

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2021

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 1-12709



**Tompkins Financial Corporation**

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

16-1482357

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

118 E. Seneca Street, P.O. Box 460, Ithaca, NY

(Address of principal executive offices)

14851

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Trading Symbol(s) | Name of each exchange on which registered |
|------------------------------------------|-------------------|-------------------------------------------|
| Common Stock (\$.10 Par Value Per Share) | TMP               | NYSE American                             |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of Securities Act. Yes ☐ No ☒.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒.

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 (S232.405 of this chapter) 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 nonaccelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "nonaccelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Nonaccelerated Filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the registrant's common stock held by non-affiliates was \$931.7 million on June 30, 2021, based on the closing sales price of a share of the registrant's common stock, \$.10 par value (the "Common Stock"), as reported on the NYSE American, on such date.

The number of shares of the registrant's Common Stock outstanding as of February 28, 2022, was 14,584,596 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement relating to its 2022 Annual Meeting of stockholders, to be held on May 10, 2022, are incorporated by reference into Part III of this Form 10-K where indicated.

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**TOMPKINS FINANCIAL CORPORATION**

**Annual Report on Form 10-K  
For the Fiscal Year Ended December 31, 2021  
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## PART I

### Item 1. Business

*The disclosures set forth in this Item 1. Business are qualified by the section captioned “Forward-Looking Statements” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Report and other cautionary statements set forth elsewhere in this Report.*

#### General

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. At December 31, 2021, the Company’s subsidiaries included four wholly-owned banking subsidiaries, Tompkins Trust Company (the “Trust Company”), The Bank of Castile (DBA Tompkins Bank of Castile), Mahopac Bank (DBA Tompkins Mahopac Bank), and VIST Bank (DBA Tompkins VIST Bank). Effective January 1, 2022, the Company’s four wholly-owned banking subsidiaries were combined into one bank, with The Bank of Castile, Mahopac Bank, and VIST Bank merging with and into the Trust Company with the Trust Company as the surviving institution. Immediately following the merger, the Trust Company changed its name to “Tompkins Community Bank.”

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. Banking services consist primarily of attracting deposits from the areas served by the Company’s 63 banking offices (43 offices in New York and 20 offices in Pennsylvania), and using those deposits to originate a variety of commercial loans, agricultural loans, consumer loans, real estate loans, and leases in those same areas. The Company has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. (“Tompkins Insurance”). Tompkins Community Bank provides a full array of trust and investment services under the Tompkins Financial Advisors brand, including investment management, trust and estate, financial and tax planning as well as life, disability and long-term care insurance services. The Company’s principal offices are located at 118 E. Seneca St., P.O. Box 460, 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.”

Tompkins was organized in 1995, under the laws of the State of New York, as a bank holding company for the Trust Company, a commercial bank that has operated in Ithaca, New York and surrounding communities since 1836.

The Tompkins strategy centers around its 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. The Company has pursued acquisition opportunities in the past, and continues to review new opportunities.

The Company also has defined strategic initiatives around digital delivery of services to meet the changing needs of client expectations, while maintaining our commitment to excellence in the delivery of personal service when self-serve options are unable to meet the needs of our clients. Our strategy includes a focus on building a scalable foundation based on a continuous improvement approach necessary for our long term success. This foundation will include investments in automation, analytics and security to drive ongoing consistency, efficiency, and security in our operations. We also recognize the need to develop and acquire talent that is well prepared to succeed in our changing industry. Initiatives in this area include a focus on characteristics such as collaboration, innovation and agility, while also promoting and embracing diversity, inclusion and belonging in our workforce.

## **Narrative Description of Business**

The Company has identified three business segments, consisting of banking, insurance and wealth management.

Banking services consist primarily of attracting deposits from the areas served by the Company's banking subsidiary and using those deposits to originate a variety of commercial loans, agricultural loans, consumer loans, real estate loans, and leases in those same areas. The Company's lending function is managed within the guidelines of a comprehensive Board of Directors-approved lending policy. Policies and procedures are reviewed on a regular basis. 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. The Company has an independent third party loan review process that reviews and validates the risk identification and assessment made by the lenders and credit personnel. The results of these reviews are presented to the Board of Directors of the Company's banking subsidiary, and the Company's Audit and Examining Committee.

The Company's principal expenses are interest on deposits, interest on borrowings, and operating and general administrative expenses, as well as provisions for credit loss expenses. Funding sources, other than deposits, include borrowings, securities sold under agreements to repurchase, and cash flow from lending and investing activities. The Company's principal source of revenue is interest income on loans and securities.

The Company maintains a portfolio of securities such as U.S. Treasury securities, obligations of U.S. government agencies and U.S. government sponsored entities, obligations of states and political subdivisions thereof, and equity securities. Management typically invests in securities with short to intermediate average lives in order to better match the interest rate sensitivities of its assets and liabilities. Investment decisions are made within policy guidelines established by the Company's Board of Directors. The investment policy is based on the asset/liability management goals of the Company, and is monitored by the Company's Asset/Liability Management Committee. The intent of the policy is to establish a portfolio of high quality diversified securities, which optimizes net interest income within safety and liquidity limits deemed acceptable by the Asset/Liability Management Committee.

The Company has operated its insurance agency subsidiary, Tompkins Insurance, since 2001. Insurance services include property and casualty insurance, employee benefit consulting, 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 served by Tompkins Community Bank and successfully consolidated them into Tompkins Insurance. Tompkins Insurance offers services to customers of Tompkins Community Bank by sharing offices with Tompkins Community Bank. 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.

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 has office locations, and services are available, at certain of Tompkins Community Bank's branch locations.

### **Subsidiaries**

#### ***Tompkins Community Bank***

At December 31, 2021, the Company's subsidiaries included four wholly-owned banking subsidiaries, the Trust Company, The Bank of Castile (DBA Tompkins Bank of Castile), Mahopac Bank (DBA Tompkins Mahopac Bank), and VIST Bank (DBA Tompkins VIST Bank). Effective January 1, 2022, the Company's four wholly-owned banking subsidiaries were combined into one bank, with The Bank of Castile, Mahopac Bank, and VIST Bank merging with and into the Trust Company with the Trust Company as the surviving institution. Immediately following the merger, the Trust Company changed its name to "Tompkins Community Bank." Tompkins Community Bank operates 63 branches, 43 branches in New York, and 20 located in Pennsylvania. Tompkins has operated in Ithaca, New York and surrounding communities since 1836.

Tompkins Community Bank provides wealth management services through Tompkins Financial Advisors ("TFA"), a division of Tompkins Community Bank. As of December 31, 2021, Tompkins Community Bank had consolidated total assets of \$7.8 billion, consolidated total loans of \$5.1 billion, and consolidated total deposits of \$6.8 billion. A description of markets served by Tompkins Community Bank are included below:

***Tompkins Central New York ("CNY")***

We operate 13 branches in our CNY market, with the largest market area being Tompkins County, which has a population of approximately 102,000. Education plays a significant role in the Tompkins County economy with Cornell University and Ithaca College being two of the county's major employers. Tompkins Community Bank has a full-service office in Cortland, New York and a full-service office in Auburn, New York. Both of these offices are located in counties contiguous to Tompkins County. Tompkins Community Bank also has a full service branch in Fayetteville, New York which is located in Onondaga County. As of December 31, 2021, our CNY market accounted for total assets of \$2.5 billion, total loans of \$1.4 billion and total deposits of \$2.1 billion.

***Tompkins Western New York ("WNY")***

We operate 16 banking offices in our WNY market, in towns situated in and around the areas commonly known as the Genesee Valley region of New York State. The main business office for WNY is located in Batavia, New York and is shared with Tompkins Insurance. Our WNY market is a six-county market, much of which is rural in nature, but also includes Monroe County (population approximately 744,000), where the city of Rochester is located, and Erie County (population approximately 917,000) located near Buffalo, New York. The population of the counties in our WNY market, other than Monroe and Erie, is approximately 198,000. As of December 31, 2021, our WNY market accounted for total assets of \$1.9 billion, total loans of \$1.3 billion and total deposits of \$1.7 billion.

***Tompkins Hudson Valley New York ("HV")***

We operate 14 banking offices in our HV market. The 14 banking offices include 5 full-service offices in Putnam County, New York, 3 full-service offices in Dutchess County, New York, and 6 full-service offices in Westchester County, New York. Putnam County has a population of approximately 97,000 and is about 60 miles north of Manhattan. Dutchess County has a population of approximately 295,000, and Westchester County has a population of approximately 966,000. As of December 31, 2021, our HV market accounted for total assets of \$1.6 billion, total loans of \$1.1 billion and total deposits of \$1.3 billion.

***Tompkins Pennsylvania ("PA")***

PA operates 20 banking offices in Pennsylvania, including one limited-service office. The 20 banking offices include 12 offices in Berks County, 5 offices in Montgomery County, 1 office in Philadelphia County, 1 office in Delaware County and 1 office in Schuylkill County. The population of the counties served by PA is Philadelphia: 1.6 million, Montgomery: 839,000, Delaware: 570,000, Berks: 422,000 and Schuylkill: 140,000. The main office is located in Wyomissing, Pennsylvania. As of December 31, 2021, our PA market accounted for total assets of \$1.9 billion, total loans of \$1.3 billion and total deposits of \$1.7 billion.

***Tompkins Insurance Agencies, Inc.***

Tompkins Insurance is headquartered in Batavia, New York. Insurance services include property and casualty insurance, employee benefit consulting, and life, long-term care and disability insurance. Over the years, Tompkins Insurance has acquired smaller insurance agencies in the market areas served by Tompkins Community Bank and successfully consolidated them into Tompkins Insurance. Tompkins Insurance offers services to customers of the Tompkins Community Bank by sharing offices with in Western New York, Central New York and Pennsylvania. In addition to these shared offices, Tompkins Insurance has five stand-alone offices in Western New York.

**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, Tompkins Community Bank competes 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 Tompkins Community 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.

## **Supervision and Regulation**

### ***Regulatory Agencies***

As a registered financial holding company, the Company is regulated under the Bank Holding Company Act of 1956 as amended ("BHC Act"), 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 (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's activities, or those of its subsidiary bank, Tompkins Community Bank, are also subject to regulation under the Federal Reserve Act, the Federal Deposit Insurance Act, the Dodd-Frank Act, the Truth-in-Lending Act (which governs disclosures of credit terms to consumer borrowers), the Truth-in-Savings Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act (which governs the manner in which consumer debts may be collected by collection agencies), the Home Mortgage Disclosure Act (which requires financial institutions to provide certain information about home mortgage and refinanced loans), the Servicemembers Civil Relief Act, Section 5 of the Federal Trade Commission Act (which prohibits unfair or deceptive acts and practices in or affecting commerce), the Real Estate Settlement Procedures Act, and the Electronic Funds Transfer Act, as well as other federal, state and local laws. The Company's common stock is traded on the NYSE American under the Symbol "TMP" and as a result 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 ("NYDFS"). Each of these agencies issue regulations and requires the filing of reports describing the activities and financial condition of the entities under its jurisdiction. Likewise, such agencies conduct examinations on a recurring basis to evaluate the safety and soundness of the institutions, and to test compliance with various regulatory requirements, including: consumer protection, privacy, fair lending, the Community Reinvestment Act, the Bank Secrecy Act, sales of non-deposit investments, electronic data processing, and trust department activities.

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

The Company's wealth management subsidiary is subject to examination and regulation by various regulatory agencies. The trust division of Tompkins Community Bank is subject to examination and comprehensive regulation by the FDIC and NYDFS.

### ***Federal Home Loan Bank System***

The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLB of New York ("FHLBNY"). FHLB members are required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of the FHLBNY may increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase our investment in the FHLBNY depends entirely upon the occurrence of a future event, the amount of any future investment in the capital stock of the FHLBNY is not determinable.

### ***Regulatory Reform***

Various legislation, some of which may be extensive and comprehensive in nature, is introduced in Congress and New York's legislature from time to time. Such legislation may change applicable statutes and the operating environment in substantial and unpredictable ways. We cannot determine the ultimate effect that future legislation or implementing regulations would have upon our financial condition or upon our results of operations or the result of operations of any of our subsidiaries.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") by way of example, contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other

participants in the financial markets. The Dodd-Frank Act made extensive changes in the regulation of financial institutions and their holding companies. Some of the changes brought about by the Dodd-Frank Act have been modified by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the "Regulatory Relief Act"), signed into law on May 24, 2018.

#### ***Debit-Card Interchange Fees***

FRB regulations mandated by the Dodd-Frank Act limit interchange fees on debit cards to a maximum of 21 cents per transaction plus 5 basis points of the transaction amount. Issuers that, together with their affiliates, have less than \$10 billion in assets, such as the Company, are exempt from the debit card interchange fee standards. However, FRB regulations prohibit all card issuers, including Tompkins Community Bank, from restricting the number of networks over which electronic debit transactions may be processed to fewer than two unaffiliated networks, or inhibiting a merchant's ability to direct the routing of the electronic debit transaction over any network that the card issuer has enabled to process them.

#### ***Volcker Rule***

The Dodd-Frank Act required the federal financial regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in certain covered funds. The statutory provision is commonly called the "Volcker Rule," and is not applicable to depository institutions and their holding companies whose total assets do not exceed \$10 billion. As of December 31, 2021, the Company's total assets on a consolidated basis did not exceed \$10 billion.

#### ***Federal Bank Holding Company Regulation***

We are a bank holding company subject to regulation under the BHC Act and the examination and reporting requirements of the FRB. In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the FRB has determined to be so closely related to banking. In addition, we have elected to be treated as a financial holding company under the BHC Act and therefore may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the FRB), without prior approval of the FRB.

If a bank holding company elects to be treated as a financial holding company, as we have, (i) the bank holding company and all of its depository institution subsidiaries must be "well-capitalized" and "well-managed," as defined in the FRB's Regulation Y and (ii) the bank holding company must file a declaration with the FRB that it elects to be a "financial holding company," which we have done. To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be "well capitalized" and "well managed." A depository institution subsidiary is considered to be "well capitalized" if it satisfies the requirements for this status discussed in the section captioned "Capital Adequacy and Prompt Corrective Action," below. A depository institution subsidiary is considered "well managed" if it received a composite rating and management rating of at least "satisfactory" in its most recent examination. A financial holding company's status will also depend upon it maintaining its status as "well capitalized" and "well managed" under applicable FRB regulations. If a financial holding company ceases to meet these capital and management requirements, the FRB's regulations provide that the financial holding company must enter into an agreement with the FRB to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the FRB may impose limitations or conditions on the conduct of its activities, and the company may not commence any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the FRB. If the company does not return to compliance within 180 days, the FRB may require divestiture of the holding company's depository institutions. Bank holding companies and banks must also be "well-capitalized" and "well-managed" in order to acquire banks located outside their home state.

In order for a financial holding company to commence any new activity permitted by the BHC Act or to acquire a company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act ("CRA"). See the section captioned "Community Reinvestment Act", below.

The FRB has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the FRB has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

### ***Share Repurchases and Dividends***

The ability of the Company to pay dividends on or to repurchase its common stock, and the ability of the Bank to pay dividends to the Company, may be restricted due to several factors including: (a) applicable federal and state corporate law and banking codes, (b) covenants contained in our subordinated debentures and borrowing agreements, and (c) the regulatory authority of the FRB, the FDIC, and the NYSDFS. Our ability to pay dividends to our stockholders or to repurchase shares of our common stock is subject to the restrictions set forth in applicable corporate laws.

Notification to the FRB is required prior to our declaring and paying a cash dividend to our stockholders during any period in which our quarterly and/or cumulative twelve-month net earnings are insufficient to fund the dividend amount, among other requirements. Under such circumstances, we may not pay a dividend should the FRB object until such time as we receive approval from the FRB or no longer need to provide notice under applicable regulations. In addition, prior approval of the FRB may be required in certain circumstances prior to our repurchasing shares of our common stock.

In connection with the decision regarding dividends and share repurchase programs, our Board will take into account general business conditions, our financial results, projected cash flows, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends by Tompkins Community Bank to the Company and such other factors as deemed relevant. We can provide no assurance that we will continue to declare dividends on a quarterly basis, or otherwise, or to repurchase shares of our common stock. The declaration of dividends by the Company is subject to the discretion of our Board.

The Company's primary source of liquidity is the receipt of cash dividends from Tompkins Community Bank. Various statutes and regulations limit the availability of cash dividends from Tompkins Community Bank and the dividends paid by Tompkins Community Bank are regulated by the NYSDFS and the FDIC under their general supervisory authority as it relates to a bank's capital requirements. Tompkins Community Bank may declare a dividend without the approval of the NYSDFS and FDIC as long as the total dividends declared in a calendar year do not exceed the net income for the current fiscal year, plus the retained net income for the prior two fiscal years.

### ***Transactions with Affiliates and Other Related Parties***

Transactions between Tompkins Community Bank and its affiliates are regulated under federal banking law. Subject to certain exceptions set forth in the Federal Reserve Act and its implementing regulations, found at Regulation W, a bank may enter into "covered transactions" with its affiliates if the aggregate amount of the covered transactions with any single affiliate does not exceed 10 percent of the bank's capital stock and surplus or 20 percent of the bank's capital stock and surplus for covered transactions with all affiliates. Covered transactions include, among other things, extension of credit, the investment in securities, the purchase of assets, the acceptance of collateral or the issuance of a guaranty. The Dodd-Frank Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization. Additionally, most transactions that a bank engages in with an affiliate, including where an affiliate performs a service for the bank, must be on similar terms and conditions as the bank would agree to with a non-affiliate.

Tompkins Community Bank's authority to extend credit to its directors, executive officers and 10% shareholders (collectively, "Reg O Insiders"), as well as to entities controlled by such persons, is governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O as promulgated by the FRB. Among other things, these provisions require that extensions of credit to Reg O Insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with persons or entities that are not Reg O Insiders (or their related parties), and that do not involve more than the normal risk of repayment or present other unfavorable features; and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital. In addition, extensions of credit in excess of certain limits must be approved by the bank's board of directors. Additional restrictions apply to extensions of credit to executive officers of Tompkins Community Bank.

### ***Mergers and Acquisitions***

The BHC Act, the Bank Merger Act, the Change in Bank Control Act and other federal and state statutes regulate acquisitions of interests in commercial banks. The BHC Act requires the prior approval of the FRB for the direct or indirect acquisition by a bank holding company of more than 5.0% of the voting shares of a commercial bank or its parent holding company and for a person, other than a bank holding company, to acquire 25% or more of any class of voting securities of a bank or bank holding company. Under the Bank Merger Act, the prior approval of the appropriate bank regulatory agencies is required for a member bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA (see the section captioned

“Community Reinvestment Act” included elsewhere in this item) and fair housing laws and the effectiveness of the subject organizations in combating money laundering activities.

#### ***Source of Strength Doctrine***

The Dodd-Frank Act requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this requirement, Tompkins is expected to commit resources to support Tompkins Community Bank, including at times when it may not be advantageous for Tompkins to do so. Any capital loans by a bank holding company to a subsidiary bank are subordinated in right of payment to deposits and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

#### ***Capital Adequacy and Prompt Corrective Action***

Bank holding companies and banks are subject to various regulatory capital requirements administered by state and federal agencies. These agencies may establish higher minimum requirements if, for example, a banking organization previously has received special attention or has a high susceptibility to interest rate risk. Risk-based capital requirements determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items. Under the Dodd-Frank Act, the Federal Reserve must apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. The Dodd-Frank Act additionally requires capital requirements to be counter-cyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

Under federal regulations, bank holding companies and banks must meet certain risk-based capital requirements. Effective as of January 1, 2015, the Basel III final capital framework, among other things, (i) introduces as a new capital measure “Common Equity Tier 1” (“CET1”), (ii) specifies that Tier 1 capital consists of CET1 and “Additional Tier 1 capital” instruments meeting specified requirements, (iii) defines CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expands the scope of the adjustments as compared to existing regulations.

Beginning January 1, 2016, financial institutions were required to maintain a minimum “capital conservation buffer” to avoid restrictions on capital distributions such as dividends and equity repurchases and other payments such as discretionary bonuses to executive officers. The minimum capital conservation buffer, has been phased in over a four year transition period with minimum buffers of 0.625%, 1.25%, 1.875%, and 2.50% during 2016, 2017, 2018, and 2019, respectively.

As fully phased in on January 1, 2019, the Basel III Capital Rules require Tompkins to maintain (i) a minimum ratio of CET1 to risk-weighted assets of 4.5%, plus a 2.5% capital conservation buffer (resulting in a minimum ratio of CET1 to risk-weighted assets of 7.0%), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum total capital ratio of 10.5%), and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets. Banking institutions that fail to meet the effective minimum ratios once the capital conservation buffer is taken into account, as detailed above, will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution’s “eligible retained income” (that is, the greater of (i) net income for the preceding four quarters, net of distributions and associated tax effects not reflected in net income and (ii) average net income over the preceding four quarters).

The Basel III Capital Rules also provide for a “countercyclical capital buffer” that is applicable to only certain covered institutions and is not expected to apply to Tompkins for the foreseeable future.

The Basel III Capital Rules imposed stricter regulatory capital deductions from and adjustments to capital, with most deductions and adjustments taken against CET1 capital. These include, for example, the requirement that (i) mortgage servicing assets, net of associated deferred tax liabilities; (ii) deferred tax assets, which cannot be realized through net operating loss carrybacks, net of any relative valuation allowances and net of deferred tax liabilities; and (iii) significant investments (i.e. 10% or greater ownership) in unconsolidated financial institutions be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015. The deductions were phased-in over a four-year period, beginning on January 1, 2015 and concluding on January 1, 2019.

Under the Basel III Capital Rules, the effect of certain accumulated other comprehensive items are not excluded, which could result in significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of the Company's securities portfolio. Contained within the rule was a one-time option to permanently opt-out of the inclusion of accumulated other comprehensive income in the capital calculation based upon asset size. Tompkins decided to opt out of this requirement in January 2015.

The Basel III Capital Rules also required the phase-out of certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies. However, because the trust preferred securities held by Tompkins were issued prior to May 19, 2010, and because Tompkins' total consolidated assets were less than \$15.0 billion as of December 31, 2009, these trust preferred securities are permanently grandfathered under the final rule and may continue to be included as Tier 1 capital.

In February 2019, the federal bank regulatory agencies issued a final rule (the "2019 CECL Rule") that revised certain capital regulations to account for changes to credit loss accounting under U.S. GAAP. The 2019 CECL Rule included a transition option that allows banking organizations to phase in, over a three-year period, the day-one adverse effects of adopting a new accounting standard related to the measurement of current expected credit losses ("CECL") on their regulatory capital ratios (three-year transition option). In March 2020, the federal bank regulatory agencies issued an interim final rule that maintains the three-year transition option of the 2019 CECL Rule and also provides banking organizations that were required under U.S. GAAP (as of January 2020) to implement CECL before the end of 2020 the option to delay for two years an estimate of the effect of CECL on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). We elected to adopt the five-year transition option; however as of the year ending December 31, 2021, the Company did not maintain a positive modified transition amount and therefore made no adjustment to CET1 for CECL's impact. For the preceding year ending December 31, 2020, a CECL transitional amount totaling \$1.6 million was added back to CET1 as of December 31, 2020. The 2020 CECL transitional amount includes a \$2.0 million decrease related to the cumulative effect of adopting CECL and a \$3.6 million increase related to the estimated incremental effect of CECL since adoption.

Section 38 of the Federal Deposit Insurance Act ("FDIA") requires federal banking agencies to take "prompt corrective action" ("PCA") should an insured depository institution fail to meet certain capital adequacy standards. If an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized or undercapitalized, may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice, warrants such treatment.

With respect to Tompkins Community Bank, the Basel III Capital Rules revised the PCA regulations, by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to 6%); and (iii) eliminating the provision that permitted a bank with a composite supervisory rating of 1 and a 3% leverage ratio to be considered adequately capitalized. The Basel III Capital Rules did not change the total risk-based capital requirement for any PCA category. Additionally, bank holding companies and insured depository institutions may also be subject to potential enforcement actions of varying levels of severity for unsafe or unsound practices in conducting their business or for violation of any law, rule, regulation, condition imposed in writing by federal banking agencies or term of a written agreement with such agency. The Company is in compliance, and management believes that the Company will continue to be in compliance, with the targeted capital ratios as such requirements are phased in.

For further information concerning the regulatory capital requirements, actual capital amounts and the ratios of Tompkins and Tompkins Community Bank, see the discussion in "Note 20 - Regulations and Supervision" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

### ***Deposit Insurance***

Substantially all of the deposits of Tompkins Community Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The Dodd-Frank Act permanently increased the maximum amount of deposit insurance to \$250,000 per deposit category, per depositor, per institution retroactive to January 1, 2008.

Tompkins Community Bank pays deposit insurance premiums to the FDIC based on assessment rates established by the FDIC. The assessment rates are based upon asset size and other risks the institution poses to the Deposit Insurance Fund, or DIF.

Under this assessment system, risk is defined and measured using an institution's supervisory ratings with other risk measures, including financial ratios.

In October 2010, the FDIC adopted a new Restoration Plan for the DIF to ensure that the fund reserve ratio reached 1.35% by September 30, 2020, as required by the Dodd-Frank Act. On April 26, 2016, the FDIC adopted a rule amending pricing for deposit insurance for institutions with less than \$10 billion in assets effective the quarter after the fund reserve ratio reached 1.15%. The fund reserve ratio reached 1.15% effective as of June 30, 2016. The Dodd-Frank Act required the FDIC to offset the effect of increasing the reserve ratio on insured depository institutions with total consolidated assets of less than \$10 billion. In September 2018, the reserve ratio reached 1.36%, at which time banks with assets of less than \$10 billion were awarded assessment credits for their portion of their assessments that contributed to the growth in the reserve ratio from 1.15% to 1.35%. When the reserve ratio reached 1.40% in June 2019, the FDIC applied these credits to assessment invoices for banks with assets of less than \$10 billion. In 2019 and 2020, the Company's subsidiary banks applied credits of \$1.5 million and \$121,000, respectively, in the aggregate, to offset deposit insurance expense.

On June 26, 2020, the FDIC adopted a Final Rule to mitigate the effect on deposit insurance assessments resulting from an insured institution's participation as a lender in the Small Business Administration Paycheck Protection Program (PPP), the Paycheck Protection Program Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF). The regulation provides adjustments to remove the effects of participating in PPP, PPPLF, and MMLF on the assessment rate calculation, and an offset to assessments attributable to the MMLF and PPP assessment base increases.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

FDIC insurance expense totaled \$2.8 million, \$2.4 million, \$733,000 in 2021, 2020 and 2019, respectively. The increase in expense between 2020 and 2019 was due to the deposit insurance credits mentioned above, which were recognized mainly in 2019.

#### ***Depositor Preference***

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, such as Tompkins Community Bank, the claims of depositors of the institution, including the claims of the FDIC, as subrogee of the insured depositors, and certain claims for administrative expenses of the FDIC as receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institutions, as well as the shareholders of the parent bank holding company, who are unlikely to recover in the event a bank holding company's sole bank subsidiary fails.

#### ***Community Reinvestment Act***

The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their entire service area, including low and moderate income neighborhoods, consistent with the safe and sound operations of such banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. As of December 31, 2021, the Company's subsidiary banks all had ratings of satisfactory or better.

In April 2018, the U.S. Department of Treasury issued a memorandum to the federal banking regulators with recommended changes to the CRA's implementing regulations to reduce their complexity and associated burden on banks. In December 2019, the OCC and FDIC issued a notice of proposed rulemaking intended to (i) clarify which activities qualify for CRA credit; (ii) update where activities count for CRA credit; (iii) create a more transparent and objective method for measuring CRA performance; and (iv) provide for more transparent, consistent, and timely CRA-related data collection, recordkeeping, and reporting. However, the Federal Reserve did not join the proposed rulemaking. In May 2020, the OCC issued its final CRA rule, effective October 1, 2020. The FDIC has not finalized the revisions to its CRA rule. In September 2020, the Federal Reserve Board issued an Advance Notice of Proposed Rulemaking ("ANPR") that invites public comment on an approach to modernize the regulations that implement the CRA by strengthening, clarifying, and tailoring them to reflect the current banking landscape and better meet the core purpose of the CRA. The ANPR seeks feedback on ways to evaluate how banks meet the needs of low- and moderate-income communities and address inequities in credit access. As of this issuance, the FRB has not moved forward in the rulemaking process. In July 2021, the FRB, FDIC, and the Office of the Comptroller of the Currency issued an interagency statement committing to joint agency action on CRA. This may signal the additional regulatory action on this issue will be forthcoming in 2022. As such, we will continue to evaluate the impact of any changes to the

regulations implementing the CRA and their impact on our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time. The Company will continue to evaluate the impact of any changes to the regulations implementing the CRA.

#### ***Federal Securities Laws***

The common stock of the Company is registered with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Therefore, the Company is subject to the reporting, information disclosure, proxy solicitation and other requirements imposed on public companies by the SEC under the Exchange Act. Additionally, Company insiders are subject to security trading limitations and are required to file insider ownership reports with the SEC. The SEC and NYSE American have adopted regulations under the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and the Dodd-Frank Act that apply to the Company as an exchange-traded, public company, which seek to improve corporate governance, accounting, and reporting requirements, provide enhanced penalties for financial reporting improprieties and improve the reliability of disclosures in SEC filings. For example, the Sarbanes-Oxley requirements include: (1) requirements for audit committees, including independence and financial expertise; (2) certification of financial statements by the chief executive officer and chief financial officer of the reporting company; (3) standards for auditors and regulation of audits; (4) disclosure and reporting requirements for the reporting company and directors and executive officers; and (5) a range of civil and criminal penalties for fraud and other violations of securities laws.

#### ***Anti-Money Laundering and the USA Patriot Act***

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”), the Bank Secrecy Act, the Money Laundering Control Act, and other federal laws, collectively impose obligations on all financial institutions, including the Company, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

The Anti-Money Laundering Act of 2020 (“AMLA”), which amends the Bank Secrecy Act of 1970 (“BSA”), was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

#### ***Financial Privacy***

The Gramm-Leach-Bliley Act of 1999 (“GLBA”) requires that financial institutions implement comprehensive written information security programs that include administrative, technical and physical safeguards designed to protect consumer information. Under the GLBA, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies and certain security breaches to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These provisions affect, among other things, how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

#### ***Office of Foreign Assets Control Regulation***

The United States has imposed economic sanctions that affect transactions with designated foreign countries, designated nationals and others. These are known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting designated countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to a U.S. jurisdiction (including property in the possession or control of U.S. persons). These sanctions that are applicable to countries and individuals also are imposed against some non-governmental organizations, associations, or other criminal networks. Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a

license from OFAC. Failure to comply with these sanctions could have serious legal, strategic and reputational consequences, and result in civil money penalties against the Company and Tompkins Community Bank..

### ***Consumer Protection Laws***

In connection with its lending and leasing activities, Tompkins Community Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending. These consumer financial laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act of 2003, Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Truth in Lending Act, the Truth in Savings Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, and similar laws at the state level. Tompkins Community Bank's failure to comply with any of the consumer financial laws can result in civil actions, regulatory enforcement action by the federal banking agencies and the U.S. Department of Justice.

Additionally, the Dodd-Frank Act established a new Consumer Financial Protection Bureau ("CFPB") with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Tompkins Community Bank is required to comply with the rules of the CFPB; however, these rules are generally enforced by our primary regulator, the FDIC.

### ***Cybersecurity***

The Company is also subject to data security standards and privacy and data breach notice requirements as established by federal and state regulators. Federal banking agencies, through the Federal Financial Institutions Examination Council, have adopted guidelines to encourage financial institutions to address cybersecurity risks and identify, assess and mitigate these risks, both internally and at critical third party service providers. For example, federal banking regulators have highlighted that financial institutions should establish several lines of defense and design their risk management processes to address the risk posed by compromised customer credentials. Further, financial institutions are expected to maintain sufficient business continuity planning processes designed to facilitate a recovery, resumption and maintenance of the institution's operations after a cyber-attack.

In November 2021, the federal banking agencies adopted new rules requiring banking organizations to notify their primary regulator within 36 hours of becoming aware of a "computer-security incident" or a "notification incident." The new rules also require bank service providers to notify their banking organization customers when it becomes aware of similar incidents. Compliance with the new rules is required by May 1, 2022.

Additionally, the Company must comply with a NYSDFS rule entitled "Cybersecurity Requirements for Financial Services Companies," which became effective March 1, 2017, subject to a phase-in period, concluding in 2019. This NYSDFS rule requires financial services companies, including Tompkins, to maintain a cybersecurity program designed to protect the confidentiality, integrity and availability of the company's information systems, establish cybersecurity policies and procedures, identify persons responsible for implementing and enforcing the cybersecurity program and cybersecurity policies and procedures, and conduct periodic risk assessments of its information systems. See Item 1A. Risk Factors for a discussion of risks related to cybersecurity.

### ***Incentive Compensation***

The Dodd-Frank Act required the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as the Company, having at least \$1 billion in total assets that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies proposed such regulations in May 2016, which have not been finalized. If these or other regulations are adopted in a form similar to that initially proposed, they will impose limitations on the manner in which the Company may structure compensation for its executives. Given the uncertainty at this time whether or when a final rule will be adopted, management cannot determine the potential impact on the Company.

Additionally, the FRB, OCC and FDIC have issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-

taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Management believes the current and past compensation practices of the Company do not encourage excessive risk taking or undermine the safety and soundness of the organization.

The FRB reviews, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not "large, complex banking organizations." The findings of the supervisory initiatives are included in reports of examination and deficiencies can lead to limitations on the Company's abilities and even enforcement actions.

The Company is also subject to the NYSDFS rule "Guidance on Incentive Compensation Arrangements," which directs all New York state regulated banks (including the Tompkins Community Bank) to ensure that any employee incentive arrangements do not encourage inappropriate risk-taking or improper sales practices. Under this guidance, incentive compensation based on employee performance indicators may only be paid if the bank has effective risk management, oversight and control systems in place. We believe the Company is compliant with all applicable state and federal regulation regarding incentive compensation

#### ***Other Governmental Initiatives***

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory authorities. These initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions, proposals to change the financial institution regulatory environment, or proposals that affect public companies generally. Such legislation could change banking laws and the operating environment of Tompkins in substantial, but unpredictable ways. We cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations would have on our financial condition or results of operations.

As described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - COVID-19 Pandemic and Recent Events, federal, state and local governments have taken a variety of actions in response to the COVID-19 Pandemic, including the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and the Consolidated Appropriations Act, 2021 ("Appropriations Act") and the rules and regulations promulgated thereunder. Among other impacts on the Company, these actions require lenders to offer loan payment deferrals, forbearance and other relief to certain borrowers (e.g., waiving late payment and other fees), under certain circumstances. These actions also affected the accounting treatment of certain loan modifications made for borrowers experiencing financial hardship as a result of the COVID-19 Pandemic in 2020 and 2021.

#### ***Employees and Human Capital***

At Tompkins, our culture is underpinned by our core values, including "a commitment to our employees." As of December 31, 2021, the Company had 1,074 total employees, which included 969 full-time employees and 105 part-time and temporary employees. Of the Company's total employees, 850 are employed by one of our four subsidiary banks, 58 employees are in our wealth management subsidiary (Tompkins Financial Advisors), and 166 employees are in our insurance subsidiary (Tompkins Insurance). Our entire organization relies on our Shared Services division, which provides administrative and operational support to all of our subsidiaries.

On January 1, 2022, the Company consolidated the four banks under one charter and the banking affiliate is now known as Tompkins Community Bank. Employees of Tompkins Financial Advisors and our Shared Services group are part of Tompkins Community Bank. Because our Shared Services group is part of Tompkins Community Bank, these employees are included in the bank employee count listed above. No employees are covered by a collective bargaining agreement, and the Company believes its employee relations are excellent.

Our Company's demand for qualified candidates at all levels of our organization grows as the Company's business grows. While we do not formally track time-to-fill, our centralized Talent Acquisition Team is reporting that it is more challenging to recruit and retain talent. We are also mindful of macroeconomic factors such as inflation and low unemployment, and we routinely undertake a salary review to confirm that our salary structure is aligned with the market. During 2021 we made upward adjustments to the lower quartile of our wage structure in response to these factors. While not a material cost to the Company, this structural adjustment was an important component of our overall talent strategy. Notably, these adjustments were in addition to our normal annual merit process, which applies to our entire workforce.

A key component of our recruitment and retention strategy is to offer employees at all levels the opportunity to participate in the Company's success. The Company maintains a Profit Sharing plan for all employees who meet minimum service requirements. As of December 31, 2021, 73% of all employees received a profit sharing contribution during 2021. We also offer incentive and/or equity compensation plans or programs to employees at many levels of our Company and, as of

December 31, 2021, 59% of all employees had an opportunity to earn supplemental compensation reflective of their position and overall contributions towards the Company's strategic objectives. Another important tool in our recruiting and retention strategy was the implementation of a remote or hybrid scheduling option for the majority of team members. Today over half of our employees have taken advantage of this opportunity.

The Company continues to broaden the scope of its talent development initiatives across our geographically diverse footprint in order to sustain a value-driven and growth-oriented environment where employees can perform at their peak and the next generation of leaders are prepared to lead. The Company offers an array of programs and continuing education dedicated to strengthen employee engagement, personal accountability, productivity, and emotional well-being including customized programs, growth-focused coaching sessions, career-path roadmaps, curated learning resources and tuition assistance. We continued our practice of providing these programs in a virtual learning environment as part of our business continuity efforts. The Company also has a robust talent review and succession process. Significant time is spent at the Senior Leadership and Management level identifying and providing development for potential successors.

The Company strives to promote a culture of diversity, inclusion and belonging. Our enterprise-wide Diversity, Inclusion & Belonging Action Team ("DIB") focuses on initiatives and events that recognize and engage our employees, and strengthens our employees' sense of belonging within our organization. Our DIBs Change Agent members play an important role in recommending educational opportunities, celebrating cultural events, and serving on a variety of teams that enhance our employee engagement. Local DIBs have been established in each of our regions to support the larger corporate team and to engage in activities that raise awareness, educate, empower and expand community outreach on the critical topic of Social Justice.

In response to the continued COVID-19 pandemic, the Company continued to ensure business continuity, and to support the well-being of our employees. We implemented a number of strategies to de-densify our buildings and reduce the risk of exposure to our team members, clients and visitors.

#### ***Available Information***

The Company maintains a website at [www.tompkinsfinancial.com](http://www.tompkinsfinancial.com). The Company makes available free of charge through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, its proxy statements related to its shareholders' meetings, and amendments to these reports or statements, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the Company electronically files such material with, or furnishes such material to, the SEC. Copies of these reports are also available at no charge to any person who requests them, with such requests directed to Tompkins Financial Corporation, Investor Relations Department, P.O. Box 460, Ithaca, New York 14851, telephone no. (888) 503-5753. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including material filed by the Company, at [www.sec.gov](http://www.sec.gov). The information contained on the Company's website is provided for the information of the reader and it is not intended to be active links. The Company is not including the information contained on the Company's website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K, or into any other report filed with or furnished to the SEC by the Company.

#### **Item 1A. Risk Factors**

Our Company's success depends on management's ability to identify and manage the risks inherent in our financial services business. These risks include credit risk, market risk, liquidity risk, operational risk, model risk, compliance and legal risk, and strategic and reputation risk. We list below the material risk factors we face. Any of these risks could result in a material adverse impact on our business, operating results, financial condition, liquidity, and cash flow, or may cause our results to vary materially from recent results, or from the results implied by any forward-looking statements made by us.

#### **Risks Related to the COVID-19 Pandemic.**

**The ongoing COVID-19 pandemic and measures intended to prevent its spread have had, and likely will continue to have, a material adverse effect on our business, financial condition, liquidity, and results of operations. The nature and extent of such effects will depend on future developments, which are highly uncertain and are difficult to predict.**

The COVID-19 pandemic continues to cause significant economic stress in the United States, including in the regional and local geographic markets that we serve. While COVID-19 vaccines are now widely available in the United States emergence of variants and the continued fluctuation of rates of transmission both nationally and in our primary geographic market areas make the duration and long-term impact of the COVID-19 pandemic on our business difficult to predict. The extent to which

COVID-19 and measures taken in response thereto impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict. COVID-19, and governmental/regulatory measures taken in response thereto, have had and are likely to continue to have a material adverse impact on our results of operations and financial condition.

**The ongoing COVID-19 pandemic is increasing cyber-security risks.**

The ongoing COVID-19 pandemic has introduced additional risk to our information systems and security procedures, controls and policies as a result of employees, contractors and other corporate partners working remotely. As a result of the increased remote workforce, we must increasingly rely on information technology systems that are outside our direct control, and these systems are also vulnerable to cyber-based attacks and security breaches. In addition, since the beginning of the pandemic, there has been an increase in attacks by cyber criminals on businesses and individuals, utilizing interest in pandemic-related information and the fear and uncertainty caused by the pandemic to increase phishing, malware, and other cybersecurity attacks designed to trick victims into transferring sensitive data or funds, steal credentials or deploy malware that compromises information systems. If one of our employees were to fall victim to one of these attacks, or our information technology systems are compromised, our operations could be disrupted, or we may suffer financial loss, reputational loss, loss of customer business or other critical assets, or become exposed to regulatory fines and intervention or civil litigation.

**Risks Related to the Company's Business**

**The Company has consolidated its bank subsidiaries, which may result in significant implementation costs in 2022.**

Effective January 1, 2022, the Company consolidated its banking subsidiaries into the Trust Company. The ongoing transition and implementation cost associated with this consolidation may be significant in 2022, which could materially and adversely affect our results of operation for 2022.

**The Company is subject to increased business risk because the Company has a significant concentration of commercial real estate and commercial business loans, repayment of which is often dependent on the cash flows of the borrower.**

The Company offers different types of commercial loans to a variety of businesses, and we believe commercial loans will continue to comprise a significant concentration of our loan portfolio in 2022 and beyond. Real estate lending is generally considered to be collateral-based lending with loan amounts based on predetermined loan-to-collateral values. As such, declines in real estate valuations in the Company's market area would lower the value of the collateral securing these loans. Additionally, the Company has experienced, and expects to continue experiencing, increased competition in commercial real estate lending. This increased competition may inhibit the Company's ability to generate additional commercial real estate loans or maintain its current inventory of commercial real estate loans. The Company's commercial business loans are made based primarily on the cash flow and creditworthiness of the borrower and secondarily on the underlying collateral provided by the borrower, with liquidation of the underlying real estate collateral being viewed as the primary source of repayment in the event of borrower default. The borrowers' cash flow may be difficult to predict, and collateral securing these loans may fluctuate in value. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment. As of December 31, 2021, commercial and commercial real estate loans totaled \$3.5 billion or 69.4% of total loans.

**The Company's agricultural loans are often dependent upon the health of the agricultural industry in the location of the borrower, and the ability of the borrower to repay may be affected by many factors outside of the borrower's control.**

As part of the Company's commercial business lending activities, the Company originates agricultural loans, consisting of agricultural real estate loans and agricultural operating loans. As of December 31, 2021, \$295.1 million or 5.8% of the Company's total loan portfolio consisted of agriculturally-related loans, including \$196.0 million in agricultural real estate loans and \$99.2 million in agricultural operating loans. Payments on agricultural loans are dependent on the profitable operation or management of the related farm property. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products and the impact of governmental regulations and subsidies (including changes in price supports and environmental regulations). Many farms are dependent upon a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. While agricultural operating loans are generally secured by a blanket lien on the farm's operating assets, any repossessed collateral in respect of a defaulted loan may not provide an adequate source of repayment of the outstanding balance.

Additionally, the profitable operation or management of the related farm properties, and the value thereof, is impacted by changes in U.S. government trade policies. In 2019, 2020, and 2021, the U.S. government implemented tariffs on certain products, and certain countries or entities, such as Mexico, Canada, China and the European Union, have issued or continue to threaten retaliatory tariffs against products from the United States, including agricultural products. Tariffs, retaliatory tariffs or other trade restrictions on products and materials that farm properties related to our agriculturally-related loans import or export could cause the costs of such farm operations and management to increase, could cause the price of products from such farm operations to increase, could cause demand for such products to decrease and could cause the margins on such products to decrease. Such potential adverse effects on related farm property operations and management could reduce the related farm properties' revenues, financial results and ability to service debt, which, in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate, our business, results of operations and financial condition could be materially and adversely impacted in the future.

**Declines in asset values may result in impairment charges and may adversely affect the value of the Company's results of operations, financial condition and cash flows.**

A majority of the Company's investment portfolio is comprised of securities which are collateralized by residential mortgages. These residential mortgage-backed securities include securities of U.S. government agencies, U.S. government-sponsored entities, and private-label collateralized mortgage obligations. The Company's securities portfolio also includes obligations of U.S. government-sponsored entities, obligations of states and political subdivisions thereof, U.S. corporate debt securities and equity securities. A more detailed discussion of the investment portfolio, including types of securities held, the carrying and fair values, and contractual maturities is provided in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. Gains or losses on these instruments may have a direct impact on the results of operations, including higher or lower income and earnings, unless we adequately hedge our positions. The fair value of investments may be affected by factors other than the underlying performance of the issuer or composition of the obligations themselves, such as rating downgrades, adverse changes in the business climate, a lack of liquidity for resale of certain investment securities and changes in interest rates. For example, decreases in interest rates and increases in mortgage prepayment speeds, which are influenced by interest rates and other factors, could adversely impact the value of our securities collateralized by residential mortgages, causing a significant acceleration of purchase premium amortization on our mortgage portfolio because a decline in long-term interest rates shortens the expected lives of the securities. Conversely, increases in interest rates may result in a decrease in residential mortgage loan originations and mortgage prepayment speeds, directly impacting the value of these securities collateralized by residential mortgages. Management evaluates investment securities for expected credit losses impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an allowance for credit losses on the statement of condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings.

**A decline in the value of our goodwill and other intangible assets could adversely affect our financial condition and results of operations.**

As of December 31, 2021, the Company had \$96.1 million of goodwill and other intangible assets. The Company is required to test its goodwill and intangible assets for impairment on a periodic basis. A significant decline in the Company's expected future cash flows, a significant adverse change in business climate, slower growth rates or a significant and sustained decline in the price of the Company's common stock, may necessitate our taking charges in the future related to the impairment of the Company's goodwill and intangible assets. If we make an impairment determination in a future reporting period, the Company's earnings and the book value of these intangible assets would be reduced by the amount of the impairment. Further, a goodwill impairment charge could significantly restrict the ability of our banking subsidiary to make dividend payments to us without prior regulatory approval, which could have a material adverse effect on our financial condition and results of operations.

**The Company may be adversely affected by the soundness of other financial institutions.**

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry. The most important counterparty for the Company, in terms of liquidity, is the Federal Home Loan Bank of New York ("FHLBNY"). The Company also has a relationship with the Federal Home Loan Bank of Pittsburgh ("FHLBPIT"). The Company uses FHLBNY as its primary source of overnight funds and also has long-term advances and

repurchase agreements with FHLBNY. The Company has placed sufficient collateral in the form of commercial and residential real estate loans at FHLBNY. In addition, the Company is required to hold stock in FHLBNY and FHLBPITT. The amount of borrowed funds and repurchase agreements with the FHLBNY and FHLBPITT, and the amount of FHLBNY and FHLBPITT stock held by the Company, at its most recent fiscal year-end are discussed in Part II, Item 8 of this Report on Form 10-K.

There are 11 branches of the FHLB, including New York and Pittsburgh. The FHLBNY and the FHLBPITT are jointly and severally liable along with the other Federal Home Loan Banks for the consolidated obligations issued on behalf of the Federal Home Loan Banks through the Office of Finance. Dividends on, redemption of, or repurchase of shares of the FHLBNY's or FHLBPITT's capital stock cannot occur unless the principal and interest due on all consolidated obligations have been paid in full. If another Federal Home Loan Bank were to default on its obligation to pay principal or interest on any consolidated obligations, the Federal Home Loan Finance Agency (the "Finance Agency") may allocate the outstanding liability among one or more of the remaining Federal Home Loan Banks on a pro rata basis or on any other basis the Finance Agency may determine. As a result, the FHLBNY's or FHLBPITT's ability to pay dividends on, to redeem, or to repurchase shares of capital stock could be affected by the financial condition of one or more of the other Federal Home Loan Banks. Any such adverse effects on the FHLBNY or FHLBPITT could adversely affect our liquidity, the value of our investment in FHLBNY or FHLBPITT common stock, and could negatively impact our results of operations.

