Spirit AeroSystems Holdings, Inc.
Form S-4/A
January 22, 2010

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As filed with the Securities and Exchange Commission on January 22, 2010

Registration No. 333-163334

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SPIRIT AEROSYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**3728**	**20-2130528**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

3801 South Oliver
Wichita, Kansas 67210
(316) 526-9000
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

SPIRIT AEROSYSTEMS HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**3728**	**20-2436320**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

3801 South Oliver
Wichita, Kansas 67210
(316) 526-9000
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

See Table of Additional Registrants Below

Jonathan A. Greenberg, Esq.
Senior Vice President, General Counsel & Secretary
Spirit AeroSystems Holdings, Inc.
3801 South Oliver

Wichita, Kansas 67210
(316) 526-9000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of communications to:

Joel I. Greenberg, Esq.
Mark S. Kingsley, Esq.
Kaye Scholer LLP
425 Park Avenue
New York, New York 10022
(212) 836-8000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.
If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

If applicable, place an þ in the box to designate the appropriate rule provision relied upon in conducting this transaction:
Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer) o
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(3)
71/2% Senior Notes Due 2017	$300,000,000	100%	$300,000,000	$16,740
Guarantees of the 71/2% Senior Notes	$300,000,000	(2)	(2)	None
Total	$300,000,000		$300,000,000	$16,740

(1)

Estimated pursuant to Rule 457(f) under the Securities Act of 1933, as amended, solely for the purposes of calculating the registration fee.

(2) Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no separate consideration will be received for the guarantee.

(3) Previously paid.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Additional Registrants (1)(2)(3)

Exact Name of Registrant as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	Primary Standard Classification Code Number	I.R.S. Employer Identification No.
Spirit AeroSystems Finance, Inc.	Delaware	3728	76-0805773
Spirit AeroSystems International Holdings, Inc.	Delaware	3728	16-1748867
Spirit AeroSystems Investco, LLC	Delaware	3728	26-1672193
Spirit AeroSystems North Carolina, Inc.	North Carolina	3728	26-2948869
Spirit AeroSystems Operations International, Inc.	Delaware	3728	26-1663068

(1) The address and telephone number for each of the principal executive offices of each of the Additional Registrants, is 3801 South Oliver, Wichita, Kansas 67210, (316) 526-9000.

(2) The name, address, including zip code, and telephone number, including area code, of agent for service for each of the Additional Registrants is Jonathan A. Greenberg, Senior Vice President, General Counsel and Secretary, Spirit AeroSystems Holdings, Inc., 3801 South Oliver Wichita, Kansas 67210, (316) 526-9000.

(3) Copies of communications to any Additional Registrant should be sent to Joel I. Greenberg, Esq., and Mark S. Kingsley, Esq., Kaye Scholer LLP, 425 Park Avenue, New York, NY 10022 (telephone number (212) 836-8000).

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JANUARY 22, 2010

PROSPECTUS

Spirit AeroSystems, Inc.
OFFER TO EXCHANGE
$300,000,000 OF 71/2% SENIOR NOTES DUE 2017
FOR
$300,000,000 OF 71/2% SENIOR NOTES DUE 2017
WHICH HAVE BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON , 2010, UNLESS EXTENDED.

Terms of the exchange offer:

The notes being offered hereby (the Exchange Notes) are being registered with the Securities and Exchange Commission and are being offered in exchange for all of the Spirit AeroSystems, Inc. (Spirit) outstanding 71/2% Senior Notes due 2017 or (the Original Notes) that were previously issued in an offering exempt from the registration requirements of the Securities Act of 1933, as amended, (the Securities Act). The terms of the exchange offer are summarized below and are more fully described in this prospectus.

Spirit will exchange all Original Notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer.

You may withdraw tenders of Original Notes at any time prior to the expiration of the exchange offer.

Spirit believes that the exchange of Original Notes will not be a taxable event for U.S. federal income tax purposes, but you should see The Exchange Offer Tax Consequences of the Exchange Offer and Material U.S. Federal Income Tax Considerations on pages 50 and 103, respectively, of this prospectus for more information.

Spirit will not receive any proceeds from the exchange offer.

The terms of the Exchange Notes are substantially identical to the Original Notes, except that the Exchange Notes are registered under the Securities Act and the transfer restrictions and registration rights applicable to the Original Notes do not apply to the Exchange Notes.

The Exchange Notes will be guaranteed on a senior unsecured basis by Spirit AeroSystems Holdings, Inc., and by each of the following wholly owned subsidiaries of Spirit AeroSystems Holdings, Inc.: Spirit AeroSystems

Finance, Inc., Spirit AeroSystems International Holdings, Inc., Spirit AeroSystems Investco, LLC, Spirit AeroSystems North Carolina, Inc. and Spirit AeroSystems Operations International, Inc.

Spirit does not intend to list the Exchange Notes on any securities exchange or to have them approved for any automated quotation system.

See the section entitled Description of the Notes that begins on page 55 for more information about the Exchange Notes to be issued in this exchange offer.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for outstanding Original Notes where such outstanding Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. Spirit has agreed that, for a period of 180 days after the expiration of this exchange offer (or such shorter period until the date on which a broker-dealer is no longer required to deliver a prospectus), Spirit will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

This investment involves risks. See the section entitled Risk Factors that begins on page 15 for a discussion of the risks that you should consider prior to tendering your outstanding Original Notes in the exchange.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010.

This prospectus, the letter of transmittal and the notice of guaranteed delivery are first being mailed to all holders of the Original Notes on , 2010.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY SPIRIT AEROSYSTEMS, INC., SPIRIT AEROSYSTEMS HOLDINGS, INC. OR ITS SUBSIDIARY GUARANTORS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL CREATE UNDER ANY CIRCUMSTANCES AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF SPIRIT AEROSYSTEMS, INC., SPIRIT AEROSYSTEMS HOLDINGS, INC. OR ITS SUBSIDIARY GUARANTORS SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY OR AN OFFER TO SELL ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION CONTAINED IN THIS PROSPECTUS SPEAKS ONLY AS OF THE DATE OF THIS PROSPECTUS UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

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INDUSTRY AND MARKET DATA

This prospectus includes industry data that we obtained from publicly available sources and periodic industry publications and analyses from industry consultants.

IMPORTANT TERMS USED IN THIS PROSPECTUS

In this prospectus, unless the context indicates otherwise and except as expressly set forth in the section captioned Description of the Notes, the terms the Company, Spirit Holdings, we, us and our refer to Spirit AeroSystems Holdings, Inc. and all entities owned or controlled by Spirit AeroSystems Holdings, Inc., including Spirit AeroSystems, Inc. The terms Spirit and the Issuer refer solely to Spirit AeroSystems, Inc.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This prospectus incorporates important business and financial information about the Company that is not included in or delivered with this prospectus. We incorporate by reference the documents listed below and any additional documents filed by us with the Securities and Exchange Commission (the SEC) under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act, as amended (the Exchange Act), to the extent such documents are deemed filed for purposes of the Exchange Act, until Spirit completes its offering of the Exchange Notes:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC on February 20, 2009 (the financial statements contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 have been retrospectively amended to reflect the addition of condensed consolidating financial information, as contained in the Company s Current Report on Form 8-K filed with the SEC on November 24, 2009);

our Quarterly Reports on Form 10-Q for the quarterly periods ended April 2, 2009, July 2, 2009 and October 1, 2009, filed with the SEC on May 8, 2009, August 7, 2009 and November 6, 2009, respectively (the financial statements contained in the Company s Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2009 have been retrospectively amended to reflect the addition of condensed consolidating financial information, as contained in the Company s Current Report on Form 8-K filed with the SEC on November 24, 2009);

our Current Reports on Form 8-K filed with the SEC on June 10, 2009, July 2, 2009, August 26, 2009, September 21, 2009 (Film No. 091077968), September 25, 2009, October 1, 2009 and November 25, 2009; and

our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 20, 2009.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. You can obtain any of the documents incorporated by reference through us, the SEC or the SEC s website, http://www.sec.gov. Documents we have incorporated by reference are available from us without charge, excluding exhibits to those documents unless we have specifically incorporated by reference such exhibits in this prospectus. Any person, including any beneficial owner, to whom this prospectus is delivered,

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may obtain the documents we have incorporated by reference in, but not delivered with, this prospectus by requesting them by telephone or in writing at the following address:

Spirit AeroSystems Holdings, Inc.
3801 South Oliver
Wichita, Kansas 67210
Attention: Corporate Secretary
(316) 526-9000

To obtain timely delivery you must request this information no later than five (5) business days before the date you must make your investment decision. Such date is , 2010.

This prospectus summarizes documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the information we discuss in this prospectus. In making an investment decision, you must rely on your own examination of such documents, our business and the terms of the offering and the notes, including the merits and risks involved. When we refer to this prospectus, we mean not only this prospectus but also any documents which are incorporated or deemed to be incorporated in this prospectus by reference. You should rely only on the information incorporated by reference or provided in this prospectus or any supplement to this prospectus. We have not authorized anyone else to provide you with different information. This prospectus is used to offer and sell the Exchange Notes referred to in this prospectus, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of the date of this prospectus.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes certain forward-looking statements that involve many risks and uncertainties. When used, words such as anticipate, believe, continue, estimate, expect, forecast, intend, may, plan, project, other similar words or phrases, or the negative thereof, unless the context requires otherwise, are intended to identify forward-looking statements. These statements reflect management s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. Our actual results may vary materially from those anticipated in forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following:

- our ability to continue to grow our business and execute our growth strategy; including the timing and execution of new programs;

- our ability to perform our obligations and manage costs related to our new commercial and business aircraft development programs;

- reduction in the build rates of certain Boeing aircraft including, but not limited to, the B737 program, the B747 program, the B767 program and the B777 program, and build rates of the Airbus A320 and A380 programs, which could be affected by the impact of a deep recession on business and consumer confidence and the impact of continuing turmoil in the global financial and credit markets;

- declining business jet manufacturing rates and customer cancellations or deferrals as a result of the weakened global economy;

the success and timely execution of key milestones such as first flight and delivery of Boeing s new B787 and Airbus new A350 XWB (Xtra Wide-Body) aircraft programs, including receipt of necessary regulatory approvals and customer adherence to their announced schedules;

our ability to enter into supply arrangements with additional customers and the ability of all parties to satisfy their performance requirements under existing supply contracts with Boeing and Airbus, our two major customers, and other customers and the risk of nonpayment by such customers;

any adverse impact on Boeing s and Airbus production of aircraft resulting from cancellations, deferrals or reduced orders by their customers or labor disputes;

any adverse impact on the demand for air travel or our operations from the outbreak of diseases such as the influenza outbreak caused by the H1N1 virus, avian influenza, severe acute respiratory syndrome or other epidemic or pandemic outbreaks;

returns on pension plan assets and impact of future discount rate changes on pension obligations;

our ability to borrow additional funds or refinance debt;

competition from original equipment manufacturers and other aerostructures suppliers;

the effect of governmental laws, such as U.S. export control laws, the Foreign Corrupt Practices Act, environmental laws and agency regulations, both in the U.S. and abroad;

the cost and availability of raw materials and purchased components;

our ability to successfully extend or renegotiate our primary collective bargaining contracts with our labor unions;

our ability to recruit and retain highly skilled employees and our relationships with the unions representing many of our employees;

spending by the U.S. and other governments on defense;

the possibility that our cash flows and borrowing facilities may not be adequate for our additional capital needs or for payment of interest on and principal of our indebtedness;

our exposure under our revolving credit facility to higher interest payments should interest rates increase substantially;

the outcome or impact of ongoing or future litigation and regulatory actions; and

our exposure to potential product liability and warranty claims.

These factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth in this prospectus under Risk Factors and elsewhere in this prospectus. In light of such risks and uncertainties, we caution you not to rely on these forward-looking statements in deciding whether to invest in the notes. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. Except to the extent required by law, we are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements after the date of this prospectus whether as a result of such changes, new information, subsequent events or otherwise.

PROSPECTUS SUMMARY

The following summary highlights some of the information from this prospectus and does not contain all the information that is important to you. Before deciding to participate in the exchange offer, you should read the entire prospectus, including the section entitled Risk Factors and our consolidated financial statements and the related notes and other information incorporated by reference herein. Some statements in this Prospectus Summary are forward-looking statements. See Disclosure Regarding Forward-Looking Statements. In this prospectus, unless the context indicates otherwise and except as expressly set forth in the section captioned Description of the Notes , the terms the Company, Spirit Holdings, we, us and our refer to Spirit AeroSystems Holdings, Inc. and all entities o or controlled by Spirit AeroSystems Holdings, Inc., including Spirit AeroSystems, Inc. The terms Spirit and the Issuer refer solely to Spirit AeroSystems, Inc.

Our Company

Overview

We are the largest independent non-OEM (original equipment manufacturer) aircraft parts designer and manufacturer of commercial aerostructures in the world, based on annual revenues, as well as the largest independent supplier of aerostructures to The Boeing Company (Boeing). In addition, we are one of the largest independent suppliers of aerostructures to Airbus, a division of European Aeronautic Defense & Space NV (Airbus). Boeing and Airbus are the two largest aircraft OEMs in the world. Aerostructures are structural components such as fuselages, propulsion systems and wing systems for commercial and military aircraft. For the twelve months ended December 31, 2008 and the nine months ended October 1, 2009, we generated net revenues of $3,771.8 million and $3,000.8 million, respectively.

Spirit was formed in December 2004 and operations commenced on June 17, 2005, following the acquisition by an investor group of Boeing s commercial aerostructures manufacturing operations in Wichita, Kansas and Tulsa and McAlester, Oklahoma, herein referred to as Boeing Wichita. The acquisition of Boeing Wichita is herein referred to as the Boeing Acquisition. Although Spirit began operations as a stand-alone company in 2005, its predecessor, Boeing Wichita, had 75 years of operating history and expertise in the commercial and military aerostructures industry. The Boeing Acquisition was completed by an investor group led by Onex Partners LP and Onex Corporation (Onex). Spirit Holdings, Spirit s parent company, has had publicly traded shares on the New York Stock Exchange under the ticker SPR since November 2006. Onex continues to hold approximately 95% of the class B shares, which represents approximately 73% of total Spirit Holdings stockholder voting power.

On April 1, 2006, we became a supplier to Airbus through our acquisition of the aerostructures division of BAE Systems (Operations) Limited, herein referred to as BAE Systems. The acquired division of BAE Systems is herein referred to as BAE Aerostructures, and the acquisition of BAE Aerostructures is herein referred to as the BAE Acquisition.

We manufacture aerostructures for every Boeing commercial aircraft currently in production, including the majority of the airframe content for the Boeing B737, the most popular major commercial aircraft in history. As a result of our unique capabilities both in process design and composite materials, we were awarded a contract that makes us the largest aerostructures content supplier on the Boeing B787, Boeing s next generation twin aisle aircraft. In addition, we are one of the largest content suppliers of wing systems for the Airbus A320 family, and we are a significant supplier for the Airbus A380 and will be a significant supplier for the new Airbus A350 XWB after the development stage for this program. Sales related to the large commercial aircraft market, some of which may be used in military

applications, represented approximately 98% our net revenues for each of the nine-month period ended October 1, 2009 and the twelve-month period ended December 31, 2008.

We derive our revenues primarily through long-term supply agreements with Boeing and requirements contracts with Airbus. For each of the nine-month period ended October 1, 2009 and the twelve-month period

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ended December 31, 2008, approximately 85% and 11% of our net revenues were generated from sales to Boeing and Airbus, respectively. We are currently the sole-source supplier of 96% of the products we sell to Boeing and Airbus, as measured by dollar value of the products sold. We are a critical partner to our customers due to the broad range of products we currently supply to them and our leading design and manufacturing capabilities using both metallic and composite materials. Under our supply agreements with Boeing and requirements contracts with Airbus, we supply our products for the life of the aircraft program (other than the A350 XWB and A380), including commercial derivative models. For the A350 XWB and A380, we have long-term requirements contracts with Airbus that cover a fixed number of product units at established prices.

We are organized into three principal reporting segments:

- Fuselage Systems, which includes the forward, mid and rear fuselage sections;
- Propulsion Systems, which includes nacelles, struts/pylons and engine structural components; and
- Wing Systems, which includes wing systems and components, flight control surfaces and other miscellaneous structural parts.

Fuselage Systems, Propulsion Systems and Wing Systems represented approximately 50%, 26% and 24%, respectively, of our net revenues for the nine months ended October 1, 2009 and approximately 47%, 27% and 25%, respectively, of our net revenues for the twelve months ended December 31, 2008. The Fuselage Systems and Propulsion Systems segments manufacture products at our facilities in Wichita, Kansas, while the Wing Systems segment manufactures products at our facilities in Tulsa and McAlester, Oklahoma and Prestwick, Scotland. We opened a new manufacturing facility in Subang, Malaysia in early 2009 for the production of composite panels for wing components, and we expect to open another manufacturing facility in Kinston, North Carolina in 2010 that will initially produce components for the Airbus A350 XWB aircraft. All other activities fall within the All Other segment, representing less than 1% of our net revenues for each of the nine-month period ended October 1, 2009 and the twelve-month period ended December 31, 2008, principally made up of sundry sales of miscellaneous services, tooling contracts and sales of natural gas through a tenancy-in-common with other companies that have operations in Wichita as discussed elsewhere in this prospectus.

We have a substantial amount of debt, which requires significant interest and principal payments. As of October 1, 2009, we had approximately $883.6 million of total debt outstanding consisting primarily of our senior secured credit facility and our senior unsecured notes.

Industry Overview

Based on our research, the global market for aerostructures is estimated to have totaled $35.9 billion in annual revenues in 2008. Currently, OEMs (principally Boeing, Airbus, Bombardier, Inc. (Bombardier), Embraer-Empresa Brasileira de Aeronautica SA (Embraer), Gulfstream Aerospace Corporation (Gulfstream), Hawker Beechcraft Corporation and Cessna Aircraft Company) outsource approximately half of the aerostructures market to independent third parties such as us. We expect the outsourcing of the design, engineering and manufacturing of aerostructures to increase as OEMs increasingly focus operations on final assembly and support services for their customers. The original equipment aerostructures market can be divided by end market application into three market sectors: (1) commercial (including regional and business jets), (2) military and (3) modifications, upgrades, repairs and spares. While we serve all three market sectors, we primarily derive our current revenues from the commercial market sector. We estimate that in 2008, the commercial sector represented approximately 68% of the total aerostructures market, while the military sector represented approximately 25% and the modifications, upgrades, repairs and spares sector (both commercial and military) represented approximately 7%.

Demand for commercial aerostructures is highly correlated to demand for new aircraft. From 2005 through 2008, Boeing and Airbus experienced an unprecedented order intake and backlog growth. In that period, the two manufacturers obtained combined total gross orders of approximately 8,400 aircraft. Their aggregate backlog increased from nearly 2,600 to over 7,400 aircraft. However, largely due to declining

demand for commercial air travel including both passenger and freight activity, annual commercial net orders fell to 413 in 2009, which was lower than deliveries for that year, resulting in a decrease in aggregate backlog. Despite the order slowdown, high backlog levels are expected to continue to drive stable production and delivery forecasts in the near-term from both Boeing and Airbus. If the commercial backlog were to continue to decline, there could be a resulting near-term impact on production rates. If production rates fell, we would take actions to reduce costs and limit capital spending to mitigate the resulting loss of revenues and production base. The following table sets forth the historical deliveries of Boeing and Airbus for 2003 through 2009.

	2003	2004	2005	2006	2007	2008	2009
Boeing	281	285	290	398	441	375	481
Airbus	305	320	378	434	453	483	498
Total	586	605	668	832	894	858	979

Our Competitive Strengths

We believe our key competitive strengths include:

Leading Position in the Growing Commercial Aerostructures Market. We are the largest independent non-OEM commercial aerostructures manufacturer, based on annual revenues, with an estimated 16% market share of the global aerostructures market. We are currently the sole-source supplier of 96% of the products we sell to Boeing and Airbus, as measured by dollar value of the products sold. The significant Boeing and Airbus aircraft order backlog for scheduled deliveries between 2010-2012, and our strong relationships with Boeing and Airbus, should enable us to continue to profitably grow our core commercial aerostructures business.

Participation on High Volume and Major Growth Platforms. We derive a high proportion of our Boeing revenues from Boeing s high volume B737 program and a high proportion of our Airbus revenues from the high volume A320 program. Boeing s backlog consists of over 2,100 B737s (more than six years of backlog at current build rates) and Airbus s backlog consists of approximately 2,400 A320s (nearly six years of backlog at current build rates). The B737 and A320 families are Boeing s and Airbus best selling commercial airplanes, respectively. We have also been awarded a significant amount of work on the major new twin aisle programs launched by Boeing and Airbus, the B787 and the A350 XWB, respectively.

Stable Base Business with Predictable Cash Flows. We have entered into exclusive long-term agreements with Boeing and Airbus, our two largest customers, making us the exclusive supplier for most of the business covered by these contracts. Under our agreements with Boeing and Airbus, we supply our products for the life of the aircraft program (other than the A380 and A350 XWB), including commercial derivative models. For the A380 and A350 XWB, we have a long-term supply contract with Airbus that covers a fixed number of units. We believe our long-term supply contracts with our two largest customers provide us with a stable base business upon which to build. As of October 1, 2009, our backlog was at $28.2 billion. Our cash from operations has remained stable with $211 million, $180 million and $274 million derived in 2008, 2007 and 2006, respectively. We are investing a portion of our cash flow from our base business into long-term growth initiatives, including the B787 and other new programs.

Strong Incumbent and Competitive Position. We have a strong incumbent position on the products we currently supply to Boeing and Airbus, forged by our long-standing relationships and long-term supply

agreements with Boeing and Airbus. Many members of our management team have a long history of working with Boeing and Airbus as employees of our predecessors, Boeing Wichita and BAE

Aerostructures. Our relationship with Boeing is further strengthened by the fact that many members of our senior management team are former Boeing executives or managers.

We believe that OEMs incur significant costs to change aerostructures suppliers once contracts are awarded. Such changes after a contract award require additional testing and certification, which may create production delays and significant costs for both the OEM and the new supplier. We also believe it would be cost prohibitive for other suppliers to duplicate our facilities and the over 20,000 major pieces of equipment that we own or operate. The combined insurable replacement value of all the buildings and equipment we own or operate is approximately $5.2 billion, including approximately $2.2 billion and approximately $1.8 billion for buildings and equipment, respectively, that we own and approximately $1.2 billion for other equipment used in the operation of our business. As a result, we believe that so long as we continue to meet our customers requirements, the probability that they will change suppliers on our current statement of work is quite low. Our incumbent position also provides us with a competitive advantage with respect to new business from our customers.

Industry Leading Technology, Design Capabilities and Manufacturing Expertise. We possess industry-leading engineering capabilities that include significant expertise in structural design and technology, use of metallic and composite materials, stress analysis, systems engineering and acoustics technology. With approximately 1,070 degreed engineering and technical employees (including approximately 260 degreed contract engineers), we possess knowledge and manufacturing know-how that customers depend upon and that would be difficult for other suppliers to replicate.

