

TRUSTCO BANK CORP N Y  
Form 10-Q  
August 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended  
June 30, 2011

Commission File Number 0-10592

TRUSTCO BANK CORP NY  
(Exact name of registrant as specified in its charter)

NEW YORK  
(State or other jurisdiction of incorporation or  
organization)

14-1630287  
(I.R.S. Employer Identification No.)

5 SARNOWSKI DRIVE, GLENVILLE, NEW YORK  
(Address of principal executive offices)

12302  
(Zip Code)

Registrant's telephone number, including area code: (518) 377-3311

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Number of Shares Outstanding as of August 1, 2011
Common Stock \$1 Par Value	93,153,585

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## TrustCo Bank Corp NY

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TRUSTCO BANK CORP NY  
Consolidated Statements of Income (Unaudited)  
(dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Interest and fees on loans	\$32,184	31,976	63,861	63,729
Interest and dividends on securities available for sale:				
U. S. government sponsored enterprises	3,791	3,588	6,990	7,185
State and political subdivisions	640	891	1,424	1,846
Mortgage-backed securities and collateralized mortgage obligations-residential	622	944	1,230	2,114
Corporate bonds	1,081	1,105	2,220	2,151
Other securities	89	64	150	182
Total interest and dividends on securities available for sale	6,223	6,592	12,014	13,478
Interest on held to maturity securities:				
U. S. government sponsored enterprises	-	50	-	487
Mortgage-backed securities-residential	1,240	1,455	2,428	2,700
Corporate bonds	595	802	1,310	1,645
Total interest on held to maturity securities	1,835	2,307	3,738	4,832
Interest on federal funds sold and other short-term investments				
	254	228	500	392
Total interest income	40,496	41,103	80,113	82,431
Interest expense:				
Interest on deposits:				
Interest-bearing checking	70	172	135	341
Savings	885	857	1,818	1,666
Money market deposit accounts	1,184	1,342	2,411	2,621
Time deposits	4,099	6,432	8,542	13,251
Interest on short-term borrowings	382	455	789	911
Total interest expense	6,620	9,258	13,695	18,790
Net interest income	33,876	31,845	66,418	63,641
Provision for loan losses	4,850	7,100	9,450	11,800
Net interest income after provision for loan losses	29,026	24,745	56,968	51,841
Noninterest income:				
Trust department income	1,186	1,176	2,760	2,537
Fees for services to customers	2,325	2,646	4,419	4,939
Net gain on securities transactions	851	1,537	1,138	1,541
Other	209	292	525	498
Total noninterest income	4,571	5,651	8,842	9,515

Noninterest expenses:				
Salaries and employee benefits	7,000	6,556	14,026	13,290
Net occupancy expense	3,672	3,511	7,409	7,012
Equipment expense	1,481	1,464	2,813	2,884
Professional services	1,681	1,565	3,166	2,968
Outsourced services	1,350	1,418	2,700	2,839
Advertising expense	708	796	1,414	1,322
FDIC and other insurance	1,392	1,535	3,243	3,057
Other real estate expense, net	2,095	794	3,685	2,747
Other	2,173	1,596	3,942	3,205
Total noninterest expenses	21,552	19,235	42,398	39,324
Income before taxes	12,045	11,161	23,412	22,032
Income taxes	4,279	4,037	8,264	7,973
Net income	\$7,766	7,124	15,148	14,059
Net income per Common Share:				
- Basic	\$0.100	0.093	0.196	0.183
- Diluted	\$0.100	0.093	0.196	0.183

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

Consolidated Statements of Financial Condition (Unaudited)  
(dollars in thousands, except per share data)

	June 30, 2011	December 31, 2010
<b>ASSETS:</b>		
Cash and due from banks	\$ 41,229	44,067
Federal funds sold and other short term investments	479,647	400,183
Total cash and cash equivalents	520,876	444,250
Securities available for sale:		
U. S. government sponsored enterprises	676,062	614,886
States and political subdivisions	57,670	79,764
Mortgage-backed securities and collateralized mortgage obligations-residential	66,333	73,567
Corporate bonds	103,194	115,504
Other securities	7,522	7,880
Total securities available for sale	910,781	891,601
Held to maturity securities:		
Mortgage-backed securities-residential (fair value 2011 \$112,197; 2010 \$128,746)	105,509	122,654
Corporate bonds (fair value 2011 \$51,244; 2010 \$71,460)	49,019	69,058
Total held to maturity securities	154,528	191,712
Loans, net of deferred fees and costs	2,427,974	2,355,265
Less:		
Allowance for loan losses	45,561	41,911
Net loans	2,382,413	2,313,354
Bank premises and equipment, net	36,032	36,632
Other assets	65,696	77,235
<b>Total assets</b>	<b>\$ 4,070,326</b>	<b>3,954,784</b>
<b>LIABILITIES:</b>		
Deposits:		
Demand	\$ 259,459	251,091
Interest-bearing checking	461,976	441,520
Savings accounts	891,181	774,366
Money market deposit accounts	638,774	602,803
Certificates of deposit (in denominations of \$100,000 or more)	453,303	456,837
Other time accounts	947,838	1,027,470
Total deposits	3,652,531	3,554,087
Short-term borrowings	128,807	124,615
Accrued expenses and other liabilities	20,039	20,642

Total liabilities	3,801,377	3,699,344
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock par value \$1; 150,000,000 shares authorized and 83,166,423 shares issued at June 30, 2011 and December 31, 2010, respectively	83,166	83,166
Surplus	126,196	126,982
Undivided profits	113,782	108,780
Accumulated other comprehensive income (loss), net of tax	2,846	(4,119 )
Treasury stock at cost - 5,799,812 and 6,036,512 shares at June 30, 2011 and December 31, 2010, respectively	(57,041 )	(59,369 )
Total shareholders' equity	268,949	255,440
Total liabilities and shareholders' equity	\$ 4,070,326	3,954,784

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

## Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock	Total
Beginning balance, April 1, 2010	\$ 83,166	128,344	101,327	777		(62,996)	250,618
Comprehensive income:							
Net Income - Three Months Ended June 30, 2010	-	-	7,124	-	7,124	-	7,124
Other comprehensive income, net of tax:							
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of \$101)	-	-	-	-	(61 )	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$4,144)	-	-	-	-	2,495	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,537)	-	-	-	-	(927 )	-	-
Other comprehensive income, net of tax:				1,507	1,507		1,507
Comprehensive income	-	-	-		8,631	-	-
Cash dividend declared, \$.0625 per share	-	-	(4,804 )	-		-	(4,804 )
Sale of treasury stock (112,016 shares)	-	(402 )	-	-		1,101	699
Stock based compensation expense	-	45	-	-		-	45
Ending balance, June 30, 2010	\$ 83,166	127,987	103,647	2,284		(61,895)	255,189
Beginning balance, April 1, 2011	\$ 83,166	126,638	111,093	(4,176 )		(58,249)	258,472
Comprehensive income:							
Net Income - Three Months Ended June 30, 2011	-	-	7,766	-	7,766	-	7,766



Other comprehensive income, net of tax:							
Amortization of net actuarial loss and prior service credit on pension and post retirement plans, net of tax (pretax of \$8)	-	-	-	-	(5 )	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$12,535)	-	-	-	-	7,539	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$851)	-	-	-	-	(512 )	-	-
Other comprehensive income, net of tax:				7,022	7,022		7,022
Comprehensive income	-	-	-		14,788	-	-
Cash dividend declared, \$.0656 per share	-	-	(5,077 )	-		-	(5,077 )
Sale of treasury stock (122,795 shares)	-	(479 )	-	-		1,208	729
Stock based compensation expense	-	37	-	-		-	37
Ending balance, June 30, 2011	\$ 83,166	126,196	113,782	2,846		(57,041 )	268,949

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

## Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock	Total
Beginning balance, January 1, 2010	\$ 83,166	128,681	99,190	(1,282 )		(64,077)	245,678
Comprehensive income:							
Net Income - Six Months Ended June 30, 2010	-	-	14,059	-	14,059	-	14,059
Other comprehensive income, net of tax:							
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of \$202)	-	-	-	-	(122 )	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$7,674)	-	-	-	-	4,617	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,541)	-	-	-	-	(929 )	-	-
Other comprehensive income, net of tax:				3,566	3,566		3,566
Comprehensive income	-	-	-		17,625	-	-
Cash dividend declared, \$.1250 per share	-	-	(9,602 )	-		-	(9,602 )
Sale of treasury stock (221,825 shares)	-	(783 )	-	-		2,182	1,399
Stock based compensation expense	-	89	-	-		-	89
Ending balance, June 30, 2010	\$ 83,166	127,987	103,647	2,284		(61,895)	255,189
Beginning balance, January 1, 2011	\$ 83,166	126,982	108,780	(4,119 )		(59,369)	255,440
Comprehensive income:							

Net Income - Six Months Ended June 30, 2011	-	-	15,148	-	15,148	-	15,148
Other comprehensive income, net of tax:							
Amortization of net actuarial loss and prior service credit on pension and post retirement plans, net of tax (pretax of \$89)	-	-	-	-	(54 )	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$12,810)	-	-	-	-	7,704	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,138)	-	-	-	-	(685 )	-	-
Other comprehensive income, net of tax:				6,965	6,965		6,965
Comprehensive income	-	-	-		22,113	-	-
Cash dividend declared, \$.1312 per share	-	-	(10,146 )	-		-	(10,146 )
Sale of treasury stock (236,700 shares)	-	(860 )	-	-		2,328	1,468
Stock based compensation expense	-	74	-	-		-	74
Ending balance, June 30, 2011	\$ 83,166	126,196	113,782	2,846		(57,041 )	268,949

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY  
Consolidated Statements of Cash Flows (Unaudited)  
(dollars in thousands)