Systemic weakness in the FHLB could result in higher costs of FHLB borrowings, reduced value of FHLB stock, and increased demand for alternative sources of liquidity that are more expensive, such as brokered time deposits, the discount window at the Federal Reserve, or lines of credit with correspondent banks. Any of these scenarios could adversely affect our liquidity, the value of our investment in FHLB common stock and our financial condition.

**The Company relies on cash dividends from its subsidiaries to fund its operations, and payment of those dividends could be discontinued at any time.**

The Company is a financial holding company whose principal assets and sources of income are its wholly-owned subsidiaries. The Company is a separate and distinct legal entity from its subsidiaries, and therefore the Company relies primarily on dividends from its banking and other subsidiaries to meet its obligations and to provide funds for the payment of dividends to the Company's shareholders, to the extent declared by the Company's board of directors. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company and impose regulatory capital and liquidity requirements on the Company and its banking subsidiary. Further, as a holding company, the Company's right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary is subject to the prior claims of the subsidiary's creditors (including, in the case of the Company's banking subsidiary, the bank's depositors). If the Company were unable to receive dividends from its subsidiaries it would materially and adversely affect the Company's liquidity and its ability to service its debt, pay its other obligations, or pay cash dividends on its common stock.

**The Company's business may be adversely affected by general economic conditions in local and national markets, the possibility of the economy's return to recessionary conditions and the possibility of further turmoil or volatility in the financial markets.**

General economic conditions impact the banking and financial services industry. The U.S. and global economies have experienced volatility in recent years and may continue to do so for the foreseeable future. There can be no assurance that economic conditions will not deteriorate. Unfavorable or uncertain economic conditions can be caused by many macro and micro factors, including declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, the timing and impact of changing governmental policies and other factors. The Company is particularly affected by U.S. domestic economic conditions, including U.S. interest rates, the unemployment rate, housing prices, the level of consumer confidence, changes in consumer spending, the number of personal bankruptcies and other factors. A decline in U.S. domestic business and economic conditions, without rapid recovery, could have adverse effects on our business, including the following:

- consumer and business confidence levels could be lowered and cause declines in credit usage, adverse changes in payment patterns, decreases in demand for loans or other financial products and services and decreases in deposits or investments in accounts with Company;
- the Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches the Company uses to select, manage and underwrite its customers become less predictive of future behaviors;
- demand for and income received from the Company's fee-based services, including investment services and insurance commissions and fees, could decline, the cost to the Company to provide any or all products and services could

- increase, and the levels of assets under management could materially impact revenues from our trust and wealth management businesses; and
- the credit quality or value of loans and other assets or collateral securing loans may decrease.

**Our business is concentrated in and largely dependent upon the continued growth and welfare of the general geographic markets in which we operate.**

Our operations are heavily concentrated in the New York State and, to a lesser extent, Pennsylvania and, as a result, our financial condition, results of operations and cash flows are significantly impacted by changes in the economic conditions in those areas. Therefore, the Company's financial performance generally, and in particular, the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of collateral securing these loans, is highly dependent upon the business environment in the markets where the Company operates, particularly New York State and Pennsylvania. Our success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our clients' business and financial interests may extend well beyond these markets, adverse economic conditions that affect these markets could disproportionately reduce our growth rate, affect the ability of our clients to repay their loans to us, affect the value of collateral underlying loans and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets. For additional information on our market area, see Part I, Item 1, "Business" of this Report on Form 10-K.

**Our insurance agency subsidiary's commission revenues are based on premiums set by insurers and any decreases in these premium rates could adversely affect our operations and revenues.**

Our insurance agency subsidiary, Tompkins Insurance, derives the bulk of its revenue from commissions paid by insurance underwriters on the sale of insurance products to clients. Tompkins Insurance does not determine the insurance premiums on which its commissions are based. Insurance premiums are cyclical in nature and may vary widely based on market conditions. As a result, insurance brokerage revenues and profitability can be volatile. Revenue from insurance commissions and fees could be negatively affected by fluctuations in insurance premiums and other factors beyond the Company's control, including changes in laws and regulations impacting the healthcare and insurance markets. In addition, there have been and may continue to be various trends in the insurance industry toward alternative insurance markets including, among other things, increased use of self-insurance, captives, and risk retention groups. Even if Tompkins Insurance is able to participate in these activities, it is unlikely to realize revenues and profitability as favorable as those realized from our traditional brokerage activities. We cannot predict the timing or extent of future changes in premiums and thus commissions. As a result, we cannot predict the effect that future premium rates will have on our operations. Decreases in premium rates could adversely affect our operations and revenues.

**The Company's business and financial performance are impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance over which the Company has no control and which the Company may not be able to anticipate adequately.**

As a result of the high percentage of the Company's assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve or in spreads between different market interest rates, can have a material effect on the Company's business and profitability and the value of the Company's assets and liabilities. For example, changes in interest rates or interest rate spreads may:

- affect the difference between the interest that the Company earns on assets and the interest that the Company pays on liabilities, which impacts the Company's overall net interest income and profitability.
- adversely affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, which in turn, affects the Company's loss rates on those assets.
- decrease the demand for interest rate-based products and services, including loans and deposits.
- affect prepayment rates on the Company's loans and securities, which could adversely affect the Company's earnings, financial condition and cash flow.

The monetary, tax and other policies of the Federal government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking organizations such as the Company. An important function of the Federal Reserve is to regulate the national supply of bank credit and certain interest rates. The actions of the Federal Reserve influence the rates of interest that the Company charges on loans and that the Company pays on borrowings and interest-bearing deposits

and can also affect the value of the Company's on-balance sheet and off-balance sheet financial instruments. Also, due to the impact on rates for short-term funding, the Federal Reserve's policies influence, to a significant extent, the Company's cost of such funding. The Company cannot predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on the Company's business activities, financial condition and results of operations.

For information about how the Company manages its interest rate risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this Report.

**The Company may be adversely impacted by the transition from LIBOR as a reference rate.**

On March 5, 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that (i) 24 LIBOR settings would cease to exist immediately after December 31, 2021 (all seven euro LIBOR settings; all seven Swiss franc LIBOR settings; the Spot Next, 1-week, 2-month, and 12-month Japanese yen LIBOR settings; the overnight, 1-week, 2-month, and 12-month sterling LIBOR settings; and the 1-week and 2-month US dollar LIBOR settings); (ii) the 1-month, 3-month, 6-month and 12-month US LIBOR settings would cease to exist after June 30, 2023; and (iii) the FCA would consult on whether the remaining nine LIBOR settings should continue to be published on a synthetic basis for a certain period using the FCA's proposed new powers that the UK government is legislating to grant to them. Central banks and regulators in a number of major jurisdictions (for example, United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for interbank offered rates. To identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee ("ARRC"), a U.S.-based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. SOFR is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate. These differences could lead to a greater disconnect between our costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, the ARRC has also recommended Term SOFR, which is a forward looking SOFR based on SOFR futures and may in part reduce differences between SOFR and LIBOR. On July 29, 2021, the ARRC formally recommended SOFR as its preferred alternative replacement rate for LIBOR.

These are operational issues which may create a delay in the transition to SOFR or other substitute indices, leading to uncertainty across the industry. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may incur significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established or the establishment of multiple alternative reference rate(s). These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. US Banking Regulation requires banks to stop originating new products using LIBOR by December 31, 2021. As of September 30, 2021, we no longer originate new loans or their products using any LIBOR index.

**Our funding sources may prove insufficient to replace deposits and support our future growth.**

We must maintain sufficient cash flow and liquid assets to satisfy current and future financial obligations, including demand for loans and deposit withdrawals, funding operating costs, and for other corporate purposes. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. As we continue to grow, we are likely to become more dependent on these sources, which may include various short-term and long-term wholesale borrowings, including Federal funds purchased and securities sold under agreements to repurchase, brokered certificates of deposit, proceeds from the sale of loans, and borrowings from the FHLB of New York and FHLB of Pittsburgh and others. We also maintain available lines of credit with the FHLB of New York and FHLB of Pittsburgh that are secured by loans. Adverse operating results or changes in industry conditions could make it difficult or impossible for us to access these additional funding sources and could make our existing funds more volatile. Our financial flexibility could be materially constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In that case, our operating margins and profitability would be adversely affected. Further, the volatility inherent in some of these funding sources, particularly including brokered deposits, may increase our exposure to liquidity risk. Any interruption in these sources of liquidity when needed could adversely affect our results of operations, financial condition, cash flow or regulatory capital levels. In addition, reduced liquidity could result from circumstances beyond our control, such as general market disruptions or operational problems that

affect us or third parties. Management's efforts to closely monitor our liquidity position for compliance with internal policies may not be successful or sufficient to deal with dramatic or unanticipated reductions in liquidity.

**The Company is or may become involved in lawsuits, legal proceedings, information-gathering requests, and investigations by governmental agencies or other parties that may lead to adverse consequences.**

The Company's primary business of financial services involves substantial risk of legal liability. The Company and its subsidiaries are, from time to time, named or threatened to be named as defendants in various lawsuits arising from their respective business activities, including activities of companies they have acquired. In addition, from time to time, the Company is, or may become, the subject of governmental and self-regulatory agency information-gathering requests, reviews, investigations and proceedings and other forms of regulatory inquiry, including by bank regulatory agencies, the SEC and law enforcement authorities. The results of such proceedings could lead to delays in or prohibition to acquire other companies, significant penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way in which the Company conducts its business, or reputational harm.

Although the Company establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, the Company does not have accruals for all legal proceedings where it faces a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, the Company's ultimate losses may be higher than the amounts accrued for legal loss contingencies, which could adversely affect the Company's financial condition and results of operations.

**Climate change could have a material negative impact on the Company and clients.**

The Company's business, as well as the operations and activities of our clients, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its clients, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its clients' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon- dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, the Company's carbon footprint, and the Company's business relationships with clients who operate in carbon-intensive industries.

Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, the Company may face regulatory risk of increasing focus on the Company's resilience to climate-related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs.

With the increased importance and focus on climate change, we are making efforts to enhance our governance of climate change-related risks and integrate climate considerations into our risk governance framework. Nonetheless, the risks associated with climate change are rapidly changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material negative impact on our business, results of operations, and financial condition.

**The Company operates in a highly regulated environment and may be adversely impacted by current or future laws and regulations due to increased compliance costs, potential fines for noncompliance, and restrictions on our ability to offer products or buy or sell businesses.**

The Company is subject to extensive state and federal laws and regulations, supervision and legislation that affect how it conducts its business. The majority of these laws and regulations are for the protection of consumers, depositors and the deposit insurance funds. The regulations influence such things as the Company's lending practices, capital structure, investment

practices, and dividend policy. The Dodd-Frank Act, which established the CFPB, and enacted other reforms, has had, and will continue to have, a significant effect on the entire financial services industry. Compliance with these regulations and other initiatives negatively impacts revenue and increases the cost of doing business on an ongoing basis. New regulatory requirements or changes to existing requirements could necessitate changes to the Company's businesses, result in increased compliance costs and affect the profitability of such businesses. Refer to "Supervision and Regulation" in Part I, Item 1 - "Business" of this Report on Form 10-K for additional information on material laws and regulations impacting the Company's business.

Additionally, banking regulators are authorized to take supervisory actions that may restrict or limit a financial institution's activities. Regulatory restrictions on our activities could adversely affect our costs and revenues, and may impair our ability to execute our strategic plans. In addition, if our regulators identify a compliance failure, we may be assessed a fine, prohibited from completing a strategic acquisition or divestiture, or subject to other actions imposed by the regulatory authorities. The recent regulatory activity and increased scrutiny have resulted, and may continue to result, in increases in our costs of doing business, and could result in decreased revenues and net income, reduce our ability to effectively compete to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal or state law and regulations, as well as the interpretations and implementations, or modifications or repeals, of such laws and regulations, could have a material adverse effect on our business, financial condition or results of operations.

**The Company could be subject to environmental risks and associated costs on real estate properties owned by the Company, real estate properties that collateralize the Company's loans or real estate properties that the Company obtains title to.**

The Company owns various properties used in the operation of its business. In addition, from time to time, the Company forecloses on properties or may be deemed to become involved in the management of its borrowers' properties. The Company could be subject to environmental liabilities imposed by applicable federal and state laws with respect to any of these properties. For example, we may be held liable to a government entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to clean up hazardous or toxic substances, or chemical releases, at a property, or may be subject to common law claims by third parties for damages and costs resulting from environmental contamination emanating from the property. Additionally, a significant portion of our loan portfolio at December 31, 2020 was secured by real estate and, if the real estate securing our assets is subject to environmental liability, our collateral position may be substantially weakened. Any such environmental liabilities imposed on the Company could have a material adverse impact on the Company's financial condition or results of operations.

**The Company may be exposed to regulatory sanctions or liability if we do not timely detect and report money laundering or other illegal activities.**

We are required to comply with anti-money laundering and anti-terrorism laws. These laws and regulations require us, among things, to enact policies and procedures to confirm the identity of our customers, and to report suspicious transactions to regulatory agencies. These laws and regulations are complex and require costly, sophisticated monitoring systems and qualified personnel. The policies and procedures that we have adopted in order to detect and prevent such illegal transactions may not be successful in eliminating all instances of such transactions. To the extent we fail to fully comply with applicable laws and regulations, we face the possibility of fines or other penalties, such as restrictions on our business activities, and we may also suffer reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition. Refer to "Supervision and Regulation" in Part I, Item 1 - "Business" of this Report on Form 10-K for additional information on anti-money laundering and anti-terrorism laws impacting the Company's business.

**We will be subject to heightened regulatory requirements if we exceed \$10 billion in total consolidated assets.**

Based on our historical growth rates and current size, it is possible that our total assets could exceed \$10 billion dollars in the future. Our total consolidated assets on December 31, 2021 were \$7.8 billion. The Dodd-Frank Act and its implementing regulations impose enhanced supervisory requirements on bank holding companies with more than \$10 billion in total consolidated assets.

In addition to the additional regulatory requirements that we will become subject to upon crossing this asset threshold, federal financial regulators may require the Company to, or the Company may proactively, take actions to prepare for compliance with such increased regulations before we exceed \$10 billion in total consolidated assets. We may, therefore, incur significant

compliance costs in an effort to ensure compliance before we reach \$10 billion in total consolidated assets. These additional compliance costs, if they occur, may adversely affect our business, results of operations and financial condition.

**The Company may be adversely affected by fraud.**

As a financial institution, the Company is inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, customers and other third parties targeting the Company and/or the Company's customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, the Company may experience financial losses or reputational harm as a result of fraud. Fraudulent activity could have a material adverse effect on the Company's business, financial condition and results of operations.

**Our business requires the collection and retention of large volumes of sensitive data, which is subject to extensive regulation and oversight and exposes our business to additional risks.**

In our ordinary course of business, we collect and retain large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal Company data such as personally identifiable information about our employees and information relating to our operations. Our customers and employees have been, and will continue to be, targeted by cybersecurity threats attempting to misappropriate passwords, bank account information or other personal information. Our attempts to mitigate these threats may not be successful as cybercrimes are complex and continue to evolve. Publicized information concerning security and cyber-related problems could cause us to incur reputational harm and discourage our customers from using our electronic or web-based applications or solutions, which could harm their utility as a means of conducting commercial transactions.

Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in breach attempts or other disruptions are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures. A security breach or other significant disruption of our information systems or those related to our customers, merchants and our third party vendors, including as a result of cyber-attacks, could (i) disrupt the proper functioning of our internal, or our third-party vendors', networks and systems and therefore our operations and/or those of certain of our customers; (ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers; (iii) result in a violation of applicable privacy, data breach and other laws, subjecting us to additional regulatory scrutiny and expose the us to civil litigation, governmental fines and possible financial liability; (iv) require significant management attention and resources to remedy the damages that result; or (v) harm our reputation or cause a decrease in the number of customers that choose to do business with us. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

**A breach of information or other technological security, including as a result of cyber-attacks, could have a material adverse effect on our business, financial condition and results of operations.**

In the ordinary course of business we rely on electronic communications and information systems, both internal and provided by external third parties, to conduct our operations and to store, process, and/or transmit sensitive data on a variety of computing platforms and networks and over the Internet. We cannot be certain that all of our systems, or third-party systems upon which we rely, are free from vulnerability to attack or other technological difficulties or failures. Information security breaches and cybersecurity-related incidents may include attempts to access information, including customer and company information, malicious code, computer viruses, phishing, denial of service attacks and other means of intrusion that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer or employee information), account takeovers, unavailability of service or other events. These types of threats may derive from human error, fraud or malice on the part of external or internal parties, or may result from accidental technological failure. Further, to access our products and services our customers may use computers and mobile devices that are beyond our security control systems. If information security is breached or difficulties or failures occur, despite the controls we and our third party vendors have instituted, information may be lost or misappropriated, resulting in financial loss or costs, reputational harm or damages and litigation, regulatory investigation costs or remediation costs to us or others. While we maintain specific "cyber" insurance coverage, which would apply in the event of many breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not

be covered under our cyber insurance coverage. Any of these consequences could have a material adverse effect on our financial condition and results of operations.

The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has significantly increased, in part due to the expansion of new technologies, the increased use of the Internet and mobile services and the increased intensity and sophistication of attempted attacks and intrusions from around the world. The threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. Our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Our technologies, systems, networks and software, and those of other financial institutions have been, and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats as well as the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers. As cyber threats continue to evolve, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate any information security vulnerabilities.

**The Company is subject to risks presented by acquisitions, which, if realized, could negatively affect our results of operations and financial condition.**

The Company's strategic initiatives include diversification within its markets, growth of its fee-based businesses, and growth internally and through 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 within markets currently served by the Company or in other locations that would complement the Company's business or its geographic reach. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include: the difficulty of integrating operations and personnel, the potential disruption of our ongoing business, the inability of management to realize or maximize anticipated financial and strategic positions, increased operating costs, the inability to maintain uniform standards, controls, procedures and policies, the difficulty and cost of obtaining adequate financing, the potential for litigation risk, the potential loss of members of a key executive management group, the potential reputational damage and the impairment of relationships with employees and customers as a result of changes in ownership and management. Further, the asset quality or other financial characteristics of an acquired company may deteriorate after the acquisition agreement is signed or after the acquisition closes. We cannot provide any assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions and any of these risks, if realized, could have an adverse effect on our results of operations and financial condition.

**The Company's operations may be adversely affected if its external vendors do not perform as expected or if its access to third-party services is interrupted.**

The Company relies on certain external vendors to provide products and services necessary to maintain the day-to-day operations of the Company. Some of the products and services provided by vendors include key components of our business infrastructure including data processing and storage and internet connections and network access, among other products and services. Accordingly, the Company's operations are exposed to the risk that these vendors will not perform in accordance with the contracted arrangements or under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements or under service level agreements, because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could disrupt the Company's operations. If we are unable to find alternative sources for our vendors' services and products quickly and cost-effectively, the failures of our vendors could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

Additionally, our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

## **General Risks**

**Our success depends on our ability to offer our customers an evolving suite of products and services, and we may not be able to effectively manage the risks inherent in the development of financial products and services.**

We continually monitor our suite of products and services, and prioritize new offerings based on our determination of customer demand, within regulatory parameters for financial products. We may invest significant time and resources in new products which become obsolete, or do not generate the revenues we had anticipated, or which are ultimately deemed unacceptable by regulatory authorities. As we expand the range and complexity of our products and services, we are exposed to increasingly complex risks, including potential fraud, and our employees and risk management systems may not be adequate to mitigate such risks effectively. Our failure to effectively identify and manage these risks and uncertainties could have a material adverse effect on our business.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

The Company's executive offices are located at 118 East Seneca Street in Ithaca. Tompkins Community Bank has 63 branch offices, of which 29 are owned and 34 are leased at market rents. The Company's insurance subsidiary has 6 stand-alone offices, of which 3 are owned by the Company and 3 are leased at market rents. The Company's wealth management and financial planning division has 2 offices which are leased at a market rent, and shares other locations within branches of Tompkins Community Bank. Management believes the current facilities are suitable for their present and intended purposes. For additional information about the Company's facilities, including rental expenses, see "Note 6 Premises and Equipment" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

### **Item 3. Legal Proceedings**

The Company is subject to various claims and legal actions that arise in the ordinary course of conducting business. As of December 31, 2021, 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 4. Mine Safety Disclosures**

Not applicable.

**Information About Our Executive Officers**

The information concerning the Company's executive officers is provided below as of March 1, 2022.

| <b>Name</b>        | <b>Age</b> | <b>Title</b>                                       | <b>Year Joined Company</b> |
|--------------------|------------|----------------------------------------------------|----------------------------|
| Stephen S. Romaine | 57         | President and CEO                                  | January 2000               |
| David S. Boyce     | 55         | Executive Vice President                           | January 2001               |
| David M. DeMilia   | 46         | Executive Vice President                           | April 2008                 |
| Francis M. Fetsko  | 57         | Executive Vice President, COO, CFO and Treasurer   | October 1996               |
| Alyssa H. Fontaine | 41         | Executive Vice President & General Counsel         | January 2016               |
| Scott L. Gruber    | 65         | Executive Vice President                           | April 2013                 |
| Gregory J. Hartz   | 61         | Executive Vice President                           | August 2002                |
| Brian A. Howard    | 57         | Executive Vice President                           | July 2016                  |
| John M. McKenna    | 54         | Executive Vice President                           | April 2009                 |
| Susan M. Valenti   | 66         | Executive Vice President of Corporate Marketing    | March 2012                 |
| Bonita N. Lindberg | 64         | Senior Vice President, Director of Human Resources | December 2015              |

**Business Experience of the Executive Officers:**

*Stephen S. Romaine* was appointed President and Chief Executive Officer of the Company effective January 1, 2007. From 2003 through 2006, he served as President and Chief Executive Officer of Mahopac Bank. Mr. Romaine currently serves on the board of the Federal Home Loan Bank of New York and the New York Bankers Association.

*David S. Boyce* has been employed by the Company since January 2001 and was promoted to Executive Vice President in April 2004. He was appointed President and Chief Executive Officer of Tompkins Insurance in 2002. He has been employed by Tompkins Insurance and a predecessor company to Tompkins Insurance for 33 years.

*David M. DeMilia* joined Tompkins Mahopac Bank in April 2008 as a regional vice president, providing commercial banking services in Westchester County. In 2014, he was promoted to senior vice president before becoming Tompkins Mahopac Bank's senior commercial loan officer in October 2018. In June 2021, he was appointed president and CEO of Tompkins Mahopac Bank, overseeing Tompkins' activities in the Hudson Valley region.

*Francis M. Fetsko* has been employed by the Company since 1996, and has served as Chief Financial Officer since December 2000. He also serves as the Chief Financial Officer for Tompkins Community Bank. In July 2003, he was promoted to Executive Vice President and he assumed the additional role of Chief Operating Officer in April 2012.

*Alyssa H. Fontaine* joined the Company in January 2016 as Executive Vice President and General Counsel. She had previously been a partner in the corporate/securities practice group of Harris Beach PLLC, a regional law firm which she joined in 2006. Ms. Fontaine serves on the American Bankers Association General Counsels Committee.

*Scott L. Gruber* has been employed by the Company since April 2013 and was appointed President & COO of VIST Bank and Executive Vice President of the Company effective April 30, 2013. He was appointed President & CEO of VIST Bank effective January 1, 2014. Before joining VIST Bank, Mr. Gruber spent 16 years at National Penn Bank, most recently as Group Executive Vice President, where he led the Corporate Banking team. Mr. Gruber has announced his retirement from the Company and will be retiring during the second quarter of 2022.

*Gregory J. Hartz* has been employed by the Company since 2002 and was appointed President and Chief Executive Officer of Tompkins Trust Company and Executive Vice President of the Company effective January 1, 2007. Mr. Hartz is past Chair of the Independent Bankers Association of New York State.

*Brian A. Howard* has been employed by the Company since July 2016 and was appointed President of Tompkins Financial Advisors and Executive Vice President of the Company effective July 25, 2016. Prior to joining Tompkins, he served as a Senior Vice President, Market Manager for Key Bank covering the Central New York region from May 2012 to July 2016, where he oversaw the bank's full service wealth management division for high net worth clients.

*John M. McKenna* has been employed by the Company since April 2009. He was appointed President and CEO of The Bank of Castile effective January 1, 2015. From 2009 to 2014, Mr. McKenna was a senior vice president at The Bank of Castile, concentrating in commercial lending. Mr. McKenna previously served on the New York Bankers Association Political Action Committee (NYBA PAC).

*Susan M. Valenti* joined Tompkins in March of 2012 as Senior Vice President, Corporate Marketing. She was promoted to Executive Vice President of the Company in June 2014.

*Bonita N. Lindberg* joined Tompkins in December 2015 as Senior Vice President, Director of Human Resources. Before joining the Company, Ms. Lindberg served as Director of Human Resources at Cortland Regional Medical Center (2014 - 2015); prior to that she served as the Director of Organizational Development at Albany International Corporation. Ms. Lindberg serves on the HR Conference Committee for New York Bankers Association.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Price and Dividend Information

The Company's common stock is traded under the symbol "TMP" on the NYSE American. As of February 22, 2022, there are approximately 2,823 holders of shares of our common stock.

While the Company has a long history of paying cash dividends on shares of its common stock, the Company's ability to pay dividends is generally limited to earnings from the prior year, although retained earnings and dividends from its subsidiaries may also be used to pay dividends under certain circumstances. The Company's primary source of funds to pay for shareholder dividends is receipt of dividends from its subsidiaries. Future dividend payments to the Company by its subsidiaries will be dependent on a number of factors, including earnings and the financial condition of each subsidiary, and are subject to regulatory limitations discussed in "Supervision and Regulation" in Part I, Item 1 of this Report.

#### Issuer Purchases of Equity Securities

The following table reflects all Company repurchases, including those made pursuant to publicly announced plans or programs, during the quarter ended December 31, 2021.

| Period                                        | Total Number of Shares Purchased<br>(a) | Average Price Paid Per Share<br>(b) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<br>(c) | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs<br>(d) |
|-----------------------------------------------|-----------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| October 1, 2021 through<br>October 31, 2021   | 1,233                                   | \$ 83.04                            | 0                                                                                       | \$ 0                                                                                                                |
| November 1, 2021 through<br>November 30, 2021 | 26,434                                  | \$ 83.70                            | 0                                                                                       | \$ 0                                                                                                                |
| December 1, 2021 through<br>December 31, 2021 | 32,303                                  | \$ 80.68                            | 32,203                                                                                  | \$ 367,797                                                                                                          |
| Total                                         | 59,970                                  | \$ 82.06                            | 32,203                                                                                  | \$ 367,797                                                                                                          |

Included above are 1,233 shares purchased in October 2021, at an average cost of \$83.04, and 592 shares purchased in November 2021, at an average cost of \$84.91, by the trustee of the rabbi trust established by the Company under the Company's Stock Retainer Plan For Eligible Directors of Tompkins Financial Corporation and Participating Subsidiaries, which were part of the director deferred compensation under that plan. In addition, the table includes 25,782 shares delivered to the Company in November 2021 at an average cost of \$83.67 to satisfy mandatory tax withholding requirements upon vesting of restricted stock under the Company's 2009 and 2019 Equity Plans.

On January 30, 2020, the Company's Board of Directors authorized a share repurchase plan (the "2020 Repurchase Plan") for the repurchase of up to 400,000 shares of the Company's common stock over the 24 months following adoption of the plan. Shares may be repurchased from time to time under the 2020 Repurchase Plan in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws, and the repurchase program may be suspended, modified or terminated by the Board of Directors at any time for any reason. Under the 2020 Repurchase Plan, the Company had repurchased 400,000 shares through September 30, 2021, at an average cost of \$75.99.

On October 22, 2021, the Company's Board of Directors authorized a share repurchase plan (the "2021 Repurchase Plan") for the repurchase of up to 400,000 shares of the Company's common stock over the 24 months following adoption of the plan. Shares may be repurchased from time to time under the 2021 Repurchase Plan in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws, and the repurchase program may be suspended, modified or terminated by the Board of Directors at any time for any reason. Under the 2021 Repurchase Plan, the Company had repurchased 32,203 shares through December 31, 2021, at an average cost of \$80.65.

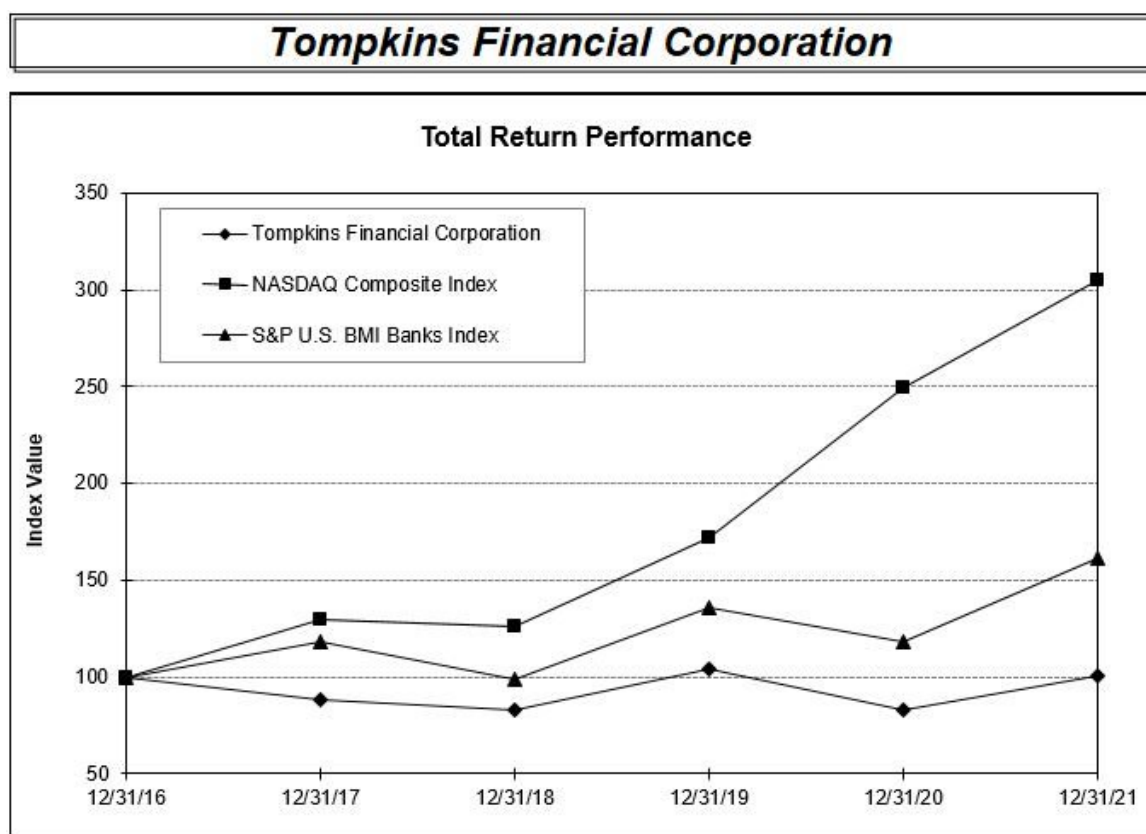
#### ***Recent Sales of Unregistered Securities***

None.

#### ***Performance Graph***

The following graph compares the Company's cumulative total stockholder return over the five-year period from December 31, 2016 through December 31, 2021, with (1) the total return for the NASDAQ Composite and (2) the total return for S&P U.S. BMI Banks index. The graph assumes \$100.00 was invested on December 31, 2016, in the Company's common stock and the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect and retention of all stock dividends.

In accordance with and to the extent permitted by applicable law or regulation, the information set forth below under the heading "Performance Graph" shall not be incorporated by reference into any future filing under the Securities Act or Exchange Act and shall not be deemed to be "soliciting material" or to be "filed" with the SEC under the Securities Act or the Exchange Act, except to the extent that the Company specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into such filings. The performance graph represents past performance and should not be considered an indication of future performance.



| <i>Index</i>                   | <i>Period Ending</i> |          |          |          |          |          |
|--------------------------------|----------------------|----------|----------|----------|----------|----------|
|                                | 12/31/16             | 12/31/17 | 12/31/18 | 12/31/19 | 12/31/20 | 12/31/21 |
| Tompkins Financial Corporation | 100.00               | 87.94    | 83.06    | 103.87   | 82.73    | 100.74   |
| NASDAQ Composite               | 100.00               | 129.64   | 125.96   | 172.18   | 249.51   | 304.85   |
| S&P U.S. BMI Banks Index       | 100.00               | 118.21   | 98.75    | 135.64   | 118.33   | 160.89   |

## Item 6. Selected Financial Data

The Company has adopted certain provisions within the amendments to Regulation S-K that eliminate tabular presentation of unaudited quarterly financial information. There have been no material retrospective changes to financial statements for any of the quarters within the fiscal years ended December 31, 2021 and December 31, 2020.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following analysis is intended to provide the reader with a further understanding of the consolidated financial condition and results of operations of the Company and its operating subsidiaries for the periods shown. This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with other sections of this Report on Form 10-K, including Part I, “Item 1. Business,” and Part II, “Item 8. Financial Statements and Supplementary Data.” A detailed discussion comparing 2020 and 2019 results is incorporated herein by reference to Item 7 of the Company’s 2020 annual Report on Form 10-K filed on March 1, 2021.

### 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 December 31, 2021, the Company’s subsidiaries included: four wholly-owned banking subsidiaries, Tompkins Trust Company (the “Trust Company”), The Bank of Castile (DBA Tompkins Bank of Castile), Mahopac Bank (DBA Tompkins Mahopac Bank), and VIST Bank (DBA Tompkins VIST Bank). Effective January 1, 2022, the Company’s four wholly-owned banking subsidiaries were combined into one bank, with The Bank of Castile, Mahopac Bank, and VIST Bank merging with and into the Trust Company with the Trust Company as the surviving institution. Following the merger, the Trust Company changed its name to “Tompkins Community Bank.” The Company also has a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. (“Tompkins Insurance”). Tompkins Community Bank provides a full array of trust and investment services under the Tompkins Financial Advisors brand, including investment management, trust and estate, financial and tax planning as well as life, disability and long-term care insurance services. The Company’s principal offices are located at 118 E. Seneca Street, Ithaca, 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.”

### Forward-Looking Statements

This Annual Report on Form 10-K 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”, the negative and other variations of these terms and other similar words. Examples of forward-looking statements may include statements regarding the asset quality of the Company’s loan portfolios; the level of the Company’s allowance for credit losses; whether, when and how borrowers will repay deferred amounts and resume scheduled payments; the sufficiency of liquidity sources; the Company’s exposure to changes in interest rates, and to new, changed, or extended government/regulatory expectations; the impact of changes in accounting standards; and trends, plans, prospects, growth and strategies. Forward-looking statements are made based on management’s expectations and beliefs concerning future events impacting the Company and are subject to certain uncertainties and factors relating to the Company’s operations and economic environment, all of which are difficult to predict and many of which are beyond the control of the Company, that could cause actual results of the Company to differ materially from those expressed and/or implied by forward-looking statements and historical performance. The following factors, in addition to those listed as Risk Factors in Item 1A are among those that could cause actual results to differ materially from the forward-looking statements: changes in general economic, market and regulatory conditions; the severity and duration of the COVID-19 outbreak and the impact of the outbreak (including the government’s response to the outbreak) on economic

and financial markets and our borrowers, potential regulatory actions, and modifications to our operations, products, and services relating thereto; disruptions in our and our customers' operations and loss of revenue due to pandemics, epidemics, widespread health emergencies, government-imposed travel/business restrictions, or outbreaks of infectious diseases such as the COVID-19, and the associated adverse impact on our financial position, liquidity, and our customers' abilities or willingness to repay their obligations to us or willingness to obtain financial services products from the Company; a decision to amend or modify the terms under which our customers are obligated to repay amounts owed to us; the development of an interest rate environment that may adversely affect the Company's interest rate spread, other income or cash flow anticipated from the Company's operations, investment and/or lending activities; changes in laws and regulations affecting banks, bank holding companies and/or financial holding companies, such as the Dodd-Frank Act and Basel III and the Economic Growth, Regulatory Relief, and Consumer Protection Act; legislative and regulatory changes in response to COVID-19 with which we and our subsidiaries must comply, including the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and the Appropriation Act and the rules and regulations promulgated thereunder, and federal, state and local government mandates; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; governmental and public policy changes, including environmental regulation; reliance on large customers; changes in business prospects that could impact goodwill and other intangible assets; fluctuations in market interest rates; uncertainties arising from national and global events, including the potential impact of widespread protests, civil unrest, and political uncertainty on the economy and the financial services industry; and financial resources in the amounts, at the times and on the terms required to support the Company's future businesses.

### **Critical Accounting Policies**

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

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

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 4 - Allowance for Credit Losses", and "Note 1 – Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in Part II, Item 8. of this Form 10-K for the year ended December 31, 2021.

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 in Part II, Item 8. of this Form 10-K for the year ended December 31, 2021.

### **Critical Accounting Estimates**

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

- Accounting for credit losses - Effective January 1, 2020 the Company adopted amended accounting guidance that impacts how the allowance for credit losses is determined. Under the new accounting guidance, the allowance for credit losses represents a valuation account that is deducted from the amortized cost basis of certain financial assets, including loans and leases, to present the net amount expected to be collected at the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance as deemed necessary by management. In estimating expected losses in the loan and lease portfolio, borrower-specific financial data and macro-economic assumptions are utilized to project losses over a reasonable and supportable forecast period. For certain loan pools that share similar risk characteristics, the Company utilizes statistically developed models to estimate amounts and timing of expected future cash flows, collateral values and other factors used to determine the borrowers' abilities to repay obligations. Such models consider historical correlations of credit losses with various macroeconomic assumptions including unemployment and gross domestic product. These forecasts may be adjusted for inherent limitations or biases of the models. Subsequent to the forecast period, the Company utilizes longer-term historical loss experience to estimate losses over the remaining contractual life of the loans. Prior to 2020, the allowance for credit losses represented the amount that in management's judgment reflected incurred credit losses inherent in the loan and lease portfolio as of the balance sheet date. The estimation of the allowance for credit losses prior to 2020 did not consider reasonable and supportable forecasts that could have affected the collectability of the reported amounts. Changes in the circumstances considered when determining management's estimates and assumptions could result in changes in those estimates and assumptions, which could result in adjustment of the allowance for credit losses in future periods. A discussion of facts and circumstances considered by management in determining the allowance for credit losses is included herein in Note 4 of Notes to Financial Statements.

## COVID-19 Pandemic and Recent Events

The COVID-19 global pandemic continued to present health and economic challenges in 2021. During the year, the Company continued to focus on the health and well-being of its workforce, meeting its clients' needs, and supporting its communities. During the initial phases of the pandemic, the Company designated a Pandemic Planning Committee, which includes key individuals across the Company as well as members of Senior Management, to oversee the Company's response to COVID-19, and implemented a number of risk mitigation measures designed to protect our employees and customers while maintaining services for our customers and community. These measures included restrictions on business travel, establishment of a hybrid work environment for most non-customer facing employees, and social distancing restrictions for those employees working at our offices and branch locations. In September 2021, New York State activated the HERO Act and the Company has adopted business practices consistent with the changing regulations there under.

Tompkins continues to offer, on a limited basis, assistance to its customers affected by the COVID-19 pandemic by implementing a payment deferral program to assist both consumer and business borrowers that may be experiencing financial hardship due to COVID-19. Our standard program allowed for the deferral of loan payments for up to 90 days; in certain cases we extended additional deferrals or other accommodations. As part of this program, the Company deferred approximately 3,800 loans totaling \$1.6 billion. As of December 31, 2020, loans totaling about \$1.4 billion had moved out of the deferral status and returned to payment status. As of December 31, 2021, total loans that continued in a deferral status amounted to approximately \$4.5 million, representing 0.09% of total loans. Loans in the deferral program continue to accrue interest during the deferral period unless otherwise classified as nonperforming. The provisions of the CARES Act and the interagency guidance issued by Federal banking regulators provided clarification related to modifications and deferral programs to assist borrowers who are negatively impacted by the COVID-19 national emergency. The guidance and clarifications detail certain provisions whereby banks are permitted to make deferrals and modifications to the terms of a loan which would not require the loan to be reported as a troubled debt restructuring ("TDR"). In accordance with the CARES Act and the interagency guidance, the Company elected to adopt the provisions to not report qualified loan modifications as TDRs. The relief related to TDRs under the CARES Act was extended by the Appropriation Act. Under the Appropriations Act, relief under the CARES Act continued until January 1, 2022.

Management continues to monitor credit conditions carefully at the individual borrower level, as well as by industry segment, in order to be responsive to changing credit conditions. It is difficult to assess whether a customer that continues to experience COVID-19 related financial hardship will be able to perform under the original terms of the loan once the deferral period ends. Any such inability to perform may result in increases in past due and nonperforming loans. The balance of loans in deferral as of December 31, 2021 reflects a continued decrease, resulting in immaterial industry concentrations as a percentage of each loan segment.

The Company also participated in the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). This program provides borrower guarantees for lenders, and envisions a certain amount of loan forgiveness for loan recipients

who properly utilize funds, all in accordance with the rules and regulations established by the SBA for the PPP. The Company began accepting applications for PPP loans on April 3, 2020, and had funded 2,998 loans totaling about \$465.6 million when the initial program ended. On January 19, 2021, the Company began accepting both first draw and second draw applications for the reopening of the PPP program. The 2021 PPP program funding closed for new applications on May 12, 2021. The Company funded 2,142 PPP loan applications totaling \$228.5 million in 2021.

Out of the total \$694.1 million of PPP loans that the Company had funded through January 14, 2022, approximately \$620.2 million had been forgiven by the SBA under the terms of the program. Total net deferred fees on the remaining balance of PPP loans amounted to \$3.0 million at December 31, 2021.

## **Results of Operations**

### **(Comparison of December 31, 2021 and 2020 results)**

#### **General**

The Company reported diluted earnings per share of \$6.05 in 2021, an increase of 16.4% compared to diluted earnings per share of \$5.20 in 2020. Net income for the year ended December 31, 2021, was \$89.3 million, an increase of 15.1% compared to \$77.6 million in 2020. Earnings performance in 2021 compared to 2020 benefited from growth in noninterest income sources, including insurance, wealth management and card services income and lower provisions for credit losses. Provision expense for the year ended December 31, 2021 was a credit of \$2.2 million, compared to an expense of \$17.2 million for 2020. The provision for credit losses in 2020 included a provision expense of \$16.8 million in the first quarter related to the impact of the economic condition related to COVID-19. Earnings in 2021 also included a \$1.9 million (\$0.10 per share) purchase accounting charge related to the redemption of \$15.2 million in trust preferred securities and \$2.9 million (\$0.15 per share) in penalties related to the prepayment of \$135.0 million in FHLB fixed rate advances.

In addition to earnings per share, key performance measurements for the Company include return on average shareholders' equity (ROE) and return on average assets (ROA). ROE was 12.32% in 2021, compared to 11.09% in 2020, while ROA was 1.12% in 2021 and 1.05% in 2020. Tompkins' 2021 ROE compared favorably with peer ratios of 12.18% for ROE, while ROA trailed by 15 basis points when compared to peer ROA of 1.27%. The peer group data is derived from the FRB's "Bank Holding Company Performance Report", which covers banks and bank holding companies with assets between \$3.0 billion and \$10.0 billion as of September 30, 2021 (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 period numbers.

#### **Segment Reporting**

The Company operates in 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, subsidiary. Wealth management activities include the results of the Company's trust, financial planning, and wealth management services provided by Tompkins Financial Advisors, a division of Tompkins Community Bank. All other activities are considered banking. For additional financial information on the Company's segments, refer to "Note 22 Segment and Related Information" in the Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

#### ***Banking Segment***

The banking segment reported net income of \$77.9 million for the year ended December 31, 2021, representing an \$8.7 million or 12.5%, increase compared to 2020. The increase in net income in 2021 compared to 2020 was largely driven by a decrease in the provision for credit losses. Net interest income decreased \$1.6 million or 0.7% in 2021 compared to 2020. Net interest income in 2021 included a \$1.9 million purchase accounting charge related to the redemption of \$15.2 million in trust preferred securities. Interest income decreased \$13.0 million or 5.1% compared to 2020, while interest expense decreased \$11.5 million or 39.5%.

The provision for credit loss expense was a credit of \$2.2 million in 2021, compared to provision expense of \$17.2 million in the prior year. The first quarter of 2020 included provision expense of \$16.8 million related to the impact of the economic conditions due to COVID-19 on economic forecasts and other model assumptions relied upon by management in determining the allowance, and reflects the calculation of the allowance for credit losses in accordance with ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on financial Instruments, and its related amendments*. Improved credit quality and improving macroeconomic trends in 2021 compared to 2020 contributed to a lower allowance for credit losses at year-end 2021 compared to year-end 2020. For additional information, see the section titled "The Allowance for Credit Losses" below.

Noninterest income of \$25.9 million in 2021 was flat compared to 2020. Noninterest expense of \$152.6 million for the year ended December 31, 2021, increased \$4.9 million or 3.3% from 2020. The year-to-date increase in noninterest expense was mainly attributed to \$2.9 million in penalties related to a prepayment of \$135.0 million in FHLB advances, merger related expenses, and salary and wages and employee benefits reflecting normal annual merit adjustments.

### **Insurance Segment**

The insurance segment reported net income of \$6.3 million, an increase of \$1.9 million or 43.3% when compared to 2020, as a \$3.5 million or 11.0% increase in noninterest revenue was only partially offset by a \$916,000 or 3.5% increase in expenses. The increase in revenue included \$1.9 million or 8.8% growth in property and casualty commissions and a \$1.1 million or 34.6% increase in contingency revenue over 2020. Health and voluntary benefits were \$97,000 or 1.3% less than 2020 while life, financial services and other revenue was \$53,000 or 17.0% more than 2020. Revenue growth in 2021 benefited from business development efforts and generally higher policy premium levels.

Noninterest revenue for 2021 included a non-recurring receipt from the proceeds of an officer life insurance policy in the amount of \$140,000. The increase in expenses was mainly attributable to an increase in wages reflecting normal annual merit increases along with commissions and incentives related to the increase in commission revenue partially offset by an overall decrease in health insurance costs. Certain expenses such as auto, travel, entertainment and marketing which have been affected by the COVID-19 pandemic resulting in reductions during 2020 increased slightly in 2021.

### **Wealth Management Segment**

The wealth management segment reported net income of \$5.1 million for the year ended December 31, 2021, an increase of \$1.1 million or 28.4% compared to 2020. Revenue of \$19.7 million increased \$1.6 million or 8.8% compared to 2020, mainly a result of increased assets under management and advisory revenue. We saw strong market performance throughout the year which helped revenue year over year. Noninterest expenses remained relatively flat year over year increasing by 1.1%. Increases in salary and wages were mostly offset by small savings in various other operating expenses. The fair value of assets under management or in custody at December 31, 2021 totaled \$5.1 billion, an increase of 13.6% compared to year-end 2020. This figure included \$1.7 billion at year-end 2021, of Company-owned securities from which no income was recognized as the Trust Company was serving as custodian.

### **Net Interest Income**

Net interest income is the Company's largest source of revenue, representing 74.0% of total revenues for the year ended December 31, 2021, and 75.3% of total revenues for the year ended December 31, 2020. 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. *Table 1 – Average Statements of Condition and Net Interest Analysis* shows average interest-earning assets and interest-bearing liabilities, and the corresponding yield or cost associated with each.

