024.

**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 cancelable, 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 March 31, 2024, the provision for credit losses for off-balance sheet credit exposures was \$506,000 compared to \$355,000 for the same period in 2023. The provision in 2024 was driven by increased off-balance sheet exposures related to growth in the commercial loan pipeline.

#### Analysis of Past Due and Nonperforming Loans

(In thousands)	03/31/2024	12/31/2023	03/31/2023
Loans 90 days past due and accruing			
Consumer and other	\$ 151	\$ 101	\$ 13
Total loans 90 days past due and accruing	\$ 151	\$ 101	\$ 13
Nonaccrual loans			
Commercial and industrial	4,267	2,273	923
Commercial real estate	43,235	44,450	12,380
Residential real estate	14,729	15,172	14,869
Consumer and other	313	270	252
Total nonaccrual loans	\$ 62,544	\$ 62,165	\$ 28,424
Total nonperforming loans and leases	\$ 62,695	\$ 62,266	\$ 28,437
Other real estate owned	0	131	36
Total nonperforming assets	\$ 62,695	\$ 62,397	\$ 28,473
Allowance as a percentage of nonperforming loans and leases	82.47 %	82.84 %	162.11 %
Total nonperforming loans and leases as percentage of total loans and leases	1.11 %	1.11 %	0.54 %
Total nonperforming assets as percentage of total assets	0.81 %	0.80 %	0.37 %

Nonperforming assets include loans past due 90 days and accruing, nonaccrual loans, and foreclosed real estate/other real estate owned. Total nonperforming assets of \$62.7 million at March 31, 2024 were flat compared to December 31, 2023, and up \$34.2 million or 120.2% compared to March 31, 2023. The increase in nonperforming loans at quarter-end March 31, 2024 compared to the same period in 2023 was mainly due to the addition of one relationship with two commercial real estate properties totaling approximately \$33.8 million included in the office space and mixed use properties portion of the commercial real estate portfolio during the fourth quarter of 2023. The Company believes that the existing collateral securing the loans is sufficient to cover the exposure as of March 31, 2024. Nonperforming assets represented 0.81% of total assets at March 31, 2024, up from 0.80% at December 31, 2023, and 0.37% at March 31, 2023. Our peer group's average ratio of nonperforming assets to total assets was 0.40% at December 31, 2023.

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) was 82.47% at March 31, 2024, compared to 82.84% at December 31, 2023, and 162.11% at March 31, 2023. The Company's nonperforming loans and leases are mostly comprised of collateral dependent loans with limited exposure or loans that require limited specific reserve due to the level of collateral available with respect to these loans and/or previous charge-offs.

The Company adopted ASU 2022-02 Financial Instruments - Credit Losses (Topic 326), effective January 1, 2023. This standard eliminated the previous trouble debt restructuring accounting model and replaced it with guidance and disclosure requirements for identifying modifications to loans to borrowers experiencing financial difficulty. Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. At March 31, 2024, the Company had \$3.5 million of modifications to borrowers experiencing financial difficulty.

The Company, through its internal loan review function, identified 17 commercial relationships totaling \$25.6 million at March 31, 2024 that were potential problem loans. At December 31, 2023, the Company had identified 17 relationships totaling \$26.0 million that were potential problem loans. Of the 17 commercial relationships at March 31, 2024 that were Substandard, there were 4 relationships that equaled or exceeded \$1.0 million, which in aggregate totaled \$22.0 million, the largest of which was \$18.3 million. The potential problem 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 \$669.3 million at March 31, 2024, a decrease of \$596,000 or 0.1% from December 31, 2023. The decrease was mainly a result of the increase in accumulated other comprehensive loss, reflecting the change in unrealized gains/loss on available-for-sale debt securities from an unrealized loss of \$99.5 million at December 31, 2023 to an unrealized loss of \$109.6 million at March 31, 2024, and was partially offset by an increase in retained earnings from year-end 2023.

