TOMPKINS FINANCIAL CORP
Form 10-K
March 17, 2008

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

FORM 10-K

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

For the fiscal year ended December 31, 2007

[ ] 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, New York	14851
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (607) 273-3210

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

Common Stock ($.10 Par Value Per Share)	American Stock Exchange
(Title of class)	(Name of exchange on which traded)

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

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

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

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 [X] No [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company.

Large Accelerated Filer [ ] Accelerated Filer [X] Nonaccelerated Filer [ ]
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 [X].

The aggregate market value of the registrant's voting stock held by non-affiliates was $303,049,956 on June 30, 2007, based on the closing sales price of a share of the registrant's common stock, $.10 par value (the "Common Stock"), as reported on the American Stock Exchange, on such date.

The number of shares of the registrant's Common Stock outstanding as of March 1, 2008, was 9,619,746 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2008 Annual Meeting of stockholders to be held on May 5, 2008, which will be subsequently filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, are incorporated by reference into Part III of this Form 10-K where indicated.

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Location	Facility Type	Square
110 N. Tioga St., The Commons Ithaca, NY	Trust Company Main Office	23,90
119 E. Seneca Street Ithaca, NY	Trust Company Trust and Investment Services	18,55
121 E. Seneca Street Ithaca, NY	Tompkins Financial Corporation/Trust Company Administration and Executive Offices	18,90
215 E. State St., The Commons Rothschilds Building Ithaca, NY	Tompkins Financial Corporation/Trust Company Operations and Data Processing	24,50
86 North Street Auburn, NY	Trust Company Auburn Office	4,60
905 Hanshaw Road Ithaca, NY	Trust Company Community Corners Office	79
Cornell Bookstore Central Avenue Cornell University, Ithaca, NY	Trust Company Cornell Campus Office	40
33 Clinton Avenue Cortland, NY	Trust Company Cortland Office	1,90

139 N. Street Extension Dryden, NY	Trust Company Dryden Office	2,25
1020 Ellis Hollow Road Ithaca, NY	Trust Company East Hill Plaza Office	65
2230 N. Triphammer Road Ithaca, NY	Trust Company Kendal Office (Part-time office)	20
100 Main Street Odessa, NY	Trust Company Odessa Office	3,11
775 S. Meadow Street Ithaca, NY	Trust Company Plaza Office	2,28
116 E. Seneca Street Ithaca, NY	Trust Company Seneca Street Drive-In Office	77
2251 N. Triphammer Road Ithaca, NY	Trust Company Triphammer Road Office	3,00
2 W. Main Street Trumansburg, NY	Trust Company Trumansburg Office	2,72

Location	Facility Type	Square
701 W. Seneca Street Ithaca, NY	Trust Company West End Office	2,15
832 Hanshaw Road Ithaca, NY	Tompkins Financial Center Trust Company/Tompkins Insurance/Tompkins Investment Services	5,20
90 Main Street Batavia, NY	Trust Company Administrative Office for Bank of Castile and Tompkins Insurance	18,00
50 N. Main Street Castile, NY	The Bank of Castile Castile/Main Office	6,66
604 W. Main Street Arcade, NY	The Bank of Castile Arcade Office	4,66
263 E. Main Street Avon, NY	The Bank of Castile Avon Office	3,30
408 E. Main Street Batavia, NY	The Bank of Castile Batavia Office	3,49
358 W. Main Street Batavia, NY	The Bank of Castile Drive-In Office	1,05
3155 State Street Caledonia, NY	The Bank of Castile Caledonia Office	4,68
3252 Chili Avenue Chili, NY	The Bank of Castile Chili Office	4,00

1 Main Street Gainesville, NY	The Bank of Castile Gainesville Office	1,44
11 South Street Geneseo, NY	The Bank of Castile Geneseo Office	9,70
724 Long Pond Road Greece, NY	The Bank of Castile Greece Office	6,50
29 Main Street LeRoy, NY	The Bank of Castile LeRoy Office	3,08
1410 S. Main Street Medina, NY	The Bank of Castile Medina Office	1,25
133 N. Center Street Perry, NY	The Bank of Castile Perry Office	4,70
129 N. Center Street Perry, NY	The Bank of Castile Processing Center **	11,13
2727 Genesee Street Retsof, NY	The Bank of Castile Retsof Office	2,22
2367 Route 19 North Warsaw, NY	The Bank of Castile Warsaw Office	6,95
1441 Route 22 Brewster, NY	Mahopac National Bank Brewster Office and Administration	34,00

Location	Facility Type	Square
831 Route 82 Hopewell Junction, NY	Mahopac National Bank Hopewell Office	3,67
706 Freedom Plains Rd Poughkeepsie, NY	Mahopac National Bank Lagrange Office	2,20
630 Route 6 Mahopac, NY	Mahopac National Bank Mahopac Office	2,80
293 Lexington Avenue Mt. Kisco, NY	Mahopac National Bank Mt. Kisco Office	4,40
591 Route 6N Mahopac Falls, NY	Mahopac National Bank Red Mills Office	3,00
21 Peekskill Hollow Road Putnam Valley, NY	Mahopac National Bank Putnam Valley Office	17,95
100 - D Independent Way Southeast, NY	Mahopac National Bank Southeast Office	3,10
1281 Route 9 Wappingers Falls, NY	Mahopac National Bank Wappingers Falls Office	4,70
13360 Broadway Alden, NY	Tompkins Insurance Alden Office ***	1,20

14 Market Street Attica, NY	Tompkins Insurance Attica Office ***	4,00
170 Franklin Street Dansville, NY	Tompkins Insurance Dansville Office ***	1,92
415 N. Tioga Street Ithaca, NY	Tompkins Insurance Ithaca Office ***	1,10
40 Main Street Leroy, NY	Tompkins Insurance Leroy Office ***	3,70
25 North State Street Nunda, NY	Tompkins Insurance Nunda Office ***	1,35
44 East Main Street Trumansburg, NY	Tompkins Insurance Trumansburg Office ***	1,60
179 Sully'sTrail Pittsford, NY	AM&M Financial Services, Inc. Rochester Office	23,28

* Lease terminations for the Company's leased properties range from 2008 through 2042.

** Office includes two parcels of land that are being leased through 2008 and 2090, respectively.

*** Offices for Tompkins Insurance shown above are stand-alone offices; Tompkins Insurance also shares office space with The Bank of Castile and The Trust Company.

Management believes the current facilities are suitable for their present and intended purposes. For additional information about the Company's facilities, including rental expenses, see "Note 8 Bank Premises and Equipment" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

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	Age	Title	Joined Co
Stephen S. Romaine	43	President and CEO	January 2
James W. Fulmer	56	Vice Chairman of the Board	January 2
Robert B. Bantle	56	Executive Vice President	March 200
David S. Boyce	41	Executive Vice President	January 2
Francis M. Fetsko	43	Executive Vice President and Chief Financial Officer	October 1
Gregory J. Hartz	47	Executive Vice President	August 20
Gerald J. Klein, Jr.	49	Executive Vice President	January 2
Thomas J. Rogers	37	Executive Vice President	January 2
Kathleen M. Rooney	55	Executive Vice President	April 200

Business Experience of the Executive Officers:

Stephen S. Romaine was appointed President and Chief Executive Officer of the Company effective January 1, 2007. From 2003 through 2006, he served as President and Chief Executive Officer of Mahopac National Bank. Prior to this appointment, Mr. Romaine was Executive Vice President and Chief Financial Officer of Mahopac National Bank. Mr. Romaine currently serves on the boards of the New York Bankers Association and the Independent Bankers Association of New York State.

James W. Fulmer has served as Vice Chairman since January 1, 2007, and Director of the Company since 2000. He previously served as President of the Company since 2000. He also serves as a Director of The Bank of Castile since 1988 and as its Chairman since 1992. Effective December 18, 2002, he assumed the additional responsibilities of President and Chief Executive Officer of The Bank of Castile. Mr. Fulmer has served as a Director of Mahopac National Bank since 1999, as Chairman of Tompkins Insurance Agencies since January 1, 2001, and as Chairman of AM&M Financial Services, Inc. since January 2006. He served as the President and Chief Executive Officer of Letchworth Independent Bancshares Corporation from 1991 until its merger with the Company in 1999. Mr. Fulmer also served as the Chief Executive Officer of The Bank of Castile from 1996 through April 2000. He was elected to the Board of the Federal Home Loan Bank in 2006, effective January 2007.

Robert B. Bantle has been employed by the Company since March 2001. He currently serves as Executive Vice President of Tompkins Services, a group that provides support to the Company in the areas of Operations, Information Technology, Human Resources, Training & Development, Remote Banking, Collections, and Card Services. Prior to this assignment, he was primarily responsible for the Company's retail banking services.

		Market Price (1) High	Market Price (1) Low	Cash Dividends Paid
2006	1st Quarter	$ 44.08	$ 40.18	$ .273
	2nd Quarter	44.00	38.10	.273
	3rd Quarter	45.95	41.37	.300
	4th Quarter	50.80	44.00	.300
2007	1st Quarter	$ 46.42	$ 39.11	$ .300
	2nd Quarter	42.75	36.17	.300
	3rd Quarter	43.34	30.60	.320
	4th Quarter	44.21	34.49	.320

Note 1 - Per share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006.

As of March 1, 2008, there were approximately 2,063 holders of record of the Company's common stock.

The Company's ability to pay dividends is generally limited to earnings from the prior year, although retained earnings and dividends from its subsidiaries may also be used to pay dividends under certain circumstances. The Company's primary source of funds to pay for shareholder dividends is receipt of dividends from its subsidiaries. Future dividend payments to the Company by its subsidiaries will be dependent on a number of factors, including the earnings and financial condition of each subsidiary, and are subject to the regulatory limitations discussed in "Note 18 Regulations and Supervision" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

Total Number of Shares Purchased	Maximum (or Appro Dollar Va Shares that

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (b)	as Part of Publicly Announced Plans or Programs (c)	Be Purchas the Pla Progr (d)
October 1, 2007 through October 31, 2007	24,583	$ 40.61	23,248	29,42
November 1, 2007 through November 30, 2007	289	$ 41.32	0	29,42
December 1, 2007 through December 31, 2007	0	0	0	29,42
Total	24,872	$ 40.62	23,248	29,42

On July 18, 2006, the Company's Board of Directors approved the Company's current stock repurchase plan (the "2006 Plan"). The 2006 Plan authorizes the repurchase of up to 450,000 shares of the Company's outstanding common stock over a two-year period. Under the 2006 Plan, the Company repurchased 332,347 shares at an average price of $38.86 in 2007. Since inception of the 2006 Plan, the Company has repurchased 420,575 shares at an average price of $39.85.

Included above are 1,335 shares purchased in October 2007 at an average cost of $40.04 and 289 shares purchased in November 2007 at an average cost of $41.32 by the trustee of a rabbi trust established by the Company under the Company's Stock Retainer Plan For Eligible Directors of Tompkins Trustco, Inc., and Participating Subsidiaries and were part of the director deferred compensation under that plan. Shares purchased by the rabbi trust are not part of the 2006 Plan.

Recent Sales of Unregistered Securities

As part of the Company's acquisition of AM&M Financial Services, Inc., the Company issued 20,901 shares of Tompkins common stock pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

Equity Compensation Plan Information

Information regarding securities authorized for issuance under equity compensation plans is provided in Part III, "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Report.

	Period Ending					
Index	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Tompkins Financial Corporation	100.00	117.87	140.54	133.00	152.41	134.35
NASDAQ Composite	100.00	150.01	162.89	165.13	180.85	198.60
SNL Bank Index	100.00	134.90	151.17	153.23	179.24	139.28

	Year ended December 31			
(in thousands except per share data)	2007	2006	2005	2

FINANCIAL STATEMENT HIGHLIGHTS				
Assets	$ 2,359,459	$ 2,210,837	$ 2,106,870	$ 1,
Deposits	1,720,826	1,709,420	1,683,010	1,
Other borrowings	210,862	85,941	63,673	
Shareholders' equity	197,195	189,620	181,221	
Interest and dividend income	132,441	121,041	106,707	
Interest expense	58,412	48,184	31,686	
Net interest income	74,029	72,857	75,021	
Provision for loan and lease losses	1,529	1,424	2,659	
Net securities gains (losses)	384	15	(1,526)	
Net income	26,371	27,767	27,685	
PER SHARE INFORMATION				
Basic earnings per share	2.72	2.82	2.81	
Diluted earnings per share	2.70	2.78	2.77	
Cash dividends per share	1.24	1.15	1.07	
Book value per share	20.58	19.24	18.37	
SELECTED RATIOS				
Return on average assets	1.16%	1.30%	1.36%	
Return on average equity	13.99%	15.02%	15.82%	
Shareholders' equity to average assets	8.32%	8.86%	8.89%	
Dividend payout ratio	45.59%	40.78%	37.94%	

OTHER SELECTED DATA (in whole numbers, unless otherwise noted)

Employees (average full-time equivalent)	662	658	587	
Banking offices	39	37	34	
Bank access centers (ATMs)	61	59	51	
Trust and investment services assets under management, or custody (in thousands)	$ 2,345,575	$ 2,183,114	$ 1,534,557	1,

Per share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006 and a 10% stock dividend paid on February 15, 2005.