Tax-equivalent net interest income for 2021 decreased by \$2.0 million or 0.9% from 2020. The decrease resulted mainly from the decrease in average asset yields more than offsetting the growth in average earning assets and lower average funding costs. Funding costs benefited from lower market rates in 2021 compared to 2020 as well the mix of funding sources, including an increase in average noninterest bearing deposits. Average total deposits represented 94.5% of average total liabilities in 2021 compared to 91.7% in 2020, while total average borrowings represented 3.0% of average total liabilities in 2021 and 5.5% in 2020. Average earning assets in 2021 increased 11.0% over 2020, while average asset yields for 2021 decreased 54 basis points compared to 2020. The net interest margin for 2021 was 2.96% compared to 3.31% for 2020. The decline in net interest margin for 2021 when compared to 2020 was mainly due to lower securities yields as well as a slight shift in the composition of average earning assets, with a greater mix of lower yielding securities and interest bearing balances, and a decrease in average loan balances reflecting lower PPP loan balances.

Tax-equivalent interest income decreased \$13.5 million or 5.3% in 2021 from 2020. The decrease in tax-equivalent interest income was mainly due to lower asset yields, partially offset by an increase in the volume of average earning assets. Average asset yields for 2021 decreased 54 basis points compared to 2020, mainly driven by the decrease in market interest rates as well as the growth in lower yielding securities and interest bearing balances. Average loans and leases decreased \$43.6 million or 0.8% in 2021 compared to 2020, and represented 68.0% of average earning assets in 2021 compared to 76.1% in 2020. As a result of its participation in the SBA's PPP, the Company recorded net deferred loan fees of \$11.2 million in 2021 and \$9.2 million in 2020, which are included in interest income. The average yield on loans was 4.16% in 2021, a decrease of 22 basis points compared to 4.38% in 2020. Average balances on securities increased \$693.5 million or 48.6% in 2021 compared to 2020, while the average yield on the securities portfolio decreased 60 basis points or 32.8% compared to 2020 due to lower market interest rates.

Interest expense for 2021 decreased \$11.5 million or 39.6% compared to 2020, driven mainly by lower funding costs and decreases in average balances on borrowings. Interest expense in 2021 included a \$1.9 million purchase accounting charge related to the redemption of \$15.2 million in trust preferred securities in 2021. The average cost of interest bearing deposits was 0.23% in 2021, a decrease of 23 basis points from 0.46% in 2020, while the average cost of interest bearing liabilities decreased to 0.35% in 2021 from 0.60% in 2020. Average interest bearing deposits in 2021 increased \$392.0 million or 9.0% compared to 2020. Average noninterest bearing deposit balances in 2021 increased \$343.3 million or 19.6% over 2020 and represented 30.6% of average total deposits in 2021 compared to 28.7% in 2020. Average total deposits were up \$735.3 million or 12.0% in 2021 over 2020. Average deposit balances continue to benefit from the PPP loan program, as the majority of the proceeds of the PPP loans funded by Tompkins during 2020 and the first half of 2021 were deposited in Tompkins checking accounts. Additionally, consumer deposit balances benefited from other government stimulus programs. Average other borrowings decreased by \$147.9 million or 40.5% in 2021 from 2020. The decrease in borrowings was due to continued strong deposit growth during 2021 which allowed for reductions in FHLB borrowings. In September 2021, the Company prepaid \$135.0 million of fixed rate FHLB advances, incurring prepayment penalties of \$2.9 million. The advances carried a weighted average rate of 2.26% and had a weighted average maturity of 1.25 years.

**Table 1 - Average Statements of Condition and Net Interest Analysis**

|                                                                          | 2021                  |                |                    | 2020                  |                |                    | 2019                  |                |                    |
|--------------------------------------------------------------------------|-----------------------|----------------|--------------------|-----------------------|----------------|--------------------|-----------------------|----------------|--------------------|
|                                                                          | Average Balance (YTD) | Interest       | Average Yield/Rate | Average Balance (YTD) | Interest       | Average Yield/Rate | Average Balance (YTD) | Interest       | Average Yield/Rate |
| <i>(dollar amounts in thousands)</i>                                     |                       |                |                    |                       |                |                    |                       |                |                    |
| <b>ASSETS</b>                                                            |                       |                |                    |                       |                |                    |                       |                |                    |
| Interest-earning assets                                                  |                       |                |                    |                       |                |                    |                       |                |                    |
| Interest-bearing balances due from banks                                 | \$ 307,253            | \$ 343         | 0.11 %             | \$ 194,211            | \$ 194         | 0.10 %             | \$ 1,647              | \$ 41          | 2.49 %             |
| Securities <sup>1</sup>                                                  |                       |                |                    |                       |                |                    |                       |                |                    |
| U.S. Government securities                                               | 2,003,450             | 23,145         | 1.16 %             | 1,307,905             | 22,906         | 1.75 %             | 1,301,813             | 29,411         | 2.26 %             |
| State and municipal <sup>2</sup>                                         | 112,391               | 2,871          | 2.55 %             | 114,462               | 3,048          | 2.66 %             | 93,168                | 2,547          | 2.73 %             |
| Other securities <sup>2</sup>                                            | 3,417                 | 92             | 2.68 %             | 3,430                 | 117            | 3.40 %             | 3,417                 | 158            | 4.62 %             |
| Total securities                                                         | 2,119,258             | 26,108         | 1.23 %             | 1,425,797             | 26,071         | 1.83 %             | 1,398,398             | 32,116         | 2.30 %             |
| FHLBNY and FRB stock                                                     | 14,830                | 776            | 5.24 %             | 20,815                | 1,373          | 6.60 %             | 38,308                | 3,003          | 7.84 %             |
| Total loans and leases, net of unearned income <sup>2,3</sup>            | 5,184,491             | 215,709        | 4.16 %             | 5,228,135             | 228,806        | 4.38 %             | 4,830,089             | 227,869        | 4.72 %             |
| <b>Total interest-earning assets</b>                                     | <b>7,625,832</b>      | <b>242,936</b> | <b>3.19 %</b>      | <b>6,868,958</b>      | <b>256,444</b> | <b>3.73 %</b>      | <b>6,268,442</b>      | <b>263,029</b> | <b>4.20 %</b>      |
| Other assets                                                             | 343,119               |                |                    | 489,520               |                |                    | 411,136               |                |                    |
| <b>Total assets</b>                                                      | <b>\$ 7,968,951</b>   |                |                    | <b>\$ 7,358,478</b>   |                |                    | <b>\$ 6,679,578</b>   |                |                    |
| <b>LIABILITIES &amp; EQUITY</b>                                          |                       |                |                    |                       |                |                    |                       |                |                    |
| Deposits                                                                 |                       |                |                    |                       |                |                    |                       |                |                    |
| Interest-bearing deposits                                                |                       |                |                    |                       |                |                    |                       |                |                    |
| Interest bearing checking, savings, & money market                       | \$ 4,034,969          | \$ 3,736       | 0.09 %             | \$ 3,650,358          | \$ 9,430       | 0.26 %             | \$ 3,007,221          | \$ 20,099      | 0.67 %             |
| Time deposits                                                            | 711,381               | 7,111          | 1.00 %             | 703,999               | 10,534         | 1.50 %             | 676,106               | 10,805         | 1.60 %             |
| Total interest-bearing deposits                                          | 4,746,350             | 10,847         | 0.23 %             | 4,354,357             | 19,964         | 0.46 %             | 3,683,327             | 30,904         | 0.84 %             |
| Federal funds purchased & securities sold under agreements to repurchase | 58,627                | 64             | 0.11 %             | 55,973                | 95             | 0.17 %             | 59,825                | 143            | 0.24 %             |
| Other borrowings                                                         | 217,799               | 4,382          | 2.01 %             | 365,732               | 7,799          | 2.13 %             | 762,993               | 18,427         | 2.42 %             |
| Trust preferred debentures                                               | 7,367                 | 2,233          | 30.32 %            | 17,092                | 1,133          | 6.63 %             | 16,943                | 1,276          | 7.53 %             |
| <b>Total interest-bearing liabilities</b>                                | <b>5,030,143</b>      | <b>17,526</b>  | <b>0.35 %</b>      | <b>4,793,154</b>      | <b>28,991</b>  | <b>0.60 %</b>      | <b>4,523,088</b>      | <b>50,750</b>  | <b>1.12 %</b>      |
| Noninterest bearing deposits                                             | 2,096,542             |                |                    | 1,753,226             |                |                    | 1,403,330             |                |                    |
| Accrued expenses and other liabilities                                   | 117,790               |                |                    | 112,544               |                |                    | 101,819               |                |                    |
| <b>Total liabilities</b>                                                 | <b>7,244,475</b>      |                |                    | <b>6,658,924</b>      |                |                    | <b>6,028,237</b>      |                |                    |
| Tompkins Financial Corporation Shareholders' equity                      | 723,009               |                |                    | 698,088               |                |                    | 649,871               |                |                    |
| Noncontrolling interest                                                  | 1,467                 |                |                    | 1,466                 |                |                    | 1,470                 |                |                    |
| <b>Total equity</b>                                                      | <b>724,476</b>        |                |                    | <b>699,554</b>        |                |                    | <b>651,341</b>        |                |                    |
| <b>Total liabilities and equity</b>                                      | <b>\$ 7,968,951</b>   |                |                    | <b>\$ 7,358,478</b>   |                |                    | <b>\$ 6,679,578</b>   |                |                    |
| Interest rate spread                                                     |                       |                | 2.84 %             |                       |                | 3.13 %             |                       |                | 3.07 %             |
| Net interest income /margin on earning assets                            |                       | 225,410        | 2.96 %             |                       | 227,453        | 3.31 %             |                       | 212,279        | 3.39 %             |
| Tax Equivalent Adjustment                                                |                       | (1,618)        |                    |                       | (2,114)        |                    |                       | (1,651)        |                    |
| Net interest income per consolidated financial statements                |                       | \$ 223,792     |                    |                       | \$ 225,339     |                    |                       | \$ 210,628     |                    |

<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 tax-equivalent adjustments using the Federal income tax rate of 21.0% in 2021, 2020, and 2019 to increase tax exempt interest income to tax-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 this annual report on Form 10-K.

**Table 2 - Analysis of Changes in Net Interest Income**

| (In thousands)(tax-equivalent)                                             | 2021 vs. 2020                     |             |             | 2020 vs. 2019                     |             |             |
|----------------------------------------------------------------------------|-----------------------------------|-------------|-------------|-----------------------------------|-------------|-------------|
|                                                                            | Increase (Decrease) Due to Change |             |             | Increase (Decrease) Due to Change |             |             |
|                                                                            | Volume                            | Yield/Rate  | Total       | Volume                            | Yield/Rate  | Total       |
| <b>INTEREST INCOME:</b>                                                    |                                   |             |             |                                   |             |             |
| Interest-bearing balances due from banks                                   | \$ 124                            | \$ 25       | \$ 149      | \$ 229                            | \$ (76)     | \$ 153      |
| Investments <sup>1</sup>                                                   |                                   |             |             |                                   |             |             |
| Taxable                                                                    | 9,653                             | (9,439)     | 214         | 139                               | (6,685)     | (6,546)     |
| Tax-exempt                                                                 | (54)                              | (123)       | (177)       | 566                               | (65)        | 501         |
| FHLB and FRB stock                                                         | (347)                             | (250)       | (597)       | (1,212)                           | (418)       | (1,630)     |
| Loans, net <sup>1</sup>                                                    | (1,897)                           | (11,200)    | (13,097)    | 18,122                            | (17,185)    | 937         |
| Total interest income                                                      | \$ 7,479                          | \$ (20,987) | \$ (13,508) | \$ 17,844                         | \$ (24,429) | \$ (6,585)  |
| <b>INTEREST EXPENSE:</b>                                                   |                                   |             |             |                                   |             |             |
| Interest-bearing deposits:                                                 |                                   |             |             |                                   |             |             |
| Interest checking, savings and money market                                | \$ 904                            | \$ (6,598)  | \$ (5,694)  | \$ 3,638                          | \$ (14,307) | \$ (10,669) |
| Time                                                                       | 109                               | (3,532)     | (3,423)     | 440                               | (711)       | (271)       |
| Federal funds purchased and securities sold under agreements to repurchase | 5                                 | (36)        | (31)        | (8)                               | (40)        | (48)        |
| Other borrowings                                                           | (3,961)                           | 1,644       | (2,317)     | (8,642)                           | (2,129)     | (10,771)    |
| Total interest expense                                                     | \$ (2,943)                        | \$ (8,522)  | \$ (11,465) | \$ (4,572)                        | \$ (17,187) | \$ (21,759) |
| Net interest income                                                        | \$ 10,422                         | \$ (12,465) | \$ (2,043)  | \$ 22,416                         | \$ (7,242)  | \$ 15,174   |

<sup>1</sup> Interest income includes the tax effects of tax-equivalent adjustments using the Federal income tax rate of 21.0% in 2021, 2020 and 2019 to increase tax exempt interest income to tax-equivalent basis.

Changes in net interest income occur from a combination of changes in the volume of interest-earning assets and interest-bearing liabilities, and in the rate of interest earned or paid on them. The above table illustrates changes in interest income and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of the change. In 2021, net interest income decreased by \$2.0 million, resulting from a \$11.5 million decrease in interest expense, offset by a \$13.5 million decrease in interest income. Lower yields on average earning assets reduced interest income by \$21.0 million, while the increase in average balances on interest-earning assets increased interest income by \$7.5 million. The decrease in interest expense reflects lower rates paid on interest bearing liabilities, both deposits and other borrowings and a decrease in average borrowings. Lower rates on deposits and borrowing, reduced interest expense by \$8.5 million, while lower balances reduced interest expense by \$2.9 million.

#### Provision for Credit Loss Expense

The provision for credit loss expense represents management's estimate of the expense necessary to maintain the allowance for credit losses at an appropriate level. Relatively stable credit conditions and improving macroeconomic trends contributed to a lower allowance for credit losses at December 31, 2021 when compared to December 31, 2020. The ratio of total allowance to total loans and leases decreased to 0.84% at December 31, 2021 from 0.98% at December 31, 2020. The provision for credit loss expense was a credit of \$2.2 million in 2021, compared to provision expense of \$17.2 million in 2020. The provision for credit losses for 2021 included a provision of \$586,000 related to off-balance sheet credit exposures compared to a provision of \$1.1 million, respectively, for 2020. The first quarter of 2020 included a provision expense of \$16.8 million related to the impact of COVID-19 on economic forecasts and other model assumptions relied upon by management in determining the allowance, and reflects the calculation of the allowance for credit losses in accordance with ASU 2016-13. The fourth quarter of 2021 included a \$7.0 million charge-off of a commercial real estate relationship consisting of two loans that were previously reported as nonperforming loans. 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

| (In thousands)                      | Year ended December 31, |           |           |
|-------------------------------------|-------------------------|-----------|-----------|
|                                     | 2021                    | 2020      | 2019      |
| Insurance commissions and fees      | \$ 34,836               | \$ 31,505 | \$ 31,091 |
| Investment services                 | 19,388                  | 17,520    | 16,434    |
| Service charges on deposit accounts | 6,347                   | 6,312     | 8,321     |
| Card services                       | 10,826                  | 9,263     | 10,526    |
| Other income                        | 7,203                   | 8,817     | 8,416     |
| Net gain on securities transactions | 249                     | 443       | 645       |
| Total                               | \$ 78,849               | \$ 73,860 | \$ 75,433 |

Noninterest income of \$78.8 million in 2021 increased \$5.0 million or 6.8% over 2020, reflecting growth in insurance commissions and fees, investment services and card services income. Noninterest income represented 26.1% of total revenues in 2021, and 24.7% in 2020.

Insurance commissions and fees of \$34.8 million increased \$3.3 million or 10.6% compared to \$31.5 million for 2020. The increase in insurance commissions and fees in 2021 over 2020 was due to \$1.9 million or 8.8% of organic growth in property and casualty commissions, and an increase of \$1.1 million or 35.0% in contingency revenue over 2020.

Investment services income of \$19.4 million increased \$1.9 million or 10.7% in 2021 compared to 2020, mainly due to an increase in advisory fee income resulting from the growth in assets under management, driven by new business and an increase in fair value due to favorable market conditions. Investment services income includes trust services, financial planning, wealth management services, and brokerage related services. The fair value of assets managed by, or in custody of, Tompkins was \$5.1 billion at December 31, 2021, an increase from \$4.4 billion at December 31, 2020. The fair value of assets in custody at December 31, 2021 and 2020 includes \$1.7 billion and \$1.2 billion, respectively, of Company-owned securities where the Trust Company is custodian.

Service charges on deposit accounts in 2021 were in line with prior year. Net overdraft fees are the largest component of service charges on deposit accounts, and decreased \$120,000 or 3.4% in 2021 compared to 2020. The decreases in overdraft/insufficient funds charges during 2021 were primarily related to a decrease in the volume of overdrafts relative to 2020. Service fees on personal and business accounts, increased \$77,000 or 3.1% in 2021 over 2020.

Card services income increased \$1.6 million or 16.9% over 2020. The primary components of card services income are fees related to interchange income and transactions fees for debit card transactions, credit card transactions and ATM usage. The increase in card services income in 2021, when compared to 2020, is a result of higher transaction volumes, which benefited from the easing of pandemic-related travel and business restrictions in 2021.

Other income of \$7.2 million decreased \$1.6 million or 18.3% compared to 2020. The decrease was largely due to gains on sales of residential mortgage loans of \$2.0 million in 2020, compared to gains of \$943,000 in 2021, due to a higher volume of loans sold and higher premiums paid on loans sold in 2020.

## Noninterest Expense

| (In thousands)                    | Year ended December 31, |            |            |
|-----------------------------------|-------------------------|------------|------------|
|                                   | 2021                    | 2020       | 2019       |
| Salaries and wages                | \$ 96,038               | \$ 92,519  | \$ 89,399  |
| Other employee benefits           | 24,172                  | 24,812     | 23,488     |
| Net occupancy expense of premises | 13,179                  | 12,930     | 13,210     |
| Furniture and fixture expense     | 8,328                   | 7,846      | 7,815      |
| FDIC insurance                    | 2,758                   | 2,398      | 773        |
| Amortization of intangible assets | 1,317                   | 1,484      | 1,673      |
| Other                             | 44,495                  | 42,331     | 45,476     |
| Total                             | \$ 190,287              | \$ 184,320 | \$ 181,834 |

Noninterest expense as a percentage of total revenue was 62.9% in 2021, compared to 61.6% in 2020.

Expenses associated with salaries and wages and employee benefits are the largest component of total noninterest expense. In 2021, these expenses increased \$2.9 million or 2.5% compared to 2020. Salaries and wages increased \$3.5 million or 3.8% in 2021 over the prior year, mainly as a result of annual merit pay increases. Other employee benefits decreased \$640,000 or 2.6% over 2020, mainly in health insurance, which was down \$1.1 million or 10.7% in 2021 over 2020. The number of employees as measured by average full time equivalents (FTEs) for 2021 were 1,032, decreased from 1,057 for 2020.

Other operating expenses of \$44.5 million increased by \$2.2 million or 5.1% compared to 2020. The primary components of other operating expenses in 2021 were technology expense (\$11.7 million), professional fees (\$6.9 million), marketing expense (\$4.3 million), and cardholder expense (\$3.5 million). The increase in other operating expenses in 2021 compared to 2020 included a nonrecurring \$2.9 million prepayment penalty, related to pay down of \$135.0 million of FHLB fixed rate advances, along with professional fees (up \$855,000 or 14.1%), and cardholder expense (up \$280,000 or 8.6%). These increases were partially offset by decreases in marketing related expenses in 2021 over 2020 (down \$431,000 or 9.1%). The FHLB advances, which were paid off in September 2021, carried a weighted average interest rate of 2.26% and had a weighted average maturity of 1.25 years.

### **Noncontrolling Interests**

Net income attributable to noncontrolling interests represents the portion of net income in consolidated majority-owned subsidiaries that is attributable to the minority owners of a subsidiary. The Company had net income attributable to noncontrolling interests of \$127,000 in 2021, down \$27,000 from 2020. The noncontrolling interests relate to three real estate investment trusts, which are substantially owned by the Company's New York banking subsidiaries.

### **Income Tax Expense**

The provision for income taxes provides for Federal, New York State, Pennsylvania and other miscellaneous state income taxes. The 2021 provision was \$25.2 million, which increased \$5.3 million or 26.4% compared to the 2020 provision. The effective tax rate for the Company was 22.0% in 2021, up from 20.4% in 2020. The effective rates for 2021 and 2020 differed from the U.S. statutory rate of 21.0% during those periods due to the effect of tax-exempt income from loans, securities, and life insurance assets, investments in tax credits, and excess tax benefits of stock based compensation. The increase in the effective tax rate for 2021 over 2020 was due to a higher level of taxable income to total income.

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 billion for the taxable year. As of December 31, 2021, the Company's consolidated average assets, as defined by New York tax law, were under the \$8.0 billion threshold. The Company will continue to monitor the consolidated average assets during 2022 to determine future eligibility.

### **Financial Condition**

Total assets were \$7.8 billion at December 31, 2021, increasing by 2.6% or \$197.8 million from the previous year end. The increase in total assets was mainly due to increases in securities. Total securities increased \$701.3 million or 43.1% over December 31, 2020. Total deposits at year-end 2021 increased \$353.7 million or 5.5% over year-end 2020.

Loans and leases were 64.9% of total assets at December 31, 2021, compared to 69.0% of total assets at December 31, 2020. Total loan balances were \$5.1 billion at December 31, 2021, a decrease of \$184.9 million or 3.5% compared to the \$5.2 billion reported at year-end 2020. The decrease is mainly due to PPP loan balances being forgiven as part of the SBA program. PPP loan balances totaled \$71.3 million at year-end 2021, compared to \$291.3 million at year-end 2020. A more detailed discussion of the loan portfolio is provided below in this section under the caption "Loans and Leases".

As of December 31, 2021, total securities comprised 29.8% of total assets, compared to 21.4% of total assets at year-end 2020. Securities increased \$701.3 million or 43.1% at December 31, 2021, compared to December 31, 2020. The increase in securities from year-end 2020 was largely due to the investment of excess liquidity into securities. A detailed discussion of the securities portfolio is provided below in this section under the caption "Securities".

Total deposits at year-end 2021 increased by \$353.7 million or 5.5% compared to December 31, 2020. At December 31, 2021 noninterest bearing deposits increased by \$206.2 million or 10.7%, time deposit balances decreased \$106.6 million or 14.3% and checking, savings and money market accounts increased \$254.1 million or 6.8% when compared to December 31, 2020. Other borrowings, consisting mainly of short term advances with the FHLB, decreased \$141.0 million or 53.2% from December 31, 2020, as growth in deposits were used to reduce borrowings. A more detailed discussion of deposits and borrowings is provided below in this section under the caption "Deposits and Other Liabilities".

## Shareholders' Equity

The Consolidated Statements of Changes in Shareholders' Equity included in the Consolidated Financial Statements of the Company contained in Part II, Item 8. of this Report, detail changes in equity capital over prior year end. Total shareholders' equity increased \$11.3 million or 1.6% to \$728.9 million at December 31, 2021, from \$717.7 million at December 31, 2020. Additional paid-in capital decreased by \$21.4 million, from \$334.0 million at December 31, 2020, to \$312.5 million at December 31, 2021. The \$21.4 million decrease included the following: a \$23.8 million aggregate purchase price related to the Company's repurchase and retirement of 304,513 shares of its common stock in connection with Board-approved repurchase plans, and \$3.1 million related to the exercise of stock options and restricted stock activity. These were partially offset by \$5.1 million attributed to stock based compensation expense, and \$257,000 related to shares issued for the Company's director deferred compensation plan. Retained earnings increased by \$56.8 million, reflecting net income of \$89.3 million, less dividends paid of \$32.4 million for year-ended December 31, 2021.

Accumulated other comprehensive loss increased from \$32.1 million at December 31, 2020 to \$56.0 million at December 31, 2021, reflecting a \$35.2 million increase in unrealized losses on available-for-sale debt securities due to market interest rates, partially offset by a \$11.3 million actuarial gain associated with employee benefit plans. Under regulatory requirements, amounts reported as accumulated other comprehensive income/loss related to net unrealized gain or loss on available-for-sale debt securities and the funded status of the Company's defined benefit post-retirement benefit plans do not increase or reduce regulatory capital and are not included in the calculation of risk-based capital and leverage capital ratios.

Total shareholders' equity increased \$54.6 million or 8.2% to \$717.7 million at December 31, 2020, from \$663.1 million at December 31, 2019. Additional paid-in capital decreased by \$4.5 million, from \$338.5 million at December 31, 2019, to \$334.0 million at December 31, 2020. The \$4.5 million decrease included the following: \$9.4 million aggregate purchase price related to the Company's repurchase and retirement of 127,690 shares of its common stock in connection with the 2020 Repurchase Plan and \$1.9 million related to the exercise of stock options and restricted stock activity. These were partially offset by \$4.7 million attributed to stock based compensation expense, \$1.8 million related to shares issued in connection with the Company's dividend reinvestment program, and \$255,000 related to shares issued for the Company's director deferred compensation plan. Retained earnings increased by \$47.9 million, reflecting net income of \$77.6 million, less dividends paid of \$31.4 million and the net cumulative effect adjustment related to the adoption of ASU 2016-13 of \$1.7 million.

Accumulated other comprehensive loss decreased from \$43.6 million at December 31, 2019 to \$32.1 million at December 31, 2020; reflecting a \$16.6 million increase in unrealized gains on available-for-sale debt securities due to market interest rates, and a \$5.1 million increase in actuarial loss associated with employee benefit plans.

The Company continued its long history of increasing cash dividends with a per share increase of 4.3% in 2021, which followed an increase of 4.0% in 2020. Dividends per share were \$2.19 in 2021, compared to \$2.10 in 2020, and \$2.02 in 2019. Cash dividends paid represented 36.3%, 40.4%, and 37.5% of after-tax net income in 2021, 2020, and 2019, respectively.

On January 30, 2020, the Company's Board of Directors authorized a stock repurchase plan (the "2020 Repurchase Plan") for the Company to repurchase up to 400,000 shares of the Company's common stock over the 24 months following adoption of the plan. In the third quarter of 2021, the Company reached the 400,000 share limit under the 2020 Repurchase Plan; the 400,000 shares were purchased at an average price of \$75.99.

On October 22, 2021, the Company's Board of Directors authorized a share repurchase plan (the "2021 Repurchase Plan") for the repurchase of up to 400,000 shares of the Company's common stock over the 24 months following adoption of the plan. Shares may be repurchased from time to time under the 2021 Repurchase Plan in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws, and the repurchase program may be suspended, modified or terminated by the Board of Directors at any time for any reason. Under the 2021 Repurchase Plan, the Company repurchased 32,203 shares through December 31, 2021, at an average cost of \$80.65.

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 bank 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 capital conservation buffer, which must be added to each of the minimum capital ratios and is designed to absorb losses during periods of economic stress. The capital conservation buffer was phased-in over a three year period that began on January 1, 2016, and was fully phased-in on January 1, 2019 at 2.5%.

As of December 31, 2021, the capital ratios for the Company's four subsidiary banks exceeded the minimum levels required to be considered well capitalized. Effective January 1, 2022, the Company's four wholly-owned banking subsidiaries were combined into one bank, with the Bank of Castile, Mahopac Bank, and VIST Bank merging with and into Tompkins Trust Company. Immediately following the merger, Tompkins Trust Company changed its name to Tompkins Community Bank. Additional information on the Company's capital ratios and regulatory requirements is provided in "Note 20 - Regulations and Supervision" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report on Form 10-K.

## Securities

The Company maintains a portfolio of securities such as U.S. Treasuries, U.S. government sponsored entities securities, U.S. government agencies, non-U.S. Government agencies or sponsored entities mortgage-backed securities, obligations of states and political subdivisions thereof and equity securities. Management typically invests in securities with short to intermediate average lives in order to better match the interest rate sensitivities of its assets and liabilities. Investment decisions are made within policy guidelines established by the Company's Board of Directors. The investment policy established by the Company's Board of Directors is based on the asset/liability management goals of the Company, and is monitored by the Company's Asset/Liability Management Committee. The intent of the policy is to establish a portfolio of high quality diversified securities, which optimizes net interest income within safety and liquidity limits deemed acceptable by the Asset/Liability Management Committee.

The Company classifies its securities at date of purchase as available-for-sale, held-to-maturity or trading. Securities, other than certain obligations of states and political subdivisions thereof, are generally classified as available-for-sale. Securities available-for-sale may be used to enhance total return, provide additional liquidity, or reduce interest rate risk. Securities in the held-to-maturity portfolio would consist of obligations of the U.S. Government, U.S. Government sponsored entities and obligations of state and political subdivisions. Securities in the trading portfolio would reflect those securities that the Company elects to account for at fair value, with the adoption of ASC Topic 825, *Financial Instruments*.

The Company's total securities portfolio at December 31, 2021 was \$2.3 billion compared to \$1.6 billion at December 31, 2020. The table below shows the composition of the available-for-sale and held-to-maturity securities portfolios as of year-end 2021, 2020 and 2019. The increase in the available-for-sale portfolio at year-end 2021 over year-end 2020 reflects the reinvestment of excess liquidity. The Company purchased approximately \$1.4 billion of securities in 2021, which were partially offset by \$452.9 million of payments, maturities and calls and \$142.7 million of sales of available-for-sale securities. In 2021, fair values were unfavorably impacted by changes in market interest rates.

Additional information on the securities portfolio is available in "Note 2 Securities" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report, which details the types of securities held, the carrying and fair values, and the contractual maturities as of December 31, 2021 and 2020.

| Available-for-Sale Debt Securities                    | As of December 31, |              |                |              |                |              |
|-------------------------------------------------------|--------------------|--------------|----------------|--------------|----------------|--------------|
|                                                       | 2021               |              | 2020           |              | 2019           |              |
| (In thousands)                                        | Amortized Cost     | Fair Value   | Amortized Cost | Fair Value   | Amortized Cost | Fair Value   |
| U.S. Treasuries                                       | \$ 160,291         | \$ 157,834   | \$ 0           | \$ 0         | \$ 1,840       | \$ 1,840     |
| Obligations of U.S. Government sponsored entities     | 843,218            | 832,373      | 599,652        | 607,480      | 367,551        | 372,488      |
| Obligations of U.S. states and political subdivisions | 102,177            | 104,169      | 126,642        | 129,746      | 96,668         | 97,785       |
| Mortgage-backed securities-residential, issued by     |                    |              |                |              |                |              |
| U.S. Government agencies                              | 76,502             | 77,157       | 179,538        | 182,108      | 164,643        | 164,451      |
| U.S. Government sponsored entities                    | 879,102            | 870,556      | 691,562        | 705,480      | 660,037        | 659,590      |
| U.S. corporate debt securities                        | 2,500              | 2,424        | 2,500          | 2,379        | 2,500          | 2,433        |
| Total available-for-sale debt securities              | \$ 2,063,790       | \$ 2,044,513 | \$ 1,599,894   | \$ 1,627,193 | \$ 1,293,239   | \$ 1,298,587 |

| Held-to-Maturity Securities                       | As of December 31, |            |                |            |                |            |
|---------------------------------------------------|--------------------|------------|----------------|------------|----------------|------------|
|                                                   | 2021               |            | 2020           |            | 2019           |            |
| (In thousands)                                    | Amortized Cost     | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| U. S. Treasuries                                  | \$ 86,689          | \$ 86,368  | \$ 0           | \$ 0       | \$ 0           | \$ 0       |
| Obligations of U.S. Government sponsored entities | 197,320            | 195,920    | 0              | 0          | 0              | 0          |
| Total held-to-maturity securities                 | \$ 284,009         | \$ 282,288 | \$ 0           | \$ 0       | \$ 0           | \$ 0       |

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

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

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

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

The gross unrealized losses reported for residential mortgage-backed securities relate to investment securities issued by U.S. government sponsored entities such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation ("FHLMC"), 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 December 31, 2021, the held-to-maturity portfolio consisted of U.S. Treasury securities and securities issued by U.S. government-sponsored enterprises, including The Federal National Mortgage Agency and the Federal Farm Credit Banks Funding Corporation. U.S. Treasury securities are backed by the full faith and credit of and/or guaranteed by the U.S. government, and it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities. Securities issued by U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk-free,” and have a long history of zero credit loss. As such, the Company did not record an allowance for credit losses for these securities as of December 31, 2021.

The Company also holds non-marketable Federal Home Loan Bank New York (“FHLBNY”) stock, non-marketable Federal Home Loan Bank Pittsburgh (“FHLBPITT”) stock and non-marketable Atlantic Community Bankers Bank (“ACBB”) stock, all of which are required to be held for regulatory purposes and for borrowing availability. The required investment in FHLB stock is tied to the Company’s borrowing levels with the FHLB. Holdings of FHLBNY stock, FHLBPITT stock and ACBB stock totaled \$9.9 million, \$1.0 million and \$95,000 at December 31, 2021, respectively. These securities are carried at par, which is also cost. The FHLBNY and FHLBPITT continue to pay dividends and repurchase stock. As such, the Company has not recognized any impairment on its holdings of FHLBNY and FHLBPITT stock. At December 31, 2020, the Company’s holdings of FHLBNY stock, FHLBPITT stock, and ACBB stock totaled \$11.0 million, \$5.2 million, and \$95,000, respectively.

Management’s policy is to purchase investment grade securities that, on average, have relatively short expected durations. This policy helps mitigate interest rate risk and provides sources of liquidity without significant risk to capital. The contractual maturity distribution of debt securities and mortgage-backed securities as of December 31, 2021, along with the weighted average yield of each category, is presented in *Table 3-Maturity Distribution* below. Balances are shown at amortized cost and weighted average yields are calculated on a fully tax-equivalent basis. Expected maturities will differ from contractual maturities presented in *Table 3-Maturity Distribution* below, because issuers may have the right to call or prepay obligations with or without penalty and mortgage-backed securities will pay throughout the periods prior to contractual maturity.

**Table 3 - Maturity Distribution**

| (dollar amounts in thousands)                        | As of December 31, 2021                    |                    |                             |                    |
|------------------------------------------------------|--------------------------------------------|--------------------|-----------------------------|--------------------|
|                                                      | Securities Available-for-Sale <sup>1</sup> |                    | Securities Held-to-Maturity |                    |
|                                                      | Amount                                     | Yield <sup>2</sup> | Amount                      | Yield <sup>2</sup> |
| U.S. Treasury                                        |                                            |                    |                             |                    |
| Over 1 to 5 years                                    | \$ 30,766                                  | 0.61 %             | \$ 0                        | 0.00 %             |
| Over 5 to 10 years                                   | 129,525                                    | 1.15 %             | 86,689                      | 1.37 %             |
|                                                      | \$ 160,291                                 | 1.05 %             | \$ 86,689                   | 1.37 %             |
| Obligations of U.S. Government sponsored entities    |                                            |                    |                             |                    |
| Within 1 year                                        | \$ 72,750                                  | 2.21 %             | \$ 0                        | 0.00 %             |
| Over 1 to 5 years                                    | 429,342                                    | 0.98 %             | 0                           | 0.00 %             |
| Over 5 to 10 years                                   | 315,926                                    | 1.04 %             | 197,320                     | 1.54 %             |
| Over 10 years                                        | 25,200                                     | 2.05 %             | 0                           | 0.00 %             |
|                                                      | \$ 843,218                                 | 1.14 %             | \$ 197,320                  | 1.54 %             |
| Obligations of U.S. state and political subdivisions |                                            |                    |                             |                    |
| Within 1 year                                        | \$ 4,409                                   | 2.30 %             | \$ 0                        | 0.00 %             |
| Over 1 to 5 years                                    | 14,429                                     | 2.68 %             | 0                           | 0.00 %             |
| Over 5 to 10 years                                   | 53,797                                     | 2.83 %             | 0                           | 0.00 %             |
| Over 10 years                                        | 29,542                                     | 2.44 %             | 0                           | 0.00 %             |
|                                                      | \$ 102,177                                 | 2.67 %             | \$ 0                        | 0.00 %             |
| Mortgage-backed securities - residential             |                                            |                    |                             |                    |
| Within 1 year                                        | \$ 1                                       | 1.09 %             | \$ 0                        | 0.00 %             |
| Over 1 to 5 years                                    | 8,473                                      | 2.10 %             | 0                           | 0.00 %             |
| Over 5 to 10 years                                   | 295,554                                    | 1.16 %             | 0                           | 0.00 %             |
| Over 10 years                                        | 651,576                                    | 1.36 %             | 0                           | 0.00 %             |
|                                                      | \$ 955,604                                 | 1.30 %             | \$ 0                        | 0.00 %             |
| Other securities                                     |                                            |                    |                             |                    |
| Over 5 to 10 years                                   | \$ 2,500                                   | 3.01 %             | \$ 0                        | 0.00 %             |
|                                                      | \$ 2,500                                   | 3.01 %             | \$ 0                        | 0.00 %             |
| Total securities                                     |                                            |                    |                             |                    |
| Within 1 year                                        | \$ 77,160                                  | 2.22 %             | \$ 0                        | 0.00 %             |
| Over 1 to 5 years                                    | 483,010                                    | 1.03 %             | 0                           | 0.00 %             |
| Over 5 to 10 years                                   | 797,302                                    | 1.23 %             | 284,009                     | 1.49 %             |
| Over 10 years                                        | 706,318                                    | 1.43 %             | 0                           | 0.00 %             |
|                                                      | \$ 2,063,790                               | 1.29 %             | \$ 284,009                  | 1.49 %             |

<sup>1</sup> Balances of available-for-sale debt securities are shown at amortized cost.

<sup>2</sup> Interest income includes the tax effects of tax-equivalent adjustments using a combined New York State and Federal effective income tax rate of 24.5% to increase tax exempt interest income to tax-equivalent basis.

The average tax-equivalent yield on the securities portfolio was 1.23% in 2021, 1.83% in 2020 and 2.30% in 2019.

At December 31, 2021, there were no holdings of any one issuer, other than the U.S. Government sponsored entities, in an amount greater than 10% of the Company's shareholders' equity.

## Loans and Leases

**Table 4 - Composition of Loan and Lease Portfolio**

| Loans and Leases<br>(In thousands)                                         | As of December 31, |              |              |              |              |
|----------------------------------------------------------------------------|--------------------|--------------|--------------|--------------|--------------|
|                                                                            | 2021               | 2020         | 2019         | 2018         | 2017         |
| Commercial and industrial                                                  |                    |              |              |              |              |
| Agriculture                                                                | \$ 99,172          | \$ 94,489    | \$ 105,786   | \$ 107,494   | \$ 108,608   |
| Commercial and industrial other                                            | 699,121            | 792,987      | 902,275      | 970,141      | 983,043      |
| PPP loans                                                                  | 71,260             | 291,252      | 0            | 0            | 0            |
| Subtotal commercial and industrial                                         | 869,553            | 1,178,728    | 1,008,061    | 1,077,635    | 1,091,651    |
| Commercial real estate                                                     |                    |              |              |              |              |
| Construction                                                               | 178,582            | 163,016      | 213,637      | 165,669      | 203,966      |
| Agriculture                                                                | 195,973            | 201,866      | 184,898      | 170,229      | 129,959      |
| Commercial real estate other                                               | 2,278,599          | 2,204,310    | 2,045,030    | 2,004,763    | 1,866,802    |
| Subtotal commercial real estate                                            | 2,653,154          | 2,569,192    | 2,443,565    | 2,340,661    | 2,200,727    |
| Residential real estate                                                    |                    |              |              |              |              |
| Home equity                                                                | 182,671            | 200,827      | 219,245      | 229,608      | 241,256      |
| Mortgages                                                                  | 1,290,911          | 1,235,160    | 1,158,592    | 1,104,286    | 1,061,685    |
| Subtotal residential real estate                                           | 1,473,582          | 1,435,987    | 1,377,837    | 1,333,894    | 1,302,941    |
| Consumer and other                                                         |                    |              |              |              |              |
| Indirect                                                                   | 4,655              | 8,401        | 12,964       | 12,663       | 12,144       |
| Consumer and other                                                         | 67,396             | 61,399       | 61,446       | 58,326       | 50,979       |
| Subtotal consumer and other                                                | 72,051             | 69,800       | 74,410       | 70,989       | 63,123       |
| Leases                                                                     | 13,948             | 14,203       | 17,322       | 14,556       | 14,467       |
| Total loans and leases                                                     | 5,082,288          | 5,267,910    | 4,921,195    | 4,837,735    | 4,672,909    |
| Less: unearned income and deferred costs and fees                          | (6,821)            | (7,583)      | (3,645)      | (3,796)      | (3,789)      |
| Total loans and leases, net of unearned income and deferred costs and fees | \$ 5,075,467       | \$ 5,260,327 | \$ 4,917,550 | \$ 4,833,939 | \$ 4,669,120 |

Total loans and leases of \$5.1 billion at December 31, 2021 decreased \$184.9 million or 3.5% from December 31, 2020. The decrease was mainly in PPP loans, which totaled \$71.3 million at year end 2021, and \$291.3 million at year-end 2020. The decrease in PPP loans is due to the PPP loan forgiveness program and pay downs made in 2021. In total, the Company funded approximately \$694.1 million in PPP loans, of which \$620.2 million had been forgiven by the SBA under the terms of the program as of January 14, 2022. As of December 31, 2021, total loans and leases represented 64.9% of total assets compared to 69.0% of total assets at December 31, 2020.

Residential real estate loans, including home equity loans, were \$1.5 billion at December 31, 2021, an increase of \$37.6 million or 2.6% compared to the \$1.4 billion reported at year-end 2020. Residential real estate loans comprised 29.0% of total loans and leases at December 31, 2021 compared to 27.3% at December 31, 2020. Growth in residential loan balances is 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. These residential real estate loans are generally sold to 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 2021, 2020, and 2019, the Company sold residential mortgage loans totaling \$31.5 million, \$51.7 million, and \$16.9 million, respectively, and realized net gains on these sales of \$943,000, \$2.1 million, and \$227,000, respectively. When residential mortgage loans are sold to FHLMC or SONYMA, the Company typically retains all servicing rights, which provides

the Company with a source of fee income. In connection with the sales in 2021, 2020, and 2019, the Company recorded mortgage-servicing assets of \$236,000, \$388,000, and \$127,000, respectively.

The Company originates fixed rate and adjustable rate residential mortgage loans, including loans that have characteristics of both, such as a 7/1 adjustable rate mortgage, which has a fixed rate for the first seven years and then adjusts annually thereafter. The majority of residential mortgage loans originated over the last several years have been fixed rate given the low interest rate environment. Adjustable rate residential real estate loans may be underwritten based upon an initial rate which is below the fully indexed rate; however, the initial rate is generally less than 100 basis points below the fully indexed rate. As such, the Company does not believe that this practice creates any significant credit risk.

Commercial real estate loans totaled \$2.7 billion at December 31, 2021, an increase of \$84.0 million or 3.3% compared to December 31, 2020, and represented 52.3% of total loans and leases at December 31, 2021, compared to 48.8% at December 31, 2020.

Commercial and industrial loans totaled \$869.6 million at December 31, 2021, which is a decrease of \$309.2 million or 26.2% from December 31, 2020. Commercial and industrial loans represented 17.1% of total loans at December 31, 2021 compared to 22.4% at December 31, 2020. The decrease at year-end 2021 from year-end 2020 was mainly due to PPP loans forgiven by the SBA. At December 31, 2021 the total outstanding balances of PPP loans was \$71.3 million compared to \$291.3 million at December 31, 2020.

As of December 31, 2021, agriculturally-related loans totaled \$295.1 million or 5.8% of total loans and leases compared to \$296.4 million or 5.6% of total loans and leases at December 31, 2020. Agriculturally-related loans include loans to dairy farms and cash and vegetable crop farms. Agriculturally 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 consumer loan portfolio includes personal installment loans, indirect automobile financing, and overdraft lines of credit. Consumer and other loans were \$72.1 million at December 31, 2021, compared to \$69.8 million at December 31, 2020.

The lease portfolio decreased by 1.8% to \$13.9 million at December 31, 2021 from \$14.2 million at December 31, 2020. As of December 31, 2021, commercial leases and municipal leases represented 100.0% of total leases.

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. There were no significant changes to the Company's existing policies, underwriting standards and loan review during 2021. The Company's Board of Directors approves the lending policies at least annually. The Company recognizes that exceptions to policy guidelines may occasionally occur and has established procedures for approving exceptions to these policy guidelines. Management has also implemented reporting systems to monitor loan 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 four subsidiary banks. Although operating in numerous communities in New York State and Pennsylvania, the Company is still dependent on the general economic conditions of these states. As a result, the economic consequences of the pandemic on our market area generally and on the Company in particular continue to be difficult to quantify. Other than geographic and general economic risks, management is not aware of any material concentrations of credit risk to any industry or individual borrower.

## Analysis of Past Due and Nonperforming Loans

| (In thousands)                                                                 | As of December 31, |           |           |           |           |  |
|--------------------------------------------------------------------------------|--------------------|-----------|-----------|-----------|-----------|--|
|                                                                                | 2021               | 2020      | 2019      | 2018      | 2017      |  |
| Loans 90 days past due and accruing <sup>1</sup>                               |                    |           |           |           |           |  |
| Consumer and other                                                             | \$ 0               | \$ 0      | \$ 0      | \$ 0      | \$ 44     |  |
| Total loans 90 days past due and accruing                                      | 0                  | 0         | 0         | 0         | 44        |  |
| Nonaccrual loans                                                               |                    |           |           |           |           |  |
| Commercial and industrial                                                      | \$ 533             | \$ 1,775  | \$ 2,335  | \$ 1,883  | \$ 2,852  |  |
| Commercial real estate                                                         | 13,893             | 23,627    | 10,789    | 8,007     | 5,948     |  |
| Residential real estate                                                        | 11,178             | 13,145    | 10,882    | 12,072    | 10,363    |  |
| Consumer and other                                                             | 429                | 429       | 275       | 234       | 354       |  |
| Total nonaccrual loans and leases                                              | \$ 26,033          | \$ 38,976 | \$ 24,281 | \$ 22,196 | \$ 19,517 |  |
| Troubled debt restructurings not included above                                | 5,124              | 6,803     | 7,154     | 4,395     | 3,449     |  |
| Total nonperforming loans and leases                                           | \$ 31,157          | \$ 45,779 | \$ 31,435 | \$ 26,591 | \$ 23,010 |  |
| Other real estate owned                                                        | 135                | 88        | 428       | 1,595     | 2,047     |  |
| Total nonperforming assets                                                     | \$ 31,292          | \$ 45,867 | \$ 31,863 | \$ 28,186 | \$ 25,057 |  |
| Total nonperforming loans and leases as a percentage of total loans and leases | 0.61 %             | 0.87 %    | 0.64 %    | 0.55 %    | 0.49 %    |  |
| Total nonperforming assets as a percentage of total assets                     | 0.40 %             | 0.60 %    | 0.47 %    | 0.42 %    | 0.38 %    |  |
| Allowance as a percentage of nonperforming loans and leases                    | 137.51 %           | 112.87 %  | 126.90 %  | 163.25 %  | 172.84 %  |  |

<sup>1</sup> The 2019, 2018 and 2017 columns in the above table exclude \$794,000, \$1.3 million, and \$1.1 million, respectively, of acquired loans that are 90 days past due and accruing interest. These loans were originally recorded at fair value on the acquisition date of August 1, 2012. These loans are considered to be accruing as the Company can reasonably estimate future cash flows on these acquired loans and the Company expects to fully collect the carrying value of these loans. Therefore, the Company is accreting the difference between the carrying value of these loans and their expected cash flows into interest income.

The level of nonperforming assets as of the past five year-ends is illustrated in the table above. The Company's total nonperforming assets as a percentage of total assets was 0.40% at December 31, 2021, a decrease from 0.60% at December 31, 2020, and compares to its peer group's most recent ratio of 0.54% at September 30, 2021. The peer data is from the Federal Reserve Board and represents banks or bank holding companies with assets between \$3.0 billion and \$10.0 billion.

