

TOMPKINS FINANCIAL CORP
Form 10-Q
November 09, 2016

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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.)

The Commons, P.O. Box 460, Ithaca, NY **14851**
(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

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

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

Class Outstanding as of October 31, 2016
Common 15,055,954 shares
Stock,
\$0.10

par value

1

TOMPKINS FINANCIAL CORPORATION

FORM 10-Q

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TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share and per share data)

	As of 09/30/2016 (unaudited)	As of 12/31/2015 (audited)
ASSETS		
Cash and noninterest bearing balances due from banks	\$177,342	\$56,261
Interest bearing balances due from banks	2,244	1,996
Cash and Cash Equivalents	179,586	58,257
Trading securities, at fair value	0	7,368
Available-for-sale securities, at fair value (amortized cost of \$1,352,845 at September 30, 2016 and \$1,390,255 at December 31, 2015)	1,371,111	1,385,684
Held-to-maturity securities, at amortized cost (fair value of \$151,626 at September 30, 2016 and \$146,686 at December 31, 2015)	144,650	146,071
Originated loans and leases, net of unearned income and deferred costs and fees	3,672,539	3,310,768
Acquired loans and leases, covered	0	14,031
Acquired loans and leases, non-covered	417,008	447,243
Less: Allowance for loan and lease losses	34,112	32,004
Net Loans and Leases	4,055,435	3,740,038
Federal Home Loan Bank and other stock	34,246	29,969
Bank premises and equipment, net	63,687	60,331
Corporate owned life insurance	77,409	75,792
Goodwill	92,623	91,792
Other intangible assets, net	11,902	12,448
Accrued interest and other assets	71,566	82,245
Total Assets	\$6,102,215	\$5,689,995
LIABILITIES		
Deposits:		
Interest bearing:		
Checking, savings and money market	2,618,465	2,401,519
Time	877,427	855,133
Noninterest bearing	1,194,408	1,138,654
Total Deposits	4,690,300	4,395,306
Federal funds purchased and securities sold under agreements to repurchase	77,218	136,513
Other borrowings, including certain amounts at fair value of \$0 at September 30, 2016 and \$10,576 at December 31, 2015	671,000	536,285
Trust preferred debentures	37,638	37,509
Other liabilities	64,869	67,916
Total Liabilities	\$5,541,025	\$5,173,529
EQUITY		
Tompkins Financial Corporation shareholders' equity:	1,509	1,502

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Common Stock - par value \$.10 per share: Authorized 25,000,000 shares; Issued:
15,091,864 at September 30, 2016; and 15,015,594 at December 31, 2015

Additional paid-in capital	357,468	350,823
Retained earnings	221,235	197,445
Accumulated other comprehensive loss	(16,660)	(31,001)
Treasury stock, at cost – 116,203 shares at September 30, 2016, and 116,126 shares at December 31, 2015	(3,912)	(3,755)
 Total Tompkins Financial Corporation Shareholders' Equity	 559,640	 515,014
Noncontrolling interests	1,550	1,452
Total Equity	\$561,190	\$516,466
Total Liabilities and Equity	\$6,102,215	\$5,689,995

TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands, except per share data) (Unaudited)</i>	Three Months Ended		Nine Months Ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
INTEREST AND DIVIDEND INCOME				
Loans	\$43,057	\$ 39,235	\$125,378	\$ 114,670
Due from banks	2	1	5	3
Trading securities	62	86	220	270
Available-for-sale securities	6,683	7,031	21,498	22,219
Held-to-maturity securities	898	915	2,712	2,185
Federal Home Loan Bank and other stock	375	262	990	834
Total Interest and Dividend Income	51,077	47,530	150,803	140,181
INTEREST EXPENSE				
Time certificates of deposits of \$250,000 or more	402	369	1,214	1,058
Other deposits	2,291	2,284	6,764	6,837
Federal funds purchased and securities sold under agreements to repurchase	630	685	1,940	2,020
Trust preferred debentures	600	583	1,783	1,726
Other borrowings	1,837	1,223	4,840	3,596
Total Interest Expense	5,760	5,144	16,541	15,237
Net Interest Income	45,317	42,386	134,262	124,944
Less: Provision for loan and lease losses	782	281	2,615	1,412
Net Interest Income After Provision for Loan and Lease Losses	44,535	42,105	131,647	123,532
NONINTEREST INCOME				
Insurance commissions and fees	7,729	7,564	22,808	22,341
Investment services income	3,735	3,674	11,355	11,518
Service charges on deposit accounts	2,203	2,410	6,559	6,812
Card services income	2,037	2,001	5,980	5,844
Mark-to-market loss on trading securities	(76)	(69)	(182)	(206)
Mark-to-market gain on liabilities held at fair value	77	81	227	226
Other income	1,745	1,669	4,819	6,390
Gain on sale of available-for-sale securities	455	92	926	1,105
Total Noninterest Income	17,905	17,422	52,492	54,030
NONINTEREST EXPENSES				
Salaries and wages	19,801	18,357	58,123	54,319
Pension and other employee benefits	5,218	5,368	15,435	10,843
Net occupancy expense of premises	3,046	2,891	9,193	9,303
Furniture and fixture expense	1,707	1,532	4,973	4,465
FDIC insurance	783	729	2,388	2,218
Amortization of intangible assets	524	496	1,572	1,503
Other operating expense	9,245	8,509	27,534	27,841
Total Noninterest Expenses	40,324	37,882	119,218	110,492
Income Before Income Tax Expense	22,116	21,645	64,921	67,070
Income Tax Expense	7,219	7,115	21,208	22,405
	14,897	14,530	43,713	44,665

**Net Income attributable to Noncontrolling Interests and
Tompkins Financial Corporation**

Less: Net income attributable to noncontrolling interests	33	33	98	98
Net Income Attributable to Tompkins Financial Corporation	\$14,864	\$ 14,497	\$43,615	\$ 44,567
Basic Earnings Per Share	\$0.99	\$ 0.97	\$2.90	\$ 2.98
Diluted Earnings Per Share	\$0.97	\$ 0.96	\$2.87	\$ 2.96

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)	Three Months Ended	
	09/30/2016	09/30/2015
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	\$ 14,897	\$ 14,530
Other comprehensive (loss) income, net of tax:		
Available-for-sale securities:		
Change in net unrealized (gain) loss during the period	(3,333)	5,515
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income	(273)	(55)
Employee benefit plans:		
Amortization of net retirement plan actuarial gain	201	122
Amortization of net retirement plan prior service cost	12	11
Other comprehensive (loss) income	(3,393)	5,593
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation	11,504	20,123
Less: Net income attributable to noncontrolling interests	(33)	(33)
Total comprehensive income attributable to Tompkins Financial Corporation	\$ 11,471	\$ 20,090
(In thousands) (Unaudited)	Nine Months Ended	
	09/30/2016	09/30/2015
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	\$ 43,713	\$ 44,665
Other comprehensive income, net of tax:		
Available-for-sale securities:		
Change in net unrealized gain during the period	14,260	3,883
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income	(556)	(663)
Employee benefit plans:		
Recognized actuarial gain due to curtailment	0	(3,196)
Net actuarial gain due to curtailment	0	1,170
Amortization of net retirement plan actuarial gain	602	999
Amortization of net retirement plan prior service cost (credit)	35	(210)
Other comprehensive income	14,341	1,983
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation	58,054	46,648
Less: Net income attributable to noncontrolling interests	(98)	(98)