Competitive and Predictable Cost Structure. In connection with the Boeing Acquisition, we achieved comprehensive cost reductions. The primary contributors to establishing our competitive cost structure were: (1) labor savings, (2) pension and other benefit savings, (3) reduced corporate overhead, and (4) operational efficiency improvements. Collective bargaining agreements with most of our labor unions have typically been three to five years in length and we expect to be able to continue to negotiate labor contracts of similar duration. As a result, we expect our labor costs to be fairly stable and predictable during the course of each contract. We maintain continuous focus on expense management and process improvement. We believe that our competitive cost structure has positioned us to win new business and was a key factor in several recent significant contract awards.

Experienced Management Team. We have an experienced and proven management team with an average of more than 20 years of aerospace industry experience. Our management team has successfully expanded our business, reduced costs and established and grown Spirit s stand-alone operations. Many of our executives and senior managers have lengthy experience working for or with our primary customers, Boeing and Airbus, which provides us with detailed insight into how we can better serve our customers.

Our Business Strategy

Our goal is to remain a leading aerostructures manufacturer and to grow revenues while maximizing our profitability. Our strategy includes the following:

Support Aircraft Deliveries. We value our relationships with our major customers. We are the largest independent non-OEM aerostructures supplier to Boeing. In addition, we are one of the largest independent non-OEM aerostructures suppliers to Airbus. Our business strategy is focused on meeting or exceeding our customers expectations. We are constantly seeking to improve our manufacturing efficiency and maintain our high standards of quality and on-time delivery to meet these expectations. We are focused on supporting our customers increase in new aircraft production and the introduction of key aircraft programs such as the Boeing

B787 and the Airbus A350 XWB. We are adjusting our manufacturing processes, properties and facilities to accommodate an increase in production and a shift in mix to a higher ratio of larger aircraft, which generally have higher dollar value content.

Win New Business from Existing and New Customers. We have established a sales and marketing infrastructure to support our efforts to win business from new and existing customers. We believe that

we are well positioned to win additional work from Boeing and Airbus, given our strong relationships, our size, our design and build capabilities and our financial resources. We believe that opportunities for increased business from our customers will arise on work that they currently produce internally and may shift to an external supplier in the future and work on new aircraft programs. We also have significant opportunities to increase our sales to OEMs other than Boeing and Airbus and have significant opportunities to grow business outside our core platforms. We believe our design, engineering and manufacturing capabilities are highly attractive to potential new customers and provide a competitive advantage in winning new aerostructures business. As a result of leveraging our core capabilities, competitive cost position and sales and marketing efforts, we have won several significant contracts from non-Boeing customers through competitive bids since the Boeing Acquisition.

Our customer base has expanded to include Sikorsky, Rolls-Royce, Gulfstream, Bombardier, Mitsubishi Aircraft Corporation, Southwest Airlines and Continental Airlines.

Research and Development Investment in Next Generation Technologies. We invest in research and development, or R&D, for current programs to strengthen our relationships with our customers and new programs to generate new business. As part of our R&D effort, we work closely with OEMs and integrate our engineering teams into their design processes. We believe our close coordination with OEMs positions us to win new business on new commercial and military platforms.

Provide New Value-Added Services to our Customers. We possess the core competencies not only to manufacture, but also to design, integrate and assemble complex system and structural components. We have been selected to assemble and integrate avionics, electrical systems, hydraulics, wiring and other components for the forward fuselage and pylons for the Boeing B787. We believe our ability to integrate complex components into aerostructures is a service that greatly benefits our customers by reducing their flow time and inventory holding costs.

We also intend to increase our aftermarket sales of the products we manufacture and have developed a global direct sales and marketing channel. In September 2006, we entered into a distribution agreement with Aviall Services, Inc. to sell certain aftermarket products worldwide (excluding the U.S. and Canada). We also produce spares for certain out of production aircraft and regional/business jet programs.

Continued Improvement to our Low Cost Structure. We remain focused on further reducing costs and we have identified and begun to implement several such opportunities in our business. We expect that most of our future cost saving opportunities will arise from increased productivity, continued outsourcing of non-core activities, and improved procurement and sourcing through our global sourcing initiatives. We believe our strategic sourcing expertise should allow us to develop and manage low cost supply chains in Asia and Central Europe. One of our goals is to continue to increase our material sourcing from low cost jurisdictions.

Pursue Strategic Acquisitions on an Opportunistic Basis. The commercial aerostructures market is highly fragmented with many small private businesses and divisions of larger public companies. Given this market fragmentation, coupled with the trend by OEMs to outsource work to larger Tier 1 manufacturers that coordinate suppliers and integrate systems into airframes, we believe our industry could experience significant consolidation in the coming years. Although our main focus is to grow our business organically, we believe we are well positioned to capture additional market share and diversify our current business through opportunistic strategic acquisitions.

Recent Developments

On October 9, 2009, engineers represented by the Society of Professional Engineering Employees in Aerospace Wichita Engineering Unit at Spirit approved a new contract effective through December 1, 2012.

On September 30, 2009, Spirit completed an offering of $300.0 million aggregate principal amount of the Original Notes. The Original Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States only to non-U.S. persons in accordance with

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Regulation S under the Securities Act. A portion of the net proceeds of the offering of the Original Notes was used to repay $200.0 million in borrowings under Spirit s existing senior secured revolving credit facility with the remaining net proceeds used for general corporate purposes and to pay fees and expenses incurred in connection with the offering.

On August 25, 2009, Ulrich (Rick) Schmidt, Executive Vice President and Chief Financial Officer of Spirit Holdings and Spirit, notified us of his decision to retire. His last working day at Spirit Holdings and Spirit was Friday, October 2, 2009, and he remained an employee of Spirit Holdings and Spirit through early December of 2009. Philip D. Anderson, Spirit Holdings and Spirit s Treasurer and Vice President, Investor Relations, assumed the additional role of interim Chief Financial Officer, effective October 3, 2009, pending a search for Mr. Schmidt s replacement.

On July 9, 2009, Textron Inc., the parent company of Cessna Aircraft Company, filed a Current Report on Form 8-K with the SEC stating that it had formally cancelled further development of the Cessna Citation Columbus business jet. Spirit had been selected as the supplier for the fuselage and empennage on the Cessna Citation Columbus in February 2008. In the second quarter of 2009, we recorded a $10.9 million charge to reflect the estimated impact of this termination. Spirit has submitted termination claims to Cessna seeking recovery of costs incurred.

Company Information

Spirit, formerly known as Mid-Western Aircraft Systems, Inc., is a Delaware corporation that was formed on December 20, 2004. Spirit s predecessor, Boeing Wichita, had more than 75 years of operating history as a division of Boeing. Our principal executive offices are located at 3801 South Oliver, Wichita, Kansas 67210 and our telephone number at that address is (316) 526-9000. Our website address is www.spiritaero.com. Information contained on our website is not part of this prospectus and is not incorporated in this prospectus by reference.

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The Exchange Offer

On September 30, 2009, Spirit completed the offering of $300.0 million aggregate principal amount of the Original Notes. The Original Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States only to non-U.S. persons in accordance with Regulation S under the Securities Act. As part of the offering, we entered into a registration rights agreement with the initial purchasers of the Original Notes in which we agreed, among other things, to deliver this prospectus and to complete an exchange offer for the Original Notes. The summary below describes the principal terms of the exchange offer. The section of this prospectus entitled The Exchange Offer contains a more detailed description of the terms and conditions of the exchange offer.

Securities Offered:	Up to $300,000,000 aggregate principal amount of 71/2% Senior Notes due 2017 which have been registered under the Securities Act, which we refer to as the Exchange Notes . The form and terms of the Exchange Notes are identical in all material respects to those of the Original Notes. The Exchange Notes, however, will not contain transfer restrictions and registration rights applicable to the Original Notes.
The Exchange Offer:	Spirit is offering to exchange $1,000 principal amount of the Exchange Notes for each $1,000 principal amount of outstanding Original Notes. In order to be exchanged, an Original Note must be properly tendered and accepted. All Original Notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there are $300.0 million in aggregate principal amount of the Original Notes outstanding. Spirit will issue Exchange Notes promptly after the expiration of the exchange offer.
Resales:	We are registering the exchange offer in reliance on the position enunciated by the SEC in Exxon Capital Holdings Corp., SEC No-Action Letter (April 13, 1988), Morgan Stanley & Co, Inc., SEC No-Action Letter (June 5, 1991), and Shearman & Sterling, SEC No-Action Letter (July 2, 1993). Based on interpretations by the staff of the SEC, as set forth in these no-action letters issued to third parties not related to us, we believe that the Exchange Notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as: you are acquiring the Exchange Notes in the ordinary course of your business; you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in a distribution of the Exchange Notes; and you are not our affiliate.

Rule 405 under the Securities Act defines affiliate as a person that, directly or indirectly, controls or is controlled by, or is under common control with, a specified person. In the absence of an exemption, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the Exchange Notes. If you fail to comply with these

	requirements you may incur liabilities under the Securities Act, and we will not indemnify you for such liabilities. Each broker or dealer that receives Exchange Notes for its own account in exchange for Original Notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale, or other transfer of the Exchange Notes issued in the exchange offer.
Record Date:	We mailed this prospectus and the related offer documents to the registered holders of the Original Notes on , 2010.
Expiration Date:	11:59 p.m., New York City time, on , 2010, unless we extend the expiration date.
Withdrawal Rights:	You may withdraw tenders of the Original Notes at any time prior to 11:59 p.m., New York City time, on the expiration date. For more information, see the section entitled The Exchange Offer under the heading Terms of the Exchange Offer.
Conditions to the Exchange Offer:	The exchange offer is subject to certain customary conditions, which we may waive in our sole discretion. For more information, see the section entitled The Exchange Offer under the heading Conditions to the Exchange Offer. The exchange offer is not conditioned upon the exchange of any minimum principal amount of Original Notes.
Procedures for Tendering Original Notes:	If you wish to accept the exchange offer, you must (1) complete, sign and date the accompanying letter of transmittal, or a facsimile copy of such letter, in accordance with its instructions and the instructions in this prospectus, and (2) mail or otherwise deliver the executed letter of transmittal, together with the Original Notes and any other required documentation to the exchange agent at the address set forth in the letter of transmittal. If you are a broker, dealer, commercial bank, trust company or other nominee and you hold Original Notes through The Depository Trust Company (DTC) and wish to accept the exchange offer, you must do so pursuant to DTC s automated tender offer program. By executing or agreeing to be bound by the letter of transmittal, you will represent to us, among other things, (1) that you are, or the person or entity receiving the Exchange Notes is, acquiring the Exchange Notes in the ordinary course of business, (2) that neither you nor any such other person or entity has any arrangement or understanding with any person to participate in the distribution of the Exchange Notes within the meaning of the Securities Act and (3) that neither you nor any such other person or entity is our affiliate within the meaning of Rule 405 under the Securities Act. If you are a beneficial owner whose Original Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, we urge you to

promptly contact the person or entity in whose name your Original Notes are registered and instruct that person or entity

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	to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Original Notes, either make appropriate arrangements to register ownership of your Original Notes in your name or obtain a properly completed bond power from the person or entity in whose name your Original Notes are registered. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures:	If you wish to tender your Original Notes and your Original Notes are not immediately available or you cannot deliver your Original Notes, the letter of transmittal or any other documents required to the exchange agent (or comply with the procedures for book-entry transfer) prior to the expiration date, you must tender your Original Notes according to the guaranteed delivery procedures set forth in the section entitled The Exchange Offer under the heading Guaranteed Delivery Procedures.
Registration Rights Agreement:	Contemporaneously with the initial sale of the Original Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed, among other things, (1) to use our reasonable best efforts to consummate an exchange offer and (2) if required, to have a shelf registration statement declared effective with respect to resales of the Original Notes. This exchange offer is intended to satisfy those obligations set forth in the registration rights agreement. After the exchange offer is complete, except in limited circumstances with respect to specific types of holders of Original Notes, we will have no further obligation to provide for the registration under the Securities Act of such Original Notes. See the section entitled The Exchange Offer.
Federal Income Tax Considerations:	The exchange pursuant to the exchange offer will generally not be a taxable event for U.S. federal income tax purposes. For more details, see the sections entitled The Exchange Offer Tax Consequences of the Exchange Offer and Material U.S. Federal Income Tax Considerations .
Consequences of Failure to Exchange:	If you do not exchange the Original Notes, they will remain entitled to all the rights and preferences and will continue to be subject to the limitations contained in the indenture governing the Original Notes. However, following the exchange offer, except in limited circumstances with respect to specific types of holders of Original Notes, we will have no further obligation to provide for the registration under the Securities Act of such Original Notes.
Absence of an Established Market for the Notes:	The Exchange Notes will be a new class of securities for which there is currently no market. We do not intend to apply for listing of the Original Notes or the Exchange Notes on any securities exchange or for quotation of such notes. Although certain of the initial purchasers have informed us that they intend to make a market in the Exchange Notes, they are not obligated to do so, and may discontinue market-making activities at any time without

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	notice. Accordingly, we cannot assure you that a liquid market for the Exchange Notes will develop or be maintained.
Use of Proceeds:	We will not receive any proceeds from the exchange offer. For more details, see the Use of Proceeds section.
Exchange Agent:	The Bank of New York Mellon Trust Company, N.A., is serving as the exchange agent in connection with the exchange offer. The address, telephone number and facsimile number of the exchange agent are listed under the heading The Exchange Offer Exchange Agent.

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The Exchange Notes

The form and terms of the Exchange Notes are the same as the form and terms of the Original Notes for which they are being exchanged, except that the Exchange Notes will be registered under the Securities Act. As a result, the Exchange Notes will not bear legends restricting their transfer and will not have provisions providing for the benefit of the registration rights or the obligation to pay additional interest because of our failure to register the Exchange Notes and complete this exchange offer as required. The Exchange Notes represent the same debt as the Original Notes for which they are being exchanged. Both the Original Notes and the Exchange Notes are governed by the same indenture. The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes. We use the term notes in this prospectus to collectively refer to the Original Notes and the Exchange Notes.

Issuer	Spirit AeroSystems, Inc.
Guarantors	The Exchange Notes will be fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by Spirit Holdings and by each of the following wholly owned subsidiaries of Spirit Holdings: Spirit AeroSystems Finance, Inc., Spirit AeroSystems International Holdings, Inc., Spirit AeroSystems Investco, LLC, Spirit AeroSystems North Carolina, Inc. and Spirit AeroSystems Operations International, Inc. (collectively with Spirit Holdings, the Guarantors), and any additional existing and future domestic subsidiaries of Spirit that guarantee Spirit s obligations under its senior secured credit facility.
Optional Redemption	The Issuer may redeem the Exchange Notes, in whole or in part, at any time on or after October 1, 2013, at the redemption prices specified in Description of the Notes Optional Redemption, plus accrued and unpaid interest and additional interest, if any, to the redemption date. At any time prior to October 1, 2013, the Issuer may redeem the Exchange Notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium together with accrued and unpaid interest and additional interest, if any, to the redemption date. The Issuer may redeem up to 35% of the Exchange Notes before October 1, 2012 with the net cash proceeds from certain equity offerings.
Notes Offered	$300.0 million aggregate principal amount of 71/2% Senior Notes due 2017.
Maturity Date	October 1, 2017.
Interest	Interest on the Exchange Notes will accrue at a rate of 71/2% per annum, payable in cash semi-annually in arrears, on April 1 and October 1 of each year, commencing April 1, 2010.
Change of Control	Following specific kinds of changes of control the Issuer will be required to offer to purchase all of the Exchange Notes at a purchase price of 101%

of their principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of purchase. For more details, see Description of the Notes Change of Control.

Ranking	The Exchange Notes will be senior unsecured obligations and will: rank equally in right of payment with all of Spirit s and the Guarantors other existing and future senior indebtedness; be senior in right of payment to all of Spirit s and the Guarantors existing and future debt that is by its terms expressly subordinated to the notes and guarantees; be effectively subordinated to Spirit s and the Guarantors secured debt, including secured debt under Spirit s existing senior secured credit facility, to the extent of the assets securing such debt; and be structurally junior to any debt or obligations of any non-Guarantor subsidiaries. As of October 1, 2009, after the completion of the offering of the Original Notes and the related transactions, Spirit Holdings and its subsidiaries had total debt of approximately $883.6 million, approximately $573.5 of which constituted secured debt and effectively ranked senior to the notes to the extent of the assets securing such debt. In addition, Spirit Holdings and its subsidiaries had approximately $729.0 million of availability under the revolving portion of the Issuer s existing senior secured credit facility (excluding outstanding letters of credit), all of which would be senior to the Exchange Notes offered hereby.
Certain Covenants	The indenture governing the notes, among other things, limits the ability of Spirit and the Guarantors to: incur additional debt; pay dividends, redeem stock or make other distributions; make other restricted payments and investments; create liens without granting equal and ratable liens to the holders of the notes; enter into sale and leaseback transactions; merge, consolidate or transfer or dispose of substantially all of their assets; and enter into certain types of transactions with affiliates. These covenants are subject to a number of important qualifications and limitations. See Description of the Notes Certain Covenants.

Original Issue Discount	The Exchange Notes will be issued with original issue discount for U.S. federal income tax purposes. Accordingly, U.S. holders may be required to include original issue discount in gross income for U.S. federal income tax purposes over the term of the Exchange Notes in advance of the receipt of cash payments to which such income is attributable. For more information, see Material U.S. Federal Income Tax Considerations.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF SPIRIT AEROSYSTEMS HOLDINGS, INC.

The following table sets forth summary historical consolidated financial data and should be read in conjunction with our consolidated financial statements, condensed consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations section, which are incorporated by reference into this prospectus. Financial data for the twelve-month periods ended December 31, 2006, 2007 and 2008 are derived from our audited consolidated financial statements, which are incorporated by reference into this prospectus. Financial data for the nine-month periods ended September 25, 2008 and October 1, 2009 are derived from our unaudited condensed consolidated financial statements, which are incorporated by reference into this prospectus. Our fiscal year ends on December 31.

	Nine Months Ended		Fiscal Year Ended December 31,		
	October 1, 2009	September 25, 2008	2008	2007	2006
	(In millions)				
Consolidated Statement of Operations:					
Net revenues	$ 3,000.8	$ 3,125.7	$ 3,771.8	$ 3,860.8	$ 3,207.7
Operating costs and expenses					
Cost of sales(1)	2,637.2	2,596.1	3,163.2	3,197.2	2,934.3
Selling, general and administrative(2)	103.6	119.0	154.5	192.1	225.0
Research and development	41.6	33.1	48.4	52.3	104.7
Total operating costs and expenses	$ 2,782.4	$ 2,748.2	$ 3,366.1	$ 3,441.6	$ 3,264.0
Operating income (loss)	218.4	377.5	405.7	419.2	(56.3)
Interest expense and financing fee amortization(3)	(29.1)	(29.5)	(39.2)	(36.8)	(50.1)
Interest income	6.2	15.1	18.6	29.0	29.0
Other income (loss), net	5.2	0.9	(1.2)	8.4	5.9
Income (loss) before income taxes and equity in net loss of affiliate	200.7	364.0	383.9	419.8	(71.5)
Income tax benefit (provision)(4)	(58.8)	(118.4)	(118.5)	(122.9)	88.3
Income before equity in net loss of affiliate	141.9	245.6	265.4	296.9	16.8
Equity in net loss of affiliate	(0.2)				
Net income	$ 141.7	$ 245.6	$ 265.4	$ 296.9	$ 16.8
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 206.7	$ 177.7	$ 216.5	$ 133.4	$ 184.3
Accounts receivable, net	235.8	211.9	149.3	159.9	200.2

Inventory, net	2,204.6	1,768.8	1,882.0	1,342.6	882.2
Property, plant and equipment, net	1,224.0	1,053.2	1,068.3	963.8	773.8
Total assets	4,283.7	3,862.7	3,760.3	3,339.9	2,722.2
Total debt	883.6	591.9	588.0	595.0	618.2
Total Shareholders equity	$ 1,455.9	$ 1,508.6	$ 1,297.0	$ 1,266.6	$ 859.0
Other Financial Data:					
Net cash provided by (used in) operating activities	$ (211.3)	$ 146.6	$ 210.7	$ 180.1	$ 273.6
Net cash (used in) investing activities	(71.3)	(88.8)	(119.8)	(239.1)	(473.6)
Net cash provided (used in) by financing activities	271.1	(8.3)	3.5	8.3	140.9
Capital expenditures	$ (158.0)	$ (175.2)	$ (235.8)	$ (288.2)	$ (343.2)

(1) Included in the fiscal year ended December 31, 2006 cost of sales are non-recurring charges of $321.9 million for the Union Equity Participation Plan (UEP). Included in the fiscal year ended December 31, 2007 costs of sales are charges of $1.2 million for the UEP.

(2) Includes non-cash stock compensation expenses of $6.4 million and $11.3 million for the respective nine-month periods ended October 1, 2009 and September 25, 2008, and $15.3 million, $32.6 million of $56.6 million for the respective fiscal years starting with the fiscal year ended December 31, 2008. Included in the fiscal year ended December 31, 2007 are $4.9 million of costs associated with the potential acquisition of Airbus European manufacturing sites in 2007. Also included in the fiscal year ended December 31, 2006 are $8.3 million of charges related to the Company s initial public offering in November 2006 (IPO).

(3) Included in the fiscal year ended December 31, 2006 interest expense and financing fee amortization are expenses related to the IPO of $3.7 million.

(4) Included in the fiscal year ended December 31, 2006 income tax benefit is a $40.1 million federal and a $4.0 million state tax valuation allowance reversal.

RISK FACTORS

Prospective participants in the exchange offer should carefully consider all of the information contained or incorporated by reference in this prospectus, including the risks and uncertainties described below, in evaluating your participation in the exchange offer. The risks set forth below (with the exception of the first risk factor) are generally applicable to the Original Notes as well as the Exchange Notes. These risks and uncertainties are those that we currently believe may materially and adversely affect our company, our business or results of operations in the future or investments in our securities. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also materially and adversely affect our company, our business or results of operations in the future or investments in our securities.

Risk Factors Associated with the Exchange Offer

If you fail to follow the exchange offer procedures, your Original Notes will not be accepted for exchange.

We will not accept your Original Notes for exchange if you do not follow the exchange offer procedures. We will issue Exchange Notes as part of this exchange offer only after timely receipt of your Original Notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your Original Notes, please allow sufficient time to ensure timely delivery. If we do not receive your Original Notes, letter of transmittal, and all other required documents by the expiration date of the exchange offer, or you do not otherwise comply with the guaranteed delivery procedures for tendering your Original Notes, we will not accept your Original Notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of Original Notes for exchange. If there are defects or irregularities with respect to your tender of Original Notes, we will not accept your Original Notes for exchange unless we decide in our sole discretion to waive such defects or irregularities.

If you fail to exchange your Original Notes for Exchange Notes, they will continue to be subject to the existing transfer restrictions and you may not be able to sell them.

We did not register the Original Notes under the Securities Act or any applicable state or foreign securities laws, nor do we intend to do so following the exchange offer. Original Notes that are not tendered in the exchange offer will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under applicable securities laws. As a result, if you hold Original Notes after the exchange offer, you may not be able to sell them. To the extent any Original Notes are tendered and accepted in the exchange offer, the trading market, if any, for the Original Notes that remain outstanding after the exchange offer may be adversely affected due to a reduction in market liquidity.