Nonperforming loans and leases totaled \$31.2 million at December 31, 2021 and decreased 31.9% from December 31, 2020. Nonperforming loans and leases represented 0.61% of total loans at December 31, 2021, compared to 0.87% of total loans at December 31, 2020, and 0.64% of total loans at December 31, 2019. Nonperforming loans and leases in the commercial real estate portfolio at year-end 2021 decreased by \$9.7 million compared to 2020; the decrease was mainly due to one credit totaling approximately \$11.8 million in the hospitality industry that paid off in the fourth quarter of 2021.

The Company implemented a payment deferral program to assist both consumer and business borrowers that may be experiencing financial hardship due to COVID-19. As of December 31, 2021, total loans that continued in a deferral status amounted to approximately \$4.5 million, representing 0.09% of total loans and \$212.2 million at December 31, 2020.

Loans are considered modified in a troubled debt restructuring ("TDR") when, due to a borrower's financial difficulties, the Company makes a concession(s) to the borrower that the Company would not otherwise consider. When modifications are provided for reasons other than as a result of the financial distress of the borrower, these loans are not classified as TDRs or impaired. These modifications may include, among others, an extension of the term of the loan, and granting a period when interest-only payments can be made, with the principal payments made over the remaining term of the loan or at maturity. TDRs are included in the above table within the following categories: "loans 90 days past due and accruing", "nonaccrual loans", or "troubled debt restructurings not included above". Loans in the latter category include loans that meet the definition of a TDR but are performing in accordance with the modified terms and have shown a satisfactory period of repayment (generally six consecutive months) and where full collection of all is reasonably assured. At December 31, 2021, the Company had \$6.8 million in TDR balances, which are included in the above table, of which \$5.1 million are included in the line captioned "Troubled debt restructurings not included above" and the remainder are included within nonaccrual loans.

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 called for by regulatory requirements. 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. For additional financial information on the difference between the interest income that would have been recorded if these loans and leases had been paid in accordance with their original terms and the interest income that was recorded, refer to “Note 3 – Loans and Leases” in the Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

The Company’s recorded investment in loans and leases that are individually evaluated totaled \$20.5 million at December 31, 2021, and \$32.2 million at December 31, 2020. A loan is individually evaluated when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individually evaluated loans consist of our non-homogenous nonaccrual loans and loans that are 90 days or more past due. Specific reserves on individually evaluated loans that are not collateral dependent are measured based on the present value of expected future cash flows discounted at the original effective interest rate of each loan. For loans that are collateral dependent, impairment is measured based on the fair value of the collateral less estimated selling costs, and such impaired amounts are generally charged off.

At December 31, 2021, there were specific reserves of \$67,000, mainly related to one commercial real estate loan and one commercial loan compared to \$308,000 of specific reserves on four commercial real estate loans and five commercial loans at December 31, 2020. The majority of the individually evaluated loans are collateral dependent loans that have limited exposure or require limited specific reserves because of the amount of collateral support with respect to these loans or the loans have been written down to fair value. Interest payments on individually evaluated loans are typically applied to principal unless collectability of the principal amount is reasonably assured. In these cases, interest is recognized on a cash basis. There was no interest income recognized on individually evaluated loans and leases for 2021, 2020 and 2019.

The ratio of the allowance to nonperforming loans (loans past due 90 days and accruing, nonaccrual loans and restructured troubled debt) was 137.5% at December 31, 2021, compared to 112.9% at December 31, 2020. The Company’s nonperforming loans are mostly made up of collateral dependent loans requiring little to no specific allowance due to the level of collateral available with respect to these loans and/or previous charge-offs.

Management reviews the loan portfolio for evidence of potential problem loans and leases. Potential problem loans and leases are loans and leases that are currently performing in accordance with contractual terms, but where known information about possible credit problems of the related borrowers causes management to have doubt as to the ability of such borrowers to comply with the present loan payment terms and may result in such loans and leases becoming nonperforming at some time in the future. Management considers loans and leases classified as Substandard, which continue to accrue interest, to be potential problem loans and leases. The Company, through its credit administration function, identified 25 commercial relationships totaling \$36.5 million at December 31, 2021 that were potential problem loans. At December 31, 2020, there were 35 relationships totaling \$40.8 million in the loan portfolio that were considered potential problem loans. Of the 25 commercial relationships from the portfolio that were classified as potential problem loans at December 31, 2021, there were 9 relationships that equaled or exceeded \$1.0 million, which in aggregate totaled \$32.1 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.

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

Management reviews the appropriateness of the 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 speeds, 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 and forecasts 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.

The Company adopted Accounting Standard Update ("ASU") 2016-13 on January 1, 2020, using the prospective transition approach for financial assets purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with the standard, the Company did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. The remaining discount on the PCD assets will be accreted into interest income on a level-yield method over the life of the loans.

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 December 31, 2021, 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 bases 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 cancelable, through a charge to credit loss expense for off-balance sheet credit exposures included in other noninterest expense in the Company's consolidated statements of income. As of December 31, 2021, the Company's reserve for off-balance sheet credit exposures was \$2.5 million, compared to \$1.9 million at December 31, 2020. As a result of the adoption of ASC 326, the Company recorded a net cumulative-effect adjustment increasing the allowance for credit losses on off-balance sheet credit exposures by \$381,000 from \$477,000 at December 31, 2019, to \$858,000 at January 1, 2020.

The allocation of the Company's allowance as of December 31, 2021, and each of the previous four years is illustrated in *Table 5- Allocation of the Allowance for Credit Losses*, below. The table represents the allowance for credit losses calculated under the new accounting guidance as of December 31, 2020, and the prior periods show amounts calculated under the incurred loss methodology calculation used prior to adoption. The table provides 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.

**Table 5 - Allocation of the Allowance for Credit Losses**

| (In thousands)                                                  | As of December 31, |              |              |              |              |  |
|-----------------------------------------------------------------|--------------------|--------------|--------------|--------------|--------------|--|
|                                                                 | 2021               | 2020         | 2019         | 2018         | 2017         |  |
| Total loans outstanding at end of year                          | \$ 5,075,467       | \$ 5,260,327 | \$ 4,917,550 | \$ 4,833,939 | \$ 4,669,120 |  |
| Allocation of the ACL by loan type:                             |                    |              |              |              |              |  |
| Commercial and industrial                                       | \$ 6,335           | \$ 9,239     | \$ 10,541    | \$ 11,272    | \$ 11,837    |  |
| Commercial real estate                                          | 24,813             | 30,546       | 21,608       | 23,483       | 20,412       |  |
| Residential real estate                                         | 10,139             | 10,257       | 6,381        | 7,345        | 6,215        |  |
| Consumer and other                                              | 1,492              | 1,562        | 1,362        | 1,310        | 1,307        |  |
| Leases                                                          | 64                 | 65           | 0            | 0            | 0            |  |
| Total                                                           | \$ 42,843          | \$ 51,669    | \$ 39,892    | \$ 43,410    | \$ 39,771    |  |
| Allocation of the ACL as a percentage of total allowance:       |                    |              |              |              |              |  |
| Commercial and industrial                                       | 15 %               | 18 %         | 26 %         | 26 %         | 30 %         |  |
| Commercial real estate                                          | 58 %               | 59 %         | 54 %         | 54 %         | 51 %         |  |
| Residential real estate                                         | 24 %               | 20 %         | 16 %         | 17 %         | 16 %         |  |
| Consumer and other                                              | 3 %                | 3 %          | 3 %          | 3 %          | 3 %          |  |
| Leases                                                          | 0 %                | 0 %          | 0 %          | 0 %          | 0 %          |  |
| Total                                                           | 100 %              | 100 %        | 100 %        | 100 %        | 100 %        |  |
| Loan and lease types as a percentage of total loans and leases: |                    |              |              |              |              |  |
| Commercial and industrial                                       | 18 %               | 23 %         | 21 %         | 22 %         | 24 %         |  |
| Commercial real estate                                          | 52 %               | 49 %         | 50 %         | 49 %         | 47 %         |  |
| Residential real estate                                         | 29 %               | 27 %         | 28 %         | 28 %         | 28 %         |  |
| Consumer and other                                              | 1 %                | 1 %          | 1 %          | 1 %          | 1 %          |  |
| Leases                                                          | 0 %                | 0 %          | 0 %          | 0 %          | 0 %          |  |
| Total                                                           | 100 %              | 100 %        | 100 %        | 100 %        | 100 %        |  |

As a result of the adoption of ASU 2016-13, the Company recorded a net cumulative-effect adjustment reducing the allowance for credit losses by \$2.5 million from \$39.9 million at December 31, 2019 to \$37.4 million at January 1, 2020. Also in 2020 was a \$14.9 million increase in provision expense driven by changes in economic conditions and forecasts related to the impact of COVID-19, including forecasts of significantly slower economic growth and higher unemployment. Improved forecasts for unemployment and economic growth contributed to the decrease in the allowance between year-end 2021 and year-end 2020.

As of December 31, 2021, the total allowance for credit losses was \$42.8 million, a decrease of \$8.8 million or 17.1% from year-end 2020. The decrease reflects net charge-offs of \$6.0 million and a credit to provision expense of \$2.8 million. The fourth quarter of 2021 included a \$7.0 million charge-off of a commercial real estate relationship in the hospitality industry that was moved to nonaccrual in the second quarter of 2021. The lower allowance at December 31, 2021 compared to December 31, 2020 was mainly driven by improvement in forecasts for both unemployment and the gross domestic product used in our model at year-end 2021 compared to year-end 2020. Qualitative reserves are down from year-end 2020. Qualitative reserves for loans within the hospitality and certain other industries that may have an elevated level of risk due to the adverse economic impact of the COVID-19 pandemic, and for loans that were part of the Company's payment deferral program implemented in response to the COVID-19 pandemic decreased over the course of the 2021 as pandemic restrictions eased and the economy started to reopen and loans exited the deferral program and returned to repayment status. Estimates of future delinquency and credit loss performance is extremely difficult given the uncertainties centering around the evolution of the virus, including the

spread of the Delta variant, the efficacy of vaccination programs, the related pace of the full resumption of business activities, and the strength of the economic recovery as government assistance programs are phased out. The decrease in these qualitative reserves were partially offset by qualitative reserves for local (county) unemployment trends and changes in commercial real estate and residential real estate indices. The qualitative reserves were added to all portfolio segments, with the majority of the impact resulting in the commercial real estate portfolio, followed by residential real estate and commercial and industrial portfolios.

Total loans were \$5.1 billion at December 31, 2021, a decrease of \$184.9 million or 3.5% from December 31, 2020. The decrease from year-end 2021 was mainly due to the pay down of guaranteed PPP loans which were down \$220.0 million compared to the same period prior year. Since the PPP loans are guaranteed by the SBA, there are no reserves allocated to these loans. Credit quality metrics at December 31, 2021, were improved when compared to year-end 2020. Nonperforming assets represented 0.40% of total assets at December 31, 2021, compared to 0.60% at December 31, 2020. Nonperforming loans and leases decreased \$14.6 million or 31.9% from year end 2020 and represented 0.61% of total loans at December 31, 2021 compared to 0.87% at December 31, 2020. Loans internally-classified Special Mention or Substandard decreased \$52.3 million or 27.6% compared to December 31, 2020. The improvement over December 31, 2020, were mainly due to improved economic conditions as pandemic-related restrictions are being lifted and businesses are reopening.

**Table 6 - Analysis of the Allowance for Credit Losses**

| (In thousands)                                                                                 | December 31,     |                  |                  |                  |                  |  |
|------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|--|
|                                                                                                | 2021             | 2020             | 2019             | 2018             | 2017             |  |
| Average loans outstanding during year                                                          | \$ 5,184,492     | \$ 5,228,135     | \$ 4,830,089     | \$ 4,757,583     | \$ 4,401,205     |  |
| Balance of allowance at beginning of year                                                      | 51,669           | 39,892           | 43,410           | 39,771           | 35,755           |  |
| Impact of adopting ASU 2016-13                                                                 | 0                | (2,534)          | 0                | 0                | 0                |  |
| <b>Loans charged-off:</b>                                                                      |                  |                  |                  |                  |                  |  |
| Commercial and industrial                                                                      | \$ 274           | \$ 2             | \$ 696           | \$ 334           | \$ 365           |  |
| Commercial real estate                                                                         | 6,957            | 1,903            | 4,015            | 142              | 180              |  |
| Residential real estate                                                                        | 77               | 84               | 256              | 614              | 1,067            |  |
| Consumer and other                                                                             | 438              | 482              | 823              | 1,350            | 962              |  |
| Leases                                                                                         | 0                | 0                | 0                | 0                | 0                |  |
| <b>Total loans charged-off</b>                                                                 | <b>\$ 7,746</b>  | <b>\$ 2,471</b>  | <b>\$ 5,790</b>  | <b>\$ 2,440</b>  | <b>\$ 2,574</b>  |  |
| <b>Recoveries of loans previously charged-off:</b>                                             |                  |                  |                  |                  |                  |  |
| Commercial and industrial                                                                      | \$ 118           | \$ 131           | \$ 103           | \$ 156           | \$ 143           |  |
| Commercial real estate                                                                         | 1,175            | 58               | 174              | 843              | 1,617            |  |
| Residential real estate                                                                        | 236              | 194              | 334              | 459              | 256              |  |
| Consumer and other                                                                             | 196              | 248              | 295              | 679              | 413              |  |
| <b>Total loan recoveries</b>                                                                   | <b>\$ 1,725</b>  | <b>\$ 631</b>    | <b>\$ 906</b>    | <b>\$ 2,137</b>  | <b>\$ 2,429</b>  |  |
| Net loan charged-off                                                                           | 6,021            | 1,840            | 4,884            | 303              | 145              |  |
| (Reductions)/Additions to allowance charged to operations                                      | (2,805)          | 16,151           | 1,366            | 3,942            | 4,161            |  |
| <b>Balance of allowance at end of year</b>                                                     | <b>\$ 42,843</b> | <b>\$ 51,669</b> | <b>\$ 39,892</b> | <b>\$ 43,410</b> | <b>\$ 39,771</b> |  |
| <b>Allowance as a percentage of total loans and leases outstanding</b>                         | <b>0.84 %</b>    | <b>0.98 %</b>    | <b>0.81 %</b>    | <b>0.90 %</b>    | <b>0.85 %</b>    |  |
| <b>Net charge-offs as a percentage of average loans and leases outstanding during the year</b> | <b>0.12 %</b>    | <b>0.04 %</b>    | <b>0.10 %</b>    | <b>0.01 %</b>    | <b>0.00 %</b>    |  |

The above table shows the activity in the allowance for credit losses over the past five years. The allowance at December 31, 2021 was \$42.8 million, a decrease of \$8.8 million from year-end 2020, reflecting net charge-offs of \$6.0 million and a credit to provision expense of \$2.8 million. The year-over-year decrease is mainly due to one commercial real estate relationship that included included two loans and was charged off in the fourth quarter of 2021. For 2019, favorable trends in certain qualitative factors, lower historical loss rates in all loan portfolios except for commercial real estate at year-end 2019 compared to year-end

2018, and lower specific reserves for impaired loans contributed to the lower allowance level at December 31, 2019 compared to December 31, 2018 and a decrease in provision expense in 2019 compared to 2018. As mentioned above, the \$16.2 million provision expense in 2020 was driven by changes in economic conditions and forecasts related to the impact of COVID-19, including forecasts of significantly slower economic growth and higher unemployment. The majority of the increase in the allowance and provision expense in 2020 was in the first quarter of 2020. Provision expense decreased in 2021, as businesses opened and economic conditions continued to improve, resulting in the ability to reverse some of the provision expense booked in the first quarter of 2020 related to the COVID-19 pandemic.

The ratio of the allowance for credit losses as a percentage of total loans was 0.84% at year-end 2021 compared to 0.98% at year-end 2020. The allowance coverage to nonperforming loans and leases was 137.50% at December 31, 2021 compared to 112.87% at December 31, 2020. Management believes that, based upon its evaluation as of December 31, 2021, the allowance is appropriate.

### **Deposits and Other Liabilities**

Total deposits were \$6.8 billion at December 31, 2021, an increase of \$353.7 million or 5.5% compared to year-end 2020. The increase from year-end 2020 consisted of savings and money market balances, and noninterest bearing deposits up \$254.1 million, and \$206.1 million, respectively. This was partially offset by a reduction in time deposits, which decreased \$106.6 million. Deposit balances have benefited from PPP loan originations and government stimulus payments related to COVID-19. The majority of the Company's PPP loan originations were deposited in Tompkins checking accounts.

The most significant source of funding for the Company is core deposits. The Company defines core deposits as total deposits less time deposits of \$250,000 or more, brokered deposits, municipal money market deposits and reciprocal deposit relationships with municipalities. Core deposits increased by \$626.4 million or 12.2% to \$5.8 billion at year-end 2021 from \$5.2 billion at year-end 2020. Core deposits represented 85.1% of total deposits at December 31, 2021, compared to 80.1% of total deposits at December 31, 2020.

Municipal money market accounts and reciprocal deposit relationships with municipalities totaled \$802.1 million at year-end 2021, which increased 17.0% over year-end 2020. In general, there is a seasonal pattern to municipal deposits starting with a low point during July and August. Account balances tend to increase throughout the fall and into the winter months from tax deposits and receive an additional inflow at the end of March from the electronic deposit of state funds.

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 \$66.8 million at December 31, 2021, and \$65.8 million at December 31, 2020. Management generally views local repurchase agreements as an alternative to large time deposits. Refer to "Note 8 Federal Funds Purchased and Securities Sold Under Agreements to Repurchase" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report for further details on the Company's repurchase agreements.

The Company's other borrowings totaled \$124.0 million at year-end 2021, which was \$141.0 million below prior year end. The decrease in borrowings was due to deposit growth from year-end 2020. In the third quarter of 2021, the Company prepaid \$135.0 million of FHLB fixed rate advances and incurred prepayment penalties of \$2.9 million, recorded in noninterest expense. The advances, which were paid off in September 2021, carried a weighted average rate of 2.26% and had a weighted average maturity of 1.25 years. The \$124.0 million in borrowings at December 31, 2021, represented \$14.0 million in overnight advances from the FHLB and \$110.0 million in term advances from the FHLB. Borrowings of \$265.0 million at year-end 2020 represented FHLB term advances. Of the \$110.0 million in FHLB term advances at year-end 2021, \$100.0 million are due in over one year. Refer to "Note 9 - Other Borrowings" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report for further details on the Company's term borrowings with the FHLB.

### **Liquidity Management**

As of December 31, 2021, the Company had not experienced any significant impact to our liquidity or funding capabilities as a result of the COVID-19 pandemic. The Company has a long-standing liquidity plan in place that is designed to ensure that appropriate liquidity resources are available to fund the balance sheet. Additionally, given the uncertainties related to the impact of the COVID-19 crisis on liquidity, the Company has confirmed the availability of funds at the FHLB of NY, completed actions required to activate participation in the Federal Reserve Bank PPP lending facility, and confirmed availability of Federal Fund lines with correspondent bank partners.

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

Core deposits, discussed above under "Deposits and Other Liabilities", are a primary and low cost funding source obtained primarily through the Company's branch network. In addition to core deposits, the Company uses non-core funding sources to support asset growth. These non-core funding sources include time deposits of \$250,000 or more, brokered time deposits, municipal money market deposits, reciprocal deposits, bank borrowings, securities sold under agreements to repurchase, overnight borrowings 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 totaled \$1.2 billion at December 31, 2021, a decrease of \$412.8 million or 25.6% from \$1.6 billion at December 31, 2020. The decrease was driven mainly by the repayment of \$200.0 million of brokered time deposits that matured during the second quarter of 2021 and the prepayment of \$135.0 million of FHLB term borrowings during the third quarter of 2021. Non-core funding sources decreased year-over-year as the Company experienced sufficient growth in core deposits to fund earning asset growth. Non-core funding sources as a percentage of total liabilities decreased from 23.4% at year-end 2020 to 17.0% at year-end 2021.

Non-core funding sources may require securities to be pledged against the underlying liability. Securities carried at \$1.4 billion at December 31, 2021 and 2020, were either pledged or sold under agreements to repurchase. Pledged securities or securities sold under agreements to repurchase represented 59.4% of total securities at December 31, 2021, compared to 75.3% of total securities at December 31, 2020.

Cash and cash equivalents totaled \$63.1 million as of December 31, 2021, a decrease from \$388.5 million at December 31, 2020. Short-term investments, consisting of securities due in one year or less, increased from \$55.0 million at December 31, 2020, to \$77.9 million at December 31, 2021.

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 they have monthly principal reductions. Total mortgage-backed securities, at fair value, were \$947.7 million at December 31, 2021 compared with \$887.6 million at December 31, 2020. Outstanding principal balances of residential mortgage loans, consumer loans, and leases totaled approximately \$1.6 billion at December 31, 2021 compared to \$1.5 billion at December 31, 2020. Aggregate amortization from monthly payments on these assets provides significant additional cash flow to the Company.

Liquidity is enhanced by ready access to national and regional wholesale funding sources including Federal funds purchased, repurchase agreements, brokered certificates of deposit, and FHLB advances. Through its subsidiary banks, the Company has borrowing relationships with the FHLB and correspondent banks, which provide secured and unsecured borrowing capacity. At December 31, 2021, the unused borrowing capacity on established lines with the FHLB was \$2.3 billion.

As members of the FHLB, the Company's subsidiary banks can use certain unencumbered mortgage-related assets and securities to secure additional borrowings from the FHLB. At December 31, 2021, total unencumbered mortgage loans and securities of the Company were \$1.6 billion. Additional assets may also qualify as collateral for FHLB advances upon approval of the FHLB.

The Company has not identified any trends or circumstances that are reasonably likely to result in material increases or decreases in liquidity in the near term.

**Table 7 - Loan Maturity**
**Remaining maturity of loans**

| (In thousands)            | December 31, 2021   |                   |                         |                           |                     |
|---------------------------|---------------------|-------------------|-------------------------|---------------------------|---------------------|
|                           | Total               | Less than 1 year  | After 1 year to 5 years | After 5 years to 15 years | After 15 years      |
| Commercial and industrial | \$ 869,553          | \$ 186,535        | \$ 344,457              | \$ 213,037                | \$ 125,524          |
| Commercial real estate    | 2,653,154           | 113,884           | 303,107                 | 1,268,752                 | 967,411             |
| Residential real estate   | 1,473,582           | 760               | 22,960                  | 324,685                   | 1,125,177           |
| <b>Total</b>              | <b>\$ 4,996,289</b> | <b>\$ 301,179</b> | <b>\$ 670,524</b>       | <b>\$ 1,806,474</b>       | <b>\$ 2,218,112</b> |

Of the loan amounts shown above in Table 7 - Loan Maturity, maturing over 1 year, \$2.1 billion have fixed rates and \$2.6 billion have adjustable rates.

**Off-Balance Sheet Arrangements**

In the normal course of business, the Company is party to certain financial instruments, which in accordance with accounting principles generally accepted in the United States, are not included in its Consolidated Statements of Condition. These transactions include commitments under standby letters of credit, unused portions of lines of credit, and commitments to fund new loans and are undertaken to accommodate the financing needs of the Company's customers. Loan commitments are agreements by the Company to lend monies at a future date. These loan and letter of credit commitments are subject to the same credit policies and reviews as the Company's loans. Because most of these loan commitments expire within one year from the date of issue, the total amount of these loan commitments as of December 31, 2021, are not necessarily indicative of future cash requirements. Further information on these commitments and contingent liabilities is provided in "Note 17 Commitments and Contingent Liabilities" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

**Contractual Obligations**

The Company leases land, buildings, and equipment under operating lease arrangements extending to the year 2090. Most leases include options to renew for periods ranging from 5 to 20 years. In addition, the Company has a software contract for its core banking application through June 30, 2024 along with contracts for more specialized software programs through 2021. Further information on the Company's lease arrangements is provided in "Note 6 Premises and Equipment" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report. The Company's contractual obligations as of December 31, 2021, are shown in *Table 8-Contractual Obligations and Commitments* below.

**Table 8 - Contractual Obligations and Commitments**

| Contractual cash obligations<br>(In thousands) | At December 31, 2021<br>Payments due within |                  |                   |                 |                  |
|------------------------------------------------|---------------------------------------------|------------------|-------------------|-----------------|------------------|
|                                                | Total                                       | 1 year           | 1-3 years         | 3-5 years       | After 5 years    |
| Long-term debt                                 | \$ 113,618                                  | \$ 11,972        | \$ 101,646        | \$ 0            | \$ 0             |
| Operating leases <sup>1</sup>                  | 40,112                                      | 4,187            | 7,387             | 6,366           | 22,172           |
| Software contracts                             | 6,276                                       | 1,931            | 3,701             | 644             | 0                |
| <b>Total contractual cash obligations</b>      | <b>\$ 160,006</b>                           | <b>\$ 18,090</b> | <b>\$ 112,734</b> | <b>\$ 7,010</b> | <b>\$ 22,172</b> |

<sup>1</sup> Operating leases include renewals the Company considers reasonably certain to exercise.

## **Non-GAAP Disclosure**

The following table summarizes the Company's results of operations on a GAAP basis and on an operating (non-GAAP) basis for the periods indicated. The non-GAAP financial measures adjust GAAP measures to exclude the effects of non-operating items, such as acquisition related intangible amortization expense, and significant nonrecurring income or 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 not be considered in isolation or as a measure of the Company's profitability or liquidity; they are in addition to, and are not a substitute for, financial measures under GAAP. The non-GAAP financial measures 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. In the future, the Company may utilize other measures to illustrate performance. Non-GAAP financial measures have limitations since they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP.

**Reconciliation of Net Income Available to Common Shareholders/Diluted Earnings Per Share (GAAP) to Net Operating Income Available to Common Shareholders/Adjusted Diluted Earnings Per Share (Non-GAAP) and Adjusted Operating Return on Average Tangible Common Equity (Non-GAAP)**

**For the year ended December 31,**

| <i>(In thousands, except per share data)</i>                                           | <b>2021</b>       | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|----------------------------------------------------------------------------------------|-------------------|-------------|-------------|-------------|-------------|
| Net income available to common shareholders                                            | \$ 89,264         | \$ 77,588   | \$ 81,718   | \$ 82,308   | \$ 52,494   |
| Less: income attributable to unvested stock-based compensations awards                 | (615)             | (857)       | (1,306)     | (1,315)     | (818)       |
| Net earnings allocated to common shareholders (GAAP)                                   | <b>88,649</b>     | 76,731      | 80,412      | 80,993      | 51,676      |
| Diluted earnings per share (GAAP)                                                      | <b>6.05</b>       | 5.20        | 5.37        | 5.35        | 3.43        |
| Adjustments for non-operating income and expense:                                      |                   |             |             |             |             |
| Purchase accounting related to redemption of trust preferred securities                | <b>1,849</b>      | 0           | 0           | 0           | 0           |
| Penalties on prepayment of FHLB borrowings                                             | <b>2,929</b>      | 0           | 0           | 0           | 0           |
| Gain on sale of real estate                                                            | <b>0</b>          | 0           | 0           | (2,950)     | 0           |
| Write-down of impaired leases                                                          | <b>0</b>          | 0           | 0           | 2,536       | 0           |
| Remeasurement of deferred taxes                                                        | <b>0</b>          | 0           | 0           | 0           | 14,944      |
| Write-down of real estate pending sale                                                 | <b>0</b>          | 673         | 0           | 0           | 0           |
| Total adjustments                                                                      | <b>4,778</b>      | 673         | 0           | (414)       | 14,944      |
| Tax expense                                                                            | <b>1,171</b>      | 165         | 0           | 102         | 0           |
| Total adjustments, net of tax                                                          | <b>3,607</b>      | 508         | 0           | (312)       | 14,944      |
| Net operating income available to common shareholders (Non-GAAP)                       | <b>92,256</b>     | 77,239      | 80,412      | 80,681      | 66,620      |
| Weighted average shares outstanding (diluted)                                          | <b>14,648,167</b> | 14,751,303  | 14,973,951  | 15,132,257  | 15,073,255  |
| Adjusted diluted earnings per share (Non-GAAP)                                         | <b>6.30</b>       | 5.24        | 5.37        | 5.33        | 4.42        |
| Net earnings allocated to common shareholders (Non-GAAP)                               | <b>92,256</b>     | 76,731      | 80,412      | 80,681      | 66,620      |
| Average Tompkins Financial Corporation shareholders' equity (GAAP)                     | <b>723,009</b>    | 699,554     | 649,871     | 589,475     | 575,958     |
| Amortization of intangibles                                                            | <b>1,317</b>      | 1,484       | 1,673       | 1,771       | 1,932       |
| Tax expense                                                                            | <b>323</b>        | 364         | 410         | 434         | 773         |
| Amortization of intangibles, net of tax                                                | <b>994</b>        | 1,120       | 1,263       | 1,337       | 1,159       |
| Adjusted net operating income available to common shareholders' (Non-GAAP)             | <b>93,250</b>     | 77,851      | 81,675      | 82,018      | 67,779      |
| Average Tompkins Financial Corporation shareholders' equity                            | <b>723,009</b>    | 698,088     | 649,871     | 589,475     | 575,958     |
| Average goodwill and intangibles                                                       | <b>95,719</b>     | 97,134      | 98,104      | 99,999      | 101,583     |
| Average Tompkins Financial Corporation shareholders' tangible common equity (Non-GAAP) | \$ <b>627,290</b> | \$ 600,954  | \$ 551,767  | \$ 489,476  | \$ 474,375  |
| Adjusted operating return on average shareholders' tangible common equity (Non-GAAP)   | <b>14.87 %</b>    | 12.95 %     | 14.80 %     | 16.76 %     | 14.29 %     |

**Newly Adopted Accounting Standards**

ASU No 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 removes certain exceptions to the general principles in Topic 740 in Generally Accepted Accounting Principles. ASU 2019-12 became effective for the Company on January 1, 2021, and did not have a significant impact on our consolidated financial statements.

## Accounting Standards Pending Adoption

*ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* This ASU update improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. OR This ASU update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606. The update is effective for public entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

*ASU No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance.* This ASU requires business entities to make annual disclosures about transactions with a government they account for by analogizing to a grant or contribution accounting model under ASC 958-605. We have evaluated the effect that this guidance will have on our Consolidated Financial Statements and determined it will not have a material impact.

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 7A. Quantitative and Qualitative Disclosures About Market Risk

### 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 does not currently use derivatives, such as interest rate swaps, to manage its interest rate risk exposure, but may consider such instruments in the future.

The Company's Board of Directors has set a policy that interest rate risk exposure will remain within a range whereby net interest income will not decline by more than 10% in one year as a result of a 100 basis point parallel change in rates. Based upon the simulation analysis performed as of November 30, 2021, 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 of approximately 3.5% from the base case, while a 100 basis point parallel decline in interest rates over a one-year period would result in a one-year decrease in net interest income of approximately 1.9% from the base case. The simulation assumes no balance sheet growth and no management action to address balance sheet mismatches.

The decrease in net interest income in the rising rate scenario is a result of the balance sheet showing a more liability sensitive position over a 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, net interest income is expected to trend upwards.

The down 100 basis point scenario decreases net income slightly in the first year as a result of the Company's assets repricing downward to a greater degree than the rates on the Company's interest-bearing liabilities, mainly deposits and overnight borrowings. Rates on savings and money market accounts have moved down and are at or near historically low levels, allowing for minimal interest expense relief in the first year of a declining rate scenario. In addition, the model assumes that prepayments accelerate in the lower interest rate environment resulting in additional pressure on asset yields as proceeds are reinvested at lower rates.

The most recent simulation of a base case scenario, which assumes interest rates remain unchanged from the date of the simulation, reflects a net interest margin that is declining slightly over the next 12 to 18 months.

Although the simulation model is useful in identifying potential exposure to interest rate movements, actual results may differ from those modeled as the repricing, maturity, and prepayment characteristics of financial instruments may change to a different degree than modeled. In addition, the model does not reflect actions that management may employ to manage its 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. *Table 9-Interest Rate Risk Analysis* below is a Condensed Static Gap Report, which illustrates the anticipated repricing intervals of assets and liabilities as of December 31, 2021. The Company's one-year interest rate gap was a negative \$331.5 million or 4.24% of total assets at December 31, 2021, compared with a positive \$58.9 million or 0.77% of total assets at December 31, 2020. The change from year-end 2020 to year-end 2021 is mainly due to deposit growth and PPP loan paydowns, which resulted in a decrease in borrowings with the FHLB. 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 is moderately at risk in an increasing 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.

**Table 9 - Interest Rate Risk Analysis**

**Condensed Static Gap - December 31, 2021**

*(In thousands)*

|                                                         | <b>Total</b> | <b>0-3 months</b> | <b>3-6 months</b> | <b>6-12 months</b> | <b>12 months</b> |
|---------------------------------------------------------|--------------|-------------------|-------------------|--------------------|------------------|
| Interest-earning assets <sup>1</sup>                    | \$ 7,475,291 | \$ 1,272,243      | \$ 382,091        | \$ 717,075         | \$ 2,371,409     |
| Interest-bearing liabilities                            | 4,846,485    | 2,362,133         | 121,042           | 219,730            | 2,702,905        |
| Net gap position                                        |              | (1,089,890)       | 261,049           | 497,345            | (331,496)        |
| <b>Net gap position as a percentage of total assets</b> |              | <b>(13.94)%</b>   | <b>3.34 %</b>     | <b>6.36 %</b>      | <b>(4.24)%</b>   |

<sup>1</sup>Balances of available-for-sale debt securities are shown at amortized cost.

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## Item 8. Financial Statements and Supplementary Data

Financial Statements and Supplementary Data consist of the consolidated financial statements and the unaudited quarterly financial data as indexed and presented below.

| Index to Financial Statements                                                                                             | Page |
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| <a href="#">Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</a>      | 60   |
| <a href="#">Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements</a>              | 61   |
| <a href="#">Consolidated Statements of Condition – December 31, 2021 and 2020</a>                                         | 64   |
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| <a href="#">Consolidated Statements of Changes in Shareholders' Equity – Years ended December 31, 2021, 2020 and 2019</a> | 69   |
| <a href="#">Notes to Consolidated Financial Statements</a>                                                                | 71   |
| <a href="#">Unaudited Quarterly Financial Data</a>                                                                        | 129  |

**Management’s Statement of Responsibility**

Management is responsible for the preparation of the consolidated financial statements and related financial information contained in all sections of this annual report, including the determination of amounts that must necessarily be based on judgments and estimates. It is the belief of management that the consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles.

Management establishes and monitors the Company’s system of internal accounting controls to meet its responsibility for reliable financial statements. The system is designed to provide reasonable assurance that assets are safeguarded, and that transactions are executed in accordance with management’s authorization and are properly recorded.

The Audit/Examining Committee of the board of directors, composed solely of outside directors, meets periodically and privately with management, internal auditors, and the independent registered public accounting firm, KPMG LLP, to review matters relating to the quality of financial reporting, internal accounting control, and the nature, extent, and results of audit efforts. The independent registered public accounting firm and internal auditors have unlimited access to the Audit/Examining Committee to discuss all such matters. The consolidated financial statements have been audited by KPMG LLP for the purpose of expressing an opinion on the consolidated financial statements. In addition, KPMG LLP has audited the Company's internal control over financial reporting, as of December 31, 2021.

|                                               |                                                                         |       |               |
|-----------------------------------------------|-------------------------------------------------------------------------|-------|---------------|
| <u>/s/ Stephen S. Romaine</u>                 | <u>/s/ Francis M. Fetsko</u>                                            | Date: | March 1, 2022 |
| Stephen S. Romaine<br>Chief Executive Officer | Francis M. Fetsko<br>Chief Financial Officer<br>Chief Operating Officer |       |               |

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors  
Tompkins Financial Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Tompkins Financial Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of condition of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2022 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP  
Rochester, New York  
March 1, 2022

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors  
Tompkins Financial Corporation:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of condition of Tompkins Financial Corporation and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and its related amendments.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Allowance for Credit Losses – Loans evaluated on a Collective Basis*

As discussed in Note 1 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments — Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments, and its related amendments as of January 1, 2020. As discussed in Notes 1 and 4 to the consolidated financial statements, the Company's allowance for credit losses on loans evaluated on a collective basis (the collective ACL on loans) was

\$42.7 million out of a total allowance for credit losses on loans of \$42.8 million as of December 31, 2021. The collective ACL on loans includes the measure of expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the financial assets that are reasonable and supportable. The Company uses a discounted cash flow methodology (DCF methodology) where the respective cash flows for each segment are developed using the assumptions of probability of default (PD), loss given default (LGD), estimated prepayment speeds, and exposure at default. The DCF methodology is calculated at the loan level and aggregated at the segment level, and expected credit losses are estimated over the effective life of the loans by measuring the difference between the net present value of modeled cash flows and the amortized cost basis. The Company uses models to develop the PD and LGD, which are derived from internal and selected peer groups' historical default and loss experience, that incorporate probability weighted economic scenarios and macroeconomic assumptions over a reasonable and supportable forecast period. In order to capture the unique risks of the loan segments within the PD and LGD models, the Company measures expected credit losses at the loan level by segment, by pooling loans when the financial assets share similar risk characteristics. After the reasonable and supportable forecast period, the Company reverts back to a historical loss rate over eight quarters on a straight-line basis. A portion of the collective ACL on loans is comprised of adjustments to historical loss information. These adjustments are based on qualitative factors not reflected in the quantitative model but are likely to impact the measurement of estimated credit losses.

We identified the assessment of the collective ACL on loans as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the collective ACL on loans due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the collective ACL on loans methodology, including the methods and models used to estimate the PD, LGD and their significant assumptions, including portfolio segmentation, estimated prepayment speeds, the economic forecast scenarios and scenario weightings, macroeconomic assumptions, the reasonable and supportable forecast period, the composition of the peer group data, and the historical observation period. The assessment also included the evaluation of the qualitative factors and their significant assumptions, including the effects of limitations inherent in the quantitative model and an evaluation of the conceptual soundness and performance of the PD and LGD models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of the collective ACL on loans, including controls over the:

- development of the collective ACL on loans methodology
- continued use and appropriateness of changes made to PD and LGD models
- performance monitoring of the PD and LGD models
- Identification and determination and measurement of the significant assumptions used in the PD and LGD models, including prepayment assumptions
- development of the qualitative factors including the significant assumptions used in the measurement of the qualitative factors; and
- analysis of the collective ACL on loans results, trends, and ratios.

We evaluated the Company's process to develop the collective ACL on loans estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ACL on loans methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the development and performance testing of the PD and LGD models, and other significant assumptions such as prepayment speeds by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the PD and LGD models, by inspecting the model documentation to determine whether the models are suitable for their intended use
- evaluating the economic forecast scenarios and weightings, by comparing them to the Company's business environment and relevant industry practices

- evaluating the length of the historical observation and reasonable and supportable forecast period by comparing them to specific portfolio risk characteristics and trends
- assessing the composition of the peer group by comparing to specific portfolio characteristics and
- evaluating the methodology used to develop the qualitative factors and the effect of those factors on the collective ACL on loans compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative model.

We also assessed the sufficiency of the audit evidence obtained related to the collective ACL on loans by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 1995.

Rochester, New York

March 1, 2022

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CONDITION**

(In thousands, except share and per share data)

|                                                                                                                                                      | As of<br>12/31/2021 | As of<br>12/31/2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                                                                                                                        |                     |                     |
| Cash and noninterest bearing balances due from banks                                                                                                 | \$ 23,078           | \$ 21,245           |
| Interest bearing balances due from banks                                                                                                             | 40,029              | 367,217             |
| <b>Cash and Cash Equivalents</b>                                                                                                                     | <b>63,107</b>       | <b>388,462</b>      |
| Available-for-sale debt securities, at fair value (amortized cost of \$2,063,790 at December 31, 2021 and \$1,599,894 at December 31, 2020)          | 2,044,513           | 1,627,193           |
| Held-to-maturity securities, at amortized cost (fair value of \$282,288 at December 31, 2021 and \$0 at December 31, 2020)                           | 284,009             | 0                   |
| Equity securities, at fair value (amortized cost \$902 at December 31, 2021 and \$929 at December 31, 2020)                                          | 902                 | 929                 |
| Total loans and leases, net of unearned income and deferred costs and fees                                                                           | 5,075,467           | 5,260,327           |
| Less: Allowance for credit losses                                                                                                                    | 42,843              | 51,669              |
| <b>Net Loans and Leases</b>                                                                                                                          | <b>5,032,624</b>    | <b>5,208,658</b>    |
| Federal Home Loan Bank and other stock                                                                                                               | 10,996              | 16,382              |
| Bank premises and equipment, net                                                                                                                     | 85,416              | 88,709              |
| Corporate owned life insurance                                                                                                                       | 86,495              | 84,736              |
| Goodwill                                                                                                                                             | 92,447              | 92,447              |
| Other intangible assets, net                                                                                                                         | 3,643               | 4,905               |
| Accrued interest and other assets                                                                                                                    | 115,830             | 109,750             |
| <b>Total Assets</b>                                                                                                                                  | <b>7,819,982</b>    | <b>7,622,171</b>    |
| <b>LIABILITIES</b>                                                                                                                                   |                     |                     |
| Deposits:                                                                                                                                            |                     |                     |
| Interest bearing:                                                                                                                                    |                     |                     |
| Checking, savings and money market                                                                                                                   | 4,016,025           | 3,761,933           |
| Time                                                                                                                                                 | 639,674             | 746,234             |
| Noninterest bearing                                                                                                                                  | 2,135,736           | 1,929,585           |
| <b>Total Deposits</b>                                                                                                                                | <b>6,791,435</b>    | <b>6,437,752</b>    |
| Federal funds purchased and securities sold under agreements to repurchase                                                                           | 66,787              | 65,845              |
| Other borrowings                                                                                                                                     | 124,000             | 265,000             |
| Trust preferred debentures                                                                                                                           | 0                   | 13,220              |
| Other liabilities                                                                                                                                    | 108,819             | 122,665             |
| <b>Total Liabilities</b>                                                                                                                             | <b>7,091,041</b>    | <b>6,904,482</b>    |
| <b>EQUITY</b>                                                                                                                                        |                     |                     |
| Tompkins Financial Corporation shareholders' equity:                                                                                                 |                     |                     |
| Common Stock - par value \$.10 per share: Authorized 25,000,000 shares; Issued: 14,696,911 at December 31, 2021; and 14,964,389 at December 31, 2020 | 1,470               | 1,496               |
| Additional paid-in capital                                                                                                                           | 312,538             | 333,976             |
| Retained earnings                                                                                                                                    | 475,262             | 418,413             |
| Accumulated other comprehensive loss                                                                                                                 | (55,950)            | (32,074)            |
| Treasury stock, at cost – 122,824 shares at December 31, 2021, and 124,849 shares at December 31, 2020                                               | (5,791)             | (5,534)             |
| <b>Total Tompkins Financial Corporation Shareholders' Equity</b>                                                                                     | <b>727,529</b>      | <b>716,277</b>      |
| Noncontrolling interests                                                                                                                             | 1,412               | 1,412               |
| <b>Total Equity</b>                                                                                                                                  | <b>728,941</b>      | <b>717,689</b>      |
| <b>Total Liabilities and Equity \$</b>                                                                                                               | <b>7,819,982 \$</b> | <b>7,622,171</b>    |

See notes to consolidated financial statements.

