TRUSTCO BANK CORP N Y
Form DEF 14A
April 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.   )

Filed by the Registrant Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

TrustCo Bank Corp NY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(4) Date Filed:

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5 Sarnowski Drive, Glenville, New York 12302

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Shareholders of TrustCo Bank Corp NY:

Notice is hereby given that the Annual Meeting of Shareholders of TrustCo Bank Corp NY, a New York corporation, will be held at Mallozzi s Restaurant and Banquet House, 1930 Curry Road, Rotterdam, New York 12303, on May 18, 2017, at 4:00 pm local time, for the purpose of considering and voting upon the following matters:

1. Election of Directors.

2. Approval of a Nonbinding Advisory Resolution on the Compensation of TrustCo s Named Executive Officers.

3. Approval of a Nonbinding Advisory Resolution on the Frequency of an Advisory Vote on the Compensation of TrustCo s Named Executive Officers.

4. Ratification of the Appointment of Crowe Horwath LLP as TrustCo s Independent Auditors for 2017.

5. Any other business that properly may be brought before the meeting or any adjournment thereof.

By Order of the Board of Directors,

Michael J. Hall, Secretary

April 3, 2017

YOUR VOTE IS IMPORTANT TO US

EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE, AS PROMPTLY AS POSSIBLE, SIGN AND RETURN THE ENCLOSED PROXY CARD, OR VOTE USING THE INTERNET OR TELEPHONE, FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD. YOU MAY REVOKE YOUR PROXY AT ANY TIME PRIOR TO THE EXERCISE OF THE PROXY.

Important Notice Regarding the Internet Availability of Proxy Materials for the

Shareholder Meeting to be Held on May 18, 2017:

This Notice, the Proxy Statement attached to this Notice, and TrustCo s Annual Report to shareholders for the year ended December 31, 2016 are available free of charge at https://materials.proxyvote.com/898349.

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PROXY STATEMENT SUMMARY FOR ANNUAL MEETING OF SHAREHOLDERS

TRUSTCO BANK CORP NY

PROXY STATEMENT SUMMARY FOR

ANNUAL MEETING OF SHAREHOLDERS

May 18, 2017

This proxy statement is furnished in connection with the solicitation by the board of directors of TrustCo Bank Corp NY (also referred to as TrustCo or the Company) of proxies to be voted at TrustCo s Annual Meeting of Shareholders. The Annual Meeting will be held at 4:00 pm local time on Thursday, May 18, 2017, at Mallozzi s Restaurant and Banquet House, 1930 Curry Road, Rotterdam, New York 12303. This proxy statement and the enclosed form of proxy were first mailed to shareholders on or about April 3, 2017.

The record date for the Annual Meeting is March 20, 2017. Only shareholders of record at the close of business on March 20, 2017 are entitled to notice of and to vote at the Annual Meeting. Shareholders of record on that date are entitled to one vote for each share of TrustCo common stock they hold. As of March 1, 2017, there were 95,862,943 shares of common stock outstanding.

The Annual Meeting will be held if a majority of the outstanding shares of TrustCo s common stock, constituting a quorum, is represented at the meeting. If shareholders return a properly executed proxy card, their shares will be counted for purposes of determining a quorum at the meeting, even if they abstain from voting. Abstentions and broker non-votes count as shares present at the Annual Meeting for purposes of determining a quorum. If a shareholder owns shares in street name through a bank or broker, the shareholder may instruct his or her bank or broker how to vote the share using the instructions provided by the bank or broker. A broker non-vote occurs when a shareholder who owns shares through a bank or broker fails to provide the bank or broker with voting instructions and either the bank or broker does not have the discretionary authority to vote the shares on a particular proposal or the bank or broker otherwise fails to vote the shares.