Additional paid-in capital increased from \$297.2 million at December 31, 2023 to \$297.8 million at March 31, 2024. The increase was primarily attributable to \$1.0 million related to stock based compensation; partially offset by \$418,000 of deferred director compensation. Retained earnings increased by \$8.2 million from \$501.5 million at December 31, 2023 to \$509.7 million at March 31, 2024, reflecting net income of \$16.9 million less dividends of \$8.6 million. Accumulated other comprehensive loss increased from a net loss of \$125.0 million at December 31, 2023 to a net loss of \$134.8 million at March 31, 2024, reflecting a \$10.0 million increase in unrealized losses on available-for-sale debt securities due to changes in market rates coupled with a \$217,000 decrease related to post-retirement benefit plans.

Cash dividends paid in the first three months of 2024 totaled approximately \$8.6 million or \$0.60 per common share, representing 51.2% of year to date 2024 earnings through March 31, 2024, and were flat compared to cash dividends of \$8.7 million or \$0.60 per common share paid in the first three months of 2023.

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 meet all capital adequacy requirements to which they are subject.

In addition to setting higher minimum capital ratios, the Basel III Capital Rules introduced a 2.5% capital conservation buffer, which has been fully phased in and must be added to each of the minimum capital ratios and is designed to absorb losses during periods of economic stress.

The following table provides a summary of the Company's capital ratios as of March 31, 2024:

### Regulatory Capital Analysis

March 31, 2024 <i>(dollar amounts in thousands)</i>	Actual		Minimum Capital Required - Basel III Fully Phased-In		Well Capitalized Requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	\$ 764,709	13.43 %	\$ 597,885	10.50 %	\$ 569,415	10.00 %
Tier 1 Capital (to risk weighted assets)	708,796	12.45 %	484,002	8.50 %	455,532	8.00 %
Tier 1 Common Equity (to risk weighted assets)	708,796	12.45 %	388,590	7.00 %	370,119	6.50 %
Tier 1 Capital (to average assets)	708,796	9.08 %	312,239	4.00 %	390,298	5.00 %

As of March 31, 2024, 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 was 13.4% at March 31, 2024, which is unchanged from December 31, 2023. Tier 1 capital as a percent of risk weighted assets increased from 12.4% at year-end 2023 to 12.5% as of March 31, 2024. Tier 1 capital as a percent of average assets was 9.1% at March 31, 2024, unchanged from December 31, 2023. Common equity Tier 1 capital was 12.5% at the end of the first quarter of 2024, up from 12.4% at the end of 2023.

As of March 31, 2024, the capital ratios for the Company's subsidiary banks also exceeded the minimum required capital ratios plus the fully phased-in capital conservation buffer, and the minimum required capital ratios for well capitalized institutions.

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 have elected to utilize the five-year CECL transition.

#### **Deposits and Other Liabilities**

Total deposits of \$6.4 billion at March 31, 2024 were up \$49.8 million or 0.8% from December 31, 2023. The increase from year-end was primarily in checking, money market and savings balances, which collectively were up \$162.1 million or 4.7%. The increase was offset by decreases in non-interest bearing deposits, down \$88.7 million or 4.6% and time deposits, down \$23.7 million or 2.4%. The increase in checking, money market and savings balances was mainly in municipal and ICS deposits.

The Bank is a participant in the ICS program and the CDARS program. The Bank uses these deposit sweep services to place customer and client funds into interest-bearing demand accounts, money market accounts, and/or time deposits issued by other participating banks. Customer and client funds are placed at one or more participating banks to ensure that each deposit customer is eligible for the full amount of FDIC insurance. As a program participant, we receive reciprocal amounts of deposits from other participating banks.

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 and municipal money market deposits and reciprocal deposit relationships with municipalities. Core deposits were down by \$22.6 million or 0.4% from year-end 2023, to \$5.2 billion at March 31, 2024. Core deposits represented 80.1% of total deposits at March 31, 2024, compared to 81.1% of total deposits at December 31, 2023.

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 \$43.7 million at March 31, 2024 and \$51.0 million at December 31, 2023. Management generally views local repurchase agreements as an alternative to large time deposits.