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

The following analysis is intended to provide the reader with a further understanding of the consolidated financial condition and results of operations of the Company and its operating subsidiaries for the periods shown. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with other sections of this Report on Form 10-K, including Part I, "Item 1. Business", Part II, "Item 6. Selected Financial Data", and Part III, "Item 8. Financial Statements and Supplementary Data".

OVERVIEW

Tompkins Financial Corporation ("Tompkins" or the "Company"), is the corporate parent of three community banks, Tompkins Trust Company ("Trust Company"), The Bank of Castile, and The Mahopac National Bank ("Mahopac National Bank"), which together operate 39 banking offices, including 2 limited-service office, in local market areas throughout New York State. Through its community banking subsidiaries, the Company provides traditional banking services, and offers a full range of money management services through Tompkins Investment Services, a division of Tompkins Trust Company. The Company also offers insurance services through its wholly-owned subsidiary, Tompkins Insurance Agencies, Inc. ("Tompkins Insurance"), an independent insurance agency with a history of over 100 years of service to individual and business clients throughout Western New York. Tompkins Insurance has expanded its geographic footprint into the Ithaca, New York market area with the acquisition of three insurance agencies over the past three years. The Company completed its acquisition of AM&M Financial

Services, Inc. (AM&M), a fee-based financial planning and wealth management firm headquartered in Pittsford, New York, effective January 6, 2006. AM&M has three operating companies: (1) AM&M Planners, Inc., which provides fee based financial planning and wealth management services for corporate executives, small business owners, and high net worth individuals; (2) Ensemble Financial Services, Inc., an independent broker-dealer and leading outsourcing company for financial planners and investment advisors; and (3) Ensemble Risk Solutions, Inc., which creates customized risk management plans using life, disability and long-term care insurance products.

	December 31					
	2007			2006		
(dollar amounts in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Averag Yield/R
ASSETS						
Interest-earning assets:						
Certificates of deposit, other banks	$ 4,820	$ 217	4.50%	$ 2,486	$ 86	3.46%
Securities (1)						
U.S. Government securities	535,700	25,619	4.78	570,585	25,381	4.45
Trading securities	59,213	2,762	4.66	0	0	0.00
State and municipal (2)	103,213	6,270	6.07	121,305	7,134	5.88
Other securities (2)	36,098	2,246	6.22	23,001	1,290	5.61
Total securities	734,224	36,897	5.03	714,891	33,805	4.73
Federal funds sold	4,120	217	5.27	231	15	6.49
Loans, net of unearned income (3)						
Residential real estate	490,839	31,359	6.39	463,825	28,745	6.20
Commercial real estate	424,748	31,418	7.40	392,636	28,112	7.16
Commercial loans (2)	355,084	28,272	7.96	308,207	25,086	8.14
Consumer and other	81,865	5,862	7.16	92,959	7,289	7.84
Lease financing (2)	9,881	627	6.35	12,023	709	5.90
Total loans, net of unearned income	1,362,417	97,538	7.16	1,269,650	89,941	7.08
Total interest-earning assets	2,105,581	134,869	6.41	1,987,258	123,847	6.23
Noninterest-earning assets	160,643			151,934		
Total assets	$2,266,224			$2,139,192		
Liabilities & Shareholders' Equity						
Deposits:						
Interest-bearing deposits						
Interest checking, savings, and money market	$ 723,297	$ 14,361	1.99%	$ 702,826	$ 11,247	1.60%
Time Deposits > $100,000	304,614	14,750	4.84	296,714	13,350	4.50

Time Deposits < $100,000	343,969	15,651	4.55	318,648	12,486	3.92
Brokered Time Deposits:						
<$100,000	14,729	723	4.91	31,566	1,482	4.69
Total interest-bearing deposits	1,386,609	45,485	3.28	1,349,754	38,565	2.86
Federal funds purchased and securities sold under agreements to repurchase	199,126	8,125	4.08	159,147	5,905	3.71
Other borrowings	100,824	4,802	4.76	79,310	3,714	4.68
Total interest-bearing liabilities	1,686,559	58,412	3.46	1,588,211	48,184	3.03
Noninterest-bearing deposits	356,457			338,448		
Accrued expenses and other liabilities	33,246			26,181		
Total liabilities	2,076,262			1,952,840		
Minority Interest	1,480			1,480		
Shareholders' equity	188,482			184,872		
Total liabilities and shareholders' equity	$2,266,224			$2,139,192		
Interest rate spread			2.95%			3.20%
Net interest income/margin on earning assets		$ 76,457	3.63%		$ 75,663	3.81%

(1) Average balances and yields on available-for-sale securities are based on 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 a taxable equivalent basis. The tax equivalent adjustments for 2007, 2006, and 2005 were as follows: $2,428,000, $2,806,000, and $2,838,000, respectively.

(3) Nonaccrual loans are included in the average loan totals presented above. Payments received on nonaccrual loans have been recognized as disclosed in "Note 1 Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

(in thousands)(taxable equivalent)	2007 vs. 2006			2006 vs. 2	
	Increase (Decrease) Due to Change in			Increase (Decrease) Du	
	Volume	Average Yield/Rate	Total	Volume	Average Yield/Rat
INTEREST INCOME:					
Certificates of deposit, other banks	$ 99	$ 32	$ 131	$ (34)	$ 31
Federal funds sold	205	(3)	202	(25)	16
Investments:					
Taxable	1,727	2,228	3,955	1,741	3,220
Tax-exempt	(1,061)	198	(863)	64	188
Loans, net:					

Taxable	6,688	988	7,676	3,456	5,763
Tax-exempt	(43)	(36)	(79)	(79)	(39
Total interest income	$ 7,615	$ 3,407	$ 11,022	$ 5,123	$ 9,179
INTEREST EXPENSE:					
Interest-bearing deposits:					
Interest checking, savings, and money market	336	2,778	3,114	(328)	4,056
Time	706	3,100	3,806	3,073	8,101
Federal funds purchased and Securities sold under agreements to repurchase	1,589	631	2,220	41	1,012
Other borrowings	1,024	64	1,088	409	134
Total interest expense	$ 3,655	$ 6,573	$ 10,228	$ 3,195	$ 13,303
Net interest income	$ 3,960	$ (3,166)	$ 794	$ 1,928	$ (4,124

Notes: See notes to Table 1 above.

Changes in net interest income occur from a combination of changes in the volume of interest-earning assets and interest-bearing liabilities, and in the rate of interest earned or paid on them. The above table illustrates changes in interest income and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of the change. The $794,000 increase in taxable-equivalent net interest income from 2006 to 2007 resulted from an $11.0 million increase in interest income and a $10.2 million increase in interest expense. An increased volume of interest earning assets, in excess of interest bearing liabilities contributed to a net $4.0 million increase in taxable-equivalent net interest income between 2006 and 2007, while changes in interest rates reduced taxable-equivalent net interest income by $3.2 million, resulting in the net increase of $794,000 from 2006.

Provision for Loan and Lease Losses

The provision for loan and lease losses represents management's estimate of the expense necessary to maintain the allowance for loan and lease losses at an adequate level. The provision for loan and lease losses was $1.5 million in 2007, compared to $1.4 million in 2006. Nonperforming loans and leases were $9.3 million or 0.65% of total loans and leases at December 31, 2007, compared with $3.0 million or 0.23% of total loans and leases at December 31, 2006. The increase over the prior year is mainly due to the addition of four commercial credits. The largest of these credits is $4.0 million, of which $3.7 million is 90% guaranteed by a government agency. Net charge-offs of $1.3 million in 2007 represented 0.09% of average loans and leases during the period, compared to net charge-offs of $773,000 in 2006, representing 0.06% of average loans and leases. See the section captioned "The Allowance for Loan and Lease Losses" included within "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition" of this Report for further analysis of the Company's allowance for loan and lease losses.

Noninterest Income

Noninterest income is a significant source of income for the Company, representing 37.3% of total revenues in 2007, 36.1% in 2006 and 29.1% in 2005, and is an important factor in the Company's results of operations. Total noninterest income was $44.0 million in 2007, an increase of 7.1% over 2006.

Noninterest income in 2006 included some nonrecurring items. In the fourth quarter of 2006 the Company sold its credit card portfolio of nearly $9.4 million, resulting in a net pre-tax gain of approximately $2.6 million. Through an ongoing relationship with the purchaser, the Company is able to offer an expanded suite of credit card products to its customers. Noninterest income in 2006 also included $685,000 in life insurance proceeds.

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(in thousands)	2007	2006	2005	Change (2006- Amount
Total assets	$ 2,266,224	$ 2,139,192	$ 2,038,040	$ 127,032
Earning assets *	2,105,581	1,987,258	1,896,197	118,323
Total loans and leases, less unearned income and net deferred costs and fees	1,362,417	1,269,650	1,220,016	92,767
Securities *	734,224	714,891	671,695	19,333
Core deposits **	1,318,859	1,254,536	1,221,082	64,323
Time deposits of $100,000 and more	304,614	296,714	224,248	7,900
Federal funds purchased and securities sold under agreements to repurchase	199,126	159,147	157,817	39,979
Other borrowings	100,824	79,310	70,486	21,514
Shareholders' equity	188,482	184,872	174,986	3,610

ENDING BALANCE SHEET

(in thousands)	2007	2006	2005	Change (2006- Amount
Total assets	$ 2,359,459	$ 2,210,837	$ 2,106,870	$ 148,622
Earning assets *	2,189,920	2,052,478	1,944,124	137,442
Total loans and leases, less unearned income and net deferred costs and fees	1,440,122	1,326,298	1,271,349	113,824
Securities *	746,644	722,257	669,414	24,387
Core deposits **	1,351,412	1,269,428	1,248,314	81,984
Time deposits of $100,000 and more	245,375	313,137	296,806	(67,762)
Federal funds purchased and securities sold under agreements to repurchase	195,447	191,490	152,651	3,957
Other borrowings	210,862	85,941	63,673	124,921
Shareholders' equity	197,195	189,620	181,221	7,575

* Balances of available-for-sale securities are shown at amortized cost.

** Core deposits equal total deposits less time deposits of $100,000 and more, brokered deposits, and municipal money market deposits.

Available-for-Sale Securities

December 31, 2005 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Government sponsored agencies	$ 205,723	$ 25	$ 5,114	$ 200,63
Obligations of states and political subdivisions	46,821	642	421	47,04
Mortgage-backed securities	321,168	645	6,291	315,52
U.S. corporate securities	2,500	0	0	2,50
Total debt securities	576,212	1,312	11,826	565,69
Equity securities	10,544	0	0	10,54
Total available-for-sale securities	$ 586,756	$ 1,312	$ 11,826	$ 576,24

Held-to-Maturity Securities

December 31, 2005 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 82,658	$ 773	$ 663	$ 82,76
Total held-to-maturity debt securities	$ 82,658	$ 773	$ 663	$ 82,76

Available-for-sale securities at year-end 2005 include $10.3 million in nonmarketable equity securities, which are carried at cost since fair values are not readily determinable. This figure includes $8.8 million of Federal Home Loan Bank ("FHLB") stock, and $721,000 of Federal Reserve Bank ("FRB") stock, which are required to be held for regulatory purposes and for borrowings availability. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. Substantially all of the above mortgage-backed securities are direct pass through securities or collateralized mortgage obligations issued or backed by Federal agencies.