Under the rules of the NASDAQ Stock Market and the New York Stock Exchange, brokers do not have discretionary authority to vote shares on proposals that are not routine. Proposal 1 (Election of Directors), Proposal 2 (Advisory Resolution on the Compensation of TrustCo s Named Executive Officers), and Proposal 3 (Advisory Resolution on the Frequency of an Advisory Vote on the Compensation of TrustCo s Named Executive Officers) would not be considered routine matters under the NASDAQ Stock Market and New York Stock Exchange rules, so brokers do not have discretionary authority to vote shares held in street name on those proposals. If a shareholder wishes for his or her shares to be voted on these matters, the shareholder must provide his or her broker with voting instructions. Proposal 4 (Ratification of the Appointment of Crowe Horwath LLP as TrustCo s Independent Auditors) is considered a routine matter, so the bank or broker will have discretionary authority to vote shares held in street name on this item.

All shares of TrustCo s common stock represented at the Annual Meeting by properly executed proxies will be voted according to the instructions indicated on the proxy card. If shareholders of record return a signed proxy card but fail to instruct how the shares registered in their names must be voted, the shares will be voted as recommended by TrustCo s board of directors. The board of directors recommends that shareholders vote:

- **FOR** each of the nominees for director,

- **FOR** the approval of the nonbinding advisory resolution approving the compensation of TrustCo s named executive officers, and

- **FOR** the alternative one year with respect to the nonbinding advisory resolution on the frequency of an advisory vote on the compensation of TrustCo s named executive officers, and

- **FOR** ratification of the appointment of Crowe Horwath LLP as TrustCo s Independent Auditors.

If any matter not described in this proxy statement is properly presented at the Annual Meeting, the persons named in the proxy card will use their judgment to determine how to vote the shares for which they have voting authority. TrustCo does not know of any other matters to be presented at the Annual Meeting.

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PROXY STATEMENT SUMMARY FOR ANNUAL MEETING OF SHAREHOLDERS

Any shareholder executing a proxy solicited under this proxy statement has the power to revoke it by giving written notice to the Secretary of TrustCo at its main office address or at the meeting of shareholders at any time prior to the exercise of the proxy.

TrustCo will solicit proxies primarily by mail, although proxies also may be solicited by directors, officers, and employees of TrustCo or TrustCo s wholly-owned subsidiary, Trustco Bank. These persons may solicit proxies personally or by telephone, and they will receive no additional compensation for such services. TrustCo has retained Alliance Advisors, LLC to aid in the solicitation of proxies for a solicitation fee of $10,000 plus expenses. TrustCo has also retained Regan & Associates, Inc. as a proxy and consulting agent on an as needed basis for a fee of $12,500 and a delivery fee of $2,250. The entire cost of this solicitation will be paid by TrustCo.

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THE ANNUAL MEETING

A description of the items to be considered at the Annual Meeting, as well as other information concerning TrustCo and the meeting, is set forth below.

Proposal 1 - Election of Directors

The first item to be acted upon at the Annual Meeting is the election of two directors to serve on the TrustCo board of directors. The nominees for election as directors for three-year terms expiring at TrustCo s 2020 Annual Meeting are Dr. Anthony J. Marinello and William D. Powers. Each of the nominees is an incumbent director, and each nominee was approved by the Nominating and Corporate Governance Committee of TrustCo s board of directors, as well as by the full board of directors of TrustCo.

TrustCo s Certificate of Incorporation provides that TrustCo s board of directors will consist of not less than five nor more than fifteen members, with, under TrustCo s Bylaws, the total number of directors to be fixed by resolution of the board or the shareholders. Currently, the board of each of TrustCo and Trustco Bank is fixed at seven members.

The pages that follow set forth information regarding TrustCo s nominees, as well as information regarding the remaining members of TrustCo s board. Proxies will be voted in accordance with the specific instructions contained in the proxy card; properly executed proxies that do not contain voting instructions will be voted FOR the election of TrustCo s nominees. If any such nominee becomes unavailable to serve, the shares represented by all valid proxies will be voted for the election of such other person as TrustCo s board may recommend. Each of TrustCo s nominees has consented to being named in this proxy statement and to serve if elected. The board of directors has no reason to believe that any nominee will decline or be unable to serve if elected.