	Six months ended June 30,	
	2011	2010
<b>Cash flows from operating activities:</b>		
Net income	\$15,148	14,059
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	2,411	2,332
Loss on sale of other real estate owned	232	530
Provision for loan losses	9,450	11,800
Deferred tax (benefit) expense	(1,394 )	667
Stock based compensation expense	74	89
Net loss on sale of bank premises and equipment	-	39
Net gain on sales and calls of securities	(1,138 )	(1,541 )
Decrease (increase) in taxes receivable	1,542	(10,084 )
Decrease in interest receivable	312	2,371
Decrease in interest payable	(215 )	(303 )
Decrease in other assets	6,474	1,325
Decrease in accrued expenses and other liabilities	(404 )	(530 )
Total adjustments	17,344	6,695
Net cash provided by operating activities	32,492	20,754
<b>Cash flows from investing activities:</b>		
Proceeds from sales and calls of securities available for sale	403,637	649,747
Proceeds from calls and maturities of held to maturity securities	37,184	152,549
Purchases of securities available for sale	(419,085 )	(510,553 )
Proceeds from maturities of securities available for sale	9,079	8,858
Net increase in loans	(81,961 )	(63,276 )
Proceeds from dispositions of other real estate owned	3,117	7,516
Purchases of bank premises and equipment	(1,811 )	(1,808 )
Net cash (used in) provided by investing activities	(49,840 )	243,033
<b>Cash flows from financing activities:</b>		
Net increase in deposits	98,444	131,374
Net increase in short-term borrowings	4,192	8,941
Proceeds from sale of treasury stock	1,468	1,399
Dividends paid	(10,130 )	(9,588 )
Net cash provided by financing activities	93,974	132,126
Net increase in cash and cash equivalents	76,626	395,913
Cash and cash equivalents at beginning of period	444,250	145,894
Cash and cash equivalents at end of period	\$520,876	541,807

## Supplemental Disclosure of Cash Flow Information:

## Cash paid during the year for:

Interest paid	\$13,910	19,093
Income taxes paid	6,722	18,057
Other non cash items:		
Transfer of loans to other real estate owned	3,452	4,428
Increase in dividends payable	16	14
Change in unrealized gain on securities available for sale-gross of deferred taxes	11,673	6,133
Change in deferred tax effect on unrealized gain on securities available for sale	(4,654 )	(2,445 )
Amortization of prior service cost on pension and postretirement plans	(89 )	(202 )
Change in deferred tax effect of amortization of prior service cost	35	80

See accompanying notes to unaudited consolidated financial statements.

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TrustCo Bank Corp NY  
Notes to Consolidated Interim Financial Statements  
(Unaudited)

1. Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY (the Company) include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior period amounts are reclassified when necessary to conform to the current period presentation. The net income reported for the three and six months ended June 30, 2011 is not necessarily indicative of the results that may be expected for the year ending December 31, 2011, or any interim periods. These financial statements consider events that occurred through the date of filing.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of June 30, 2011 and the results of operations for the three and six month periods ended June 30, 2011 and 2010 and cash flows for the six months ended June 30, 2011 and 2010. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are included in TrustCo Bank Corp NY's 2010 Annual Report to Shareholders on Form 10-K. The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States.

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## 2. Earnings Per Share

A reconciliation of the component parts of earnings per share (EPS) for the three and six month periods ended June 30, 2011 and 2010 follows:

(dollars in thousands, except per share data)	Income	Weighted Average Shares Outstanding	Per Share Amounts
For the quarter ended June 30, 2011:			
Basic EPS:			
Income available to common shareholders	\$7,766	77,363	\$0.100
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$7,766	77,363	\$0.100
For the quarter ended June 30, 2010:			
Basic EPS:			
Income available to common shareholders	\$7,124	76,649	\$0.093
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$7,124	76,649	\$0.093

(dollars in thousands, except per share data)	Income	Weighted Average Shares Outstanding	Per Share Amounts
For the six months ended June 30, 2011:			
Basic EPS:			
Income available to common shareholders	\$ 15,148	77,302	\$ 0.196
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$ 15,148	77,302	\$ 0.196
For the six months ended June 30, 2010:			
Basic EPS:			
Income available to common shareholders	\$ 14,059	76,816	\$ 0.183
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$ 14,059	76,816	\$ 0.183

For the three and six month periods ended June 30, 2011 and 2010, all of the Company's outstanding stock options are antidilutive because the option price is greater than the current market price.

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## 3. Benefit Plans

The table below outlines the components of the Company's net periodic benefit recognized during the three and six month periods ended June 30, 2011 and 2010 for its pension and other postretirement benefit plans:

(dollars in thousands)	For the three months ended June 30,			
	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$12	14	4	8
Interest cost	379	375	33	15
Expected return on plan assets	(497 )	(454 )	(112 )	(106 )
Amortization of net loss (gain)	39	51	(17 )	-
Amortization of prior service credit	-	-	(30 )	(101 )
Net periodic benefit	\$(67 )	(14 )	(122 )	(184 )

(dollars in thousands)	For the six months ended June 30,			
	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$23	28	13	16
Interest cost	758	749	49	31
Expected return on plan assets	(993 )	(907 )	(224 )	(211 )
Amortization of net loss (gain)	78	102	(36 )	-
Amortization of prior service credit	-	-	(131 )	(202 )
Net periodic benefit	\$(134 )	(28 )	(329 )	(366 )

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2010, that it did not expect to make any contributions to its pension and postretirement benefit plans in 2011. As of June 30, 2011, no contributions have been made. The Company presently anticipates that it will not make any contributions in 2011.

Since 2003, the Company has not subsidized retiree medical insurance premiums. However, it continues to provide postretirement medical benefits to a limited number of current and retired executives in accordance with the terms of their employment contracts.



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## 4. Investment Securities

## (a) Securities available for sale

The amortized cost and fair value of securities available for sale are as follows:

(dollars in thousands)

June 30, 2011

Available for sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$676,966	982	1,886	676,062
State and political subdivisions	56,697	1,029	56	57,670
Mortgage backed securities and collateralized mortgage obligations - residential	64,906	1,476	49	66,333
Corporate bonds	102,345	1,378	529	103,194
Other	650	-	-	650
Total debt securities	901,564	4,865	2,520	903,909
Equity securities	6,872	-	-	6,872
Total securities available for sale	\$908,436	4,865	2,520	910,781

(dollars in thousands)

December 31, 2010

Available for sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$625,399	312	10,825	614,886
State and political subdivisions	79,038	1,184	458	79,764
Mortgage backed securities and collateralized mortgage obligations - residential	73,384	618	435	73,567
Corporate bonds	115,274	854	624	115,504
Other	650	-	-	650
Total debt securities	893,745	2,968	12,342	884,371
Equity securities	7,183	47	-	7,230
Total securities available for sale	\$900,928	3,015	12,342	891,601

Federal Home Loan Bank stock and Federal Reserve Bank stock included in equity securities at June 30, 2011 and December 31, 2010, totaled \$6.9 million.

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The following table distributes the debt securities included in the available for sale portfolio as of June 30, 2011, based on the securities' final maturity (mortgage-backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	June 30, 2011	
	Amortized Cost	Fair Value
Available for sale		
Due in one year or less	\$9,973	10,054
Due in one year through five years	437,956	440,105
Due after five years through ten years	425,304	424,787
Due after ten years	28,331	28,963
	\$901,564	903,909

Actual maturities may differ from the above because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty.

Gross unrealized losses on investment securities available for sale and the related fair values aggregated by the length of time that individual securities have been in an unrealized loss position, were as follows:

(dollars in thousands)	June 30, 2011					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for sale						
U.S. government sponsored enterprises	\$358,272	1,886	-	-	358,272	1,886
State and political subdivisions	1,523	56	-	-	1,523	56
Mortgage backed securities and collateralized mortgage obligations - residential	-	-	787	49	787	49
Corporate bonds	47,707	529	-	-	47,707	529
Total available for sale	\$407,502	2,471	787	49	408,289	2,520

(dollars in thousands)	December 31, 2010					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for sale						
U.S. government sponsored enterprises	\$526,071	10,825	-	-	526,071	10,825
State and political subdivisions	19,939	458	-	-	19,939	458
Mortgage backed securities and collateralized mortgage obligations - residential	58,952	392	803	43	59,755	435
Corporate bonds	50,934	624	-	-	50,934	624

Total available for sale	\$655,896	12,299	803	43	656,699	12,342
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Proceeds from sales and calls of securities available for sale were \$381.6 million and \$539.4 million for the three months ended June 30, 2011 and 2010, respectively.

Gross gains of approximately \$888 thousand and \$1.5 million were realized on these sales and calls for the three months ended June 30, 2011 and 2010, respectively. Gross losses realized on sales of securities available for sale for the three months ended June 30, 2011 were approximately \$37 thousand. No securities were sold at a loss for the three months ended June 30, 2010. Income tax expense recognized on net gains on sales and calls of securities available for sale were approximately \$355 thousand and \$615 thousand for the three months ended June 30, 2011 and 2010, respectively.

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Proceeds from sales and calls of securities available for sale were \$403.6 million and \$649.7 million for the six months ended June 30, 2011 and 2010, respectively.

Gross gains of approximately \$1.2 million and \$1.5 million were realized on these sales and calls for the six months ended June 30, 2011 and 2010, respectively. Gross losses realized on sales of securities available for sale for the six months ended June 30, 2011 were approximately \$37 thousand. No securities were sold at a loss during the six months ended June 30, 2010. Income tax expense recognized on net gains on sales and calls of securities available for sale were approximately \$455 thousand and \$616 thousand for the six months ended June 30, 2011 and 2010, respectively.

## (b) Held to maturity securities

The amortized cost and fair value of the held to maturity securities are as follows:

(dollars in thousands)

Held to maturity	June 30, 2011			Fair Value
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	
Mortgage backed securities - residential	\$105,509	6,688	-	112,197
Corporate bonds	49,019	2,225	-	51,244
Total held to maturity securities	\$154,528	8,913	-	163,441

(dollars in thousands)

Held to maturity	December 31, 2010			Fair Value
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	
Mortgage backed securities - residential	\$122,654	6,092	-	128,746
Corporate bonds	69,058	2,402	-	71,460
Total held to maturity securities	\$191,712	8,494	-	200,206

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The following table distributes the debt securities included in the held to maturity portfolio as of June 30, 2011, based on the securities' final maturity (mortgage-backed securities are stated using estimated average life):

(dollars in thousands)	June 30, 2011	
	Amortized Cost	Fair Value
Held to maturity		
Due in one year or less	\$24,010	24,356
Due in one year through five years	120,611	128,315
Due in five years through ten years	9,907	10,770
	\$154,528	163,441

Actual maturities may differ from the above because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty.

