TOMPKINS FINANCIAL CORP
Form 10-Q
May 11, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _____ to ______

Commission File Number **1-12709**

Tompkins Financial Corporation

(Exact name of registrant as specified in its charter)

New York	**16-1482357**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

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

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

Class	Outstanding as of April 30, 2015
Common Stock, $0.10 par value	14,972,529 shares

TOMPKINS FINANCIAL CORPORATION

FORM 10-Q

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PART I -FINANCIAL INFORMATION

TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share and per share data) (Unaudited)	As of	As of
ASSETS	03/31/2015	12/31/2014
Cash and noninterest bearing balances due from banks	$62,017	$53,921
Interest bearing balances due from banks	1,979	2,149
Cash and Cash Equivalents	63,996	56,070
Trading securities, at fair value	8,605	8,992
Available-for-sale securities, at fair value (amortized cost of $1,436,118 at March 31, 2015 and $1,397,458 at December 31, 2014)	1,449,926	1,402,236
Held-to-maturity securities, at amortized cost (fair value of $99,258 at March 31, 2015 and $89,036 at December 31, 2014)	97,066	88,168
Originated loans and leases, net of unearned income and deferred costs and fees	2,898,533	2,839,974
Acquired loans and leases, covered	16,768	19,319
Acquired loans and leases, non-covered	512,256	533,995
Less: Allowance for loan and lease losses	29,485	28,997
Net Loans and Leases	3,398,072	3,364,291
FDIC indemnification asset	1,318	1,903
Federal Home Loan Bank stock	21,035	21,259
Bank premises and equipment, net	59,650	59,800
Corporate owned life insurance	74,339	73,725
Goodwill	92,243	92,243
Other intangible assets, net	14,110	14,649
Accrued interest and other assets	77,173	86,225
Total Assets	$5,357,533	$5,269,561
LIABILITIES		
Deposits:		
Interest bearing:		
Checking, savings and money market	2,398,201	2,247,708
Time	916,975	898,081
Noninterest bearing	967,590	1,023,365
Total Deposits	4,282,766	4,169,154
Federal funds purchased and securities sold under agreements to repurchase	135,769	147,037
Other borrowings, including certain amounts at fair value of $10,920 at March 31, 2015 and $10,961 at December 31, 2014	330,850	356,541
Trust preferred debentures	37,380	37,337
Other liabilities	66,472	69,909
Total Liabilities	$4,853,237	$4,779,978
EQUITY		
Tompkins Financial Corporation shareholders' equity:		
Common Stock - par value $.10 per share: Authorized 25,000,000 shares; Issued: 14,997,989 at March 31, 2015; and 14,931,354 at December 31, 2014	1,500	1,493
Additional paid-in capital	352,096	348,889
Retained earnings	170,854	165,160
Accumulated other comprehensive loss	(18,262)	(24,011)
Treasury stock, at cost – 109,098 shares at March 31, 2015, and 111,436 shares at December 31, 2014	(3,377)	(3,400)

Total Tompkins Financial Corporation Shareholders' Equity	502,811	488,131
Noncontrolling interests	1,485	1,452
Total Equity	$504,296	$489,583
Total Liabilities and Equity	$5,357,533	$5,269,561

See notes to consolidated financial statements

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TOMPKINS FINANCIAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
(In thousands, except per share data) (Unaudited)	03/31/2015	03/31/2014
INTEREST AND DIVIDEND INCOME		
Loans	$ 37,376	$ 36,954
Due from banks	1	1
Trading securities	94	112
Available-for-sale securities	7,814	7,936
Held-to-maturity securities	596	152
Federal Home Loan Bank stock and Federal Reserve Bank stock	347	210
Total Interest and Dividend Income	46,228	45,365
INTEREST EXPENSE		
Time certificates of deposits of $100,000 or more	906	952
Other deposits	1,715	1,790
Federal funds purchased and securities sold under agreements to repurchase	670	817
Trust preferred debentures	570	570
Other borrowings	1,139	1,209
Total Interest Expense	5,000	5,338
Net Interest Income	41,228	40,027
Less: Provision for loan and lease losses	209	743
Net Interest Income After Provision for Loan and Lease Losses	41,019	39,284
NONINTEREST INCOME		
Insurance commissions and fees	7,370	7,257
Investment services income	4,007	4,010
Service charges on deposit accounts	2,157	2,116
Card services income	1,818	2,112
Mark-to-market loss on trading securities	(63)	(59)
Mark-to-market gain on liabilities held at fair value	41	65
Other income	2,026	1,839
Gain on sale of available-for-sale securities	290	94
Total Noninterest Income	17,646	17,434
NONINTEREST EXPENSES		
Salaries and wages	17,568	16,646
Pension and other employee benefits	5,994	6,045
Net occupancy expense of premises	3,339	3,260
Furniture and fixture expense	1,450	1,337
FDIC insurance	741	811
Amortization of intangible assets	507	527
Other operating expense	10,093	9,584
Total Noninterest Expenses	39,692	38,210
Income Before Income Tax Expense	18,973	18,508
Income Tax Expense	6,260	5,906
Net Income attributable to Noncontrolling Interests and Tompkins Financial Corporation	12,713	12,602

Less: Net income attributable to noncontrolling interests	33	33
Net Income Attributable to Tompkins Financial Corporation	$12,680	$12,569
Basic Earnings Per Share	$0.85	$0.85
Diluted Earnings Per Share	$0.84	$0.84

See notes to consolidated financial statements

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Consolidated Statements of Comprehensive Income