Information with regard to the business experience of each director and nominee and the ownership of common stock on December 31, 2016 has been furnished by each director and nominee or has been obtained from TrustCo s records. TrustCo s common stock is the only class of its equity securities outstanding.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

NOMINEES FOR ELECTION AS TRUSTCO DIRECTORS [(1)] FOR

THREE-YEAR TERMS TO EXPIRE IN 2020

	Shares of TrustCo Common Stock Beneficially Owned	
Name and Principal Occupation [(2)]	**No. of Shares [(3)]**	**Percent of Class**
Anthony J. Marinello, M.D., Ph.D., Age 61, Physician. Director of TrustCo and Trustco Bank from 1995-present. Chairman of the Board of Directors of TrustCo and Trustco Bank for 2013. Dr. Marinello contributes his experience as an entrepreneur operating a successful medical practice and his skills for developing and evaluating business strategies.	92,596[(4)]	*
William D. Powers, Age 75, Consultant, Powers & Company, LLC, retired. Chairman of the Board of Directors of TrustCo and Trustco Bank for 2012. Director of TrustCo and Trustco Bank from 1995-present. Mr. Powers contributes his experience as an entrepreneur operating a successful business enterprise and his skills for developing and evaluating business strategies.	126,651[(5)]	*

OTHER TRUSTCO DIRECTORS [(1)]

	Shares of TrustCo Common Stock Beneficially Owned	
Name and Principal Occupation [(2)]	**No. of Shares [(3)]**	**Percent of Class**
Dennis A. De Gennaro, Age 72, President and Chief Executive Officer, Camelot Associates Corp. (commercial and residential home builder and developer). Current Chairman of the Board of Directors of TrustCo and Trustco Bank. Director of TrustCo and Trustco Bank from 2009-present. Mr. De Gennaro is highly knowledgeable about commercial and residential real estate in the Capital Region of New York and contributes his organizational skills and experience from operating a successful business enterprise.	98,559[(6)]	*
Brian C. Flynn, Age 66, Consultant and Certified Public Accountant (NY). Director of TrustCo and Trustco Bank since	10,000[(7)]	*

2016. Former partner of KPMG LLP (retired 2010) where he was employed for approximately 30 years. Mr. Flynn served in KPMG s banking and finance practice area where his specialties included providing tax services to community banks, thrift institutions and real estate developers/ operators. Since his retirement in 2010, he has served as a technical tax consultant to a community bank trade group. Mr. Flynn brings to the board extensive tax, accounting and financial reporting expertise in the financial services industry. Mr. Flynn has been designated an audit committee financial expert.		
Thomas O. Maggs, Age 72, President, Maggs & Associates, The Business Insurance Brokers, Inc. (insurance broker). Director of TrustCo and Trustco Bank from 2005-present. Chairman of the Board of Directors of TrustCo and Trustco Bank for 2015. Mr. Maggs contributes his experience as an entrepreneur operating a successful business enterprise and his skills for developing and evaluating business strategies.	87,548(8)	*

* Less than 1%

See Footnotes on Page 6

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

OTHER TRUSTCO DIRECTORS [1] (continued)

Name and Principal Occupation [2]	Shares of TrustCo Common Stock Beneficially Owned No. of Shares [3]	Percent of Class
Robert J. McCormick, Age 53, President and Chief Executive Officer of TrustCo from 2004-present, Chairman 2009 and 2010, executive officer of TrustCo from 2001-present and Chief Executive Officer of Trustco Bank from 2002-present. Director of TrustCo and Trustco Bank from 2005-present. Joined Trustco Bank in 1995. Mr. McCormick contributes his skills and knowledge obtained from being the chief executive officer of the Company and Trustco Bank.	2,494,738[9]	2.51
William J. Purdy, Age 82, President, Welbourne & Purdy Realty, Inc. Director of TrustCo and Trustco Bank from 1991-present. Chairman of the Board of Directors of TrustCo and Trustco Bank for 2011. Mr. Purdy contributes his knowledge regarding commercial and residential real estate, his experience as an entrepreneur operating a successful business enterprise, and his skills for developing and evaluating business strategies.	86,943[10]	*