The Company's other borrowings totaled \$522.6 million at March 31, 2024, compared to \$602.1 million at December 31, 2023. The increase in deposit balances compared to year-end 2023 contributed to the decrease in other borrowings. Other borrowings at March 31, 2024 included \$407.6 million in overnight advances from the FHLB and \$115.0 million of FHLB term advances. The \$602.1 million in other borrowings at December 31, 2023 included \$477.1 million in overnight advances from the FHLB and \$125.0 million in term advances from the FHLB. Of the \$115.0 million in FHLB term advances at March 31, 2024, \$65.0 million was due 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 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 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. Management measures liquidity, including the level of cash,

unencumbered securities, and the availability of dependable borrowing sources. The Board has set a policy limit stating that reliable sources of liquidity should remain in excess of 6% of total assets. The ratio was 19.3% at March 31, 2024 compared to 18.3% of assets at December 31, 2023.

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 deposits, municipal money market deposits, reciprocal deposits, bank borrowings, securities sold under agreements to repurchase, overnight and term advances from the FHLB and other funding sources. Rates and terms are the primary determinants of the mix of these funding sources. Non-core funding sources of \$1.8 billion at March 31, 2024 decreased \$14.4 million or 0.8% as compared to year end 2023. Non-core funding sources, as a percentage of total liabilities, were 26.0% at March 31, 2024, compared to 26.1% at December 31, 2023.

Non-core funding sources may require securities to be pledged against the underlying liability. Securities were carried at \$1.1 billion at March 31, 2024, and \$1.0 billion at December 31, 2023, were either pledged or sold under agreements to repurchase. Pledged securities represented 58.7% of total securities at March 31, 2024, compared to 54.8% of total securities at December 31, 2023.

Cash and cash equivalents totaled \$57.1 million as of March 31, 2024 which decreased from \$79.5 million at December 31, 2023. Short-term investments, consisting of securities due in one year or less, increased from \$98.7 million at December 31, 2023 to \$99.4 million at March 31, 2024.

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 \$730.3 million at March 31, 2024 compared with \$766.1 million at December 31, 2023. Outstanding principal balances of residential mortgage loans, consumer loans, and leases totaled approximately \$1.7 billion at March 31, 2024, unchanged compared with December 31, 2023. 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, Federal Reserve Bank Discount Window advances and FHLB advances. Through its subsidiary bank, the Company has borrowing relationships with the FHLB, the Federal Reserve Bank 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 March 31, 2024, the established borrowing capacity with the FHLB was \$1.6 billion, with available unencumbered mortgage-related assets of \$773.4 million. Additional assets may also qualify as collateral for FHLB advances, upon approval of the FHLB. Through various programs at the Federal Reserve Bank, the Company has the ability to use certain unencumbered loans and securities to secure borrowings from the Federal Reserve Bank's Discount Window. At March 31, 2024 the available borrowing capacity with the Federal Reserve Bank was \$138.0 million, secured by loans. In addition to the available borrowing lines at the FHLB and Federal Reserve Bank, the Company maintains \$579.6 million of unencumbered securities which could be pledged to further enhance secured borrowing capacity.

#### **Non-GAAP Financial Information**

The following table includes disclosure of non-GAAP financial measures. Tangible common equity, a non-GAAP financial measure, is total stockholders' equity less intangible assets. Tangible book value per share is tangible equity divided by total shares issued and outstanding. These measures adjust common equity per share to exclude the effects of goodwill and intangible amortization expense on earnings, equity, and capital. The Company believes the non-GAAP measures provide meaningful comparisons of our underlying operational performance and facilitate management's and investors' assessments of business and performance trends in comparison to others in the financial services industry. These non-GAAP financial measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP. Tangible book value per share as presented herein may be different from non-GAAP financial measures used by other companies, and may not be comparable to similarly titled measures reported by other companies.

**Reconciliation of Tangible Book Value Per Share (non-GAAP) to Common Equity Book Value Per Share (GAAP)**

	Quarter-Ended	Year-ended
	03/31/2024	12/31/2023
Total common equity	\$ 667,906	\$ 668,522
Less: Goodwill and intangibles	93,926	94,003
Tangible common equity (Non-GAAP)	<b>573,980</b>	574,519
Ending shares outstanding	<b>14,405,019</b>	14,405,920
Common equity per share	\$ 46.37	\$ 46.41
Tangible book value per share (Non-GAAP)	<b>\$ 39.85</b>	\$ 39.88

**Newly Adopted Accounting Standards**

ASU No. 2023-02, *"Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method."* This update will allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits or other income tax benefits. This update applies this to all reporting entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a low income housing tax credit ("LIHTC") structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC specific guidance removed from Subtopic 323-740 has been applied. Additionally, the disclosure requirements apply to investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method (including investments within that elected program that do not meet the conditions to apply the proportional amortization method). The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023 and interim periods in those years. The adoption of ASU 2023-02 did not have a significant effect on the Company's financial statements.