	Three Months Ended	
(in thousands) (Unaudited)	03/31/2015	03/31/2014
Net income attributable to noncontrolling interests and Tompkins Financial Corporation	$ 12,713	$ 12,602
Other comprehensive income, net of tax:		
Available-for-sale securities:		
Change in net unrealized gain during the period	5,592	5,290
Reclassification adjustment for net realized gain on sale of available-for-sale securities included in net income	(174)	(56)
Employee benefit plans:		
Amortization of net retirement plan actuarial gain	438	192
Amortization of net retirement plan prior service (credit) cost	(107)	8
Other comprehensive income	5,749	5,434
Subtotal comprehensive income attributable to noncontrolling interests and Tompkins Financial Corporation	18,462	18,036
Less: Net income attributable to noncontrolling interests	(33)	(33)
Total comprehensive income attributable to Tompkins Financial Corporation	$ 18,429	$ 18,003

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	03/31/2015	03/31/2014
OPERATING ACTIVITIES		
Net income attributable to Tompkins Financial Corporation	$12,680	$12,569
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	209	743
Depreciation and amortization of premises, equipment, and software	1,568	1,384
Amortization of intangible assets	507	527
Earnings from corporate owned life insurance	(614)	(502)
Net amortization on securities	2,744	2,544
Amortization/accretion related to purchase accounting	(1,590)	(1,958)
Mark-to-market loss on trading securities	63	59
Mark-to-market gain on liabilities held at fair value	(41)	(65)
Net gain on securities transactions	(290)	(94)
Net gain on sale of loans originated for sale	(4)	(50)
Proceeds from sale of loans originated for sale	331	2,577
Loans originated for sale	(426)	(2,555)
Net loss (gain) on sale of bank premises and equipment	0	15
Stock-based compensation expense	386	342
Increase in accrued interest receivable	(339)	(68)
Increase (decrease) in accrued interest payable	73	(153)
Proceeds from maturities and payments of trading securities	320	430
Other, net	2,620	(5,069)
Net Cash Provided by Operating Activities	18,197	10,676
INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal paydowns of available-for-sale securities	67,132	73,943
Proceeds from sales of available-for-sale securities	16,257	24,263
Proceeds from maturities, calls and principal paydowns of held-to-maturity securities	1,922	937
Purchases of available-for-sale securities	(124,906)	(116,719)
Purchases of held-to-maturity securities	(10,890)	(778)
Net increase in loans	(33,000)	(9,427)
Net decrease in Federal Home Loan Bank stock	224	6,801
Proceeds from sale of bank premises and equipment	0	58
Purchases of bank premises and equipment	(1,222)	(2,112)
Redemption (purchase) of corporate owned life insurance	0	(2,500)
Other, net	259	(210)
Net Cash Used in Investing Activities	(84,224)	(25,744)
FINANCING ACTIVITIES		
Net increase in demand, money market, and savings deposits	94,718	124,772
Net increase in time deposits	19,280	33,703
Net decrease in Federal funds purchases and securities sold under agreements to repurchase	(10,985)	(8,647)
Increase in other borrowings	73,950	42,140
Repayment of other borrowings	(99,600)	(158,990)
Cash dividends	(6,261)	(5,905)
Shares issued for dividend reinvestment plan	0	1,295
Shares issued for employee stock ownership plan	1,595	1,528

Net shares issued related to restricted stock awards	0	125
Net proceeds from exercise of stock options	1,120	405
Tax benefit from stock option exercises	136	57
Net Cash Provided by Financing Activities	73,953	30,483
Net Increase in Cash and Cash Equivalents	7,926	15,415
Cash and cash equivalents at beginning of period	56,070	82,884
Total Cash & Cash Equivalents at End of Period	63,996	98,299

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)	03/31/2015	03/31/2014
Supplemental Information:		
Cash paid during the year for - Interest	$ 5,313	$ 6,012
Cash paid during the year for - Taxes	183	283
Transfer of loans to other real estate owned	187	1,271

See notes to unaudited condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(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, 2014	$ 1,479	$346,096	$137,102	$ (25,119)	$(3,071)	$ 1,452	$457,939
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			12,569			33	12,602
Other comprehensive income				5,434			5,434
Total Comprehensive Income							18,036
Cash dividends ($0.40 per share)			(5,905)				(5,905)
Net exercise of stock options and related tax benefit (20,515 shares)	2	460					462
Shares issued for dividend reinvestment plan (27,038 shares)	2	1,293					1,295
Compensation expense stock options		342					342
Shares issued for employee stock ownership plan (31,192 shares)	3	1,525					1,528
Directors deferred compensation plan (1,528 shares)		(29)			29		0
Restricted stock activity (1,165 shares)		125					125
Balances at March 31, 2014	$ 1,486	$349,812	$143,766	$ (19,685)	$(3,042)	$ 1,485	$473,822
Balances at January 1, 2015	$ 1,493	$348,889	$165,160	$ (24,011)	$(3,400)	$ 1,452	$489,583
Net income attributable to noncontrolling interests and Tompkins Financial Corporation			12,680			33	12,713
Other comprehensive income				5,749			5,749
Total Comprehensive Income							18,462
Cash dividends ($0.42 per share)			(6,261)				(6,261)
Net exercise of stock options and related tax benefit (41,948 shares)	4	1,252					1,256
Compensation expense stock options		386					386
Shares issued for employee stock ownership plan (29,554 shares)	3	1,592					1,595
Directors deferred compensation plan (2,338 shares)		(23)			23		0
Restricted stock activity (4,867 shares)							0
Adoption of ASU 2014-01 Investments							