INFORMATION ON TRUSTCO EXECUTIVE OFFICERS

Name and Principal Occupation [2]	Shares of TrustCo Common Stock Beneficially Owned No. of Shares [3]	Percent of Class
Robert T. Cushing, Age 61, Executive Vice President and Chief Operating Officer of TrustCo and Trustco Bank from 2014-present. Executive Vice President and Chief Financial Officer of TrustCo from 2004-2014, President, Chief Executive Officer and Chief Financial Officer of TrustCo from 2002-2003. Executive Officer of TrustCo and Trustco Bank from 1994-present. Joined TrustCo and Trustco Bank in 1994.	763,242[11]	*
Michael J. Hall, Age 52, Vice President of TrustCo and Trustco Bank from 2015-present. Assistant Secretary of TrustCo and Trustco Bank for 2016. Executive Officer and Secretary of TrustCo and Trustco Bank 2017-present. Attorney with McNamee, Lochner, Titus & William, P.C. from 1992-2015. Joined TrustCo and Trustco Bank in 2015	1,451[12]	*

Robert M. Leonard, Age 54, Secretary of TrustCo and Trustco Bank from 2003-2006 and 2009-2016. Assistant Secretary of TrustCo and Trustco Bank from 2006-2009. Executive Vice President of TrustCo and Trustco Bank from 2013-present. Senior Vice President of TrustCo and Trustco Bank from 2010-2013. Administrative Vice President of TrustCo and Trustco Bank from 2004-2009. Executive officer of TrustCo and Trustco Bank from 2003-present. Joined Trustco Bank in 1986.	137,526(13)	*

* Less than 1%

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

INFORMATION ON TRUSTCO EXECUTIVE OFFICERS (continued)

	Shares of TrustCo Common Stock Beneficially Owned	
Name and Principal Occupation [(2)]	No. of Shares [(3)]	Percent of Class
Michael M. Ozimek, Age 43 Senior Vice President and Chief Financial Officer of TrustCo and Trustco Bank from 2014-present. Administrative Vice President of Trustco Bank from 2010-2014. Executive officer of TrustCo and Trustco Bank from 2014-present. Joined TrustCo and Trustco Bank in 2002.	36,061[(14)]	*
Scot R. Salvador, Age 50, Executive Vice President and Chief Banking Officer of TrustCo and Trustco Bank from 2004-present. Executive officer of TrustCo and Trustco Bank from 2004-present. Joined Trustco Bank in 1995.	471,878[(15)]	*
Eric W. Schreck, Age 49, Senior Vice President and Florida Regional President Trustco Bank from 2009-present. Treasurer of TrustCo from 2010-present. Executive officer of TrustCo and Trustco Bank from 2010-present. Joined Trustco Bank in 1989.	112,188[(16)]	*

* Less than 1%

TRUSTCO DIRECTORS, NOMINEES, AND EXECUTIVE OFFICERS AS A GROUP (13 INDIVIDUALS) BENEFICIALLY OWN 4,519,381 SHARES OF COMMON STOCK, WHICH REPRESENTS 4.56% OF THE OUTSTANDING SHARES.

Footnotes:

(1) Directors of TrustCo Bank Corp NY are also directors of Trustco Bank.

(2) Each of the directors has held, or retired from, the same position or another executive position with the same employer during the past five years.

(3) Based on 99,214,382 shares issued and outstanding as of December 31, 2016. Beneficial ownership of less than 1% is denoted by an asterisk.

(4) Voting or investment power shared by Dr. Marinello s spouse or other immediate family members as to 92,596 shares. Also includes currently exercisable options to acquire 6,000 shares.

(5) Voting or investment power shared by Mr. Powers spouse or other immediate family members as to 126,651 shares. Also includes currently exercisable options to acquire 6,000 shares.

(6) Voting or investment power shared by Mr. De Gennaro s spouse or other immediate family members as to 98,559 shares. Also includes currently exercisable options to acquire 2,000 shares.

(7) Voting or investment power shared by Mr. Flynn s spouse or other immediate family members as to 10,000 shares.

(8)

Voting or investment power shared by Mr. Maggs immediate family members as to 87,548 shares. Includes for Mr. Maggs currently exercisable options to acquire 6,000 shares.