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

|                                                                                        | Year ended December 31, |            |            |
|----------------------------------------------------------------------------------------|-------------------------|------------|------------|
| <i>(In thousands, except per share data)</i>                                           | 2021                    | 2020       | 2019       |
| <b>INTEREST AND DIVIDEND INCOME</b>                                                    |                         |            |            |
| Loans                                                                                  | \$ 214,684              | \$ 227,313 | \$ 226,723 |
| Due from banks                                                                         | 343                     | 194        | 41         |
| Available-for-sale debt securities                                                     | 23,440                  | 25,450     | 28,460     |
| Held-to-maturity securities                                                            | 2,075                   | 0          | 3,151      |
| Federal Home Loan Bank stock and Federal Reserve Bank stock                            | 776                     | 1,373      | 3,003      |
| Total Interest and Dividend Income                                                     | 241,318                 | 254,330    | 261,378    |
| <b>INTEREST EXPENSE</b>                                                                |                         |            |            |
| Time certificates of deposits of \$250,000 or more                                     | 2,202                   | 3,175      | 3,095      |
| Other deposits                                                                         | 8,645                   | 16,789     | 27,809     |
| Federal funds purchased and securities sold under agreements to repurchase             | 64                      | 95         | 143        |
| Trust preferred debentures                                                             | 2,233                   | 1,133      | 1,276      |
| Other borrowings                                                                       | 4,382                   | 7,799      | 18,427     |
| Total Interest Expense                                                                 | 17,526                  | 28,991     | 50,750     |
| Net Interest Income                                                                    | 223,792                 | 225,339    | 210,628    |
| Less: (Credit) provision for Credit Loss Expense                                       | (2,219)                 | 17,213     | 1,366      |
| Net Interest Income After Provision for Credit Loss Expense                            | 226,011                 | 208,126    | 209,262    |
| <b>NONINTEREST INCOME</b>                                                              |                         |            |            |
| Insurance commissions and fees                                                         | 34,836                  | 31,505     | 31,091     |
| Investment services income                                                             | 19,388                  | 17,520     | 16,434     |
| Service charges on deposit accounts                                                    | 6,347                   | 6,312      | 8,321      |
| Card services income                                                                   | 10,826                  | 9,263      | 10,526     |
| Other income                                                                           | 7,203                   | 8,817      | 8,416      |
| Net gain on securities transactions                                                    | 249                     | 443        | 645        |
| Total Noninterest Income                                                               | 78,849                  | 73,860     | 75,433     |
| <b>NONINTEREST EXPENSES</b>                                                            |                         |            |            |
| Salaries and wages                                                                     | 96,038                  | 92,519     | 89,399     |
| Other employee benefits                                                                | 24,172                  | 24,812     | 23,488     |
| Net occupancy expense of premises                                                      | 13,179                  | 12,930     | 13,210     |
| Furniture and fixture expense                                                          | 8,328                   | 7,846      | 7,815      |
| Amortization of intangible assets                                                      | 1,317                   | 1,484      | 1,673      |
| Other operating expenses                                                               | 47,253                  | 44,729     | 46,249     |
| Total Noninterest Expenses                                                             | 190,287                 | 184,320    | 181,834    |
| Income Before Income Tax Expense                                                       | 114,573                 | 97,666     | 102,861    |
| Income Tax Expense                                                                     | 25,182                  | 19,924     | 21,016     |
| Net Income Attributable to Noncontrolling Interests and Tompkins Financial Corporation | 89,391                  | 77,742     | 81,845     |
| Less: Net income attributable to noncontrolling interests                              | 127                     | 154        | 127        |
| Net Income Attributable to Tompkins Financial Corporation \$                           | 89,264                  | 77,588     | 81,718     |
| <b>Basic Earnings Per Share</b>                                                        | \$ 6.08                 | \$ 5.22    | \$ 5.39    |
| <b>Diluted Earnings Per Share</b>                                                      | \$ 6.05                 | \$ 5.20    | \$ 5.37    |

*See notes to consolidated financial statements.*

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

| <i>(In thousands)</i>                                                                                            | Year ended December 31, |                  |                   |
|------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|-------------------|
|                                                                                                                  | 2021                    | 2020             | 2019              |
| Net income attributable to noncontrolling interests and Tompkins Financial Corporation                           | \$ 89,391               | \$ 77,742        | \$ 81,845         |
| Other comprehensive income (loss), net of tax:                                                                   |                         |                  |                   |
| Available-for-sale debt securities:                                                                              |                         |                  |                   |
| Change in net unrealized gain (loss) during the period                                                           | (34,961)                | 16,894           | 25,241            |
| Unrealized gains on HTM securities transferred to AFS securities                                                 | 0                       | 0                | 2,852             |
| Reclassification adjustment for net realized (gain) loss on sale included in available-for-sale debt securities  | (208)                   | (324)            | (465)             |
| Employee benefit plans:                                                                                          |                         |                  |                   |
| Net retirement plan gain (loss)                                                                                  | 8,898                   | (7,028)          | (7,642)           |
| Net actuarial gain due to curtailment                                                                            | 0                       | 0                | (302)             |
| Net retirement plan prior service (credit) cost                                                                  | 0                       | 0                | (1,373)           |
| Amortization of net retirement plan actuarial gain                                                               | 2,228                   | 1,786            | 1,266             |
| Amortization of net retirement plan prior service cost                                                           | 167                     | 162              | 24                |
| Other comprehensive (loss) income                                                                                | (23,876)                | 11,490           | 19,601            |
| <b>Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation</b> | <b>65,515</b>           | <b>89,232</b>    | <b>101,446</b>    |
| Less: Total comprehensive income attributable to noncontrolling interests                                        | (127)                   | (154)            | (127)             |
| <b>Total comprehensive income attributable to Tompkins Financial Corporation</b>                                 | <b>\$ 65,388</b>        | <b>\$ 89,078</b> | <b>\$ 101,319</b> |

*See notes to consolidated financial statements.*

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

| <i>(In thousands)</i>                                                                                                             | Year ended December 31, |                   |                   |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                                                                                                   | 2021                    | 2020              | 2019              |
| <b>OPERATING ACTIVITIES</b>                                                                                                       |                         |                   |                   |
| Net income attributable to Tompkins Financial Corporation                                                                         | \$ 89,264               | \$ 77,588         | \$ 81,718         |
| Adjustments to reconcile net income attributable to Tompkins Financial Corporation, to net cash provided by operating activities: |                         |                   |                   |
| (Credit) provision for credit loss expense                                                                                        | (2,219)                 | 17,213            | 1,366             |
| Depreciation and amortization of premises, equipment, and software                                                                | 10,250                  | 10,192            | 10,044            |
| Accretion related to purchase accounting                                                                                          | (912)                   | (1,066)           | (1,448)           |
| Amortization of intangible assets                                                                                                 | 1,317                   | 1,484             | 1,673             |
| Earnings from corporate owned life insurance, net                                                                                 | (1,879)                 | (2,188)           | (2,164)           |
| Net amortization on securities                                                                                                    | 11,758                  | 10,737            | 7,435             |
| Deferred income tax expense (benefit)                                                                                             | 1,798                   | (6,284)           | 3,073             |
| Net (gain) loss on sale of securities transactions                                                                                | (249)                   | (443)             | (645)             |
| Loss on redemption of trust preferred debentures                                                                                  | 1,845                   | 139               | 0                 |
| Penalties on prepayment of FHLB borrowings                                                                                        | 2,929                   | 0                 | 0                 |
| Net gain on sale of loans                                                                                                         | (943)                   | (2,054)           | (227)             |
| Proceeds from sale of loans                                                                                                       | 32,460                  | 53,726            | 17,122            |
| Loans originated for sale                                                                                                         | (27,354)                | (55,232)          | (15,007)          |
| Net gain on sale of bank premises and equipment                                                                                   | (21)                    | (3)               | (98)              |
| Net excess tax benefit from stock based compensation                                                                              | 609                     | 118               | 944               |
| Stock-based compensation expense                                                                                                  | 5,145                   | 4,733             | 4,235             |
| Decrease (increase) in accrued interest receivable                                                                                | 9,428                   | (12,732)          | 1,629             |
| (Decrease) increase in accrued interest payable                                                                                   | (826)                   | (759)             | 78                |
| Other, net                                                                                                                        | (11,223)                | 6,218             | (8,113)           |
| <b>Net Cash Provided by Operating Activities</b>                                                                                  | <b>121,177</b>          | <b>101,387</b>    | <b>101,615</b>    |
| <b>INVESTING ACTIVITIES</b>                                                                                                       |                         |                   |                   |
| Proceeds from maturities, calls and principal paydowns of available-for-sale debt securities                                      | 453,735                 | 545,617           | 302,978           |
| Proceeds from sales of available-for-sale debt securities                                                                         | 142,679                 | 42,333            | 232,598           |
| Proceeds from maturities, calls and principal paydowns of held-to-maturity securities                                             | 0                       | 0                 | 9,588             |
| Purchases of available-for-sale debt securities                                                                                   | (1,071,810)             | (904,913)         | (333,151)         |
| Purchases of held-to-maturity securities                                                                                          | (283,992)               | 0                 | (7,589)           |
| Net decrease (increase) in loans and leases                                                                                       | 175,162                 | (340,475)         | (89,582)          |
| Proceeds from sales/redemption of Federal Home Loan Bank stock                                                                    | 9,182                   | 42,706            | 126,755           |
| Purchases of Federal Home Loan Bank and other stock                                                                               | (3,796)                 | (25,393)          | (108,188)         |
| Proceeds from sale of bank premises and equipment                                                                                 | 95                      | 22                | 448               |
| Purchases of bank premises, equipment and software                                                                                | (4,741)                 | (4,551)           | (6,014)           |
| Redemption of corporate owned life insurance                                                                                      | 169                     | 446               | 1,370             |
| Net cash used in acquisitions                                                                                                     | 0                       | 0                 | (436)             |
| Other, net                                                                                                                        | 23                      | 489               | 5,209             |
| <b>Net Cash (Used in) Provided by Investing Activities</b>                                                                        | <b>(583,294)</b>        | <b>(643,719)</b>  | <b>133,986</b>    |
| <b>FINANCING ACTIVITIES</b>                                                                                                       |                         |                   |                   |
| Net increase in demand, money market, and savings deposits                                                                        | 460,243                 | 1,153,611         | 286,243           |
| Net (decrease) increase in time deposits                                                                                          | (106,063)               | 71,809            | 38,591            |
| Net increase (decrease) in securities sold under agreements to repurchase and Federal funds purchased                             | 942                     | 5,499             | (21,496)          |
| Increase in other borrowings                                                                                                      | 14,000                  | 74,583            | 526,853           |
| Redemption of trust preferred debentures                                                                                          | (15,150)                | (4,124)           | 0                 |
| Repayment of other borrowings                                                                                                     | (157,929)               | (467,683)         | (944,828)         |
| Net shares issued related to restricted stock awards                                                                              | (2,292)                 | (1,682)           | (1,875)           |
| Cash dividends                                                                                                                    | (32,415)                | (31,359)          | (30,637)          |
| Repurchase of common stock                                                                                                        | (23,773)                | (9,414)           | (29,867)          |
| Shares issued for dividend reinvestment plan                                                                                      | 2                       | 1,825             | 0                 |
| Net proceeds from exercise of stock options                                                                                       | (803)                   | (253)             | (992)             |
| <b>Net Cash Provided by (Used in) Financing Activities</b>                                                                        | <b>136,762</b>          | <b>792,812</b>    | <b>(178,008)</b>  |
| <b>Net (Decrease) Increase Cash and Cash Equivalents</b>                                                                          | <b>(325,355)</b>        | <b>250,480</b>    | <b>57,593</b>     |
| Cash and cash equivalents at beginning of year                                                                                    | 388,462                 | 137,982           | 80,389            |
| <b>Total Cash &amp; Cash Equivalents at End of Year</b>                                                                           | <b>\$ 63,107</b>        | <b>\$ 388,462</b> | <b>\$ 137,982</b> |

**TOMPKINS FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

Supplemental Cash Flow Information

| <i>(In thousands)</i>                                              | <b>Year ended December 31,</b> |                  |                  |
|--------------------------------------------------------------------|--------------------------------|------------------|------------------|
|                                                                    | <b>2021</b>                    | <b>2020</b>      | <b>2019</b>      |
| Cash paid during the year for - Interest                           | <b>\$ 16,920</b>               | <b>\$ 30,340</b> | <b>\$ 51,545</b> |
| Cash paid, net of refunds, during the year for - Income taxes      | <b>28,630</b>                  | <b>22,893</b>    | <b>16,727</b>    |
| Non-cash investing and financing activities:                       |                                |                  |                  |
| Transfer of loans to other real estate owned                       | <b>46</b>                      | <b>192</b>       | <b>803</b>       |
| Transfer of securities from held-to-maturity to available-for-sale | <b>0</b>                       | <b>0</b>         | <b>138,206</b>   |
| Initial recognition of operating lease right-of-use assets         | <b>0</b>                       | <b>0</b>         | <b>35,783</b>    |
| Initial recognition of operating lease liabilities                 | <b>0</b>                       | <b>0</b>         | <b>38,119</b>    |
| Right-of-use assets obtained in exchange for new lease liabilities | <b>2,280</b>                   | <b>1,256</b>     | <b>585</b>       |

*See notes to consolidated financial statements.*

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

| <i>(In thousands except share and per share data)</i>                                     | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated Other<br/>Comprehensive (Loss)<br/>Income</b> | <b>Treasury<br/>Stock</b> | <b>Non- controlling<br/>Interests</b> | <b>Total</b>      |
|-------------------------------------------------------------------------------------------|-------------------------|---------------------------------------|------------------------------|--------------------------------------------------------------|---------------------------|---------------------------------------|-------------------|
| <b>Balances at December 31, 2018</b>                                                      | <b>\$ 1,535</b>         | <b>\$ 366,595</b>                     | <b>\$ 319,396</b>            | <b>\$ (63,165)</b>                                           | <b>\$ (4,902)</b>         | <b>\$ 1,412</b>                       | <b>\$ 620,871</b> |
| Net income attributable to noncontrolling interests and<br>Tompkins Financial Corporation |                         |                                       | 81,718                       |                                                              |                           | 127                                   | 81,845            |
| Other comprehensive income                                                                |                         |                                       |                              | 19,601                                                       |                           |                                       | 19,601            |
| <b>Total Comprehensive Income</b>                                                         |                         |                                       |                              |                                                              |                           |                                       | 101,446           |
| Cash dividends (\$2.02 per share)                                                         |                         |                                       | (30,637)                     |                                                              |                           |                                       | (30,637)          |
| Net exercise of stock options (18,053 shares)                                             | 2                       | (994)                                 |                              |                                                              |                           |                                       | (992)             |
| Common stock repurchased and returned to unissued status<br>(376,021 shares)              | (38)                    | (29,829)                              |                              |                                                              |                           |                                       | (29,867)          |
| Stock-based compensation expense                                                          |                         | 4,235                                 |                              |                                                              |                           |                                       | 4,235             |
| Directors deferred compensation plan (1,729 shares)                                       |                         | 377                                   |                              |                                                              | (377)                     |                                       | 0                 |
| Restricted stock activity (24,180 shares)                                                 | 2                       | (1,877)                               |                              |                                                              |                           |                                       | (1,875)           |
| Dividend to noncontrolling interests                                                      |                         |                                       |                              |                                                              |                           | (127)                                 | (127)             |
| <b>Balances at December 31, 2019</b>                                                      | <b>\$ 1,501</b>         | <b>\$ 338,507</b>                     | <b>\$ 370,477</b>            | <b>\$ (43,564)</b>                                           | <b>\$ (5,279)</b>         | <b>\$ 1,412</b>                       | <b>\$ 663,054</b> |
| Impact of adoption of ASU 2016-13                                                         |                         |                                       | 1,707                        |                                                              |                           |                                       | 1,707             |
| Net income attributable to noncontrolling interests and<br>Tompkins Financial Corporation |                         |                                       | 77,588                       |                                                              |                           | 154                                   | 77,742            |
| Other comprehensive income                                                                |                         |                                       |                              | 11,490                                                       |                           |                                       | 11,490            |
| <b>Total Comprehensive Income</b>                                                         |                         |                                       |                              |                                                              |                           |                                       | 89,232            |
| Cash dividends (\$2.10 per share)                                                         |                         |                                       | (31,359)                     |                                                              |                           |                                       | (31,359)          |
| Net exercise of stock options (3,775 shares)                                              | 1                       | (254)                                 |                              |                                                              |                           |                                       | (253)             |
| Common stock repurchased and returned to unissued status<br>(127,690 shares)              | (13)                    | (9,401)                               |                              |                                                              |                           |                                       | (9,414)           |
| Stock-based compensation expense                                                          |                         | 4,733                                 |                              |                                                              |                           |                                       | 4,733             |
| Shares issued for dividend reinvestment plan (29,842 shares)                              | 3                       | 1,822                                 |                              |                                                              |                           |                                       | 1,825             |
| Directors deferred compensation plan (893 shares)                                         |                         | 255                                   |                              |                                                              | (255)                     |                                       | 0                 |
| Restricted stock activity (43,963 shares)                                                 | 4                       | (1,686)                               |                              |                                                              |                           |                                       | (1,682)           |
| Partial repurchase of noncontrolling interest                                             |                         |                                       |                              |                                                              |                           | (6)                                   | (6)               |
| Dividend to noncontrolling interests                                                      |                         |                                       |                              |                                                              |                           | (148)                                 | (148)             |
| <b>Balances at December 31, 2020</b>                                                      | <b>\$ 1,496</b>         | <b>\$ 333,976</b>                     | <b>\$ 418,413</b>            | <b>\$ (32,074)</b>                                           | <b>\$ (5,534)</b>         | <b>\$ 1,412</b>                       | <b>\$ 717,689</b> |

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

| <i>(In thousands except share and per share data)</i>                                     | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated Other<br/>Comprehensive (Loss)<br/>Income</b> | <b>Treasury<br/>Stock</b> | <b>Non- controlling<br/>Interests</b> | <b>Total</b>      |
|-------------------------------------------------------------------------------------------|-------------------------|---------------------------------------|------------------------------|--------------------------------------------------------------|---------------------------|---------------------------------------|-------------------|
| <b>Balances at December 31, 2020</b>                                                      | <b>\$ 1,496</b>         | <b>\$ 333,976</b>                     | <b>\$ 418,413</b>            | <b>\$ (32,074)</b>                                           | <b>\$ (5,534)</b>         | <b>\$ 1,412</b>                       | <b>\$ 717,689</b> |
| Net income attributable to noncontrolling interests and<br>Tompkins Financial Corporation |                         |                                       | 89,264                       |                                                              |                           | 127                                   | 89,391            |
| Other comprehensive loss                                                                  |                         |                                       |                              | (23,876)                                                     |                           |                                       | (23,876)          |
| <b>Total Comprehensive Income</b>                                                         |                         |                                       |                              |                                                              |                           |                                       | 65,515            |
| Cash dividends (\$2.19 per share)                                                         |                         |                                       | (32,415)                     |                                                              |                           |                                       | (32,415)          |
| Net exercise of stock options (13,498 shares)                                             | 2                       | (805)                                 |                              |                                                              |                           |                                       | (803)             |
| Common stock repurchased and returned to unissued status<br>(304,513 shares)              | (30)                    | (23,743)                              |                              |                                                              |                           |                                       | (23,773)          |
| Stock-based compensation expense                                                          |                         | 5,145                                 |                              |                                                              |                           |                                       | 5,145             |
| Shares issued for dividend reinvestment plan (32 shares)                                  |                         | 2                                     |                              |                                                              |                           |                                       | 2                 |
| Directors deferred compensation plan (140 shares)                                         |                         | 257                                   |                              |                                                              | (257)                     |                                       | 0                 |
| Restricted stock activity (23,505 shares)                                                 | 2                       | (2,294)                               |                              |                                                              |                           |                                       | (2,292)           |
| Partial repurchase of noncontrolling interest                                             |                         |                                       |                              |                                                              |                           | (2)                                   | (2)               |
| Dividend to noncontrolling interests                                                      |                         |                                       |                              |                                                              |                           | (125)                                 | (125)             |
| <b>Balances at December 31, 2021</b>                                                      | <b>\$ 1,470</b>         | <b>\$ 312,538</b>                     | <b>\$ 475,262</b>            | <b>\$ (55,950)</b>                                           | <b>\$ (5,791)</b>         | <b>\$ 1,412</b>                       | <b>\$ 728,941</b> |

*See notes to consolidated financial statements.*

## **Note 1 Summary of Significant Accounting Policies**

### ***Basis Of Presentation***

Tompkins Financial Corporation (“Tompkins” or “the Company”) is a registered Financial Holding Company with the Federal Reserve Board pursuant to the Bank Holding Company Act of 1956, as amended, organized under the laws of New York State, and is the parent company of Tompkins Community Bank, and Tompkins Insurance Agencies, Inc. (“Tompkins Insurance”). Tompkins Community Bank provides a full array of trust and investment services under the Tompkins Financial Advisors brand. Unless the context otherwise requires, the term “Company” refers to Tompkins Financial Corporation and its subsidiaries.

The consolidated financial information included herein combines the results of operations, the assets, liabilities, and shareholders’ equity (including comprehensive income or loss) of the Company and all entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions are eliminated in consolidation.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under U.S. generally accepted accounting principles. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when the Company has both the power and ability to direct the activities of the VIE that most significantly impact the VIE’s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclose contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for credit losses, valuation of goodwill and intangible assets, deferred income tax assets, and obligations related to employee benefits.

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.

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

### ***Cash and Cash Equivalents***

Cash and cash equivalents in the Consolidated Statements of Cash Flows include cash and noninterest bearing balances due from banks, interest-bearing balances due from banks, Federal funds sold, 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. Historically, each bank subsidiary is required to maintain reserve balances by the Federal Reserve Bank. However, due to the COVID-19 pandemic, the Federal Reserve Board reduced reserve requirement ratios to zero percent effective March 26, 2020. The Federal Reserve Board has stated that it has no plans to re-impose reserve requirements, but that it may adjust reserve requirements ratios in the future if conditions warrant. At both December 31, 2021 and December 31, 2020, the reserve requirements for the Company’s banking subsidiaries totaled \$0.0.

### ***Securities***

Management determines the appropriate classification of debt securities at the time of purchase. Securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity securities are classified as either available-for-sale or trading. Available-for-sale debt securities are stated at fair value with the unrealized gains and losses, net of tax, excluded from earnings and reported as a separate component of accumulated comprehensive income or loss, in shareholders’ equity. Trading securities are stated at fair value, with unrealized gains or losses included in earnings.

Premiums and discounts are amortized or accreted over the expected life or call date of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses on the sale of securities are included in net gain (loss) on securities transactions. The cost of securities sold is based on the specific identification method.

Beginning January 1, 2020, for available-for-sale debt securities in an unrealized loss position, at least quarterly, the Company evaluates the securities to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit-related is recognized in other comprehensive income, 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. However, if the Company intends to sell an impaired available-for-sale debt security or more likely than not will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount must be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in this situation. Changes in the allowance for credit losses are recorded as provision (credit) for credit loss expense. Losses are charged against the ACL when management believes the uncollectability of an available-for-sale debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

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. As of December 31, 2021, 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 basis 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.

Prior to January 1, 2020, we regularly evaluated our debt securities to determine whether there have been any events or economic circumstances indicating that a security with an unrealized loss has suffered other-than-temporary impairment. A debt security is considered impaired if the fair value is less than its amortized cost basis at the reporting date. If impaired, the Company then assesses whether the unrealized loss is other-than-temporary. An unrealized loss on a debt security is generally deemed to be other-than-temporary and a credit loss is deemed to exist if the present value, discounted at the security's effective rate, of the expected future cash flows is less than the amortized cost basis of the debt security. As a result, the credit loss component of an other-than-temporary impairment write-down for debt securities is recorded in earnings while the remaining portion of the impairment loss is recognized, net of tax, in other comprehensive income provided that the Company does not intend to sell the underlying debt security and it is more-likely-than not that the Company would not have to sell the debt security prior to recovery of the unrealized loss, which may be to maturity. If the Company intended to sell any securities with an unrealized loss or it is more-likely-than not that the Company would be required to sell the investment securities, before recovery of their amortized cost basis, then the entire unrealized loss would be recorded in earnings.

Accrued interest receivable on securities is excluded from the estimate of credit losses.

### ***Loans and Leases***

Loans are reported at their principal outstanding balance, net of deferred loan origination fees and costs, and unearned income. The Company has the ability and intent to hold its loans for the foreseeable future, except for certain residential real estate loans held-for-sale. The Company provides motor vehicle and equipment financing to its customers through direct financing leases. These leases are carried at the aggregate of lease payments receivable, plus estimated residual values, less unearned income. Unearned income on direct financing leases is amortized over the lease terms, resulting in a level rate of return.

Residential real estate loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value. Fair value is determined on the basis of the rates quoted in the secondary market. Net unrealized losses attributable to changes in market interest rates are recognized through a valuation allowance by charges to income. Loans are generally sold on a non-recourse basis with servicing retained. Any gain or loss on the sale of loans is recognized at the time of sale as the difference between the recorded basis in the loan and the net proceeds from the sale. The Company may use commitments at the time loans are originated or identified for sale to mitigate interest rate risk. The commitments to sell loans and the commitments to originate loans held-for-sale at a set interest rate, if originated, are considered derivatives under Account Standard Codification ("ASC") Topic 815 *Derivatives and Hedging*. The impact of the estimated fair value adjustment was not significant to the consolidated financial statements.

Interest income on loans is accrued and credited to income based upon the principal amount outstanding. Loan origination fees and costs are deferred and recognized over the life of the loan as an adjustment to yield. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments are due. Loans and leases, including impaired loans, are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well secured and in the process of collection. Loans that are past due less than 90 days may also be classified as nonaccrual if repayment in full of principal or interest is in doubt.

Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within an acceptable time period, and there is a sustained period (generally six consecutive months) of repayment performance by the borrower in accordance with the contractual terms of the loan agreement. 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.

In general, the principal balance of a loan is charged off in full or in part when management concludes, based on the available facts and circumstances, that collection of principal in full is not probable. For commercial and commercial real estate loans, this conclusion is generally based upon a review of the borrower's financial condition and cash flow, payment history, economic conditions, and the conditions in the various markets in which the collateral, if any, may be liquidated. In general, consumer loans are charged-off in accordance with regulatory guidelines which provides that such loans be charged-off when the Company becomes aware of the loss, such as from a triggering event that may include new information about a borrower's intent/ability to repay the loan, bankruptcy, fraud or death, among other things, but in no case will the charge-off exceed specified delinquency timeframes. Such delinquency timeframes state that closed-end retail loans (loans with pre-defined maturity dates, such as real estate mortgages, home equity loans and consumer installment loans) that become past due 120 cumulative days and open-end retail loans (loans that roll-over at the end of each term, such as home equity lines of credit) that become past due 180 cumulative days should be classified as a loss and charged-off. For residential real estate loans, charge-off decisions are based upon past due status, current assessment of collateral value, and general market conditions in the areas where the properties are located.

#### **Acquired Loans**

Acquired loans are recorded at fair value at the date of acquisition based on a discounted cash flow methodology that considers various factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. Certain larger purchased loans are individually evaluated while other purchased loans are grouped together according to similar risk characteristics and are treated in the aggregate when applying various valuation techniques. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change.

Prior to January 1, 2020, loans acquired in a business combination that had evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that the Company would be unable to collect all contractually required payments receivable were considered purchased credit impaired ("PCI") loans. PCI loans were individually evaluated and recorded at fair value at the date of acquisition with no initial valuation allowance based on a discounted cash flow methodology that considered various factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting the Company's assessment of risk inherent in the cash flow estimates. The difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," was recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceeded the undiscounted cash flows expected at acquisition, or the "non-accretable difference," were not recognized on the Statement of Condition and did not result in any yield adjustments, loss accruals or valuation allowances. Increases in expected cash flows, including prepayments, subsequent to the initial investment were recognized prospectively through adjustment of the yield on the loan over its

remaining life. Decreases in expected cash flows were recognized as impairment. Valuation allowances on PCI loans reflected only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately were not to be received).

Commencing January 1, 2020, in connection with the Company's adoption of ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and its related amendments*, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans. All loans considered to be PCI prior to January 1, 2020 were converted to PCD on that date.

The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans.

#### ***Allowance for Credit Losses – Loans***

The Company adopted ASU 2016-13 on January 1, 2020 using the modified retrospective approach. The Company recorded a net increase to retained earnings of \$1.7 million, upon adoption. The transition adjustment includes a decrease in the allowance for credit losses on loans of \$2.5 million, and an increase in the allowance for credit losses on off-balance sheet credit exposures of \$400,000, net of the corresponding decrease in deferred tax assets of \$0.4 million. Results for the periods beginning after January 1, 2020 are presented under ASC 326 and follows the current expected credit loss methodology. Prior periods continue to be reported in accordance with previously applicable U.S. GAAP, which followed the incurred credit losses methodology. The following policies noted are under the current expected credit losses methodology. A summary of the Company's previous policies under the incurred credit losses methodology follows at the end of this section. Under the current expected credit loss model, the ACL on loans is a valuation allowance estimated at the balance sheet date in accordance with U.S. GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

The Company estimates the ACL on loans based on the underlying assets' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the amortized cost basis.

Expected credit losses are reflected in the ACL through a charge to the provision for credit loss expense. When the Company deems all or a portion of a financial asset to be uncollectible, the appropriate amount is written off and the ACL is reduced by the same amount. In general, the principal balance of a loan is charged off in full or in part when management concludes, based on the available facts and circumstances, that collection of principal in full is not probable. In addition, the Company has reserves for expected recoveries where the Company reviews the prior four quarter charge offs and applies a recovery rate based on the Company's historical experience. Subsequent recoveries, if any, are credited to the ACL when received.

The Company measures expected credit losses of financial assets at the loan level by segment, by pooling loans when the financial assets share similar risk characteristics. Depending on the nature of the pool of financial assets with similar risk characteristics, the Company uses a discounted cash flow ("DCF") method to estimate the expected credit losses. Allowance on loans that do not share risk characteristics are evaluated on an individual basis. The Company assigns a credit risk rating to all commercial and commercial real estate loans. The Company reviews commercial and commercial real estate loans rated Substandard or worse, on nonaccrual, and greater than \$250,000 for loss potential and when deemed appropriate, assigns an allowance based on an individual evaluation.

The Company's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the financial assets that are reasonable and supportable, to the identified pools of financial assets with similar risk characteristics for

which the historical loss experience was observed. The Company's methodologies revert back to average historical loss information on a straight line basis over eight quarters when it can no longer develop reasonable and supportable forecasts.

The Company has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses: commercial, commercial real estate, residential, home equity, consumer and leases. This segmentation was selected based on the differences in the risk profile of each of these categories and aligns well with regulatory reporting categories. This segmentation separates borrower type, collateral type and the nature of the loan. The differences in risk profiles of these segments enable the ACL to be more precise in its allocation due to the inherent risk in these specific portfolios.

#### ***Discounted Cash Flow Method***

The Company uses the DCF method to estimate expected credit losses for the commercial, commercial real estate, residential, home equity, and consumer loan pools. For each of these loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for exposure at default using estimated prepayment speeds, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, and time to recovery are based on historical internal 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 loan pools utilizing the DCF method, management utilizes and forecasts 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 an 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. The model considers a base case forecast and two alternative forecasts and assigns weightings to these three scenarios based on current conditions and expectations for future conditions.

The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) 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 an instrument-level net present value of expected cash flows ("NPV"). An ACL is established for the difference between the instrument's NPV and amortized cost basis.

The model also considers the need to qualitatively adjust expected loss estimates for information not already captured in the loss estimation process. These qualitative factors include, but are not limited to, those suggested by the Interagency Policy Statement on Allowances for Credit Losses. These qualitative factor adjustments may increase or decrease the Company's estimate of expected credit losses. At December 31, 2021 and 2020, the ACL model included increases in qualitative reserves for loans within the hospitality and other certain industries that may have an elevated level of risk due to the adverse economic impact of the COVID-19 pandemic, as well as loans that remain in the Company's payment deferral program implemented in response to the COVID-19 pandemic. The qualitative reserves were added to all portfolio segments with the majority in commercial real estate and then residential real estate.

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

#### ***Individually Evaluated Financial Assets***

Loans that do not share common risk characteristics are evaluated on an individual basis. For collateral dependent financial assets 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 financial asset 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 less cost to sell, and the amortized cost basis of the asset as of the measurement date. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The contractual term does not consider extensions, renewals or modifications unless the Company has identified an expected troubled debt restructuring.

Under the incurred credit losses methodology utilized in the prior periods, the allowance for loans and leases was maintained at an amount to assure that an appropriate allowance was maintained. The methodology was comprised of four major components that management had deemed appropriate in evaluating the appropriateness of the allowance for loan and lease losses. The components included: impaired loans; criticized and classified credits; historical loss experience; and qualitative or subjective analysis. For impaired loans, an allowance was recognized if the fair value of the loan was less than the recorded investment in the loan (recorded investment in the loan is the principal balance plus any accrued interest, net of deferred loan fees or costs and unamortized premium or discount). For loans that were not impaired or reviewed individually, management assigned a reserve based upon historical loss experience over a designated look-back period. Management had evaluated a variety of look-back periods and had determined that an eight year look back period was appropriate to capture a full range of economic cycles. Management had also evaluated a variety of statistical methods in analyzing loss history, including averages, weighted averages and loss emergence periods and had determined that by applying a loss emergence period analysis to historical losses over a full economic cycle had resulted in a reasonable estimate of losses inherent in the loan portfolio. The model also included an analysis of a variety of subjective factors to support the reserve estimate. These subjective factors included allowance allocations for risks that may not otherwise be fully recognized in other components of the model. Among the subjective factors that were routinely considered as part of this analysis were: growth trends in the portfolio, changes in management and/or policies related to lending activities, trends in classified or nonaccrual loans, concentrations of credit, local and national economic trends, and industry trends.

For acquired credit impaired loans accounted for under FASB ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, ("ASC Topic 310-30"), the Company's allowance for loan and lease losses was estimated based upon our expected cash flows for these loans. To the extent that we experienced a deterioration in borrower credit quality resulting in a decrease in our expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on our estimate of future credit losses over the remaining life of the loans.

For acquired non-credit impaired loans accounted for under FASB ASC Topic 310-20, Nonrefundable Fees and Other Costs, ("ASC Topic 310-20"), the Company's allowance for loan and lease losses was maintained through provisions for loan losses based upon an evaluation process that was similar to our evaluation process used for originated loans. This evaluation, which included a review of loans on which full collectability may not be reasonably assured, it considered, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical net loan loss experience, carrying value of the loans, which included the remaining net purchase discount or premium, and other factors that warrant recognition in determining our allowance for loan losses.

#### ***Troubled Debt Restructuring***

A loan that has been modified or renewed is considered a troubled debt restructuring ("TDR") when two conditions are met: 1) the borrower is experiencing financial difficulty and 2) concessions are made for the borrower's benefit that would not otherwise be considered for a borrower or transaction with similar credit risk characteristics. The Company's ACL reflects all effects of a TDR when an individual asset is specifically identified as a reasonably expected TDR. The Company has determined that a TDR is reasonably expected no later than the point when the lender concludes that modification is the best course of action and it is at least reasonably possible that the troubled borrower will accept some form of concession from the lender to avoid a default. Reasonably expected TDRs and executed non-performing TDRs are evaluated individually to determine the required ACL. TDRs performing in accordance with their modified contractual terms for a reasonable period of time, generally six months, may be included in the Company's existing pools based on the underlying risk characteristics of the loan to measure the ACL. The provisions of the CARES Act and interagency guidance issued by Federal banking regulators provided guidance and clarification related to modifications and deferral programs to assist borrowers who are negatively impacted by the COVID-19 national emergency. Under the CARES Act, a modification deemed to be COVID-19-related is not considered to be a TDR if the loan was not more than 30 days past due as of December 31, 2019 and the deferral was executed between March 1, 2020 and the earlier of 60 days after the date of termination of the COVID-19 national emergency or December 31, 2020. The Appropriations Act extended the termination of these provisions to the earlier of 60 days after the COVID-19 national emergency date or January 1, 2022. The banking regulators issued similar guidance, which clarified that a COVID-19-related modification should not be considered a TDR if the borrower was current on payments at the time the underlying loan modification program was implemented and if the modification was considered to be short-term. In accordance with the CARES Act, the Appropriations Act and the interagency guidance, the Company does not designate eligible loan modifications and deferrals resulting from the impacts of COVID-19 as TDRs. The Company evaluates modifications for eligibility under the CARES Act and Appropriations Act, then the interagency guidance if they do not qualify.

for the CARES Act or Appropriation Act relief. Modifications that are not eligible for either program continue to follow the Corporation's established TDR policy. Additionally, loans with deferrals granted due to COVID-19 are not generally reported as past due or nonaccrual.

***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, unused lines of credit and commercial letters of credit, issued to meet customer financing needs. 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 the provision for credit loss expense for off-balance sheet credit exposures included in other noninterest expense in the Company's Consolidated Statements of Income. The ACL on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using similar methodologies as portfolio loans, taking into consideration the likelihood that funding will occur, and is included in other liabilities on the Company's Statements of Condition.

***Premises and Equipment***

Land is carried at cost. Premises and equipment are stated at cost, less allowances for depreciation. The provision for depreciation for financial reporting purposes is computed generally by the straight-line method at rates sufficient to write-off the cost of such assets over their estimated useful lives. Buildings are amortized over a period of 10-39 years, and furniture, fixtures, and equipment are amortized over a period of 2-20 years. Leasehold improvements are generally depreciated over the lesser of the lease term or the estimated lives of the improvements. Maintenance and repairs are charged to expense as incurred. Gains or losses on disposition are reflected in earnings.

***Other Real Estate Owned***

Other real estate owned consists of properties formerly pledged as collateral to loans, which have been acquired by the Company through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Upon transfer of a loan to foreclosure status, an appraisal is generally obtained and any excess of the loan balance over the fair value, less estimated costs to sell, is charged against the allowance for credit losses. Expenses and subsequent adjustments to the fair value are treated as other operating expense.

***Goodwill***

Goodwill represents the excess of purchase price over the fair value of assets acquired in a transaction using purchase accounting. Goodwill has an indefinite useful life and is not amortized, but is tested for impairment. Goodwill impairment tests are performed on an annual basis or when events or circumstances dictate. On January 1, 2020, the Company adopted ASU 2017-04, "*Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment*", which eliminates the entities requirement to compute the implied fair value. The Company tests goodwill annually as of December 31<sup>st</sup>. The Company has the option to perform a qualitative assessment of goodwill, which considers company-specific and economic characteristics that might impact its carrying value. If based on this qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then a quantitative test (Step 1) is performed, which compares the fair value of the reporting unit to the carrying amount of the reporting unit in order to identify potential impairment. If the estimated fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. The implied fair value of goodwill is determined in the same manner as goodwill that is recognized in a business combination. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting units.

***Other Intangible Assets***

Other intangible assets include core deposit intangibles, customer related intangibles, covenants not to compete, and mortgage servicing rights. Core deposit intangibles represent a premium paid to acquire a base of stable, low cost deposits in the acquisition of a bank, or a bank branch, using purchase accounting. The amortization period for core deposit intangible ranges from 5 to 10 years, using an accelerated method. The covenants not to compete are amortized on a straight-line basis over 3 to 6 years, while customer related intangibles are amortized on an accelerated basis over a range of 6 to 15 years. The amortization period is monitored to determine if circumstances require such periods to be revised. The Company periodically reviews its intangible assets for changes in circumstances that may indicate the carrying amount of the asset is impaired. The Company tests its intangible assets for impairment on an annual basis or more frequently if conditions indicate that an impairment loss has more likely than not been incurred.

### ***Income Taxes***

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes are reviewed quarterly and reduced by a valuation allowance if, based upon the information available, it is more likely than not that some or all of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Consolidated Statements of Income.

### ***Tax Credit Investments***

The Company accounts for its investments in qualified affordable housing projects using the proportional amortization method. Under that method, the Company amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. As of December 31, 2021 and 2020, the Company's remaining investment in qualified affordable housing projects, net of amortization totaled \$97,000 and \$485,000, respectively.

### ***Securities Sold Under Agreements to Repurchase***

Securities sold under agreements to repurchase (repurchase agreements) are agreements in which the Company transfers the underlying securities to a third-party custodian's account that explicitly recognizes the Company's interest in the securities. The agreements are accounted for as secured financing transactions provided the Company maintains effective control over the transferred securities and meets other criteria as specified in FASB ASC Topic 860, *Transfers and Servicing* ("ASC Topic 860"). The Company's agreements are accounted for as secured financings; accordingly, the transaction proceeds are reflected as liabilities and the securities underlying the agreements continue to be carried in the Company's securities portfolio.

### ***Treasury Stock***

The cost of treasury stock is shown on the Consolidated Statements of Condition as a separate component of shareholders' equity, and is a reduction to total shareholders' equity. Shares are released from treasury at fair value, identified on an average cost basis.

### ***Trust and Investment Services***

Assets held in fiduciary or agency capacities for customers are not included in the accompanying Consolidated Statements of Condition, since such items are not assets of the Company. Fees associated with providing trust and investment services are included in noninterest income. Additional information on trust and investment fees is presented in Note 14 - "Revenue Recognition."

### ***Earnings Per Share***

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year, exclusive of shares represented by the unvested portion of restricted stock and restricted stock units. Diluted earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year plus the dilutive effect of the unvested portion of restricted stock and restricted stock units and stock issuable upon conversion of common stock equivalents (primarily stock options) or certain other contingencies. The Company uses authoritative accounting guidance under ASC Topic 260, *Earnings Per Share*, which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company issues stock-based compensation awards that included restricted stock awards that contain such rights.

### ***Segment Reporting***

The Company manages its operations through three reportable business segments in accordance with the standards set forth in FASB ASC Topic 280, "Segment Reporting". The three segments are: (i) banking ("Banking"), (ii) insurance ("Tompkins Insurance Agencies, Inc.") and (iii) wealth management ("Tompkins Financial Advisors"). The Company's insurance services and wealth management services are managed separately from the Bank. Additional information on the segments is presented in Note 22- "Segment and Related Information."

### ***Comprehensive Income (Loss)***

For the Company, comprehensive income (loss) represents net income plus the net change in unrealized gains or losses on available-for-sale debt securities for the period (net of taxes), and the actuarial gain or loss and amortization of unrealized amounts in the Company's defined-benefit retirement and pension plan, supplemental employee retirement plan, and post-retirement life and healthcare benefit plan (net of taxes), and is presented in the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Changes in Shareholders' Equity. Accumulated other comprehensive income (loss) represents the net unrealized gains or losses on available-for-sale debt securities (net of tax) and unrecognized net actuarial gain or loss, unrecognized prior service costs, and unrecognized net initial obligation (net of tax) in the Company's defined-benefit retirement and pension plan, supplemental employee retirement plan, and post-retirement life and healthcare benefit plan.

### ***Pension and Other Employee Benefits***

The Company maintains noncontributory defined-benefit and defined contribution plans, which cover substantially all employees of the Company. In addition, the Company also maintains supplemental employee retirement plans for certain executives and a post-retirement life and healthcare plan. These plans are discussed in detail in Note 11 "Employee Benefit Plans". The Company incurs certain employment-related expenses associated with these plans. In order to measure the expense associated with these plans, various assumptions are made including the discount rate used to value certain liabilities, expected return on plan assets, anticipated mortality rates, and expected future healthcare costs. The assumptions are based on historical experience as well as current facts and circumstances. A third-party actuarial firm is used to assist management in measuring the expense and liability associated with the plans. The Company uses a December 31 measurement date for its plans. As of the measurement date, plan assets are determined based on fair value, generally representing observable market prices. The projected benefit obligation is primarily determined based on the present value of projected benefit distributions at an assumed discount rate.

The expenses associated with these plans are charged to current operating expenses. The Company recognizes an asset for a plan's overfunded status or a liability for a plan's underfunded status in the Company's consolidated statements of condition, and recognizes changes in the funded status of these plans in comprehensive income, net of applicable taxes, in the year in which the change occurred.

### ***Fair Value Measurements***

The Company accounts for the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"), for financial assets and financial liabilities. ASC Topic 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. See Note 19 "Fair Value Measurements".

In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among others.

### ***Revenue Recognition***

Under ASU 2014-09 *Revenue From contracts With Customers (Topic 606)*, effective January 1, 2018, the Company adopted new policies related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees and lease contracts, the Company applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied. Tompkins' contracts with customers are generally short term in nature, typically due within one year or less or cancellable by the Company or the Company's customer upon a short notice period. Performance obligations for the Company's customer contracts are generally satisfied at a single point in time, typically when the transaction is complete, or over time. For performance obligations satisfied over time, Tompkins primarily uses the output method, directly measuring the value of the products/services transferred to the customer, to determine when performance obligations have been satisfied. The Company typically receives payment from customers and recognizes revenue concurrent with the satisfaction of the Company's performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until such time as the performance obligations have been satisfied. In cases where the Company has not received payment despite satisfaction of the Company's performance obligations, the Company accrues an estimate of the amount due in the period the Company's performance obligations have been satisfied. For contracts with variable components, only amounts for which collection is probable are accrued. The Company generally acts in a principal capacity, on the Company's own behalf, in most of the Company's contracts with customers. In such transactions, Tompkins

recognizes revenue and the related costs to provide the services on a gross basis in the Company's financial statements. In some cases, Tompkins acts in an agent capacity, deriving revenue through assisting other entities in transactions with the Company's customers. In such transactions, Tompkins recognizes revenue and the related costs to provide the services on a net basis in the Company's financial statements. These transactions recognized on a net basis primarily relate to insurance and brokerage commissions and fees derived from the Company's customers' use of various interchange and ATM/debit card networks. Refer to Note 14 "Revenue Recognition" for additional disclosures required by ASC 606.

## Note 2 Securities

### Available-for-Sale Debt Securities

The following tables summarize available-for-sale debt securities held by the Company at December 31, 2021 and 2020:

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

| December 31, 2020                                     |                     | Available-for-Sale Debt Securities |                         |                     |  |
|-------------------------------------------------------|---------------------|------------------------------------|-------------------------|---------------------|--|
| (In thousands)                                        | Amortized Cost      | Gross Unrealized Gains             | Gross Unrealized Losses | Fair Value          |  |
| Obligations of U.S. Government sponsored entities     | \$ 599,652          | \$ 9,820                           | \$ 1,992                | \$ 607,480          |  |
| Obligations of U.S. states and political subdivisions | 126,642             | 3,144                              | 40                      | 129,746             |  |
| Mortgage-backed securities – residential, issued by   |                     |                                    |                         |                     |  |
| U.S. Government agencies                              | 179,538             | 3,216                              | 646                     | 182,108             |  |
| U.S. Government sponsored entities                    | 691,562             | 14,593                             | 675                     | 705,480             |  |
| U.S. corporate debt securities                        | 2,500               | 0                                  | 121                     | 2,379               |  |
| <b>Total available-for-sale debt securities</b>       | <b>\$ 1,599,894</b> | <b>\$ 30,773</b>                   | <b>\$ 3,474</b>         | <b>\$ 1,627,193</b> |  |

### Held-to-Maturity Securities

The following tables summarize held-to-maturity debt securities held by the Company at December 31, 2021 and 2020:

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

There were no held-to-maturity debt securities at December 31, 2020.

The following table sets forth information with regard to sales transactions of debt securities available-for-sale:

| <i>(In thousands)</i>                                                    | Year ended December 31, |               |               |
|--------------------------------------------------------------------------|-------------------------|---------------|---------------|
|                                                                          | 2021                    | 2020          | 2019          |
| Proceeds from sales                                                      | \$ 142,679              | \$ 42,333     | \$ 232,598    |
| Gross realized gains                                                     | 1,126                   | 179           | 1,123         |
| Gross realized losses                                                    | (851)                   | 0             | (595)         |
| <b>Net gains (losses) on sales of available-for-sale debt securities</b> | <b>\$ 275</b>           | <b>\$ 179</b> | <b>\$ 528</b> |

The Company's available-for-sale and held-to-maturity debt securities portfolios includes callable securities that may be called prior to maturity. In 2021, 2020, and 2019, the Company recognized gross gains of \$0, \$251,000 and \$88,000 on securities that were called. The Company also recognized net losses of \$26,000 on equity securities for the years ended December 31, 2021 and net gains of \$13,000 and \$29,000 for the years ended December 31, 2020 and 2019, respectively, reflecting the change in fair value.

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

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

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

| <i>(In thousands)</i>                             | Held-to-Maturity Securities |                   |                     |                   |                   |                   |
|---------------------------------------------------|-----------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
|                                                   | Less than 12 Months         |                   | 12 Months or Longer |                   | Total             |                   |
|                                                   | Fair Value                  | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses |
| U.S. Treasuries                                   | \$ 35,280                   | \$ 600            | \$ 0                | \$ 0              | \$ 35,280         | \$ 600            |
| Obligations of U.S. Government sponsored entities | 84,592                      | 1,789             | 0                   | 0                 | 84,592            | 1,789             |
| <b>Total held-to-maturity securities</b>          | <b>\$ 119,872</b>           | <b>\$ 2,389</b>   | <b>\$ 0</b>         | <b>\$ 0</b>       | <b>\$ 119,872</b> | <b>\$ 2,389</b>   |

Within the available-for-sale and held-to-maturity portfolios, the total number of securities in an unrealized loss position were 268 and 77 at December 31, 2021 and 2020.

The following table summarizes available-for-sale debt securities that had unrealized losses at December 31, 2020:

| December 31, 2020                                     | Available-for-Sale Debt Securities |                   |                     |                   |                   |                   |
|-------------------------------------------------------|------------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
|                                                       | Less than 12 Months                |                   | 12 Months or Longer |                   | Total             |                   |
|                                                       | Fair Value                         | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses |
| <i>(In thousands)</i>                                 |                                    |                   |                     |                   |                   |                   |
| Obligations of U.S. Government sponsored entities     | \$ 310,711                         | \$ 1,992          | \$ 0                | \$ 0              | \$ 310,711        | \$ 1,992          |
| Obligations of U.S. states and political subdivisions | 8,868                              | 40                | 0                   | 0                 | 8,868             | 40                |
| Mortgage-backed securities – residential, issued by   |                                    |                   |                     |                   |                   |                   |
| U.S. Government agencies                              | 10,560                             | 396               | 1,819               | 250               | 12,379            | 646               |
| U.S. Government sponsored entities                    | 87,643                             | 586               | 5,068               | 89                | 92,711            | 675               |
| U.S. corporate debt securities                        | 0                                  | 0                 | 2,379               | 121               | 2,379             | 121               |
| <b>Total available-for-sale debt securities</b>       | <b>\$ 417,782</b>                  | <b>\$ 3,014</b>   | <b>\$ 9,266</b>     | <b>\$ 460</b>     | <b>\$ 427,048</b> | <b>\$ 3,474</b>   |

There were no held-to-maturity debt securities at December 31, 2020.

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

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

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

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

The 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 gross unrealized losses reported for available-for-sale residential mortgage-backed securities relate to investment securities issued by U.S. government sponsored entities such as Federal National Mortgage Association, FHLMC and U.S. government agencies such as Government National Mortgage Association. The gross unrealized losses for held-to-maturity securities are on US Treasuries and securities issued by U.S. government-sponsored enterprises, including The Federal National Mortgage Agency and the Federal Farm Credit Banks Funding Corporation.

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 December 31, 2021, the held-to-maturity portfolio consisted of U.S. Treasury securities and securities issued by U.S. government-sponsored enterprises, including The Federal National Mortgage Agency and the Federal Farm Credit Banks Funding Corporation. U.S. Treasury securities are backed by the full faith and credit of and/or guaranteed by the U.S. government, and it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities. Securities issued by U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk-free,” and have a long history of zero credit loss. As such, the Company did not record an allowance for credit losses for these securities as of December 31, 2021.

The Company did not recognize any net credit impairment charge to earnings on investment securities in 2021, 2020, or 2019.

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.

#### December 31, 2021

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

#### December 31, 2020

| <i>(In thousands)</i>                           | Amortized Cost      | Fair Value          |
|-------------------------------------------------|---------------------|---------------------|
| Available-for-sale debt securities:             |                     |                     |
| Due in one year or less                         | \$ 54,484           | \$ 55,008           |
| Due after one year through five years           | 379,044             | 388,132             |
| Due after five years through ten years          | 228,572             | 229,107             |
| Due after ten years                             | 66,694              | 67,358              |
| Total                                           | 728,794             | 739,605             |
| Mortgage-backed securities                      | 871,100             | 887,588             |
| <b>Total available-for-sale debt securities</b> | <b>\$ 1,599,894</b> | <b>\$ 1,627,193</b> |

#### December 31, 2021

| <i>(In thousands)</i>                         | Amortized Cost    | Fair Value        |
|-----------------------------------------------|-------------------|-------------------|
| Held-to-maturity securities:                  |                   |                   |
| Due after five years through ten years        | 284,009           | 282,288           |
| <b>Total held-to-maturity debt securities</b> | <b>\$ 284,009</b> | <b>\$ 282,288</b> |

There were no held-to-maturity debt securities at December 31, 2020.