Accounting for Investments in Qualified Affordable Housing Projects			(725)				(725)
Balances at March 31, 2015	$1,500	$352,096	$170,854	$(18,262)	$(3,377)	$1,485	$504,296

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, and insurance services. At March 31, 2015, the Company’s subsidiaries included: four wholly-owned banking subsidiaries, Tompkins Trust Company (the “Trust Company”), The Bank of Castile (DBA Tompkins Bank of Castile), Mahopac Bank (formerly known as Mahopac National Bank, DBA Tompkins Mahopac Bank), VIST Bank (DBA Tompkins VIST Bank); and a wholly-owned insurance agency subsidiary, Tompkins Insurance Agencies, Inc. (“Tompkins Insurance”). The trust division of the Trust Company provides a full array of investment services, 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 (888) 503-5753. The Company’s common stock is traded on the NYSE MKT LLC under the Symbol “TMP.”

As a registered financial holding company, the Company is regulated under the Bank Holding Company Act of 1956 (“BHC Act”), as amended and is subject to examination and comprehensive regulation by the Federal Reserve Board (“FRB”). The Company is also subject to the jurisdiction of the Securities and Exchange Commission (“SEC”) and is subject to disclosure and regulatory requirements under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. The Company is subject to the rules of the NYSE MKT LLC for listed companies.

The Company’s banking subsidiaries are subject to examination and comprehensive regulation by various regulatory authorities, including the Federal Deposit Insurance Corporation (“FDIC”), the New York State Department of Financial Services (“NYSDFS”), and the Pennsylvania Department of Banking and Securities (“PDBS”). Each of these agencies issues regulations and requires the filing of reports describing the activities and financial condition of the entities under its jurisdiction. Likewise, such agencies conduct examinations on a recurring basis to evaluate the safety and soundness of the institutions, and to test compliance with various regulatory requirements, including: consumer protection, privacy, fair lending, the Community Reinvestment Act, the Bank Secrecy Act, sales of non-deposit investments, electronic data processing, and trust department activities.

The trust division of Tompkins Trust Company is subject to examination and comprehensive regulation by the FDIC and NYSDFS.

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

2. Basis of Presentation

The unaudited consolidated financial statements included in this quarterly report do not include all of the information and footnotes required by GAAP for a full year presentation and certain disclosures have been condensed or omitted in accordance with rules and regulations of the SEC. In the application of certain accounting policies, management is required to make assumptions regarding the effect of matters that are inherently uncertain. These estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues, and expenses in the unaudited 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, 2015. 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, 2014. There have been no significant changes to the Company’s accounting policies from those presented in the 2014 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, and determined that no further disclosures were required.

The consolidated financial information included herein combines the results of operations, the assets, liabilities, and shareholders' equity of the Company and its subsidiaries. Amounts in the prior periods' unaudited 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 2014-01, "*Investments (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects*." The amendments in this ASU provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense (benefit). The amendments in this ASU became effective for the Company for annual periods beginning January 1, 2015 and should be applied retrospectively to all periods presented. A reporting entity that uses the effective yield method to account for its investments in qualified affordable housing projects before the date of adoption may continue to apply the effective yield method for those preexisting investments.

The Company previously accounted for its investments in qualified affordable housing projects under the cost method; however, the Company determined that its investments in its qualified affordable housing projects meet the conditions set forth in ASU 2014-01 to account for these investments under the proportional amortization method. The Company believes that amortizing its investments in qualified affordable housing projects as a component of income tax expense rather than as a component of operating expenses better reflects the nature and intent of these investments. As a result of adopting ASU 2014-01, the Company recognized additional income tax expense attributable to the amortization of investments in qualified affordable housing projects of $0.1 million during the three months ended March 31, 2015. While the adoption of ASU 2014-01 requires retrospective application to all periods presented, the Company did not restate income tax expense for the three months ended March 31, 2014 as the amount of additional income tax expense attributable to the amortization of investments in qualified affordable housing projects was not considered material. While the adoption of ASU 2014-01 requires retrospective application to all periods presented, the Company did not restate the prior period financial statements as the amounts were not material. The net effect of adoption is $725,000 and is reported in the Statement of Changes in Shareholder's Equity for the three months ended March 31, 2015. The Company's remaining investment in qualified affordable housing projects, net of amortization totaled $3.0 million and $3.9 million at March 31, 2015 and December 31, 2014, respectively.

ASU 2014-12 *"Compensation—Stock Compensation" (Topic 718):* Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, a consensus of the FASB Emerging Issues Task Force (ASU 2014-12). ASU 2014-12 requires that a performance target that affects vesting of share-based payment awards and that could be achieved after the requisite service period be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 is effective for all entities for interim and annual periods beginning after December 15, 2015, with early adoption permitted. An entity may apply the amendments in ASU 2014-12 either (i) prospectively to all awards granted or modified after the effective date or (ii) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's consolidated financial condition or results of operations because the Company has not historically granted performance-based stock compensation.