Because there is no public market for the Exchange Notes, you may not be able to resell them.

The Exchange Notes will be registered under the Securities Act but will constitute a new issue of securities with no established trading market, and there can be no assurance as to the liquidity of any trading market that may develop, the ability of holders to sell their Exchange Notes or the price at which the holders will be able to sell their Exchange Notes.

We understand that certain of the initial purchasers of the Original Notes presently intend to make a market in the Exchange Notes. However, they are not obligated to do so, and any market-making activity with respect to the Exchange Notes may be discontinued at any time without notice. In addition, any market-making activity will be

subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the exchange offer or the pendency of an applicable shelf registration statement. There can be no assurance that an active market will exist for the Exchange Notes or that any trading market that does develop will be liquid.

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If you are a broker-dealer, your ability to transfer the Exchange Notes may be restricted.

A broker-dealer that purchased the Original Notes for its own account as part of market-making or trading activities must comply with the prospectus delivery requirements of the Securities Act when it sells the Exchange Notes. Our obligation to make this prospectus available to broker-dealers is limited. Consequently, we cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their Exchange Notes.

Risk Factors Related to Our Business and Industry

Our commercial business is cyclical and sensitive to commercial airlines profitability. The business of commercial airlines is, in turn, affected by general economic conditions and world safety considerations.

We compete in the aerostructures segment of the aerospace industry. Our business is affected indirectly by the financial condition of the commercial airlines and other economic factors, including general economic conditions and world safety considerations that affect the demand for air transportation. Specifically, our commercial business is dependent on the demand from passenger airlines and cargo carriers for the production of new aircraft. Accordingly, demand for our commercial products is tied to the worldwide airline industry s ability to finance the purchase of new aircraft and the industry s forecasted demand for seats, flights, routes and cargo capacity. Similarly, the size and age of the worldwide commercial aircraft fleet affects the demand for new aircraft and, consequently, for our products. Such factors, in conjunction with evolving economic conditions, cause the market in which we operate to be cyclical to varying degrees, thereby affecting our business and operating results.

The financial health of the commercial airline industry has a direct and significant effect on our commercial aircraft programs. The commercial airline industry is impacted by the strength of the global economy and geo-political events around the world. Near-term challenges include economic weakness in the airline industry and the continuing turmoil in global credit markets (leading to widespread economic slowdown, restricted discretionary spending, inability to finance airplane purchases, and a slowdown in air traffic). Possible exogenous shocks such as expanding conflicts in the Middle East, renewed terrorist attacks against the industry, or pandemic health crises have the potential to cause precipitous declines in air traffic. Any protracted economic slump, future terrorist attacks, war or health concerns could cause airlines to cancel or delay the purchase of additional new aircraft which could result in a deterioration of commercial airplane backlogs. If demand for new aircraft decreases, there would likely be a decrease in demand for our commercial aircraft products, and our business, financial condition and results of operations could be materially adversely affected.

Our business could be materially adversely affected if one of our components causes an aircraft accident.

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of an aircraft component that has been designed, manufactured or serviced by us or our suppliers. While we believe that our liability insurance is adequate to protect us from future product liability claims, it may not be adequate. Also, we may not be able to maintain insurance coverage in the future at an acceptable cost. Any such liability not covered by insurance or for which third-party indemnification is not available could require us to dedicate a substantial portion of our cash flows to make payments on such liability, which could have a material adverse effect on our business, financial condition and results of operations.

An accident caused by one of our components could also damage our reputation for quality products. We believe our customers consider safety and reliability as key criteria in selecting a provider of aerostructures. If an accident were to be caused by one of our components, or if we were to otherwise fail to maintain a satisfactory record of safety and reliability, our ability to retain and attract customers could be materially adversely affected.

Our business could be materially adversely affected by material product warranty obligations.

Our operations expose us to potential liability for warranty claims made by customers or third parties with respect to aircraft components that have been designed, manufactured, or serviced by us or our suppliers. Material product warranty obligations could have a material adverse effect on our business, financial condition and results of operations.

Because we depend on Boeing and, to a lesser extent, Airbus, as our largest customers, our sales, cash flows from operations and results of operations will be negatively affected if either Boeing or Airbus reduces the number of products it purchases from us or if either experiences business difficulties.

Currently, Boeing is our largest customer and Airbus is our second-largest customer. For the nine months ended October 1, 2009, and for the twelve months ended December 31, 2008, approximately 85% and 11% of our net revenues were generated from sales to Boeing and Airbus, respectively. Although our strategy, in part, is to diversify our customer base by entering into supply arrangements with additional customers, we cannot give any assurance that we will be successful in doing so. Even if we are successful in obtaining and retaining new customers, we expect that Boeing and, to a lesser extent, Airbus, will continue to account for a substantial portion of our sales for the foreseeable future. Although we are a party to various supply contracts with Boeing and Airbus which obligate Boeing and Airbus to purchase all of their requirements for certain products from us, those agreements generally do not require specific minimum purchase volumes. In addition, if we breach certain obligations under these supply agreements and Boeing or Airbus exercises its right to terminate such agreements, our business will be materially adversely affected. In addition, we have agreed to a limitation on recoverable damages in the event Boeing wrongfully terminates our main supply agreement with it with respect to any model of airplane program, so if this occurs, we may not be able to recover the full amount of our actual damages. Furthermore, if Boeing or Airbus (1) experiences a decrease in requirements for the products which we supply to it; (2) experiences a major disruption in its business, such as a strike, work stoppage or slowdown, a supply-chain problem or a decrease in orders from its customers; or (3) files for bankruptcy protection; our business, financial condition and results of operations could be materially adversely affected.

Our largest customer, Boeing, operates in a very competitive business environment.

Boeing operates in a highly competitive industry. Competition from Airbus, Boeing s main competitor, as well as from regional jet makers, has intensified as these competitors expand aircraft model offerings and competitively price their products. As a result of this competitive environment, Boeing continues to face pressure on product offerings and sale prices. While we do have requirements contracts with Airbus, we currently have substantially more business with Boeing and thus any adverse effect on Boeing s production of aircraft resulting from this competitive environment may have a material adverse effect on our business, financial condition and results of operations.

Our business depends, in large part, on sales of components for a single aircraft program, the B737.

For the nine months ended October 1, 2009 and the twelve months ended December 31, 2008, approximately 54% and 53%, respectively, of our net revenues were generated from sales of components to Boeing for the B737 aircraft. While we have entered into long-term supply agreements with Boeing to continue to provide components for the B737 for the life of the aircraft program, including commercial and the military P-8A Poseidon derivatives, Boeing does not have any obligation to purchase components from us for any replacement for the B737 that is not a commercial derivative model. In the event Boeing develops a next-generation single-aisle aircraft program to replace the B737 which is not a commercial derivative, we may not have the next-generation technology, engineering and manufacturing capability necessary to obtain significant aerostructures supply business for such replacement program, may not be able to provide components for such replacement program at competitive prices or, for other reasons, may

not be engaged by Boeing to the extent of our involvement in the B737 or at all. If we were unable to obtain significant aerostructures supply business for the B737 replacement program, our business, financial condition and results of operations could be materially adversely affected.

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The profitability of the B787 program depends significantly on the assumptions surrounding a satisfactory settlement of assertions.

Due to the nature of the work performed related to the B787, we regularly commence work or incorporate customer requested changes prior to negotiating pricing terms for the engineering work or the product which has been modified. We have the legal right to negotiate pricing for customer directed changes. We assert to our customers our contractual rights to obtain the additional revenue or cost reimbursement we expect to receive upon finalizing pricing terms. An expected recovery value of these assertions is incorporated into our contract profitability estimates when applying contract accounting. Our inability to recover these expected values, among other factors, could result in the recognition of a forward loss on the B787 program and could have a material adverse effect on our results of operations.

Our business depends, in part, on the success of a new model aircraft, the B787.

The success of our business will depend, in part, on the success of Boeing s new B787 program. We have entered into supply agreements with Boeing pursuant to which we are a Tier 1 supplier to the B787 program. We have made and will continue to make a significant investment in this program before the first commercial delivery of a B787 jetliner. On August 27, 2009, Boeing announced an additional delay of the first flight of the B787 to the end of 2009, pushing the first B787 customer delivery out to the fourth quarter of 2010. Amounts capitalized into inventory represent our primary working capital exposure to the B787 delays. Given the low margins we currently project in our first contract accounting block, in the event Boeing is unable to meet currently anticipated production levels or if we are not able to achieve the cost reductions we expect, successfully implement customer driven engineering changes, or successfully complete contract negotiations, including assertions, we could eventually need to recognize a forward loss in our current contract accounting block. Any additional delays in the B787 program, including delays in negotiations of certain contractual matters with Boeing, could further impact our cash flows from operations and could materially adversely affect our business, financial condition and results of operations.

We may be required to repay Boeing up to approximately $960.2 million of advance payments made to us by Boeing under the B787 Supply Agreement, as amended, in the event that Boeing does not take delivery of a sufficient number of ship sets prior to the termination of the aircraft program.

We are required to repay Boeing the $700.0 million, without interest, of advance payments made to us by Boeing through 2007 under the original B787 Supply Agreement, in the amount of a $1.4 million offset against the purchase price of each of the first five hundred B787 ship sets delivered to Boeing. In the event that Boeing does not take delivery of five hundred B787 ship sets by the end of the aircraft program, any advances not then repaid will first be applied against any outstanding B787 payments then due by Boeing to us, with any remaining balance to be repaid at the rate of $84.0 million per year beginning in the year in which we deliver our final B787 production ship set to Boeing, prorated for the remaining portion of the year in which we make our final delivery.

On March 26, 2008, Boeing and Spirit amended their existing B787 Supply Agreement to, among other things, require Boeing to make additional advance payments to Spirit in 2008 in the amount of $396.0 million for production articles. The additional advances will be applied against the full purchase price of the ship sets delivered (net of the $1.4 million per ship set applied against the initial $700.0 million of advances described above) until fully repaid, which is expected to occur before the delivery of the 50th ship set. In the event that Boeing does not take delivery of a sufficient number of ship sets to repay the additional advances by the end of the aircraft program, any additional advances not then repaid will first be applied against any outstanding B787 payments then due by Boeing to us, with any remaining balance repaid beginning in the year in which we deliver our final B787 production ship set to Boeing, with the full amount to be repaid no later than the end of the subsequent year. As of October 1, 2009, the amount of advance payments made to us by Boeing under the B787 Supply Agreement and not yet repaid was approximately

$960.2 million.

ONT-WEIGHT: bold"> 53,226 50,380

Income Before Income Tax Expense	13,010	13,797	24,617	26,704
Income Tax Expense	4,151	4,364	7,912	8,466
Net Income attributable to Noncontrolling Interests and Tompkins Financial Corporation	8,859	9,433	16,705	18,238
Less: Net income attributable to noncontrolling interests	33	33	65	65
Net Income Attributable to Tompkins Financial Corporation	$8,826	$9,400	$16,640	$18,173
Basic Earnings Per Share	$0.72	$0.86	$1.43	$1.66
Diluted Earnings Per Share	$0.72	$0.85	$1.42	$1.65

1 In 2012, other-than-temporary impairment ("OTTI") on securities available-for-sale totaling $148,000 in losses were recognized which included $83,000 recognized in AOCI, and $65,000 of OTTI losses recognized in noninterest income. In 2011, OTTI on securities available for sale totaled $0 through June 30, 2011.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
(in thousands)	06/30/2012	06/30/2011
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	$ 8,859	$ 9,433
Other comprehensive income (loss), net of tax:		
Unrealized gain on available-for-sale securities:		
Net unrealized holding gain on available-for-sale securities arising during the period (net of tax of $2,937 in 2012 and $5,375 in 2011).	4,407	8,067
Reclassification adjustment for net realized gain on sale included in of available-for-sale securities (net of tax of $372 in 2012 and $0 in 2011).	(561)	0
Other-than-temporary impairment on available-for-sale securities		
Net of tax of $26 in 2012 and $0 in 2011)1	39	0
Employee benefit plans:		
Net retirement plan gain (net of tax of $290 for 2012 and $192 for 2011).	435	290
Other comprehensive (loss) income	4,320	8,357
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation	13,179	17,790
Less: Other comprehensive income attributable to noncontrolling interests	(33)	(33)
Total comprehensive income attributable to Tompkins Financial Corporation	$ 13,146	$ 17,757

	Six Months Ended	
(in thousands)	06/30/2012	06/30/2011
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	$ 16,705	$ 18,238
Other comprehensive income (loss), net of tax:		
Unrealized gain on available-for-sale securities:		
Net unrealized holding gain on available-for-sale securities arising during the period (net of tax of $2,630 in 2012 and $6,083 in 2011).	3,949	9,128
Reclassification adjustment for net realized gain on sale included in of available-for-sale securities (net of tax of $373 in 2012 and $38 in 2011).	(562)	(57)
Other-than-temporary impairment on available-for-sale securities		
Net of tax of $26 in 2012 and $0 in 2011)1	39	0
Employee benefit plans:		
Net retirement plan gain (net of tax of $490 for 2012 and $376 for 2011).	735	564

Other comprehensive (loss) income		4,161		9,635
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation		20,866		27,873
Less: Other comprehensive income attributable to noncontrolling interests		(65)		(65)
Total comprehensive income attributable to Tompkins Financial Corporation	$	20,801	$	27,808

In 2012, other-than-temporary impairment ("OTTI") on securities available-for-sale totaling $148,000 were recognized, which included $83,000 recognized in accumulated other comprehensive income, and $65,000 of OTTI was recognized in non interest income. In 2011, OTTI on securities available-for-sale totaled $0 through June 30, 2011.

See notes to unaudited condensed consolidated financial statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	06/30/2012	06/30/2011
OPERATING ACTIVITIES		
Net income attributable to Tompkins Financial Corporation	$16,640	$18,173
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	2,136	2,915
Depreciation and amortization of premises, equipment, and software	2,416	2,375
Amortization of intangible assets	257	316
Earnings from corporate owned life insurance	(817)	(761)
Net amortization on securities	5,135	4,045
Other than temporary impairment loss	65	0
Mark-to-market loss (gain) on trading securities	157	(115)
Mark-to-market loss on liabilities held at fair value	(166)	27
Net gain on securities transactions	(935)	(95)
Net gain on sale of loans	(250)	(300)
Proceeds from sale of loans	11,161	15,932
Loans originated for sale	(11,083)	(14,396)
Net gain on sale of bank premises and equipment	(6)	(6)
Stock-based compensation expense	688	631
Increase in accrued interest receivable	(111)	(605)
Decrease in accrued interest payable	(67)	(367)
Proceeds from maturities and payments of trading securities	1,484	1,818
Contribution to pension plan	(5,000)	(2,750)
Other, net	3,229	4,623
Net Cash Provided by Operating Activities	24,933	31,460
INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal paydowns of available-for-sale securities	163,264	189,113
Proceeds from sales of available-for-sale securities	92,670	34,019
Proceeds from maturities, calls and principal paydowns of held-to-maturity securities	4,908	28,668
Purchases of available-for-sale securities	(294,007)	(260,039)
Purchases of held-to-maturity securities	(5,358)	(3,445)
Net increase in loans	(40,524)	(13,980)
Net decrease in Federal Home Loan Bank stock and Federal Reserve Bank stock	2,378	3,185
Proceeds from sale of bank premises and equipment	18	46
Purchases of bank premises and equipment	(2,413)	(1,405)
Cash used in acquisitions	(1,038)	(243)
Other, net	(748)	(672)
Net Cash Used in Investing Activities	(80,850)	(24,753)
FINANCING ACTIVITIES		
Net increase in demand, money market, and savings deposits	113,300	102,902
Net decrease in time deposits	(8,771)	(26,767)
Net decrease in Federal funds purchases and securities sold under agreements to repurchase	(7,428)	(5,064)
Increase in other borrowings	0	45,880
Repayment of other borrowings	(63,975)	(117,457)

Cash dividends	(8,405)	(7,431)
Common stock issued	37,978	0
Shares issued for dividend reinvestment plan	936	1,258
Shares issued for employee stock ownership plan	1,037	1,053
Net proceeds from exercise of stock options	1,370	740
Tax benefit from stock option exercises	87	(7)
Net Cash Provided by Financing Activities	66,129	(4,893)
Net Increase in Cash and Cash Equivalents	10,212	1,814
Cash and cash equivalents at beginning of period	49,567	49,665
Total Cash & Cash Equivalents at End of Period	59,779	51,479
Supplemental Information:		
Cash paid during the year for - Interest	$11,185	$13,714
Cash paid during the year for - Taxes	8,629	3,744
Transfer of loans to other real estate owned	1,314	538

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling Interests	Total
Balances at January 1, 2011	$1,093	$198,114	$76,446	$(1,260)	$(2,437)	$1,452	$273,408
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			18,173			65	18,238
Other comprehensive income				9,635			9,635
Total Comprehensive Income							27,873
Cash dividends ($0.68 per share)			(7,431)				(7,431)
Exercise of stock options and related tax benefit (22,459 shares, net)	2	731					733
Stock-based compensation expense		631					631
Shares issued for dividend reinvestment plan (31,293 shares, net)	3	1,255					1,258
Shares issued for employee stock ownership plan (25,139 shares)	3	1,050					1,053
Directors deferred compensation plan ((1,437) shares, net)		(24)			24		0
Share issued for purchase acquisition (75,188 shares)	8	2,527					2,535
Forfeiture of restricted shares (600 shares)							
Balances at June 30, 2011	$1,109	$204,284	$87,188	$8,375	$(2,413)	$1,517	$300,060
Balances at January 1, 2012	$1,116	$206,395	$96,445	$(3,677)	$(2,588)	$1,452	$299,143
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			16,640			65	16,705
Other comprehensive (loss) income				4,161			4,161
Total Comprehensive Income							20,866
Cash dividends ($0.72 per share)			(8,405)				(8,405)
	5	1,452					1,457

Exercise of stock options and related tax benefit (45,853 shares, net)							
Stock-based compensation expense		688					688
Shares issued for dividend reinvestment plan (23,168 shares, net)	2	934					936
Shares issued for employee stock ownership plan (25,655 shares, net)	2	1,035					1,037
Directors deferred compensation plan (483 shares, net)		22			(22)		0
Common stock issued (1,006,250 shares)	101	37,877					37,978
Forfeiture of restricted shares (692 shares)							
Balances at June 30, 2012	$ 1,226	$ 248,403	$ 104,680	$ 484	$ (2,610)	$ 1,517	$ 353,700

See notes to unaudited condensed consolidated financial statements

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Tompkins Financial Corporation ("Tompkins" or the "Company") is headquartered in Ithaca, New York and is registered as a Financial Holding Company with the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended. The Company is a locally oriented, community-based financial services organization that offers a full array of products and services, including commercial and consumer banking, leasing, trust and investment management, financial planning and wealth management, insurance, and brokerage services. At June 30, 2012, the Company's subsidiaries included: three wholly-owned banking subsidiaries, Tompkins Trust Company (the "Trust Company"), The Bank of Castile, The Mahopac National Bank ("Mahopac National Bank") and AM&M Financial Services, Inc., a wholly owned registered investment advisor ("AM&M"); and a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). AM&M and the trust division of the Trust Company provide a full array of investment services under the Tompkins Financial Advisors division, 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 The Commons, Ithaca, New York, 14851, and its telephone number is (607) 273-3210. The Company's common stock is traded on the NYSE MKT LLC under the Symbol "TMP."

2. Basis of Presentation

The unaudited condensed consolidated financial statements included in this quarterly report have been prepared in accordance with accounting principles generally accepted in the United States of America and the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. In the application of certain accounting policies management is required to make assumptions regarding the effect of matters that are inherently uncertain. These estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues, and expenses in the unaudited condensed consolidated financial statements. Different amounts could be reported under different conditions, or if different assumptions were used in the application of these accounting policies. The accounting policies that management considers critical in this respect are the determination of the allowance for loan and lease losses, the expenses and liabilities associated with the Company's pension and post-retirement benefits, and the review of its securities portfolio for other than temporary impairment.

In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year ended December 31, 2012. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes to the Company's accounting policies from those presented in the 2011 Annual Report on Form 10-K. Refer to Note 3- "Accounting Standards Updates" of this Report for a discussion of recently issued accounting guidelines.

Cash and cash equivalents in the consolidated statements of cash flow include cash and noninterest bearing balances due from banks, interest-bearing balances due from banks, and money market funds. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Company is not exposed to any significant credit risk on cash and cash equivalents.

The Company has evaluated subsequent events for potential recognition and/or disclosure. Refer to Note 13 "Subsequent Events".

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 condensed consolidated financial statements are reclassified when necessary to conform to the current periods' presentation. All significant intercompany balances and transactions are eliminated in consolidation.

3. Accounting Standards Updates

ASU No. 2011-03, "Transfers and Servicing (Topic 860) - Reconsideration of Effective Control for Repurchase Agreements." ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 became effective for the Company on January 1, 2012 and did not have a significant impact on the Company's financial statements.

ASU 2011-04, "Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 amends Topic 820, "Fair Value Measurements and Disclosures," to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 became effective on January 1, 2012, and did not have a significant impact on the Company's financial statements.

ASU 2011-05, "Comprehensive Income (Topic 220) - Presentation of Comprehensive Income." ASU 2011-05 amends Topic 220, "Comprehensive Income," to require that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU 2011-05 became effective on January 1, 2012. With the adoption of ASU 2011-05, the Company's consolidated financial statements now include a separate condensed consolidated statements of comprehensive income.

ASU No. 2011-08, "Intangibles—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment." ASU 2011-08 amends Topic 350, "Intangibles-Goodwill and Other," to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not necessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. ASU 2011-08 is effective for annual and interim impairment tests beginning after December 15, 2011, and did not have a significant impact on the Company's financial statements.

ASU 2011-11, "Balance Sheet (Topic 210) - "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 amends Topic 210, "Balance Sheet," to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have a significant impact on the Company's financial statements.

ASU 2011-12 "Comprehensive Income (Topic 220) - Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 defers changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05. All other requirements in ASU No. 2011-05 are not affected by ASU No. 2011-12. ASU 2011-12 is effective for annual and interim periods beginning after December 15, 2011 and did not have a significant impact on the Company's financial statements.