There were no held to maturity securities in an unrealized loss position as of June 30, 2011 and December 31, 2010. There were no sales or transfers of held to maturity securities during 2011 and 2010.

Other-Than-Temporary-Impairment

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio by type and applying the appropriate OTTI model. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320 "Investments – Debt and Equity Securities."

In determining OTTI under the FASB ASC 320 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, the amount of the OTTI recognized in earnings depends on whether management intends to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If management intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If management does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, the OTTI on debt securities shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment.

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As of June 30, 2011, the Company's security portfolio consisted of 306 securities, 52 of which were in an unrealized loss position, and are discussed below.

## Mortgage-backed Securities and Collateralized Mortgage Obligations - Residential

At June 30, 2011, all of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily GNMA (Ginnie Mae), FNMA (Fannie Mae) and FHLMC (Freddie Mac), institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2011.

## Other Securities

At June 30, 2011, the Company has unrealized losses on U.S. government-sponsored enterprises, state and political subdivisions and corporate bonds. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2011.

As a result of the above analysis, for the quarter ended June 30, 2011, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

## 5. Loans and Allowance for Loan Losses

The following table presents the recorded investment in loans by loan class:

(dollars in thousands)	June 30, 2011		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 194,948	27,476	222,424
Other	26,550	150	26,700
Real estate mortgage - 1 to 4 family:			
First mortgages	1,668,656	157,643	1,826,299
Home equity loans	49,249	1,151	50,400
Home equity lines of credit	273,962	24,352	298,314
Installment	3,786	51	3,837
Total loans, net	\$ 2,217,151	210,823	2,427,974
Less: Allowance for loan losses			45,561
Net loans			\$ 2,382,413

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(dollars in thousands)	December 31, 2010		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 196,803	28,644	225,447
Other	32,542	264	32,806
Real estate mortgage - 1 to 4 family:			
First mortgages	1,611,645	139,932	1,751,577
Home equity loans	48,505	960	49,465
Home equity lines of credit	268,509	22,778	291,287
Installment	4,284	399	4,683
Total loans, net	\$ 2,162,288	192,977	2,355,265
Less: Allowance for loan losses			41,911
Net loans			\$ 2,313,354

\* Includes New York, New Jersey, Vermont and Massachusetts.

At June 30, 2011 and December 31, 2010, the Company had approximately \$13.2 million and \$14.6 million of real estate construction loans. Construction loans are included in first mortgages and commercial real estate in the tables above.

The following tables present the recorded investment in non-accrual loans by loan class:

(dollars in thousands)	June 30, 2011		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$ 5,073	7,186	12,259
Other	17	-	17
Real estate mortgage - 1 to 4 family:			
First mortgages	21,515	11,758	33,273
Home equity loans	696	65	761
Home equity lines of credit	1,937	947	2,884
Installment	13	-	13
Total non-accrual loans	29,251	19,956	49,207
Restructured real estate mortgages - 1 to 4 family	324	-	324
Total nonperforming loans	\$ 29,575	19,956	49,531

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(dollars in thousands)	December 31, 2010		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$5,617	8,281	13,898
Other	126	-	126
Real estate mortgage - 1 to 4 family:			
First mortgages	18,067	12,888	30,955
Home equity loans	860	73	933
Home equity lines of credit	2,109	436	2,545
Installment	20	1	21
Total non-accrual loans	26,799	21,679	48,478
Restructured real estate mortgages - 1 to 4 family	336	-	336
Total nonperforming loans	\$27,135	21,679	48,814

\*Includes loans originated in New York, New Jersey, Vermont and Massachusetts.

The Company has identified nonaccrual commercial and commercial real estate loans, as well as all loans restructured under a troubled debt restructuring, as impaired loans. As of June 30, 2011 and December 31, 2010, there were \$12.3 million and \$14.0 million, respectively, of nonaccrual commercial and commercial real estate loans classified as impaired.

As of June 30, 2011 and December 31, 2010, the Company's loan portfolio did not include any subprime loans or loans acquired with deteriorated credit quality.

The following tables present the aging of the recorded investment in past due loans by loan class and by region:

(dollars in thousands)	June 30, 2011					Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total 30+ days Past Due	Current	
New York and other states*:						
Commercial:						
Commercial real estate	\$-	-	3,260	3,260	191,688	194,948
Other	-	-	8	8	26,542	26,550
Real estate mortgage - 1 to 4 family:						
First mortgages	8,195	3,928	18,050	30,173	1,638,483	1,668,656
Home equity loans	395	109	657	1,161	48,088	49,249
Home equity lines of credit	1,448	159	1,910	3,517	270,445	273,962
Installment	11	4	11	26	3,760	3,786
Total	\$10,049	4,200	23,896	38,145	2,179,006	2,217,151





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Florida: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	5,400	1,786	7,186	20,290	27,476
Other	-	-	-	-	150	150
Real estate mortgage - 1 to 4 family:						
First mortgages	1,617	1,256	11,084	13,957	143,686	157,643
Home equity loans	-	-	65	65	1,086	1,151
Home equity lines of credit	50	-	556	606	23,746	24,352
Installment	-	2	-	2	49	51
<b>Total</b>	<b>\$1,667</b>	<b>6,658</b>	<b>13,491</b>	<b>21,816</b>	<b>189,007</b>	<b>210,823</b>

New York and other states*: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	December 31, 2010 90+ Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	-	3,870	3,870	192,933	196,803
Other	-	13	126	139	32,403	32,542
Real estate mortgage - 1 to 4 family:						
First mortgages	11,129	4,275	15,615	31,019	1,580,626	1,611,645
Home equity loans	228	63	690	981	47,524	48,505
Home equity lines of credit	1,324	19	1,338	2,681	265,828	268,509
Installment	46	4	20	70	4,214	4,284
<b>Total</b>	<b>\$12,727</b>	<b>4,374</b>	<b>21,659</b>	<b>38,760</b>	<b>2,123,528</b>	<b>2,162,288</b>

Florida: (dollars in thousands)	30-59Days Past Due	60-89Days Past Due	90+ Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	-	2,281	2,281	26,363	28,644
Other	-	-	-	-	264	264
Real estate mortgage - 1 to 4 family:						
First mortgages	5,219	553	12,427	18,199	121,733	139,932
Home equity loans	26	-	73	99	861	960
Home equity lines of credit	422	10	410	842	21,936	22,778
Installment	-	-	1	1	398	399
<b>Total</b>	<b>\$5,667</b>	<b>563</b>	<b>15,192</b>	<b>21,422</b>	<b>171,555</b>	<b>192,977</b>

As of June 30, 2011 and December 31, 2010, there were no loans that are 90 days past due and still accruing interest. As a result, non-accrual loans includes all loans 90 days past due and greater as well as certain loans less than 90 days past due that were placed in non-accruing status for reasons other than delinquent status. The \$5.4 million increase during the quarter in Florida commercial real estate 60-89 days past due is a loan already in non-accruing status.

Approximately \$11 thousand, and \$12 thousand of interest on nonaccrual and restructured loans was collected and recognized as income for the three months ended June 30, 2011 and 2010, respectively and approximately \$22 thousand and \$24 thousand of interest on nonaccrual and restructured loans was collected and recognized as income for the six months ended June 30, 2011 and 2010, respectively. There are no commitments to extend further credit on nonaccrual or restructured loans.

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Activity in the allowance for loan losses by portfolio segment, is summarized as follows:

(dollars in thousands)

	For the quarter ended June 30, 2011			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$4,150	39,336	194	43,680
Loans charged off:				
New York and other states*	19	810	26	855
Florida	600	1,741	-	2,341
Total loan chargeoffs	619	2,551	26	3,196
Recoveries of loans previously charged off:				
New York and other states*	51	131	18	200
Florida	1	26	-	27
Total recoveries	52	157	18	227
Net loans charged off	567	2,394	8	2,969
Provision for loan losses	581	4,302	(33)	4,850
Balance at end of period	\$4,164	41,244	153	45,561

(dollars in thousands)

	For the six months ended June 30, 2011			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$4,227	37,448	236	41,911
Loans charged off:				
New York and other states*	69	1,815	48	1,932
Florida	600	3,618	1	4,219
Total loan chargeoffs	669	5,433	49	6,151
Recoveries of loans previously charged off:				
New York and other states*	51	237	31	319
Florida	4	27	1	32
Total recoveries	55	264	32	351
Net loans charged off	614	5,169	17	5,800
Provision for loan losses	551	8,965	(66)	9,450
Balance at end of period	\$4,164	41,244	153	45,561

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The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method:

	June 30, 2011			Total
	Commercial Loans	Real Estate Mortgage- 1 to 4 Family	Installment Loans	
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	4,164	41,244	153	45,561
Total ending allowance balance	\$4,164	41,244	153	45,561

Loans:				
Individually evaluated for impairment	\$12,276	324	-	12,600
Collectively evaluated for impairment	236,848	2,174,689	3,837	2,415,374
Total ending loans balance	\$249,124	2,175,013	3,837	2,427,974

	December 31, 2010			Total
	Commercial Loans	Real Estate Mortgage- 1 to 4 Family	Installment Loans	
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	4,227	37,448	236	41,911
Total ending allowance balance	\$4,227	37,448	236	41,911

Loans:				
Individually evaluated for impairment	\$14,024	336	-	14,360
Collectively evaluated for impairment	244,229	2,091,993	4,683	2,340,905
Total ending loans balance	\$258,253	2,092,329	4,683	2,355,265

The Company identifies impaired loans and measures the impairment in accordance with “Accounting by Creditors for Impairment of a Loan” (FASB ASC 310-10-35). A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring (TDR). These standards are applicable principally to commercial and commercial real estate loans; however, certain provisions dealing with restructured loans also apply to retail loan products. A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR’s, which are included in nonaccrual loans at June 30, 2011 and December 31, 2010, are measured at the present value of estimated future cash flows using the loan’s

effective rate at inception.