Total comprehensive income attributable to Tompkins Financial Corporation	\$57,956	\$ 46,550
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See notes to unaudited condensed consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	Nine Months Ended	
	09/30/2016	09/30/2015
OPERATING ACTIVITIES		
Net income attributable to Tompkins Financial Corporation	\$43,615	\$44,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	2,615	1,412
Depreciation and amortization of premises, equipment, and software	5,049	4,834
Amortization of intangible assets	1,572	1,503
Earnings from corporate owned life insurance	(1,615)	(1,643)
Net amortization on securities	8,214	9,011
Amortization/accretion related to purchase accounting	(2,320)	(4,348)
Mark-to-market loss on trading securities	182	206
Mark-to-market gain on liabilities held at fair value	(227)	(226)
Net gain on securities transactions	(926)	(1,105)
Net gain on sale of loans originated for sale	(57)	(21)
Proceeds from sale of loans originated for sale	2,018	1,402
Loans originated for sale	(1,661)	(1,784)
Net loss on sale of bank premises and equipment	18	24
Gain on pension curtailment	0	(6,003)
Stock-based compensation expense	1,715	1,410
Decrease in accrued interest receivable	(927)	(920)
(Decrease) increase in accrued interest payable	(111)	84
Proceeds from sales of trading securities	1,397	0
Proceeds from maturities and payments of trading securities	5,781	1,026
Other, net	(227)	11,242
Net Cash Provided by Operating Activities	64,105	60,671
INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal paydowns of available-for-sale securities	188,137	181,015
Proceeds from sales of available-for-sale securities	84,270	115,800
Proceeds from maturities, calls and principal paydowns of held-to-maturity securities	8,411	10,567
Purchases of available-for-sale securities	(241,991)	(285,625)
Purchases of held-to-maturity securities	(7,277)	(68,939)
Net increase in loans	(317,012)	(237,574)
Net increase in Federal Home Loan Bank stock	(4,277)	(2,303)
Proceeds from sale of bank premises and equipment	72	73
Purchases of bank premises and equipment	(8,049)	(4,621)
Net cash used in acquisition	(218)	0
Other, net	123	514
Net Cash Used in Investing Activities	(297,811)	(291,093)
FINANCING ACTIVITIES		
Net increase in demand, money market, and savings deposits	272,700	288,578
Net increase (decrease) in time deposits	23,283	(19,559)
	(59,137)	(11,247)

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Net decrease in Federal funds purchased and securities sold under agreements to repurchase		
Increase in other borrowings	536,301	285,960
Repayment of other borrowings	(401,359)	(243,330)
Cash dividends	(19,825)	(18,827)
Common stock issued	0	50
Repurchase of common stock	(1,166)	(3,279)
Shares issued for dividend reinvestment plan	2,237	0
Shares issued for employee stock ownership plan	1,938	1,595
Net shares issued related to restricted stock awards	(201)	(195)
Net proceeds from exercise of stock options	(124)	1,469
Tax benefit from stock option exercises	388	230
Net Cash Provided by Financing Activities	355,035	281,445
Net Increase in Cash and Cash Equivalents	121,329	51,023
Cash and cash equivalents at beginning of period	58,257	56,070
Total Cash & Cash Equivalents at End of Period	\$179,586	\$107,093

See notes to unaudited condensed consolidated financial statements.

TOMPKINS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	09/30/2016	09/30/2015
Supplemental Information:		
Cash paid during the year for - Interest	\$ 17,641	\$ 16,253
Cash paid during the year for - Taxes	17,746	15,102
Transfer of loans to other real estate owned	1,179	1,046

See notes to unaudited condensed consolidated financial statements.

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

<i>(In thousands except share and per share data)</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non- controlling Interests	Total
Balances at January 1, 2015	\$1,493	\$348,889	\$165,160	\$(24,011)	\$(3,400)	\$1,452	\$489,583
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			44,567			98	44,665
Other comprehensive income				1,983			1,983
Total Comprehensive Income							46,648
Cash dividends (\$1.26 per share)			(18,827)				(18,827)
Net exercise of stock options and related tax benefit (59,973 shares)	6	1,693					1,699
Stock-based compensation expense		1,410					1,410
Common stock repurchased and returned to unissued status (63,181 shares)	(6)	(3,273)					(3,279)
Shares issued for employee stock ownership plan (29,575 shares)	3	1,592					1,595
Directors deferred compensation plan (2,351 shares)		229			(229)		0
Common stock issued for purchase acquisition (960 shares)		50					50
Restricted stock activity ((17,195) shares)							