4. Securities

Available-for-Sale Securities

The following table summarizes available-for-sale securities held by the Company at June 30, 2012:

	Available-for-Sale Securities			
June 30, 2012 (in thousands)	Amortized Cost1	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$2,008	$22	$0	$2,030
Obligations of U.S. Government sponsored entities	543,324	18,888	12	562,200
Obligations of U.S. states and political subdivisions	54,768	2,298	20	57,046
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	106,698	5,994	0	112,692
U.S. Government sponsored entities	420,690	17,186	0	437,876
Non-U.S. Government agencies or sponsored entities	5,163	2	91	5,074
U.S. corporate debt securities	5,013	135	0	5,148
Total debt securities	1,137,664	44,525	123	1,182,066
Equity securities	1,022	0	0	1,022
Total available-for-sale securities	$1,138,686	$44,525	$123	$1,183,088

1 Net of other-than-temporary impairment losses recognized in earnings.

The following table summarizes available-for-sale securities held by the Company at December 31, 2011:

	Available-for-Sale Securities			
December 31, 2011 (in thousands)	Amortized Cost1	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$2,020	$50	$0	$2,070
Obligations of U.S. Government sponsored entities	408,958	13,663	31	422,590
Obligations of U.S. states and political subdivisions	56,939	2,722	8	59,653
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	123,426	6,347	0	129,773
U.S. Government sponsored entities	501,136	16,300	58	517,378
Non-U.S. Government agencies or sponsored entities	6,334	0	458	5,876
U.S. corporate debt securities	5,017	166	0	5,183
Total debt securities	1,103,830	39,248	555	1,142,523
Equity securities	1,023	0	0	1,023
Total available-for-sale securities	$1,104,853	$39,248	$555	$1,143,546

1 Net of other-than-temporary impairment losses recognized in earnings.

Held-to-Maturity Securities

The following table summarizes held-to-maturity securities held by the Company at June 30, 2012:

June 30, 2012	Held-to-Maturity Securities			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. states and political subdivisions	$27,120	$493	$0	$27,613
Total held-to-maturity debt securities	$27,120	$493	$0	$27,613

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The following table summarizes held-to-maturity securities held by the Company at December 31, 2011:

December 31, 2011	Held-to-Maturity Securities			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. states and political subdivisions	$26,673	$582	$0	$27,255
Total held-to-maturity debt securities	$26,673	$582	$0	$27,255

Realized gains on available-for-sale securities were $933,000 and $935,000 in the second quarter and six months ending June 30, 2012, respectively, and $0 and $209,000 in the same periods of 2011; realized losses on available-for-sale securities were $0 in the second quarter and six months ending June 30, 2012, respectively, and $0 and $114,000 in the same time periods of 2011.

The following table summarizes available-for-sale securities that had unrealized losses at June 30, 2012:

	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. Government sponsored entities	$5,274	$12	$0	$0	$5,274	$12
Obligations of U.S. states and political subdivisions	3,703	20	0	0	3,703	20
Mortgage-backed securities – residential, issued by						
Non-U.S. Government agencies or sponsored entities	1,276	40	3,269	51	4,545	91
Total available-for-sale securities	$10,253	$72	$3,269	$51	$13,522	$123

There were no unrealized losses on held-to-maturity securities at June 30, 2012.

The following table summarizes available-for-sale securities that had unrealized losses at December 31, 2011:

	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. Government sponsored entities	$30,831	$31	$0	$0	$30,831	$31
Obligations of U.S. states and political subdivisions	1,083	8	0	0	1,083	8
Mortgage-backed securities – residential, issued by						
U.S. Government sponsored entities	28,307	58	0	0	28,307	58
Non-U.S. Government agencies or sponsored entities	1,944	172	3,932	286	5,876	458
Total available-for-sale securities	$62,165	$269	$3,932	$286	$66,097	$555

There were no unrealized losses on held-to-maturity securities at December 31, 2011.

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The gross unrealized losses reported at June 30, 2012 and December 31, 2011 for mortgage-backed securities-residential relate to investment securities issued by U.S. government sponsored entities such as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, and U.S. government agencies such as Government National Mortgage Association, and non U.S. Government agencies or sponsored entities. Total gross unrealized losses were primarily attributable to changes in interest rates and levels of market liquidity, relative to when the investment securities were purchased, and generally not due to the credit quality of the investment securities.

The Company does not intend to sell the securities that are in an unrealized loss position and it is not more-likely-than not that the Company will be required to sell these available-for-sale investment securities, before recovery of their amortized cost basis, which may be at maturity. Accordingly, as of June 30, 2012, and December 31, 2011, management believes the unrealized losses detailed in the tables above are not other-than-temporary.

Ongoing Assessment of Other-Than-Temporary Impairment
On a quarterly basis, the Company performs an assessment 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.

The Company considers the following factors in determining whether a credit loss exists and the period over which the debt security is expected to recover.

- The length of time and the extent to which the fair value has been less than the amortized cost basis;

- The level of credit enhancement provided by the structure which includes, but is not limited to, credit subordination positions, excess spreads, overcollateralization, and protective triggers;

- Changes in the near term prospects of the issuer or underlying collateral of a security, such as changes in default rates, loss severities given default and significant changes in prepayment assumptions;

- The level of excess cash flow generated from the underlying collateral supporting the principal and interest payments of the debt securities; and

- Any adverse change to the credit conditions of the issuer or the security such as credit downgrades by the rating agencies.

As of June 30, 2012, the Company held five mortgage backed securities, with a fair value of $5.1 million, that were not issued by U.S. Government agencies or U.S. Government sponsored entities. In 2009, the Company determined that three of these non-U.S. Government mortgage backed securities were other-than-temporarily impaired based on an analysis of the above factors for these three securities. As a result, the Company recorded other-than-temporary impairment charges of $2.0 million in 2009 on these investments. The credit loss component of $146,000 was

recorded as other-than-temporary impairment losses in the consolidated statement of income, while the remaining non-credit portion of the impairment loss was recognized in other comprehensive income in the condensed consolidated statements of condition and changes in shareholders' equity. In 2010 and 2011, the Company recorded an additional credit loss component of other-than-temporary charge of $34,000 and $65,000, respectively. The Company's review of these securities as of June 30, 2012 determined that an additional credit loss component of other than temporary impairment charge of $65,000 was necessary. As of June 30, 2012, these securities had an unrealized loss of $89,000, which was recognized in other comprehensive income. A continuation or worsening of current economic conditions may result in additional credit loss component of other-than-temporary impairment losses related to these investments.

The following table summarizes the roll-forward of credit losses on debt securities held by the Company for which a portion of an other-than-temporary impairment is recognized in other comprehensive income:

	Three Months Ended		Six Months Ended	
(in thousands)	06/30/2012	06/30/2011	06/30/2012	06/30/2011
Credit losses at beginning of the period	$ 245	$ 180	$ 245	$ 180
Credit losses related to securities for which an other-than-temporary impairment was previously recognized	65	0	65	-
Ending balance of credit losses on debt securities held for which a portion of an other-than-temporary impairment was recognized in other comprehensive income	$ 310	$ 180	$ 310	$ 180

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.

June 30, 2012 (in thousands)	Amortized Cost1	Fair Value
Available-for-sale securities:		
Due in one year or less	$12,698	$12,888
Due after one year through five years	184,960	197,220
Due after five years through ten years	403,325	412,035
Due after ten years	4,130	4,281
Total	605,113	626,424
Mortgage-backed securities	532,551	555,642
Total available-for-sale debt securities	$1,137,664	$1,182,066

1 Net of other-than-temporary impairment losses recognized in earnings.

December 31, 2011 (in thousands)	Amortized Cost1	Fair Value
Available-for-sale securities:		
Due in one year or less	$8,611	$8,722
Due after one year through five years	252,388	265,814
Due after five years through ten years	202,782	205,584
Due after ten years	9,153	9,376
Total	472,934	489,496
Mortgage-backed securities	630,896	653,027
Total available-for-sale debt securities	$1,103,830	$1,142,523

1 Net of other-than-temporary impairment losses recognized in earnings.

June 30, 2012 (in thousands)	Amortized Cost	Fair Value
Held-to-maturity securities:		
Due in one year or less	$15,557	$15,615
Due after one year through five years	7,877	8,189
Due after five years through ten years	2,875	2,998

Due after ten years	811	811
Total held-to-maturity debt securities	$27,120	$27,613

December 31, 2011 (in thousands) Held-to-maturity securities:	Amortized Cost	Fair Value
Due in one year or less	$11,905	$11,932
Due after one year through five years	10,808	11,234
Due after five years through ten years	3,004	3,133
Due after ten years	956	956
Total held-to-maturity debt securities	$26,673	$27,255

The Company also holds non-marketable Federal Home Loan Bank New York ("FHLBNY") stock and non-marketable Federal Reserve Bank ("FRB") stock, both of which are required to be held for regulatory purposes and for borrowing availability. The required investment in FHLBNY stock is tied to the Company's borrowing levels with the FHLBNY. Holdings of FHBLNY stock and FRB stock totaled $14.6 million and $2.1 million at June 30, 2012, respectively, and $17.0 million and $2.1 million at December 31, 2011, respectively. The FHLBNY continues to pay dividends and repurchase its stock. As such, the Company has not recognized any impairment on its holdings of FHLBNY stock.

Trading Securities

The following summarizes trading securities, at estimated fair value, as of:

(in thousands)	06/30/2012	12/31/2011
Obligations of U.S. Government sponsored entities	$12,295	$12,693
Mortgage-backed securities – residential, issued by U.S. Government sponsored entities	5,640	6,905
Total	$17,935	$19,598

The net (loss) gain on trading account securities, which reflect mark-to-market adjustments, totaled ($75,000) and ($157,000) for the three and six months ended June 30, 2012, and $165,000 and $115,000 for the three and six months ended June 30, 2011.

5. Loans and Leases

Loans and Leases at June 30, 2012, and December 31, 2011 were as follows:

(in thousands)	06/30/2012	12/31/2011
Commercial and industrial		
Agriculture	$56,241	$67,566
Commercial and industrial other	425,306	417,128
Subtotal commercial and industrial	481,547	484,694
Commercial real estate		
Construction	31,734	47,304
Agriculture	47,573	53,071
Commercial real estate other	702,458	665,859
Subtotal commercial real estate	781,765	766,234
Residential real estate		
Home equity	156,911	161,278

Mortgages	534,552	500,034
Subtotal residential real estate	691,463	661,312
Consumer and other		
Indirect	29,569	32,787
Consumer and other	31,192	30,961
Subtotal consumer and other	60,761	63,748
Leases	4,993	6,489
Total loans and leases	2,020,529	1,982,477
Less: unearned income and deferred costs and fees	(848)	(628)
Total loans and leases, net of unearned income and deferred costs and fees	$2,019,681	$1,981,849

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The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. Management reviews these policies and procedures on a regular basis. The Company discussed its lending policies and underwriting guidelines for its various lending portfolios in Note 5 – "Loans and Leases" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes in these policies and guidelines. As such, these policies continue through new originations as well as those balances held at June 30, 2012. 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.

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

An age analysis of past due loans, segregated by class of loans, as of June 30, 2012 is provided below.

(in thousands)	30-89 days	90 days or more	Current Loans	Total Loans	90 days and accruing	Nonaccrual
Commercial and industrial						
Agriculture	$0	$0	$56,241	$56,241	$0	$ 34
Commercial and industrial other	1,014	2,679	421,613	425,306	0	5,116
Subtotal commercial and industrial	1,014	2,679	477,854	481,547	0	5,150
Commercial real estate						
Construction	6	8,469	23,259	31,734	0	11,477
Agriculture	214	0	47,359	47,573	0	24
Commercial real estate other	3,031	8,939	690,488	702,458	0	13,228
Subtotal commercial real estate	3,251	17,408	761,106	781,765	0	24,729
Residential real estate						
Home equity	813	1,677	154,421	156,911	321	1,663
Mortgages	4,256	4,355	525,941	534,552	0	5,073
Subtotal residential real estate	5,069	6,032	680,362	691,463	321	6,736
Consumer and other						
Indirect	815	128	28,626	29,569	0	134
Consumer and other	0		31,192	31,192	0	0
Subtotal consumer and other	815	128	59,818	60,761	0	134
Leases	0	0	4,993	4,993	0	0
Total loans and leases	10,149	26,247	1,984,133	2,020,529	321	36,749
Less: unearned income and deferred costs and fees	0	0	0	(848)	0	0

Total loans and leases, net of unearned income and deferred costs and fees	$10,149	$26,247	$1,984,133	$2,019,681	$321	$ 36,749

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An age analysis of past due loans, segregated by class of loans, as of December 31, 2011 is provided below.

(in thousands)	30-89 days	90 days or more	Current Loans	Total Loans	90 days and accruing	Nonaccrual
Commercial and industrial						
Agriculture	26	0	67,540	67,566	0	175
Commercial and industrial other	890	155	416,083	417,128	0	6,930
Subtotal commercial and industrial	916	155	483,623	484,694	0	7,105
Commercial real estate						
Construction	102	7,761	39,441	47,304	0	12,958
Agriculture	186	211	52,674	53,071	0	346
Commercial real estate other	4,923	9,449	651,487	665,859	0	13,048
Subtotal commercial real estate	5,211	17,421	743,602	766,234	0	26,352
Residential real estate						
Home equity	1,217	1,232	158,829	161,278	322	1,222
Mortgages	4,808	4,942	490,284	500,034	1,056	4,662
Subtotal residential real estate	6,025	6,174	649,113	661,312	1,378	5,884
Consumer and other						
Indirect	1,009	228	31,550	32,787	2	237
Consumer and other	0	0	30,961	30,961	0	0
Subtotal consumer and other	1,009	228	62,511	63,748	2	237
Leases	10	0	6,479	6,489	0	10
Total loans and leases	13,171	23,978	1,945,328	1,982,477	1,380	39,588
Less: unearned income and deferred costs and fees	0	0	0	(628)	0	0
Total loans and leases, net of unearned income and deferred costs and fees	$13,171	$23,978	$1,945,328	$1,981,849	$1,380	$ 39,588

6. Allowance for Loan and Lease Losses

Management reviews the appropriateness of the allowance for loan and lease losses (“allowance”) 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 loan 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. 102, Selected Loan Loss Allowance Methodology and Documentation Issues and allowance allocations are calculated in accordance with ASC Topic 310, Receivables and ASC Topic 450, Contingencies.

The Company’s methodology for determining and allocating the allowance for loan and lease losses focuses on ongoing reviews of larger individual loans and leases, historical net charge-offs, delinquencies in the loan and lease portfolio, the level of impaired and nonperforming loans, values of underlying loan and lease collateral, the overall risk characteristics of the portfolios, changes in character or size of the portfolios, geographic location, current economic conditions, changes in capabilities and experience of lending management and staff, and other relevant factors. The various factors used in the methodologies are reviewed on a regular basis.

At least annually, management reviews all commercial and commercial real estate loans exceeding a certain threshold and assigns a risk rating. The Company uses an internal loan rating system of pass credits, special mention loans,

substandard loans, doubtful loans, and loss loans (which are fully charged off). The definitions of "special mention", "substandard", "doubtful" and "loss" are consistent with banking regulatory definitions. Factors considered in assigning loan ratings include: the customer's ability to repay based upon customer's expected future cash flow, operating results, and financial condition; the underlying collateral, if any; and the economic environment and industry in which the customer operates. Special mention loans have potential weaknesses that if left uncorrected may result in deterioration of the repayment prospects and a downgrade to a more severe risk rating. A substandard loan credit has a well-defined weakness which makes payment default or principal exposure likely, but not yet certain. There is a possibility that the Company will sustain some loss if the deficiencies are not corrected. A doubtful loan has a high possibility of loss, but the extent of the loss is difficult to quantify because of certain important and reasonably specific pending factors.

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At least quarterly, management reviews all commercial and commercial real estate loans and leases and agriculturally related loans with an outstanding principal balance of over $500,000 that are internally risk rated special mention or worse, giving consideration to payment history, debt service payment capacity, collateral support, strength of guarantors, local market trends, industry trends, and other factors relevant to the particular borrowing relationship. Through this process, management identifies impaired loans. For loans and leases considered impaired, estimated exposure amounts are based upon collateral values or present value of expected future cash flows discounted at the original effective interest rate of each loan. For commercial loans, commercial mortgage loans, and agricultural loans not specifically reviewed, and for homogenous loan portfolios such as residential mortgage loans and consumer loans, estimated exposure amounts are assigned based upon historical net loss experience and current charge-off trends, past due status, and management's judgment of the effects of current economic conditions on portfolio performance. In determining and assigning historical loss factors to the various homogeneous portfolios, the Company calculates average net losses over a period of time and compares this average to current levels and trends to ensure that the calculated average loss factor is reasonable.

Since the methodology is based upon historical experience and trends as well as management's judgment, factors may arise that result in different estimates. Significant factors that could give rise to changes in these estimates may include, but are not limited to, changes in economic conditions in the local area, concentration of risk, changes in interest rates, and declines in local property values. While management's evaluation of the allowance as of June 30, 2012, considers the allowance to be appropriate, under adversely different conditions or assumptions, the Company would need to increase the allowance.

The following tables detail activity in the allowance for possible loan and lease losses by portfolio segment for the three and six months ended June 30, 2012 and 2011. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Three months ended June 30, 2012

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 8,270	$ 12,314	$ 4,491	$ 1,868	$ 5	$ 26,948
Charge-offs	(329)	(200)	(614)	(152)	0	(1,295)
Recoveries	46	0	66	89	0	201
Provision	(180)	853	407	(85)	16	1,011
Ending Balance	$ 7,807	$ 12,967	$ 4,350	$ 1,720	$ 21	$ 26,865

Three months ended June 30, 2011

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 8,694	$ 13,891	$ 3,809	$ 1,587	$ 54	$ 28,035
Charge-offs	(668)	(58)	(97)	(102)	0	(925)
Recoveries	66	64	31	85	0	246
Provision	(252)	547	682	35	(7)	1,005

Ending Balance	$ 7,840	$ 14,444	$ 4,425	$ 1,605	$ 47	$ 28,361

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Six months ended June 30, 2012

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 8,936	$ 12,662	$ 4,247	$ 1,709	$ 39	$ 27,593
Charge-offs	(581)	(1,169)	(1,023)	(411)	0	(3,184)
Recoveries	65	0	66	189	0	320
Provision	(613)	1,474	1,060	233	(18)	2,136
Ending Balance	$ 7,807	$ 12,967	$ 4,350	$ 1,720	$ 21	$ 26,865

Six months ended June 30, 2011

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for credit losses:						
Beginning balance	$ 7,824	$ 14,445	$ 3,526	$ 1,976	$ 61	$ 27,832
Charge-offs	(1,257)	(369)	(1,195)	(268)	0	(3,089)
Recoveries	393	105	32	173	0	703
Provision	880	263	2,062	(276)	(14)	2,915
Ending Balance	$ 7,840	$ 14,444	$ 4,425	$ 1,605	$ 47	$ 28,361

At June 30, 2012 and December 31, 2011, the allocation of the allowance for loan and lease losses summarized on the basis of the Company's impairment methodology was as follows:

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
June 30, 2012						
Individually evaluated for impairment	$ 2,521	$ 194	$ 0	$ 0	$ 0	$ 2,715
Collectively evaluated for impairment	5,286	12,773	4,350	1,720	21	24,150
Ending balance	$ 7,807	$ 12,967	$ 4,350	$ 1,720	$ 21	$ 26,865
December 31, 2011						
Individually evaluated for impairment	$ 2,863	$ 667	$ 0	$ 0	$ 0	$ 3,530
Collectively evaluated for impairment	6,073	11,995	4,247	1,709	39	24,063
Ending balance	$ 8,936	$ 12,662	$ 4,247	$ 1,709	$ 39	$ 27,593

The recorded investment in loans and leases summarized on the basis of the Company's impairment methodology as of June 30, 2012 and December 31, 2011 was as follows:

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
June 30, 2012						
Individually evaluated for impairment	$ 5,876	$ 23,882	$ 488	$ 0	$0	$30,246
Collectively evaluated for impairment	475,671	757,883	690,975	60,761	4,993	1,990,283
Total	$ 481,547	$ 781,765	$ 691,463	$ 60,761	$4,993	$2,020,529
December 31, 2011						
Individually evaluated for impairment	$10,161	22,150	$445	$0	$0	$32,756
Collectively evaluated for impairment	474,533	744,084	660,867	63,748	6,489	1,949,721
Total	$484,694	$766,234	$661,312	$63,748	$6,489	$1,982,477

A loan is impaired 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. Impaired loans consist of our non-homogenous nonaccrual loans, and all loans restructured in a troubled debt restructuring (TDR). Specific reserves on individually identified impaired 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. The majority of impaired loans are collateral dependent impaired loans that have limited exposure or require limited specific reserves because of the amount of collateral support with respect to these loans, and previous charge-offs. Interest payments on impaired 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.

Impaired loans are set forth in the tables below as of June 30, 2012 and December 31, 2011.

	06/30/2012			12/31/2011		
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance						
Commercial and industrial						
Commercial and industrial other	$ 2,547	$ 2,647	$ 0	$ 2,489	$ 2,915	$ 0
Commercial real estate						
Construction	11,016	17,794	0	9,018	14,628	0
Commercial real estate other	13,295	14,286	0	12,150	12,496	0
Residential real estate						
Residential real estate other	488	488	0	445	445	0
Subtotal	$ 27,346	$ 35,215	$ 0	$ 24,102	$ 30,484	$ 0
With related allowance						
Commercial and industrial						
Commercial and industrial other	4,048	4,048	2,521	4,197	4,197	2,113
Commercial real estate						
Construction	0	0	0	3,475	3,475	750
Commercial real estate other	960	960	194	982	982	667
Subtotal	$ 5,008	$ 5,008	$ 2,715	$ 8,654	$ 8,654	$ 3,530
Total	$ 32,354	$ 40,223	$ 2,715	$ 32,756	$ 39,138	$ 3,530

The average recorded investment and interest income recognized on impaired loans for the three and six months ended June 30, 2012 and 2011 was as follows:

	Three Months Ended 06/30/2012		Three Months Ended 06/30/2011	
(in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance				
Commercial and industrial				
Commercial and industrial other	2,966	4	2,710	0
Commercial real estate				
Construction	11,247	0	0	0
Commercial real estate other	10,380	0	10,469	0

Residential real estate				
Residential real estate other	488	0	0	0
Subtotal	$25,081	$4	$13,179	$0
With related allowance				
Commercial and industrial				
Commercial and industrial other	4,067	0	2,001	0
Commercial real estate				
Construction	0	0	13,010	0
Commercial real estate other	1,026	6	4,992	0
Subtotal	$5,093	$6	$20,003	$0
Total	$30,174	$10	$33,182	$0

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(in thousands)	Six Months Ended 06/30/2012 Average Recorded Investment	Six Months Ended 06/30/2012 Interest Income Recognized	Six Months Ended 06/30/2011 Average Recorded Investment	Six Months Ended 06/30/2011 Interest Income Recognized
With no related allowance				
Commercial and industrial				
Commercial and industrial other	3,108	4	2,768	0
Commercial real estate				
Construction	13,196	0	0	0
Commercial real estate other	10,516	0	10,977	10
Residential real estate				
Residential real estate other	488	0	0	0
Subtotal	$27,308	$4	$13,745	$10
With related allowance				
Commercial and industrial				
Commercial and industrial other	4,110	0	2,367	0
Commercial real estate				
Construction	0	0	13,113	0
Commercial real estate other	1,049	24	4,052	0
Subtotal	$5,159	$24	$19,532	$0
Total	$32,467	$28	$33,277	$10

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. These modifications may include, among others, an extension for the term of the loan, and granting a period when interest-only payments can be made with the principal payments made over the remaining term of the loan or at maturity. There was one loan modified as a TDR during the three and six months ended June 30, 2012.

Troubled Debt Restructuring

June 30, 2012	Three months ended			Six months ended		
(in thousands)	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential real estate						
Mortgages	1	62	62	1	62	62
Total	1	$ 62	$ 62	1	$ 62	$ 62

A loan that was restructured as a TDR is considered to be in payment default once it is 90 days contractually past due under the modified terms. During the three and six months ended June 30, 2012, there was one loan classified as a TDR that became 91 days past due, with a balance of $56,000.