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The following tables present impaired loans by loan class as of June 30, 2011 and December 31, 2010:

June 30, 2011					
New York and other states*:					
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial:					
Commercial real estate	\$5,073	5,659	-	5,359	-
Other	17	37	-	98	-
Real estate mortgage - 1 to 4 family:					
First mortgages	324	493	-	330	18
Home equity loans	-	52	-	-	3
Home equity lines of credit	-	76	-	-	1
<b>Total</b>	<b>\$5,414</b>	<b>6,317</b>	<b>-</b>	<b>5,787</b>	<b>22</b>

December 31, 2010					
Florida:					
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial:					
Commercial real estate	\$7,186	11,156	-	7,686	-
Other	-	-	-	-	-
Real estate mortgage - 1 to 4 family:					
First mortgages	-	-	-	-	-
<b>Total</b>	<b>\$7,186</b>	<b>11,156</b>	<b>-</b>	<b>7,686</b>	<b>-</b>

December 31, 2010					
New York and other states*:					
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial:					
Commercial real estate	\$5,617	6,217	-	3,792	-
Other	126	189	-	179	-
Real estate mortgage - 1 to 4 family:					
First mortgages	336	516	-	373	39
Home equity loans	-	58	-	-	6
Home equity lines of credit	-	77	-	-	3
<b>Total</b>	<b>\$6,079</b>	<b>7,057</b>	<b>-</b>	<b>4,344</b>	<b>48</b>





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Florida:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial:					
Commercial real estate	\$8,281	12,798	-	9,289	-
Other	-	-	-	1	-
Real estate mortgage - 1 to 4 family:					
First mortgages	-	-	-	-	-
Total	\$8,281	12,798	-	9,290	-

The average recorded investment in impaired loans includes the year-to-date average of all impaired loans.

The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as impaired.

Management evaluates impairment on commercial and commercial real estate loans that are past due as well as in situations where circumstances dictate that an evaluation is prudent. If, during this evaluation, impairment of the loan is identified, a charge-off is taken at that time. As a result, as of June 30, 2011 and December 31, 2010, based upon management's evaluation and due to the sufficiency of chargeoffs taken, none of the allowance for loan losses has been allocated to a specific impaired loan(s).

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. On at least an annual basis, the Company's loan review process analyzes non-homogeneous loans, such as commercial and commercial real estate loans, individually by grading the loans based on credit risk. The Company uses the following definitions for classified loans:

**Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

**Substandard:** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. All substandard loans are considered impaired.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

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Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

New York and other states*:	As of June 30, 2011		
	Pass	Classified	Total
(dollars in thousands)			
Commercial:			
Commercial real estate	\$ 187,549	7,399	194,948
Other	26,413	137	26,550
	\$ 213,962	7,536	221,498
Florida:	Pass	Classified	Total
(dollars in thousands)			
Commercial:			
Commercial real estate	\$ 20,290	7,186	27,476
Other	150	-	150
	\$ 20,440	7,186	27,626
New York and other states*:	As of December 31, 2010		
	Pass	Classified	Total
(dollars in thousands)			
Commercial:			
Commercial real estate	\$ 189,809	6,994	196,803
Other	32,286	256	32,542
	\$ 222,095	7,250	229,345
Florida:	Pass	Classified	Total
(dollars in thousands)			
Commercial:			
Commercial real estate	\$ 20,363	8,281	28,644
Other	264	-	264
	\$ 20,627	8,281	28,908

For homogeneous loan pools, such as residential mortgages, home equity lines of credit, and installment loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Bank's collection area and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at June 30, 2011 and December 31, 2010 is included in the aging of the recorded investment of past due loans table. In addition, the total nonperforming portion of these

homogeneous loan pools at June 30, 2011 and December 31, 2010 is presented in the recorded investment in non-accrual loans table.

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6. Fair Value

Fair value measurements (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the value that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of assets and liabilities:

**Securities Available for Sale:** Securities available for sale are fair valued utilizing an independent pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. This results in a Level 2 classification of the inputs for determining fair value. Interest and dividend income is recorded on the accrual method and included in the income statement in the respective investment class under total interest income. Also classified as available for sale securities are equity securities where fair value is determined by quoted market prices and these are designated as Level 1.

**Other Real Estate Owned:** The fair value of other real estate owned is determined by use of appraisals, comparable sales and property valuation techniques. This results in a Level 3 classification of the inputs for determining fair value. At June 30, 2011 and December 31, 2010, the majority of other real estate owned consisted of residential real estate property.

**Impaired Loans:** Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral and takes into consideration the costs necessary to dispose of the property. Collateral values are estimated using Level 3 input based on the discounting of the collateral measured by appraisals. At June 30, 2011 and December 31, 2010, impaired loan consisted primarily of loans secured by commercial real estate.

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Assets and liabilities measured at fair value under ASC 820 on a recurring basis are summarized below:

	Carrying Value	Fair Value Measurements at June 30, 2011 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
Securities available-for sale:				
U.S. government- sponsored enterprises	\$676,062	-	676,062	-
State and political subdivisions	57,670	-	57,670	-
Mortgage-backed securities and collateralized mortgage obligations - residential	66,333	-	66,333	-
Corporate bonds	103,194	-	103,194	-
Other securities	661	11	650	-
<b>Total securities available-for-sale</b>	<b>\$903,920</b>	<b>11</b>	<b>903,909</b>	<b>-</b>

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	Carrying Value	Fair Value Measurements at December 31, 2010 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
Securities available-for sale:				
U.S. government- sponsored enterprises	\$614,886	-	614,886	-
State and political subdivisions	79,764	-	79,764	-
Mortgage-backed securities and collateralized mortgage obligations - residential	73,567	-	73,567	-
Corporate bonds	115,504	-	115,504	-
Other securities	967	317	650	-
<b>Total securities available-for-sale</b>	<b>\$884,688</b>	<b>317</b>	<b>884,371</b>	<b>-</b>

The securities available for sale in the above table do not include Federal Home Loan Bank stock and Federal Reserve Bank stock as these assets are not measured at fair value on a recurring basis, rather their fair value approximates their cost basis.

Assets measured at fair value on a non-recurring basis are summarized below:

	Carrying Value	Fair Value Measurements at June 30, 2011 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
Other real estate owned	\$4,844	-	-	4,844
Impaired loans	7,186	-	-	7,186

Other real estate owned, which is carried at fair value, approximates \$4.8 million at June 30, 2011. Valuation charges of \$1.7 million and \$2.7 million are included in earnings for the three and six months ended June 30, 2011, respectively.

Of the total impaired loans of \$12.6 million at June 30, 2011, \$7.2 million are collateral dependent and are carried at fair value measured on a non-recurring basis. Due to the sufficiency of charge-offs taken on these loans and the adequacy of the underlying collateral, there were no specific valuation allowances for these loans. Gross charge-offs

related to impaired loans were \$619 thousand and \$669 thousand for the three and six months ended June 30, 2011, respectively.

Fair Value Measurements at  
December 31, 2010 Using:

(Dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	\$7,416	-	-	7,416
Impaired loans	8,307	-	-	8,307

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Other real estate owned, which is carried at fair value, approximates \$7.4 million at December 31, 2010. A valuation charge of \$2.6 million is included in earnings for the year ended December 31, 2010.

At December 31, 2010, impaired loans had a fair value of \$8.3 million. Due to the sufficiency of charge-offs taken on these loans and the adequacy of the underlying collateral, there were no specific valuation allowances for these loans. Gross charge-offs related to impaired loans were \$2.6 million for the year ended

There have been no transfers between Level 1 and Level 2 during 2011 and 2010.

In accordance with ASC 825, the carrying amounts and estimated fair values of financial instruments, at June 30, 2011 and December 31, 2010 are as follows:

(dollars in thousands)	As of June 30, 2011	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	\$520,876	520,876
Securities available for sale	910,781	910,781
Held to maturity securities	154,528	163,441
Net loans	2,382,413	2,462,417
Accrued interest receivable	12,866	12,866
Financial liabilities:		
Demand deposits	259,459	259,459
Interest bearing deposits	3,393,072	3,397,464
Short-term borrowings	128,807	128,807
Accrued interest payable	858	858

(dollars in thousands)	As of December 31, 2010	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	\$444,250	444,250
Securities available for sale	891,601	891,601
Held to maturity securities	191,712	200,206
Net loans	2,313,354	2,372,880
Accrued interest receivable	13,178	13,178
Financial liabilities:		
Demand deposits	251,091	251,091
Interest bearing deposits	3,302,996	3,305,586
Short-term borrowings	124,615	124,615
Accrued interest payable	1,073	1,073



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The specific estimation methods and assumptions used can have a substantial impact on the resulting fair values of financial instruments. Following is a brief summary of the significant methods and assumptions used in estimating fair values:

### Cash and Cash Equivalents

The carrying values of these financial instruments approximate fair values.

### Securities

Securities available for sale and held to maturity are fair valued utilizing an independent pricing service. The pricing service uses a variety of techniques to arrive at fair value including market maker bids and quotes of significantly similar securities and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows.

### Loans

The fair values of all loans are estimated using discounted cash flow analyses with discount rates equal to the interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

### Deposit Liabilities

The fair values disclosed for noninterest bearing deposits, interest bearing checking accounts, savings accounts, and money market accounts are, by definition, equal to the amount payable on demand at the balance sheet date. The carrying value of all variable rate certificates of deposit approximates fair value. The fair value of fixed rate certificates of deposit is estimated using discounted cash flow analyses with discount rates equal to the interest rates currently being offered on certificates of similar size and remaining maturity.

### Short-Term Borrowings and Other Financial Instruments

The fair value of all short-term borrowings, and other financial instruments approximates the carrying value.

### Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk. Such financial instruments consist of commitments to extend financing and standby letters of credit. If the commitments are exercised by the prospective borrowers, these financial instruments will become interest earning assets of the Company. If the commitments expire, the Company retains any fees paid by the prospective borrower. The fair value of commitments is estimated based upon fees currently charged to enter into similar agreements, taking into consideration the remaining terms of the agreements and the present creditworthiness of the borrower. For fixed rate commitments, the fair value estimation takes into consideration an interest rate risk factor. The fair value of these off-balance sheet items approximates the recorded amounts of the related fees, which are considered to be immaterial.

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The Company does not engage in activities involving interest rate swaps, forward placement contracts, or any other instruments commonly referred to as derivatives.

7. Subsequent Events

On July 6, 2011, the Company completed a public offering of 15,640,000 shares of common stock, \$1 par value per share. The 15,640,000 shares included 2,040,000 additional shares of common stock as a result of the underwriters exercising their over-allotment option. The common stock was sold at \$4.60 per share. Net proceeds from the offering were \$68.1 million before direct offering costs.