Management's policy is to purchase investment grade securities that, on average, have relatively short expected durations. This policy helps mitigate interest rate risk and provides sources of liquidity without significant risk to capital. A large percentage of securities are direct obligations of the Federal government and its agencies. The contractual maturity distribution of debt securities and mortgage-backed securities as of December 31, 2007, along with the weighted average yield of each category, is presented in Table 4-Maturity Distribution below. Balances are shown at amortized cost and weighted average yields are calculated on a fully taxable-equivalent basis. Expected maturities will differ from contractual maturities presented in Table 4-Maturity Distribution below, because issuers may have the right to call or prepay obligations with or without penalty and mortgage-backed securities will pay throughout the periods prior to contractual maturity.

As of December 31, 2007

(dollar amounts in thousands)	Securities Available-for-Sale * Amount	Securities Available-for-Sale * Yield (FTE)	Securities Held-to-Maturity Amount	Securities Held-to-Maturity Yield (FTE)
Obligations of U.S. Government sponsored agencies				
Within 1 year	$ 52,741	3.60%	$ 0	0.00%
Over 1 to 5 years	39,990	4.41%	0	0.00%
Over 5 to 10 years	63,725	5.20%	0	0.00%
Over 10 years	24,309	5.39%	0	0.00%
	$ 180,765	4.58%	$ 0	0.00%
State and political subdivisions				
Within 1 year	$ 4,235	5.14%	$ 9,813	5.34%
Over 1 to 5 years	16,512	5.56%	22,912	5.36%
Over 5 to 10 years	23,192	5.53%	14,375	5.96%
Over 10 years	7,913	5.66%	2,493	7.13%
	$ 51,852	5.53%	$ 49,593	5.47%
Mortgage-backed securities				
Within 1 year	$ 992	4.21%	$ 0	0.00%
Over 1 to 5 years	18,886	4.56%	0	0.00%
Over 5 to 10 years	127,913	4.96%	0	0.00%
Over 10 years	233,499	5.36%	0	0.00%
	$ 381,290	5.18%	$ 0	0.00%
Other securities				
Within 1 year	$ 0	0.00%	$ 0	0.00%
Over 1 to 5 years	0	0.00%	0	0.00%
Over 5 to 10 years	0	0.00%	0	0.00%
Over 10 years	2,500	7.98%	0	0.00%
Equity securities	20,509	6.39%	0	0.00%
	$ 23,009	6.56%	$ 0	0.00%
Total securities				
Within 1 year	$ 57,968	3.72%	$ 9,813	5.34%
Over 1 to 5 years	75,388	4.70%	22,912	5.36%
Over 5 to 10 years	214,830	5.09%	14,375	5.96%
Over 10 years	268,221	5.39%	2,493	7.13%
Equity securities	20,509	6.39%	0	0.00%
	$ 636,916	5.09%	$ 49,593	5.47%

* Balances of available-for-sale securities are shown at amortized cost.

At December 31, 2007, there were no holdings of any one issuer, other than the U.S. Government sponsored agencies, in an amount greater than 10% of the Company's shareholders' equity.

(in thousands)	As of December 31, 2007	2006	2005	2004	2
Residential real estate	$ 504,353	$ 469,146	$ 475,155	$ 451,014	$ 404
Commercial real estate	422,279	393,829	347,443	296,614	242
Real estate construction	43,002	26,130	30,309	27,163	21
Commercial	381,666	345,194	306,410	277,082	275
Consumer and other	80,730	82,341	100,249	100,971	104
Leases	10,832	11,962	14,864	23,121	24
Total loans and leases	1,442,862	1,328,602	1,274,430	1,175,965	1,073
Less: unearned income and deferred costs and fees	(2,740)	(2,304)	(3,081)	(3,817)	(4
Total loans and leases, net of unearned income and deferred costs and fees	$ 1,440,122	$ 1,326,298	$ 1,271,349	$ 1,172,148	$ 1,069

Residential real estate loans of $504.4 million at year-end 2007 increased by $35.2 million or 7.5% from $469.1 million at year-end 2006, and comprised 35.0% of total loans and leases at December 31, 2007. Residential real estate mortgage loans are generally underwritten in accordance with secondary market guidelines to enhance the liquidity of these generally longer-term assets. As part of its asset/liability management strategy the Company may sell certain residential mortgage loans in the secondary market. Loans are generally sold to Federal Home Loan Mortgage Corporation ("FHLMC") or State of New York Mortgage Agency ("SONYMA"). During 2007, 2006, and 2005, the Company sold residential mortgage loans totaling $10.7 million, $12.5 million, and $16.5 million, respectively, and realized gains on these sales of $159,000, $177,000, and $238,000, respectively. During 2006, the Company securitized $32.0 million of Company originated residential real estate loans with FHLMC. There were no securitizations in 2007 or 2005. When residential mortgage loans are sold or securitized, the Company typically retains all servicing, providing the Company with a source of fee income. The Company generally sells loans without recourse. In connection with the loan sales and securitizations in 2007, 2006, and 2005, the Company recorded mortgage-servicing assets of $46,000, $294,000, and $98,000, respectively. Amortization of mortgage servicing amounted to $122,000, in 2007, $116,000 in 2006 and $127,000 in 2005. Residential mortgage loans serviced for others totaled $154.5 million at December 31, 2007, compared to $162.0 million at December 31, 2006. Capitalized mortgage servicing rights totaled $1.1 million at December 31, 2007, and December 31, 2006, and are reported as intangible assets on the consolidated statements of condition.

There has been significant attention to subprime consumer real estate lending in the media. The Company has not engaged in the origination or purchase of subprime loans as a line of business and residential loan charge-offs amounted to only $118,000 for 2007 compared to $43,000 for the same period in 2006.

Commercial real estate loans increased by $28.5 million, or 7.2%, in 2007 over 2006, from $393.8 million at year-end 2006 to $422.3 million at year-end 2007. Commercial real estate loans of $422.3 million represented 29.3% of total loans and leases at December 31, 2007. Commercial loans totaled $381.7 million at December 31, 2007, which is a 10.6% increase from commercial loans of $345.2 million at December 31, 2006. Growth in commercial lending, including commercial real estate reflects the Company's continued emphasis on commercial lending. Management believes that the Company's community banking strategy provides value to small business customers, while commercial lending products are typically attractive to the Company from a yield and interest rate risk perspective. The combined legal lending limits of the Company's three subsidiary banks has allowed the Company to attract larger lending relationships.

The consumer loan portfolio includes personal installment loans, indirect automobile financing, and overdraft lines of credit. The Company faces significant competition from local and national lenders as well as auto finance companies for consumer lending products. Consumer and other loans were $80.7 million at December 31, 2007, down from $82.3 million at December 31, 2006. The fourth quarter 2006 sale of the Company's credit card portfolio contributed to the decrease in consumer loans at year-end 2006.

The lease portfolio decreased by 9.5% to $10.8 million at December 31, 2007 from $12.0 million at December 31, 2006. The lease portfolio has traditionally consisted of leases on vehicles for consumers and small businesses. 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 December 31, 2007, commercial leases and municipal leases represented 97.5% of total leases, while consumer leases made up the remaining 2.5%. As of December 31, 2006, commercial leases and municipal leases represented 99.2% of total leases, while consumer leases made up the remaining 0.8%.

	December 31				
(dollar amounts in thousands)	2007	2006	2005	2004	
Total loans outstanding at end of year	$1,440,122	$1,326,298	$1,271,349	$1,172,148	$1,(
ALLOCATION OF THE ALLOWANCE BY LOAN TYPE:					
Commercial	$ 6,135	$ 6,308	$ 5,354	$ 5,871	$
Real estate	6,640	5,609	5,357	3,947	
Consumer and all other	1,832	2,236	2,850	2,731	
Unallocated	0	175	116	0	
Total	$ 14,607	$ 14,328	$ 13,677	$ 12,549	$
ALLOCATION OF THE ALLOWANCE AS A PERCENTAGE OF TOTAL ALLOWANCE:					
Commercial	42%	44%	39%	47%	
Real estate	45%	39%	39%	31%	
Consumer and all other	13%	16%	21%	22%	
Unallocated	0%	1%	1%	0%	
Total	100%	100%	100%	100%	
LOAN AND LEASE TYPES AS A PERCENTAGE OF TOTAL LOANS AND LEASES:					
Commercial	27%	26%	24%	24%	
Real estate	67%	67%	67%	66%	
Consumer and all other	6%	7%	9%	10%	
Total	100%	100%	100%	100%	

Management is committed to early recognition of loan problems and to maintaining an adequate allowance. The above 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. The increase in the allowance between year-end 2006 and year-end 2007 reflects higher allocations due to growth in the loan portfolio and additional allocations based upon historical loss experience. The increase in the allowance allocated to real estate loans in 2007 over 2006 was a result of the growth in the portfolio as well as the overall weakening conditions in the real estate market.

The level of future charge-offs are dependent upon a variety of factors such as national and local economic conditions, trends in various industries, underwriting characteristics, and conditions unique to each borrower. Given uncertainties surrounding these factors, it is difficult to estimate future losses.

The principal balances of nonperforming loans and leases, including impaired loans and leases, as of December 31, are detailed in the table below.

(dollar amounts in thousands)	2007	2006	2005	2004	200
Loans 90 days past due and accruing	$ 312	$ 8	$ 12	$ 31	$ 2
Nonaccrual loans	8,890	2,994	4,072	7,392	7,32
Troubled debt restructurings not included above	145	0	50	189	24
Total nonperforming loans and leases	9,347	3,002	4,134	7,612	7,59
Other real estate owned	5	348	366	89	38
Total nonperforming assets	$9,352	$3,350	$4,500	$7,701	$7,97
Allowance as a percentage of loans and leases outstanding	1.01%	1.08%	1.08%	1.07%	1.0
Allowance as a percentage of nonperforming loans and leases	156.27%	477.28%	330.84%	164.86%	153.8
Total nonperforming assets as percentage of total assets	0.40%	0.15%	0.21%	0.39%	0.4

The allowance represented 1.01% of total loans and leases outstanding at December 31, 2007, down from 1.08% at December 31, 2006. The allowance coverage of nonperforming loans (loans past due 90 days and accruing, nonaccrual loans, and restructured troubled debt) was 1.56 times at December 31, 2007, compared to 4.77 times at December 31, 2006. The decline in the nonaccrual coverage is largely due to the addition of a $4.0 million nonaccrual loan that is largely protected by a U.S. government agency guarantee. The difference between the interest income that would have been recorded if nonaccrual loans and leases had been paid in accordance with their original terms and the interest income recorded for the years ended December 31, 2007, 2006 and 2005 was not material. A discussion of the Company's policy for placing loans on nonaccrual status is included in "Note 1 Summary of Significant Accounting Policies" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

			December 31		
(in thousands)	2007	2006	2005	2004	
Average loans outstanding during year	$1,362,417	$1,269,650	$1,220,016	$1,116,965	$1,0
Balance of allowance at beginning					

of year	14,328	13,677	12,549	11,685	
LOANS CHARGED-OFF:					
Commercial, financial, agricultural	672	333	890	1,221	
Real estate - mortgage	118	43	408	78	
Installment loans to individuals	448	504	595	977	
Lease financing	0	210	0	27	
Other loans	522	174	344	487	
Total loans charged-off	$ 1,760	$ 1,264	$ 2,237	$ 2,790	$
RECOVERIES OF LOANS PREVIOUSLY CHARGED-OFF:					
Commercial, financial, agricultural	143	136	210	198	
Real estate - mortgage	9	19	32	54	
Installment loans to individuals	241	226	277	406	
Lease financing	0	3	37	23	
Other loans	117	107	150	113	
Total loans recovered	$ 510	$ 491	$ 706	$ 794	$
Net loans charged-off	1,250	773	1,531	1,996	
Additions to allowance charged to operations	1,529	1,424	2,659	2,860	
Balance of allowance at end of year	$ 14,607	$ 14,328	$ 13,677	$ 12,549	$
Net charge-offs as a percentage of average loans and leases outstanding during the year	0.09%	0.06%	0.13%	0.18%	

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 sometime 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 34 commercial relationships totaling $13.4 million at December 31, 2007, and 25 commercial relationships totaling $19.7 million at December 31, 2006, which it classified as Substandard, which continue to accrue interest. 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. The decrease in the dollar amount of commercial relationships classified as Substandard and still accruing between December 31, 2006 and December 31, 2007 was mainly due to three commercial relationships totaling $6.0 million that were classified as Substandard and accruing at December 31, 2006, and Substandard and nonaccruing at December 31, 2007.