Transition for existing tax credits that qualify must be recognized using either a modified retrospective transition or a retrospective transition for all existing tax investments still expected to provide tax benefits and elected under ASU 2023-02 to apply proportional amortization method. The Company has elected to treat all existing tax credit investments requiring adjustment under ASU 2023-02 using the modified retrospective method approach.

The Company currently has recorded investments in 2 separate LIHTC structures as of March 31, 2024 totaling \$2.3 million already using proportional amortization with a \$54,000 benefit recorded to income tax expense in the first quarter of 2024 and \$42,000 benefit in the first quarter of 2023. In addition, the Company has a historic rehabilitation tax credit that was previously recorded using the equity investment accounting method and had no residual book value or financial impact in either the current or prior year. The ASU 2023-02 day 1 adoption entry for this tax credit included the recording of a \$40,000 investment and the write-off of a \$444,000 gross timing difference (tax effective at \$111,000) with a corresponding \$71,000 reduction to retained earnings.

The Company has also elected to treat the following categories of tax credit investments under the proportional amortization method:

- LIHTC- Low Income Housing Tax Credits
- New Market Tax Credits
- Historic Rehabilitation Tax Credit
- Renewable Energy Tax Credit
- State Specific Tax Credits

**Accounting Standards Pending Adoption**

ASU No. 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* The amendments in this Update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2024 and interim periods in those years, and its adoption is not expected to have a significant effect on our financial statements.

ASU No. 2023-09, *"Income Taxes (Topic 740) - Improvements to Income Tax Disclosures."* The amendments in this Update related to the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and interim periods in those years. Tompkins is currently evaluating the potential impact of ASU 2023-09 on our consolidated financial statements.

The Company reviewed new accounting standards as issued. Management has not identified any other new standards that it believes will have a significant impact on the Company's 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 Board-approved levels. The Committee also considers strategies to manage this exposure and incorporates these strategies into the investment and funding decisions of the Company. The Company uses derivatives to manage various risks and to accommodate the business requirements of its customers. Additional information on derivatives is available in "Note 14 Derivatives and Hedging Activities" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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 most recent simulation analysis performed as of February 29, 2024, 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 5.8%, while a 200 basis point parallel decline in interest rates over a one-year period would result in a one year increase in net interest income of 5.8% from the base case. This simulation assumes no balance sheet growth, no changes in balance sheet mix, deposit rates move in a manner that reflects the historical relationship between deposit rate movement and changes in Federal funds rate, 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 one-year time horizon. As such, in the short-term net interest income is expected to trend slightly 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, the simulation shows net interest income is expected to trend upwards.

The down 200 basis point scenario increases net income slightly in the first year as a result of 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. 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 in addition to the above assumptions, also assumes interest rates remain unchanged from the date of the simulation, reflects a net interest margin trending higher over the next 24 months, with the annual year-over-year increase in net interest income reaching approximately 12% by the 12 to 24 month period.

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, balance sheet mix, 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 earnings and 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 March 31, 2024. The Company's one-year net interest rate gap was a negative \$799.5 million or 10.28% of total assets at March 31, 2024, compared with a negative \$836.6 million or 10.70% of total assets at December 31, 2023. 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 significantly affected by external factors such as a rise or decline in interest rates, loan or securities prepayments, and deposit withdrawals.