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The following tables present credit quality indicators (internal risk grade) by class of commercial and industrial loans and commercial real estate loans as of June 30, 2012 and December 31, 2011.

June 30, 2012

(in thousands)	Commercial and Industrial Other	Commercial and Industrial Agriculture	Commercial Real Estate Other	Commercial Real Estate Agriculture	Commercial Real Estate Construction	Total
Internal risk grade:						
Pass	$ 382,907	$ 55,641	$ 645,497	$ 45,501	$ 11,341	$1,140,887
Special Mention	28,254	196	26,673	715	7,814	63,652
Substandard	14,145	404	29,700	1,357	12,579	58,185
Doubtful	0	0	588	0	0	588
Total	$ 425,306	$ 56,241	$ 702,458	$ 47,573	$ 31,734	$1,263,312

December 31, 2011

(in thousands)	Commercial and Industrial Other	Commercial and Industrial Agriculture	Commercial Real Estate Other	Commercial Real Estate Agriculture	Commercial Real Estate Construction	Total
Internal risk grade:						
Pass	$ 377,083	$ 65,795	$ 602,915	$ 50,333	$ 28,232	$1,124,358
Special Mention	14,488	1,059	25,743	1,022	9,844	52,156
Substandard	25,557	712	35,707	1,716	9,228	72,920
Doubtful	0	0	1,494	0	0	1,494
Total	$ 417,128	$ 67,566	$ 665,859	$ 53,071	$ 47,304	$1,250,928

The following tables present credit quality indicators by class of residential real estate loans and by class of consumer loans. Nonperforming loans include nonaccrual, impaired, and loans 90 days past due and accruing interest. All other loans are considered performing as of June 30, 2012 and December 31, 2011.

June 30, 2012

(in thousands)	Residential Home Equity	Residential Mortgages	Consumer Indirect	Consumer Other	Total
Performing	$ 154,927	$ 529,479	$ 29,435	$ 31,192	$ 745,033
Nonperforming	1,984	5,073	134	0	7,191
Total	$ 156,911	$ 534,552	$ 29,569	$ 31,192	$ 752,224

December 31, 2011

(in thousands)	Residential Home Equity	Residential Mortgages	Consumer Indirect	Consumer Other	Total
Performing	$159,734	$494,316	$32,548	$30,961	$717,559
Nonperforming	1,544	5,718	239	0	7,501
Total	$161,278	$500,034	$32,787	$30,961	$725,060

7. Earnings Per Share

The Company follows the provisions of FASB ASC Topic 260, Earnings Per Share ("EPS"). A computation of Basic EPS and Diluted EPS for the three and six months ended June 30, 2012 and 2011 is presented in the table below.

	Three Months Ended	
(in thousands, except share and per share data)	06/30/2012	06/30/2011
Basic		
Net income available to common shareholders	$ 8,826	$ 9,400
Less: dividends and undistributed earnings allocated to unvested restricted stock awards	(33)	(11)
Net earnings allocated to common shareholders	8,793	9,389
Weighted average shares outstanding, including participating securities	12,195,047	10,988,016
Less: average participating securities	(48,425)	(13,400)
Weighted average shares outstanding - Basic	12,146,622	10,974,616
Diluted		
Net earnings allocated to common shareholders	8,793	9,389
Weighted average shares outstanding - Basic	12,146,622	10,974,616
Dilutive effect of common stock options or restricted stock awards	19,795	34,117
Weighted average shares outstanding - Diluted	12,166,417	11,008,733
Basic EPS	0.72	0.86
Diluted EPS	0.72	0.85

The dilutive effect of common stock options or restricted awards calculation for the three months ended June 30, 2012 and 2011 excludes stock options, stock appreciation rights and restricted stock awards covering an aggregate of 776,465 and 679,245 because the exercise prices were greater than the average market price during these periods.

	Six Months Ended	
(in thousands, except share and per share data)	06/30/2012	06/30/2011
Basic		
Net income available to common shareholders	$ 16,640	$ 18,173
Less: dividends and undistributed earnings allocated to unvested restricted stock awards	(67)	(22)
Net earnings allocated to common shareholders	16,573	18,151
Weighted average shares outstanding, including participating securities	11,673,332	10,953,756
Less: average participating securities	(48,607)	(13,657)
Weighted average shares outstanding - Basic	11,624,725	10,940,099

Diluted		
Net earnings allocated to common shareholders	16,573	18,151
Weighted average shares outstanding - Basic	11,624,725	10,940,099
Dilutive effect of common stock options or restricted stock awards	32,046	37,974
Weighted average shares outstanding - Diluted	11,656,771	10,978,073
Basic EPS	1.43	1.66
Diluted EPS	1.42	1.65

The dilutive effect of common stock options or restricted awards calculation for the six months ended June 30, 2012 and 2011 excludes stock options, stock appreciation rights and restricted stock awards covering an aggregate of 681,145 and 691,468 because the exercise prices were greater than the average market price during these periods.

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8. Employee Benefit Plan

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

Components of Net Period Benefit Cost

	Pension Benefits Three Months Ended		Life and Health Three Months Ended		SERP Benefits Three Months Ended	
(in thousands)	06/30/2012	06/30/2011	06/30/2012	06/30/2011	06/30/2012	06/30/2011
Service cost	$736	$ 570	$51	$ 31	$100	$ 49
Interest cost	648	675	87	97	177	156
Expected return on plan assets for the period	(1,066)	(930)	0	0	0	0
Amortization of transition liability	0	0	17	17	0	0
Amortization of prior service cost	(31)	(33)	4	2	45	25
Amortization of net loss	526	436	28	0	127	34
Net periodic benefit cost	$813	$ 718	$187	$ 147	$449	$ 264

Components of Net Period Benefit Cost

	Pension Benefits Six Months Ended		Life and Health Six Months Ended		SERP Benefits Six Months Ended	
(in thousands)	06/30/2012	06/30/2011	06/30/2012	06/30/2011	06/30/2012	06/30/2011
Service cost	$1,360	$ 1,134	$85	$ 66	$181	$ 100
Interest cost	1,361	1,339	181	190	358	310
Expected return on plan assets for the period	(1,889)	(1,811)	0	0	0	0
Amortization of transition liability	0	0	33	34	0	0
Amortization of prior service cost	(62)	(62)	9	6	83	50
Amortization of net loss	941	846	37	1	184	65
Net periodic benefit cost	$1,711	$ 1,446	$345	$ 297	$806	$ 525

The Company realized approximately $735,000 and $564,000, net of tax, as amortization of amounts previously recognized in accumulated other comprehensive income, for the six months ended June 30, 2012 and 2011, respectively.

The Company is not required to contribute to the pension plan in 2012, but it may make voluntary contributions. The Company did not contribute to the pension plan in the three months ended June 30, 2012. For the six months ended June 30, 2012, the Company contributed $5.0 million to the pension plan.

9. Other Income and Operating Expense

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

	Three Months Ended		Six Months Ended	
(in thousands)	06/30/2012	06/30/2011	06/30/2012	06/30/2011
Noninterest Income				
Other service charges	$ 588	$ 544	$ 1,125	$ 1,105
Increase in cash surrender value of corporate owned life insurance	391	350	817	761
Net gain on sale of loans	150	136	250	300
Other income	641	360	842	1,053
Total other income	$ 1,770	$ 1,390	$ 3,034	$ 3,219
Noninterest Expenses				
Marketing expense	$1,250	$921	$2,422	$1,783
Professional fees	901	847	1,787	1,446
Software licensing and maintenance	920	839	1,868	1,864
Cardholder expense	539	485	1,121	965
Other expenses	3,575	3,621	7,100	6,862
Total other operating expense	$7,185	$6,713	$14,298	$12,920

10. Financial Guarantees

The Company currently does not issue any guarantees that would require liability recognition or disclosure, other than standby letters of credit. The Company extends standby letters of credit to its customers in the normal course of business. The standby letters of credit are generally short-term. As of June 30, 2012, the Company's maximum potential obligation under standby letters of credit was $56.0 million compared to $55.3 million at December 31, 2011. Management uses the same credit policies to extend standby letters of credit that it uses for on-balance sheet lending decisions and may require collateral to support standby letters of credit based upon its evaluation of the counterparty. Management does not anticipate any significant losses as a result of these transactions, and has determined that the fair value of standby letters of credit is not significant.

11. Segment and Related Information

The Company manages its operations through two business segments: banking and financial services. Financial services activities consist of the results of the Company's trust, financial planning and wealth management services, insurance and risk management operations. All other activities, including holding company activities, are considered banking. The Company accounts for intercompany fees and services at an estimated fair value according to regulatory requirements for the services provided. Intercompany items relate primarily to the use of human resources, information systems, accounting and marketing services provided by any of the banks and the holding company. All other accounting policies are the same as those described in the summary of significant accounting policies in the 2011 Annual Report on Form 10-K.

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.

As of and for the three months ended June 30, 2012

(in thousands)	Banking	Financial Services	Intercompany	Consolidated
Interest income	$ 33,475	$ 68	$ (2)	$ 33,541
Interest expense	5,433	0	(2)	5,431
Net interest income	28,042	68	0	28,110
Provision for loan and lease losses	1,011	0	0	1,011
Noninterest income	5,773	7,318	(325)	12,766
Noninterest expense	21,329	5,851	(325)	26,855
Income before income tax expense	11,475	1,535	0	13,010
Income tax expense	3,597	554	0	4,151
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	7,878	981	0	8,859
Less: Net income attributable to noncontrolling interests	33	0	0	33
Net Income attributable to Tompkins Financial Corporation	$ 7,845	$ 981	$ 0	$ 8,826
Depreciation and amortization	$ 1,130	$ 77	$ 0	$ 1,207
Assets	3,455,487	30,870	(3,688)	3,482,669
Goodwill	23,600	21,291	0	44,891
Other intangibles, net	2,232	1,529	0	3,761
Net loans and leases	1,992,816	0	0	1,992,816
Deposits	2,768,691	0	(3,598)	2,765,093
Total equity	330,961	22,739	0	353,700

As of and for the three months ended June 30, 2011

(in thousands)	Banking	Financial Services	Intercompany	Consolidated
Interest income	$ 34,517	$ 67	$ (30)	$ 34,554
Interest expense	6,632	0	(30)	6,602
Net interest income	27,885	67	0	27,952
Provision for loan and lease losses	1,005	0	0	1,005
Noninterest income	5,015	7,321	(323)	12,013
Noninterest expense	19,622	5,864	(323)	25,163
Income before income tax expense	12,273	1,524	0	13,797
Income tax expense	3,825	539	0	4,364
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	8,448	985	0	9,433
Less: Net income attributable to noncontrolling interests	33	0	0	33
Net Income attributable to Tompkins Financial Corporation	$ 8,415	$ 985	$ 0	$ 9,400
Depreciation and amortization	$ 1,126	$ 76	$ 0	$ 1,202
Assets	3,261,068	31,149	(4,619)	3,287,598
Goodwill	23,600	20,432	0	44,032

Other intangibles, net	2,679	1,791	0	4,470
Net loans and leases	1,892,355	0	0	1,892,355
Deposits	2,576,449	0	(4,441)	2,572,008
Total equity	275,759	24,301	0	300,060

For the six months ended June 30, 2012

(in thousands)	Banking	Financial Services	Intercompany	Consolidated
Interest income	$ 66,545	$ 128	$ (4)	$ 66,669
Interest expense	11,122	0	(4)	11,118
Net interest income	55,423	128	0	55,551
Provision for loan and lease losses	2,136	0	0	2,136
Noninterest income	10,614	14,499	(685)	24,428
Noninterest expense	42,019	11,892	(685)	53,226
Income before income tax expense	21,882	2,735	0	24,617
Income tax expense	6,929	983	0	7,912
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	14,953	1,752	0	16,705
Less: Net income attributable to noncontrolling interests	65	0	0	65
Net Income attributable to Tompkins Financial Corporation	$ 14,888	$ 1,752	$ 0	$ 16,640
Depreciation and amortization	$ 2,260	$ 156	$ 0	$ 2,416

For the six months ended June 30, 2011

(in thousands)	Banking	Financial Services	Intercompany	Consolidated
Interest income	$ 68,734	$ 140	$ (33)	$ 68,841
Interest expense	13,379	1	(33)	13,347
Net interest income	55,355	139	0	55,494
Provision for loan and lease losses	2,915	0	0	2,915
Noninterest income	10,572	14,583	(650)	24,505
Noninterest expense	39,540	11,490	(650)	50,380
Income before income tax expense	23,472	3,232	0	26,704
Income tax expense	7,319	1,147	0	8,466
Net Income attributable to noncontrolling interests and Tompkins Financial Corporation	16,153	2,085	0	18,238
Less: Net income attributable to noncontrolling interests	65	0	0	65
Net Income attributable to Tompkins Financial Corporation	$ 16,088	$ 2,085	$ 0	$ 18,173
Depreciation and amortization	$ 2,223	$ 152	$ 0	$ 2,375

12. Fair Value

FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB ASC Topic 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level

3 measurements). Transfers between leveling categories, when determined to be appropriate, are recognized at the end of each reporting period.

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

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

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

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

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, segregated by the level of valuation inputs within the fair value hierarchy used to measure fair value.

Recurring Fair Value Measurements
June 30, 2012

(in thousands)	Fair Value 06/30/2012	(Level 1)	(Level 2)	(Level 3)
Trading securities				
Obligations of U.S. Government sponsored entities	$ 12,295	$ 12,295	$ 0	$ 0
Mortgage-backed securities – residential				
U.S. Government sponsored entities	5,640	5,640	0	0
Available-for-sale securities				
U.S. Treasury securities	2,030	2,030	0	0
Obligations of U.S. Government sponsored entities	562,200	0	562,200	0
Obligations of U.S. states and political subdivisions	57,046	0	57,046	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	112,692	0	112,692	0
U.S. Government sponsored entities	437,876	0	437,876	0
Non-U.S. Government agencies or sponsored entities	5,074	0	5,074	0
U.S. corporate debt securities	5,148	0	5,148	0
Equity securities	1,022	0	0	1,022
Borrowings				
Other borrowings	11,927	0	11,927	0

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Recurring Fair Value Measurements
December 31, 2011

(in thousands)	Fair Value 12/31/2011	(Level 1)	(Level 2)	(Level 3)
Trading securities				
Obligations of U.S. Government sponsored entities	$ 12,693	$ 12,693	$ 0	$ 0
Mortgage-backed securities – residential				
U.S. Government sponsored entities	6,905	6,905	0	0
Available-for-sale securities				
U.S. Treasury securities	2,070	2,070	0	0
Obligations of U.S. Government sponsored entities	422,590	0	422,590	0
Obligations of U.S. states and political subdivisions	59,653	0	59,653	0
Mortgage-backed securities – residential, issued by:				
U.S. Government agencies	129,773	0	129,773	0
U.S. Government sponsored entities	517,378	0	517,378	0
Non-U.S. Government agencies or sponsored entities	5,876	0	5,876	0
U.S. corporate debt securities	5,183	0	5,183	0
Equity securities	1,023	0	0	1,023
Borrowings				
Other borrowings	12,093	0	12,093	0

There were no transfers between Levels 1 and 2 for the three months ended June 30, 2012.

There was no significant change in the fair value of the $1.0 million of available-for-sale securities valued using significant unobservable inputs (Level 3), between January 1, 2012 and June 30, 2012.

The Company determines fair value for its trading securities using independently quoted market prices. The Company determines fair value for its available-for-sale 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. Based on the inputs used by our independent pricing services, we identify the appropriate level within the fair value hierarchy to report these fair values.

Fair values of borrowings are estimated using Level 2 inputs based upon observable market data. The Company determines fair value for its borrowings using a discounted cash flow technique based upon expected cash flows and current spreads on FHLB advances with the same structure and terms. The Company also receives pricing information from third parties, including the FHLB. The pricing obtained is considered representative of the transfer price if the liabilities were assumed by a third party. The Company's potential credit risk did not have a material impact on the quoted settlement prices used in measuring the fair value of the FHLB borrowings at June 30, 2012.

Certain assets are measured at fair value on a nonrecurring basis. For the Company, these include loans held for sale, collateral dependent impaired loans, and other real estate owned. During the second quarter of 2012, certain collateral dependent impaired loans were remeasured and reported at fair value through a specific valuation allowance for loan and lease losses based upon the fair value of the underlying collateral. Collateral values are estimated using Level 2 inputs based upon observable market data. In addition to collateral dependent impaired loans, certain other real estate owned were remeasured and reported at fair value based upon the fair value of the underlying collateral. The fair values of other real estate owned are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. In general, the fair values of other real estate owned are based upon appraisals, with discounts made to reflect estimated costs to sell the real estate. Upon initial recognition, fair value write-downs on other real estate owned are taken through a charge-off to the allowance for loan and lease losses. Subsequent fair value write-downs on other real estate owned are reported in other noninterest expense.

Non-Recurring Fair Value Measurements
Three months ended June 30, 2012

(In thousands)	Fair Value	(Level 1)	(Level 2)	(Level 3)	Total gain (loss)
Collateral dependent impaired loans1	$ 7,789	$ 0	$ 7,789	$ 0	$ 0
Other real estate owned2	2,163	0	2,163	0	(222)

1 Collateral-dependent impaired loans held at June 30, 2012 that had write-downs in fair value or whose specific reserve changed during the second quarter 2012.
2 Two OREO properties held at June 30, 2012 that had write-downs during the second quarter of 2012.

Non-Recurring Fair Value Measurements
Three months ended June 30, 2011

(In thousands)	Fair Value	(Level 1)	(Level 2)	(Level 3)	Total gain (loss)
Collateral dependent impaired loans1	$ 7,895	$ 0	$ 7,895	$ 0	$ 0
Other real estate owned2	825	0	0	0	(73)

1 Collateral-dependent impaired loans held at June 30, 2011 that had write-downs in fair value or whose specific reserve changed during the second quarter 2011.
2 Three OREO properties held at June 30, 2011 that had write-downs during the second quarter of 2011.

Non-Recurring Fair Value Measurements
Six months ended June 30, 2012

(In thousands)	Fair Value	(Level 1)	(Level 2)	(Level 3)	Total gain (loss)
Collateral dependent impaired loans1	$ 9,134	$ 0	$ 9,134	$ 0	$ 0
Other real estate owned2	2,163	0	2,163	0	(222)

1 Collateral-dependent impaired loans held at June 30, 2012 that had write-downs in fair value or whose specific reserve changed during the six months ended 2012.
2 Five OREO properties held at June 30, 2012 had write-downs during the six months ended 2012.

Non-Recurring Fair Value Measurements
Six months ended June 30, 2011

(In thousands)	Fair Value	(Level 1)	(Level 2)	(Level 3)	Total gain (loss)
Collateral dependent impaired loans1	$ 10,363	$ 0	$ 10,363	$ 0	$ 0
Other real estate owned2	1,588	0	0	0	(73)

1 Collateral-dependent impaired loans held at June 30, 2011 that had write-downs in fair value or whose specific reserve changed during the six months ended 2011.
2 Four OREO properties held at June 30, 2011 had write-downs during the six months ended 2011.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at June 30, 2012 and December 31, 2011. 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 generally accepted accounting principles in the United States 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
June 30, 2012

(in thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$ 59,779	$ 59,779	$ 59,779	$	$
Securities - held to maturity	27,120	27,613		27,613	
FHLB and FRB stock	16,692	16,692		16,692	
Accrued interest receivable	12,531	12,531		12,531	
Loans/leases, net	1,992,816	2,061,982			2,061,982
Financial Liabilities:					
Time deposits	$ 678,550	$ 682,179	$	$ 682,179	$
Other deposits	2,086,543	2,086,543		2,086,543	
Securities sold under agreements to repurchase	161,662	168,796		168,796	
Other borrowings	110,007	125,446		125,446	
Accrued interest payable	1,287	1,287		1,287	
Trust preferred debentures	25,067	29,347		29,347	

Estimated Fair Value of Financial Instruments 12/31/2011

(in thousands)	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$49,567	$49,567
Securities - held to maturity	26,673	27,255
FHLB and FRB stock	19,070	19,070
Accrued interest receivable	12,420	12,420
Loans/leases, net	1,954,256	2,003,257
Financial Liabilities:		
Time deposits	$687,321	$690,480
Other deposits	1,973,243	1,973,243
Securities sold under agreements to repurchase	169,090	179,840
Other borrowings	173,982	188,062
Accrued interest payable	1,354	1,354
Trust preferred debentures	25,065	25,314

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.

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

LOANS AND LEASES: The fair values of residential loans are estimated using discounted cash flow analyses, based upon available market benchmarks for rates and prepayment assumptions. The fair values of commercial and consumer loans are estimated using discounted cash flow analyses, based upon interest rates currently offered for loans and leases with similar terms and credit quality. The fair value of loans held for sale are determined based upon contractual prices for loans with similar characteristics.

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. For miscellaneous equity securities, carrying value is cost.

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.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE: The carrying amounts of repurchase agreements and other short-term borrowings approximate their fair values. Fair values of long-term borrowings are estimated using a discounted cash flow approach, based on current market rates for similar borrowings. For securities sold under agreements to repurchase where the Company has elected the fair value option, the Company also receives pricing information from third parties, including the FHLB.

OTHER BORROWINGS: The fair values of other borrowings are estimated using discounted cash flow analysis, discounted at the Company's current incremental borrowing rate for similar borrowing arrangements. For other borrowings where the Company has elected the fair value option, the Company also receives pricing information from third parties, including the FHLB.

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.

13. Subsequent Event

On August 1, 2012, the Company completed its acquisition of VIST pursuant to that certain Agreement and Plan of Merger dated January 25, 2012 (the "Agreement and Plan of Merger"), under which VIST merged with and into a wholly-owned subsidiary of Tompkins, whereupon the separate corporate existence of VIST ceased and the merger subsidiary survived (the "Merger"). Immediately after the Merger, the merger subsidiary was merged with and into Tompkins, with Tompkins being the corporation surviving that merger. Pursuant to the Agreement and Plan of Merger, each share of VIST common stock was cancelled and converted into the right to receive 0.3127 shares of Tompkins common stock, with any fractional share entitlement paid in cash.

In addition, immediately prior to the completion of the Merger, Tompkins purchased from the United States Department of the Treasury ("Treasury") the issued and outstanding shares of VIST Fixed Rate Cumulative Perpetual Preferred Stock, Series A, as well as the warrant to purchase shares of VIST common stock issued in connection with the issuance of the preferred stock (collectively, the "TARP Purchase") for an aggregate purchase price of $26,453,701.89. The securities purchased in the TARP Purchase were cancelled in connection with the consummation of the Merger.