Remaining maturity of selected loans (in thousands)	At December 31, 2007 Total	Within 1 year	1-5 years	After 5 years
Commercial real estate	$ 421,100	$ 31,808	$ 74,442	$ 314,850
Real estate construction	43,002	23,657	6,076	13,269
Commercial	381,460	203,335	112,262	65,863
Total	$ 845,562	$ 258,800	$ 192,780	$ 393,982

Loan balances are shown net of unearned income and deferred costs and fees

Of the loan amounts shown above in Table 8-Loan Maturity maturing over one year, $210.4 million have fixed rates and $376.4 million have adjustable rates.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business the Company is party to certain financial instruments, which in accordance with accounting principles generally accepted in the United States, are not included in its Consolidated Statements of Condition. These transactions include commitments under stand-by letters of credit, unused portions of lines of credit, and commitments to fund new loans and are undertaken to accommodate the financing needs of the Company's customers. Loan commitments are agreements by the Company to lend monies at a future date. These loan and letter of credit commitments are subject to the same credit policies and reviews as the Company's loans. Because most of these loan commitments expire within one year from the date of issue, the total amount of these loan commitments as of December 31, 2007, are not necessarily indicative of future cash requirements. Further information on these commitments and contingent liabilities is provided in "Note 14 Commitments and Contingent Liabilities" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Report.

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Contractual Cash Obligations (in thousands) As of December 31, 2007	Total	Payments Due By Period Within 1 year	1-3 years	3-5 years	Over 5 years
Long-term debt	$ 333,064	$ 31,373	$ 63,336	$ 65,084	$ 173,271
Operating leases	19,400	1,741	3,074	1,900	12,685
Software contracts	3,177	1,404	1,366	359	48
Total contractual cash obligations	$ 355,641	$ 34,518	$ 67,776	$ 67,343	$ 186,004

RECENTLY ISSUED ACCOUNTING STANDARDS

Refer to "Note 1 Summary of Significant Accounting Policies" in Notes to Consolidated Financial Statements in Part II, Item 8. of this Form 10-K for details of recently issued accounting pronouncements and their expected impact on the Company's financial statements.

Fourth Quarter Summary

The Company reported diluted earnings per share of $0.77 for the fourth quarter of 2007, a 1.3% decline from $0.78 for the comparable year-ago period, and a 10% increase from $0.70 per share reported in the third quarter of 2007. Fourth quarter 2007 net income was $7.4 million, down from fourth quarter 2006 net income of $7.8 million and up from third quarter 2007 net income of $6.8 million. Fourth quarter 2007 results included a pre-tax charge of $862,000 ($517,000 after-tax effect or $0.05 per diluted share) related to the VISA

Covered Litigation. Fourth quarter 2006 results included a pre-tax gain of $2.6 million ($1.5 million after-tax effect or $0.15 per diluted share) on the sale of $9.4 million of credit card loans.

Net interest income of $19.5 million for the quarter ended December 31, 2007 was a record level for the Company, and was up $1.5 million, or 8.4% from the quarter ended December 31, 2006. Net interest income benefited from growth in average interest-earning assets and average core deposits, which were up 8.6% and 6.0%, respectively, over average balances for the quarter ended December 31, 2006. The net interest margin was 3.70% for the fourth quarter 2007 compared to 3.64% for the fourth quarter of 2006. The recent cuts in the prime interest rate by the Federal Reserve will pressure asset yields in 2008.

Total noninterest income in the fourth quarter of 2007 was $11.2 million, down $928,000, or 7.6%, from the fourth quarter of 2006, mainly due to the nonrecurring pre-tax gains of $2.6 million on the sale of the credit card portfolio. Key fee income categories showed solid growth over the same quarter of the prior year. Investment services income was up 23.2%, insurance revenues were up 8.4%, and service charges on deposit accounts were up 42.3%, over the same quarter in 2006.

Noninterest expense totaled $19.6 million for the 2007 fourth quarter, up $1.5 million, or 8.3%, from $18.1 million for the 2006 fourth quarter. As previously mentioned, fourth quarter 2007 noninterest expenses include pre-tax accruals of $862,000 related to the VISA Covered Litigation. Salary and benefit related expenses were up over the same quarter prior year reflecting annual salary adjustments and higher average FTEs.

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		Repricing Interval			
(dollar amounts in thousands)	Total	0-3 months	3-6 months	6-12 months	Cumul 12 m
Interest-earning assets*	$ 2,189,920	$ 567,105	$ 154,180	$ 237,492	$ 95
Interest-bearing liabilities	1,733,286	699,101	192,680	176,774	1,06
Net gap position		(131,996)	(38,500)	60,718	(10
Net gap position as a percentage of total assets		(5.59%)	(1.63%)	2.57%	

* Balances of available-for-sale securities are shown at amortized cost.

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/s/ Stephen S. Romaine

Stephen S. Romaine
Chief Executive Officer

/s/ Francis M. Fetsko

Francis M. Fetsko
Chief Financial Officer

Date: March 10, 2008

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(in thousands except share and per share data)	As of December 31 2007	2006
ASSETS		
Cash and noninterest bearing balances due from banks	$ 46,705	$ 48,
Interest bearing balances due from banks	3,154	1,
Federal funds sold	0	2,
Trading securities, at fair value	60,135	
Available-for-sale securities, at fair value	639,148	655,
Held-to-maturity securities, fair value of $50,297 at December 31, 2007, and $59,606 at December 31, 2006	49,593	59,
Loans and leases, net of unearned income and deferred costs and fees	1,440,122	1,326,
Less: Allowance for loan/lease losses	14,607	14,
Net Loans/Leases	1,425,515	1,311,
Bank premises and equipment, net	44,811	43,
Corporate owned life insurance	29,821	25,
Goodwill	22,894	21,
Other intangible assets	3,497	4,
Accrued interest and other assets	34,186	38,
Total Assets	$ 2,359,459	$ 2,210,
LIABILITIES, MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES, AND SHAREHOLDERS' EQUITY		
Deposits:		
Interest bearing:		
Checking, savings, and money market	$ 741,836	$ 680,
Time	585,142	669,
Noninterest bearing	393,848	359,
Total Deposits	1,720,826	1,709,
Securities sold under agreements to repurchase ($15,553 valued at fair value at December 31, 2007)	195,447	191,
Other borrowings ($10,795 valued at fair value at December 31, 2007)	210,862	85,
Other liabilities	33,677	32,
Total Liabilities	2,160,812	2,019,
Minority interest in consolidated subsidiaries	1,452	1,
Shareholders' equity:		
Common stock - par value $0.10 per share: Authorized 15,000,000 shares; Issued: 9,615,430 shares at December 31, 2007, and 9,889,569 shares at December 31, 2006	962	
Additional paid-in capital	147,657	158,
Retained earnings	57,255	44,
Accumulated other comprehensive loss	(6,900)	(12,
Treasury stock at cost: 70,896 shares at December 31, 2007, and 64,418 shares at December 31, 2006	(1,779)	(1,

Total Shareholders' Equity	$ 197,195	$ 189,
Total Liabilities, Minority Interest in Consolidated Subsidiaries, and Shareholders' Equity	$ 2,359,459	$ 2,210,

Share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006.

See notes to consolidated financial statements.

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(in thousands except per share data)	Year ended December 3 2007	2006	2
INTEREST AND DIVIDEND INCOME			
Loans	$ 97,418	$ 89,784	$
Due from banks	217	86	
Federal funds sold	217	15	
Trading securities	2,762	0	
Available-for-sale securities	29,773	28,536	
Held-to-maturity securities	2,054	2,620	
Total Interest and Dividend Income	132,441	121,041	1
INTEREST EXPENSE			
Deposits:			
Time certificates of deposit of $100,000 or more	14,750	13,350	
Other deposits	30,735	25,215	
Federal funds purchased and securities sold under agreements to repurchase	8,125	5,905	
Other borrowings	4,802	3,714	
Total Interest Expense	58,412	48,184	
Net Interest Income	74,029	72,857	
Less Provision for Loan/Lease Losses	1,529	1,424	
Net Interest Income After Provision for Loan/Lease Losses	72,500	71,433	
NONINTEREST INCOME			
Investment services income	14,446	12,225	
Insurance commissions and fees	11,046	9,444	
Service charges on deposit accounts	10,401	8,054	
Card services income	3,453	2,972	
Other service charges	2,643	2,483	
Mark-to-market gain on trading securities	612	0	
Mark-to-market loss on liabilities held at fair value	(1,348)	0	
Gains on sale of loans	159	2,741	
Gain on sale of merchant card processing relationships	0	0	
Increase in cash surrender value of corporate owned life insurance	1,122	1,111	
Life insurance proceeds	0	685	
Other operating income	1,131	1,398	
Net gain (loss) on available-for-sale securities	384	15	
Total Noninterest Income	44,049	41,128	
NONINTEREST EXPENSES			

Salaries and wages	35,225	33,365	
Pension and other employee benefits	9,986	8,696	
Net occupancy expense of bank premises	6,046	5,068	
Net furniture and fixture expense	3,866	3,733	
Marketing expense	2,284	2,432	
Software licensing and maintenance	2,071	1,938	
Professional fees	3,258	2,099	
Cardholder expense	974	1,219	
Amortization of intangible assets	653	674	
Other operating expenses	13,693	12,723	
Total Noninterest Expenses	78,056	71,947	
Income Before Income Tax Expense and Minority Interest in Consolidated Subsidiaries	38,493	40,614	
Minority interest in consolidated subsidiaries	131	131	
Income Tax Expense	11,991	12,716	
Net Income	$ 26,371	$ 27,767	$
Basic earnings per share	$ 2.72	$ 2.82	$
Diluted earnings per share	$ 2.70	$ 2.78	$

Per share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006.

See notes to consolidated financial statements

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	Year ended December 31		
(in thousands)	2007	2006	20
OPERATING ACTIVITIES			
Net income	$ 26,371	$ 27,767	$ 27
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan/lease losses	1,529	1,424	2
Depreciation and amortization premises, equipment, and software	4,334	4,155	3
Amortization of intangible assets	653	674	
Earnings from corporate owned life insurance, net	(1,122)	(1,111)	(1
Net amortization on securities	1,443	1,566	1
Mark-to-market gain on trading securities	(612)	0	
Mark-to-market loss on liabilities held at fair value	1,348	0	
Deferred income tax (benefit) expense	(1,529)	(2,264)	(2
Net (gain) loss on sale of securities	(384)	(15)	1
Net gain on sale of loans	(159)	(2,741)	
Proceeds from sale of loans	10,906	12,680	16
Loans originated for sale	(11,059)	(12,491)	(16
Net loss (gain) on sale of bank premises and equipment	27	(19)	
Stock-based compensation expense	713	692	
Tax benefit of stock option exercises	0	0	
Increase in interest receivable	(203)	(1,527)	(1
(Decrease) increase in interest payable	(399)	1,255	
Proceeds from sales of trading securities	61,912	0	
Purchases of trading securities	(72,300)	0	
Proceeds from payments/maturities of trading securities	14,034	0	
Other, net	2,070	7,509	3

Net Cash Provided by Operating Activities	37,573	37,554	38
INVESTING ACTIVITIES			
Proceeds from maturities of available-for-sale securities	125,292	79,266	87
Proceeds from sales of available-for-sale securities	61,714	34,692	117
Proceeds from maturities of held-to-maturity securities	16,961	39,748	26
Purchases of available-for-sale securities	(227,361)	(159,021)	(205
Purchases of held-to-maturity securities	(7,622)	(16,263)	(39
Net increase in loans/leases	(114,762)	(96,520)	(100
Proceeds from sale of credit card portfolio	0	11,310	
Proceeds from sales of bank premises and equipment	134	86	
Purchase of bank premises and equipment	(5,548)	(9,648)	(7
Purchase of corporate owned life insurance	(3,000)	0	(2
Net cash used in acquisitions	(314)	(3,294)	
Other, net	(43)	(207)	
Net Cash Used in Investing Activities	(154,549)	(119,851)	(124
FINANCING ACTIVITIES			
Net increase (decrease) in demand, money market, and savings deposits	95,486	(8,205)	(56
Net (decrease) increase in time deposits	(84,080)	34,615	178
Net increase (decrease) in securities sold under agreements to repurchase and Federal funds purchased	3,404	38,839	(1
Increase in other borrowings	208,100	116,075	78
Repayment of other borrowings	(83,974)	(94,011)	(78
Cash dividends	(12,023)	(11,307)	(10
Cash paid in lieu of fractional shares - 10% stock dividend	0	(10)	
Repurchase of common stock	(12,914)	(9,983)	
Net proceeds from exercise of stock options	611	2,251	
Tax benefit from stock option exercises	51	410	
Net Cash Provided by Financing Activities	114,661	68,674	110
Net (decrease) increase in cash and cash equivalents	(2,315)	(13,623)	24
Cash and cash equivalents at beginning of year	52,174	65,797	40
Cash and Cash Equivalents at End of Year	$ 49,859	$ 52,174	$ 65

SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for - Interest	$ 58,811	$ 46,930	$ 30
Cash paid during the year for - Income taxes	$ 9,802	$ 8,783	$ 14
Non-cash investing and financing activities:			
Fair value of non-cash assets acquired in purchase acquisition	$ 9	$ 1,375	$
Fair value of liabilities assumed in purchase acquisitions	$ 0	$ 2,276	$
Fair value of shares issued for acquisitions	$ 701	$ 4,758	$
Securitization of loans	$ 0	$ 32,040	$
Transfer of available-for-sale securities to trading securities with adopting of SFAS No. 159	$ 63,383	$ 0	$

See notes to consolidated financial statements.