(9) Includes for Mr. McCormick 603,859 shares in trust at Trustco Bank for which he is co-trustee, and 379,217 shares that are held by Trustco Bank as a co-trustee of trusts for the benefit of Mr. McCormick or his family. Also includes currently exercisable options to acquire 647,000 shares.

(10) Includes for Mr. Purdy currently exercisable options to acquire 6,000 shares.

(11) Voting or investment power shared by Mr. Cushing s spouse or other immediate family members as to 529,340 shares. Also includes currently exercisable options to acquire 233,900 shares.

(12) Includes for Mr. Hall currently exercisable options to acquire 450 shares.

(13) Voting or investment power shared by Mr. Leonard s spouse or other immediate family members as to 20,493 shares. Also includes currently exercisable options to acquire 63,000 shares.

(14) Includes for Mr. Ozimek currently exercisable options to acquire 24,850 shares.

(15) Includes for Mr. Salvador currently exercisable options to acquire 326,741 shares.

(16) Voting or investment power shared by Mr. Schreck s spouse or other immediate family members as to 7,284 shares. Also includes currently exercisable options to acquire 25,500 shares.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

Board Meetings and Committees

TrustCo s full board held twelve meetings during 2016. All of the directors, except for Robert J. McCormick, would be considered to be independent directors under the listing qualifications rules for companies such as TrustCo, whose shares are traded on The NASDAQ Stock Market. TrustCo s independent directors met in executive session twice during 2016. All directors fully attended all board meetings (except one board member was absent and excused from one meeting), and the independent directors attended both executive session meetings during 2016.

TrustCo maintains an Audit Committee, a Compensation Committee, a Board Compliance Committee, a Fiduciary Committee, a Nominating and Corporate Governance Committee, and a Risk Committee. The charter of each of the committees may be found on TrustCo s website (www.trustcobank.com) under the Investor Relations tab.

The Nominating and Corporate Governance Committee held four meetings in 2016. The directors currently serving on the Nominating and Corporate Governance Committee are Dr. Anthony J. Marinello (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, William D. Powers, and William J. Purdy. The function of the Nominating and Corporate Governance Committee is to assist the board by recommending and reviewing individuals for consideration as directors and develop and annually review governance guidelines applicable to the Company.

TrustCo s Audit Committee held twelve meetings in 2016. The directors currently serving on the Audit Committee are William D. Powers (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, Dr. Anthony J. Marinello, and William J. Purdy. The purpose of the Audit Committee is to oversee the Company s accounting and financial reporting processes and audits of the Company s financial statements; the committee s functions also include the review of TrustCo s and Trustco Bank s internal audit procedures and the review of the adequacy of internal accounting controls for TrustCo and Trustco Bank. In addition, the Audit Committee annually recommends the use of external audit firms by TrustCo and Trustco Bank in the coming year, after reviewing performance of the existing vendors and available audit resources. Please refer to the discussion under Audit Committee for a more detailed description of the Audit Committee s activities.

TrustCo s Compensation Committee held five meetings in 2016. The directors currently serving on the Compensation Committee are Thomas O. Maggs (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Dr. Anthony J. Marinello, William D. Powers, and William J. Purdy. The function of the Compensation Committee is to generally oversee the employee compensation and benefit policies, plans and programs of TrustCo and Trustco Bank, including the establishment, annual review and approval of the compensation of the executive officers. In addition, the Compensation Committee is responsible for annually reviewing board compensation and making appropriate recommendations for changes thereto. Please refer to the discussion under Executive Compensation for a more detailed description of the Compensation Committee s activities relative to the named executive officers.

The board of directors of Trustco Bank created the Board Compliance Committee in June 2015, and the committee held twelve meetings in 2016. The directors currently serving on the Board Compliance Committee are William D. Powers (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, Dr. Anthony J. Marinello, and William J. Purdy. The function of the Compliance Committee is to provide assistance to the board in fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements and Trustco Bank s policies, including overseeing Trustco Bank s communications and responses to and cooperation with the Office of the

Comptroller of Currency (OCC) and other governmental authorities with jurisdiction over TrustCo or Trustco Bank, and any agreements, orders or directives with respect to such authorities, including the July 21, 2015 agreement between Trustco Bank and the OCC.