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

BUSINESS

Corporate Overview and Strategic Initiatives

Tompkins Financial Corporation ("Tompkins" or the "Company") is a registered financial holding company incorporated in 1995 under the laws of the State of New York and its common stock is listed on the NYSE MKT LLC (Symbol: TMP). Tompkins is headquartered at The Commons, Ithaca, New York. The Company is a locally-oriented, community-based financial services organization that offers a full array of financial products and services, including commercial and consumer banking, leasing, trust and investment services, financial planning and wealth management, insurance and brokerage services. At June 30, 2012, Tompkins subsidiaries included: three wholly-owned community banking subsidiaries, Tompkins Trust Company (the "Trust Company"), The Bank of Castile and The Mahopac National Bank; a wholly-owned registered investment advisor, AM&M Financial Services, Inc. ("AM&M"); and a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"). AM&M and the trust division of the Trust Company provide a

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full suite of investment services under the Tompkins Financial Advisors division, including investment management, trust and estate, financial and tax planning as well as life, disability and long term care insurance services. Unless the context otherwise requires, the term "Company" refers collectively to Tompkins Financial Corporation and its subsidiaries.

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. During the second quarter of 2012, the Company completed a successful capital raise through a registered public offering of shares of its common stock. The Company believes that this capital raise helped position the Company for future growth, including its recently completed acquisition of VIST Financial Corp. ("VIST"), described below. After transaction costs, net proceeds from the capital raise were approximately $38.0 million, and resulted in the issuance of 1,006,250 shares of Tompkins common stock on April 3, 2012.

Recent Acquisitions

On August 1, 2012, the Company completed its acquisition of VIST pursuant to that certain Agreement and Plan of Merger dated January 25, 2012 (the "Agreement and Plan of Merger"), under which VIST merged with and into a wholly-owned subsidiary of Tompkins, whereupon the separate corporate existence of VIST ceased and the merger subsidiary survived (the "Merger"). Immediately after the Merger, the merger subsidiary was merged with and into Tompkins, with Tompkins being the corporation surviving that merger. As a result, VIST Bank, a Pennsylvania state-chartered commercial bank and a wholly-owned subsidiary of VIST, became a wholly-owned subsidiary of Tompkins and it will continue to operate as a separate subsidiary bank of Tompkins.

Pursuant to the Agreement and Plan of Merger, each share of VIST common stock was cancelled and converted into the right to receive 0.3127 shares of Tompkins common stock, with any fractional share entitlement paid in cash. In addition, immediately prior to the completion of the Merger, Tompkins purchased from the United States Department of the Treasury ("Treasury") the issued and outstanding shares of VIST Fixed Rate Cumulative Perpetual Preferred Stock, Series A, as well as the warrant to purchase shares of VIST common stock issued in connection with the issuance of the preferred stock (collectively, the "TARP Purchase") for an aggregate purchase price of $26,453,701.89. The securities purchased in the TARP Purchase were cancelled in connection with the consummation of the Merger.

The information in this Quarterly Report on Form 10-Q, including the information contained in this Item 2 under the heading "Business", is of June 30, 2012 and does not reflect any changes in the business operations or financial condition of Tompkins after that date, including those resulting from the acquisition of VIST described above.

In June 2011, Tompkins Insurance acquired all of the outstanding shares of Olver & Associates, Inc. ("Olver"), a property and casualty agency located in Ithaca, New York. As a result of pursuing an available tax election under Internal Revenue Code section 338(h)(10), it was determined that the acquisition qualified for beneficial tax treatment that would enable the tax deductible amortization of the purchase premium, including goodwill. To compensate the Olver shareholders for their consent to make this election, additional consideration of $755,000 and $238,000 were recorded as additional goodwill during the first and second quarters of 2012, respectively.

Business Segments

The Company has identified two business segments, banking and financial services. Financial services activities include the results of the Company's trust, financial planning, wealth management services, and insurance and risk management operations. All other activities are considered banking. Information about the Company's business segments is included in Note 11 "Segment and Related Information," in the Notes to Unaudited Condensed Consolidated Financial Statements contained in Part I of this Quarterly Report on Form 10-Q.

Business Overview

Banking services consist primarily of attracting deposits from the areas served by the Company's 46 banking offices and using those deposits to originate a variety of commercial loans, consumer loans, real estate loans (including commercial loans collateralized by real estate), and leases. The Company's lending function is managed within the guidelines of a comprehensive Board-approved lending policy. Reporting systems are in place to provide management with ongoing information related to loan production, loan quality, and concentrations of credit, loan delinquencies, and nonperforming and potential problem loans.

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 without recourse and in accordance with standard secondary market loan sale

agreements. The Company primarily sells loans to the Federal Home Loan Mortgage Corporation. These residential real estate loans are subject to normal representations and warranties, including representations and warranties related to gross fraud and incompetence. The Company has not had to repurchase any loans as a result of these representations and warranties. The Company reviews the risks in residential real estate lending related to representations and warranties, title issues, and servicing. The Company determined that these risks are immaterial and do not require any reserves on the Company's statements of condition.

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

Financial services consists of providing insurance, financial planning and wealth management, and trust services to individuals and businesses in the Company's market areas. The Company has expanded its financial services segment over the past ten years through internal growth and acquisitions. In 2006, Tompkins acquired AM&M, a financial planning and wealth management company, to complement its existing trust and investment services businesses. In 2010, the Company unified the branding of its trust and investment services businesses and began marketing these services under the name "Tompkins Financial Advisors". Tompkins Financial Advisors has office locations at all three of the Company's subsidiary banks.

The Company provides property and casualty insurance services, employee benefit consulting, and life, long-term care and disability insurance. Tompkins Insurance is headquartered in Batavia, New York, and offers property and casualty insurance to individuals and businesses located primarily in Western New York. Over the past eleven years, Tompkins Insurance has acquired smaller insurance agencies in the market areas serviced by the Company's banking subsidiaries and successfully consolidated them into Tompkins Insurance. The most recent acquisition was Olver. Tompkins Insurance offers services to customers of the Company's banking subsidiaries by sharing offices with The Bank of Castile and Trust Company. In addition to these shared offices, Tompkins Insurance has five stand-alone offices in Western New York and two stand-alone offices in Tompkins County, New York.

Competition

Competition for commercial banking and other financial services is strong in the Company's market areas. Competition includes other commercial banks, savings and loan associations, credit unions, finance companies, Internet-based financial services companies, mutual funds, insurance companies, brokerage and investment companies, and other financial intermediaries. The Company differentiates itself from its competitors through its full complement of banking and related financial services, and through its community commitment and involvement in its primary market areas, as well as its commitment to quality and personalized banking services.

Regulation

Banking and financial services are highly regulated. As a financial holding company with three community banks and an investment advisor, the Company and its subsidiaries are subject to examination and regulation by the Federal Reserve Board ("FRB"), the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC"), and the New York State Department of Financial Services. Additionally, the Company is subject to examination and regulation from the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority.

Other Factors Affecting Performance

Other external factors affecting the Company's operating results are market rates of interest, the condition of financial markets, and both national and regional economic conditions. Weak economic conditions over the past several years have contributed to increases in the Company's past due loans and leases, nonperforming assets, and net loan and lease losses, as well as decreases in certain fee-based products and services. Although nonperforming loans and leases and

criticized and classified loans continue to be higher than historical levels, the Company has seen some signs of improving economic conditions within the market areas in which it operates, which have contributed to improvement in its credit quality metrics in recent quarters including decreases in the level of internally classified assets and nonperforming assets. With the strength of the economic recovery uncertain, there is no assurance that these conditions may not adversely affect the credit quality of the Company's loans and leases, results of operations, and financial condition going forward. Refer to the section captioned "Financial Condition- Allowance for Loan and Lease Losses and Nonperforming Assets" below for further details on asset quality.

OTHER IMPORTANT INFORMATION

The following discussion is intended to provide an understanding of the consolidated financial condition and results of operations of the Company for the three months and six months ended June 30, 2012. It should be read in conjunction with the Company's Audited Consolidated Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and the Unaudited Condensed Consolidated Financial Statements and notes thereto included in Part I of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

The Company is making this statement in order to satisfy the "Safe Harbor" provision contained in the Private Securities Litigation Reform Act of 1995. The statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact may include forward-looking statements that involve a number of risks and uncertainties. Such 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 matters expressed and/or implied by such forward-looking statements. The following factors 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 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, insurance companies, bank holding companies and/or financial holding companies, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act and Basel III; 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; protection and validity of intellectual property rights; reliance on large customers; financial resources in the amounts, at the times and on the terms required to support the Company's future businesses, and other factors discussed elsewhere in this Quarterly Report on Form 10-Q and in other reports we file with the SEC, in particular the "Risk Factors" discussed in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2011. In addition, such forward-looking statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, including interest rate and currency exchange rate fluctuations, and other factors.

Critical Accounting Policies

The accounting and reporting policies followed by the Company conform, in all material respects, to accounting principles generally accepted in the United States 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 loan and lease losses ("allowance"), pension and postretirement benefits and the review of the securities portfolio for other-than-temporary impairment to be critical accounting policies because of the uncertainty and subjectivity involved in these policies and the material effect that estimates related to these areas can have on the Company's results of operations.

For additional information on critical 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, and the section captioned "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes in the Company's application of critical accounting policies since December 31, 2011. Refer to Note 3 – "Accounting Standards Updates" in the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q for a discussion of recent accounting updates.

In this Report there are comparisons of the Company's performance to that of a peer group. Unless otherwise stated, this peer group is comprised of the group of 89 domestic bank holding companies with $3 billion to $10 billion in total assets as defined in the Federal Reserve's "Bank Holding Company Performance Report" for March 31, 2012 (most recent report available).

OVERVIEW

Net income for the second quarter of 2012 was $8.8 million, a decrease of 6.1% when compared to net income of $9.4 million reported in the second quarter of 2011. Net income totaled $16.6 million for the first six months of 2012 compared to $18.2 million for the same period in 2011. Diluted earnings per share for the three and six months ended June 30, 2012 were $0.72 and $1.42, respectively, compared to $0.85 and $1.65, respectively, for the same periods in 2011.

Return on average assets ("ROA") for the quarter and six months ended June 30, 2012 were 1.00% and 0.96%, respectively, compared to 1.15% for the quarter and 1.12% for the six months ended June 30, 2011. Return on average shareholders' equity ("ROE") for the second quarter and first six months of 2012 were 10.17% and 10.26%, respectively, compared to 13.08% and 12.96%, respectively, for the same period in 2011. Tompkins' second quarter ROA and ROE compare to the most recent peer average ratios of 0.91% and 8.54%, respectively, published as of March 31, 2012 by the Federal Reserve, ranking Tompkins' ROA in the 53rd percentile and ROE in the 67th percentile of the peer group.

Second quarter and year-to-date results were impacted by the following:

- After-tax merger related expenses of $703,000 in the second quarter and $778,000 in the year-to-date;
- After-tax income of $243,000 in the quarter and year-to-date 2012, representing the reversal of an accrual related to the liability that was previously established to cover the Company's potential obligation to share in losses stemming from certain litigation of VISA Inc.; and
- Capital raise in second quarter which resulted in net proceeds of $38.0 million and the issuance of 1,006,250 shares of common stock.

Segment Reporting

The Company operates in two business segments, banking and financial services. Financial services activities include the results of the Company's trust, financial planning, and wealth management services, and insurance and risk management operations. All other activities are considered banking.

Banking Segment

The banking segment reported net income of $7.8 million for the second quarter of 2012, down $570,000 or 6.8% from net income of $8.4 million for the same period in 2011. For the six month period ended June 30, 2012 net income was $14.9 million, down $1.2 million or 7.4% from 2011.

Net interest income for the three and six month periods ended June 30, 2012 was flat compared to the same periods in 2011. Average earning assets for the three months and six months ended June 30, 2012 were up 6.8% and 7.6% over the same periods in 2011, maintaining net interest income while margins decreased. The funding for the increase in average earning assets came from deposits as borrowings declined for the second quarter and first six months of 2012.

The provision for loan and lease losses totaled $1.0 million for the three months ended June 30, 2012 and the same period in 2011. For the six month period ending June 30, 2012 provision expense declined $779,000 from 2011 to $2.1 million from 2011. The decrease in the provision for loan and lease losses was largely the result of improvement of asset quality measures compared to the same period in 2011.

Noninterest income for the three months ended June 30, 2012, was up $758,000 or 15.1% compared to the same period in 2011. The main drivers behind the increase were a net gain on the sale of securities of $933,000 and the reversal of an accrued liability of $405,000 related to the recently announced settlement of litigation between VISA Inc. and certain merchants related to certain card related fees. Partially offsetting these items were lower service charges on deposit accounts income, which were down $514,000 compared to the same period last year, due to lower

overdraft fees. In addition, the Company incurred an other-than-temporary impairment loss of $65,000 due to credit related exposure on two private label mortgage backed securities. For the first six months of 2012 noninterest income was slightly under noninterest income for the same time period in 2011. Net securities gains increased by $840,000 to $935,000 and card service fees increased by $335,000. These increases were partially offset by declines in deposit fees of $713,000, largely due to lower overdraft fees.

Noninterest expenses for the three months ended June 30, 2012, were up $1.7 million or 8.7% from the same period in 2011. Noninterest expense for the six months ending June 30, 2012 was up $2.5 million or 6.3% to $42.0 million. The quarterly increase was mainly due to merger related expenses of $879,000 related to the planned merger with VIST, increases in pension and employee benefit cost, with lower rates contributing to the increase, and higher expenses related to marketing and business development. The increase in year-to-date noninterest expense was mainly due to merger related expenses of $972,000, increases in salaries, pension and employee benefit cost, as well as higher professional fees, marketing and business development expenditures than during the same period last year. These increases were partially offset by a $500,000 decline in FDIC insurance expense due to lower assessment rates.

Financial Services Segment
The financial services segment had net income of $981,000 and $1.8 million for the three and six months ended June 30, 2012, flat to net income for the second quarter of 2011 and down $333,000 or 16.0% from the six month period of 2011. Noninterest income for the three months ended June 30, 2012, was even compared to the same period in 2011 and down $84,000 or 0.6% for the six months ended June 30, 2012 compared to the same period in 2011. The decrease in noninterest income year over the first six months of 2012 is mainly due to lower investment services income. Investment services fees are largely based on the market value of assets within each account and therefore fluctuate with market conditions. In addition, the Company reduced the number of its broker/dealer relationships which contributed to the decline in noninterest income. Noninterest expenses for the three months ended June 30, 2012, were even compared to the second quarter of 2011 and up $402,000 or 3.5% for the six months ended June 30, 2012 compared to the same period in the prior year. The increases were mainly the result of increases in salary and wages, reflecting annual merit increases, and other employee benefit costs and an increase in marketing initiatives aimed at increasing brand awareness.

Average Consolidated Statements of Condition and Net Interest Analysis

(Dollar amounts in thousands)	Quarter Ended June 30, 2012			Year to Date Period Ended June 30, 2012			Year to Date Period Ended June 30, 2011		
	Average Balance (QTD)	Interest	Average Yield/Rate	Average Balance (YTD)	Interest	Average Yield/Rate	Average Balance (YTD)	Interest	Average Yield/Rate
ASSETS									
Interest-earning assets									
Interest-bearing balances due from banks	$ 1,887	$ 5	1.07 %	$ 20,269	$ 8	0.08 %	$ 13,235	$ 9	0.14 %
Money market funds	-	-	0.00 %	36	-	0.00 %	100	-	0.00 %
Securities (1)									
U.S. Government securities	1,153,660	6,927	2.42 %	1,107,730	13,504	2.45 %	945,956	14,215	3.03 %
Trading securities	18,483	189	4.11 %	18,917	387	4.11 %	22,053	455	4.16 %
State and municipal (2)	86,456	1,141	5.31 %	84,785	2,270	5.38 %	107,672	2,811	5.26 %
Other securities	11,523	129	4.50 %	11,787	268	4.57 %	14,790	348	4.74 %
Total securities	1,270,122	8,386	2.66 %	1,223,219	16,429	2.70 %	1,090,471	17,829	3.30 %
Federal Funds Sold	11	-	0.00 %	3,693	2	0.11 %	6,426	5	0.16 %
FHLBNY and FRB stock	17,546	196	4.49 %	17,134	415	4.87 %	18,505	509	5.55 %
Loans, net of unearned income (3)									
Real estate	1,452,800	18,229	5.05 %	1,445,064	36,461	5.07 %	1,376,735	36,978	5.42 %
Commercial loans (2)	470,083	6,221	5.32 %	468,418	12,311	5.29 %	454,155	12,176	5.41 %
Consumer loans	61,057	1,020	6.72 %	61,804	2,054	6.68 %	70,446	2,443	6.99 %
Direct lease financing	5,013	71	5.70 %	5,387	154	5.75 %	8,318	246	5.96 %
Total loans, net of unearned income	1,988,953	25,541	5.17 %	1,980,673	50,980	5.18 %	1,909,654	51,843	5.47 %
Total interest-earning assets	3,278,519	34,128	4.19 %	3,245,024	67,834	4.20 %	3,038,391	70,195	4.66 %
Other assets	260,651			257,020			223,893		

Total assets	3,539,170			3,502,044			3,262,284		
LIABILITIES & EQUITY									
Deposits									
Interest-bearing deposits									
Interest bearing checking, savings, & money market	1,474,516	867	0.24 %	1,466,424	1,872	0.26 %	1,332,585	2,455	0.37 %
Time deposits > $100,000	334,148	720	0.87 %	333,605	1,454	0.88 %	316,628	1,717	1.09 %
Time deposits < $100,000	369,864	931	1.01 %	375,981	1,953	1.04 %	413,119	2,714	1.32 %
Brokered time deposits < $100,000	-	-	0.00 %	-	-	0.00 %	3,372	21	1.26 %
Total interest-bearing deposits	2,178,528	2,518	0.46 %	2,176,010	5,279	0.49 %	2,065,704	6,907	0.67 %
Federal funds purchased & securities sold under agreements to repurchase	168,303	1,074	2.57 %	169,103	2,166	2.58 %	178,359	2,540	2.87 %
Other borrowings	149,388	1,437	3.87 %	144,037	2,866	4.00 %	162,731	3,108	3.85 %
Trust preferred debentures	25,066	402	6.45 %	25,066	807	6.47 %	25,061	792	6.37 %
Total interest-bearing liabilities	2,521,285	5,431	0.87 %	2,514,216	11,118	0.89 %	2,431,855	13,347	1.11 %
Noninterest bearing deposits	613,315			604,866			511,345		
Accrued expenses and other liabilities	55,549			56,679			36,242		
Total liabilities	3,190,149			3,175,761			2,979,442		
Tompkins Financial Corporation Shareholders' equity	347,519			324,798			281,357		
Noncontrolling interest	1,502			1,485			1,485		
Total equity	349,021			326,283			282,842		

Total liabilities and equity	$3,539,170		$3,502,044		$3,262,284	
Interest rate spread		3.32%		3.31%		3.55%
Net interest income/margin on earning assets	28,697	3.52%	56,716	3.51%	56,848	3.77%
Tax Equivalent Adjustment	(587)		(1,165)		(1,354)	
Net interest income per consolidated financial statements	$28,110		$55,551		$55,494	

(1) Average balances and yields on available-for-sale securities are based on historical amortized cost.

(2) Interest income includes the tax effects of taxable-equivalent adjustments using a combined New York State and Federal effective income tax rate of 40% to increase tax exempt interest income to taxable-equivalent basis.

(3) Nonaccrual loans are included in the average asset totals presented above. Payments received on nonaccrual loans have been recognized as disclosed in Note 1 of the Company's consolidated financial statements included in Part I of the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011.

Net Interest Income

Net interest income is the Company's largest source of revenue and stayed relatively flat as a percentage of total revenues at 68.8% and 69.5% for the three and six months ended June 30, 2012, compared to 69.9% and 69.4%, respectively, for the same periods in 2011. Net interest income is dependent on the volume and composition of interest earning assets and interest-bearing liabilities and the level of market interest rates. The Company's net interest income over the past several years has benefitted from steady growth in average earning assets, as well as the low interest rate environment. With deposit rates currently at low levels, the downward pricing of these liabilities has slowed, while interest earning assets continue to reprice downward at a steady rate. This has contributed to a decrease in net interest margin for the three and six months ended June 30, 2012 compared to the same periods in 2011. The taxable equivalent net interest margin of 3.52% for the three month period ended June 30, 2012 and 3.51% for the six month period ended June 30, 2012 are below the margin for the same periods in 2011 of 3.77%. The decrease in the net interest margin was also partly due to the growth in interest earning assets over the prior year being concentrated in lower yielding securities rather than higher yielding loans.

The above table shows average interest-earning assets and interest-bearing liabilities, and the corresponding yield or cost associated with each. Taxable-equivalent net interest income for the three and six months ended June 30, 2012 was $28.7 million and $56.7 million, respectively, up 0.3% and down 0.2% when compared to the same periods in 2011.

Taxable-equivalent interest income for the second quarter of 2012 was $34.1 million, down 3.1% when compared to the second quarter of 2011. Taxable-equivalent interest income for the six months ending June 30, 2012 was $67.8 million, down 3.4% from $70.2 million for the first six months of 2011. The decrease in taxable-equivalent interest income was mainly a result of the decrease in the yield on average earnings assets, which was partially offset by growth in average earning assets. The yields on average earning assets were down 44 basis points and 46 basis points for the three and six month periods ended June 30, 2012 compared to the same periods in 2011; however, average earning assets were up 7.6% and 6.8% over the same periods. The yield on average earning assets was impacted by the low rate environment as well as growth being concentrated in lower yielding securities as a result of soft loan demand. Average securities balances for the second quarter of 2012 were up $168.0 million or 15.2% over average balances in the second quarter of 2011, while average yields were down 61 basis points. For the six months ended June 30, 2011 average securities balances increased $132.7 million or 12.2% from the same period in 2011, while yields declined 60 basis points. Average loan balances for the three and six months ended June 30, 2012 were up $76.2 million or 4.0% and $71.0 million or 3.7%, while average yields are down 28 basis points and 29 basis points, respectively over the same periods in 2011.

Interest expense for the second quarter of 2012 was down $1.2 million or 17.7% compared to the second quarter of 2011, reflecting lower average rates paid on deposits and borrowings. The average rate paid on interest bearing deposits during the second quarter of 2012 of 0.46% was 20 basis points lower than the average rate paid in the second quarter of 2011. Interest expense for the six months ending June 30, 2012 was $11.1 million, down $2.2 million or 16.7% compared to 2011. The rates paid were lower across all deposit categories. The lower cost of deposits was partially offset by growth in interest-bearing deposits. Average interest-bearing deposit balances in the second quarter of 2012 increased by $96.3 million or 4.6% compared to the same period in 2011. For the six months ending June 30, 2012 average interest-bearing deposits increased $110.3 million or 5.3% compared to the previous year. Total funding costs also benefitted from the growth in average noninterest bearing deposit balances. For the three and six months ended June 30, 2012, average noninterest bearing deposits of $613.3 million and $604.9 million were up 19.1% and 18.3%, respectively, over the same periods in 2011. Average other borrowings for the second quarter were down $4.5 million or 2.9% compared to prior year, and down $18.7 million or 11.5% for the six months ended June 30, 2012.

Provision for Loan and Lease Losses

The provision for loan and lease losses represents management's estimate of the amount necessary to maintain the allowance for loan and lease losses at an adequate level. The provision for loan and lease losses was $1.0 million for the second quarter of 2012 and $2.1 million for the six months ended June 30, 2012, compared to $1.0 million and $2.9 million for the respective periods in 2011. The decrease in the provision for loan and lease losses for the six-month comparison is mainly a result of improved credit quality. The Company has seen improvement in credit quality metrics over the past several quarters and current levels of nonperforming loans and criticized and classified loans are down from the same period prior year. The allowance for loan and lease losses as a percentage of period end loans and leases was 1.33% at June 30, 2012, compared to 1.48% at June 30, 2011. The section captioned "Allowance for Loan and Lease Losses and Nonperforming Assets" contained elsewhere in this report has further details on the allowance for loan and lease losses. The section captioned "Financial Condition-Allowance for Loan and Lease Losses and Nonperforming Assets" below has further details on the allowance for loan and lease losses.