(in thousands except share and per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasu Stoc
BALANCES AT DECEMBER 31, 2004	$ 816	$ 75,837	$ 94,522	$ 871	$ (1,
Comprehensive income:					
Net income			27,685		
Other comprehensive loss				(7,179)	
Total Comprehensive Income					
Cash dividends ($1.07 per share)			(10,504)		
Exercise of stock options, and related tax benefit (45,982 shares, net)	4	1,060			
Common stock repurchased and returned to unissued status (24,182 shares)	(2)	(895)			
Effect of 10% stock dividend	82	42,380	(42,462)		
Cash paid in lieu of fractional shares (307 shares)			(13)		
Directors deferred compensation plan (5,240 shares)		218			(
Stock-based compensation expense		63			
BALANCES AT DECEMBER 31, 2005	$ 900	$ 118,663	$ 69,228	$ (6,308)	$ (1,
Comprehensive income:					
Net income			27,767		
Other comprehensive loss				1,570	
Total Comprehensive Income					
Cash dividends ($1.15 per share)			(11,307)		
Exercise of stock options and related tax benefit (101,881 shares, net)	10	2,651			
Common stock repurchased and returned to unissued status (239,970 shares)	(24)	(9,959)			
Effect of 10% stock dividend	91	41,158	(41,249)		
Cash paid in lieu of fractional shares (262 shares)			(10)		
Stock issued for purchase acquisition (128,374 shares)	12	4,746			
Directors deferred compensation plan (7,967 shares)		252			(
Adjustment to initially apply FASB Statement No. 158, net of tax				(7,749)	
Stock-based compensation expense		692			
BALANCES AT DECEMBER 31, 2006	$ 989	$ 158,203	$ 44,429	$ (12,487)	$ (1,
Comprehensive income:					

Net income			26,371		
Other comprehensive income				4,065	
Total Comprehensive Income					
Cash dividends ($1.24 per share)			(12,023)		
Exercise of stock options and related tax benefit (34,495 shares, net)	4	658			
Common stock repurchased and returned to Unissued status (332,347 shares)	(33)	(12,881)			
Stock issued for purchase acquisition (23,713 shares)	2	699			
Directors deferred compensation plan (6,478 shares)		265			(
Cumulative effect adjustment - adoption of SFAS 159			(1,522)	1,522	
Stock-based compensation expense		713			
BALANCES AT DECEMBER 31, 2007	$ 962	$ 147,657	$ 57,255	$ (6,900)	$ (1,

Share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006 and a 10% dividend paid on February 15, 2005.

See notes to consolidated financial statements

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(in thousands except per share data)	2005
Net income:	
As reported	$ 27,685
Add: Stock-based compensation expense included in reported net income, net of related tax effects	63
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,976
Pro forma	25,772
Basic earnings per share:	
As reported	$ 2.81
Pro forma	2.62
Diluted earnings per share	
As reported	$ 2.77
Pro forma	2.58

Per share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006.

In December 2005, the Compensation Committee of the Board of Directors of Tompkins approved the accelerated vesting of all currently outstanding unvested stock options, except for those options issued to executive officers of Tompkins. The affected options were previously awarded to officers and employees under the Company's 2001 Stock Option Plan. There is no change to the Company's compensation philosophy and all other terms and conditions applicable to such options, including the exercise prices and exercise periods, remain unchanged. No options held by executive vice presidents or chief executive officers are affected by the vesting acceleration. The acceleration of the unvested options contributed to the increase in total stock-based compensation expense, net of tax effects, determined under the fair value method shown above from $757,000 in 2004 to $1.9 million in 2005. As a result, the acceleration lowered compensation expense related to stock options by approximately $1.2 million, net of taxes, which would have been recognized in its financial statements over future years. As a result of the acceleration, the Company also recognized $63,000 of compensation expense in 2005 earnings. Compensation expense related to stock options was $713,000 in 2007 and $692,000 in 2006. The acceleration also resulted in options to purchase up to 221,307 shares of common stock becoming exercisable immediately. Without the acceleration, the options would have vested on dates ranging from April 18, 2006 to October 3, 2010. This action contributed to the increase in exercisable shares at year-end 2005 to 504,484 from 232,558 at year-end 2004.

The Company's stock-based employee compensation plan is described in Note 13 "Stock Plans and Stock Based Compensation", of this Report.

Statements of Financial Accounting Standards

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities -- Including an amendment of FASB Statement No. 115 ("SFAS 159"). SFAS 159 allows companies to report selected financial assets and liabilities at fair value. The changes in fair value are recognized in earnings and the assets and liabilities measured under this methodology are required to be displayed separately in the balance sheet. SFAS 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. The Company elected to early adopt SFAS 159, effective January 1, 2007, and also apply the provisions of SFAS 157 Fair Value Measurements ("SFAS 157").

Available-for-Sale Securities				
December 31, 2007 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Government				

sponsored agencies	$ 180,765	$ 1,025	$ 168	$ 181,622
Obligations of states and political subdivisions	51,852	563	123	52,292
Mortgage-backed securities	381,290	2,395	1,460	382,225
U.S. corporate securities	2,500	0	0	2,500
Total debt securities	616,407	3,983	1,751	618,639
Equity securities	20,509	0	0	20,509
Total available-for-sale securities	$ 636,916	$ 3,983	$ 1,751	$ 639,148

Available-for-sale securities include $20.4 million in nonmarketable equity securities, which are carried at cost since fair values are not readily determinable. This figure includes $17.6 million of Federal Home Loan Bank ("FHLB") stock and $729,000 of Federal Reserve Bank ("FRB") stock, which are required to be held for regulatory purposes and for borrowings availability. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. Substantially all of the above mortgage-backed securities are direct pass through securities or collateralized mortgage obligations issued or backed by Federal agencies.

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Held-to-Maturity Securities

December 31, 2007 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 49,593	$ 833	$ 129	$ 50,297
Total held-to-maturity debt securities	$ 49,593	$ 833	$ 129	$ 50,297

Available-for-Sale Securities

December 31, 2006 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Government sponsored agencies	$ 241,600	$ 49	$ 3,981	$ 237,668
Obligations of states and political subdivisions	47,791	523	290	48,024
Mortgage-backed securities	356,619	559	4,757	352,421
U.S. corporate securities	2,500	0	0	2,500
Total debt securities	648,510	1,131	9,028	640,613
Equity securities	14,709	0	0	14,709
Total available-for-sale securities	$ 663,219	$ 1,131	$ 9,028	$ 655,322

Available-for-sale securities include $14.5 million in nonmarketable equity securities, which are carried at cost since fair values are not readily determinable. This figure includes $11.6 million of FHLB stock and $724,000 of FRB stock, which are required to be held for regulatory purposes and for borrowings availability. The required investment in FHLB stock is tied to the Company's borrowing levels with the FHLB. Substantially all of the above mortgage-backed securities are direct pass through securities or collateralized mortgage obligations issued or backed by Federal agencies.

Held-to-Maturity Securities December 31, 2006 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 59,038	$ 897	$ 329	$ 59,606
Total held-to-maturity debt securities	$ 59,038	$ 897	$ 329	$ 59,606

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

December 31, 2007 (in thousands)	Amortized Cost	Fair Value
Available-for-sale securities:		
Due in one year or less	$ 56,976	$ 56,912
Due after one year through five years	56,502	56,822
Due after five years through ten years	86,917	88,044
Due after ten years	34,722	34,636
Total	235,117	236,414
Mortgage-backed securities	381,290	382,225
Total available-for-sale debt securities	$ 616,407	$ 618,639

	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unr I
Obligations of U.S. Government sponsored agencies	$ 8,837	$ 6	$ 42,913	$ 90	$ 51,750	$
Obligations of states and political subdivisions	7,956	76	20,992	176	28,948	
Mortgage-backed securities	36,935	231	97,995	1,301	134,930	
Total securities	$ 53,728	$ 313	$ 161,900	$ 1,567	$ 215,628	$

The following table summarizes available-for-sale and held-to-maturity securities that had unrealized losses at December 31, 2006:

	Less than 12 Months	12 Months or Longer	Total

(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unr...
Obligations of U.S. Government sponsored agencies	$ 40,299	$ 171	$ 176,675	$ 3,810	$ 216,974	$
Obligations of states and political subdivisions	13,275	85	37,617	534	50,892	
Mortgage-backed securities	100,649	496	188,086	4,261	288,735	
Total securities	$ 154,223	$ 752	$ 402,378	$ 8,605	$ 556,601	$

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value, which could be maturity.

Management has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2007 and December 31, 2006, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost, which could be maturity. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for similar investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2007, and December 31, 2006, management believes the impairments detailed in the tables above are temporary and no impairment loss has been realized in the Company's Consolidated Statements of Income.

The Company pledges securities as collateral for public deposits and other borrowings, and sells securities under agreements to repurchase (see Note 10 Securities Sold Under Agreements to Repurchase and Federal Funds Purchased). Securities carried at $577.5 million and $584.0 million at December 31, 2007 and 2006, respectively, were either pledged or sold under agreements to repurchase.

Fair Value Measurements at December 31, 2007 Using

(In thousands)	Carrying Value 12/31/07	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Sign... Unobs... (I...
Trading securities	$ 60,135	$ 60,135	$ 0	$
Available-for-sale securities	639,148	566,448	70,629	

The change in the fair value of the $2.1 million of available-for-sale securities valued using significant unobservable inputs (Level 3), between January 1, 2007 and December 31, 2007 was immaterial in relation to the total market value of available-for-sale securities.

(in thousands)	2007	2006	20
Net income	$ 26,371	$ 27,767	$ 2
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on available-for-sale securities:			
Net unrealized holding gain (loss) on available-for-sale securities arising during the year. Pre-tax net unrealized holding gain (loss) was $7,977 in 2007 $2,632 in 2006, $(13,490) in 2005.	4,786	1,579	(
Reclassification adjustment for net realized (gain) loss on the sale of available-for-sale securities (pre-tax net (gain) loss of $(384) in 2007, $(15) in 2006, and $1,526 in 2005).	(230)	(9)	
Employee benefit plans:			
Recognized actuarial losses, prior service cost, and transition obligation (pre-tax of $1,299 in 2007, $0 in 2006, and $0 in 2005	(491)	0	
Other comprehensive income (loss)	4,065	1,570	(
Total comprehensive income	$ 30,436	$ 29,337	$ 2

The components of accumulated other comprehensive loss, net of tax, as of year-end were are follows:

(in thousands)	2007	
Net unfunded liability for defined benefit post-retirement plans	(8,239)	(
Net unrealized gain (loss) on available-for-sale securities	1,339	(
Total accumulated other comprehensive loss	$ (6,900)	$ (1

Note 5 Loan and Lease Classification Summary and Related Party Transactions

Loans and Leases at December 31 were as follows:

(in thousands)	2007	
Residential real estate	$ 504,353	$ 4
Commercial real estate	422,279	3
Real estate construction	43,002	
Commercial	381,666	3
Consumer and other	80,730	
Leases	10,832	
Total loans and leases	1,442,862	1,3
Less unearned income and net deferred costs and fees	(2,740)	
Total loans and leases, net of unearned income and deferred costs and fees	$1,440,122	$ 1,3

As part of its asset/liability management strategy the Company may sell certain residential mortgage loans in the secondary market. During 2007, 2006, and 2005, the Company sold residential mortgage loans totaling $10.7 million, $12.5 million, and $16.5 million, respectively, and realized gains on these sales of $159,000, $177,000, and $238,000, respectively. When residential mortgage loans are sold or securitized, the Company typically retains all servicing rights, which provides the Company with a source of fee income. In connection with the sales in 2007, 2006, and 2005, the Company recorded mortgage-servicing assets of $46,000, $294,000, and $98,000, respectively. As of December 31, 2007, the Company serviced $154.5 million of residential loans for others compared to $162.0 million at December 31, 2006.