8. Adoption of New Accounting Guidance

The FASB has issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This ASU amends the FASB Accounting Standards Codification<sup>TM</sup> (Codification) to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

ASU 2011-05 should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The provisions of this update are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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The FASB has issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This ASU represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term “fair value.” The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments to the FASB Accounting Standards Codification™ (Codification) in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The provisions of this update are not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

The FASB has issued Accounting Standards Update (ASU) No. 2011-02, Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The FASB believes the guidance in this ASU will improve financial reporting by creating greater consistency in the way GAAP is applied for various types of debt restructurings. The ASU clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. The amendments to FASB Accounting Standards Codification™ (Codification) Topic 310, Receivables, clarify the guidance on a creditor’s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. For public companies, the new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The adoption of this update will result in additional disclosures in the interim and annual consolidated financial statements.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
TrustCo Bank Corp NY  
Glenville, New York

We have reviewed the accompanying consolidated statement of financial condition of TrustCo Bank Corp NY as of June 30, 2011, and the related consolidated statements of income and changes in shareholders equity for the three-month and six-month periods ended June 30, 2011 and 2010, and the related consolidated statements of cash flows for the six-month periods ended June 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP

Livingston, New Jersey  
August 8, 2011

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

Forward-looking Statements

Statements included in this report and in future filings by TrustCo Bank Corp NY ("TrustCo" or the "Company") with the Securities and Exchange Commission, in TrustCo's press releases, and in oral statements made with the approval of an authorized executive officer, which are not historical or current facts, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Forward-looking statements can be identified by the use of such words as may, will, should, could, would, estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

In addition to the factors described under Item 1A, Risk Factors, the following important factors, among others, in some cases have affected and in the future could affect TrustCo's actual results, and could cause TrustCo's actual financial performance to differ materially from that expressed in any forward-looking statement:

- Credit risk,
- The effects of and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rates, market and monetary fluctuations.
- Competition,
- The effect of changes in financial services laws and regulations (including laws concerning taxation, banking and securities).
- Real estate and collateral values,
- Changes in accounting policies and practices, as may be adopted by the bank regulatory agencies Financial Accounting Standards Board ("FASB") or the Public Company Accounting Oversight Board;
- Changes in local market areas and general business and economic trends,
- The matters described under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2010 and in our subsequent securities filings.

The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events.

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Following this discussion is the table "Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential" which gives a detailed breakdown of TrustCo's average interest earning assets and interest bearing liabilities for the three months and six months ended June 30, 2011 and 2010.

### Introduction

The review that follows focuses on the factors affecting the financial condition and results of operations of TrustCo during the three-month and six-month periods ended June 30, 2011, with comparisons to 2010 as applicable. Net interest margin is presented on a fully taxable equivalent basis in this discussion. The consolidated interim financial statements and related notes, as well as the 2010 Annual Report to Shareholders should be read in conjunction with this review. Amounts in prior period consolidated interim financial statements are reclassified whenever necessary to conform to the current period's presentation.

Financial markets continued to present mixed messages during the second quarter of 2011. Equity markets were generally strong, with the S&P 500 Index up 5.0% during the period, with somewhat greater volatility than in the first quarter. Credit markets continued to show significant volatility during the quarter, with interest rates generally down from March 31, 2011 to June 30, 2011. For example, the 10 year Treasury yield declined 29 basis points to 3.18%. The target Fed Funds range remained unchanged at zero to 0.25% during the second quarter.

Underlying national economic conditions remain subdued, with persistent issues in regard to unemployment and continued high levels of financial leverage in some sectors. The housing market remains troubled and issues regarding home foreclosures remain prominent topics of discussion in the media and within government. Federal deficits and debt levels have received significant political and media attention, and sovereign fiscal issues in a number of nations, including Greece, Ireland, Spain and others have caused significant uncertainty in financial markets worldwide.

The pace of bank failures has remained elevated thus far in 2011, though down from 2010 levels, with the focus mostly on smaller institutions. Most closures have been the result of capital and asset quality problems, rather than the liquidity issues that resulted in the failures and near-failures of some of the largest financial institutions in the world during the initial phase of the financial crisis. The 2008 through early 2010 period saw unprecedented intervention by governments in markets and the financial services industry as the United States saw the two largest bank failures in its history in 2008 as well as failures of other major financial institutions, forced mergers and massive government bailouts. The United States Government responded to these events with legislation, including the Emergency Economic Stabilization Act of 2008, which authorized the Troubled Asset Relief Program ("TARP"), and the American Recovery and Reinvestment Act of 2010 ("ARRA") more commonly known as the economic stimulus or economic recovery package, which was intended to stimulate the economy and provide for extensive infrastructure, energy, health and education needs. In addition, the Federal Reserve Board ("FRB"), implemented a variety of major initiatives, including a sharp easing of monetary policy and direct intervention in a number of financial markets, and the Federal Deposit Insurance Corporation ("FDIC"), the Treasury Department and other bank regulatory agencies also instituted a wide variety of programs. The FRB has lowered its expectations for economic recovery in the United States and many economists have done the same with regard to forecasts for the remainder of 2011 as well as 2012. The overhang of significant loan and asset quality problems, as well as uncertainty regarding the eventual need for the FRB to move away from its easy money policy and the need for the FRB and other elements of the government to withdraw various supporting mechanisms remain concerns for both the economy and financial markets. Although the FRB's quantitative easing program ended in June of 2011 in terms of adding to its positions, it continues to maintain its positions. It is not clear how aggressive the government will be in unwinding some of the programs that are now in place, if any of those programs are to be unwound at all. The federal government, primarily through the Treasury Department and the federal banking agencies, is also implementing the financial reform bill, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act."), which will likely have a significant impact on the financial services industry. Regulatory changes that are likely to be implemented in the coming months are

expected to reduce interchange revenues that banks currently earn.

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TrustCo's believes that its long-term focus on traditional banking services has enabled the Company to avoid significant impact from asset quality problems and that the Company's strong liquidity and solid capital positions have allowed the Company to continue to conduct business in a manner consistent with its past practice. TrustCo has not engaged in the types of high risk loans and investments that have led to the widely reported problems in the industry. Nevertheless, the Company has experienced an increase in nonperforming loans, although management believes the level remains manageable. While the Company does not expect to see a significant increase in the inherent risk of loss in its loan portfolios at June 30, 2011, should general housing prices and other economic measures, such as unemployment, in the Company's market areas deteriorate, the Company may experience an increase in the level of risk and in its classified loans.

In addition, the natural flight to quality that occurs in financial crises as investors focus on the safest possible investments, cuts in targeted interest rates and liquidity injections by the Federal government have all served to reduce yields available on both short term liquidity (Fed Funds and other short term investments) as well as the low risk types of securities typically invested in by the Company. During the quarter, the slope of the yield curve was relatively positive, but there was some compression of the slope compared to the first quarter of 2011. The slope of the curve, as measured by the difference between the 10 year Treasury and the 2 year Treasury, averaged 2.64% in the second quarter of 2011, down 12 basis points from the average level during the first quarter. The future course of interest rates is subject to significant uncertainty, as various indicators are providing contradicting signals. For example, the FRB's quantitative easing through June 2011 was designed to maintain low interest rates, but the end of the quantitative easing program and the sheer volume of government financing expected in the coming quarters may lead to increased rates. Potentially offsetting these issues is that Treasuries continue to be viewed as a safe haven by many investors around the world, with their demand serving to dampen any upward pressure on yields. Finally, the Dodd-Frank Act creates additional uncertainty for the Company and the Bank. This law significantly changes the current bank regulatory structure and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies.



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The level of home foreclosures nationally remains an area of intense political and media interest. Recently, there have been instances of foreclosures where the paperwork or process may not have met legal requirements. Much of this has been related to mortgages that were sold one or more times, and in many cases were eventually securitized. The changes of ownership and the securitization process may have contributed to the reported errors that have been uncovered. Also recently, efforts by mortgage servicers and secondary market purchasers of mortgage loans to require mortgage originators to repurchase troubled loans have also increased. TrustCo's mortgage loan portfolio consists of loans it and its employees have originated and serviced. Files with the relevant documents are retained and monitored by staff members on Bank premises. As a result, management believes the Company is unlikely to be significantly affected by errors in foreclosing on its mortgage loans. In addition, because TrustCo generally originates loans to be held in its portfolio, the exposure that can come with being forced to buy back nonperforming loans that have been sold is limited.

Overview

TrustCo recorded net income of \$7.8 million, or \$0.100 of diluted earnings per share for the three months ended June 30, 2011, as compared to net income of \$7.1 million or \$0.093 of diluted earnings per share in the same period in 2010.

For the first half of 2011, TrustCo recorded net income of \$15.1 million, or \$0.196 of diluted earnings per share, as compared to net income of \$14.1 million or \$0.183 of diluted earnings per share in the same period in 2010.

The primary factors accounting for the change for three and six-month periods through June 30, 2011 as compared to the prior year were:

- An increase in the average balance of interest earning assets of \$258.4 million to \$3.94 billion for the second quarter of 2011 compared to the same period in 2010, and an increase of \$285.2 million for the first half of 2010 as compared to the prior year,
- An increase in the average balance of interest bearing liabilities of \$230.5 million to \$3.50 billion for the second quarter of 2011 as compared to 2010, and an increase of \$262.7 million for the second half of 2010, compared to the prior year,
- An decrease in net interest margin for the second quarter of 2011 to 3.47% from 3.51% in the prior year, while the margin for the first half of the year declined 14 basis points to 3.43%. The quarter over quarter decline in the margin partly offset the beneficial impact of the increase in average earning assets, resulting in an increase of \$1.9 million in taxable equivalent net interest income in the second quarter of 2011 compared to the second quarter of 2010.

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- A decrease in the provision for loan losses to \$4.9 million in the second quarter of 2011 from \$7.1 million in the second quarter of 2010 and a decrease to \$9.5 million from \$11.8 million in the provision in the first half of 2011, compared to the prior year period. The decline in both the three and six month periods versus the prior year reflect a number of factors, with the most significant being reductions in net chargeoffs of \$4.4 million for both periods.
- A decrease of \$686 thousand in net gains on securities transactions for the second quarter of 2011 as compared to same period in 2010, and a decrease of \$403 thousand in the first half of 2011 compared to the prior year period.
- An increase of \$1.0 million in noninterest expense, excluding net other real estate expenses, for the second quarter of 2011 as compared to 2010 and an increase of \$2.1 million for the first half of 2011 compared to the prior year, and
- An increase of \$1.3 million in net other real estate expense for the second quarter of 2011 compared to the same period in 2010 and an increase of \$938 thousand for the first half of 2011 compared to the prior year period.