***Trading Securities***

The Company had no securities designated as trading during 2021 or 2020.

***Pledged Securities***

The Company pledges securities as collateral for public deposits and other borrowings, and sells securities under agreements to repurchase. See “Note 8 - Securities Sold Under Agreements to Repurchase and Federal Funds Purchased” for further discussion. Securities carried of \$1.4 billion and \$1.2 billion, at December 31, 2021 and 2020, respectively, were either pledged or sold under agreements to repurchase.

***Concentrations of Securities***

Except for U.S. government securities, there were no holdings, when taken in the aggregate, of any single issuer that exceeded 10% of shareholders’ equity at December 31, 2021.

***Equity Securities***

The Company invests in one CRA qualified equity fund. This security is carried at market value.

***Investment in Small Business Investment Companies***

The Company has equity investments in small business investment companies (“SBIC”) established for the purpose of providing financing to small businesses in market areas served by the Company. These investments totaled \$1.6 million and \$1.5 million at December 31, 2021 and 2020, respectfully, and were included in other assets on the Company’s Consolidated Statements of Condition. These investments are accounted for either under the cost method or the equity method of accounting. As of December 31, 2021, the Company reviewed these investments and determined that there was no impairment.

***Federal Home Loan Bank Stock***

The Company also holds non-marketable Federal Home Loan Bank New York (“FHLBNY”) stock, non-marketable Federal Home Loan Bank Pittsburgh (“FHLBPITT”) stock and non-marketable Atlantic Community Bankers Bank (“ACBB”) stock, all of which are required to be held for regulatory purposes and for borrowing availability. The required investment in FHLB stock is tied to the Company’s borrowing levels with the FHLB. Holdings of FHLBNY stock, FHLBPITT stock and ACBB stock totaled \$9.9 million, \$1.0 million and \$95,000 at December 31, 2021, respectively. These securities are carried at par, which is also cost. The FHLBNY and FHLBPITT continue to pay dividends and repurchase stock. As such, the Company has not recognized any impairment on its holdings of FHLBNY and FHLBPITT stock.

### Note 3 Loans and Leases

Loans and Leases at December 31, 2021 and December 31, 2020 were as follows:

|                                                                            | December 31, |              |
|----------------------------------------------------------------------------|--------------|--------------|
| (In thousands)                                                             | 2021         | 2020         |
| Commercial and industrial                                                  |              |              |
| Agriculture                                                                | \$ 99,172    | \$ 94,489    |
| Commercial and industrial other                                            | 699,121      | 792,987      |
| PPP loans*                                                                 | 71,260       | 291,252      |
| Subtotal commercial and industrial                                         | 869,553      | 1,178,728    |
| Commercial real estate                                                     |              |              |
| Construction                                                               | 178,582      | 163,016      |
| Agriculture                                                                | 195,973      | 201,866      |
| Commercial real estate other                                               | 2,278,599    | 2,204,310    |
| Subtotal commercial real estate                                            | 2,653,154    | 2,569,192    |
| Residential real estate                                                    |              |              |
| Home equity                                                                | 182,671      | 200,827      |
| Mortgages                                                                  | 1,290,911    | 1,235,160    |
| Subtotal residential real estate                                           | 1,473,582    | 1,435,987    |
| Consumer and other                                                         |              |              |
| Indirect                                                                   | 4,655        | 8,401        |
| Consumer and other                                                         | 67,396       | 61,399       |
| Subtotal consumer and other                                                | 72,051       | 69,800       |
| Leases                                                                     | 13,948       | 14,203       |
| Total loans and leases                                                     | 5,082,288    | 5,267,910    |
| Less: unearned income and deferred costs and fees                          | (6,821)      | (7,583)      |
| Total loans and leases, net of unearned income and deferred costs and fees | \$ 5,075,467 | \$ 5,260,327 |

\*SBA Paycheck Protection Program ("PPP")

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. There were no significant changes to the Company's existing lending policies, underwriting standards or loan review procedures during 2021. The Company's Board of Directors approves the lending policies at least annually. The Company recognizes that exceptions to policy guidelines may occasionally occur and has established procedures for approving exceptions to these policy guidelines. Management has also implemented reporting systems to monitor loan originations, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans.

#### Residential real estate loans

The Company's policy is to underwrite residential real estate loans in accordance with secondary market guidelines in effect at the time of origination, including loan-to-value ("LTV") and documentation requirements. LTVs exceeding 80% for fixed rate loans and 85% for adjustable rate loans require private mortgage insurance to reduce the exposure. The Company verifies applicants' income, obtains credit reports and independent real estate appraisals in the underwriting process to ensure adequate collateral coverage and that loans are extended to individuals with good credit and income sufficient to repay the loan. In limited circumstances, the Company will make exceptions to secondary market underwriting standards to support community reinvestment activities.

The Company originates fixed rate and adjustable rate residential mortgage loans, including loans that have characteristics of both, such as a 7/1 adjustable rate mortgage, which has a fixed rate for the first seven years and then adjusts annually thereafter. The majority of residential mortgage loans originated over the last several years have been fixed rate loans due to the low interest rate environment. Adjustable rate residential real estate loans may be underwritten based upon an initial rate which is below the fully indexed rate; however, the initial rate is generally less than 100 basis points below the fully indexed rate. As such, the Company does not believe that this practice creates any significant credit risk.

The Company may sell residential real estate loans in the secondary market based on interest rate considerations. These residential real estate loans are generally sold to FHLMC or SONYMA without recourse in accordance with standard secondary market loan sale agreements. These residential real estate loan sales are subject to customary representations and warranties, including representations and warranties related to gross incompetence and fraud. The Company has not had to repurchase any loans as a result of these general representations and warranties.

During 2021, 2020, and 2019, the Company sold residential mortgage loans totaling \$31.5 million, \$51.7 million, and \$16.9 million, respectively, and realized net gains on these sales of \$943,000, \$2.1 million, and \$227,000, respectively. These residential real estate loans are generally sold without recourse in accordance with standard secondary market loan sale agreements. When residential mortgage loans are sold to FHLMC or SONYMA, the Company typically retains all servicing rights, which provides the Company with a source of fee income. In connection with the sales in 2021, 2020, and 2019, the Company recorded mortgage-servicing assets of \$236,000, \$388,000, and \$127,000, respectively. The loans sold to FHLMC and SONYMA were originated with the intent to sell.

Amortization of mortgage servicing assets amounted to \$182,000 in 2021, \$221,000 in 2020, and \$117,000 in 2019. At December 31, 2021 and 2020, the Company serviced residential mortgage loans aggregating \$147.1 million and \$140.9 million, including loans securitized and held as available-for-sale debt securities. Mortgage servicing rights, at an amortized cost basis, totaled \$1.0 million at December 31, 2021 and \$981,000 at December 31, 2020. These mortgage servicing rights were evaluated for impairment at year-end 2021 and 2020 and no impairment was recognized. Loans held for sale, which are included in residential real estate, totaled \$205,000 and \$4.4 million at December 31, 2021 and 2020, respectively.

As members of the FHLB, the Company's subsidiary banks may use unencumbered mortgage related assets to secure borrowings from the FHLB. At December 31, 2021 and 2020, the Company had \$110.0 million and \$265.0 million, respectively, of term advances from the FHLB that were secured by residential mortgage loans.

#### ***Commercial and industrial loans***

The Company's Commercial Loan Policy sets forth guidelines for debt service coverage ratios, LTV's and documentation standards. Commercial and industrial loans are primarily made based on identified cash flows of the borrower with consideration given to underlying collateral and personal or government guarantees. The Company's policy establishes debt service coverage ratio limits that require a borrower's cash flow to be sufficient to cover principal and interest payments on all new and existing debt. Commercial and industrial loans are generally secured by the assets being financed or other business assets such as accounts receivable or inventory. Many of the loans in the commercial portfolio have variable interest rates tied to Prime Rate, FHLBNY borrowing rates, SOFR, or U.S. Treasury indices.

#### ***Commercial real estate***

The Company's Commercial Loan Policy sets forth guidelines for debt service coverage ratios, LTV's and documentation standards. Commercial real estate loans are primarily made based on identified cash flows of the borrower with consideration given to underlying real estate collateral and personal or government guarantees. The Company's policy establishes a maximum LTV based on the type of property and debt service coverage ratio limits that require a borrower's cash flow to be sufficient to cover principal and interest payments on all new and existing debt. Commercial real estate loans may be fixed or variable rate loans with interest rates tied to Prime Rate, FHLBNY borrowing rates, SOFR, or U.S. Treasury indices.

#### ***Agriculture loans***

Agriculturally-related loans include loans to dairy farms, cash and vegetable crop farms and a variety of other livestock and crop producers. Agriculturally-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's Commercial Loan Policy establishes a maximum LTV of 80% for real estate secured loans and debt service coverage ratio limits that require a borrower's cash flow to be sufficient to cover principal and interest payments on all new and existing debt, with limited adjustments to consider commodity market cycles. The policy also establishes maximum LTV ratios for non-real estate collateral, such as livestock, commodities/crops, equipment and accounts receivable. Agriculturally-related loans may be fixed or variable rate with interest tied to Prime Rate, FHLBNY borrowing rates, SOFR, or U.S. Treasury indices.

### **Consumer and other loans**

The consumer loan portfolio includes personal installment loans, direct and indirect automobile financing, and overdraft lines of credit. The majority of the consumer portfolio consists of indirect and direct automobile loans. Consumer loans are generally short-term and have fixed rates of interest that are set giving consideration to current market interest rates, the financial strength of the borrower, and internal profitability targets. The Company's Consumer Loan Underwriting Guidelines Policy establishes maximum debt to income ratios and includes guidelines for verification of applicants' income and receipt of credit reports.

### **Leases**

Leases are primarily made to commercial customers and the origination criteria typically includes the value of the underlying assets being financed, the useful life of the assets being financed, and identified cash flows of the borrower. Most leases carry a fixed rate of interest that is set giving consideration to current market interest rates, the financial strength of the borrower, and internal profitability targets.

### **Loan and Lease Customers**

The Company's loan and lease customers are located primarily in the upstate New York communities served by its three subsidiary banks and in the Pennsylvania communities served by VIST Bank. The Trust Company operates thirteen banking offices in the counties of Tompkins, Cayuga, Cortland, Onondaga and Schuyler, New York. The Bank of Castile operates sixteen banking offices in the counties of Wyoming, Livingston, Genesee, Orleans and Monroe, New York. Mahopac Bank operates fourteen banking offices in the counties of Putnam County, Dutchess County and Westchester, New York. VIST Bank operates twenty offices in the counties of Berks, Montgomery, Philadelphia, Delaware and Schuylkill, Pennsylvania. Other than general economic risks, management is not aware of any material concentrations of credit risk to any industry or individual borrower.

### **Loans to Related Parties**

Directors and officers of the Company and its affiliated companies were customers of, and had other transactions with, the Company's banking subsidiaries in the ordinary course of business. Such loans and commitments were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons not related to the Company, and did not involve more than normal risk of collectability or present other unfavorable features.

Loan transactions with related parties are summarized as follows:

|                                           |    | December 31, |           |
|-------------------------------------------|----|--------------|-----------|
|                                           |    | 2021         | 2020      |
| <i>(In thousands)</i>                     |    |              |           |
| Balance at beginning of year              | \$ | 49,080       | \$ 48,389 |
| Loans to new directors/executive officers |    | 0            | 5,886     |
| New loans and advancements                |    | 7,274        | 3,022     |
| Loan payments                             |    | (34,451)     | (8,217)   |
| Balance at end of year                    | \$ | 21,903       | \$ 49,080 |

### **Nonaccrual Loans and Leases**

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments are due. Loans are placed on nonaccrual status either due to the delinquency status of principal and/or interest (generally when past due 90 or more days) or a judgment by management that the full repayment of principal and interest is unlikely. 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 and future payments are reasonably assured. When management determines that the collection of principal in full is improbable, management will charge-off a partial amount or full amount of the loan balance. Management considers specific facts and circumstances relative to each individual credit in making such a determination. For residential and consumer loans, management uses specific regulatory guidance and thresholds for determining charge-offs.

Acquired loans that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if we can reasonably estimate the timing and amount of the expected cash flows on such loans and if the Company expects to fully collect the new carrying value of the loans. As such, we may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount.

The below table is an aging analysis of past due loans, segregated by class of loans as of December 31, 2021 and 2020.

**December 31, 2021**

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

\*SBA Paycheck Protection Program ("PPP")

**December 31, 2020**

| <i>(In thousands)</i>                                                             | <b>30-59 Days</b> | <b>60-89 Days</b> | <b>90 Days or More</b> | <b>Total Past Due</b> | <b>Current Loans</b> | <b>Total Loans</b>  |
|-----------------------------------------------------------------------------------|-------------------|-------------------|------------------------|-----------------------|----------------------|---------------------|
| <b>Loans and Leases</b>                                                           |                   |                   |                        |                       |                      |                     |
| Commercial and industrial                                                         |                   |                   |                        |                       |                      |                     |
| Agriculture                                                                       | \$ 0              | \$ 18             | \$ 0                   | \$ 18                 | \$ 94,471            | \$ 94,489           |
| Commercial and industrial other                                                   | 44                | 7                 | 1,516                  | 1,567                 | 791,420              | 792,987             |
| PPP loans                                                                         | 0                 | 0                 | 0                      | 0                     | 291,252              | 291,252             |
| Subtotal commercial and industrial                                                | 44                | 25                | 1,516                  | 1,585                 | 1,177,143            | 1,178,728           |
| Commercial real estate                                                            |                   |                   |                        |                       |                      |                     |
| Construction                                                                      | 0                 | 0                 | 0                      | 0                     | 163,016              | 163,016             |
| Agriculture                                                                       | 263               | 0                 | 0                      | 263                   | 201,603              | 201,866             |
| Commercial real estate other                                                      | 0                 | 0                 | 7,125                  | 7,125                 | 2,197,185            | 2,204,310           |
| Subtotal commercial real estate                                                   | 263               | 0                 | 7,125                  | 7,388                 | 2,561,804            | 2,569,192           |
| Residential real estate                                                           |                   |                   |                        |                       |                      |                     |
| Home equity                                                                       | 713               | 224               | 1,126                  | 2,063                 | 198,764              | 200,827             |
| Mortgages                                                                         | 521               | 879               | 4,210                  | 5,610                 | 1,229,550            | 1,235,160           |
| Subtotal residential real estate                                                  | 1,234             | 1,103             | 5,336                  | 7,673                 | 1,428,314            | 1,435,987           |
| Consumer and other                                                                |                   |                   |                        |                       |                      |                     |
| Indirect                                                                          | 175               | 35                | 91                     | 301                   | 8,100                | 8,401               |
| Consumer and other                                                                | 115               | 18                | 232                    | 365                   | 61,034               | 61,399              |
| Subtotal consumer and other                                                       | 290               | 53                | 323                    | 666                   | 69,134               | 69,800              |
| Leases                                                                            | 0                 | 0                 | 0                      | 0                     | 14,203               | 14,203              |
| <b>Total loans and leases</b>                                                     | <b>1,831</b>      | <b>1,181</b>      | <b>14,300</b>          | <b>17,312</b>         | <b>5,250,598</b>     | <b>5,267,910</b>    |
| Less: unearned income and deferred costs and fees                                 | 0                 | 0                 | 0                      | 0                     | (7,583)              | (7,583)             |
| <b>Total loans and leases, net of unearned income and deferred costs and fees</b> | <b>\$ 1,831</b>   | <b>\$ 1,181</b>   | <b>\$ 14,300</b>       | <b>\$ 17,312</b>      | <b>\$ 5,243,015</b>  | <b>\$ 5,260,327</b> |

The following table presents 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.

**December 31, 2021**

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

**December 31, 2020**

| <i>(In thousands)</i>              | Nonaccrual Loans and<br>Leases with no ACL | Nonaccrual Loans and<br>Leases | Loans and Leases Past<br>Due Over 89 Days and<br>Accruing |
|------------------------------------|--------------------------------------------|--------------------------------|-----------------------------------------------------------|
| <b>Loans and Leases</b>            |                                            |                                |                                                           |
| Commercial and industrial          |                                            |                                |                                                           |
| Commercial and industrial other    | \$ 803                                     | \$ 1,775                       | \$ 0                                                      |
| Subtotal commercial and industrial | 803                                        | 1,775                          | 0                                                         |
| Commercial real estate             |                                            |                                |                                                           |
| Agriculture                        | 0                                          | 118                            | 0                                                         |
| Commercial real estate other       | 23,080                                     | 23,509                         | 0                                                         |
| Subtotal commercial real estate    | 23,080                                     | 23,627                         | 0                                                         |
| Residential real estate            |                                            |                                |                                                           |
| Home equity                        | 767                                        | 2,965                          | 0                                                         |
| Mortgages                          | 1,365                                      | 10,180                         | 0                                                         |
| Subtotal residential real estate   | 2,132                                      | 13,145                         | 0                                                         |
| Consumer and other                 |                                            |                                |                                                           |
| Indirect                           | 3                                          | 169                            | 0                                                         |
| Consumer and other                 | 0                                          | 260                            | 0                                                         |
| Subtotal consumer and other        | 3                                          | 429                            | 0                                                         |
| <b>Total loans and leases</b>      | <b>\$ 26,018</b>                           | <b>\$ 38,976</b>               | <b>\$ 0</b>                                               |

The difference between the interest income that would have been recorded if nonaccrual loans and leases had paid in accordance with their original terms and the interest income that was recorded, was \$1.5 million for the year ended December 31, 2021, \$1.7 million for year ended December 31, 2020, and \$1.2 million for year ended December 31, 2019. The Company had no material commitments to make additional advances to borrowers with nonperforming loans.

#### **Note 4 Allowance for Credit Losses**

Management reviews the appropriateness of the 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 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 rates 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.

The Company adopted ASU 2016-13 as of January 1, 2020 using the prospective transition approach for financial assets purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with the standard, the Company did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. The remaining discount on the PCD assets will be accreted into interest income on a level-yield method over the life of the loans.

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 December 31, 2021, 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 expense in the Company's consolidated statements of income.

Changes in the allowance for credit losses for the years ended December 31, 2021, 2020 and 2019 are summarized as follows:

### Allowance for Credit Losses - Loans and Leases

| <i>(In thousands)</i>                      | 2021      | 2020      | 2019      |
|--------------------------------------------|-----------|-----------|-----------|
| Total allowance at beginning of year       | \$ 51,669 | \$ 39,892 | \$ 43,410 |
| Impact of adopting ASU 2016-13             | 0         | (2,534)   | 0         |
| (Credit) provision for credit loss expense | (2,805)   | 16,151    | 1,366     |
| Recoveries on loans and leases             | 1,725     | 631       | 906       |
| Charge-offs on loans and leases            | (7,746)   | (2,471)   | (5,790)   |
| Total allowance at end of year             | \$ 42,843 | \$ 51,669 | \$ 39,892 |

### Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

| <i>(In thousands)</i>                                                                    | 2021     | 2020     | 2019   |
|------------------------------------------------------------------------------------------|----------|----------|--------|
| Liabilities for off-balance sheet credit exposures at beginning of period                | \$ 1,920 | \$ 476   | \$ 748 |
| Impact of adopting ASU 2016-13                                                           | 0        | 382      | 0      |
| Provision (credit) for credit loss expense related to off-balance sheet credit exposures | 586      | 1,062    | (272)  |
| Liabilities for off-balance sheet credit exposures at end of period                      | \$ 2,506 | \$ 1,920 | \$ 476 |

The following table details activity in the allowance for credit losses for loans for the years ended December 31, 2021 and 2020. As previously discussed, the Company adopted ASU 2016-13 on January 1, 2020 using the modified retrospective approach. Results for the periods beginning after January 1, 2020 are presented under ASC 326. As a result of the adoption of ASC 326, the Company recorded a net cumulative-effect adjustment reducing the allowance for credit losses by \$2.5 million. The allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

### December 31, 2021

| <i>(In thousands)</i>                      | Commercial<br>& Industrial | Commercial<br>Real Estate | Residential<br>Real Estate | Consumer<br>and Other | Finance<br>Leases | Total            |
|--------------------------------------------|----------------------------|---------------------------|----------------------------|-----------------------|-------------------|------------------|
| <b>Allowance for credit losses:</b>        |                            |                           |                            |                       |                   |                  |
| Beginning balance                          | \$ 9,239                   | \$ 30,546                 | \$ 10,257                  | \$ 1,562              | \$ 65             | \$ 51,669        |
| Charge-offs                                | (274)                      | (6,957)                   | (77)                       | (438)                 | 0                 | (7,746)          |
| Recoveries                                 | 118                        | 1,175                     | 236                        | 196                   | 0                 | 1,725            |
| (Credit) provision for credit loss expense | (2,748)                    | 49                        | (277)                      | 172                   | (1)               | (2,805)          |
| <b>Ending Balance</b>                      | <b>\$ 6,335</b>            | <b>\$ 24,813</b>          | <b>\$ 10,139</b>           | <b>\$ 1,492</b>       | <b>\$ 64</b>      | <b>\$ 42,843</b> |

**December 31, 2020**

| <i>(In thousands)</i>                               | <b>Commercial<br/>&amp; Industrial</b> | <b>Commercial<br/>Real Estate</b> | <b>Residential<br/>Real Estate</b> | <b>Consumer<br/>and Other</b> | <b>Finance<br/>Leases</b> | <b>Total</b>     |
|-----------------------------------------------------|----------------------------------------|-----------------------------------|------------------------------------|-------------------------------|---------------------------|------------------|
| <b>Allowance for credit losses:</b>                 |                                        |                                   |                                    |                               |                           |                  |
| Beginning balance, prior to adoption of ASU 2016-13 | \$ 10,541                              | \$ 21,608                         | \$ 6,381                           | \$ 1,362                      | \$ 0                      | \$ 39,892        |
| Impact of adopting ASU 2016-13                      | (2,008)                                | (5,917)                           | 4,459                              | 850                           | 82                        | (2,534)          |
| Charge-offs                                         | (2)                                    | (1,903)                           | (84)                               | (482)                         | 0                         | (2,471)          |
| Recoveries                                          | 131                                    | 58                                | 194                                | 248                           | 0                         | 631              |
| (Credit) provision for credit loss expense          | 577                                    | 16,700                            | (693)                              | (416)                         | (17)                      | 16,151           |
| <b>Ending Balance</b>                               | <b>\$ 9,239</b>                        | <b>\$ 30,546</b>                  | <b>\$ 10,257</b>                   | <b>\$ 1,562</b>               | <b>\$ 65</b>              | <b>\$ 51,669</b> |

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:

**December 31, 2021**

| <i>(In thousands)</i>     | <b>Real Estate</b> | <b>Business Assets</b> | <b>Other</b>    | <b>Total</b>     | <b>ACL Allocation</b> |
|---------------------------|--------------------|------------------------|-----------------|------------------|-----------------------|
| Commercial and Industrial | \$ 142             | \$ 395                 | \$ 328          | \$ 865           | 26                    |
| Commercial Real Estate    | 13,334             | 0                      | 1,931           | 15,265           | 40                    |
| Residential Real Estate   | 32                 | 0                      | 0               | 32               | 1                     |
| <b>Total</b>              | <b>\$ 13,508</b>   | <b>\$ 395</b>          | <b>\$ 2,259</b> | <b>\$ 16,162</b> | <b>67</b>             |

Loans are considered modified in a TDR when, due to a borrower's financial difficulties, the Company makes a concession(s) to the borrower that it would not otherwise consider. When modifications are provided for reasons other than as a result of the financial distress of the borrower, these loans are not classified as TDRs or impaired. These modifications primarily include, among others, an extension of the term of the loan, and granting a period when interest-only payments can be made, with the principal payments and interest caught up over the remaining term of the loan or at maturity, among others.

The following tables present loans by class modified in 2021 and 2020 as troubled debt restructurings. Post-modification balances reflect paydowns and charge-offs at time of modification.

**Troubled Debt Restructuring**
**December 31, 2021**

|                          |                            | <b>Year Ended</b>                                                        |                                                                      | <b>Defaulted TDRs<sup>2</sup></b> |                                                                           |
|--------------------------|----------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------|
| <i>(In thousands)</i>    | <b>Number of<br/>Loans</b> | <b>Pre-<br/>Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> | <b>Post-Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> | <b>Number of<br/>Loans</b>        | <b>Post-<br/>Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> |
| Residential real estate  |                            |                                                                          |                                                                      |                                   |                                                                           |
| Home equity <sup>1</sup> | 2                          | 219                                                                      | 219                                                                  | 1                                 | 201                                                                       |
| <b>Total</b>             | <b>2</b>                   | <b>\$ 219</b>                                                            | <b>\$ 219</b>                                                        | <b>1</b>                          | <b>\$ 201</b>                                                             |

<sup>1</sup>Represents the following concessions: extension of term and reduction of rate.

<sup>2</sup>TDRs that defaulted during the 12 months ended December 31, 2021, that had been restructured in the prior twelve months.

| December 31, 2020                            | Year Ended         |                                                               |                                                            |                    |                                                                |
|----------------------------------------------|--------------------|---------------------------------------------------------------|------------------------------------------------------------|--------------------|----------------------------------------------------------------|
|                                              |                    |                                                               | Defaulted TDRs <sup>2</sup>                                |                    |                                                                |
| (In thousands)                               | Number of<br>Loans | Pre-<br>Modification<br>Outstanding<br>Recorded<br>Investment | Post-Modification<br>Outstanding<br>Recorded<br>Investment | Number of<br>Loans | Post-<br>Modification<br>Outstanding<br>Recorded<br>Investment |
| Commercial & industrial                      |                    |                                                               |                                                            |                    |                                                                |
| Commercial and industrial other <sup>1</sup> | 1                  | \$ 24                                                         | \$ 24                                                      | 0                  | \$ 0                                                           |
| Residential real estate                      |                    |                                                               |                                                            |                    |                                                                |
| Mortgages <sup>1</sup>                       | 2                  | 274                                                           | 274                                                        | 1                  | 37                                                             |
| Home equity <sup>1</sup>                     | 1                  | 43                                                            | 43                                                         | 1                  | 87                                                             |
| Consumer and other                           |                    |                                                               |                                                            |                    |                                                                |
| Consumer and other <sup>1</sup>              | 1                  | 4                                                             | 4                                                          | 0                  | 0                                                              |
| <b>Total</b>                                 | <b>5</b>           | <b>\$ 345</b>                                                 | <b>\$ 345</b>                                              | <b>2</b>           | <b>\$ 124</b>                                                  |

<sup>1</sup>Represents the following concessions: extension of term and reduction of rate.

<sup>2</sup>TDRs that defaulted during the 12 months ended December 31, 2020, that had been restructured in the prior twelve months.

The Company's TDRs added during 2021 totaled \$219,000, compared to \$345,000 in 2020. At December 31, 2021, the Company was not committed to lend additional amounts to customers with outstanding loans that were classified as TDRs. The provisions of the CARES Act and the interagency guidance issued by Federal banking regulators provided clarification related to modifications and deferral programs to assist borrowers who are negatively impacted by the COVID-19 national emergency. The guidance and clarifications detail certain provisions whereby banks are permitted to make deferrals and modifications to the terms of a loan which would not require the loan to be reported as a troubled debt restructuring ("TDR"). In accordance with the CARES Act, Appropriations Act, and the interagency guidance, the Company elected to adopt the provisions to not report qualified loan modifications as TDRs during 2020 and 2021.

The following table presents credit quality indicators by total loans on an amortized cost basis by origination year as of December 31, 2021.

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

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

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

The following tables present credit quality indicators (internal risk grade) by class of commercial and industrial loans and commercial real estate loans as of December 31, 2020.

| <i>(In thousands)</i>                                | 2020              | 2019              | 2018              | 2017              | 2016              | Prior             | Revolving<br>Loans<br>Amortized Cost<br>Basis | Revolving<br>Loans<br>Converted to<br>Term | Total Loans         |
|------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------------------|--------------------------------------------|---------------------|
| <b>Commercial and Industrial - Other:</b>            |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 91,597         | \$ 72,639         | \$ 56,191         | \$ 60,714         | \$ 33,402         | \$ 301,027        | \$ 149,969                                    | \$ 16,301                                  | \$ 781,840          |
| Special Mention                                      | 1,064             | 367               | 344               | 912               | 2,045             | 228               | 1,331                                         | 0                                          | 6,291               |
| Substandard                                          | 412               | 305               | 933               | 485               | 292               | 783               | 1,646                                         | 0                                          | 4,856               |
| <b>Total Commercial &amp; Industrial - Other</b>     | <b>\$ 93,073</b>  | <b>\$ 73,311</b>  | <b>\$ 57,468</b>  | <b>\$ 62,111</b>  | <b>\$ 35,739</b>  | <b>\$ 302,038</b> | <b>\$ 152,946</b>                             | <b>\$ 16,301</b>                           | <b>\$ 792,987</b>   |
|                                                      |                   |                   |                   |                   |                   |                   |                                               |                                            | \$ —                |
| <b>Commercial and Industrial - PPP:</b>              |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 291,252        | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                                          | \$ 0                                       | \$ 291,252          |
| 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>\$ 291,252</b> | <b>\$ 0</b>       | <b>\$ 0</b>       | <b>\$ 0</b>       | <b>\$ 0</b>       | <b>\$ 0</b>       | <b>\$ 0</b>                                   | <b>\$ 0</b>                                | <b>\$ 291,252</b>   |
| <b>Commercial and Industrial - Agriculture:</b>      |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 11,536         | \$ 8,005          | \$ 11,162         | \$ 6,531          | \$ 3,539          | \$ 2,599          | \$ 41,936                                     | \$ 1,340                                   | \$ 86,648           |
| Special Mention                                      | 0                 | 0                 | 28                | 729               | 0                 | 0                 | 2,080                                         | 0                                          | 2,837               |
| Substandard                                          | 99                | 83                | 0                 | 202               | 0                 | 2,308             | 2,312                                         | 0                                          | 5,004               |
| <b>Total Commercial and Industrial - Agriculture</b> | <b>\$ 11,635</b>  | <b>\$ 8,088</b>   | <b>\$ 11,190</b>  | <b>\$ 7,462</b>   | <b>\$ 3,539</b>   | <b>\$ 4,907</b>   | <b>\$ 46,328</b>                              | <b>\$ 1,340</b>                            | <b>\$ 94,489</b>    |
| <b>Commercial Real Estate:</b>                       |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 278,747        | \$ 246,331        | \$ 232,651        | \$ 237,487        | \$ 290,106        | \$ 664,027        | \$ 33,117                                     | \$ 64,903                                  | \$ 2,047,369        |
| Special Mention                                      | 35                | 13,016            | 5,612             | 4,654             | 34,310            | 46,074            | 203                                           | 0                                          | 103,904             |
| Substandard                                          | 0                 | 4,933             | 18,395            | 6,172             | 5,625             | 17,610            | 302                                           | 0                                          | 53,037              |
| <b>Total Commercial Real Estate</b>                  | <b>\$ 278,782</b> | <b>\$ 264,280</b> | <b>\$ 256,658</b> | <b>\$ 248,313</b> | <b>\$ 330,041</b> | <b>\$ 727,711</b> | <b>\$ 33,622</b>                              | <b>\$ 64,903</b>                           | <b>\$ 2,204,310</b> |
| <b>Commercial Real Estate - Agriculture:</b>         |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 22,440         | \$ 35,081         | \$ 44,519         | \$ 22,356         | \$ 17,081         | \$ 44,559         | \$ 919                                        | \$ 5,602                                   | \$ 192,557          |
| Special Mention                                      | 1,960             | 0                 | 575               | 1,366             | 1,053             | 6                 | 49                                            | 0                                          | 5,009               |
| Substandard                                          | 0                 | 0                 | 0                 | 1,777             | 713               | 1,527             | 283                                           | 0                                          | 4,300               |
| <b>Total Commercial Real Estate - Agriculture</b>    | <b>\$ 24,400</b>  | <b>\$ 35,081</b>  | <b>\$ 45,094</b>  | <b>\$ 25,499</b>  | <b>\$ 18,847</b>  | <b>\$ 46,092</b>  | <b>\$ 1,251</b>                               | <b>\$ 5,602</b>                            | <b>\$ 201,866</b>   |
| <b>Commercial Real Estate - Construction:</b>        |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Pass                                                 | \$ 14,465         | \$ 20,705         | \$ 7,999          | \$ 2,478          | \$ 1,879          | \$ 6,682          | \$ 85,513                                     | \$ 21,051                                  | \$ 160,772          |
| Special Mention                                      | 0                 | 0                 | 0                 | 0                 | 0                 | 467               | 1,453                                         | 0                                          | 1,920               |
| Substandard                                          | 0                 | 0                 | 0                 | 0                 | 0                 | 324               | 0                                             | 0                                          | 324                 |
| <b>Total Commercial Real Estate - Construction</b>   | <b>\$ 14,465</b>  | <b>\$ 20,705</b>  | <b>\$ 7,999</b>   | <b>\$ 2,478</b>   | <b>\$ 1,879</b>   | <b>\$ 7,473</b>   | <b>\$ 86,966</b>                              | <b>\$ 21,051</b>                           | <b>\$ 163,016</b>   |

The following table presents credit quality indicators by total loans on an amortized cost basis by origination year as of December 31, 2020, continued.

| <i>(In thousands)</i>                  | 2020              | 2019              | 2018              | 2017              | 2016              | Prior             | Revolving<br>Loans<br>Amortized Cost<br>Basis | Revolving<br>Loans<br>Converted to<br>Term | Total Loans         |
|----------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------------------------|--------------------------------------------|---------------------|
| <b>Residential - Home Equity</b>       |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Performing                             | \$ 1,440          | \$ 2,764          | \$ 1,052          | \$ 2,120          | \$ 722            | \$ 1,106          | \$ 188,614                                    | \$ 44                                      | \$ 197,862          |
| Nonperforming                          | 0                 | 18                | 0                 | 0                 | 194               | 506               | 2,247                                         | 0                                          | 2,965               |
| <b>Total Residential - Home Equity</b> | <b>\$ 1,440</b>   | <b>\$ 2,782</b>   | <b>\$ 1,052</b>   | <b>\$ 2,120</b>   | <b>\$ 916</b>     | <b>\$ 1,612</b>   | <b>\$ 190,861</b>                             | <b>\$ 44</b>                               | <b>\$ 200,827</b>   |
| <b>Residential - Mortgages</b>         |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Performing                             | \$ 305,476        | \$ 193,543        | \$ 123,205        | \$ 155,699        | \$ 178,149        | \$ 255,556        | \$ 11,735                                     | \$ 1,617                                   | \$ 1,224,980        |
| Nonperforming                          | 0                 | 258               | 455               | 706               | 1,404             | 7,305             | 52                                            | 0                                          | 10,180              |
| <b>Total Residential - Mortgages</b>   | <b>\$ 305,476</b> | <b>\$ 193,801</b> | <b>\$ 123,660</b> | <b>\$ 156,405</b> | <b>\$ 179,553</b> | <b>\$ 262,861</b> | <b>\$ 11,787</b>                              | <b>\$ 1,617</b>                            | <b>\$ 1,235,160</b> |
| <b>Consumer - Direct</b>               |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Performing                             | \$ 14,840         | \$ 11,127         | \$ 8,011          | \$ 6,632          | \$ 2,854          | \$ 10,840         | \$ 6,835                                      | \$ 0                                       | \$ 61,139           |
| Nonperforming                          | 5                 | 74                | 167               | 12                | 0                 | 2                 | 0                                             | 0                                          | 260                 |
| <b>Total Consumer - Direct</b>         | <b>\$ 14,845</b>  | <b>\$ 11,201</b>  | <b>\$ 8,178</b>   | <b>\$ 6,644</b>   | <b>\$ 2,854</b>   | <b>\$ 10,842</b>  | <b>\$ 6,835</b>                               | <b>\$ 0</b>                                | <b>\$ 61,399</b>    |
| <b>Consumer - Indirect</b>             |                   |                   |                   |                   |                   |                   |                                               |                                            |                     |
| Performing                             | \$ 1,424          | \$ 1,878          | \$ 3,327          | \$ 1,128          | \$ 382            | \$ 93             | \$ 0                                          | \$ 0                                       | \$ 8,232            |
| Nonperforming                          | 0                 | 67                | 44                | 7                 | 36                | 15                | 0                                             | 0                                          | 169                 |
| <b>Total Consumer - Indirect</b>       | <b>\$ 1,424</b>   | <b>\$ 1,945</b>   | <b>\$ 3,371</b>   | <b>\$ 1,135</b>   | <b>\$ 418</b>     | <b>\$ 108</b>     | <b>\$ 0</b>                                   | <b>\$ 0</b>                                | <b>\$ 8,401</b>     |

#### Note 5 Goodwill and Other Intangible Assets

| <i>(In thousands)</i>               | Banking          | Insurance        | Wealth Management | Total            |
|-------------------------------------|------------------|------------------|-------------------|------------------|
| Balance at January 1, 2020          | \$ 64,369        | \$ 19,867        | \$ 8,211          | \$ 92,447        |
| Acquisitions                        | 0                | 0                | 0                 | 0                |
| Balance at December 31, 2020        | 64,369           | 19,867           | 8,211             | 92,447           |
| Acquisitions                        | 0                | 0                | 0                 | 0                |
| <b>Balance at December 31, 2021</b> | <b>\$ 64,369</b> | <b>\$ 19,867</b> | <b>\$ 8,211</b>   | <b>\$ 92,447</b> |

Goodwill is assigned to reporting units. The Company reviews its goodwill and intangible assets annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Based on the Company's review as of December 31, 2021, there was no impairment of its goodwill or intangible assets.

## Other Intangible Assets

The following table provides information regarding the Company's amortizing intangible assets:

| <b>December 31, 2021</b><br><i>(In thousands)</i> | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Net Carrying Amount</b> |
|---------------------------------------------------|------------------------------|---------------------------------|----------------------------|
| Amortized intangible assets:                      |                              |                                 |                            |
| Core deposit intangible                           | \$ 18,774                    | \$ 18,269                       | \$ 505                     |
| Customer relationships                            | 9,048                        | 7,282                           | 1,766                      |
| Other intangibles                                 | 6,821                        | 5,449                           | 1,372                      |
| <b>Total intangible assets</b>                    | <b>\$ 34,643</b>             | <b>\$ 31,000</b>                | <b>\$ 3,643</b>            |

| <b>December 31, 2020</b><br><i>(In thousands)</i> | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Net Carrying Amount</b> |
|---------------------------------------------------|------------------------------|---------------------------------|----------------------------|
| Amortized intangible assets:                      |                              |                                 |                            |
| Core deposit intangible                           | \$ 18,774                    | \$ 17,367                       | \$ 1,407                   |
| Customer relationships                            | 9,048                        | 6,884                           | 2,164                      |
| Other intangibles                                 | 6,585                        | 5,251                           | 1,334                      |
| <b>Total intangible assets</b>                    | <b>\$ 34,407</b>             | <b>\$ 29,502</b>                | <b>\$ 4,905</b>            |

Amortization expense related to intangible assets totaled \$1.3 million in 2021, \$1.5 million in 2020 and \$1.7 million in 2019. The estimated aggregate future amortization expense for intangible assets remaining as of December 31, 2021 is as follows:

### Estimated amortization expense:<sup>1</sup>

|                                      |        |
|--------------------------------------|--------|
| <i>(In thousands)</i>                |        |
| For the year ended December 31, 2022 | \$ 897 |
| For the year ended December 31, 2023 | 334    |
| For the year ended December 31, 2024 | 294    |
| For the year ended December 31, 2025 | 264    |
| For the year ended December 31, 2026 | 225    |

<sup>1</sup>Excludes the amortization of mortgage servicing rights. Amortization of mortgage servicing rights was \$182,000 in 2021, \$221,000 in 2020 and \$117,000 in 2019.

## Note 6 Premises and Equipment

Premises and equipment at December 31 were as follows:

| <i>(In thousands)</i>                     | <b>2021</b>      | <b>2020</b>      |
|-------------------------------------------|------------------|------------------|
| Land                                      | \$ 9,195         | \$ 9,195         |
| Premises and equipment                    | 105,164          | 104,027          |
| Furniture, fixtures, and equipment        | 83,803           | 80,520           |
| Accumulated depreciation and amortization | (112,746)        | (105,033)        |
| <b>Total</b>                              | <b>\$ 85,416</b> | <b>\$ 88,709</b> |

Depreciation and amortization expenses in 2021, 2020 and 2019 are included in operating expenses as follows:

| <i>(In thousands)</i>              | 2021            | 2020            | 2019            |
|------------------------------------|-----------------|-----------------|-----------------|
| Premises                           | \$ 2,599        | \$ 2,608        | \$ 2,809        |
| Furniture, fixtures, and equipment | 5,367           | 5,225           | 4,906           |
| <b>Total</b>                       | <b>\$ 7,966</b> | <b>\$ 7,833</b> | <b>\$ 7,715</b> |

The Company leases land, buildings and equipment under operating lease arrangements. Total gross rental expense amounted to \$4.9 million in 2021, \$4.9 million in 2020, and \$4.7 million in 2019. Most leases include options to renew for periods ranging from 5 to 20 years.

#### Note 7 Deposits

Aggregate time deposits of \$250,000 or more were \$167.9 million at December 31, 2021, and \$229.7 million at December 31, 2020. Scheduled maturities of time deposits at December 31, 2021, were as follows:

| <i>(In thousands)</i>          | Less than \$250,000 | \$250,000 and over | Total             |
|--------------------------------|---------------------|--------------------|-------------------|
| Maturity                       |                     |                    |                   |
| Three months or less           | \$ 128,186          | \$ 53,403          | \$ 181,589        |
| Over three through six months  | 88,224              | 33,990             | 122,214           |
| Over six through twelve months | 149,328             | 54,175             | 203,503           |
| Total due in 2022              | \$ 365,738          | \$ 141,568         | \$ 507,306        |
| 2023                           | 63,879              | 13,466             | 77,345            |
| 2024                           | 24,318              | 3,782              | 28,100            |
| 2025                           | 10,129              | 7,136              | 17,265            |
| 2026                           | 7,559               | 1,974              | 9,533             |
| Thereafter                     | 125                 | 0                  | 125               |
| <b>Total</b>                   | <b>\$ 471,748</b>   | <b>\$ 167,926</b>  | <b>\$ 639,674</b> |

#### Note 8 Securities Sold Under Agreements to Repurchase and Federal Funds Purchased

Information regarding securities sold under agreements to repurchase and Federal funds purchased is detailed in the following tables for the years ended December 31:

##### Securities Sold Under Agreements to Repurchase

| <i>(In thousands)</i>                      | 2021      | 2020      | 2019      |
|--------------------------------------------|-----------|-----------|-----------|
| Total outstanding at December 31           | \$ 66,787 | \$ 65,845 | \$ 60,346 |
| Maximum month-end balance                  | 78,420    | 72,883    | 71,875    |
| Average balance during the year            | 58,627    | 55,973    | 59,742    |
| Weighted average rate at December 31       | 0.10 %    | 0.11 %    | 0.22 %    |
| Average interest rate paid during the year | 0.11 %    | 0.17 %    | 0.24 %    |
| <b>Federal Funds Purchased</b>             |           |           |           |
| Average balance during the year            | 0         | 0         | 82        |
| Weighted average rate at December 31       | N/A       | N/A       | N/A       |
| Average interest rate paid during the year | 0.00 %    | 0.00 %    | 2.86 %    |

Securities sold under agreements to repurchase (“repurchase agreements”) are secured borrowings that typically mature within thirty to ninety days, although the Company has entered into repurchase agreements with the Federal Home Loan Bank (“FHLB”) with longer maturities. 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 \$66.8 million at December 31, 2021. The Company had no outstanding wholesale repurchase agreements at December 31, 2021.

Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. The Company may be required to provide additional collateral based on the fair value of the underlying securities.

Federal funds purchased are short-term borrowings that typically mature within one to ninety days.

#### Note 9 Other Borrowings

The following table summarized the Company’s borrowings as of December 31:

| <i>(In thousands)</i>         | 2021              | 2020              |
|-------------------------------|-------------------|-------------------|
| Overnight FHLB advances       | \$ 14,000         | \$ 0              |
| Term FHLB advances            | 110,000           | 265,000           |
| <b>Total other borrowings</b> | <b>\$ 124,000</b> | <b>\$ 265,000</b> |

The Company, through its subsidiary banks, had available line-of-credit agreements with correspondent banks permitting borrowings to a maximum of approximately \$89.0 million at both December 31, 2021 and 2020. There were no outstanding advances against those lines at December 31, 2021 and December 31, 2020.

Through its subsidiary banks, the Company has borrowing relationships with the FHLB, which provides secured borrowing capacity, subject to available collateral. The unused borrowing capacity on established lines with the FHLB was \$2.3 billion at December 31, 2021 and \$2.1 billion at December 31, 2020.

As members of the FHLB, the Company’s subsidiary banks can use certain unencumbered residential and commercial real estate related assets and investment securities to secure borrowings from the FHLB. At December 31, 2021, total unencumbered residential and commercial real estate related loans and investment securities pledged at the FHLB were \$1.6 billion. At December 31, 2021, there were \$14.0 million in overnight advances and \$110.0 million in term advances with the FHLB, with a weighted average rate of 1.80%, compared to no overnight advances and \$265.0 million in term advances with a weighted average rate of 2.09%, at December 31, 2020. At December 31, 2021, the term advances with the FHLB includes \$10.0 million which matures within one year and \$100.0 million which matures in over one year. Maturities of advances due in over one year include \$60.0 million in 2023 and \$40.0 million in 2024.

The Company had no callable FHLB borrowings at December 31, 2021.

The Company has a \$25.0 million line of credit with a bank. As of December 31, 2021 and December 31, 2020, there was no outstanding balance outstanding on the line. The line matures in June 2023.

#### Note 10 Trust Preferred Debentures

During the second quarter of 2021, the Company exercised its right to redeem all of the trust preferred of Madison Statutory Trust I, with a par amount of \$5.0 million. The redemption price was equal to 100% of the principal amount plus accrued and unpaid interest up to June 26, 2021. During the third quarter of 2021, the Company exercised its right to redeem all of the trust preferred of Leesport Capital Trust II, with a par amount of \$10.0 million. The redemption price was equal to 100% of the principal amount plus accrued and unpaid interest up to August 7, 2021. The Company recognized accelerated non-cash purchase accounting discounts of \$1.9 million in interest expense related to the redemptions. As of December 31, 2021, the Company had no trust preferred debentures.

At December 31, 2020, the Company had two unconsolidated subsidiary trusts (the "Trusts"): Leesport Capital Trust II, with a par value of \$10.0 million and a maturity date of September 2032 and Madison Statutory Trust I, with a par value of \$5.0 million and a maturity date of June 2033. The two Trusts were acquired in the acquisition of VIST Financial. The Company owned 100% of the common equity of each Trust. The Trusts were formed for the purpose of issuing Company-obligated mandatorily redeemable capital securities to third-party investors and investing the proceeds from the sale in junior subordinated debt securities (subordinated debt) issued by the Company, which are the sole assets of each Trust. Since third-party investors are the primary beneficiaries, the Trusts are not consolidated in the Company's financial statements. Distributions on the preferred securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rate being earned by the Trusts on the debenture held by the Trusts and are recorded as interest expense in the consolidated financial statements.

#### **Note 11 Employee Benefit Plans**

The Company maintains a noncontributory defined-benefit plan (the "DB Pension Plan") and two noncontributory defined-contribution retirement plans (the "DC Retirement Plan" and "2015 DC Retirement Plan") which cover substantially all employees of the Company.

The DB Pension Plan was closed to new employees at year-end 2009 and was frozen on July 31, 2015. The benefits under the DB Pension Plan are based on years of service, age and percentages of the employees' average final compensation. Assets of the Company's DB Pension Plan are invested in common and preferred stock, mutual funds and cash equivalents.