Amortization of mortgage servicing assets amounted to $122,000 in 2007, $116,000 in 2006 and $127,000 in 2005. At December 31, 2007 and 2006, the Company serviced residential mortgage loans aggregating $154.5 million and $162.0 million, including loans securitized and held as available-for-sale securities. Mortgage servicing rights totaled $1.1 million at December 31, 2007 and 2006. Loans held for sale, which are included in residential real estate in the table above, totaled $482,000, and $169,000 at December 31, 2007 and 2006, respectively. Residential mortgage loans secured in 2006 totaled $32.0 million. No loans were securitized in 2007.

December 31, 2007 (in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible	$ 5,459	$ 5,202	$ 257
Other intangibles	5,373	2,133	3,240
Subtotal amortized intangible assets	10,832	7,335	3,497
Goodwill - Banking segment	7,100	1,723	5,377
Goodwill - Financial Services segment	17,818	301	17,517
Subtotal goodwill	24,918	2,024	22,894
Total intangible assets	$ 35,750	$ 9,359	$ 26,391

December 31, 2006 (in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible	$ 5,459	$ 4,924	$ 535
Other intangibles	5,152	1,636	3,516
Subtotal amortized intangible assets	10,611	6,560	4,051
Goodwill - Banking segment	7,100	1,723	5,377
Goodwill - Financial Services segment	16,159	301	15,858
Subtotal goodwill	23,259	2,024	21,235
Total intangible assets	$ 33,870	$ 8,584	$ 25,286

The changes in the carrying amount of goodwill for the year ended December 31, 2007 are provided in the following table. The changes in goodwill were in the Financial Services segment; there were no changes in goodwill in the Banking segment.

(in thousands)	Gross Carrying Amount	Net Ca Amou
Balance as of January 1, 2007	$ 23,259	$
Goodwill acquired during the year	157	
Goodwill related to acquisition of AM&M	1,531	
Goodwill adjusted related to acquisition of Carey McKinney Group	(29)	
Balance as of December 31, 2007	$ 24,918	$

At December 31, 2007, the Company had unamortized goodwill related to its various acquisitions totaling $22.9 million compared with $21.2 million at December 31, 2006. During 2007, the Company recorded additional goodwill of $1.5 million related to the acquisition of AM&M as the requirement for contingent consideration was met resulting in additional consideration being paid. The Company also recorded goodwill of $110,000 related to the acquisition of Flint Farrell Agency, and $47,000 related to the acquisition of the assets of Francis M. Celona, CPA, P.C. Goodwill recorded in the December 2006 acquisition of the Carey McKinney Group was adjusted downward by $29,000 based on additional information related to the valuation of certain assets acquired and liabilities assumed.

At December 31, 2007 the Company had core deposit intangible assets related to various acquisitions of $257,000 compared to $535,000 at December 31, 2006. The amortization of these intangible assets amounted to $278,000 in 2007 and $381,000 in 2006.

At December 31, 2007, other intangible assets, consisting of mortgage servicing rights, customer lists and contracts, and covenants-not-to-compete, totaled $3.2 million compared with $3.5 million at December 31, 2006.

The Company reviews its goodwill and intangible assets annually, or more frequently if conditions warrant, for impairment. Based on the Company's 2007 review, there was no impairment of its goodwill or intangible assets.

Securities Sold Under Agreements to Repurchase (dollar amounts in thousands)	2007	2006	2005
Total outstanding at December 31	$ 195,447	$ 191,490	$ 152,6
Maximum month-end balance	206,888	191,490	172,3
Average balance during the year	198,950	158,818	157,6
Weighted average rate at December 31	3.97%	3.92%	3.
Average interest rate paid during the year	4.08%	3.71%	3.

Federal Funds Purchased (dollar amounts in thousands)	2007	2006	2005
Total outstanding at December 31	$ 0	$ 0	$
Maximum month-end balance	6,800	3,500	3,0
Average balance during the year	176	328	1
Weighted average rate at December 31	N/A	N/A	N
Average interest rate paid during the year	5.39%	3.71%	3.

Securities sold under agreements to repurchase are secured borrowings that typically mature within thirty to ninety days, although the Company has entered into repurchase agreements with the Federal Home Loan Bank ("FHLB") with maturities that extend through 2017. As of December 31, 2007, the Company had $127.0 million in repurchase agreements with the FHLB, of which $107.0 million mature over one year. Maturities of repurchase agreements due over one year include $12.0 million in 2009, $15.0 million in 2010, $10.0 million in 2011, $10.0 million in 2013, $5.0 million in 2014, $45.0 million in 2016, and $10.0 million in 2017.

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

Total securities sold under agreements to repurchase at December 31, 2007, includes a $10.0 million, 3-year repo convertible FHLB advance at 5.046%, convertible at the end of 1 year; and a $5.0 million, and a 7-year repo convertible FHLB advance at 4.715%, convertible at the end of 3 years, where the Company elected to apply the fair value option under SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities -- Including an amendment of FASB Statement No. 115 ("SFAS 159"). The $15.0 million identified for fair value were selected because their durations were similar to the durations of trading securities. As of December 31, 2007, the aggregate fair value of the $15.0 million of securities sold under agreements to repurchase was $15.6 million. For the twelve months ended December 31, 2007, the fair value of these borrowings decreased by $553,000. The change in fair value is included on the Company's Consolidated Statements of Income in "Mark-to-Market (Loss) Gain on Liabilities Held at Fair Value."

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

	Current Balance	Rate	Maturity Date	Call Date	Call Frequency	Call Featur
	$ 10,000,000	4.945	December 21, 2010	March 21, 2008	Quarterly	FHLB option
	3,000,000	5.120	January 31, 2011	April 30, 2008	Quarterly	FHLB option
	3,000,000	4.880	January 31, 2011	April 30, 2008	Quarterly	FHLB option
	3,000,000	5.120	March 7, 2011	March 5, 2008	Quarterly	FHLB option
	5,000,000	4.710	November 28, 2011	February 28, 2008	Quarterly	FHLB option
	12,500,000	4.245	September 28, 2012	September 28, 2009	One time	FHLB option
	12,500,000	4.416	September 28, 2012	September 28, 2010	One time	FHLB option
	10,000,000	4.680	June 9, 2014	March 8, 2008	Quarterly	FHLB option
	10,000,000	4.756	June 9, 2014	June 8, 2008	Quarterly	FHLB option
	10,000,000	3.850	June 3, 2015	June 3, 2010	One time	FHLB option
	5,000,000	4.405	March 29, 2017	March 29, 2009	Quarterly	Libor strike
	5,000,000	4.894	May 22, 2017	May 22, 2009	Quarterly	Libor strike
	10,000,000	4.915	June 8, 2017	June 8, 2010	Quarterly	FHLB option
	10,000,000	5.135	June 8, 2017	June 8, 2008	Quarterly	Libor strike
	10,000,000	5.189	June 8, 2017	June 8, 2012	Quarterly	FHLB option
	10,000,000	5.183	June 28, 2017	June 28, 2012	One time	FHLB option
Total	$ 129,000,000					

Other borrowings included a Treasury Tax and Loan Note account with the Federal Reserve Bank of New York totaling $100,000 at December 31, 2007 and 2006, and borrowings from unrelated financial institutions totaling $48,000 and $160,000 at December 31, 2007 and 2006, respectively.

The Company elected to apply the fair value option for a $10.0 million, 10-year fixed convertible FLHB advance at 5.183%, convertible at the end of 3 years with a maturity of June 28, 2017. The $10.0 million advance identified for fair value was selected because its duration was similar to the durations of trading securities. As of December 31, 2007, the aggregate fair value of the $10.0 million FHLB advance was approximately $10.8 million. For the twelve months ended December 31, 2007, the fair value of this advance decreased by $795,000. The change in fair value is included on the Company's Consolidated Statements of Income in "Mark-to-Market (Loss) Gain on Liabilities Held at Fair Value."

(In thousands)	Carrying Value 12/31/07	Fair Value Measurements at December 31, 2007 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities sold under agreements to repurchase	$ 15,553	$ 0	$ 15,553	$ 0
Other borrowings	10,795	0	10,795	0

Note 12 Employee Benefit Plans

The Company maintains a noncontributory defined-benefit retirement and pension plan (the "Pension Plan") covering substantially all employees of the Company. The benefits are based on years of service and percentage of the employees' average compensation. Assets of the Company's Pension Plan are invested in common and preferred stock, U. S. Government securities, corporate bonds and notes, and mutual funds. At December 31, 2007, the plan assets included 38,357 shares of Tompkins common stock that had a fair value of $1.5 million.

The Company maintains supplemental employee retirement plans (the "SERP") for certain executives. All benefits provided under the SERP are unfunded and the Corporation makes payments to plan participants.

The Company also maintains a post-retirement life and healthcare benefit plan (the "Life and Healthcare Plan"), which was amended in 2005. For employees commencing employment after January 1, 2005, the Company does not contribute towards the Life and Healthcare Plan. Retirees and employees who were eligible to retire when the Life and Healthcare Plan was amended were unaffected. Generally, all other employees were eligible for Health Savings Accounts ("HSA") with an initial balance equal to the amount of the Company's estimated then current liability. Contributions to the plan are limited to an annual contribution of 4% of the total HSA balances. Employees, upon retirement, will be able to utilize their HSA for qualified health costs and deductibles.

The Company accounts for the Pension Plan in accordance with Statement of Financial Accounting Standard (SFAS) No. 87 "Employers' Accounting for Pensions," and SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," as amended by SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". SFAS No. 158 requires companies to reflect each defined benefit and other postretirement benefits plan's funded status on the company's balance sheet. The Company implemented these provisions for the year ended December 31, 2006. The funded or unfunded status of the Pension Plan, Life and Healthcare Plan, and the SERP are recognized in the accompanying Consolidated Statements of Condition as other assets or other liabilities.

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

The following table sets forth the changes in the projected benefit obligation for the Pension Plan and SERP and the accumulated benefit obligation for the Life and Healthcare Plan; and the respective plan assets, and the plans' funded status and amounts recognized in the Company's consolidated statements of condition at December 31, 2007 and 2006 (the measurement dates of the plans).

	Pension Plan		Life and Healthcare Plan		SERP Plan	
(in thousands)	2007	2006	2007	2006	2007	
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 34,088	$ 32,947	$ 5,111	$ 4,590	$ 7,767	$
Service cost	1,872	1,577	120	108	173	
Interest cost	2,049	1,865	306	260	484	
Plan participants' contributions	0	0	81	70	0	
Actuarial loss (gain)	1,034	(1,348)	(100)	(148)	338	
Benefits paid	(1,474)	(1,306)	(273)	(241)	(256)	
Business combinations	0	0	0	472	0	
Plan amendments	27	353	0	0	0	
Benefit obligation at end of year	$ 37,596	$ 34,088	$ 5,245	$ 5,111	$ 8,506	$
Change in plan assets						
Fair value of plan assets at beginning of year	$ 35,717	$ 33,064	$ 0	$ 0	$ 0	$
Actual return on plan assets	2,164	3,959	0	0	0	
Plan participants' contributions	0	0	81	70	0	
Employer contribution	0	0	192	171	256	
Benefits paid	(1,474)	(1,306)	(273)	(241)	(256)	
Fair value of plan assets at end of year	$ 36,407	$ 35,717	$ 0	$ 0	$ 0	$
(Unfunded) funded status	$ (1,189)	$ 1,629	$ (5,245)	$ (5,111)	$ (8,506)	$

The accumulated benefit obligation for the Pension Plan for 2007 and 2006 was $36.1 million and $34.1 million, respectively. The accumulated benefit obligation for the SERP for 2007 and 2006 was $5.5 million and $5.2 million, respectively. The unfunded status of the pension, life and healthcare and SERP plans has been recognized in other liabilities in the consolidated statement of condition at December 31, 2007, in the amounts of $1.2 million, $5.2 million, and $8.5 million, respectively. The funded status of the pension plan has been recognized in other assets in the consolidated statement of condition at December 31, 2006, in the amount of $1.6 million. The unfunded status of the life and healthcare and SERP plans has been recognized in other liabilities in the consolidated balance sheets at December 31, 2006, in the amounts of $5.1 million, and $7.8 million, respectively. An asset is recognized for an overfunded plan and a liability is recognized for an underfunded plan.