Asset/Liability Management

The Company strives to generate its earnings capabilities through a mix of core deposits funding a prudent mix of earning assets. Additionally, TrustCo attempts to maintain adequate liquidity and reduce the sensitivity of net interest income to changes in interest rates to an acceptable level while enhancing profitability both on a short-term and long-term basis.

TrustCo's results are affected by a variety of factors including competitive and economic conditions in the specific markets in which the Company operates and more generally in the national economy, financial market conditions and the regulatory environment. Each of these is dynamic and changes in any area can have an impact on TrustCo's results. Included in the Annual Report to Shareholders for the year ended December 31, 2010 is a description of the effect interest rates had on the results for the year 2010 compared to 2009. Many of the same market factors discussed in the 2010 Annual Report continued to have a significant impact on the quarterly and year to date results for 2011.

TrustCo competes with other financial service providers based upon many factors including quality of service, convenience of operations, and rates paid on deposits and charged on loans. In the experience of management, the absolute level of interest rates, changes in interest rates and customers' expectations with respect to the direction of interest rates have a significant impact on the volume of loan and deposit originations in any particular period.

Interest rates have a significant impact on the operations and financial results of all financial services companies. One of the most important interest rates used to implement national economic policy is the "Federal Funds" rate. This is the interest rate utilized within the banking system for overnight borrowings for institutions with the highest credit rating. The Federal Funds target rate decreased from 4.25% at the beginning of 2008 to a target range of 0.00% to 0.25% by the end of 2008, with the reductions occurring throughout the year. The target range has not been changed since. Traditionally interest rates on bank deposit accounts are heavily influenced by the Federal Funds rate. Deposit rates continued to decline in the second quarter of 2011 relative to prior periods, but the pace of the decline slowed. Please refer to the statistical disclosures in the table below entitled "Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential."

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The interest rate on the 10 year Treasury bond and other long-term interest rates has a significant influence on the rates for new residential real estate loans. The Federal Reserve Board has attempted to influence rates on mortgage loans by means other than targeting a lower Federal Funds rate, including direct intervention in the mortgage-backed securities market, through purchasing these securities in an attempt to raise prices and reduce yields. Eventually, management believes, the FRB will have to unwind these positions, by selling mortgage-backed securities, which would likely have the opposite effect, putting upward pressure on rates, although other factors may mitigate this pressure. Increases in energy and commodities during the first half of 2011 may increase inflation concerns, which would also put upward pressure on rates and downward pressure on the securities prices. These changes in interest rates have an effect on the Company relative to the interest income on loans, securities, and Federal Funds sold and other short term instruments as well as on interest expense on deposits and borrowings.

The principal loan product for TrustCo is residential real estate loans. As noted above, residential real estate loans and longer-term investments are most affected by the changes in longer term market interest rates such as the 10 year Treasury. As noted previously, the 10 year Treasury yield, while fluctuating during the quarter, is at a very low level relative to historical yields.

Interest rates on new residential real estate loan originations are also influenced by the rates established by secondary market participants such as Freddie Mac and Fannie Mae. Because TrustCo is a portfolio lender and does not generally sell loans into the secondary market, the Company establishes rates that management determines are appropriate in light of the long-term nature of residential real estate loans while remaining competitive with the secondary market rates. Financial market volatility and the problems faced by the financial services industry have somewhat lessened the influence of the secondary market, however various programs initiated by arms of the Federal government have had an impact on rate levels for certain products. Most importantly, a government goal of keeping mortgage rates low has been supported by targeted buying of certain securities, thus supporting prices and constraining yields, as noted above.

The Federal Funds sold portfolio and other short term investments are affected primarily by changes in the Federal Funds target rate. Also, changes in interest rates have an effect on the recorded balance of the securities available for sale portfolio, which is recorded at fair value. Generally, as interest rates increase the fair value of these securities will decrease.

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Interest rates generally remained below historic norms on both short term and longer term investments. As noted, deposit costs have generally continued to decline over the second quarter of 2011, although the rate of decline has slowed.

While TrustCo has been affected somewhat by aspects of the overall changes in financial markets, it has not been affected to the degree the mortgage crisis has affected some banks and financial institutions in the United States. Generally, the crisis revolves around actual and anticipated higher levels of delinquencies and defaults on mortgage loans, in many cases arising, in management's view, from lenders with overly liberal underwriting standards, changes in the types of mortgage loans offered, significant upward resets on adjustable rate loans and fraud, among other factors. The Company utilizes a traditional underwriting process in evaluating loan applications, and since originated loans are retained in portfolio there is a strong incentive to be conservative in making credit decisions. For additional information concerning TrustCo's loan portfolio and non-performing loans, please refer to the discussions under "Loans" and "Nonperforming Assets," respectively. Further, the Company does not rely on borrowed funds to support its assets and maintains a very significant level of liquidity on the asset side of the balance sheet. These characteristics provide the Company with increased flexibility and stability during periods of market disruption.

For the second quarter of 2011, the net interest margin was 3.47%, down 4 basis points versus the prior year quarter. The quarterly results reflect the following significant factors:

- The average balance of federal funds sold and other short-term investments increased by \$36.6 million while the average yield remained flat at 25 basis points in the second quarter of 2011 compared to the same period in 2010. The increase in the average balance reflects the strong growth of deposit account balances, the lack of attractive longer term investment opportunities, and the Company's intent to maintain additional liquidity.
- The average balance of securities available for sale and held-to-maturity securities increased by \$135.1 million and the average yield decreased to 2.92% for the second quarter of 2011 compared to 3.71% for the same period in 2010. Within the total securities portfolio, the available-for-sale portfolio increased by \$212.7 million, while the held-to-maturity portfolio decreased by \$77.6 million.
- The average loan portfolio grew by \$86.7 million to \$2.39 billion and the average yield decreased 17 basis points to 5.38% in the second quarter of 2011 compared to the same period in 2010. The decline in the average yield primarily reflects the decline in market interest rates on new loan originations as older, higher rate loans pay down.
- The average balance of interest bearing liabilities (primarily deposit accounts) increased \$230.5 million and the average rate paid decreased 38 basis points to 0.76% in the second quarter of 2011 compared to the same period in 2010. The decline in the rate paid on interest bearing liabilities reflects the decline in market interest rates and changes in competitive conditions.

During the second quarter of 2011, the Company continued to focus on its strategy to expand the loan portfolio by offering competitive interest rates as the rate environment changed. Management believes the TrustCo residential real estate loan product is very competitive compared to local and national competitors. As noted, the widespread disruptions in the mortgage market as a result of the financial crisis have not had a significant impact on TrustCo, partly because the Company has not originated the types of loans that have been responsible for many of the problems causing the disruptions as well as the fact that housing prices in the Company's primary market of the Capital Region of New York have not experienced the declines realized in other areas of the country. The withdrawal from the market of some of the troubled lenders that did focus on subprime and similar loans slightly improved competitive conditions for the type of residential mortgage loans focused on by TrustCo, however competition remains strong.

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The strategy on the funding side of the balance sheet continues to be to attract deposit customers to the Company based upon a combination of service, convenience and interest rate. The Company has periodically offered attractive long-term deposit rates as part of a strategy to lengthen deposit lives. The decline in the federal funds rate and slightly lessened competitive conditions has led to lower deposit rates offered by most depository institutions, including TrustCo, during the second quarter of 2011. However, the decline in deposit costs has lagged the decline in the Federal Funds target rate.

### Earning Assets

Total average interest earning assets increased from \$3.68 billion in the second quarter of 2010 to \$3.94 billion in the same period of 2011 with an average yield of 4.52% in 2010 and 4.14% in 2011. Interest income on average earning assets decreased from \$41.6 million in the second quarter of 2010 to \$40.8 million in the second quarter of 2011, on a tax equivalent basis, as the increase in average earning assets did not fully offset the decline in average yield.

### Loans

The average balance of loans was \$2.39 billion in the second quarter of 2011 and \$2.31 billion in the comparable period in 2010. The yield on loans decreased 17 basis points to 5.38%. The higher average balances roughly offset the lower yield, leading to a nominal increase in the interest income on loans from \$32.0 million in the second quarter of 2010 to \$32.2 million in the second quarter of 2011.

Compared to the second quarter of 2010, the average balance of the loan portfolio during the second quarter of 2011 increased in residential mortgages and home equity lines of credit, but declined in commercial and installment loans. The average balance of residential mortgage loans was \$1.84 billion in 2011 compared to \$1.75 billion in 2010, an increase of 5.3%. The average yield on residential mortgage loans decreased by 23 basis points to 5.56% in the second quarter of 2011 compared to 2010.

TrustCo actively markets the residential loan products within its market territories. Mortgage loan rates are affected by a number of factors including rates on treasury securities, the federal funds rate and rates set by competitors and secondary market participants. As noted earlier, market interest rates have changed significantly in recent years as a result of national economic policy in the United States, as well as due to disruptions in the mortgage market. During this period of changing interest rates, TrustCo aggressively marketed the unique aspects of its loan products thereby attempting to create a differentiation from other lenders. These unique aspects include extremely low closing costs, fast turn-around time on loan approvals, no escrow or mortgage insurance requirements for qualified borrowers and the fact that the Company typically holds these loans in portfolio and does not sell them into the secondary markets. Assuming a rise in long-term interest rates, the Company would anticipate that the unique features of its loan product will continue to attract customers in the residential mortgage loan area.

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Commercial loans, which consist primarily of loans secured by commercial real estate, decreased \$15.6 million to an average balance of \$250.3 million in the second quarter of 2011 over the prior year. The average yield on this portfolio decreased 1 basis point to 5.87% over the same period.

The average yield on home equity credit lines increased 7 basis points to 3.72% during the second quarter of 2011 compared to 2010. The roughly flat yield reflects that the underlying index rate was unchanged over the last year. The average balances of home equity lines increased 3.8% to \$294.2 million in the second quarter of 2011 as compared to the prior year.