4. Securities

Available-for-Sale Securities

The following table summarizes available-for-sale securities held by the Company at March 31, 2015:

	Available-for-Sale Securities			
March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Obligations of U.S. Government sponsored entities	$573,577	$ 9,960	$ 233	$583,304
Obligations of U.S. states and political subdivisions	72,597	1,136	160	73,573
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	103,613	2,345	852	105,106
U.S. Government sponsored entities	682,573	7,586	5,595	684,564
Non-U.S. Government agencies or sponsored entities	258	4	0	262
U.S. corporate debt securities	2,500	0	338	2,162
Total debt securities	1,435,118	21,031	7,178	1,448,971
Equity securities	1,000	0	45	955
Total available-for-sale securities	$1,436,118	$ 21,031	$ 7,223	$1,449,926

The following table summarizes available-for-sale securities held by the Company at December 31, 2014:

	Available-for-Sale Securities			
December 31, 2014	**Amortized Cost**	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Obligations of U.S. Government sponsored entities	$553,300	$ 6,222	$ 1,702	$557,820
Obligations of U.S. states and political subdivisions	70,790	999	279	71,510
Mortgage-backed securities – residential, issued by				
U.S. Government agencies	108,931	2,339	1,344	109,926
U.S. Government sponsored entities	660,195	7,309	8,384	659,120
Non-U.S. Government agencies or sponsored entities	267	4	0	271
U.S. corporate debt securities	2,500	0	338	2,162
Total debt securities	1,395,983	16,873	12,047	1,400,809
Equity securities	1,475	0	48	1,427
Total available-for-sale securities	$1,397,458	$ 16,873	$ 12,095	$1,402,236

Held-to-Maturity Securities

The following table summarizes held-to-maturity securities held by the Company at March 31, 2015:

	Held-to-Maturity Securities			
March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Obligations of U.S. Government sponsored entities	$81,982	$ 1,768	$ 63	$83,687
Obligations of U.S. states and political subdivisions	$15,084	$ 487	$ 0	$15,571
Total held-to-maturity debt securities	$97,066	$ 2,255	$ 63	$99,258

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The following table summarizes held-to-maturity securities held by the Company at December 31, 2014:

December 31, 2014	Held-to-Maturity Securities Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Obligations of U.S. Government sponsored entities	$71,906	$ 400	$ 37	$72,269
Obligations of U.S. states and political subdivisions	16,262	505	0	16,767
Total held-to-maturity debt securities	$88,168	$ 905	$ 37	$89,036

The Company may from time to time sell investment securities from its available-for-sale portfolio. Realized gains on available-for-sale securities were $290,000 and $172,000 for the three month periods ending March 31, 2015 and 2014, respectively. Realized losses on available-for-sale securities were $0 and $78,000 for the three month periods ending March 31, 2015 and 2014, respectively. The sales of available-for-sale investment securities were the result of general investment portfolio and interest rate risk management.

The following table summarizes available-for-sale securities that had unrealized losses at March 31, 2015:

	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	$37,667	$ 90	$17,550	$ 143	$55,217	$ 233
Obligations of U.S. states and political subdivisions	16,833	140	2,142	20	18,975	160
Mortgage-backed securities – issued by						
U.S. Government agencies	2,455	4	36,556	848	39,011	852
U.S. Government sponsored entities	131,045	740	218,656	4,855	349,701	5,595
U.S. corporate debt securities	0	0	2,162	338	2,162	338
Equity securities	0	0	955	45	955	45
Total available-for-sale securities	$188,000	$ 974	$278,021	$ 6,249	$466,021	$ 7,223

The following table summarizes held-to-maturity securities that had unrealized losses at March 31, 2015.

	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	$10,079	$ 63	$0	$ 0	$10,079	$ 63
Total held-to-maturity securities	$10,079	$ 63	$0	$ 0	$10,079	$ 63

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The following table summarizes available-for-sale securities that had unrealized losses at December 31, 2014:

	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	$71,363	$ 385	$65,497	$ 1,317	$136,860	$ 1,702
Obligations of U.S. states and political subdivisions	15,451	124	8,102	155	23,553	279
Mortgage-backed securities – residential, issued by						
U.S. Government agencies	2,623	21	28,502	1,323	31,125	1,344
U.S. Government sponsored entities	162,377	719	271,503	7,665	433,880	8,384
U.S. corporate debt securities	0	0	2,163	338	2,163	338
Equity securities	0	0	952	48	952	48
Total available-for-sale securities	**$251,814**	**$ 1,249**	**$376,719**	**$ 10,846**	**$628,533**	**$ 12,095**

The following table summarizes held-to-maturity securities that had unrealized losses at December 31, 2014.

	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	$15,095	$ 37	$0	$ 0	$15,095	$ 37
Total held-to-maturity securities	**$15,095**	**$ 37**	**$0**	**$ 0**	**$15,095**	**$ 37**

The gross unrealized losses reported for residential mortgage-backed securities relate to investment securities issued by U.S. government sponsored entities such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and U.S. government agencies such as Government National Mortgage Association. The total gross unrealized losses, shown in the tables above, were primarily attributable to changes in interest rates and levels of market liquidity, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities.

The Company does not intend to sell other-than-temporarily impaired investment securities that are in an unrealized loss position until recovery of unrealized losses (which may be until maturity), and it is not more-likely-than not that the Company will be required to sell the investment securities, before recovery of their amortized cost basis, which may be at maturity. Accordingly, as of March 31, 2015, and December 31, 2014, management has determined that 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 ("OTTI"). A debt security is considered impaired if the fair value is less than its amortized cost basis (including any previous OTTI charges) 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.

- 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, 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 a result of the other-than-temporarily impairment review process, the Company does not consider any investment security held at March 31, 2015 to be other-than-temporarily impaired.

The amortized cost and estimated fair value of debt securities by contractual maturity are shown in the following table. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities are shown separately since they are not due at a single maturity date.