Noninterest Income

Noninterest income totaled $12.8 million and $24.4 million for the three and six months ended June 30, 2012, compared with $12.0 million and $24.5 million for the same periods in 2011. Noninterest income represented 31.2% and 30.5% of total revenues for the three and six months ended June 30, 2012 and remained relatively unchanged from 30.1% and 30.6% for the same periods in 2011.

Investment services income was $3.5 million in second quarter of 2012, a decrease of 8.7% from $3.8 million in the second quarter of 2011. Investment services income totaled $6.9 million for the first six months of 2012, down 10.1% over the same period in 2011. The decrease was mainly in brokerage related fees as a result of a planned decrease in the number of external broker dealer relationships, which will continue to impact comparisons through the remainder of 2012. Investment services income includes trust services, financial planning, wealth management services, and brokerage related services. With fees largely based on the market value and the mix of assets managed, the general direction of the stock market can have a considerable impact on fee income. The fair value of assets managed by, or in custody of, Tompkins was $3.1 billion at June 30, 2012, up 24.5% from $2.5 billion at June 30, 2011. These figures include $1.0 billion and $757.7 million, respectively, of Company-owned securities where TIS is custodian. The increase in fair value of assets reflects successful business development initiatives resulting in customer retention as well as generally higher stock market indices in 2012 when compared to the same period in 2011.

Insurance commissions and fees for the three and six months ended June 30, 2012 increased by $301,000 and $565,000 or 8.7% and 8.3% as compared to the same periods in 2011. Revenues for commercial insurance lines, personal insurance lines, and health and benefit related insurance products were up for the quarter compared to the same period in 2011. Both commercial lines and personal lines benefitted from the June 1, 2011 acquisition of Olver & Associates, Inc. The Olver acquisition added about $314,000 of commercial lines revenue, $105,000 of benefits revenue and $78,000 of personal lines revenue during the first six months of 2012. Health and benefit related insurance products continue to be a main source of internal growth for 2012, increasing by $123,000 or 43.2% for the second quarter over last year and by $202,000 or 35.3% for the six months ended June 30, 2012.

Service charges on deposit accounts were down $514,000 or 24.4% for the second quarter of 2012 compared to the second quarter of 2011 and down $713,000 or 17.4% for the six month period ended June 30, 2012 compared to the same period prior year. The largest component of this category is overdraft fees, which is largely driven by customer activity. The Company implemented changes related to the Dodd-Frank Act to its transaction processing which had an unfavorable impact on overdraft fees during the quarter and year to date periods.

Card services income for the three and six months ended June 30, 2012 was up $11,000 or 0.9% and $335,000 or 13.3% over the same periods in 2011. The increase was mainly in debit card income and reflects a higher number of cards issued, increased transaction volume, increased inter-change fees and a favorable adjustment to an accrual rate related to a points reward program as redemption rates have been below expectations.

Net mark-to-market gains on securities and borrowings held at fair value totaled $2,000 in the second quarter of 2012, compared to net mark-to-market losses of $37,000 in the second quarter of 2011. For the six month period ended June 30, 2012 net mark-to-market gains totaled $9,000 compared to net mark-to-market gains of $88,000 for the comparable period in 2011. Mark-to-market losses or gains relate to the change in the fair value of trading securities and certain borrowings where the Company has elected the fair value option. These unrealized amounts are primarily impacted by changes in interest rates.

Other income was $1.8 million and $1.4 million for the second quarters of 2012 and 2011. For the six months ended June 30, 2012 other income was $3.0 million, down $185,000 or 5.8% from 2011. The Company reversed $405,000 of an accrual that was previously established to cover the Company's potential obligation to share in certain VISA

litigation as a result of a recently announced settlement between VISA and certain merchants related to certain card related fees. The other significant components of other income are other service charges, increases in cash surrender value of corporate owned life insurance (”COLI”), gains on the sales of residential mortgage loans, and income from miscellaneous equity investments, including the Company’s investment in a Small Business Investment Company (“SBIC”). The first quarter of 2011 included a $504,000 gain related to an investment in a SBIC. The SBIC periodically recognizes gains related to investments held in its portfolio and distributes these gains to its investors. The Company believes that, as of June 30, 2012, there were no impairments with respect to its investment in the SBIC.

Net gains on sale of residential mortgage loans, included in other income on the consolidated statements of income, of $150,000 in the second quarter of 2012 were up by $14,000 or 10.3% compared to the second quarter of 2011. For the six month period ended June 30, 2012 net gain on the sale of mortgage loans was $250,000, down $50,000 or 16.7% from same period in 2011. To manage interest rate risk exposures, the Company from time to time sells certain fixed rate loan originations that have rates below or maturities greater than the standards set by the Company’s Asset/Liability Committee for loans held in the portfolio.

Noninterest Expense

Noninterest expense was $26.9 million for the second quarter of 2012, up $1.7 million or 6.7% compared to the same period prior year and $53.2 million for the six months ended June 30, 2012, up $2.8 million or 5.7% from $50.4 million in the first six months of 2011.

Salaries and wages expense decreased by $130,000 or 1.2% in the second quarter of 2012 from the same period in 2011. The decrease is largely the result of lowering certain incentive compensation accruals. For the six months ended June 30, 2012, salaries and wages were up $345,000 or 1.6%, over the same period in 2011, mainly reflecting annual merit increases and higher accruals for business development activities, partially offset by lower accruals for incentive compensation. Pension and other employee related benefits were up $466,000 or 12.7% and $734,000 or 9.6% for the second quarter and six months ended 2012 compared to the same periods in 2011. Lower interest rates have contributed to the increase in the cost of pension and employee benefits.

Merger expenses of $879,000 and $972,000 related to the merger with VIST were incurred during the quarter and six months ended June 30, 2012.

Other operating expenses for the second quarter 2012 increased by $472,000 or 7.0% compared to prior year. Contributing to the increase in the second quarter 2012 over the second quarter 2011 were the following: marketing expense (up $329,000), technology expense (up $56,000), as well as professional fees and cardholder expense (up $54,000 each). For the six months ended June 30, 2012, other operating expense increased $1.4 million or 10.7% to $14.3 million largely as a result of increases in marketing expense (up $639,000), professional fees (up $341,000) and cardholder expense (up $156,000).

Income Tax Expense

The provision for income taxes provides for Federal and New York State income taxes. The provision for income taxes was $4.2 million for an effective rate of 31.9% for the second quarter of 2012, compared to tax expense of $4.4 million and an effective rate of 31.6% for the same quarter in 2011. For the six month period ended June 30, 2012, the tax provision was $7.9 million for an effective rate of 32.1%, compared to tax expense of $8.5 million and an effective rate of 31.7% for the same period in 2011. The effective rates differ from the U.S. statutory rate of 35.0% during the comparable periods primarily due to the effect of tax-exempt income from loans, securities and life insurance assets.

FINANCIAL CONDITION

Total assets were $3.5 billion at June 30, 2012, up $82.4 million or 2.4% over December 31, 2011, and up $195.3 million or 5.9% over June 30, 2011. The growth over year-end was mainly in available-for-sale securities and loans which were up $39.5 million or 3.5% and $37.8 million or 1.9% respectively. Cash and cash equivalents were up $10.2 million or 20.6% when compared to year end. Total deposits were up $104.5 million or 3.9% over year-end with the majority of growth centered in checking, savings and money market deposits. Deposit growth was used to reduce other borrowings, mainly short-term borrowings with the FHLB as loan demand continues to remain relatively soft.

Securities

As of June 30, 2012, total securities were $1.2 billion or 35.3% of total assets, compared to $1.2 billion or 35.0% of total assets at year-end 2011, and $1.1 billion or 34.6% at June 30, 2011. The following table details the composition of securities available-for-sale and securities held-to-maturity.

Available-for-Sale Securities

	06/30/2012		12/31/2011	
	Amortized Cost1	Fair Value	Amortized Cost1	Fair Value
(in thousands)				
U.S. Treasury securities	$ 2,008	$ 2,030	$ 2,020	$ 2,070
Obligations of U.S. Government sponsored entities	543,324	562,200	408,958	422,590
Obligations of U.S. states and political subdivisions	54,768	57,046	56,939	59,653
Mortgage-backed securities – residential				
U.S. Government agencies	106,698	112,692	123,426	129,773
U.S. Government sponsored entities	420,690	437,876	501,136	517,378
Non-U.S. Government agencies or sponsored entities	5,163	5,074	6,334	5,876
U.S. corporate debt securities	5,013	5,148	5,017	5,183
Total debt securities	1,137,664	1,182,066	1,103,830	1,142,523
Equity securities	1,022	1,022	1,023	1,023
Total available-for-sale securities	$ 1,138,686	$ 1,183,088	$ 1,104,853	$ 1,143,546

1 Net of other-than-temporary impairment losses recognized in earnings

Held-to-Maturity Securities

	06/30/2012		12/31/2011	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. states and political subdivisions	$ 27,120	$ 27,613	$ 26,673	$ 27,255
Total held-to-maturity debt securities	$ 27,120	$ 27,613	$ 26,673	$ 27,255

The growth in the available-for-sale portfolio was mainly in obligations of U.S. Government sponsored entities and driven by yield and duration considerations. Management's policy is to purchase investment grade securities that on average have relatively short duration, which helps to mitigate interest rate risk and provides sources of liquidity without significant risk to capital. The held-to-maturity portfolio remained flat in the current quarter as compared to year-end.

The Company has no investments in preferred stock of U.S. government sponsored entities and no investments in pools of Trust Preferred securities. Quarterly, the Company evaluates all investment securities with a fair value less than amortized cost to identify any other-than-temporary impairment as defined under generally accepted accounting principles.

As of June 30, 2012, the Company held five mortgage backed securities, with a fair value of $5.1 million, that were not issued by U.S. Government agencies or U.S. Government sponsored entities. In 2009, the Company determined that three of these non-U.S. Government mortgage backed securities were other-than-temporarily impaired based on

an analysis of the above factors for these three securities. As a result, the Company recorded other-than-temporary impairment charges of $2.0 million in 2009 on these investments. The credit loss component of $146,000 was recorded as other-than-temporary impairment losses in the consolidated statement of income, while the remaining non-credit portion of the impairment loss was recognized in other comprehensive income in the condensed consolidated statements of condition and changes in shareholders' equity. In 2010 and 2011, the Company recorded an additional credit loss component of other-than-temporary charge of $34,000 and $65,000, respectively. The Company's review of these securities as of June 30, 2012 determined that an additional credit loss component of other than temporary impairment charge of $65,000 was necessary. As of June 30, 2012, the carrying value of these securities exceeded their fair value by $89,000. A continuation or worsening of current economic conditions may result in additional credit loss component of other-than-temporary impairment losses related to these investments.

The Company maintains a trading portfolio with a fair value of $17.9 million as of June 30, 2012, compared to $19.6 million at December 31, 2011. The decrease in the trading portfolio reflects maturities or payments during 2012. For the six months ended June 30, 2012, net mark-to-market losses related to the securities trading portfolio were $157,000, compared to net mark-to-market gains of $115,000 for the same period in 2011.

Loans and Leases

Loans and Leases at June 30, 2012 and December 31, 2011 were as follows:

(in thousands)	06/30/2012	12/31/2011
Commercial and industrial		
Agriculture	$ 56,241	$ 67,566
Commercial and industrial other	425,306	417,128
Subtotal commercial and industrial	481,547	484,694
Commercial real estate		
Construction	31,734	47,304
Agriculture	47,573	53,071
Commercial real estate other	702,458	665,859
Subtotal commercial real estate	781,765	766,234
Residential real estate		
Home equity	156,911	161,278
Mortgages	534,552	500,034
Subtotal residential real estate	691,463	661,312
Consumer and other		
Indirect	29,569	32,787
Consumer and other	31,192	30,961
Subtotal consumer and other	60,761	63,748
Leases	4,993	6,489
Total loans and leases	2,020,529	1,982,477
Less: unearned income and deferred costs and fees	(848)	(628)
Total loans and leases, net of unearned income and deferred costs and fees	$ 2,019,681	$ 1,981,849

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. Management reviews these policies and procedures on a regular basis. The Company discussed its lending policies and underwriting guidelines for its various lending portfolios in Note 5 – "Loans and Leases" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes in these policies and guidelines. As such, these policies are reflective of new originations as well as those balances held at June 30, 2012. 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.

Total loans and leases of $2.0 billion at June 30, 2012, are up 1.9% from December 31, 2011, with growth in residential real estate of 4.6%, and commercial real estate loans of 2.0%; commercial and industrial loans and consumer loans are down 0.6% and 4.7%, respectively, compared to December 31, 2011. As of June 30, 2012 total loans and leases represented 58.0% of total assets compared to 58.3% of total assets at December 31, 2011. In general, the demand for some lending products continues to be soft.

Residential real estate loans, including home equity loans, of $691.5 million at June 30, 2012 increased by $30.2 million or 4.6% from $661.3 million at year-end 2011, and comprised 34.2% of total loans and leases at June 30, 2012. The growth in residential real estate loan balances reflects higher origination volumes due to the low interest

rate environment as well as a decision to retain certain residential mortgages in portfolio rather than 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. Loans are generally sold to the Federal Home Loan Mortgage Corporation ("FHLMC") or the State of New York Mortgage Agency ("SONYMA"). These residential real estate loans are generally sold without recourse in accordance with standard secondary market loan sale agreements. These residential real estate loan sales 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 general representations and warranties. While in the past in rare circumstances the Company agreed to sell residential real estate loans with recourse, the Company has not done so in the past several years and the amount of such loans included on the Company's balance sheet at June 30, 2012 is insignificant. The Company has never had to repurchase a loan sold with recourse.

During the first six months of 2012 and 2011, the Company sold residential mortgage loans totaling $10.9 million and $15.6 million, respectively, and realized gains on these sales of $250,000 and $300,000, respectively. These residential real estate loans were sold without recourse in accordance with standard secondary market loan sale agreements. When residential mortgage loans are sold, the Company typically retains all servicing rights, which provides the Company with a source of fee income. Mortgage servicing rights, at amortized basis, totaled $1.3 million at June 30, 2012 down from $1.4 million at December 31, 2011.

The Company has not originated any hybrid loans, such as payment option ARMs. The Company underwrites residential real estate loans in accordance with secondary market standards in effect at the time of origination, including loan-to-value ("LTV") and documentation requirements. The Company does not underwrite low or reduced documentation loans other than those that meet secondary market standards for low or reduced documentation loans. In those instances, W-2's and paystubs are used instead of sending Verification of Employment forms to employers to verify income and bank deposit statements are used instead of Verification of Deposit forms mailed to financial institutions to verify deposit balances.

Commercial real estate loans increased by $15.5 million compared with December 31, 2011. Commercial real estate loans represented 38.7% of total loans as of June 30, 2012. Commercial and industrial loans totaled $481.5 million at June 30, 2012, which is a decrease of 0.7% from $484.7 million reported as of December 31, 2011. Demand for commercial loans continues to be soft in the second quarter of 2012, reflecting weak economic conditions. As of June 30, 2012, agriculturally-related loans totaled $103.8 million or 5.1% of total loans and leases down from $120.6 million or 6.1% of total loans at December 31, 2011. 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 $60.8 million at June 30, 2012, down from $63.7 million at December 31, 2011. The decrease is mainly in indirect automobile loans and reflects increased competition.

The lease portfolio decreased by 23.1% to $5.0 million at June 30, 2012 from $6.5 million at December 31, 2011. The lease portfolio has traditionally consisted of leases on vehicles for consumers and small businesses. More aggressive competition for automobile financing has led to a decline in the consumer lease portfolio over the past several years. Management continues to review leasing opportunities, primarily commercial leasing and municipal leasing. As of June 30, 2012, commercial leases and municipal leases represented 99.4% of total leases, while consumer leases made up the remaining percentage, unchanged from the percentages at December 31, 2011.

The Company's loan and lease customers are located primarily in the New York communities served by its three subsidiary banks. Although operating in numerous communities in New York State, the Company is still dependent on the general economic conditions of New York. Other than geographic and general economic risks, management is not aware of any material concentrations of credit risk to any industry or individual borrower.

The Allowance for Loan and Lease Losses

Management reviews the appropriateness of the allowance for loan and lease losses ("allowance") 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 loan 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. 102, Selected Loan Loss Allowance Methodology and Documentation Issues and allowance allocations are calculated in accordance with ASC Topic 310, Receivables and ASC Topic 450, Contingencies.

The Company's methodology for determining and allocating the allowance for loan and lease losses focuses on ongoing reviews of larger individual loans and leases, historical net charge-offs, delinquencies in the loan and lease portfolio, the level of impaired and nonperforming loans, values of underlying loan and lease collateral, the overall risk characteristics of the portfolios, changes in character or size of the portfolios, geographic location, current economic conditions, changes in capabilities and experience of lending management and staff, and other relevant factors. The various factors used in the methodologies are reviewed on a regular basis.

At least annually, management reviews all commercial and commercial real estate loans exceeding a certain threshold and assigns a risk rating. The Company uses an internal loan rating system of pass credits, special mention loans, substandard loans, doubtful loans, and loss loans (which are fully charged off). The definitions of “special mention”, “substandard”, “doubtful” and “loss” are consistent with banking regulatory definitions. Factors considered in assigning loan ratings include: the customer’s ability to repay based upon the customer’s expected future cash flow, operating results, and financial condition; value of the underlying collateral, if any; and the economic environment and industry in which the customer operates. Special mention loans have potential weaknesses that if left uncorrected may result in deterioration of the repayment prospects and a downgrade to a more severe risk rating. A substandard loan credit has a well-defined weakness which makes payment default or principal exposure likely, but not yet certain. There is a possibility that the Company will sustain some loss if the deficiencies are not corrected. A doubtful loan has a high possibility of loss, but the extent of the loss is difficult to quantify because of certain important and reasonably specific pending factors.

At least quarterly, management reviews all commercial and commercial real estate loans and leases and agriculturally related loans with an outstanding principal balance of over $500,000 that are internally risk rated as special mention or worse, giving consideration to payment history, debt service payment capacity, collateral support, strength of guarantors, local market trends, industry trends, and other factors relevant to the particular borrowing relationship. Through this process, management identifies impaired loans. For loans and leases considered impaired, estimated exposure amounts are based upon collateral values or present value of expected future cash flows discounted at the original effective rate of each loan. For commercial loans, commercial mortgage loans, and agricultural loans not specifically reviewed, and for homogenous loan portfolios such as residential mortgage loans and consumer loans, estimated exposure amounts are assigned based upon historical net loss experience and current charge-off trends, past due status, and management’s judgment of the effects of current economic conditions on portfolio performance.

Since the methodology is based upon historical experience and trends as well as management’s judgment, factors may arise that result in different estimations. Significant factors that could give rise to changes in these estimates may include, but are not limited to, changes in economic conditions in the local area, concentration of risk, changes in interest rates, and declines in local property values. Based on its evaluation of the allowance as of June 30, 2012, management considers the allowance to be appropriate. Under adversely different conditions or assumptions, the Company would need to increase the allowance.

The table below provides, as of the dates indicated, an allocation of the allowance for probable and 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 to each category does not restrict the use of the allowance to absorb losses in any category.

(in thousands)	06/30/2012	12/31/2011	06/30/2011
Commercial and industrial	$7,807	$8,936	$7,840
Commercial real estate	12,967	12,662	14,444
Residential real estate	4,350	4,247	4,425
Consumer and other	1,720	1,709	1,605
Leases	21	39	47
Total	$26,865	$27,593	$28,361

As of June 30, 2012, the allowance is down $728,000 or 2.6% from year end 2011. The decrease is mainly a result of improvement in credit quality measures, including a decrease in the volume of internally-classified loans. The amount of loans internally-classified Special Mention, Substandard and Doubtful totaled $122.4 million at June 30, 2012 compared to $126.6 million at December 31, 2011 and $162.9 million at June 30, 2011. In addition to the decrease in

total internally-classified loans from December 31, 2011, there were 6 relationships totaling $13.2 million upgraded from Substandard to Special Mention as well as some upgrades of Special Mention and Substandard to non-classified risk ratings. These upgrades reflect improvement in the financial conditions of some commercial relationships. The decrease in the allocations for commercial and industrial loans was mainly a result of a decrease in allocations based upon historical losses as net charge-offs for commercial and industrial loans were down from prior year, and a decrease in allocations for specific loans related to the upgrades of certain relationships from Substandard to Special Mention. During the first six months of 2012, the Company upgraded one commercial relationship totaling $11.2 million from Substandard to a nonclassified or pass rating based upon improved operating results. The Company also

downgraded one commercial relationship totaling $16.9 million from a pass to a Special Mention due to some weakness in 2011 operating results. The increase in the allocations for commercial real estate loans was mainly a result of an increase in allocations based upon historical losses as net charge-offs for commercial real estate loans were up from previous year, which was partially offset by a decrease in allocations for specific loans related to the upgrade of certain relationships from Substandard to Special Mention and a decrease in the level of internally-classified loans. Reserve allocations for residential real estate loans were up slightly over year-end 2011 amid concern over high unemployment and soft real estate values in some of the Company's market areas. The allocation for consumer loans is largely unchanged as the increase in consumer loan net charge-offs during the period, was partially offset by a decrease in the outstanding balance for this portfolio.

Activity in the Company's allowance for loan and lease losses during the first six months of 2012 and 2011, and for the twelve months ended December 31, 2011 is illustrated in the table below.

Analysis of the Allowance for Loan and Lease Losses

(in thousands)		06/30/2012			12/31/2011			06/30/2011	
Average loans outstanding during year	$	1,980,673		$	1,928,540		$	1,914,951	
Balance of allowance at beginning of year		27,593			27,832			27,832	
LOANS CHARGED-OFF:									
Commercial and industrial		581			2,403			1,257	
Commercial real estate		1,169			4,488			369	
Residential real estate		1,023			2,730			1,195	
Consumer and other		411			608			268	
Leases		0			3			0	
Total loans charged-off	$	3,184		$	10,232		$	3,089	
RECOVERIES OF LOANS									
PREVIOUSLY CHARGED-OFF:									
Commercial and industrial		65			424			393	
Commercial real estate		0			280			105	
Residential real estate		66			33			32	
Consumer and other		189			311			173	
Total loans recovered	$	320		$	1,048		$	703	
Net loans charged-off		2,864			9,184			2,386	
Additions to allowance charged to operations		2,136			8,945			2,915	
Balance of allowance at end of year	$	26,865		$	27,593		$	28,361	
Annualized net charge-offs to average total loans and leases		0.22	%		0.48	%		0.25	%

As of June 30, 2012 the allowance was $26.9 million or 1.33% of total loans and leases outstanding, compared with $27.6 million or 1.39% at December 31, 2011 and $28.4 million or 1.48% at June 30, 2011. The Company has seen improvement in credit quality metrics over the past several quarters and current levels of nonperforming loans are down from the same period prior year. Nonperforming loans totaled $38.5 million at June 30, 2012, down 6.0% from June 31, 2011, and loans internally identified as Special Mention, Substandard, and Doubtful totaled $122.4 million, down 24.9% from the end of the second quarter of 2011. However, with the strength of the economic recovery uncertain, there is no assurance that weak economic conditions may not adversely affect the credit quality of the

Company's loans and leases, results of operations, and financial condition going forward.