Securities Available-for-Sale

The average balance of the securities available-for-sale portfolio for the second quarter of 2011 was \$986.0 million compared to \$773.4 million for the comparable period in 2010. The higher balances reflect limited growth in net loans during the quarter, the strong growth in deposit balances and a shift away from the held-to-maturity portfolio. The average yield was 2.65% for the second quarter of 2011 and 3.63% for the second quarter of 2010. The decline in yield reflects the reinvestment of funds from the calls and maturities of securities into new securities at lower market yields. This portfolio is primarily comprised of bonds issued by government sponsored enterprises (such as Fannie Mae, the Federal Home Loan Bank, and Freddie Mac), municipal bonds, corporate bonds and residential mortgage-backed securities. These securities are recorded at fair value with any adjustment included in other comprehensive income.

The net unrealized gain in the available-for-sale securities portfolio was \$2.3 million as of June 30, 2011 compared to an unrealized gain of \$3.1 million as of June 30, 2010, with the change due primarily to a decrease in long term interest rates.

Held-to-Maturity Securities

The average balance of held-to-maturity securities was \$161.3 million for the second quarter of 2011 compared to \$238.8 million in the second quarter of 2010. The decline in balances reflects calls and maturities, while the low rate environment has reduced the attractiveness of adding new securities to this portfolio. Nevertheless, the Company does expect to continue to designate some of its securities as held-to-maturity. The decline in this portfolio was more than offset by the increase in the available-for-sale portfolio. The average yield was 4.55% for the 2011 period compared to 3.86% for the year earlier period. TrustCo expects to hold the securities in this portfolio until they mature or are called.

As of June 30, 2011, the securities in this portfolio include residential mortgage-backed securities and corporate bonds. The balances for these securities are recorded at amortized cost.

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## Federal Funds Sold and Other Short-term Investments

The 2011 second quarter average balance of federal funds sold and other short-term investments was \$400.5 million, a \$36.6 million increase from the \$363.8 million average for the same period in 2010. The yield was flat at 0.25% as the target rate set by the Federal Reserve Board for federal funds sold remained unchanged. Interest income from this portfolio increased by approximately \$26 thousand from \$228 thousand in 2010 to \$254 thousand in 2011, reflecting the average balance increase.

The federal funds sold and other short-term investments portfolio is utilized to generate additional interest income and liquidity as funds are waiting to be deployed into the loan and securities portfolios.

## Funding Opportunities

TrustCo utilizes various funding sources to support its earning asset portfolio. The vast majority of the Company's funding comes from traditional deposit vehicles such as savings, demand deposits, interest-bearing checking, money market and time deposit accounts.

Total average interest-bearing deposits (which includes interest-bearing checking, money market accounts, savings, and certificates of deposit) increased from \$3.15 billion during the second quarter of 2010 to \$3.37 billion in the second quarter of 2011, and the average rate paid decreased from 1.12% for 2010 to 0.74% for 2011. Total interest expense on these deposits decreased \$2.6 million to \$6.2 million in the second quarter of 2011 compared to the year earlier period. The increase in deposits versus the prior year was due to strong growth in core deposits more than offsetting a decline in certificates of deposit. The low rate environment led more consumers to hold funds in money market, savings and demand accounts as opposed to committing to a longer term certificate. From the second quarter of 2010 to the second quarter of 2011, interest bearing demand account average balances were up 10.4%, money market account average balances were up 26.3% and savings account average balances were up 25.7%, while non-interest demand average balances were up 2.8%. Average balances in certificates of deposits declined 2.8% over the same time frame, but still constitute 38.7% of total average deposits. The Company does not accept brokered deposits of any kind and does not pay premium rates on certificates with balances over \$100,000.

At June 30, 2011, the maturity of total time deposits is as follows:

(dollars in thousands)

Under 1 year	\$	1,072,917
1 to 2 years		262,934
2 to 3 years		47,790
3 to 4 years		11,509
4 to 5 years		5,543
Over 5 years		448
	\$	1,401,141

Average short-term borrowings for the quarter were \$130.3 million in 2011 compared to \$119.4 million in 2010. The average rate decreased during this time period from 1.53% in 2010 to 1.18% in 2011.

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### Net Interest Income

Taxable equivalent net interest income increased by \$1.9 million to \$34.2 million in the second quarter of 2011 as compared to the same period in 2010. The net interest spread was flat at 3.38% in the second quarter of 2011 as compared to the year ago period. As previously noted, the net interest margin was down 4 basis points to 3.47% for the second quarter of 2011 as compared to the same period in 2010.

### Nonperforming Assets

Nonperforming assets include nonperforming loans (NPLs), which are those loans in a nonaccrual status, loans that have been restructured in a troubled debt restructuring, and loans past due three payments or more and still accruing interest. Also included in the total of nonperforming assets are foreclosed real estate properties, which are categorized as other real estate owned.

Impaired loans are considered to be those commercial and commercial real estate loans in a nonaccrual status and restructured loans. The following describes the nonperforming assets of TrustCo as of June 30, 2011:

Nonperforming loans: Total NPLs were \$49.5 million at June 30, 2011, compared to \$49.9 million at June 30, 2010 and to \$48.8 million at December 31, 2010. There were \$49.2 million of nonaccrual loans at June 30, 2011 compared to \$49.5 million at June 30, 2010 and \$48.5 million at December 31, 2010. Restructured loans were \$324 thousand at June 30, 2011 compared to \$386 thousand at June 30, 2010 and \$336 thousand at December 31, 2010. There were no loans at June 30, 2011 and 2010, or December 31, 2010 that were past due 90 days or more and still accruing interest.

At June 30, 2011, nonperforming loans include a mix of commercial and residential loans. Of total nonperforming loans of \$49.5 million, \$37.2 million were residential real estate loans and \$12.3 million were commercial mortgages and commercial loans, compared to \$34.3 million and \$14.0 million, respectively at December 31, 2010.

As previously noted, a significant percentage of non-performing loans are residential real estate loans, which are historically lower-risk than most other types of loans. The Bank's loan loss experience on these loans has generally been strong with net charge-offs of 0.45% of average residential real estate loans (including home equity lines of credit) for the second quarter of 2011 (annualized) compared to 0.58% for the second quarter of 2010. These levels are elevated compared to historical levels, reflecting current economic conditions. However, while the level of nonperforming loans has increased, the Company does not believe this represents a significant level of increased risk of loss in the current loan portfolios. Management believes that these loans have been appropriately written down where required.

Ongoing portfolio management is intended to result in early identification and disengagement from deteriorating credits. TrustCo has a diversified loan portfolio that includes a significant balance of residential mortgage loans to borrowers in the Capital Region of New York and avoids concentrations to any one borrower or any single industry. TrustCo has no advances to borrowers or projects located outside the United States. TrustCo continues to identify delinquent loans as quickly as possible and to move promptly to resolve problem loans. Efforts to resolve delinquencies begin immediately after the payment grace period expires, with repeated automatically generated notices as well as personalized phone calls and letters. Loans are placed in non-accrual status once they are 90 days past due or management has determined that such classification is appropriate. Once in non-accrual status, loans are either brought current and maintained current, at which point they may be returned to accrual status, or they proceed through the foreclosure process. The collateral on non-accrual loans is evaluated periodically and the loan value is written down if the collateral value is insufficient.



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The Company originates loans throughout its deposit franchise area. At June 30, 2011, 91.3% of its gross loan portfolio balances were in New York State and the immediately surrounding areas (including New Jersey, Vermont and Massachusetts), and 8.7% were in Florida. Those figures compare to 91.8% and 8.2%, respectively at December 31, 2010. Within these two geographic regions, commercial loans constitute a larger component of the local outstandings in Florida than in New York, at 13.1% and 10.0%, respectively, as of June 30, 2011 however the Florida number declined from 15.0% at December 31, 2010. The New York component also declined, but less significantly from 10.6% at December 31, 2010 to the 10.0% level noted.

Economic conditions vary widely by geographic location. Florida has experienced a more significant downturn than New York. Reflecting that, nonaccrual loans are more heavily weighted towards Florida. As of June 30, 2011, 40.6% of nonaccrual loans were to Florida borrowers, compared to 59.4% in New York and surrounding areas. The level of Florida based nonaccrual loans declined from 44.7% as of December 31, 2010. Net charge-offs also reflect local conditions. For the three months ended June 30, 2011, Florida net charge-offs were equal to 77.9% of total net charge-offs, compared to 22.1% for New York and surrounding areas. For the full year 2010, Florida net charge-offs were 72.2% of total net charge-offs, and New York and surrounding area net charge-offs were 27.8%. The higher level of net charge-offs relative to loan outstandings reflects both the higher level of nonaccrual loans in Florida as well as a greater severity of loss as housing prices have fallen more significantly and broadly in the Florida markets than in the Company's primary market area.

Other than loans currently identified as non performing, management is aware of no other loans in the Bank's portfolio that pose material risk of the eventual non-collection of principal and interest. Also as of June 30, 2011, there were no other loans classified for regulatory purposes that management reasonably expects will materially impact future operating results, liquidity, or capital resources.

TrustCo has identified nonaccrual commercial and commercial real estate loans, as well as all loans restructured under a troubled debt restructuring, as impaired loans. There were \$12.3 million of nonaccrual commercial mortgages and loans classified as impaired as of June 30, 2011, compared to \$14.0 million at December 31, 2010. There were \$324 thousand of impaired retail loans at June 30, 2011, compared to \$336 thousand at December 31, 2010. The average balances of all impaired loans were \$13.5 million during 2011 and \$12.5 million during 2010. The Company recognized approximately \$11 thousand of interest income on these loans in the second quarter of 2011, \$12 thousand in the second quarter of 2010 and approximately \$88 thousand for all of 2010.

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At June 30, 2011 there was \$4.8 million of foreclosed real estate as compared to \$5.4 million at June 30, 2010 and to \$7.4 million at December 31, 2010.

During the second quarter of 2011, there were \$619 thousand of gross commercial loan charge offs and \$2.6 million of gross residential mortgage and consumer loan charge-offs as compared with \$308 thousand of gross commercial loan charge-offs and \$3.2 million of residential mortgage and consumer loan charge-offs in the second quarter of 2010. Gross recoveries during the second quarter of 2011 were \$52 thousand for commercial loans and \$175 thousand for residential mortgage and consumer loans, compared to \$34 thousand for commercial loans and \$283 thousand for residential and consumer in the second quarter of 2010.