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

(in thousands)	Pension Plan			Life and Healthcare Plan			SERP Plar	
Components of net periodic benefit cost	2007	2006	2005	2007	2006	2005	2007	2006
Service cost	$ 1,872	$ 1,577	$ 1,624	$ 120	$ 108	$ 140	$ 173	$ 70
Interest cost	2,049	1,865	1,746	306	260	272	484	438
Expected return on plan assets	(2,885)	(2,754)	(2,647)	0	0	0	0	0
Amortization of prior service cost	(107)	(107)	(131)	0	0	5	93	93
Recognized net actuarial loss	577	716	669	0	0	0	92	111
Amortization of transition liability	0	0	0	67	67	103	0	0
Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net periodic benefit cost	$ 1,506	$ 1,297	$ 1,261	$ 493	$ 435	$ 520	$ 842	$ 712
Other changes in plan assets and benefit obligations recognized in other comprehensive income								
Net actuarial loss (gain)	$ 1,755	$ 0	$ 0	$ (99)	$ 0	$ 0	$ 338	$ 0
Recognized actuarial loss (gain)	(577)	0	0	0	0	0	(92)	0
Prior service cost (credit)	27	0	0	0	0	0	0	0
Recognized prior service cost (credit)	107	0	0	0	0	0	(93)	0
Recognized net initial obligation	0	0	0	(67)	0	0	0	0
Recognized in other comprehensive income	$ 1,312	$ 0	$ 0	$ (166)	$ 0	$ 0	$ 153	$ 0
Total recognized in net periodic benefit cost and other comprehensive income	$ 2,818	$ 1,297	$ 1,261	$ 327	$ 435	$ 520	$ 995	$ 712

	Pension Plan		Life and Healthcare Plan		SERP Pla	
(in thousands)	2007	2006	2007	2006	2007	
Net actuarial loss (gain)	$ 11,857	$ 10,678	$ (204)	$ (105)	$ 1,906	$
Prior service cost						

(credit)	(811)	(944)	0	0	598	
Unrecognized net initial obligation	0	0	386	453	0	
Total	$ 11,046	$ 9,734	$ 182	$ 348	$ 2,504	$

The pre-tax amounts included in accumulated other comprehensive income that are expected to be recognized in net periodic pension cost during the fiscal year ended December 31, 2008 are shown below.

(in thousands)	Pension Plan	Life and Healthcare Plan	SERP Plan
Actuarial loss	$ 590	$ 0	$ 81
Prior service cost	(105)	0	93
Net initial obligation	0	67	0
Total	$ 485	$ 67	$ 174

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

	Pension Plan			Life and Healthcare Plan			SERP Plan	
	2007	2006	2005	2007	2006	2005	2007	2006
Discount rates:								
Benefit Cost for Plan Year	6.00%	5.75%	6.00%	6.00%	5.75%	6.00%	6.00%	5.75%
Benefit Obligation at End of Plan Year	6.25%	6.00%	5.75%	6.25%	6.00%	5.75%	6.25%	6.00%
Expected long-term return on plan assets	8.25%	8.50%	8.50%	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase								
Benefit Cost for Plan Year (1)	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%
Benefit Obligation at End of Plan Year	5.50%	4.00%	4.00%	5.50%	4.00%	4.00%	5.00%	5.00%

Tompkins Trust Company offers post-retirement life and healthcare benefits, although as previously mentioned, has discontinued adding participants to the plan effective January 1, 2005. The weighted average annual assumed rate of increase in the per capita cost of covered benefits (the health care cost trend rate) is 8.25% beginning in 2007, and is assumed to decrease gradually to 5.0% in 2012 and beyond. For every 1% change in the assumed health care cost trend rate, service and interest costs will change approximately $18,000 and the Company's benefit obligation will change approximately $189,000.

Pension Protection Act of 2006

In August 2006, the President of the United States signed the Pension Protection Act of 2006 into law. Included in this legislation were changes to the method of valuing pension plan assets and liabilities for funding purposes, as well as the minimum funding levels required by 2008. The Company believes the new requirements will not have a material impact on the Company's cash flow in 2008, as the plan is currently fully funded. The Company will not be required to make a contribution if plan assets exceed plan obligations and current costs.

Cash Flows

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

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(in thousands)	Pension Plan	Life and Healthcare Plan	SERP Plan
2008	$ 1,578	$ 293	$ 267
2009	1,644	305	266
2010	1,831	331	264
2011	2,037	356	262
2012	2,202	362	287
2013-2017	13,842	1,996	1,847
Total	$23,134	$ 3,643	$ 3,193

Plan Assets

The Company's defined benefit retirement and pension plan weighted-average asset allocations at December 31, 2007 and 2006, by asset category are as follows:

	2007	2006
Equity securities	71%	73%
Debt securities	25%	20%
Other	4%	7%
Total Allocation	100%	100%

The Company is not required to make a contribution to its Pension Plan in 2008; however, the Company expects to contribute $5.0 million to the Pension Plan during the first quarter of 2008.

To develop the expected long-term rate of return on asset assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as target asset allocations of the pension portfolio. Based on this analysis, the Company selected 8.25% as the long-term rate of return on assets assumption.

The discount rate used to determine the Company's pension and other post-retirement benefit obligations as of December 31, 2007, and December 31, 2006, were determined by matching estimated benefit cash flows to a yield curve derived from Citigroup's regular bond yield and above-median bond yield curve at December 31, 2007.

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

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

1. Restricted stock, private placements, short positions, calls, puts, or margin transactions;

2. Commodities, oil and gas properties, real estate properties, or

3. Any investment that would constitute a prohibited transaction as described in the Employee Retirement Income Security Act of 1974 ("ERISA"), section 407, 29 U.S.C. 1106.

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggr Intrinsi
Outstanding at January 1, 2007	700,877	$ 35.50		
Granted	296,250	41.25		
Exercised	(44,186)	24.08		
Expired	(8,440)	38.95		
Forfeited	(5,885)	42.39		
Outstanding at December 31, 2007	938,616	$ 37.78	7.19	$ 2,
Exercisable at December 31, 2007	394,321	$ 32.54	4.88	$ 2,

The Company's practice is to issue original issue shares of its common stock upon exercise of stock options rather than treasury shares. The Company granted 296,250 options to its employees in 2007, 234,465 in 2006, and 2,200 in 2005. The Company uses the Black-Scholes option-valuation model to determine the fair value of each option at the date of grant. This valuation model estimates fair value based on the assumptions listed in the table below. The risk-free interest rate is the interest rate available on zero-coupon U.S. Treasury instruments with a remaining term equal to the expected term of the share option at the time of grant. The expected dividend yield is based on dividend trends and the market price of the Company's stock price at grant. Volatility is largely based on historical volatility of the Company's stock price. Expected term is based upon historical experience of employee exercises and terminations as well as the vesting term of the grants.

	2007	2006	200
Weighted per share average fair value at grant date	$ 11.19	$ 11.48	$ 10.
Risk-free interest rate	3.55%	4.32%	4.

Expected dividend yield	3.12%	2.60%	2.
Volatility	32.97%	28.28%	30.
Expected life (years)	6.50	6.50	5.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$15.15-39.25	235,767	3.92	$ 27.97	235,767	$ 27.97
$39.34-39.45	192,869	6.23	$ 39.34	158,554	$ 39.34
$41.00-41.00	266,250	9.91	$ 41.00	0	$ 00.00
$42.39-42.39	243,730	8.15	$ 42.53	0	$ 00.00
	938,616	7.19	$ 37.78	394,321	$ 32.54

Note 14 Income Taxes

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

(in thousands)	Current	Deferred	
2007			
Federal	$ 12,806	$ (1,351)	$
State	714	(178)	
Total	$ 13,520	$ (1,529)	$
2006			
Federal	$ 13,468	$ (1,845)	$
State	1,512	(419)	
Total	$ 14,980	$ (2,264)	$
2005			
Federal	$ 13,927	$ (1,843)	$
State	1,502	(379)	
Total	$ 15,429	$ (2,222)	$

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

	2007	2006
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal benefit	0.9	1.8
Tax exempt income	(3.2)	(3.6)
All other	(1.4)	(1.8)
Total	31.3%	31.4%

(in thousands)	2007	
Deferred tax assets:		
Allowance for loan/lease losses	$ 5,803	$ 5
Compensation and benefits	6,860	6
Other	2,704	1
Total deferred tax assets	$ 15,367	$ 13
Deferred tax liabilities:		
Prepaid pension	$ 3,895	$ 4
Depreciation	382	
Intangibles	499	
Other	817	
Total deferred tax liabilities	$ 5,593	$ 6
Net deferred tax asset at year-end	$ 9,774	$ 7
Net deferred tax asset at beginning of year	$ 7,243	$ 5
Increase in net deferred tax asset	2,531	1
Purchase accounting adjustments, net	(1,002)	
Deferred tax benefit	$ (1,529)	$ (2

This analysis does not include recorded deferred tax liabilities of $893,000 as of December 31, 2007 and deferred tax assets of $3.2 million as of December 31, 2006 related to the net unrealized holding gain/loss in the available-for-sale securities portfolio. In addition, the analysis excludes the recorded deferred tax assets of $5.5 million and $4.7 million, as of December 31, 2007 and 2006, respectively, related to the employee benefit plans.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carry-back period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance is necessary at December 31, 2007 and 2006.

The tax years open to examination by Federal taxing authorities are 2003 through 2006, and the tax years open to State taxing authorities are 2004 through 2006.

Note 15 Commitments and Contingent Liabilities

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

Financial Accounting Standards Board ("FASB") Interpretation No. 45 (FIN No.

45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; an Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34 requires certain disclosures and potential liability recognition for the fair value at issuance of guarantees that fall within its scope. Based upon management's interpretation of FIN No. 45, the Company currently does not issue any guarantees that would require liability recognition under FIN No. 45, 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 December 31, 2007, the Company's maximum potential obligation under standby letters of credit was $52.2 million. 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.

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For year ended December 31, 2007 (in thousands except share and per share data)	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Am
Basic EPS:			
Income available to common shareholders	$ 26,371	9,696,724	$
Effect of dilutive securities:			
Stock options		75,572	
Shares issuable as contingent consideration for acquisition		9,493	
Diluted EPS:			
Income available to common shareholders plus assumed conversions	$ 26,371	9,781,789	$

The effect of dilutive securities calculation for the year ended December 31, 2007, excludes stock options of 383,706 because they are anti-dilutive.

For year ended December 31, 2006 (in thousands except share and per share data)	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Am
Basic EPS:			
Income available to common shareholders	$ 27,767	9,857,787	$
Effect of dilutive securities:			
Stock options		130,997	
		10,581	
Diluted EPS:			
Income available to common shareholders plus assumed conversions	$ 27,767	9,999,365	$

The effect of dilutive securities calculation for the year ended December 31, 2006, excludes stock options of 206,378 because they are anti-dilutive.

For year ended December 31, 2005 (in thousands except share and per share data)	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Am
Basic EPS:			
Income available to common shareholders	$ 27,685	9,852,789	$
Effect of dilutive securities:			
Stock options		147,511	
Diluted EPS:			
Income available to common shareholders plus assumed conversions	$ 27,685	10,000,300	$

The effect of dilutive securities calculation for the year ended December 31, 2005, excludes stock options of 58,776 because they are anti-dilutive.

Estimated Fair Value of Financial Instruments	2007		2006	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	F Va
Financial Assets:				
Cash and cash equivalents	$ 49,859	$ 49,859	$ 52,174	$
Securities - trading	60,135	60,135	0	
Securities - available-for-sale	639,148	639,148	655,322	6
Securities - held-to-maturity	49,593	50,297	59,038	
Loans and leases, net (1)	1,425,515	1,429,109	1,311,970	1,3
Accrued interest receivable	11,928	11,928	11,725	
Financial Liabilities				
Time deposits	$ 585,142	$ 583,188	$ 669,222	$ 6
Other deposits	1,135,684	1,135,684	1,040,198	1,0
Securities sold under agreements to repurchase	179,894	179,153	191,490	1
Securities sold under agreements to repurchase (valued at fair value)	15,553	15,553	0	
Other borrowings	200,067	203,061	85,941	
Other borrowings (valued at fair value)	10,795	10,795	0	
Accrued interest payable	4,147	4,147	4,545	

(1) Lease receivables, although excluded from the scope of SFAS No. 107, are included in the estimated fair value amounts at their carrying value.