March 31, 2015

(in thousands)	**Amortized Cost**	**Fair Value**
Available-for-sale securities:		
Due in one year or less	$68,446	$69,829
Due after one year through five years	391,117	398,772
Due after five years through ten years	173,150	174,819
Due after ten years	15,961	15,619
Total	648,674	659,039
Mortgage-backed securities	786,444	789,932
Total available-for-sale debt securities	**$1,435,118**	**$1,448,971**

December 31, 2014

(in thousands)	**Amortized Cost**	Fair Value
Available-for-sale securities:		
Due in one year or less	$67,281	$68,350
Due after one year through five years	342,548	347,230
Due after five years through ten years	199,724	199,276
Due after ten years	17,037	16,636
Total	626,590	631,492
Mortgage-backed securities	769,393	769,317
Total available-for-sale debt securities	$1,395,983	$1,400,809

March 31, 2015

(in thousands)	**Amortized Cost**	**Fair Value**
Held-to-maturity securities:		
Due in one year or less	$ 10,394	$10,454
Due after one year through five years	3,358	3,616
Due after five years through ten years	83,006	84,835
Due after ten years	308	353
Total held-to-maturity debt securities	**$ 97,066**	**$99,258**

December 31, 2014

(in thousands)	**Amortized Cost**	**Fair Value**
Held-to-maturity securities:		
Due in one year or less	$ 11,400	$ 11,471
Due after one year through five years	3,440	3,694
Due after five years through ten years	73,020	73,518
Due after ten years	308	353
Total held-to-maturity debt securities	**$ 88,168**	**$ 89,036**

The Company also holds non-marketable Federal Home Loan Bank New York ("FHLBNY") stock, non-marketable Federal Home Loan Bank Pittsburgh ("FHLBPITT") stock and non-marketable Atlantic Central Bankers Bank stock, all of which are required to be held for regulatory purposes and for borrowing availability. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. Holdings of FHLBNY stock, FHLBPITT stock, and ACBB stock totaled $10.1 million, $10.9 million and $95,000 at March 31, 2015, respectively. These securities are carried at par, which is also cost. The FHLBNY and FHLBPITT continue to pay dividends and repurchase stock. As such, the Company has not recognized any impairment on its holdings of FHLBNY and FHLBPITT stock. Quarterly, we evaluate our investment in the FHLB for impairment. We evaluate recent and long-term operating performance, liquidity, funding and capital positions, stock repurchase history, dividend history and impact of legislative and regulatory changes. Based on our most recent evaluation, as of March 31, 2015, we have determined that no impairment write-downs are currently required.

Trading Securities

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

(in thousands)	**03/31/2015**	**12/31/2014**
Obligations of U.S. Government sponsored entities	$ 7,240	$ 7,404
Mortgage-backed securities – residential, issued by U.S. Government sponsored entities	1,365	1,588
Total	**$ 8,605**	**$ 8,992**

The decrease in trading securities reflects principal repayments and maturities received during the quarter ended March 31, 2105. The pre-tax mark-to-market losses on trading securities during the three months ended March 31, 2015 were $63,000 compared to $59,000 for the three months ended March 31, 2014.

The Company pledges securities as collateral for public deposits and other borrowings, and sells securities under agreements to repurchase. Securities carried of $1.2 billion and $1.1 billion at March 31, 2015, and December 31, 2014, respectively, were either pledged or sold under agreements to repurchase.

5. Loans and Leases

Loans and Leases at March 31, 2015 and December 31, 2014 were as follows:

	03/31/2015			12/31/2014		
(in thousands)	**Originated**	**Acquired**	**Total Loans and Leases**	Originated	Acquired	Total Loans and Leases
Commercial and industrial						
Agriculture	**$58,742**	**$0**	**$58,742**	$78,507	$0	$78,507
Commercial and industrial other	**707,283**	**93,013**	**800,296**	688,529	97,034	785,563
Subtotal commercial and industrial	**766,025**	**93,013**	**859,038**	767,036	97,034	864,070
Commercial real estate						
Construction	**70,657**	**44,219**	**114,876**	72,427	35,906	108,333
Agriculture	**59,905**	**2,344**	**62,249**	58,994	3,182	62,176
Commercial real estate other	**1,016,309**	**287,823**	**1,304,132**	979,621	308,488	1,288,109
Subtotal commercial real estate	**1,146,871**	**334,386**	**1,481,257**	1,111,042	347,576	1,458,618
Residential real estate						
Home equity	**188,546**	**52,715**	**241,261**	186,957	56,008	242,965
Mortgages	**732,643**	**31,095**	**763,738**	710,904	32,282	743,186
Subtotal residential real estate	**921,189**	**83,810**	**1,004,999**	897,861	88,290	986,151
Consumer and other						
Indirect	**17,716**	**0**	**17,716**	18,298	0	18,298
Consumer and other	**35,947**	**1,047**	**36,994**	35,874	1,095	36,969
Subtotal consumer and other	**53,663**	**1,047**	**54,710**	54,172	1,095	55,267
Leases	**13,106**	**0**	**13,106**	12,251	0	12,251
Covered loans	**0**	**16,768**	**16,768**	0	19,319	19,319
Total loans and leases	**2,900,854**	**529,024**	**3,429,878**	2,842,362	553,314	3,395,676
Less: unearned income and deferred costs and fees	**(2,321)**	**0**	**(2,321)**	(2,388)	0	(2,388)
Total loans and leases, net of unearned income and deferred costs and fees	**$2,898,533**	**$529,024**	**$3,427,557**	$2,839,974	$553,314	$3,393,288

The outstanding principal balance and the related carrying amount of the Company’s loans acquired in the VIST Bank acquisition are as follows at March 31, 2015 and December 31, 2014:

(in thousands)	**03/31/2015**	12/31/2014
Acquired Credit Impaired Loans		
Outstanding principal balance	$40,545	$44,273
Carrying amount	31,003	34,410

Acquired Non-Credit Impaired Loans		
Outstanding principal balance	503,249	525,182
Carrying amount	498,021	518,904
Total Acquired Loans		
Outstanding principal balance	543,794	569,455
Carrying amount	529,024	553,314

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

(in thousands)	
Balance at January 1, 2014	$10,954
Accretion	(4,598)
Disposals (loans paid in full)	(250)
Reclassifications to/from nonaccretable difference[1]	2,498
Other changes in expected cash flows[2]	0
Balance at December 31, 2014	$8,604

(in thousands)	
Balance at January 1, 2015	$8,604
Accretion	(837)
Disposals (loans paid in full)	(39)
Reclassifications to/from nonaccretable difference[1]	660
Other changes in expected cash flows[2]	0
Balance at March 31, 2015	$8,388

[1] Results in increased interest income as a prospective yield adjustment over the remaining life of the loans, as well as increased interest income from loan sales, modification and prepayments.
[2] Represents changes in cash flows expected to be collected due to factors other than credit (e.g. changes in

prepayment assumptions and/or changes in interest rates on variable rate loans).

At March 31, 2015, acquired loans included $16.8 million of covered loans. VIST Bank had previously acquired these loans in an FDIC assisted transaction in the fourth quarter of 2010. In accordance with a loss sharing agreement with the FDIC, certain losses and expenses relating to covered loans may be reimbursed by the FDIC at 70% or, if net losses exceed certain levels specified in the loss sharing agreements, 80%. See Note 7 – "FDIC Indemnification Asset Related to Covered Loans" for further discussion of the loss sharing agreements and related FDIC indemnification assets.

The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures. Management reviews these policies and procedures on a regular basis. The Company discussed its lending policies and underwriting guidelines for its various lending portfolios in Note 3 – "Loans and Leases" in the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. There have been no significant changes in these policies and guidelines. As such, these policies are reflective of new originations as well as those balances held at March 31, 2015. The Company's Board of Directors approves the lending policies at least annually. The Company recognizes that exceptions to policy guidelines may occasionally occur and has established procedures for approving exceptions to these policy guidelines. Management has also implemented reporting systems to monitor loan origination, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans.

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

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

The below table is an age analysis of past due loans, segregated by originated and acquired loan and lease portfolios, and by class of loans, as of March 31, 2015 and December 31, 2014.

March 31, 2015

(in thousands)	**30-89 days**	**90 days or more**	**Current Loans**	**Total Loans**	**90 days and accruing[1]**	**Nonaccrual**
Originated Loans and Leases						
Commercial and industrial						
Agriculture	$0	$0	$58,742	$58,742	$ 0	$ 0
Commercial and industrial other	389	1,228	705,666	707,283	0	960
Subtotal commercial and industrial	389	1,228	764,408	766,025	0	960
Commercial real estate						
Construction	0	0	70,657	70,657	0	0
Agriculture	0	0	59,905	59,905	0	115
Commercial real estate other	573	3,381	1,012,355	1,016,309	0	4,510
Subtotal commercial real estate	573	3,381	1,142,917	1,146,871	0	4,625
Residential real estate						
Home equity	117	2,046	186,383	188,546	59	1,374
Mortgages	1,041	6,329	725,273	732,643	177	6,609
Subtotal residential real estate	1,158	8,375	911,656	921,189	236	7,983
Consumer and other						
Indirect	308	39	17,369	17,716	0	62
Consumer and other	10	146	35,791	35,947	0	181
Subtotal consumer and other	318	185	53,160	53,663	0	243
Leases	0	0	13,106	13,106	0	0
Total loans and leases	**2,438**	**13,169**	**2,885,247**	**2,900,854**	**236**	**13,811**
Less: unearned income and deferred costs and fees	0	0	0	(2,321)	0	0
Total originated loans and leases, net of unearned income and deferred costs and fees	**$2,438**	**$13,169**	**$2,885,247**	**$2,898,533**	**$ 236**	**$ 13,811**
Acquired Loans and Leases						
Commercial and industrial						
Commercial and industrial other	0	775	92,238	93,013	486	669
Subtotal commercial and industrial	0	775	92,238	93,013	486	669
Commercial real estate						
Construction	0	1,719	42,500	44,219	1,347	372
Agriculture	0	0	2,344	2,344	0	0
Commercial real estate other	1,412	1,851	284,560	287,823	116	2,061
Subtotal commercial real estate	1,412	3,570	329,404	334,386	1,463	2,433
Residential real estate						
Home equity	197	549	51,969	52,715	190	616
Mortgages	937	883	29,275	31,095	672	965
Subtotal residential real estate	1,134	1,432	81,244	83,810	862	1,581
Consumer and other						
Consumer and other	0	0	1,047	1,047	0	0
Subtotal consumer and other	0	0	1,047	1,047	0	0
Covered loans	547	682	15,539	16,768	682	0
Total acquired loans and leases, net of unearned income and deferred costs and	**$3,093**	**$6,459**	**$519,472**	**$529,024**	**$ 3,493**	**$ 4,683**