**Condensed Static Gap - March 31, 2024**

(In thousands)	Repricing Interval				Cumulative 12 months
	Total	0-3 months	3-6 months	6-12 months	
Interest-earning assets <sup>1</sup>	\$ 7,505,190	\$ 1,157,128	\$ 367,685	\$ 653,516	\$ 2,178,329
Interest-bearing liabilities	5,187,595	2,468,235	306,408	203,201	2,977,844
Net gap position		(1,311,107)	61,277	450,315	(799,515)
Net gap position as a percentage of total assets		(16.86)%	0.79 %	5.79 %	(10.28)%

<sup>1</sup> 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 March 31, 2024.

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 March 31, 2024, 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 March 31, 2024, 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, 2023.

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

##### **Recent Sales of Unregistered Securities**

On January 4, 2024, we issued an aggregate of 900 shares of our common stock to non-employee members of our Board of Directors who elected to receive all or a portion of their quarterly director retainer fees in Company stock pursuant to the the Company's Second Amended and Restated Retainer Plan For Eligible Directors of Tompkins Financial Corporation and Its Wholly-Owned Subsidiaries (the "Director Retainer Plan"). These shares were valued based on the closing market price per share of our common stock of \$55.90 on January 4, 2024, for an aggregate value of \$50,310. The shares were issued to our non-employee directors in private transactions exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

**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)
January 1, 2024 through January 31, 2024	2,404	\$ 59.24	0	400,000
February 1, 2024 through February 29, 2024	1,025	51.22	0	400,000
March 1, 2024 through March 31, 2024	0	0	0	400,000
<b>Total</b>	<b>3,429</b>	<b>\$ 56.84</b>	<b>0</b>	<b>400,000</b>

Included above are 2,404 shares purchased in January 2024, at an average cost of \$59.24, and 1,025 shares purchased in February 2024, at an average cost of \$51.22, at the direction of the trustee of the rabbi trust established by the Company under the Director Retainer Plan for eligible directors who elected to receive deferred stock compensation under such plan.

On July 20, 2023, the Company's Board of Directors authorized a share repurchase plan (the "2023 Repurchase Plan") under which it may repurchase up to 400,000 shares of the Company's common stock over the 24 months following adoption of the plan. Shares may be repurchased from time to time under the 2023 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. As of March 31, 2024, no shares have been repurchased under the 2023 Repurchase Plan.

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

(c) None

**Item 6. Exhibits****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">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.</a>
3.2	<a href="#">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.</a>
4.1	Form of Specimen Common Stock Certificate of the Company, incorporated herein by reference to Exhibit 4 to the Company's Registration Statement on Form 8-A (No. 0-27514), filed with the Commission on December 29, 1995.
10.1*	<a href="#">Tompkins Financial Non-Equity Short Term Incentive Plan, incorporated herein by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K, filed with the Commission on February 29, 2024.</a>
31.1	<a href="#">Certification of Principal Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
31.2	<a href="#">Certification of Principal Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
32.1	<a href="#">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</a>
32.2	<a href="#">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</a>
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.

\* Denotes management contract or compensatory plan or arrangement

\*\* 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 March 31, 2024 and December 31, 2023; (ii) Consolidated Statements of Income for the three months ended March 31, 2024 and 2023; (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2024 and 2023; (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023; (v) Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2024 and 2023; 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: May 8, 2024

**TOMPKINS FINANCIAL CORPORATION**

By: /s/ Stephen S. Romaine

**Stephen S. Romaine**

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ Matthew D. Tomazin

**Matthew D. Tomazin**

Executive Vice President, Chief Financial Officer, and Treasurer

(Principal Financial Officer)

**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: May 08, 2024

/s/ Stephen S. Romaine

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

**CERTIFICATION**

I, Matthew D. Tomazin, 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: May 08, 2024

*/s/* Matthew D. Tomazin

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Matthew D. Tomazin  
Executive Vice President, Chief Financial Officer, and  
Treasurer  
(Principal Financial Officer)

**CERTIFICATION**

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024 (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.

May 08, 2024

/s/ Stephen S. Romaine

Stephen S. Romaine

President and Chief Executive  
Officer

(Principal Executive Officer)

**CERTIFICATION**

In connection with the filing of the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024 (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.

May 08, 2024

*/s/ Matthew D. Tomazin*

**Matthew D. Tomazin**

Executive Vice President, Chief  
Financial Officer, and Treasurer  
(Principal Financial Officer)