The following methods and assumptions were used in estimating fair value disclosures for financial instruments.

CASH AND CASH EQUIVALENTS: The carrying amounts reported in the consolidated statements of condition for cash, noninterest-bearing deposits, and Federal funds sold approximate the fair value of those assets.

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

LOANS AND LEASES: 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.

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 repurchases 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.

OFF-BALANCE-SHEET INSTRUMENTS: The fair values of outstanding loan commitments, including unused lines of credit and stand-by letters of credit are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the counterparties' credit standing, and discounted cash flow analyses. In fixed rate loan commitments, fair value estimates also consider the difference between current market rates and the committed rates. At December 31, 2007 and 2006, the fair values of these instruments approximate the value of the related fees and are not significant.

	Actual	Required to be Adequately Capitalized	Requir to be Well Capit
(dollar amounts in thousands)	Amount/Ratio	Amount/Ratio	Amount/F
December 31, 2007			
Total Capital (to risk-weighted assets)			
The Company (consolidated)	$ 194,977/12.2%	>$ 127,837/>8.0%	>$ 159,797/
Trust Company	$ 93,009/12.8%	>$ 57,981/>8.0%	>$ 72,476/
Castile	$ 49,292/10.3%	>$ 38,141/>8.0%	>$ 47,676/
Mahopac	$ 40,048/10.3%	>$ 30,994/>8.0%	>$ 38,742/
Tier I Capital (to risk-weighted assets)			
The Company (consolidated)	$ 180,236/11.3%	>$ 63,919/>4.0%	>$ 95,878
Trust Company	$ 87,028/12.0%	>$ 28,990/>4.0%	>$ 43,485
Castile	$ 43,729/9.2%	>$ 19,070/>4.0%	>$ 28,605
Mahopac	$ 36,844/9.5%	>$ 15,497/>4.0%	>$ 23,245
Tier I Capital (to average assets)			
The Company (consolidated)	$ 180,236/7.9%	>$ 68,809/>3.0%	>$ 114,681
Trust Company	$ 87,028/7.4%	>$ 35,235/>3.0%	>$ 58,725

Castile	$ 43,729/6.8%	>$ 19,202/>3.0%	>$ 32,003
Mahopac	$ 36,844/7.5%	>$ 14,843/>3.0%	>$ 24,738
December 31, 2006			
Total Capital (to risk-weighted assets)			
The Company (consolidated)	$ 193,830/13.1%	> 118,458/>8.0%	>$ 148,073/
Trust Company	$ 101,750/14.9%	>$ 54,753/>8.0%	>$ 68,441/
Castile	$ 46,604/10.7%	>$ 34,724/>8.0%	>$ 43,405/
Mahopac	$ 38,308/10.8%	>$ 28,262/>8.0%	>$ 35,327/
Tier I Capital (to risk-weighted assets)			
The Company (consolidated)	$ 179,502/12.1%	>$ 59,229/>4.0%	>$ 88,844
Trust Company	$ 95,928/14.0%	>$ 27,377/>4.0%	>$ 41,065
Castile	$41,184/9.5%	>$ 17,362/>4.0%	>$ 26,043
Mahopac	$ 35,222/10.0%	>$ 14,131/>4.0%	>$ 21,196
Tier I Capital (to average assets)			
The Company (consolidated)	$ 179,502/8.3%	>$ 64,918/>3.0%	>$ 108,197
Trust Company	$ 95,928/8.5%	>$ 33,815/>3.0%	>$ 56,358
Castile	$ 41,184/7.1%	>$ 17,320/>3.0%	>$ 28,866
Mahopac	$ 35,222/7.5%	>$ 14,111/>3.0%	>$ 23,519

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(in thousands)	2007	20
ASSETS		
Cash	$ 1,341	$
Available-for-sale securities, at fair value	1,161	
Investment in subsidiaries, at equity	189,528	18
Other	6,536	
Total Assets	$ 198,566	$ 19
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities	$ 1,371	$
Shareholders' Equity	197,195	18
Total Liabilities and Shareholders' Equity	$ 198,566	$ 19

Condensed Statements of Income

(in thousands)	2007	2006	2
Dividends from available-for-sale securities	$ 2	$ 44	$
Dividends received from subsidiaries	30,545	20,664	1
Other income	129	198	
Total Operating Income	30,676	20,906	1
Other expenses	3,413	2,835	
Total Operating Expenses	3,413	2,835	
Income Before Taxes and Equity in Undistributed	27,263	18,071	1

Earnings of Subsidiaries			
Income tax benefit	1,330	1,108	
(Distributions in excess of earnings of subsidiaries) equity in undistributed earnings of subsidiaries	(2,222)	8,588	1
Net Income	$ 26,371	$ 27,767	$ 2

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(in thousands)	2007	2006	20
OPERATING ACTIVITIES			
Net income	$ 26,371	$ 27,767	$ 2
Adjustments to reconcile net income to net cash provided by operating activities:			
Distributions in excess of earnings of subsidiaries (equity in undistributed earnings of subsidiaries)	2,222	(8,588)	(1
Tax benefit of stock options exercised	0	0	
Stock-based compensation expense	713	692	
Other, net	(3,658)	(4,232)	
Net Cash Provided by Operating Activities	25,648	15,639	1
INVESTING ACTIVITIES			
Net cash used in acquisitions	0	(1,693)	
Other, net	(43)	(207)	(
Net Cash Used in Investing Activities	(43)	(1,900)	(
FINANCING ACTIVITIES			
Cash dividends	(12,023)	(11,307)	(1
Cash paid in lieu of fractional shares - 10% stock dividend	0	(10)	
Repurchase of common shares	(12,914)	(9,983)	
Net proceeds from exercise of stock options	611	2,251	
Tax benefits of stock options exercised	51	410	
Net Cash Used in Financing Activities	(24,275)	(18,639)	(1
Net increase (decrease) in cash	1,330	(4,900)	
Cash at beginning of year	11	4,911	
Cash at End of Year	$ 1,341	$ 11	$

A statement of changes in shareholders' equity has not been presented since it is the same as the Consolidated Statement of Changes in Shareholders' Equity previously presented.

Note 20 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, wealth 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, 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.

	As of and for the year ended December 31, 200			
(in thousands)	Banking	Financial Services	Intercompany	Consoli
Interest income	$ 132,172	$ 324	$ (55)	$ 13
Interest expense	58,457	10	(55)	5
Net interest income	73,715	314	0	7
Provision for loan losses	1,529	0	0	
Noninterest income	19,106	25,416	(473)	4
Noninterest expense	60,377	18,152	(473)	7
Income before income taxes	30,915	7,578	0	3
Minority interest	131	0	0	
Provision for income taxes	9,257	2,734	0	1
Net Income	$ 21,527	$ 4,844	$ 0	$ 2
Depreciation and amortization	$ 4,103	$ 232	$ 0	$
Assets	2,333,513	29,210	(3,264)	2,35
Goodwill	5,377	17,517	0	2
Other intangibles	1,340	2,157	0	
Loans, net	1,422,098	3,417	0	1,42
Deposits	1,723,510	329	(3,013)	1,72
Equity	172,531	24,664	0	19

	As of and for the year ended December 31,			
(in thousands)	Banking	Financial Services	Intercompany	Consoli
Interest income	$ 120,736	$ 311	$ (6)	$ 12
Interest expense	48,179	11	(6)	4
Net interest income	72,557	300	0	7
Provision for loan losses	1,424	0	0	
Noninterest income	19,635	21,689	(196)	4
Noninterest expense	56,788	15,355	(196)	7
Income before income taxes	33,980	6,634	0	4
Minority interest	131	0	0	
Provision for income taxes	10,470	2,246	0	1

Net Income	$ 23,379	$ 4,388	$ 0	$ 2
Depreciation and amortization	$ 3,932	$ 223	$ 0	$
Assets	2,183,880	28,455	(1,498)	2,21
Goodwill	5,377	15,858	0	2
Other intangibles	1,663	2,388	0	
Loans, net	1,308,544	3,551	(125)	1,31
Deposits	1,708,792	1,984	(1,356)	1,70
Equity	168,178	21,442	0	18

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For the year ended December 31, 2005

(in thousands)	Banking	Financial Services	Intercompany	Consol
Interest income	$ 106,394	$ 320	$ (7)	$ 1
Interest expense	31,686	7	(7)	
Net interest income	74,708	313	0	
Provision for loan losses	2,659	0	0	
Noninterest income	17,946	12,922	(48)	
Noninterest expense	53,546	8,661	(48)	
Income before income taxes	36,449	4,574	0	
Minority interest	131	0	0	
Provision for income taxes	11,602	1,605	0	
Net Income	$ 24,716	$ 2,969	$ 0	$

Unaudited Quarterly Financial Data

	2007			
(in thousands except per share data)	First	Second	Third	F
Interest and dividend income	$ 31,939	$ 33,146	$ 33,224	$
Interest expense	14,376	14,656	14,721	
Net interest income	17,563	18,490	18,503	
Provision for loan/lease losses	471	192	387	
Income before income tax	8,407	9,392	9,968	
Net income	5,781	6,361	6,805	
Net income per common share (basic)	.59	.65	.71	
Net income per common share (diluted)	.58	.65	.70	

(in thousands except per share data)	2006 First	Second	Third	F
Interest and dividend income	$ 29,022	$ 29,739	$ 30,719	$
Interest expense	10,303	11,670	12,615	
Net interest income	18,719	18,069	18,104	
Provision for loan/lease losses	459	74	482	
Income before income tax	9,211	9,597	10,090	
Net income	6,397	6,779	6,803	
Net income per common share (basic)	.64	.69	.69	
Net income per common share (diluted)	.63	.68	.68	

Per share data has been retroactively adjusted to reflect a 10% stock dividend paid on May 15, 2006.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securi Remaining Availab Future Issuance Equity Compensa Plans (excludi Securities in Colu (c)
Equity Compensation Plans Approved by Security Holders	938,616	$ 37.78	1
Equity Compensation Plans Not Approved by Security Holders	0	0	

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this item is incorporated herein by reference to the material under the captions "Director Independence" and "Transactions with Related Persons" in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information called for by this item is incorporated herein by reference to the material under the caption "Independent Auditors" in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following financial statements and Report of KPMG are included in this Annual Report on Form 10-K:

Report of KPMG LLP, Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Condition for the years ended December 31, 2007 and 2006

Consolidated Statements of Income for the years ended December 31, 2007, 2006, and 2005

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

Date: March 10, 2008

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Stephen S. Romaine and Frank M. Fetsko, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with full power of substitution, for him or her, and in his or her name, place and stead, in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with Exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Date	Capacity	Signature	Date	Cap
/S/ James J. Byrnes James J. Byrnes	3/10/08	Chairman of the Board	/S/ Elizabeth W. Harrison Elizabeth W. Harrison	3/10/08	Dir
/S/ Stephen S. Romaine Stephen S. Romaine	3/10/08	President and Chief Executive Officer (Principal Executive Officer)	/S/ Carl E. Haynes Carl E. Haynes	3/10/08	Dir
/S/ Thomas R. Salm Thomas R. Salm	3/10/08	Vice Chairman, Director	/S/ Patricia A. Johnson Patricia A. Johnson	3/10/08	Dir
/S/ James W. Fulmer James W. Fulmer	3/10/08	Vice Chairman, Director	/S/ Hunter R. Rawlings, III Hunter R. Rawlings, III	3/10/08	Dir
/S/ Francis M. Fetsko	3/10/08	Executive Vice	/S/ Michael D. Shay	3/10/08	Dir

Francis M. Fetsko		President and Chief Financial Officer (Principal Financial Officer)	Michael D. Shay		
/S/ Russell K. Achzet	3/10/08	Director	/S/ Michael H. Spain	3/10/08	Dir
Russell K. Achzet			Michael H. Spain		
/S/ John E. Alexander	3/10/08	Director	/S/ William D. Spain, Jr.	3/10/08	Dir
John E. Alexander			William D. Spain, Jr.		
/S/ Reeder D. Gates	3/10/08	Director	/S/ Craig Yunker	3/10/08	Dir
Reeder D. Gates			Craig Yunker		
/S/ James R. Hardie	3/10/08	Director			
James R. Hardie					

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