The board of directors of TrustCo created the Fiduciary Committee in October 2016, and the committee held one meeting in 2016. The directors currently serving on the Fiduciary Committee are Robert J. McCormick (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, Dr. Anthony J. Marinello, William D. Powers, and William J. Purdy. The function of the Fiduciary Committee is to assist the board of directors in fulfilling its responsibilities with respect to the Trustco Bank Financial Service Department regarding fiduciary, agency and custodial activities; oversee the Financial Services Department in providing estate administration, trust administration, investment management services, and custodial services; advise the board of directors with respect to the adoption of appropriate policies to be observed in offering such services; oversee and enforce sound risk management practices calculated to minimize risk and loss to Trustco Bank and its customers; and report to the board of directors on the activity of the Financial Services Department in the conduct of its business.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

The board of directors of TrustCo created the Risk Committee in February 2016, and the committee held three meetings in 2016. The directors currently serving on the Risk Committee are William J. Purdy (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, Dr. Anthony J. Marinello, and William D. Powers. The function of the Risk Committee is to oversee the Company s enterprise risk management program and to ensure that risk is appropriately identified, measured, treated, monitored, and reported within the governance structure approved by the board.

Each member of the committees described above attended all meetings of each such committee during 2016 (except that one member was absent and excused from the December meetings). Mr. Flynn joined the board in February 2016 and did not attend the January meetings.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee: (1) was an officer or employee of TrustCo or Trustco Bank; (2) was formerly an officer of TrustCo or Trustco Bank; or (3) had any relationship requiring disclosure by TrustCo under the SEC s rules governing disclosure of related party transactions. No executive officer of TrustCo served as a director or member of a compensation committee of another entity, one of whose executive officers served as a member of TrustCo s Board of Directors or Compensation Committee.

Board Leadership Structure and Role in Risk Oversight

Board Leadership. The position of TrustCo s chairman of the board and the office of its president and chief executive officer are held by different persons. The chairman of the board, Dennis A. De Gennaro, is an independent director who has been a member of the board since 2009. Mr. De Gennaro became chairman in January 2016 to serve a term ending upon the earlier of December 31, 2018 or the date the board elects a successor chairman. Mr. De Gennaro is a member of the Nominating and Corporate Governance Committee, the Audit Committee, the Compensation Committee, the Board Compliance Committee, the Fiduciary Committee, and the Risk Committee. Under TrustCo s Corporate Governance Guidelines, the positions of chief executive officer and chairman of the board are separate and the members of the board elect a chairman as they deem appropriate from time to time from among TrustCo s independent directors. Also under the guidelines, in order to better ensure that the chairman of the board will have the opportunity to carry out the planning and direction duties associated with the chairman s position, the chairman is to be elected to a term to expire three years from its start date or on such earlier date as the board elects a new chairman. (The board retains, however, the authority to elect a director as chairman even though the then-current chairman has not served in that role for three years and is not obligated to nominate for re-election by shareholders a director whose three-year tenure as chairman is not complete.) At least once each year, the Corporate Governance Committee will consider the performance of the chairman relative to the Corporate Governance Guidelines and may make such recommendations as it deems appropriate.

The board of directors has determined that the separation of the roles of chairman of the board and chief executive officer enhances board independence and oversight. More specifically, the board believes that separating the roles allows the Company s president and chief executive officer, Robert J. McCormick, to better focus on developing and implementing corporate initiatives, enhancing shareholder value and strengthening business and operations, while allowing the chairman of the board to lead the board in its fundamental role of providing advice to, and independent oversight of, management.