Allowance for loan losses: The balance of the allowance for loan losses is maintained at a level that is, in management's judgment, representative of the amount of risk incurred in the loan portfolio.

## Allocation of the Allowance for Loan Losses

The allocation of the allowance for loans losses is as follows:

	As of June 30, 2011			As of December 31, 2010		
	Amount	Percent of Loans to Total Loans	%	Amount	Percent of Loans to Total Loans	%
Commercial	\$4,164	10.3	%	\$4,227	11.0	%
Real estate - construction	252	0.5	%	262	0.6	%
Real estate mortgage - 1 to 4 family	33,989	76.8	%	30,429	75.8	%
Home equity lines of credit	7,003	12.3	%	6,757	12.4	%
Installment Loans	153	0.2	%	236	0.2	%
	\$45,561	100.0	%	\$41,911	100.0	%

At June 30, 2011, the allowance for loan losses was \$45.6 million, compared to the June 30, 2010 level of \$39.2 million and to the December 31, 2010 balance of \$41.9 million. The allowance represents 1.88% of the loan portfolio as of June 30, 2011 compared to 1.68% at June 30, 2010 and to 1.78% at December 31, 2010.

The provision for loan losses was \$4.9 million for the quarter ended June 30, 2011 compared to \$7.1 million for the second quarter of 2010 and to \$4.6 million in the quarter ended March 31, 2011. Net charge-offs for the three-month period ended June 30, 2011 were \$3.0 million, compared to \$7.4 million in the year earlier period, and were \$2.8 million in the quarter ended March 31, 2011. In deciding on the adequacy of the allowance for loan losses, management reviews the current nonperforming loan portfolio as well as loans that are past due and not yet categorized as nonperforming for reporting purposes. Also, there are a number of other factors that are taken into consideration, including:

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- The magnitude and nature of recent loan charge offs and recoveries, and
- The growth in the loan portfolio given existing economic conditions.

Management continues to monitor these factors in determining future provisions or credits for loan losses in relation to the economic environment, loan charge-offs, recoveries and the level and trends of nonperforming loans.

**Liquidity and Interest Rate Sensitivity**

TrustCo seeks to obtain favorable sources of funding and to maintain prudent levels of liquid assets in order to satisfy varied liquidity demands. TrustCo's earnings performance and strong capital position enable the Company to easily secure new sources of liquidity. The Company actively manages its liquidity through target ratios established under its liquidity policies. Continual monitoring of both historical and prospective ratios allows TrustCo to employ strategies necessary to maintain adequate liquidity. Management has also defined various degrees of adverse liquidity situations, which could potentially occur, and has prepared appropriate contingency plans should such a situation arise.

The Company uses an internal model as the primary tool to identify, quantify and project changes in interest rates and the impact on the balance sheet. The model utilizes assumptions with respect to cash flows and prepayment speeds taken both from industry sources and internally generated data based upon historical trends in the Bank's balance sheet. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in market interest rates are also incorporated into the model. This model calculates a fair value amount with respect to non-time deposit categories since these deposits are part of the core deposit products of the Company. The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure the fair value of capital or precisely predict the impact of fluctuations in interest rates on the fair value of capital.

Using this internal model, the fair values of capital projections as of June 30, 2011 are referenced below. The base case scenario shows the present estimate of the fair value of capital assuming no change in the operating environment or operating strategies and no change in interest rates from those existing in the marketplace as of June 30, 2011. The table indicates the impact on the fair value of capital assuming interest rates were to instantaneously increase by 100 bp, 200 bp, 300 bp and 400 bp or to decrease by 100 bp.

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As of June 30, 2011	Estimated Percentage of Fair value of Capital to Fair value of Assets	
+400 BP	11.40	%
+300 BP	12.28	
+200 BP	13.15	
+100 BP	14.06	
Current rates	14.49	
-100 BP	13.08	

## Noninterest Income

Total noninterest income for the second quarter of 2011 was \$4.6 million, compared to \$5.7 million in the prior year period. Excluding net securities transactions, non-interest income decreased from \$4.1 million in the second quarter of 2010 to \$3.7 million in the second quarter of 2011. Net gains on securities transactions were \$851 thousand in the second quarter of 2011, compared to net gains of \$1.5 million in the second quarter of 2010.

Trust department income was flat at \$1.2 million for the second quarter of 2011 compared to the second quarter of 2010. Trust department assets under management were \$787 million at June 30, 2011 compared to \$800 million at December 31, 2010 and \$724 million at June 30, 2010. The increase in assets compared to the prior year was due to a combination of improvements in market conditions and added customer accounts.

The total of fees for other services to customers plus other income was \$2.5 million in the second quarter of 2011 compared to \$2.9 the same period in 2010. The net result reflects growth in customer accounts and increased transactions, offset by the impact of new regulations that have had a negative impact on certain service fees. Implementation of new regulations may also have a negative impact on certain fees for the remainder of the year.

## Noninterest Expenses

Total noninterest expenses were \$21.6 million for the three months ended June 30, 2011, compared to \$19.2 million for the three months ended June 30, 2010. The increase of \$2.3 million was primarily due to increases in three categories. Other real estate expense increased \$1.3 million, as the maintenance and resolution of foreclosed properties continued. In addition, salaries and benefits were up \$444 thousand and other expenses were up \$577 thousand as compared to the same quarter last year. The increase in salaries and benefits was primarily due to higher benefit costs. Full time equivalent headcount was 729 as of June 30, 2011, compared to 740 as of March 31, 2010 and 737 as of June 30, 2010.

Net occupancy expense increased \$161 thousand to \$3.7 million during the second quarter of 2011 compared to the same period in 2010. Equipment expense was approximately flat at \$1.5 million in the second quarter of 2011 versus the prior year. Professional services were up \$116 thousand to \$1.7 million for the quarter. Outsourced services were down \$68 thousand to \$1.4 million. Advertising expenses decreased by \$88 thousand to \$708 thousand in the second quarter of 2011 compared to the prior year. Insurance costs were down \$143 thousand, to \$1.4 million in the second quarter of 2011.

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## Income Taxes

In the second quarter of 2011, TrustCo recognized income tax expense of \$4.3 million as compared to \$4.0 million for the same period in 2010. The effective tax rates were 35.5% and 36.2% for the second quarters of 2011 and 2010, respectively. The tax expense on the Company's income was different than tax expense at the statutory rate of 35%, due to tax exempt income and the effect of state income taxes. Third quarter 2010 income tax expense was affected by one-time items that reduced the effective tax rate and are not expected to be repeated in 2011.

## Capital Resources

Consistent with its long-term goal of operating a sound and profitable financial organization, TrustCo strives to maintain strong capital ratios.

Banking regulators are beginning to move towards higher required capital requirements due to the standards included in the Basel III reform measures as well as a general trend towards reducing risk in the banking system by providing a greater capital margin.

Total shareholders' equity at June 30, 2011 was \$268.9 million, compared to \$255.4 million at December 31, 2010 and \$255.2 million at June 30, 2010. TrustCo declared a dividend of \$0.065625 per share in the second quarter of 2011. This results in a dividend payout ratio of 65.4% based on second quarter 2011 earnings per share of \$0.100.

The Company achieved the following ratios as of June 30, 2011 and 2010:

	June 30, 2011	June 30, 2010	Minimum Regulatory Guidelines
Tier 1 risk adjusted capital	12.88 %	12.68 %	4.00 %
Total risk adjusted capital	14.15 %	13.94 %	8.00 %

In addition, at June 30, 2011, the consolidated equity to total assets ratio was 6.61%, compared to 6.66% at June 30, 2010.

## Subsequent Events

Subsequent to the end of the second quarter, on July 6, 2011, the Company completed a public offering of 15,640,000 shares of common stock, \$1 par value per share. The 15,640,000 shares included 2,040,000 additional shares of common stock as a result of the underwriters exercising their over-allotment option. The common stock was sold at \$4.60 per share, and net proceeds from the offering were \$68.1 million before direct offering costs. The Company intends to use the net proceeds for general corporate purposes, including investment in Trustco Bank; pending these uses, the Company may invest net proceeds in marketable investment securities or short-term, interest-bearing assets. On July 21, 2011, in accordance with the Dodd-Frank Act, the responsibility for regulating federal savings associations moved from the Office of Thrift Supervision (OTS) to the Office of the Comptroller of the Currency (OCC). Also under the Dodd-Frank Act, supervisory and rule-writing authority for savings and loan holding companies (SLHCs) and their non-depository subsidiaries was transferred from the OTS to the Federal Reserve Board on July 21, 2011.

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Critical Accounting Policies:

Pursuant to SEC guidance, management of the Company is encouraged to evaluate and disclose those accounting policies judged to be critical policies - those most important to the portrayal of the Company's financial condition and results, and that require management's most difficult subjective or complex judgments.

Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy given the inherent uncertainty in evaluating the levels of the allowance required to cover the inherent risk of losses in the portfolio and the material effect that such judgments can have on the results of operations. Included in Note 1 to the Consolidated Financial Statements contained in the Company's 2010 Annual Report on Form 10-K is a description of the significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

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TrustCo Bank Corp NY  
Management's Discussion and Analysis  
STATISTICAL DISCLOSURE

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY;  
INTEREST RATES AND INTEREST DIFFERENTIAL

The following table summarizes the component distribution of the average balance sheet, related interest income and expense and the average annualized yields on interest earning assets and annualized rates on interest bearing liabilities of TrustCo (adjusted for tax equivalency) for each of the reported periods. Nonaccrual loans are included in loans for this analysis. The average balances of securities available for sale and held-to-maturity are calculated using amortized costs for these securities. Included in the average balance of shareholders' equity is unrealized appreciation (depreciation), net of tax, in the available for sale portfolio of (\$429 thousand) in 2011 and \$1.4 million in 2010. The subtotals contained in the following table are the arithmetic totals of the items contained in that category. Increases and decreases in interest income and expense due to both rate and volume have been allocated to the categories of variances (volume and rate) based on the percentage relationship of such variances to each other.

(dollars in thousands)	Three months ended June 30, 2011		Three months ended June 30, 2010		Change			
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	in Interest	Variance Balance