The defined-contribution retirement plans cover substantially all employees of the Company who have reached the age of 21 and completed one year of service. For participants in these plans, the Company makes contributions to an account set up in the participant's name. The amount equals a percentage of pay and varies based on the participant's age, service, and tenure with the Company. The defined-contribution retirement plans offer the participant a wide range of investment alternatives from which to choose. Expenses related to the defined-contribution plans totaled \$4.4 million in 2021, \$4.4 million in 2020, and \$4.0 million in 2019.

The Company maintains supplemental employee retirement plans ("SERPs") for certain executives. In 2016, certain SERPs were amended and restated to reflect changes resulting from the freezing of the DB Pension Plan and the Company entered into additional SERP agreements with certain executives. In 2019, the SERP for the Company's CEO was amended to expand the definition of "Earnings" under the SERP to better align the scope of compensation included in our CEO's retirement benefits with chief executive compensation in a manner that is more consistent with market practice. All benefits provided under the SERPs are unfunded and the Company makes payments to plan participants.

The Company also maintains a post-retirement life and healthcare benefit plan (the "Life and Healthcare Plan"), which was amended in 2005. For employees commencing employment after January 1, 2005, the Company does not contribute towards post-retirement healthcare benefits. Retirees and employees who were eligible to retire when the Life and Healthcare Plan was amended were unaffected. Generally, all other employees were eligible for Health Reimbursement Accounts ("HRA") with an initial balance equal to the amount of the Company's estimated then current liability. Contributions to the plan are limited to an annual contribution of 4% of the total HRA defined term. Employees, upon retirement, will be able to utilize their HRA for qualified health costs and deductibles. In 2019, the Retiree Life Benefit program was closed to new entrants, and only employees who attained age 50 as of February 1, 2020 will be eligible to earn this benefit.

The Company engages independent, external actuaries to compute the amounts of liabilities and expenses relating to these plans, subject to the assumptions that the Company selects. The benefit obligation for these plans represents the liability of the Company for current and former employees, and is affected primarily by the following: service cost (benefits attributed to employee service during the period); interest cost (interest on the liability due to the passage of time); actuarial gains/losses (experience during the year different from that assumed and changes in plan assumptions); and benefits paid to participants.

U.S. GAAP requires an employer to recognize in its statement of condition as an asset or liability the overfunded or underfunded status of a defined benefit postretirement plan, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. The following table sets forth the changes in the projected benefit obligation for the DB Pension Plan and SERPs and the accumulated post-retirement benefit obligation for the Life and Healthcare Plan; and the respective plan assets, and the plans' funded status and amounts recognized in the Company's Consolidated Statements of Condition at December 31, 2021 and 2020 (the measurement dates of the plans).

| (In thousands)                                  | DB Pension Plan  |                   | Life and Healthcare Plan |                    | SERP Plan          |                    |
|-------------------------------------------------|------------------|-------------------|--------------------------|--------------------|--------------------|--------------------|
|                                                 | 2021             | 2020              | 2021                     | 2020               | 2021               | 2020               |
| Change in benefit obligation:                   |                  |                   |                          |                    |                    |                    |
| Benefit obligation at beginning of year         | \$ 98,021        | \$ 90,346         | \$ 10,508                | \$ 9,022           | \$ 36,710          | \$ 32,153          |
| Service cost                                    | 0                | 0                 | 186                      | 173                | 231                | 214                |
| Interest cost                                   | 1,628            | 2,371             | 180                      | 245                | 692                | 914                |
| Plan participants' contributions                | 0                | 0                 | 108                      | 90                 | 0                  | 0                  |
| Actuarial (gain) loss                           | (2,834)          | 10,046            | (574)                    | 1,340              | (3,002)            | 4,070              |
| Benefits paid                                   | (3,806)          | (4,742)           | (353)                    | (362)              | (598)              | (641)              |
| <b>Benefit obligation at end of year</b>        | <b>\$ 93,009</b> | <b>\$ 98,021</b>  | <b>\$ 10,055</b>         | <b>\$ 10,508</b>   | <b>\$ 34,033</b>   | <b>\$ 36,710</b>   |
| Change in plan assets:                          |                  |                   |                          |                    |                    |                    |
| Fair value of plan assets at beginning of year  | \$ 89,172        | \$ 82,352         | \$ 0                     | \$ 0               | \$ 0               | \$ 0               |
| Actual return on plan assets                    | 11,027           | 11,562            | 0                        | 0                  | 0                  | 0                  |
| Plan participants' contributions                | 0                | 0                 | 108                      | 90                 | 0                  | 0                  |
| Employer contributions                          | 0                | 0                 | 245                      | 272                | 598                | 641                |
| Benefits paid                                   | (3,806)          | (4,742)           | (353)                    | (362)              | (598)              | (641)              |
| <b>Fair value of plan assets at end of year</b> | <b>\$ 96,393</b> | <b>\$ 89,172</b>  | <b>\$ 0</b>              | <b>\$ 0</b>        | <b>\$ 0</b>        | <b>\$ 0</b>        |
| <b>Funded (unfunded) status</b>                 | <b>\$ 3,384</b>  | <b>\$ (8,849)</b> | <b>\$ (10,055)</b>       | <b>\$ (10,508)</b> | <b>\$ (34,033)</b> | <b>\$ (36,710)</b> |

The accumulated benefit obligation for the DB Pension Plan at December 31, 2021 and 2020, was \$93.0 million and \$98.0 million, respectively. The accumulated benefit obligation for the Life and Healthcare Plan at year end 2021 and 2020 was \$10.1 million and \$10.5 million, respectively. The accumulated benefit obligation for the SERPs at December 31, 2021 and 2020 was \$34.0 million and \$36.7 million, respectively. The funded status of the DB Pension Plan was recognized in other assets and the unfunded status of the Life and Healthcare Plan, and SERPs was recognized in other liabilities in the Consolidated Statement of Condition at December 31, 2021 in the amounts of \$3.4 million, \$10.1 million, and \$34.0 million, respectively. The unfunded status of the DB Pension Plan, the Life and Healthcare Plan, and SERPs in the amount of \$8.8 million, \$10.5 million, and \$36.7 million, respectively, was recognized in other liabilities in the Consolidated Statement of Condition at December 31, 2020.

The actuarial (gains) losses shown above totaling \$(6.4) million in 2021 and \$15.5 million in 2020 were mainly the result of changes in the discount rates used to measure the benefit obligation of all plans at year end compared to those used at the prior year-end. The specific discount rates for each plan at December 31, 2021 and December 31, 2020 are provided below.

Net periodic benefit cost and other comprehensive income (loss) includes the following components:

| <i>(In thousands)</i>                             | DB Pension Plan   |                   |                 | Life and Healthcare Plan |               |                | SERP Plan       |                 |                 |
|---------------------------------------------------|-------------------|-------------------|-----------------|--------------------------|---------------|----------------|-----------------|-----------------|-----------------|
|                                                   | 2021              | 2020              | 2019            | 2021                     | 2020          | 2019           | 2021            | 2020            | 2019            |
| <b>Components of net periodic benefit cost</b>    |                   |                   |                 |                          |               |                |                 |                 |                 |
| Service cost                                      | \$ 0              | \$ 0              | \$ 0            | \$ 186                   | \$ 173        | \$ 159         | \$ 231          | \$ 214          | \$ 157          |
| Interest cost                                     | 1,628             | 2,371             | 2,936           | 180                      | 245           | 289            | 692             | 914             | 909             |
| Expected return on plan assets                    | (5,652)           | (5,416)           | (4,933)         | 0                        | 0             | 0              | 0               | 0               | 0               |
| Amortization of prior service (credit) cost       | 1                 | (10)              | (10)            | (61)                     | (61)          | (62)           | 282             | 285             | 104             |
| Recognized net actuarial loss                     | 1,559             | 1,411             | 1,334           | 312                      | 155           | 0              | 1,080           | 800             | 343             |
| Recognized net actuarial gain due to curtailments | 0                 | 0                 | 0               | 0                        | 0             | (399)          | 0               | 0               | 0               |
| <b>Net periodic benefit (credit) cost</b>         | <b>\$ (2,464)</b> | <b>\$ (1,644)</b> | <b>\$ (673)</b> | <b>\$ 617</b>            | <b>\$ 512</b> | <b>\$ (13)</b> | <b>\$ 2,285</b> | <b>\$ 2,213</b> | <b>\$ 1,513</b> |

Service cost is included in salaries and wages in the Consolidated Statements of Income. The other components of net periodic benefit costs are included in other operating expense in the Consolidated Statements of Income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

| <i>(In thousands)</i>                                                                      | DB Pension Plan    |               |               | Life and Healthcare Plan |                 |                 | SERP Plan         |                 |                 |
|--------------------------------------------------------------------------------------------|--------------------|---------------|---------------|--------------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
|                                                                                            | 2021               | 2020          | 2019          | 2021                     | 2020            | 2019            | 2021              | 2020            | 2019            |
| Net actuarial loss (gain)                                                                  | \$ (8,209)         | \$ 3,899      | \$ 2,776      | \$ (574)                 | \$ 1,340        | \$ 1,218        | \$ (3,002)        | \$ 4,070        | \$ 6,128        |
| Recognized actuarial loss                                                                  | (1,559)            | (1,411)       | (1,334)       | (312)                    | (155)           | 0               | (1,080)           | (800)           | (343)           |
| Prior service credit                                                                       | 0                  | 0             | 0             | 0                        | 0               | (203)           | 0                 | 0               | 2,022           |
| Recognized prior service cost (credit)                                                     | (1)                | 10            | 10            | 61                       | 61              | 62              | (282)             | (285)           | (104)           |
| Prior service cost (credit) recognized due to curtailment                                  | 0                  | 0             | 0             | 0                        | 0               | 399             | 0                 | 0               | 0               |
| Recognized in other comprehensive income (loss)                                            | \$ (9,769)         | \$ 2,498      | \$ 1,452      | \$ (825)                 | \$ 1,246        | \$ 1,476        | \$ (4,364)        | \$ 2,985        | \$ 7,703        |
| <b>Total recognized in net periodic benefit cost and other comprehensive income (loss)</b> | <b>\$ (12,233)</b> | <b>\$ 854</b> | <b>\$ 779</b> | <b>\$ (208)</b>          | <b>\$ 1,758</b> | <b>\$ 1,463</b> | <b>\$ (2,079)</b> | <b>\$ 5,198</b> | <b>\$ 9,216</b> |

Pre-tax amounts recognized as a component of accumulated other comprehensive income (loss) as of year-end that have not been recognized as a component of the Company's combined net periodic benefit cost of the Company's DB Pension Plan, Life and Healthcare Plan and SERPs are presented in the following table.

| <i>(In thousands)</i>       | DB Pension Plan  |                  |                  | Life and Healthcare Plan |                 |                 | SERP Plan        |                  |                  |
|-----------------------------|------------------|------------------|------------------|--------------------------|-----------------|-----------------|------------------|------------------|------------------|
|                             | 2021             | 2020             | 2019             | 2021                     | 2020            | 2019            | 2021             | 2020             | 2019             |
| Net actuarial loss (gain)   | \$ 40,765        | \$ 50,533        | \$ 48,045        | \$ 1,886                 | \$ 2,771        | \$ 1,586        | \$ 10,532        | \$ 14,614        | \$ 11,345        |
| Prior service cost (credit) | 0                | 1                | (9)              | (226)                    | (287)           | (348)           | 1,866            | 2,148            | 2,433            |
| <b>Total</b>                | <b>\$ 40,765</b> | <b>\$ 50,534</b> | <b>\$ 48,036</b> | <b>\$ 1,660</b>          | <b>\$ 2,484</b> | <b>\$ 1,238</b> | <b>\$ 12,398</b> | <b>\$ 16,762</b> | <b>\$ 13,778</b> |

Weighted-average assumptions used in accounting for the plans were as follows:

| (In thousands)                           | DB Pension Plan |        |        | Life and Healthcare Plan |        |        | SERP Plan |        |        |
|------------------------------------------|-----------------|--------|--------|--------------------------|--------|--------|-----------|--------|--------|
|                                          | 2021            | 2020   | 2019   | 2021                     | 2020   | 2019   | 2021      | 2020   | 2019   |
| Discount Rates                           |                 |        |        |                          |        |        |           |        |        |
| Benefit Cost for Plan Year               | 2.24 %          | 3.04 % | 4.08 % | 2.33 %                   | 3.10 % | 4.13 % | 2.37 %    | 3.14 % | 4.16 % |
| Benefit Obligation at End of Plan Year   | 2.63 %          | 2.24 % | 3.04 % | 2.69 %                   | 2.33 % | 3.10 % | 2.71 %    | 2.37 % | 3.14 % |
| Expected long-term return on plan assets | 6.50 %          | 6.75 % | 7.00 % | N/A                      | N/A    | N/A    | N/A       | N/A    | N/A    |
| Rate of compensation increase            |                 |        |        |                          |        |        |           |        |        |
| Benefit Cost for Plan Year               | N/A             | N/A    | N/A    | 4.00 %                   | 4.00 % | 4.00 % | 5.00 %    | 5.00 % | 5.00 % |
| Benefit Obligation at End of Plan Year   | N/A             | N/A    | N/A    | 4.00 %                   | 4.00 % | 4.00 % | 5.00 %    | 5.00 % | 5.00 % |

To develop the expected long-term rate of return on assets assumption for the DB Pension Plan, the Company considered the historical returns and the future expectations for returns for each asset class, as well as target asset allocations of the pension portfolio. Based on this analysis, the Company selected 6.50% as the long-term rate of return on assets assumption.

The discount rates used to determine the Company's DB Pension Plan and other post-retirement benefit obligations as of December 31, 2021, and December 31, 2020, were determined by matching estimated benefit cash flows to a yield curve derived from Citigroup's regular bond yield at December 31, 2021 and December 31, 2020.

Based on the Company's anticipation of future experience under the DB Pension Plan, the mortality tables used to determine future benefit obligations under the plan were updated as of December 31, 2021 to the PRI-2012 Mortality Tables with Mortality Improvement Scale MP 2021. The Company updated this assumption based on the newest improvement table released by The Society of Actuaries as of December 31, 2021. The appropriateness of the assumptions is reviewed annually.

### Cash Flows

Plan assets are amounts that have been segregated and restricted to provide benefits, and include amounts contributed by the Company and amounts earned from investing contributions, less benefits paid. The Company funds the cost of the SERPs and the Life and Healthcare Plan benefits on a pay-as-you-go basis.

The benefits as of December 31, 2021, expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter were as follows:

| (In thousands) | DB Pension Plan |               | Life and Healthcare Plan |              | SERP Plan |               |
|----------------|-----------------|---------------|--------------------------|--------------|-----------|---------------|
|                | \$              |               | \$                       |              | \$        |               |
| 2022           |                 | 4,285         |                          | 485          |           | 808           |
| 2023           |                 | 4,432         |                          | 472          |           | 900           |
| 2024           |                 | 4,511         |                          | 479          |           | 873           |
| 2025           |                 | 4,687         |                          | 474          |           | 856           |
| 2026           |                 | 4,769         |                          | 469          |           | 1,001         |
| 2027-2031      |                 | 24,221        |                          | 2,357        |           | 6,998         |
| <b>Total</b>   | <b>\$</b>       | <b>46,905</b> | <b>\$</b>                | <b>4,736</b> | <b>\$</b> | <b>11,436</b> |

## Plan Assets

The Company's DB Pension Plan's weighted-average asset allocations at December 31, 2021 and 2020, respectively, by asset category are as follows:

|                         | 2021         | 2020         |
|-------------------------|--------------|--------------|
| Equity securities       | 61 %         | 63 %         |
| Debt securities         | 33 %         | 36 %         |
| Other                   | 6 %          | 1 %          |
| <b>Total Allocation</b> | <b>100 %</b> | <b>100 %</b> |

It is the policy of the Trustees to invest the Pension Trust Fund (the "Fund") for total return. The Trustees seek the maximum return consistent with the interests of the participants and beneficiaries and prudent investment management. The management of the Fund's assets is in compliance with the guidelines established in the Company's Pension Plan and Trust Investment Policy, which is reviewed and approved annually by the Tompkins Board of Directors, and the Pension Investment Review Committee.

The intention is for the Fund to be prudently diversified. The Fund's investments will be invested among the fixed income, equity and cash equivalent sectors. The Pension Committee will designate minimum and maximum positions in any of the sectors. In no case shall more than 10% of the Fund assets consist of qualified securities or real estate of the Company. Unless otherwise approved by the Trustees, the following investments are prohibited:

- Restricted stock, private placements, short positions, calls, puts, or margin transactions;
- Commodities, oil and gas properties, real estate properties, or
- Any investment that would constitute a prohibited transaction as described in the Employee Retirement Income Security Act of 1974 ("ERISA"), section 407, 29 U.S.C. 1106.

In general, the investment in debt securities is limited to readily marketable debt securities having a Standard & Poor's rating of "A" or Moody's rating of "A", securities of, or guaranteed by the United States Government or its agencies, or obligations of banks or their holding companies that are rated in the three highest ratings assigned by Fitch Investor Service, Inc. In addition, investments in equity securities must be listed on the NYSE or traded on the national Over The Counter market or listed on the NASDAQ. Cash equivalents generally may be United States Treasury obligations, commercial paper having a Standard & Poor's rating of "A-1" or Moody's National Credit Officer rating of "P-1" or higher.

The major categories of assets in the Company's DB Pension Plan as of year-end are presented in the following table. Assets are segregated by the level of valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value (see Note 19-Fair Value Measurements).

## Fair Value Measurements

### December 31, 2021

| (In thousands)                         | Fair Value 2021  | (Level 1)        | (Level 2)   | (Level 3)   |
|----------------------------------------|------------------|------------------|-------------|-------------|
| Cash and cash equivalents              | \$ 5,472         | \$ 5,472         | \$ 0        | \$ 0        |
| Common stocks                          | 29,227           | 29,227           | 0           | 0           |
| Mutual funds                           | 61,694           | 61,694           | 0           | 0           |
| <b>Total Fair Value of Plan Assets</b> | <b>\$ 96,393</b> | <b>\$ 96,393</b> | <b>\$ 0</b> | <b>\$ 0</b> |

## Fair Value Measurements

### December 31, 2020

| (In thousands)                         | Fair Value 2020  | (Level 1)        | (Level 2)   | (Level 3)   |
|----------------------------------------|------------------|------------------|-------------|-------------|
| Cash and cash equivalents              | \$ 2,417         | \$ 2,417         | \$ 0        | \$ 0        |
| Common stocks                          | 26,422           | 26,422           | 0           | 0           |
| Mutual funds                           | 60,333           | 60,333           | 0           | 0           |
| <b>Total Fair Value of Plan Assets</b> | <b>\$ 89,172</b> | <b>\$ 89,172</b> | <b>\$ 0</b> | <b>\$ 0</b> |

The Company determines the fair value for its pension plan assets using an independent pricing service. The pricing service uses a variety of techniques to determine fair value, including market maker bids, quotes and pricing models. Inputs to the model include recent trades, benchmark interest rates, spreads, and actual and projected cash flows. Based on the inputs used by our independent pricing services, the Company identifies the appropriate level within the fair value hierarchy to report these fair values. U.S. Treasury securities, common stocks and mutual funds are considered Level 1 based on quoted prices in active markets.

The Company has an Employee Stock Ownership Plan (ESOP) and a 401(k) Investment and Stock Ownership Plan (ISOP) covering substantially all employees of the Company. The ESOP allows for Company contributions in the form of common stock of the Company. Annually, the Tompkins Board of Directors determines a profit-sharing payout to its employees in accordance with a performance-based formula. A percentage of the approved amount is paid in Company common stock into the ESOP. Contributions are limited to a maximum amount as stipulated in the ESOP. The remaining percentage is either paid out in cash or deferred into the ISOP at the direction of the employee. Compensation expense related to the profit-sharing totaled \$5.4 million in 2021, \$4.5 million in 2020, and \$4.4 million in 2019.

Under the ISOP, employees may contribute a percentage of their eligible compensation with a Company match of such contributions up to a maximum match of 4%. Participation in the ISOP is contingent upon certain age and service requirements. The Company's expense associated with these matching provisions was \$3.0 million in 2021, \$2.9 million in 2020, and \$2.9 million in 2019.

Life insurance benefits are provided to certain officers of the Company. In connection with these policies, the Company reflects life insurance assets on its Consolidated Statements of Condition of \$86.5 million at December 31, 2021, and \$84.7 million at December 31, 2020. The insurance is carried at its cash surrender value on the Consolidated Statements of Condition. Increases in the cash surrender value of the insurance are reflected as noninterest income, net of any related mortality expense.

The Company provides split dollar life insurance benefits to certain employees. The plan is unfunded and the estimated liability of the plan of \$1.5 million and \$1.7 million is recorded in other liabilities in the Consolidated Statements of Condition at December 31, 2021 and 2020, respectively. Compensation expense related to the split dollar life insurance was approximately \$52,000 in 2021 and \$55,000 in 2020.

## **Note 12 Stock Plans and Stock Based Compensation**

In 2019, the 2009 Tompkins Financial Corporation Equity Plan ("2009 Equity Plan") expired and was replaced by the new Tompkins Financial Corporation 2019 Equity Plan ("2019 Equity Plan"). Under the 2019 Equity Plan, the Company may grant stock appreciation rights ("SARs"), shares of restricted stock and restricted units and performance share awards covering up to 1,275,000 shares of the Company's common stock to certain officers, employees, and nonemployee directors. Additionally, restricted stock awards and restricted units and performance share awards will reduce the shares available for grant under the 2019 Equity Plan by 4.25 shares for each share subject to an award, resulting in a total number of full-value share awards that may be issued under the 2019 Plan to 300,000. Stock options and SARs are granted at an exercise price equal to the stock's fair value at the date of grant, may not have a term in excess of ten years, and have vesting periods that range between five and seven years from the grant date. Options and Stock Appreciation Rights with an expiration date in 2026 have a five-year vesting schedule with zero percent vesting in year one and 25% vesting in years two through five. All other Options and Stock Appreciation Rights have a seven-year vesting schedule with zero percent vesting in year one, 17% vesting in years two through six and 15% vesting in year seven. Restricted stock awards that were granted in 2016, 2017, 2018, 2019, 2020 and 2021 have a five-year vesting schedule with zero percent vesting in year one and 25% vesting in years two through five. All other restricted stock awards have a seven-year vesting schedule with zero percent vesting in year one, 17% vesting in years two through six and 15% vesting in year seven. For Performance Awards, there is a 3-year performance period in the fiscal years immediately following the grant date, at which time the performance goal is measured. If the goal is achieved, the value of the award vests is either immediately payable, or is subject to additional time-based vesting, depending on the terms of the particular executive's award agreement.

The Company granted 67,846 equity awards to its employees in 2021, consisting of 54,151 shares of restricted stock, 5,340 performance share awards and 8,355 restricted stock units. The Company granted 86,411 equity awards to its employees in 2020, consisting of 69,451 shares of restricted stock, 6,545 performance share awards and 10,415 restricted stock units. The Company granted 62,360 equity awards to its employees in 2019, consisting of 49,365 shares of restricted stock, 4,650 performance share awards and 8,345 restricted stock units.

The following table presents the activity related to stock options and SARs under all plans for the year ended December 31, 2021.

|                                         | Number of Shares/Rights | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-----------------------------------------|-------------------------|---------------------------------|---------------------------------------------|---------------------------|
| Outstanding at January 1, 2021          | 144,387                 | \$ 50.61                        |                                             |                           |
| Granted                                 | 0                       | 0.00                            |                                             |                           |
| Exercised                               | (51,771)                | 44.42                           |                                             |                           |
| Forfeited                               | (1,136)                 | 46.28                           |                                             |                           |
| <b>Outstanding at December 31, 2021</b> | <b>91,480</b>           | <b>\$ 54.17</b>                 | <b>3.10</b>                                 | <b>\$ 2,690,855</b>       |
| <b>Exercisable at December 31, 2021</b> | <b>85,821</b>           | <b>\$ 54.03</b>                 | <b>3.05</b>                                 | <b>\$ 2,536,421</b>       |

Total stock-based compensation expense for stock options and SARs was \$151,000 in 2021, \$194,000 in 2020, and \$235,000 in 2019. As of December 31, 2021, unrecognized compensation cost related to unvested stock options and SARs totaled \$40,000. The cost is expected to be recognized over a weighted average period of 0.8 years. Net cash proceeds, tax benefits and intrinsic value related to total stock options, SARs, and restricted stock exercised is as follows:

| <i>(In thousands)</i>                          | 2021     | 2020     | 2019  |
|------------------------------------------------|----------|----------|-------|
| Proceeds from stock option exercises           | \$ (803) | \$ (253) | (992) |
| Tax benefits related to stock option exercises | 355      | 156      | 944   |
| Intrinsic value of stock option exercises      | 1,900    | 570      | 2,460 |

The Company uses the Black-Scholes option-valuation model to determine the fair value of incentive stock options and SARs at the date of grant. The valuation model estimates fair value based on the assumptions for the risk-free rate, expected dividend yield, volatility and expected life. The risk-free rate is the interest rate available on zero-coupon U.S. Treasury instruments with a remaining term equal to the expected term of the share option at the time of grant. The expected dividend yield is based on the dividend trends and the market price of the Company's stock price at grant. Volatility is largely based on historical volatility of the Company's stock price. The expected term is based upon historical experience of employee exercises and terminations as the vesting term of the grants. The fair values of the grants are expensed over the vesting periods. There were no incentive stock options or SARs granted in 2021, 2020 and 2019.

#### December 31, 2021

| Options and SARs Outstanding |                    |                                             |                                 | Options and SARs Exercisable |                                 |  |
|------------------------------|--------------------|---------------------------------------------|---------------------------------|------------------------------|---------------------------------|--|
| Range of Exercise Prices     | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable           | Weighted Average Exercise Price |  |
| \$37.51-41.00                | 17,034             | 1.27                                        | \$ 40.60                        | 17,034                       | \$ 40.60                        |  |
| \$41.01-50.00                | 33,763             | 2.79                                        | \$ 49.22                        | 33,763                       | \$ 49.22                        |  |
| \$50.01-76.90                | 40,461             | 4.11                                        | \$ 63.84                        | 34,802                       | \$ 65.07                        |  |
| \$76.91-86.18                | 222                | 4.89                                        | \$ 86.18                        | 222                          | \$ 86.18                        |  |
|                              | <b>91,480</b>      | <b>3.10</b>                                 | <b>\$ 54.17</b>                 | <b>85,821</b>                | <b>\$ 54.03</b>                 |  |

The following table presents activity related to restricted stock awards and restricted stock units for the year ended December 31, 2021.

|                                      | Number of Shares | Weighted Average Grant Date Fair Value |
|--------------------------------------|------------------|----------------------------------------|
| Unvested at January 1, 2021          | 254,989          | \$ 70.55                               |
| Granted                              | 67,846           | 83.97                                  |
| Vested                               | (71,907)         | 72.67                                  |
| Forfeited                            | (9,018)          | 70.10                                  |
| <b>Unvested at December 31, 2021</b> | <b>241,910</b>   | <b>\$ 71.60</b>                        |

The Company granted 54,151 restricted stock awards, 8,355 restricted stock units and 5,340 performance share awards in 2021, each at an average grant date fair value of \$83.97. The Company granted 69,451 restricted stock awards, 10,415 restricted stock units and 6,545 performance share awards in 2020, each at an average grant date fair value of \$63.44. The Company granted 49,365 restricted stock awards, 8,345 restricted stock units and 4,650 performance share awards in 2019 at an average grant date fair value of \$89.21. The grant date fair values were the closing prices of the Company's common stock on the grant dates. The Company recognized stock-based compensation related to restricted stock awards, restricted stock units, and performance share awards of \$5.4 million in 2021, \$4.7 million in 2020, and \$4.0 million in 2019. Unrecognized compensation costs related to restricted stock and performance awards totaled \$11.5 million, and restricted stock units totaled \$1.4 million at December 31, 2021 and will be recognized over 3.5 years and 4.1 years, respectively on a weighted average basis.

### Note 13 Other Noninterest Income and Expense

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

| (In thousands)                                                     | Year ended December 31, |                  |                  |
|--------------------------------------------------------------------|-------------------------|------------------|------------------|
|                                                                    | 2021                    | 2020             | 2019             |
| <b>NONINTEREST INCOME</b>                                          |                         |                  |                  |
| Other service charges                                              | \$ 2,826                | \$ 2,835         | \$ 3,166         |
| Increase in cash surrender value of corporate owned life insurance | 1,879                   | 2,188            | 2,164            |
| Net gain on sale of loans                                          | 943                     | 2,054            | 227              |
| Other miscellaneous income                                         | 1,555                   | 1,740            | 2,859            |
| <b>Total other noninterest income</b>                              | <b>\$ 7,203</b>         | <b>\$ 8,817</b>  | <b>\$ 8,416</b>  |
| <b>NONINTEREST EXPENSES</b>                                        |                         |                  |                  |
| Marketing expense                                                  | \$ 4,319                | \$ 4,750         | \$ 4,856         |
| Professional fees                                                  | 6,909                   | 6,054            | 8,942            |
| Technology expense                                                 | 11,747                  | 11,791           | 10,666           |
| Cardholder expense                                                 | 3,532                   | 3,252            | 3,238            |
| FDIC insurance                                                     | 2,758                   | 2,398            | 773              |
| Legal expense                                                      | 1,190                   | 1,199            | 1,200            |
| Penalties on prepayment of FHLB borrowings                         | 2,929                   | 0                | 0                |
| Other miscellaneous expenses                                       | 13,869                  | 15,285           | 16,574           |
| <b>Total other noninterest expenses</b>                            | <b>\$ 47,253</b>        | <b>\$ 44,729</b> | <b>\$ 46,249</b> |

### Note 14 Revenue Recognition

As stated in Note 1 - "Summary of Significant Accounting Policies," the Company adopted ASU No. 2014-09 "Revenue from Contracts with Customers" (ASC 606) and all subsequent ASUs that modified ASC 606 on January 1, 2018. ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain

noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. ASC 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of ASC 606.

#### ***Insurance Commissions and Fees***

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

#### ***Trust & Asset Management***

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

#### ***Mutual Fund & Investment Income***

Mutual fund and investment income consists of other recurring revenue streams such as commissions from sales of mutual funds and other investments, 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 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 presents noninterest income, segregated by revenue streams in-scope and out-of-scope of ASC 606, for the years ended December 31, 2021, 2020, and 2019.

| <i>(In thousands)</i>                        | 2021      | Year Ended<br>2020 | 2019      |
|----------------------------------------------|-----------|--------------------|-----------|
| <b>Noninterest Income</b>                    |           |                    |           |
| <i>In-scope of Topic 606:</i>                |           |                    |           |
| Insurance Revenues                           | \$ 34,836 | \$ 31,505          | \$ 31,091 |
| Investment Service Income                    | 19,388    | 17,520             | 16,434    |
| Service Charges on Deposit Accounts          | 6,347     | 6,312              | 8,321     |
| Card Services Income                         | 10,826    | 9,263              | 10,526    |
| Other                                        | 1,204     | 1,146              | 1,183     |
| Noninterest Income (in-scope of ASC 606)     | 72,601    | 65,746             | 67,555    |
| Noninterest Income (out-of-scope of ASC 606) | 6,248     | 8,114              | 7,878     |
| Total Noninterest Income                     | \$ 78,849 | \$ 73,860          | \$ 75,433 |

### 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 amounted to \$6.0 million and \$2.3 million, respectively, at December 31, 2021, compared to \$5.2 million and \$2.2 million, respectively, at December 31, 2020. Additionally, the Company had contract assets related to contingent income of \$3.0 million, and \$2.5 million, respectively, related to period end 2021, and 2020, and contract liabilities of \$1.7 million for year end 2021 and \$2.0 million for year end 2020.

### 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.

# **Note 15 Income Taxes**

The income tax expense (benefit) attributable to income from operations is summarized as follows:

| <i>(In thousands)</i> | Current   | Deferred   | Total     |
|-----------------------|-----------|------------|-----------|
| <b>2021</b>           |           |            |           |
| Federal               | \$ 19,345 | \$ 1,485   | \$ 20,830 |
| State                 | 4,039     | 313        | 4,352     |
| <b>Total</b>          | \$ 23,384 | \$ 1,798   | \$ 25,182 |
| <b>2020</b>           |           |            |           |
| Federal               | \$ 22,199 | \$ (5,247) | \$ 16,952 |
| State                 | 4,009     | (1,037)    | 2,972     |
| <b>Total</b>          | \$ 26,208 | \$ (6,284) | \$ 19,924 |
| <b>2019</b>           |           |            |           |
| Federal               | \$ 15,161 | \$ 2,668   | \$ 17,829 |
| State                 | 2,782     | 405        | 3,187     |
| <b>Total</b>          | \$ 17,943 | \$ 3,073   | \$ 21,016 |

The primary reasons for the differences between income tax expense and the amount computed by applying the statutory federal income tax rate to earnings are as follows:

|                                                | 2021          | 2020          | 2019          |
|------------------------------------------------|---------------|---------------|---------------|
| Statutory federal income tax rate              | 21.0 %        | 21.0 %        | 21.0 %        |
| State income taxes, net of federal benefit     | 3.0           | 2.4           | 2.5           |
| Tax exempt income                              | (1.2)         | (1.8)         | (1.5)         |
| Excess benefits from equity-based compensation | (0.5)         | (0.2)         | (0.8)         |
| Bank-owned life insurance income               | (0.4)         | (0.5)         | (0.5)         |
| Federal tax credit                             | 0.0           | (0.4)         | (0.7)         |
| All other                                      | 0.1           | (0.1)         | 0.5           |
| <b>Total</b>                                   | <b>22.0 %</b> | <b>20.4 %</b> | <b>20.5 %</b> |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31 were as follows:

| <i>(In thousands)</i>                                     | 2021             | 2020              |
|-----------------------------------------------------------|------------------|-------------------|
| Deferred tax assets:                                      |                  |                   |
| Allowance for credit losses                               | \$ 11,160        | \$ 13,095         |
| Lease liability                                           | 7,277            | 7,858             |
| Interest income on nonperforming loans                    | 470              | 500               |
| Compensation and benefits                                 | 12,303           | 11,580            |
| Purchase accounting adjustments                           | 360              | 0                 |
| Liabilities held at fair value                            | 21               | 20                |
| Deferred loan fees and costs                              | 1,664            | 1,783             |
| Other                                                     | 1,017            | 1,097             |
| <b>Total</b>                                              | <b>\$ 34,272</b> | <b>\$ 35,933</b>  |
| Deferred tax liabilities:                                 |                  |                   |
| Prepaid pension                                           | 10,875           | 10,254            |
| Right of use asset                                        | 7,092            | 7,270             |
| Depreciation                                              | 3,586            | 3,735             |
| Intangibles                                               | 1,401            | 1,266             |
| Purchase accounting adjustments                           | 0                | 5                 |
| Leases                                                    | 1,985            | 2,425             |
| Other                                                     | 1,657            | 1,504             |
| <b>Total deferred tax liabilities</b>                     | <b>\$ 26,596</b> | <b>\$ 26,459</b>  |
| <b>Net deferred tax asset at year-end</b>                 | <b>7,676</b>     | <b>9,474</b>      |
| <b>Net deferred tax asset at beginning of year</b>        | <b>9,474</b>     | <b>3,776</b>      |
| (Decrease) increase in net deferred tax asset             | (1,798)          | 5,698             |
| CECL accounting standard adoption recorded through equity | 0                | 586               |
| <b>Deferred tax expense</b>                               | <b>\$ 1,798</b>  | <b>\$ (6,284)</b> |

The above analysis does not include recorded deferred tax assets (liabilities) of \$4.7 million and \$(6.7) million as of December 31, 2021 and 2020, respectively, related to net unrealized holdings losses/(gains) in the available-for-sale debt securities portfolio. In addition, the analysis excludes recorded deferred tax assets of \$13.4 million and \$17.1 million, as of December 31, 2021 and 2020, respectively, related to employee benefit plans.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance was necessary at December 31, 2021 and 2020.

At December 31, 2021 the Company had an insignificant amount of ASC 740-10 unrecognized tax benefits. At December 31, 2020, the Company had no ASC 740-10 unrecognized tax benefits. The Company does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. The Company recognizes interest and penalties on unrecognized tax benefits in income tax expense in its Consolidated Statements of Income.

The Company is subject to U.S. federal income tax and income tax in New York and various state jurisdictions. All tax years ending after December 31, 2017 are open to examination by the taxing authorities.

**Note 16 Other Comprehensive Income (Loss)**

The tax effect allocated to each component of other comprehensive income (loss) were as follows:

| <b>December 31, 2021</b>                                                                                 | <b>Before-Tax<br/>Amount</b> | <b>Tax (Expense)<br/>Benefit</b> | <b>Net of Tax</b>  |
|----------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|--------------------|
| <i>(In thousands)</i>                                                                                    |                              |                                  |                    |
| <b>Available-for-sale debt securities:</b>                                                               |                              |                                  |                    |
| Change in net unrealized (loss) gain during the period                                                   | \$ (46,301)                  | \$ 11,340                        | \$ (34,961)        |
| Reclassification adjustment for net realized gain on sale included in available-for-sale debt securities | (275)                        | 67                               | (208)              |
| Net unrealized losses                                                                                    | (46,576)                     | 11,407                           | (35,169)           |
| <b>Employee benefit plans:</b>                                                                           |                              |                                  |                    |
| Net retirement plan gain ( loss)                                                                         | 11,785                       | (2,887)                          | 8,898              |
| Amortization of net retirement plan actuarial gain                                                       | 2,951                        | (723)                            | 2,228              |
| Amortization of net retirement plan prior service (cost) credit                                          | 221                          | (54)                             | 167                |
| Employee benefit plans                                                                                   | 14,957                       | (3,664)                          | 11,293             |
| <b>Other comprehensive loss</b>                                                                          | <b>\$ (31,619)</b>           | <b>\$ 7,743</b>                  | <b>\$ (23,876)</b> |

| <b>December 31, 2020</b>                                                                                 | <b>Before-Tax<br/>Amount</b> | <b>Tax (Expense)<br/>Benefit</b> | <b>Net of Tax</b> |
|----------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|-------------------|
| <i>(In thousands)</i>                                                                                    |                              |                                  |                   |
| <b>Available-for-sale debt securities:</b>                                                               |                              |                                  |                   |
| Change in net unrealized gain during the period                                                          | \$ 22,381                    | \$ (5,487)                       | \$ 16,894         |
| Reclassification adjustment for net realized loss on sale included in available-for-sale debt securities | (430)                        | 106                              | (324)             |
| Net unrealized gains                                                                                     | 21,951                       | (5,381)                          | 16,570            |
| <b>Employee benefit plans:</b>                                                                           |                              |                                  |                   |
| Net retirement plan loss                                                                                 | (9,309)                      | 2,281                            | (7,028)           |
| Amortization of net retirement plan actuarial gain                                                       | 2,366                        | (580)                            | 1,786             |
| Amortization of net retirement plan prior service (cost) credit                                          | 214                          | (52)                             | 162               |
| Employee benefit plans                                                                                   | (6,729)                      | 1,649                            | (5,080)           |
| <b>Other comprehensive income</b>                                                                        | <b>\$ 15,222</b>             | <b>\$ (3,732)</b>                | <b>\$ 11,490</b>  |

| December 31, 2019                                                                                        | Before-Tax<br>Amount | Tax (Expense)<br>Benefit | Net of Tax       |
|----------------------------------------------------------------------------------------------------------|----------------------|--------------------------|------------------|
| <i>(In thousands)</i>                                                                                    |                      |                          |                  |
| <b>Available-for-sale debt securities:</b>                                                               |                      |                          |                  |
| Change in net unrealized loss during the period                                                          | \$ 33,431            | \$ (8,190)               | \$ 25,241        |
| Unrealized gains on HTM securities transferred to AFS debt securities                                    | 3,777                | (925)                    | 2,852            |
| Reclassification adjustment for net realized loss on sale included in available-for-sale debt securities | (616)                | 151                      | (465)            |
| Net unrealized gains                                                                                     | 36,592               | (8,964)                  | 27,628           |
| <b>Employee benefit plans:</b>                                                                           |                      |                          |                  |
| Net retirement plan loss                                                                                 | (10,122)             | 2,480                    | (7,642)          |
| Net actuarial gain due to curtailment                                                                    | (399)                | 97                       | (302)            |
| Net retirement plan prior service credit                                                                 | (1,819)              | 446                      | (1,373)          |
| Amortization of net retirement plan actuarial gain                                                       | 1,677                | (411)                    | 1,266            |
| Amortization of net retirement plan prior service (cost) credit                                          | 32                   | (8)                      | 24               |
| Employee benefit plans                                                                                   | (10,631)             | 2,604                    | (8,027)          |
| <b>Other comprehensive income</b>                                                                        | <b>\$ 25,961</b>     | <b>\$ (6,360)</b>        | <b>\$ 19,601</b> |

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

| <i>(In thousands)</i>               | Available-for-Sale<br>Debt<br>Securities | Employee Benefit<br>Plans | Accumulated Other<br>Comprehensive<br>Income (loss) |
|-------------------------------------|------------------------------------------|---------------------------|-----------------------------------------------------|
| Balance at January 1, 2019          | \$ (23,589)                              | \$ (39,576)               | \$ (63,165)                                         |
| Other comprehensive income (loss)   | 27,628                                   | (8,027)                   | 19,601                                              |
| <b>Balance at December 31, 2019</b> | <b>\$ 4,039</b>                          | <b>\$ (47,603)</b>        | <b>\$ (43,564)</b>                                  |
| Balance at January 1, 2020          | 4,039                                    | (47,603)                  | (43,564)                                            |
| Other comprehensive income (loss)   | 16,570                                   | (5,080)                   | 11,490                                              |
| <b>Balance at December 31, 2020</b> | <b>\$ 20,609</b>                         | <b>\$ (52,683)</b>        | <b>\$ (32,074)</b>                                  |
| Balance at January 1, 2021          | 20,609                                   | (52,683)                  | (32,074)                                            |
| Other comprehensive income (loss)   | (35,169)                                 | 11,293                    | (23,876)                                            |
| <b>Balance at December 31, 2021</b> | <b>\$ (14,560)</b>                       | <b>\$ (41,390)</b>        | <b>\$ (55,950)</b>                                  |

**December 31, 2021**

| Details about Accumulated other Comprehensive Income Components (in thousands) | Amount Reclassified from Accumulated Other Comprehensive (Loss) <sup>1</sup> | Affected Line Item in the Statement Where Net Income is Presented |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Available-for-sale debt securities:</b>                                     |                                                                              |                                                                   |
| Unrealized gains and losses on available-for-sale debt securities              | \$ 275                                                                       | Net gain on securities transactions                               |
|                                                                                | (67)                                                                         | Tax expense                                                       |
|                                                                                | 208                                                                          | Net of tax                                                        |
| <b>Employee benefit plans:</b>                                                 |                                                                              |                                                                   |
| Amortization of the following <sup>2</sup>                                     |                                                                              |                                                                   |
| Net retirement plan actuarial gain                                             | (2,951)                                                                      | Other operating expense                                           |
| Net retirement plan prior service credit                                       | (221)                                                                        | Other operating expense                                           |
|                                                                                | (3,172)                                                                      | Total before tax                                                  |
|                                                                                | 777                                                                          | Tax benefit                                                       |
|                                                                                | \$ (2,395)                                                                   | Net of tax                                                        |

**December 31, 2020**

| Details about Accumulated other Comprehensive Income Components (in thousands) | Amount Reclassified from Accumulated Other Comprehensive (Loss) <sup>1</sup> | Affected Line Item in the Statement Where Net Income is Presented |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Available-for-sale debt securities:</b>                                     |                                                                              |                                                                   |
| Unrealized gains and losses on available-for-sale debt securities              | \$ 430                                                                       | Net gain on securities transactions                               |
|                                                                                | (106)                                                                        | Tax benefit                                                       |
|                                                                                | 324                                                                          | Net of tax                                                        |
| <b>Employee benefit plans:</b>                                                 |                                                                              |                                                                   |
| Amortization of the following <sup>2</sup>                                     |                                                                              |                                                                   |
| Net retirement plan actuarial gain                                             | (2,366)                                                                      | Other operating expense                                           |
| Net retirement plan prior service credit                                       | (214)                                                                        | Other operating expense                                           |
|                                                                                | (2,580)                                                                      | Total before tax                                                  |
|                                                                                | 632                                                                          | Tax benefit                                                       |
|                                                                                | \$ (1,948)                                                                   | Net of tax                                                        |

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

<sup>2</sup> The accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (See Note 11 - "Employee Benefit Plans").

**Note 17 Commitments and Contingent Liabilities**

The Company, in the normal course of business, is a party to financial instruments with off-balance-sheet risk to meet the financial needs of its customers. These financial instruments include loan commitments, standby letters of credit, and unused portions of lines of credit. The contract, or notional amount, of these instruments represents the Company's involvement in particular classes of financial instruments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the Consolidated Statements of Condition.

The Company's maximum potential obligations to extend credit for loan commitments (unfunded loans, unused lines of credit, and standby letters of credit) outstanding on December 31 were as follows:

| <i>(In thousands)</i>                  | 2021                | 2020                |
|----------------------------------------|---------------------|---------------------|
| Loan commitments                       | \$ 176,510          | \$ 144,593          |
| Standby letters of credit              | 39,773              | 31,441              |
| Undisbursed portion of lines of credit | 911,694             | 830,930             |
| <b>Total</b>                           | <b>\$ 1,127,977</b> | <b>\$ 1,006,964</b> |

Commitments to extend credit (including lines of credit) are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. 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 December 31, 2021, the Company's maximum potential obligation under standby letters of credit was \$39.8 million. Management uses the same credit policies in making commitments to extend credit and standby letters of credit as are used for on-balance-sheet lending decisions. Based upon management's evaluation of the counterparty, the Company may require collateral to support commitments to extend credit and standby letters of credit. The credit risk amounts are equal to the contractual amounts, assuming the amounts are fully advanced and collateral or other security is of no value. The Company does not anticipate losses as a result of these transactions. These commitments also have off-balance-sheet interest-rate risk, in that the interest rate at which these commitments were made may not be at market rates on the date the commitments are fulfilled. Since some commitments and standby letters of credit are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements.

The Company may also have rate lock agreements associated with mortgage loans to be sold in the secondary market (certain of which relate to loan applications for which no formal commitment has been made). The amount of rate lock agreements at December 31, 2021 were immaterial. In order to limit the interest rate risk associated with rate lock agreements, as well as the interest rate risk associated with mortgages held for sale, if any, the Company enters into agreements to sell loans in the secondary market to unrelated investors on a loan-by-loan basis. At December 31, 2021, the Company had approximately \$205,000 of commitments to sell mortgages to unrelated investors on a loan-by-loan basis.

In the normal course of business, the Company is involved in various legal proceedings, investigations, and administrative proceedings. Civil litigation may range from individual actions involving a single plaintiff to putative class action lawsuits with potentially thousands of class members. Investigations may involve both formal and informal proceedings, by both government agencies and self-regulatory bodies. Based on information presently known to us, we do not believe there is any matter to which we are a party, or involving any of our properties, that individually or in the aggregate, would reasonably be expected to have a material adverse effect on our financial statements.