Role in Risk Oversight. Risk is inherent in the operation of every financial institution, and management of risk is a key part of the institution s success. Risks faced by TrustCo and Trustco Bank include credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, and reputational risk. TrustCo management is responsible for the day-to-day management of the risks faced by the Company, while the board of directors as a whole is ultimately responsible for risk management oversight. In carrying out its responsibilities in this area, the board has delegated important duties to its committees. The newly formed Risk Committee will have, as noted above, responsibility to oversee the management of the Company s Enterprise Risk Management program and to ensure that risk is appropriately identified, measured, treated, monitored, and reported within the governance structure approved by the board. The Audit Committee assists the full board with respect to the adequacy of TrustCo s internal controls and financial reporting process, the independence and performance of TrustCo s internal and external auditors, and compliance with legal and regulatory requirements. The Board Compliance Committee assists the board with respect to compliance with legal and regulatory requirements. The Fiduciary Committee oversees the Company s Financial Services Department and assists the full board in managing risk associated therewith, as well as in fulfilling its responsibilities regarding fiduciary, agency and custodial activities. Finally, the Compensation Committee has the authority to conduct annual reviews of the Company s incentive compensation practices to assess the extent to which such arrangements and practices encourage risk-taking and whether the level of encouragement of such risk-taking is appropriate under the circumstances. The Compensation Committee has concluded that the compensation policies are not reasonably likely to have a material adverse effect on the Company.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

The entire board reviews and approves, on an annual basis, all significant policies that address risk within TrustCo s consolidated organization, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, and reputational risk. The board monitors risk through reports received on a periodic basis from management, and the board annually approves the Company s business continuity plan as well as its insurance program.

Director Nominations

Each of the nominees standing for election at the Annual Meeting was considered and selected by the Nominating and Corporate Governance Committee and unanimously approved by TrustCo s independent directors.

The Nominating and Corporate Governance Committee is appointed by the board of directors in part to review and identify individuals qualified to become board members and to recommend to the board the nominees for consideration at the Annual Meeting.

As a general matter, the board believes that a candidate for board membership should have high personal and professional ethics, integrity, and values; an inquiring and independent mind, practical wisdom, and mature judgment; broad policy-making experience in business, government, or community organizations; expertise useful to TrustCo and complementary to the background and experience of other board members; willingness to devote the time necessary to carrying out the duties and responsibilities of board membership; commitment to serve on the board over a period of several years to develop knowledge about TrustCo, its strategy, and its principal operations; and willingness to represent the best interests of all of TrustCo s constituencies. Although neither the committee nor the full board of directors has a formal policy with respect to diversity, the committee and the board have a general objective of having a board that encompasses a broad range of talents and expertise and reflects a diversity of background, experience, and viewpoints.

After a potential candidate is identified, the committee will investigate and assess the qualifications, experience, and skills of the candidate. The investigation process may, but need not, include one or more meetings with the candidate by a member or members of the committee. From time to time, but at least once each year, the committee meets to evaluate the needs of the board and to discuss the candidates for nomination to the board. Such candidates may be presented to the shareholders for election or appointed to fill vacancies. All nominees must be approved by the committee and by a majority of the independent members of the board.

The committee will consider written recommendations by shareholders for nominees for election to the board. The persons identified in such recommendations will be evaluated under the same criteria and procedures used for other board candidates. Under TrustCo s bylaws, written nominations of persons for election to the board of directors must be delivered or mailed to the board not fewer than 14 and not more than 50 days prior to any meeting of shareholders called for the purpose of the election of directors, or not later than 7 days prior to the meeting if fewer than 21 days notice of the meeting is provided.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

Audit Committee

The Audit Committee of TrustCo s board is responsible for providing oversight of TrustCo s accounting functions, internal controls, and financial reporting processes. The Audit Committee is composed of six directors, each of whom is independent under the listing standards of The NASDAQ Stock Market, and each member of the Audit Committee satisfies the financial sophistication requirement also set forth in those listing standards. Each Audit Committee member also satisfies the additional independence requirements contained in the Securities Exchange Act of 1934 for members of public company audit committees. The board of directors has determined that Brian C. Flynn, meets the definitions of audit committee financial expert adopted by the Securities and Exchange Commission (SEC) and included in NASDAQ s rules for listed companies. In addition, to assist in the performance of its duties, the Audit Committee retained Marvin and Company, PC, an independent accounting firm, as a consultant to the committee. As consultants to the Audit Committee, a Marvin and Company partner attends Audit Committee meetings on at least a quarterly basis, reviews all materials presented to the Audit Committee each month, responds to questions and inquiries from Audit Committee members and questions internal audit department personnel, representatives of the Company, Independent Auditors, and management prior to, during, and as follow up to Audit Committee meetings.