The provision for loan losses was $1.0 million for the second quarter of 2011 and 2012 and $2.1 million and $2.9 million, respectively, for the six months ended June 30, 2012 and 2011. Net charge-offs for the six months ended June 30, 2012 were $2.9 million compared to $2.4 million in the comparable year ago period. Annualized net charge-offs for the first six months of 2012 represent 0.22% of average loans, which is down from 0.25% for the same period in 2011, and is favorable to our peer group ratio of 0.70% at March 31, 2012. Commercial real estate gross charge-offs in the first six months of 2012 include a $1.0 million charge-off on one commercial real estate relationship totaling $4.5 million.

Analysis of Past Due and Nonperforming Loans

(dollar amounts in thousands)	06/30/2012	12/31/2011	06/30/2011
Loans 90 days past due and accruing			
Commercial and industrial	$ 0	$ 0	$ 785
Commercial real estate	0	0	207
Residential real estate	321	1,378	1,520
Consumer and other	0	2	0
Total loans 90 days past due and accruing	321	1,380	2,512
Nonaccrual loans			
Commercial and industrial	5,150	7,105	5,383
Commercial real estate	24,729	26,352	27,541
Residential real estate	6,736	5,884	5,318
Consumer and other	134	237	202
Leases	0	10	13
Total nonaccrual loans	36,749	39,588	38,457
Troubled debt restructurings not included above	1,507	428	0
Total nonperforming loans and leases	38,577	41,396	40,969
Other real estate owned	2,161	1,334	1,742
Total nonperforming assets	$ 40,738	$ 42,730	$ 42,711
Allowance as a percentage of loans and leases outstanding	1.33 %	1.39 %	1.48 %
Allowance as a percentage of nonperforming loans and leases	69.75 %	66.65 %	69.23 %
Total nonperforming assets as percentage of total assets	1.17 %	1.26 %	1.30 %

Nonperforming assets include nonaccrual loans, troubled debt restructurings ("TDR"), and foreclosed real estate. Nonperforming assets represented 1.17% of total assets at June 30, 2012, compared to 1.26% at December 31, 2011, and 1.30% at June 30, 2011. Nonperforming assets are down 4.8% from December 31, 2011 and 5.1% from June 30, 2011, respectively. While the overall strength of the economy remains uncertain, there are signs of improvement in national and local economic conditions, which have contributed to some improvements in the financial conditions of several of the Company's commercial and agricultural customers. The Company's ratio of nonperforming assets to total assets continues to compare favorably to our peer group's most recent ratio of 2.62% at March 31, 2012.

Nonperforming loans represented 1.91% of total loans at June 30, 2012, compared to 2.09% of total loans at December 31, 2011, and 2.13% of total loans at June 30, 2011. A breakdown of nonperforming loans by portfolio segment is shown above. Total nonperforming loans are down from December 31, 2011 and June 31, 2011 by 7.0% and 6.0%, respectively. Commercial real estate loans represent the largest component of nonperforming loans. Nonperforming commercial real estate loans include two relationships totaling $8.6 million at June 30, 2012 and $12.5 million at December 31, 2011. Both of these relationships are considered impaired and have either been charged down to fair value or have specific allocations within the allowance model.

Loans are considered modified in a TDR when, due to a borrower's financial difficulties, the Company makes a concession(s) to the borrower that it would not otherwise consider and the borrower could not obtain elsewhere. These modifications may include, among others, an extension of the term of the loan, and granting a period when interest-only payments can be made, with the principal payments made over the remaining term of the loan or at maturity. TDRs are included in the above table within the following categories: "loans 90 days past due and accruing",

"nonaccrual loans", or "troubled debt restructurings not included above". Loans in the latter include loans that meet the definition of a TDR but are performing in accordance with the modified terms and therefore classified as accruing loans. At June 30, 2012 the Company had $11.80 million in TDRs, of which $10.3 million were nonaccrual and included in the table above, and one loan was more than 90 days past due with a total balance of $56,000.

In general, the Company places a loan on nonaccrual status if principal or interest payments become 90 days or more past due and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by applicable regulations. Although in nonaccrual status, the Company may continue to receive payments on these loans. These payments are generally recorded as a reduction to principal, and interest income is recorded only after principal recovery is reasonably assured. As of June 30, 2012 and December 31, 2011, the Company was regularly receiving payments on over 60% of the loans categorized as nonaccrual.

The Company's recorded investment in loans and leases that are considered impaired totaled $30.2 million at June 30, 2012, and $32.8 million at December 31, 2011. A loan is impaired 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. Impaired loans consist of our non-homogenous nonaccrual loans, and all TDRs. Specific reserves on individually identified impaired 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.

The year-to-date average recorded investment in impaired loans and leases was $32.5 million at June 30, 2012, $32.9 million at December 31, 2011, and $33.3 million at June 30, 2011. At June 30, 2012, $5.0 million of impaired loans had specific reserve allocations of $2.7 million and $25.2 million had no specific reserve allocation. At December 31, 2011, $8.7 million of impaired loans had specific reserve allocations of $3.5 million and $24.0 million had no specific reserve allocation. The majority of impaired loans are collateral dependent impaired loans that have limited exposure or require limited specific reserve because of the amount of collateral support with respect to these loans and previous charge-offs. Interest payments on impaired 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. Interest income recognized on impaired loans and leases, all collected in cash, was $28,000 for the year-to-date periods ended June 30, 2012 and $0 for December 31, 2011, respectively, and $10,000 for the year-to-date period ended June 30, 2011.

The ratio of the allowance to nonperforming loans (loans past due 90 days and accruing, nonaccrual loans and restructured troubled debt) was 69.8 times at June 30, 2012, up from 66.7 times in December 31, 2011, and 69.2 times at June 30, 2011. The Company's ratio is comparable to our peer group ratio of 0.70 times as of March 31, 2012. The Company's nonperforming loans are mostly made up of collateral dependent impaired 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 continuously 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 internal loan review function, identified 60 commercial relationships totaling $22.6 million at June 30, 2012, that were classified as Substandard and continue to accrue interest. This presents an improvement from the 60 commercial relationships totaling $28.5 million at December 31, 2011, which were classified as Substandard, and continued to accrue interest. Of the 60 commercial relationships that were Substandard, there are 6 relationships that equaled or exceeded $1.0 million, which in aggregate totaled $14.6 million, the largest of which is $5.3 million. Over the past few years, the Company has seen an increase in potential problem loans as weak economic conditions have strained borrowers' cash flows and collateral values. The decrease in the dollar volume of potential problem loans since year-end 2011 was mainly due to the upgrade of several large commercial credits, including agriculturally-related loans, to a risk grading better than Substandard. The Company continues to monitor these potential problem relationships; however, management cannot predict the extent to which continued weak economic conditions or other factors may further impact borrowers. These loans remain in a performing status due to a variety of factors, including payment history, the value of collateral supporting the credits, and personal or government guarantees. These factors, when considered in the aggregate, give management reason to believe that the current risk exposure on these loans does not warrant accounting for these loans as nonperforming. However, these loans do exhibit certain risk factors, which have the potential to cause them to become nonperforming. Accordingly, management's attention is focused on these credits, which are reviewed on at least a quarterly basis.

Capital

Total equity was $353.7 million at June 30, 2012, an increase of $54.6 million or 18.2% from December 31, 2011, mainly a result of the net $38.0 million capital raise completed in the second quarter of 2012. Other significant components of the increase in total equity include: net income of $16.6 million less cash dividends paid of $8.4 million a $1.5 million increase for the exercise of stock options and $1.0 million for the issue of shares under the employee stock ownership plan.

Additional paid-in capital increased by $42.0 million, from $206.4 million at December 31, 2011, to $248.4 million at June 30, 2012. The increase is primarily attributable to the $38.0 million capital raise, $1.5 million related to stock option exercises, $1.0 million related to shares purchased under the employee stock ownership plan, $934,000 related to shares issued under the dividend reinvestment and direct stock purchase plan, and $688,000 related to stock-based compensation. Retained earnings increased by $8.2 million from $96.4 million at December 31, 2011, to $104.7 million at June 30, 2012, reflecting net income of $16.6 million less dividends paid of $8.4 million. Accumulated other comprehensive loss increased from a net unrealized loss of $3.7 million at December 31, 2011 to a net unrealized gain of $484,000 at June 30, 2012; reflecting a $3.4 million increase in unrealized gains on available-for-sale securities due to market rates, and a $735,000 increase related to postretirement benefit plans. Under regulatory requirements, amounts reported as accumulated other comprehensive income/loss related to net unrealized gain or loss on available-for-sale 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 ratios.

Cash dividends paid in the first six months of 2012 totaled approximately $8.4 million, representing 50.5% of year to date 2012 earnings. Cash dividends of $0.72 per common share paid in the first six months of 2012 were up 5.9% over cash dividends of $0.68 per common share paid in the first six months of 2011.

On October 25, 2011, the Company's Board of Directors authorized a new stock repurchase plan for the Company to repurchase up to 335,000 shares of the Company's common stock. Purchases may be made on the open market or in privately negotiated transactions over the 24 months following adoption of the plan. The repurchase program may be suspended, modified, or terminated at any time for any reason. As of the date of this report, shares have been repurchased under the plan.

As previously mentioned, on April 3, 2012, the Company closed the registered public offering of 1,006,250 shares of its common stock at a price of $40.00 per share, less underwriting discounts and commissions. After transaction costs, net proceeds from the capital raise were approximately $38.0 million and resulted in the issuance of 1,006,250 shares of common stock on April 3, 2012.

The Company and its banking subsidiaries are subject to various regulatory capital requirements administered by Federal banking agencies. The table below reflects the Company's capital position at June 30, 2012, compared to the regulatory capital requirements for "well capitalized" institutions.

REGULATORY CAPITAL ANALYSIS

June 30, 2012 (dollar amounts in thousands)	Actual				Well Capitalized Requirement			
		Amount	Ratio			Amount	Ratio	
Total Capital (to risk weighted assets)	$	357,453	16.22	%	$	220,332	10.00	%
Tier 1 Capital (to risk weighted assets)	$	330,331	14.99	%	$	132,199	6.00	%
Tier 1 Capital (to average assets)	$	330,331	9.53	%	$	173,280	5.00	%

As illustrated above, the Company's capital ratios on June 30, 2012 remain above the minimum requirements for well capitalized institutions. Total capital as a percent of risk weighted assets increased from 14.2% at December 31, 2011. Tier 1 capital as a percent of risk weighted assets increased from 12.9% at the end of 2011. Tier 1 capital as a percent of average assets increased from 8.5% at December 31, 2011. The increase in capital ratios over year-end 2011 is mainly the result of the $38.0 million capital raise the Company completed in the current quarter which positioned the Company for future growth including the recently-completed VIST acquisition.

During the first quarter of 2010, the OCC notified the Company that it was requiring Mahopac National Bank ("Mahopac"), one of the Company's three banking subsidiaries, to maintain certain minimum capital ratios at levels higher than those otherwise required by applicable regulations. The OCC is requiring Mahopac to maintain a Tier 1 capital to average assets ratio of 8.0%, a Tier 1 risk-based capital to risk-weighted capital ratio of 10.0% and a Total risk-based capital to risk-weighted assets ratio of 12.0%. Mahopac exceeded these minimum requirements at the time of the notification and continues to maintain ratios above these minimums. As of June 30, 2012, Mahopac had a Tier 1 capital to average assets ratio of 9.1%, a Tier 1 risk-based capital to risk-weighted capital ratio of 13.3% and a Total risk-based capital to risk-weighted assets ratio of 14.6%.

As of June 30, 2012, the capital ratios for the Company's other two subsidiary banks also exceeded the minimum levels required to be considered well capitalized.

In December 2010, the oversight body of the Basel Committee on Banking Supervision published final rules on capital, leverage and liquidity. Implementation of these new capital and liquidity requirements has created significant uncertainty with respect to future requirements for financial institutions. On June 7, 2012 the US banking regulators published their Notice of Proposed Rule Making to implement changes in capital rules. The Company is evaluating the potential impact on our capital ratios.

Deposits and Other Liabilities
Total deposits of $2.8 billion at June 30, 2012 increased $104.5 million or 3.9% from December 31, 2011, due primarily to an $83.0 million increase in interest checking, savings and money market balances and a $30.3 million increase in non interest bearing deposits offset by a $8.8 million decrease in time deposits. Growth over year-end 2011 was divided relatively equally among municipal interest checking, personal and business savings and money market balances and personal non interest bearing accounts.

Total deposits were up $193.1 million or 7.5% over June 30, 2011. The increase was due to a $119.2 million increase in interest checking, savings and money market accounts of which $68.5 million was attributable to growth in personal and business segments and $110.4 million of growth in noninterest bearing deposits. This was offset by a decline in time deposits of $36.5 million compared to June 30, 2011, mainly attributable to declines in time deposits less than $100,000.

The most significant source of funding for the Company is core deposits. Prior to December 31, 2011, the Company defined core deposits as total deposits less time deposits of $100,000 or more, brokered deposits and municipal money market deposits. A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) made permanent an increase in the maximum amount of FDIC deposit insurance for financial institutions to $250,000 per depositor. That maximum had been $100,000 per depositor until 2009, when it was temporarily raised to $250,000. As a result of the permanently increased deposit insurance coverage, effective December 31, 2011 the Company defines core deposits as total deposits less time deposits of $250,000 or more (formerly $100,000), brokered deposits and municipal money market deposits.

Core deposits grew by $110.2 million or 5.0% to $2.3 billion at June 30, 2012 from $2.2 billion at year-end 2011. Core deposits represented 84.0% of total deposits at June 30, 2012, compared to 83.1% of total deposits at December 31, 2011.

Municipal money market accounts of $289.1 million at June 30, 2012 remained relatively flat from $291.7 million at year-end 2011. As compared to June 30, 2011, municipal money market accounts increased $15.1 million or 5.5%. 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 $46.7 million at June 30, 2012, and $49.1 million at December 31, 2011. Management generally views local repurchase agreements as an alternative to large time deposits. The Company’s wholesale repurchase agreements are primarily with the FHLB and amounted to $115.0 million at June 30, 2012, comparable to $120.0 million at December 31, 2011.

The Company’s other borrowings totaled $121.9 million at June 30, 2012, down $64.1 million or 34.5% from $186.1 million at December 31, 2011. Borrowings at June 30, 2012 included $120.0 million in FHLB term advances. Borrowings at year-end 2011 included $122.1 million in FHLB term advances, $53.1 million of overnight FHLB advances, and a $10.9 million advance from a bank. The decrease in borrowings reflects the pay down of FHLB

borrowings as a result of deposit growth and soft loan demand. Of the $120.0 million in FHLB term advances at June 30, 2012, $80.0 million are due over one year. In 2007, the Company elected the fair value option under FASB ASC Topic 825 for a $10.0 million advance with the FHLB. The fair value of this advance decreased by $165,000 (net mark-to-market gain of $165,000) over the six months ended June 30, 2012.

Liquidity

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

Core deposits, discussed above under "Deposits and Other Liabilities", are a primary and low cost funding source obtained primarily through the Company's branch network. In addition to core deposits, the Company uses non-core funding sources to support asset growth. These non-core funding sources include time deposits of $250,000 or more, brokered time deposits, municipal money market deposits, securities sold under agreements to repurchase and term advances from the FHLB. Rates and terms are the primary determinants of the mix of these funding sources. Non-core funding sources, at June 30, 2012, decreased by $77.2 million or 9.6% from $804.0 million at December 31, 2011. Non-core funding sources, as a percentage of total liabilities, were 23.2% at June 30, 2012, compared to 25.9% at December 31, 2011. The decrease in non-core funding sources was mainly due to declines in FHLB advances. With the growth in core deposits and soft loan demand over the past several quarters, the Company has paid down non-core funding sources.

Non-core funding sources may require securities to be pledged against the underlying liability. Securities carried at $737.3 million and $730.6 million at June 30, 2012 and December 31, 2011, respectively, were either pledged or sold under agreements to repurchase. Pledged securities represented 62.3% of total securities at June 30, 2012, compared to 66.1% of total securities at December 31, 2011.

Cash and cash equivalents totaled $59.8 million as of June 30, 2012, up from $49.6 million at December 31, 2011. Short-term investments, consisting of securities due in one year or less, increased from $19.6 million at December 31, 2011, to $28.5 million on June 30, 2012. The Company also has $17.9 million of securities designated as trading securities.

Cash flow from the loan and investment portfolios provides a significant source of liquidity. These assets may have stated maturities in excess of one year, but have monthly principal reductions. Total mortgage-backed securities, at fair value, were $555.6 million at June 30, 2012 compared with $653.0 million at December 31, 2011. Outstanding principal balances of residential mortgage loans, consumer loans, and leases totaled approximately $756.9 million at June 30, 2012 as compared to $731.1 million at December 31, 2011. 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 June 30, 2012, the unused borrowing capacity on established lines with the FHLB was $1.0 billion. As members of the FHLB, the Company's subsidiary banks can use certain unencumbered mortgage-related assets to secure additional borrowings from the FHLB. At June 30, 2012, total unencumbered residential mortgage loans of the Company were $251.3 million. 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.

The Company continues to evaluate the potential impact on liquidity management of regulatory proposals, including Basel III and those required under the Dodd-Frank Act, as they continue to progress through the final rule-making process.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest rate risk is the primary market risk category associated with the Company's operations. Interest rate risk refers to the volatility of earnings caused by changes in interest rates. The Company manages interest rate risk using income simulation to measure interest rate risk inherent in its on-balance sheet and off-balance sheet financial instruments at a

given point in time. The simulation models are used to estimate the potential effect of interest rate shifts on net interest income for future periods. Each quarter, the Company's Asset/Liability Management Committee reviews the simulation results to determine whether the exposure of net interest income to changes in interest rates remains within levels approved by the Company's Board of Directors. The Committee also considers strategies to manage this exposure and incorporates these strategies into the investment and funding decisions of the Company. The Company 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 May 31, 2012 a 200 basis point parallel upward change in interest rates over a one-year time frame would result in a one-year decrease in net interest income from the base case of approximately 0.69%, while a 100 basis point parallel decline in interest rates over a one-year period would result in a decrease in one-year net interest income from the base case of 0.59%. The simulation assumes no balance sheet growth and no management action to address balance sheet mismatches.

The neutral exposure in a rising interest rate environment is mainly driven by the repricing assumptions of the Company's core deposit base which currently match increases in asset yields in the short-term. Longer-term, the impact of a rising rate environment is slightly negative as assumed funding costs increase in the model. The moderate exposure in the 100 basis point decline scenario results from the Company's assets repricing downward to a greater degree than the rates on the Company's interest-bearing liabilities, mainly deposits. Rates on savings and money market accounts are at low levels as a result of the historically low interest rate environment experienced in recent years. In addition, the model assumes that prepayments accelerate in the down interest rate environment resulting in additional pressure on asset yields as proceeds are reinvested at lower rates.

In our most recent simulation, the base case scenario, which assumes interest rates remain unchanged from the date of the simulation, showed a slight decrease in net interest margin over the next twelve months. Funding cost reductions are limited and net interest income is expected to trend downward as loans and securities are assumed to roll back onto the balance sheet at lower than portfolio yields.

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

In addition to the simulation analysis, management uses an interest rate gap measure. The table below is a Condensed Static Gap Report, which illustrates the anticipated repricing intervals of assets and liabilities as of June 30, 2012. The Company's one-year net interest rate gap was a negative $220.7 million or 6.34% of total assets at June 30, 2012 compared with a negative $89.4 million or 2.63% of total assets at December 31, 2011. 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 more vulnerable to an increasing rate environment than it is to a prolonged declining interest rate environment. An interest rate gap measure could be significantly affected by external factors such as a rise or decline in interest rates, loan or securities prepayments, and deposit withdrawals.

Condensed Static Gap – June 30, 2012		Repricing Interval			
(in thousands)	Total	0-3 months	3-6 months	6-12 months	Cumulative 12 months
Interest-earning assets1	$ 3,266,321	$ 691,140	$ 174,502	$ 312,863	$ 1,178,505
Interest-bearing liabilities	2,427,088	1,040,168	184,862	174,163	1,399,193
Net gap position		(349,028)	(10,360)	138,700	(220,688)
Net gap position as a percentage of total assets		(10.02 %)	(0.30 %)	3.98 %	(6.34 %)

1 Balances of available securities are shown at amortized cost

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2012. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this Report on Form 10-Q the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2012, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal proceedings in the normal course of business, none of which are expected to have a material adverse impact on the financial condition or results of operations of the Company.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed under Item 1A. of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased (a)	Average Price Paid Per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (c)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (d)
April 1, 2012 through April 30, 2012	1,571	$39.45	0	335,000
May 1, 2012 through May 30, 2012	584	36.49	0	335,000
June 1, 2012 through June 30, 2012	0	0	0	335,000
Total	2,155	$38.65	0	335,000

Included in the table above are 1,571 shares purchased in April 2012, at an average cost of $39.45 and 584 shares purchased in May 2012, at an average cost of $36.49 by the trustee of the rabbi trust established by the Company under the Company's Amended and Restated Retainer Plan For Eligible Directors of Tompkins Financial Corporation and it's wholly-owned Subsidiaries, and were part of the director deferred compensation under that plan.

On October 25, 2011, the Company's Board of Directors authorized a new stock repurchase plan for the Company to repurchase up to 335,000 shares of the Company's common stock. Purchases may be made on the open market or in privately negotiated transactions over the 24 months following adoption of the plan. The repurchase program may be suspended, modified, or terminated at any time for any reason. As of the date of this report, the Company has not

made any repurchases under this plan.

Recent Sales of Unregistered Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosure

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The information called for by this item is incorporated by reference to the Exhibit Index included in this Quarterly Report on Form 10-Q, immediately following the signature page.

SIGNATURES

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

Date: September 7, 2012

TOMPKINS FINANCIAL CORPORATION

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

By: /S/ Francis M. Fetsko
Francis M. Fetsko
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number		Description	Pages
10.1	-	First Amendment to Agreement and Plan of Merger, dated July 31, 2012, by and among the Company, TMP Mergeco, Inc. TMP Mergeco, I LLC and VIST Financial Corp.	
31.1	-	Certification of Principal Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.	57
31.2	-	Certification of Principal Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.	58
32.1	-	Certification of Principal Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, 18 U.S.C. Section 1350.	59
32.2	-	Certification of Principal Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, 18 U.S.C. Section 1350.	60
101*		The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed consolidated Statements of Condition as of June 30, 2012 and December 31, 2011; (ii) condensed Consolidated Statements of Income for the three months ended June 30, 2012 and 2011; (iii) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2012 and 2011; (iv) condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended June 30, 2012 and 2011; and (v) Notes to unaudited Condensed Consolidated Financial Statements.	
*		Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.	

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