## Note 18 Earnings Per Share

Calculation of basic earnings per share (Basic EPS) and diluted earnings per share (Diluted EPS) is shown below.

| <i>(In thousands, except share and per share data)</i>                                  | Year ended December 31, |            |            |
|-----------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                         | 2021                    | 2020       | 2019       |
| <b>Basic</b>                                                                            |                         |            |            |
| Net income available to common shareholders                                             | \$ 89,264               | \$ 77,588  | \$ 81,718  |
| Less: income attributable to unvested stock-based compensation awards                   | (615)                   | (857)      | (1,306)    |
| Net earnings allocated to common shareholders                                           | 88,649                  | 76,731     | 80,412     |
| Weighted average shares outstanding, including unvested stock-based compensation awards | 14,798,447              | 14,933,990 | 15,149,535 |
| Less: average unvested stock-based compensation awards                                  | (229,684)               | (230,600)  | (242,478)  |
| Weighted average shares outstanding - Basic                                             | 14,568,763              | 14,703,390 | 14,907,057 |
| <b>Diluted</b>                                                                          |                         |            |            |
| Net earnings allocated to common shareholders                                           | 88,649                  | 76,731     | 80,412     |
| Weighted average shares outstanding - Basic                                             | 14,568,763              | 14,703,390 | 14,907,057 |
| Plus: incremental shares from assumed conversion of stock-based compensation awards     | 79,404                  | 38,650     | 66,894     |
| Weighted average shares outstanding - Diluted                                           | 14,648,167              | 14,742,040 | 14,973,951 |
| Basic EPS                                                                               | \$ 6.08                 | \$ 5.22    | \$ 5.39    |
| Diluted EPS                                                                             | \$ 6.05                 | \$ 5.20    | \$ 5.37    |

Stock-based compensation awards representing 4,984, 7,591, and 14,982 common shares for 2021, 2020, and 2019, respectively, were not included in the computations of diluted earnings per common share because the effect on those periods would have been antidilutive.

## Note 19 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).

The three levels of the fair value hierarchy are:

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

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

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

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020 segregated by the level of valuation inputs within the fair value hierarchy used to measure fair value.

**Recurring Fair Value Measurements  
December 31, 2021**

| <i>(In thousands)</i>                                 | <b>Fair Value</b> | <b>(Level 1)</b> | <b>(Level 2)</b> | <b>(Level 3)</b> |
|-------------------------------------------------------|-------------------|------------------|------------------|------------------|
| <b>Available-for-sale debt securities</b>             |                   |                  |                  |                  |
| U.S. Treasuries                                       | \$ 157,834        | \$ 0             | \$ 157,834       | 0                |
| Obligations of U.S. Government sponsored entities     | 832,373           | 0                | 832,373          | 0                |
| Obligations of U.S. states and political subdivisions | 104,169           | 0                | 104,169          | 0                |
| Mortgage-backed securities - residential, issued by   |                   |                  |                  |                  |
| U.S. Government agencies                              | 77,157            | 0                | 77,157           | 0                |
| U.S. Government sponsored entities                    | 870,556           | 0                | 870,556          | 0                |
| U.S. corporate debt securities                        | 2,424             | 0                | 2,424            | 0                |
| Total Available-for-sale debt securities              | \$ 2,044,513      | \$ 0             | \$ 2,044,513     | 0                |
| Equity securities                                     | \$ 902            | \$ 0             | \$ 0             | 902              |

The change in the fair value of the \$902,000 of equity securities valued using significant unobservable inputs (level 3), between January 1, 2021 and December 31, 2021 was immaterial.

**Recurring Fair Value Measurements  
December 31, 2020**

| <i>(In thousands)</i>                                 | <b>Fair Value</b> | <b>(Level 1)</b> | <b>(Level 2)</b> | <b>(Level 3)</b> |
|-------------------------------------------------------|-------------------|------------------|------------------|------------------|
| <b>Available-for-sale debt securities</b>             |                   |                  |                  |                  |
| Obligations of U.S. Government sponsored entities     | \$ 607,480        | \$ 0             | \$ 607,480       | 0                |
| Obligations of U.S. states and political subdivisions | 129,746           | 0                | 129,746          | 0                |
| Mortgage-backed securities - residential, issued by   |                   |                  |                  |                  |
| U.S. Government agencies                              | 182,108           | 0                | 182,108          | 0                |
| U.S. Government sponsored entities                    | 705,480           | 0                | 705,480          | 0                |
| U.S. corporate debt securities                        | 2,379             | 0                | 2,379            | 0                |
| Total Available-for-sale debt securities              | \$ 1,627,193      | \$ 0             | \$ 1,627,193     | 0                |
| Equity securities                                     | \$ 929            | \$ 0             | \$ 0             | 929              |

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 matrix pricing methodology, which uses comprehensive interest rate tables to determine market price, movement and yield relationships. For miscellaneous equity securities, carrying value is cost. These securities are reviewed periodically to determine if there are any events or changes in circumstances that would adversely affect their value.

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 pricing service uses a variety of techniques to determine fair value, including market maker bids, quotes and pricing models. Inputs to the model include recent trades, benchmark interest rates, spreads, and actual and projected cash flows. The Company reviews the prices supplied by the independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, the Company's investment portfolio consists of traditional investments, nearly all of which are U.S. Treasury obligations, federal agency bullet or mortgage pass-through securities, or general obligation municipal bonds. Pricing for such instruments is fairly generic and is easily obtained. Quarterly, the Company will validate prices supplied by the independent

pricing service by comparing to prices obtained from a second third-party source. Based on the inputs used by our independent pricing services, the Company identifies the appropriate level within the fair value hierarchy to report these fair values.

Certain assets are measured at fair value on a nonrecurring basis, that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. For the Company, these include loans held for sale, collateral dependent individually evaluated loans, other real estate owned, goodwill and other intangible assets. During 2021, certain collateral dependent individually evaluated loans and other real estate owned at December 31, 2021, were adjusted down to fair value. Collateral values are estimated using Level 3 inputs based upon observable market data. Real estate values are generally valued using independent appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally available in the market.

| <i>(In thousands)</i>        |                     | Fair value measurements at reporting date using:                        |                                                     |                                                 |                          | Gain (losses) from<br>fair value changes |
|------------------------------|---------------------|-------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|--------------------------|------------------------------------------|
| Assets:                      | As of<br>12/31/2021 | Quoted prices in active<br>markets for identical<br>assets<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) | Year ended<br>12/31/2021 |                                          |
| Individually evaluated loans | \$ 5,456            | \$ 0                                                                    | \$ 0                                                | \$ 5,456                                        | \$                       | (7,107)                                  |
| Other real estate owned      | 46                  | 0                                                                       | 0                                                   | 46                                              |                          | (8)                                      |

| <i>(In thousands)</i>        |                     | Fair value measurements at reporting date using:                        |                                                     |                                                 |                          | Gain (losses) from<br>fair value changes |
|------------------------------|---------------------|-------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|--------------------------|------------------------------------------|
| Assets:                      | As of<br>12/31/2020 | Quoted prices in active<br>markets for identical<br>assets<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant unobservable<br>inputs<br>(Level 3) | Year ended<br>12/31/2020 |                                          |
| Individually evaluated loans | \$ 22,171           | \$ 0                                                                    | \$ 22,171                                           | \$ 0                                            | \$                       | (1,855)                                  |
| Other real estate owned      | 88                  | 0                                                                       | 88                                                  | 0                                               |                          | (35)                                     |

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2021 and 2020. The carrying amounts shown in the table are included in the Consolidated Statements of Condition under the indicated captions. 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. generally accepted accounting principles and does not always incorporate the exit-price concept of fair value prescribed by ASC Topic 820-10 and should be read in conjunction with the financial statements and notes included in this Report.

### Estimated Fair Value of Financial Instruments

#### December 31, 2021

| <i>(In thousands)</i>                          | Carrying Amount | Fair Value | (Level 1) | (Level 2)  | (Level 3) |
|------------------------------------------------|-----------------|------------|-----------|------------|-----------|
| Financial Assets:                              |                 |            |           |            |           |
| Cash and cash equivalents                      | \$ 63,107       | \$ 63,107  | \$ 63,107 | \$ 0       | \$ 0      |
| Securities - held-to-maturity                  | 284,009         | 282,288    | 0         | 282,288    | 0         |
| FHLB and ACBB stock                            | 10,996          | 10,996     | 0         | 10,996     | 0         |
| Accrued interest receivable                    | 22,597          | 22,597     | 0         | 22,597     | 0         |
| Loans and leases, net <sup>1</sup>             | 5,032,624       | 5,028,734  | 0         | 0          | 5,028,734 |
| Financial Liabilities:                         |                 |            |           |            |           |
| Time deposits                                  | \$ 639,674      | \$ 641,517 | \$ 0      | \$ 641,517 | \$ 0      |
| Other deposits                                 | 6,151,761       | 6,151,761  | 0         | 6,151,761  | 0         |
| Securities sold under agreements to repurchase | 66,787          | 66,787     | 0         | 66,787     | 0         |
| Other borrowings                               | 124,000         | 125,700    | 0         | 125,700    | 0         |
| Accrued interest payable                       | 901             | 901        | 0         | 901        | 0         |

<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.

### Estimated Fair Value of Financial Instruments

#### December 31, 2020

| <i>(In thousands)</i>                          | Carrying Amount | Fair Value | (Level 1)  | (Level 2)  | (Level 3) |
|------------------------------------------------|-----------------|------------|------------|------------|-----------|
| Financial Assets:                              |                 |            |            |            |           |
| Cash and cash equivalents                      | \$ 388,462      | \$ 388,462 | \$ 388,462 | \$ 0       | \$ 0      |
| FHLB and ACBB stock                            | 16,382          | 16,382     | 0          | 16,382     | 0         |
| Accrued interest receivable                    | 32,025          | 32,025     | 0          | 32,025     | 0         |
| Loans and leases, net <sup>1</sup>             | 5,208,658       | 5,226,301  | 0          | 22,171     | 5,204,130 |
| Financial Liabilities:                         |                 |            |            |            |           |
| Time deposits                                  | \$ 746,234      | \$ 753,045 | \$ 0       | \$ 753,045 | \$ 0      |
| Other deposits                                 | 5,691,518       | 5,691,518  | 0          | 5,691,518  | 0         |
| Securities sold under agreements to repurchase | 65,845          | 65,845     | 0          | 65,845     | 0         |
| Other borrowings                               | 265,000         | 274,238    | 0          | 274,238    | 0         |
| Trust preferred debentures                     | 13,220          | 18,483     | 0          | 18,483     | 0         |
| Accrued interest payable                       | 1,727           | 1,727      | 0          | 1,727      | 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 and FRB Stock***

The carrying amount of FHLB and FRB stock approximates fair value. If the stock is redeemed, the Company will receive an amount equal to the par value of the stock.

***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 and leases held for sale were determined based upon contractual prices for loans and leases 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.

***Trust Preferred Debentures***

The fair value of the trust preferred debentures has been estimated using a discounted cash flow analysis which uses a discount factor of a market spread over current interest rates for similar instruments.

**Note 20 Regulations and Supervision**

***Capital Requirements:***

The Company and its subsidiary banks 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 (set forth in the table below) of common equity Tier I capital, total capital and Tier I capital to risk-weighted assets (as defined in the regulation), and of Tier I capital to average assets (as defined in the regulation). Management believes that the Company and its subsidiary banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2021, the most recent notifications from Federal bank regulatory agencies categorized the Company's subsidiary banks as "well capitalized" under the regulatory framework for PCA. To be categorized as well capitalized, the Company and its subsidiary banks must maintain total risk-based, Tier 1 risk-based, common equity Tier 1 capital and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the capital category of the Company or its subsidiary banks.

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

year transition in total). In connection with our adoption of CECL on January 1, 2020, we elected to utilize the five-year CECL transition.

The following table presents actual and required capital ratios as of December 31, 2021 and December 31, 2020 for Tompkins and its four banking subsidiaries. The minimum capital amounts required under Basel III includes the capital conservation buffer of 2.5%, which must be added to each of the minimum required risk-based capital ratios (Total capital to risk-weighted assets, Common equity Tier 1 capital to risk weighted assets and Tier 1 capital to risk weighted assets). Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

Actual capital amounts and ratios of the Company and its subsidiary banks are as follows:

|                                                        | Actual           | Minimum Capital Required-<br>Basel III Fully-Phased-In | Required<br>to be Considered<br>Well Capitalized |
|--------------------------------------------------------|------------------|--------------------------------------------------------|--------------------------------------------------|
| <i>(dollar amounts in thousands)</i>                   | Amount/Ratio     | Amount/Ratio                                           | Amount/Ratio                                     |
| <b>December 31, 2021</b>                               |                  |                                                        |                                                  |
| Total Capital (to risk-weighted assets)                |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$735,187 /14.2% | \$524,345/>10.5%                                       | \$516,519/>10.0%                                 |
| Trust Company                                          | \$219,976/14.8%  | \$156,631/>10.5%                                       | \$149,172/>10.0%                                 |
| Castile                                                | \$160,757/12.2%  | \$138,104/>10.5%                                       | \$131,527/>10.0%                                 |
| Mahopac                                                | \$136,247/12.7%  | \$112,649/>10.5%                                       | \$107,285/>10.0%                                 |
| VIST                                                   | \$173,889/13.6%  | \$134,403/>10.5%                                       | \$128,003/>10.0%                                 |
| Common Equity Tier 1 Capital (to risk-weighted assets) |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$688,425/13.3%  | \$361,563/>7.0%                                        | \$335,737/>6.5%                                  |
| Trust Company                                          | \$207,632/13.9%  | \$104,421/>7.0%                                        | \$96,962/>6.5%                                   |
| Castile                                                | \$149,154/11.3%  | \$92,069/>7.0%                                         | \$85,493/>6.5%                                   |
| Mahopac                                                | \$126,718/11.8%  | \$75,100/>7.0%                                         | \$69,735/>6.5%                                   |
| VIST                                                   | \$163,145/12.8%  | \$89,602/>7.0%                                         | \$83,202/>6.5%                                   |
| Tier 1 Capital (to risk-weighted assets)               |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$688,425/13.3%  | \$439,041/>8.5%                                        | \$413,215/>8.0%                                  |
| Trust Company                                          | \$207,632/13.9%  | \$126,797/>8.5%                                        | \$119,338/>8.0%                                  |
| Castile                                                | \$149,154/11.3%  | \$111,798/>8.5%                                        | \$105,222/>8.0%                                  |
| Mahopac                                                | \$126,718/11.8%  | \$91,192/>8.5%                                         | \$85,282/>8.0%                                   |
| VIST                                                   | \$163,145/12.8%  | \$108,803/>8.5%                                        | \$102,403/>8.0%                                  |
| Tier 1 Capital (to average assets)                     |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$688,425/8.7%   | \$315,820/>4.0%                                        | \$394,775/>5.0%                                  |
| Trust Company                                          | \$207,632/8.4%   | \$99,000/>4.0%                                         | \$123,751/>5.0%                                  |
| Castile                                                | \$149,154/7.9%   | \$75,935/>4.0%                                         | \$94,918/>5.0%                                   |
| Mahopac                                                | \$126,718/8.1%   | \$62,815/>4.0%                                         | \$78,519/>5.0%                                   |
| VIST                                                   | \$163,145/8.4%   | \$77,953/>4.0%                                         | \$97,441/>5.0%                                   |
| <b>December 31, 2020</b>                               |                  |                                                        |                                                  |
| Total Capital (to risk-weighted assets)                |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$720,755 /14.4% | \$525,755/>10.5%                                       | \$500,719/>10.0%                                 |
| Trust Company                                          | \$210,756/14.7%  | \$150,482/>10.5%                                       | \$143,316/>10.0%                                 |
| Castile                                                | \$157,514/12.6%  | \$131,034/>10.5%                                       | \$124,795/>10.0%                                 |
| Mahopac                                                | \$133,969/13.0%  | \$108,129/>10.5%                                       | \$102,980/>10.0%                                 |
| VIST                                                   | \$175,931/13.7%  | \$134,615/>10.5%                                       | \$128,205/>10.0%                                 |
| Common Equity Tier 1 Capital (to risk-weighted assets) |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$654,144/13.1%  | \$350,503/>7.0%                                        | \$325,467/>6.5%                                  |
| Trust Company                                          | \$196,522/13.7%  | \$100,321/>7.0%                                        | \$93,156/>6.5%                                   |
| Castile                                                | \$144,448/11.6%  | \$87,356/>7.0%                                         | \$81,117/>6.5%                                   |
| Mahopac                                                | \$122,393/11.9%  | \$72,086/>7.0%                                         | \$66,937/>6.5%                                   |
| VIST                                                   | \$163,895/12.8%  | \$89,743/>7.0%                                         | \$83,333/>6.5%                                   |
| Tier 1 Capital (to risk-weighted assets)               |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$667,364/13.3%  | \$425,611/>8.5%                                        | \$400,575/>8.0%                                  |
| Trust Company                                          | \$196,522/13.7%  | \$121,819/>8.5%                                        | \$114,653/>8.0%                                  |
| Castile                                                | \$144,448/11.6%  | \$106,076/>8.5%                                        | \$99,836/>8.0%                                   |
| Mahopac                                                | \$122,393/11.9%  | \$87,533/>8.5%                                         | \$82,384/>8.0%                                   |
| VIST                                                   | \$163,895/12.8%  | \$108,794/>8.5%                                        | \$102,564/>8.0%                                  |
| Tier 1 Capital (to average assets)                     |                  |                                                        |                                                  |
| The Company (consolidated)                             | \$667,364/8.8%   | \$305,083/>4.0%                                        | \$381,354/>5.0%                                  |
| Trust Company                                          | \$196,522/8.2%   | \$95,691/>4.0%                                         | \$119,614/>5.0%                                  |
| Castile                                                | \$144,448/8.1%   | \$71,605/>4.0%                                         | \$89,507/>5.0%                                   |
| Mahopac                                                | \$122,393/8.2%   | \$59,742/>4.0%                                         | \$74,678/>5.0%                                   |
| VIST                                                   | \$163,895/8.4%   | \$77,874/>4.0%                                         | \$83,333/>5.0%                                   |

**Note 21 Condensed Parent Company Only Financial Statements**

Condensed financial statements for Tompkins (the Parent Company) as of December 31, 2021, 2020 and 2019 are presented below.

**Condensed Statements of Condition**

| <i>(In thousands)</i>                                            | 2021              | 2020              |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                                                    |                   |                   |
| Cash                                                             | \$ 18,691         | \$ 16,588         |
| Investment in subsidiaries                                       | 705,723           | 707,721           |
| Other                                                            | 4,032             | 5,965             |
| <b>Total Assets</b>                                              | <b>\$ 728,446</b> | <b>\$ 730,274</b> |
| <b>Liabilities and Shareholders' Equity</b>                      |                   |                   |
| Borrowings                                                       | \$ 0              | \$ 0              |
| Trust preferred debentures issued to non-consolidated subsidiary | 0                 | 13,220            |
| Other liabilities                                                | 917               | 777               |
| Tompkins Financial Corporation Shareholders' Equity              | 727,529           | 716,277           |
| <b>Total Liabilities and Shareholders' Equity</b>                | <b>\$ 728,446</b> | <b>\$ 730,274</b> |

**Condensed Statements of Income**

| <i>(In thousands)</i>                                                           | 2021             | 2020             | 2019             |
|---------------------------------------------------------------------------------|------------------|------------------|------------------|
| Dividends received from subsidiaries                                            | \$ 81,408        | \$ 60,818        | \$ 72,827        |
| Other income                                                                    | 279              | 52               | 240              |
| <b>Total Operating Income</b>                                                   | <b>\$ 81,687</b> | <b>\$ 60,870</b> | <b>\$ 73,067</b> |
| Interest expense                                                                | 2,232            | 1,241            | 1,450            |
| Other expenses                                                                  | 9,039            | 9,184            | 8,409            |
| <b>Total Operating Expenses</b>                                                 | <b>\$ 11,271</b> | <b>\$ 10,425</b> | <b>\$ 9,859</b>  |
| <b>Income Before Taxes and Equity in Undistributed Earnings of Subsidiaries</b> | <b>70,416</b>    | <b>50,445</b>    | <b>63,208</b>    |
| Income tax benefit                                                              | 2,068            | 2,160            | 2,085            |
| Equity in undistributed earnings of subsidiaries                                | 16,780           | 24,983           | 16,425           |
| <b>Net Income</b>                                                               | <b>\$ 89,264</b> | <b>\$ 77,588</b> | <b>\$ 81,718</b> |

**Condensed Statements of Cash Flows**

| <i>(In thousands)</i>                                                            | 2021             | 2020             | 2019             |
|----------------------------------------------------------------------------------|------------------|------------------|------------------|
| <b>Operating activities</b>                                                      |                  |                  |                  |
| Net income                                                                       | \$ 89,264        | \$ 77,588        | \$ 81,718        |
| Adjustments to reconcile net income to net cash provided by operating activities |                  |                  |                  |
| Equity in undistributed earnings of subsidiaries                                 | (16,780)         | (24,983)         | (16,425)         |
| Other, net                                                                       | 4,126            | (1,541)          | 3,209            |
| <b>Net Cash Provided by Operating Activities</b>                                 | <b>76,610</b>    | <b>51,064</b>    | <b>68,502</b>    |
| <b>Investing activities</b>                                                      |                  |                  |                  |
| Other, net                                                                       | (76)             | (100)            | 3,265            |
| <b>Net Cash (Used in) Provided by Investing Activities</b>                       | <b>(76)</b>      | <b>(100)</b>     | <b>3,265</b>     |
| <b>Financing activities</b>                                                      |                  |                  |                  |
| Borrowings, net                                                                  | 0                | (4,000)          | 0                |
| Cash dividends                                                                   | (32,415)         | (31,359)         | (30,637)         |
| Repurchase of common shares                                                      | (23,773)         | (9,414)          | (29,867)         |
| Redemption of trust preferred debentures                                         | (15,150)         | (4,124)          | 0                |
| Net proceeds from restricted stock awards                                        | (2,292)          | (1,682)          | (1,875)          |
| Shares issued for dividend reinvestment plan                                     | 2                | 1,825            | 0                |
| Shares issued for employee stock ownership plan                                  | 0                | 0                | 0                |
| Net proceeds from exercise of stock options                                      | (803)            | (253)            | (992)            |
| <b>Net Cash Used in Financing Activities</b>                                     | <b>(74,431)</b>  | <b>(49,007)</b>  | <b>(63,371)</b>  |
| Net increase in cash                                                             | 2,103            | 1,957            | 8,396            |
| Cash at beginning of year                                                        | 16,588           | 14,631           | 6,235            |
| <b>Cash at End of Year</b>                                                       | <b>\$ 18,691</b> | <b>\$ 16,588</b> | <b>\$ 14,631</b> |

A Statement of Changes in Shareholders' Equity has not been presented since it is the same as the Consolidated Statement of Changes in Shareholders' Equity previously presented for the consolidated Company.

**Note 22 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 and financial services ("Banking"), (ii) insurance services ("Tompkins Insurance") and (iii) wealth management ("Tompkins Financial Advisors"). The Company's insurance services and wealth management services are managed separately from the Banking segment.

**Banking**

The banking segment is primarily comprised of the Company's four banking subsidiaries: Tompkins Trust Company, a commercial bank with 13 banking offices operated in Ithaca, NY and surrounding communities; The Bank of Castile (DBA Tompkins Bank of Castile), a commercial bank with 16 banking offices located in the Genesee Valley region of New York State as well as Monroe County; Mahopac Bank (DBA Tompkins Mahopac Bank), a commercial bank with 14 full-service banking offices located in the counties north of New York City; and VIST Bank (DBA Tompkins VIST Bank), a banking organization with 20 banking offices headquartered and operating in Southeastern Pennsylvania.

Banking services consist primarily of attracting deposits from the areas served by the Company's banking subsidiaries and using those deposits to originate a variety of commercial loans, agricultural loans, consumer loans, real estate loans and leases in those same areas. The Company's subsidiary banks provide a variety of retail banking services including checking accounts, savings accounts, time deposits, IRA products, residential mortgage loans, personal loans, home equity loans, credit cards, debit cards and safe deposit services delivered through its branch facilities, ATMs, voice response, mobile banking, Internet banking and remote deposit services. The Company's subsidiary banks also provide a variety of commercial banking services such as lending activities for a variety of business purposes, including real estate financing, construction, equipment financing, accounts receivable financing and commercial leasing. Other commercial services include deposit and cash management services, letters

of credit, sweep accounts, credit cards, Internet-based account services, mobile banking and remote deposit services. The banking subsidiaries do not engage in sub-prime lending.

### Insurance

The Company provides property and casualty insurance services and employee benefits consulting through Tompkins Insurance, a wholly-owned subsidiary of the Company, headquartered in Batavia, New York. Tompkins Insurance is an independent insurance agency, representing many major insurance carriers. Tompkins Insurance 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. Through the 2012 acquisition of VIST Financial, Tompkins Insurance expanded its operations with the addition of VIST Insurance, a full service agency offering a similar array of insurance products as Tompkins Insurance in southeastern Pennsylvania. Tompkins Insurance offers services to customers of the Company's banking subsidiaries by sharing offices with The Bank of Castile, Tompkins Trust Company and VIST Bank. In addition to these shared offices, Tompkins Insurance has five stand-alone offices in Western New York.

### Wealth Management

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

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 and financial services segments. The Company accounts for intercompany fees and services at an estimated fair value according to regulatory requirements for the services provided. Intercompany items relate primarily to the use of human resources, information systems, accounting and marketing services provided by any of the banks and the holding company. All other accounting policies are the same as those described in Note 1 "Summary of Significant Accounting Policies" in this Report.

| As of and for the year ended December 31, 2021                                         |            |           |                   |              |              |
|----------------------------------------------------------------------------------------|------------|-----------|-------------------|--------------|--------------|
| (In thousands)                                                                         | Banking    | Insurance | Wealth Management | Intercompany | Consolidated |
| Interest income                                                                        | \$ 241,322 | \$ 11     | \$ 0              | \$ (15)      | \$ 241,318   |
| Interest expense                                                                       | 17,541     | 0         | 0                 | (15)         | 17,526       |
| Net interest income                                                                    | 223,781    | 11        | 0                 | 0            | 223,792      |
| Credit for credit loss expense                                                         | (2,219)    | 0         | 0                 | 0            | (2,219)      |
| Noninterest income                                                                     | 25,944     | 35,430    | 19,727            | (2,252)      | 78,849       |
| Noninterest expense                                                                    | 152,624    | 26,857    | 13,058            | (2,252)      | 190,287      |
| Income before income tax expense                                                       | 99,320     | 8,584     | 6,669             | 0            | 114,573      |
| Income tax expense                                                                     | 21,257     | 2,326     | 1,599             | 0            | 25,182       |
| Net Income attributable to noncontrolling interests and Tompkins Financial Corporation | 78,063     | 6,258     | 5,070             | 0            | 89,391       |
| Less: Net income attributable to noncontrolling interests                              | 127        | 0         | 0                 | 0            | 127          |
| Net Income attributable to Tompkins Financial Corporation                              | \$ 77,936  | \$ 6,258  | \$ 5,070          | \$ 0         | \$ 89,264    |
| Depreciation and amortization                                                          | \$ 9,987   | \$ 208    | \$ 55             | \$ 0         | \$ 10,250    |
| Assets                                                                                 | 7,794,561  | 42,879    | 33,735            | (51,193)     | 7,819,982    |
| Goodwill                                                                               | 64,370     | 19,866    | 8,211             | 0            | 92,447       |
| Other intangibles, net                                                                 | 1,571      | 2,004     | 68                | 0            | 3,643        |
| Net loans and leases                                                                   | 5,032,624  | 0         | 0                 | 0            | 5,032,624    |
| Deposits                                                                               | 6,802,852  | 0         | 0                 | (11,417)     | 6,791,435    |
| Total equity                                                                           | 664,800    | 33,171    | 30,970            | 0            | 728,941      |

**As of and for the year ended December 31, 2020**

| <i>(In thousands)</i>                                                                  | <b>Banking</b> | <b>Insurance</b> | <b>Wealth Management</b> | <b>Intercompany</b> | <b>Consolidated</b> |
|----------------------------------------------------------------------------------------|----------------|------------------|--------------------------|---------------------|---------------------|
| Interest income                                                                        | \$ 254,330     | \$ 4             | \$ 0                     | \$ (4)              | \$ 254,330          |
| Interest expense                                                                       | 28,995         | 0                | 0                        | (4)                 | 28,991              |
| Net interest income                                                                    | 225,335        | 4                | 0                        | 0                   | 225,339             |
| Provision for credit loss expense                                                      | 17,213         | 0                | 0                        | 0                   | 17,213              |
| Noninterest income                                                                     | 26,015         | 31,930           | 18,131                   | (2,216)             | 73,860              |
| Noninterest expense                                                                    | 147,680        | 25,941           | 12,915                   | (2,216)             | 184,320             |
| Income before income tax expense                                                       | 86,457         | 5,993            | 5,216                    | 0                   | 97,666              |
| Income tax expense                                                                     | 17,033         | 1,625            | 1,266                    | 0                   | 19,924              |
| Net Income attributable to noncontrolling interests and Tompkins Financial Corporation | 69,424         | 4,368            | 3,950                    | 0                   | 77,742              |
| Less: Net income attributable to noncontrolling interests                              | 154            | 0                | 0                        | 0                   | 154                 |
| Net Income attributable to Tompkins Financial Corporation                              | \$ 69,270      | \$ 4,368         | \$ 3,950                 | \$ 0                | \$ 77,588           |
| Depreciation and amortization                                                          | \$ 9,912       | \$ 229           | \$ 51                    | \$ 0                | \$ 10,192           |
| Assets                                                                                 | 7,564,342      | 41,812           | 28,616                   | (12,599)            | 7,622,171           |
| Goodwill                                                                               | 64,370         | 19,866           | 8,211                    | 0                   | 92,447              |
| Other intangibles, net                                                                 | 2,418          | 2,398            | 89                       | 0                   | 4,905               |
| Net loans and leases                                                                   | 5,208,658      | 0                | 0                        | 0                   | 5,208,658           |
| Deposits                                                                               | 6,449,289      | 0                | 0                        | (11,537)            | 6,437,752           |
| Total equity                                                                           | 660,334        | 31,455           | 25,900                   | 0                   | 717,689             |

**As of and for the year ended December 31, 2019**

| <i>(In thousands)</i>                                                                  | <b>Banking</b> | <b>Insurance</b> | <b>Wealth Management</b> | <b>Intercompany</b> | <b>Consolidated</b> |
|----------------------------------------------------------------------------------------|----------------|------------------|--------------------------|---------------------|---------------------|
| Interest income                                                                        | \$ 261,378     | \$ 3             | \$ 0                     | \$ (3)              | \$ 261,378          |
| Interest expense                                                                       | 50,753         | 0                | 0                        | (3)                 | 50,750              |
| Net interest income                                                                    | 210,625        | 3                | 0                        | 0                   | 210,628             |
| Provision for credit loss expense                                                      | 1,366          | 0                | 0                        | 0                   | 1,366               |
| Noninterest income                                                                     | 29,054         | 31,501           | 17,001                   | (2,123)             | 75,433              |
| Noninterest expense                                                                    | 145,102        | 25,908           | 12,947                   | (2,123)             | 181,834             |
| Income before income tax expense                                                       | 93,211         | 5,596            | 4,054                    | 0                   | 102,861             |
| Income tax expense                                                                     | 18,598         | 1,426            | 992                      | 0                   | 21,016              |
| Net Income attributable to noncontrolling interests and Tompkins Financial Corporation | 74,613         | 4,170            | 3,062                    | 0                   | 81,845              |
| Less: Net income attributable to noncontrolling interests                              | 127            | 0                | 0                        | 0                   | 127                 |
| Net Income attributable to Tompkins Financial Corporation                              | \$ 74,486      | \$ 4,170         | \$ 3,062                 | \$ 0                | \$ 81,718           |
| Depreciation and amortization                                                          | 9,778          | 225              | 41                       | 0                   | 10,044              |
| Assets                                                                                 | 6,671,409      | 41,841           | 24,313                   | (11,940)            | 6,725,623           |
| Goodwill                                                                               | 64,370         | 19,866           | 8,211                    | 0                   | 92,447              |
| Other intangibles, net                                                                 | 3,215          | 2,860            | 148                      | 0                   | 6,223               |
| Net loans and leases                                                                   | 4,877,658      | 0                | 0                        | 0                   | 4,877,658           |
| Deposits                                                                               | 5,223,893      | 0                | 0                        | (10,972)            | 5,212,921           |
| Total equity                                                                           | 608,901        | 32,204           | 21,949                   | 0                   | 663,054             |

## **Unaudited Quarterly Financial Data**

The Company has adopted certain provisions within the amendments to Regulation S-K that eliminate tabular presentation of unaudited quarterly financial information. There have been no material retrospective changes to financial statements for any of the quarters within the fiscal years ended December 31, 2021 and December 31, 2020.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### ***Evaluation of Disclosure Controls and Procedures***

The Company's management, including its 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 Exchange Act) as of December 31, 2021. 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 Form 10-K, the Company's disclosure controls and procedures were effective.

### ***Management's Annual Report on Internal Control Over Financial Reporting***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. As of December 31, 2021, management evaluated the effectiveness of the Company's internal control over financial reporting based on the framework for effective internal control over financial reporting established in "Internal Control - Integrated Framework (2013)," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on its evaluation under the COSO framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021. The results of management's assessment were reviewed with the Company's Audit and Examining Committee of its Board of Directors. The independent registered public accounting firm that audited the Company's consolidated financial statements included in this report has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2021, which is included in Part II, Item 8 of this Report.

### ***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 December 31, 2021, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Item 9B. Other Information**

None

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the material under the captions “Proposal No. 1 – Election of Directors”, the discussion of the Company’s code of ethics under “Corporate Governance Matters”, and the discussion of the Audit/Examining Committee under “Matters Relating to the Board of Directors - Board of Directors: Committee Membership” all in the Company’s proxy statement relating to its 2022 annual meeting of shareholders (the “Proxy Statement”), which the Company intends to file with the Securities and Exchange Commission on or about March 29, 2022; and the material captioned “Information About Our Executive Officers” in Part I of this Report on Form 10-K.

### Item 11. Executive Compensation

The information called for by this item is incorporated herein by reference to the material under the captions, “Executive Compensation”, “Matters Relating to the Board of Directors - Director Compensation”, “Executive Compensation – Compensation Committee Interlocks and Insider Participation”, “Executive Compensation – Compensation Committee Report”, and “Corporate Governance Matters - Risk and Influence on Compensation Programs” in the Proxy Statement.

The material incorporated herein by reference to the material under the caption “Executive Compensation - Compensation Committee Report” in the Proxy Statement is deemed “furnished” within this Report on Form 10-K and shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A, or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into such filing.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of management and certain beneficial owners is incorporated by reference to the information under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

Information regarding stock-based compensation awards outstanding and available for future grant as of December 31, 2021 is presented in the table below.

| Equity Compensation Plan Information                       |                                                                                             |                                                                             |                                                                                                                                   |                      |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Plan Category                                              | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (excluding Securities in Column (a)) |                      |
|                                                            | (a)                                                                                         | (b)                                                                         | (c)                                                                                                                               |                      |
| Equity Compensation Plans Approved by Security Holders     | 85,821                                                                                      | \$ 54.17                                                                    |                                                                                                                                   | 475,847 <sup>1</sup> |
| Equity Compensation Plans Not Approved by Security Holders | 0                                                                                           | 0.00                                                                        |                                                                                                                                   | 0                    |

<sup>1</sup> Represents shares that are available for issuance under the 2019 Equity Incentive Plan, which was effective May 7, 2019.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this item is incorporated herein by reference to the material under the captions “Corporate Governance Matters - Affirmative Determination of Director Independence” and “Transactions with Related Persons” in the Proxy Statement.

**Item 14. Principal Accountant Fees and Services**

The information called for by this item is incorporated herein by reference to the material under the caption “Independent Registered Public Accounting Firm” in the Proxy Statement. Our independent registered public accounting firm is KPMG LLP, Rochester, NY, Auditor Firm ID 185.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a)(1) The following financial statements and Reports of KPMG LLP are included in this Annual Report on Form 10-K:**

Reports of KPMG LLP, Independent Registered Public Accounting Firm on Consolidated Financial Statements and Internal Control over Financial Reporting  
Consolidated Statements of Condition as of December 31, 2021 and 2020  
Consolidated Statements of Income for the years ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019  
Consolidated Statements of Changes in Shareholders’ Equity for the years ended December 31, 2021, 2020, and 2019  
Notes to Consolidated Financial Statements  
Unaudited Quarterly Financial Data

**(a)(2) List of Financial Statement Schedules**

Not Applicable.

**(a)(3) Exhibits**

**The following exhibits are filed as a part of this report:**

| Item No. | Description                                                                                                                                                                                                                                                                                                                       |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1      | Agreement and Plan of Reorganization, dated as of March 14, 1995, among the Bank, the Company and the Interim Bank, incorporated herein by reference to Exhibit 2 to the Company's Registration Statement on Form 8-A (No. 0-38625), filed with the Commission on January 22, 1996.                                               |
| 2.2      | <a href="#"><u>Agreement and Plan of Reorganization, dated as of July 30, 1999, between the Company and Letchworth, incorporated herein by reference to Annex A to the Company's Registration Statement on Form S-4 (Registration No. 333-90411), filed with the Commission on November 5, 1999.</u></a>                          |
| 2.3      | <a href="#"><u>Agreement and Plan of Merger, dated January 25, 2012, by and among the Company, TMP Mergeco, Inc. and VIST Financial Corp., incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 26, 2012.</u></a>                                    |
| 2.4      | <a href="#"><u>First Amendment to the Agreement and Plan of Merger, dated July 31, 2012, by and among the Company, TMP Mergeco, Inc. and VIST Financial Corp., incorporated herein by reference to Exhibit 10.1 to the Company's Amended Quarterly Report on Form 10-Q/A, filed with the Commission on September 7, 2012.</u></a> |
| 3.1      | <a href="#"><u>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.</u></a>                                                                                                               |
| 3.2      | <a href="#"><u>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.</u></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.                                                                                                        |
| 4.2      | <a href="#"><u>Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, incorporated herein by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K, filed with the commission on March 2, 2020.</u></a>                                                                     |
| 10.1*    | <a href="#"><u>Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Scott L. Gruber, incorporated herein by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q, as filed with the Commission on November 9, 2016.</u></a>   |
| 10.2*    | <a href="#"><u>Amended and Restated Retainer Plan for Eligible Directors of Tompkins Financial Corporation and Its Wholly-owned Subsidiaries incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K, filed with the Commission on March 16, 2009.</u></a>                                          |
| 10.3*    | Form of Director Deferred Compensation Agreement, incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form 8-A (No. 0-27514), filed with the Commission on December 29, 1995.                                                                                                             |
| 10.4*    | Deferred Compensation Plan for Senior Officers, incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form 8-A (No. 0-27514), filed with the Commission on December 29, 1995.                                                                                                               |
| 10.5*    | <a href="#"><u>Supplemental Executive Retirement Agreement between James W. Fulmer and Tompkins Trustco, Inc., dated December 28, 2005, incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K, filed with the Commission on March 16, 2006.</u></a>                                       |

- 10.6\* [Amendment to Supplemental Executive Retirement Agreement between James W. Fulmer and the Company \(formerly known as Tompkins Trustco, Inc.\) dated as of September 2, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 10, 2014.](#)
- 10.7\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Stephen S. Romaine, incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the Commission on November 9, 2016.](#)
- 10.8\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Francis M. Fetsko, incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.9\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and David S. Boyce, incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.10\* [Form of Officer Group Term Life Replacement Plan \(the "Plan"\) among Tompkins Trust Company and the Participants in the Plan, incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K, filed with the Commission on March 16, 2006.](#)
- 10.11\* [Tompkins Trustco, Inc. Officer Group Term Life Replacement Plan, as amended on June 26, 2006, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 9, 2006.](#)
- 10.12\* [2009 Equity Plan, incorporated herein by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 \(No. 333-160738\), filed with the Commission on July 22, 2009.](#)
- 10.13\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Gregory J. Hartz, incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.14\* [Form of Award Agreement under 2009 Equity Plan \(Restricted Stock\), incorporated herein by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.15\* [Form of Award Agreement under 2009 Equity Plan \(Stock-Settled Stock Appreciation Right\), incorporated herein by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.16\* [Form of Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and each of Stephen S. Romaine, David S. Boyce, and Francis M. Fetsko, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.17\* [Form of Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and each of Alyssa Hochberg Fontaine, Scott L. Gruber, Gregory J. Hartz, Gerald J. Klein, Jr., and John M. McKenna, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.18\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Gerald J. Klein, Jr., incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)

- 10.19\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and Alyssa Hochberg Fontaine, incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.20\* [Amended and Restated Supplemental Executive Retirement Agreement, dated November 9, 2016, between Tompkins Financial Corporation and John M. McKenna, incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2016.](#)
- 10.21\* [Amendment No. 1 to Amended and Restated Retainer Plan for Eligible Directors of Tompkins Financial Corporation and Its Wholly-owned Subsidiaries, dated January 1, 2018 incorporated herein by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K, filed with the commission on March 1, 2018.](#)
- 10.22\* [Amendment No. 1 to the 2009 Equity Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders, filed with the Commission on April 1, 2016.](#)
- 10.23\* [Form of Performance Share Award Agreement under Tompkins Financial Corporation 2019 Equity Plan, incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly report on Form 10-Q filed with the commission on November 12, 2019.](#)
- 10.24\* [Form of Award Agreement \(Time-Based Restricted Stock\) under Tompkins Financial Corporation 2019 Equity Plan, incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the commission on November 12, 2019.](#)
- 10.25\* [Amendment No. 1 to Supplemental Executive Retirement Agreement by and between the Company and Stephen S. Romaine, effective November 12, 2019, incorporated herein by reference to Exhibit 10.3 to the Company' s Quarterly Report on Form 10-Q filed with the commission on November 12, 2019.](#)
- 10.26\* [Form of Supplemental Executive Retirement Agreement, dated November 12, 2019, between the Company and Brian Howard, incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the commission on November 12, 2019.](#)
- 10.27\* [Amendment to the TFC Officer Group Term Replacement Plan by and between the Company and Stephen S. Romaine, dated as of February 28, 2020, incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10K, filed with the commission on March 2, 2020.](#)
- 10.28\* [Amendment to the TFC Officer Group Term Replacement Plan by and between the Company and Francis M. Fetsko, dated as of February 28, 2020, incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10K, filed with the commission on March 2, 2020.](#)
- 10.29\* [Amendment to the TFC Officer Group Term Replacement Plan by and between the Company and David S. Boyce, dated as of February 28, 2020, incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10K, filed with the commission on March 2, 2020.](#)
- 10.30\* [Second Amended and Restated Retainer Plan for Eligible Directors of Tompkins Financial Corporation and Its Wholly-owned Subsidiaries, incorporated herein by reference to Exhibit 10.30 to the Company's Annual Report on Form 10K, filed with the commission on March 1, 2021.](#)
- 21 [Subsidiaries of Registrant, incorporated herein by reference to Exhibit 21 to the Company's Annual Report on Form 10-K, filed herewith.](#)
- 23 [Consent of Independent Registered Public Accounting Firm \(filed herewith\)](#)
- 24 [Power of Attorney, included on signature page of this Report on Form 10-K.](#)
- 31.1 [Certification of the Chief Executive Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)

- 31.2 [Certification of the Chief Financial Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 32.1 [Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 32.2 [Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)

|                  |                                                                                                                                                                                        |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>101 INS**</b> | The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document                                                  |
| <b>101 SCH**</b> | Inline XBRL Taxonomy Extension Schema Document                                                                                                                                         |
| <b>101 CAL**</b> | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                           |
| <b>101 DEF**</b> | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                            |
| <b>101 LAB**</b> | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                 |
| <b>101 PRE**</b> | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                          |
| <b>104</b>       | Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive date file because its XBRL tags are embedded with the inline XBRL document. |

\*\* Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Condition as of December 31, 2021 and December 31, 2020; (ii) Consolidated Statements of Income as of December 31, 2021; (iii) Consolidated Statements of Comprehensive Income as of December 31, 2021; (iv) Consolidated Statements of Cash Flows as of December 31, 2021; (v) Consolidated Statements of Changes in Shareholders' Equity as of December 31, 2021; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

\*Denotes management contract or compensatory plan or arrangement

**Item 16. Form 10-K Summary.**

None.

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

TOMPKINS FINANCIAL CORPORATION

/S/ Stephen S. Romaine

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

Date: March 1, 2022

# POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Stephen S. Romaine and Francis M. Fetsko, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with full power of substitution, for him or her, and in his or her name, place and stead, in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with Exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| <i>Signature</i>                                     | <i>Date</i>     | <i>Capacity</i>                                                                                                           | <i>Signature</i>                                     | <i>Date</i>     | <i>Capacity</i> |
|------------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------|-----------------|
| <u>/S/Thomas R. Rochon</u><br>Thomas R. Rochon       | <u>3/1/2022</u> | Chairman of the Board<br>Director                                                                                         | <u>/S/Jennifer R. Tegan</u><br>Jennifer R. Tegan     | <u>3/1/2022</u> | Director        |
| <u>/S/Stephen S. Romaine</u><br>Stephen S. Romaine   | <u>3/1/2022</u> | President and Chief Executive<br>Officer (Principal Executive Officer)<br>Director                                        | <u>/S/Patricia A. Johnson</u><br>Patricia A. Johnson | <u>3/1/2022</u> | Director        |
| <u>/S/James W. Fulmer</u><br>James W. Fulmer         | <u>3/1/2022</u> | Vice Chairman, Director                                                                                                   | <u>/S/Frank C. Milewski</u><br>Frank C. Milewski     | <u>3/1/2022</u> | Director        |
| <u>/S/Francis M. Fetsko</u><br>Francis M. Fetsko     | <u>3/1/2022</u> | Executive Vice President<br>Chief Financial Officer<br>(Principal Financial Officer)<br>(Principal Accounting<br>Officer) | <u>/S/Ita M. Rahilly</u><br>Ita M. Rahilly           | <u>3/1/2022</u> | Director        |
| <u>/S/John E. Alexander</u><br>John E. Alexander     | <u>3/1/2022</u> | Director                                                                                                                  | <u>/S/Michael H. Spain</u><br>Michael H. Spain       | <u>3/1/2022</u> | Director        |
| <u>/S/John E. Alexander</u><br>John E. Alexander     | <u>3/1/2022</u> | Director                                                                                                                  | <u>/S/Alfred J. Weber</u><br>Alfred J. Weber         | <u>3/1/2022</u> | Director        |
| <u>/S/Paul J. Battaglia</u><br>Paul J. Battaglia     | <u>3/1/2022</u> | Director                                                                                                                  | <u>/S/Craig Yunker</u><br>Craig Yunker               | <u>3/1/2022</u> | Director        |
| <u>/S/Daniel J. Fessenden</u><br>Daniel J. Fessenden | <u>3/1/2022</u> | Director                                                                                                                  |                                                      |                 |                 |



118 E. Seneca Street, P.O. Box 460, Ithaca, New York 14851  
(607) 273-3210

[www.tompkinsfinancial.com](http://www.tompkinsfinancial.com)

**Subsidiaries of Registrant**

Tompkins Trust Company – a New York state – chartered bank  
Tompkins Real Estate Holdings, Inc. – Incorporated in New York  
The Bank of Castile – a New York state – chartered bank  
Castile Funding Corporation – Incorporated in New York  
Mahopac Bank – a New York state – chartered bank  
Mahopac Funding Corporation – Incorporated in New York  
VIST Bank – a Pennsylvania state – chartered bank  
Tompkins Insurance Agencies, Inc. – Incorporated in New York  
TFA Management, Inc. – Incorporated in New York  
Tompkins Risk Managers, Inc. – Incorporated in Vermont

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (No. 333-231413, 333-212636, and 333-229469) on Forms S-8 and in the registration statements (No. 333-240069 and 333-226312) on Form S-3 of our reports dated March 1, 2022, with respect to the consolidated financial statements of Tompkins Financial Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Rochester, New York

March 1, 2022

**Certification of Chief Executive Officer**

I, Stephen S. Romaine, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 1, 2022

/s/ Stephen S. Romaine

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

**Certification of Chief Financial Officer**

I, Francis M. Fetsko, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 1, 2022

/s/ Francis M. Fetsko

Francis M. Fetsko

Executive Vice President, Chief Financial Officer, and Chief Operating Officer

(Principal Financial Officer)

(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (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.

March 1, 2022

/s/ Stephen S. Romaine

Stephen S. Romaine

President and Chief

Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (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.

March 1, 2022

/s/ Francis M. Fetsko

Francis M. Fetsko

Executive Vice President, Chief Financial Officer, and

Chief Operating Officer

(Principal Financial Officer)

(Principal Accounting Officer)