fees

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December 31, 2014

(in thousands)	**30-89 days**	**90 days or more**	**Current Loans**	**Total Loans**	**90 days and accruing**[1]	**Nonaccrual**
Originated loans and leases						
Commercial and industrial						
Agriculture	$0	$0	$78,507	$78,507	$ 0	$ 0
Commercial and industrial other	889	1,329	686,311	688,529	0	1,435
Subtotal commercial and industrial	889	1,329	764,818	767,036	0	1,435
Commercial real estate						
Construction	206	0	72,221	72,427	0	0
Agriculture	0	105	58,889	58,994	0	131
Commercial real estate other	760	3,247	975,614	979,621	0	4,911
Subtotal commercial real estate	966	3,352	1,106,724	1,111,042	0	5,042
Residential real estate						
Home equity	1,414	1,061	184,482	186,957	59	1,279
Mortgages	2,963	5,308	702,633	710,904	47	6,194
Subtotal residential real estate	4,377	6,369	887,115	897,861	106	7,473
Consumer and other						
Indirect	542	75	17,681	18,298	0	101
Consumer and other	75	4	35,795	35,874	0	248
Subtotal consumer and other	617	79	53,476	54,172	0	349
Leases	0	0	12,251	12,251	0	0
Total loans and leases	6,849	11,129	2,824,384	2,842,362	106	14,299
Less: unearned income and deferred costs and fees	0	0	0	(2,388)	0	0
Total originated loans and leases, net of unearned income and deferred costs and fees	**$6,849**	**$11,129**	**$2,824,384**	**$2,839,974**	**$ 106**	**$ 14,299**
Acquired loans and leases						
Commercial and industrial						
Commercial and industrial other	5	1,156	95,873	97,034	475	681
Subtotal commercial and industrial	5	1,156	95,873	97,034	475	681
Commercial real estate						
Construction	0	1,759	34,147	35,906	1,385	436
Agriculture	0	0	3,182	3,182	0	0
Commercial real estate other	0	1,918	306,570	308,488	77	2,042
Subtotal commercial real estate	0	3,677	343,899	347,576	1,462	2,478
Residential real estate						
Home equity	135	704	55,169	56,008	177	592
Mortgages	1,041	907	30,334	32,282	500	978
Subtotal residential real estate	1,176	1,611	85,503	88,290	677	1,570
Consumer and other						
Consumer and other	5	0	1,090	1,095	0	0
Subtotal consumer and other	5	0	1,090	1,095	0	0
Covered loans	533	914	17,872	19,319	914	0
Total acquired loans and leases, net of unearned income and deferred costs and	**$1,719**	**$7,358**	**$544,237**	**$553,314**	**$ 3,528**	**$ 4,729**

fees

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

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6. Allowance for Loan and Lease Losses

Originated Loans and Leases

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 ASC Topic 310, *Receivables* and ASC Topic 450, *Contingencies*.

The model is comprised of five major components that management has deemed appropriate in evaluating the appropriateness of the allowance for loan and lease losses. While none of these components, when used independently, is effective in arriving at a reserve level that appropriately measures the risk inherent in the portfolio, management believes that using them collectively, provides reasonable measurement of the loss exposure in the portfolio. The five components include: impaired loans; individually reviewed and graded loans; past due and nonaccrual loans; historical loss experience; and qualitative or subjective analysis.

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 March 31, 2015, considers the allowance to be appropriate, under adversely different conditions or assumptions, the Company would need to increase or decrease the allowance.

Acquired Loans and Leases

Acquired loans accounted for under ASC 310-30

For our acquired loans, our allowance for loan losses is estimated based upon our expected cash flows for these loans. To the extent that we experience a deterioration in borrower credit quality resulting in a decrease in our expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on our estimate of future credit losses over the remaining life of the loans.

Acquired loans accounted for under ASC 310-20

We establish our allowance for loan losses through a provision for credit losses based upon an evaluation process that is similar to our evaluation process used for originated loans. This evaluation, which includes a review of loans on which full collectability may not be reasonably assured, considers, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical net loan loss experience, carrying value of the loans, which includes the remaining net purchase discount or premium, and other factors that warrant recognition in determining our allowance for loan losses.

The following tables detail activity in the allowance for loan and lease losses segregated by originated and acquired loan and lease portfolios and by portfolio segment for the three months ended March 31, 2015 and 2014. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Three months ended March 31, 2015

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for originated loans and leases						
Beginning balance	$ 9,157	$ 12,069	$ 5,030	$ 1,900	$ 0	$28,156
Charge-offs	(2)	(14)	(93)	(267)	0	(376)
Recoveries	147	208	47	168	0	570
Provision (credit)	528	75	(319)	56		340
Ending Balance	$ 9,830	$ 12,338	$ 4,665	$ 1,857	$ 0	$28,690

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Three months ended March 31, 2015

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for acquired loans						
Beginning balance	$ 431	$ 337	$ 51	$ 22	$ 0	$841
Charge-offs	(1)	0	(30)	0	0	(31)
Recoveries	7	107	2	0	0	116
Provision (credit)	126	(278)	20	1	0	(131)
Ending Balance	$ 563	$ 166	$ 43	$ 23	$ 0	$795

Three months ended March 31, 2014

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Finance Leases	Total
Allowance for originated loans and leases						
Beginning balance	$ 8,406	$ 10,459	$ 5,771	$ 2,059	$ 5	$26,700
Charge-offs	(121)	(180)	(193)	(252)	0	(746)
Recoveries	65	2	12	117	0	196
Provision (credit)	419	134	(222)	185	(5)	511
Ending Balance	$ 8,769	$ 10,415	$ 5,368	$ 2,109	$ 0	$26,661

Three months ended March 31, 2014

(in thousands)	Commercial and Industrial	Commercial Real Estate	Residential Real Estate	Consumer and Other	Covered Loans	Total
Allowance for acquired loans						
Beginning balance	$ 168	$ 770	$ 274	$ 58	$ 0	$1,270
Charge-offs	(19)	(25)	(99)	(6)	0	(149)
Recoveries	0	0	0	0	0	0
Provision (credit)	149	74	(105)	114	0	232
Ending Balance	$ 298	$ 819	$ 70	$ 166	$ 0	$1,353

At March 31, 2015 and December 31, 2014, 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
Allowance for originated loans and leases						
March 31, 2015						
Individually evaluated for impairment	$ 0	$ 1,678	$ 0	$ 0	$ 0	$1,678
Collectively evaluated for impairment	9,830	10,660	4,665	1,857	0	27,012
Ending balance	$ 9,830	$ 12,338	$ 4,665	$ 1,857	$ 0	$28,690

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Covered Loans**	**Total**
Allowance for acquired loans						
March 31, 2015						
Individually evaluated for impairment	$ 354	$ 160	$ 0	$ 0	$ 0	$ 514
Collectively evaluated for Impairment	209	6	43	23	0	281
Ending balance	$ 563	$ 166	$ 43	$ 23	$ 0	$ 795

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Finance Leases**	**Total**
Allowance for originated loans and leases						
December 31, 2014						
Individually evaluated for impairment	$ 0	$ 652	$ 0	$ 0	$ 0	$ 652
Collectively evaluated for Impairment	9,157	11,417	5,030	1,900	0	27,504
Ending balance	$ 9,157	$ 12,069	$ 5,030	$ 1,900	$ 0	$ 28,156

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Covered Loans**	**Total**
Allowance for acquired loans						
December 31, 2014						
Individually evaluated for impairment	$ 414	$ 100	$ 0	$ 0	$ 0	$ 514
Collectively evaluated for impairment	17	237	51	22	0	327
Ending balance	$ 431	$ 337	$ 51	$ 22	$ 0	$ 841

The recorded investment in loans and leases summarized on the basis of the Company's impairment methodology as of March 31, 2015 and December 31, 2014 was as follows:

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Finance Leases**	**Total**
Originated loans and leases						
March 31, 2015						
Individually evaluated for impairment	$ 1,048	$ 8,872	$ 924	$ 0	$ 0	$ 10,844
Collectively evaluated for impairment	764,977	1,137,999	920,265	53,663	13,106	2,890,010
Total	**$ 766,025**	**$ 1,146,871**	**$ 921,189**	**$ 53,663**	**$ 13,106**	**$ 2,900,854**

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Covered Loans**	**Total**
Acquired loans						
March 31, 2015						
Individually evaluated for impairment	$ 1,201	$ 3,321	$ 947	$ 0	$0	$5,469
Loans acquired with deteriorated credit quality	$ 763	$ 11,569	$ 3,657	$ 0	$15,014	$31,003
Collectively evaluated for impairment	91,049	319,496	79,206	1,047	1,754	492,552
Total	**$ 93,013**	**$ 334,386**	**$ 83,810**	**$ 1,047**	**$16,768**	**$529,024**

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Finance Leases**	**Total**
Originated loans and leases						
December 31, 2014						
Individually evaluated for impairment	$ 1,283	7,675	$ 1,408	$ 0	$0	$10,366
Collectively evaluated for impairment	765,753	1,103,367	896,453	54,172	12,251	2,831,996
Total	**$ 767,036**	**$1,111,042**	**$897,861**	**$54,172**	**$12,251**	**$2,842,362**

(in thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer and Other**	**Covered Loans**	**Total**
Acquired loans						
December 31, 2014						
Individually evaluated for impairment	$ 628	1,195	$ 440	$ 0	$0	$2,263
Loans acquired with deteriorated credit quality	995	11,640	3,669	0	18,106	34,410
Collectively evaluated for impairment	95,411	334,741	84,181	1,095	1,213	516,641
Total	**$ 97,034**	**$ 347,576**	**$ 88,290**	**$ 1,095**	**$19,319**	**$553,314**

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.

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(in thousands)	**03/31/2015** Recorded Investment	Unpaid Principal Balance	Related Allowance	**12/31/2014** Recorded Investment	Unpaid Principal Balance	Related Allowance
Originated loans and leases with no related allowance						
Commercial and industrial						
Commercial and industrial other	$248	$262	$ 0	$1,283	$1,307	$ 0
Commercial real estate						
Commercial real estate other	7,994	8,646	0	6,021	6,628	0
Residential real estate						
Home equity	924	944	0	1,408	1,499	0
Subtotal	$9,166	$9,852	$ 0	$8,712	$9,434	$ 0
Originated loans and leases with related allowance						
Commercial real estate						
Commercial real estate other	1,678	1,702	735	1,654	1,654	652
Subtotal	$1,678	$1,702	$ 735	$1,654	$1,654	$ 652
Total	**$10,844**	**$11,554**	**$ 735**	**$10,366**	**$11,088**	**$ 652**

(in thousands)	**03/31/2015** Recorded Investment	Unpaid Principal Balance	Related Allowance	**12/31/2014** Recorded Investment	Unpaid Principal Balance	Related Allowance
Acquired loans and leases with no related allowance						
Commercial and industrial						
Commercial and industrial other	$389	$ 626	$ 0	$64	$ 64	$ 0
Commercial real estate						
Construction	372	372	0	0	0	0
Commercial real estate other	2,308	2,334	0	941	1,204	0
Residential real estate						
Home equity	947	947	0	440		