It is the Audit Committee s policy to preapprove all audit and nonaudit services provided by the Company s Independent Auditors, as well as any services provided by a Registered Public Accounting firm. In considering nonaudit services, the Audit Committee will consider various factors including, but not limited to, whether it would be beneficial to have the service provided by the Independent Auditors and whether the service could compromise the independence of the Independent Auditors. In certain circumstances, the Audit Committee s policies and procedures provide the committee s chairman with the authority to preapprove services from the Company s Independent Auditors, which approval is then reviewed and approved at the next Audit Committee meeting. Accordingly, all of the services described above were approved by the Audit Committee.

Audit Committee Report. The Audit Committee s responsibility is to monitor and oversee TrustCo s financial reporting and audit processes and to otherwise conduct its activities as provided for in its charter. Management is responsible for TrustCo s internal controls and financial reporting process. TrustCo s Independent Auditors for 2016, Crowe Horwath LLP, were responsible for performing an independent audit of TrustCo s consolidated financial statements and the effectiveness of TrustCo s internal controls over financial reporting in accordance with the Standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon. TrustCo s Internal Audit Department is responsible for monitoring compliance with internal policies and procedures. In performing its oversight, the Audit Committee reviews the performance of Crowe Horwath LLP and TrustCo s internal auditors.

In connection with these responsibilities, the Audit Committee met with management and Crowe Horwath LLP on February 21, 2017 to review and discuss TrustCo s December 31, 2016 and 2015 consolidated financial statements. The Audit Committee also discussed with Crowe Horwath LLP the matters required to be communicated to audit committees in accordance with professional standards and received the written disclosures and a letter from Crowe Horwath LLP required by relevant regulatory and professional standards regarding auditor communications with audit committees concerning independence.

Based upon the Audit Committee s discussions with management and the Independent Auditors, and its review of the information described in the preceding paragraphs, the Audit Committee recommended that the board of directors include the audited consolidated financial statements in TrustCo s Annual Report on Form 10-K for the year ended December 31, 2016.

AUDIT COMMITTEE:	William D. Powers, Chairman
	Dennis A. De Gennaro
	Brian C. Flynn
	Thomas O. Maggs
	Dr. Anthony J. Marinello
	William J. Purdy

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

Shareholder Communications with Board and Board Attendance at Annual Meeting of Shareholders

TrustCo provides an informal process for shareholders to send communications to the board. Shareholders who wish to contact the board or any of its members may do so in writing to TrustCo Bank Corp NY, Attention: Corporate Secretary, P.O. Box 1082, Schenectady, New York 12301-1082.

Although TrustCo does not have a policy with regard to board members attendance at the Annual Meeting of Shareholders, the directors are encouraged to attend such meetings, and all of the directors attended the 2016 Annual Meeting.

Vote Required and Recommendation

The two nominees for election to the TrustCo board for three-year terms expiring at the 2020 Annual Meeting of Shareholders who receive the greatest number of votes will be elected to the board. Each nominee must, however, receive the affirmative vote of a majority of the outstanding shares of TrustCo common stock in order to be elected.

THE TRUSTCO BOARD RECOMMENDS THAT TRUSTCO SHAREHOLDERS VOTE **FOR** THE ELECTION OF THE TRUSTCO DIRECTOR NOMINEES AS TRUSTCO DIRECTORS, WHICH IS ITEM 1 ON THE TRUSTCO PROXY CARD.

Proposal 2 - Advisory Resolution on the Compensation of TrustCo s Named Executive Officers

TrustCo has annually provided shareholders with the opportunity to vote to approve, on a nonbinding advisory basis, the compensation of the named executive officers as disclosed in this proxy statement, including the Compensation Discussion and Analysis, and the tabular disclosure regarding the compensation of the named executive officers and the accompanying narrative. (This opportunity is often referred to as a say-on-pay vote or proposal.)

The say-on-pay proposal described below gives TrustCo shareholders the opportunity to endorse, or not endorse, the compensation of the named executive officers. The vote on the proposal is not intended to address any specific element of executive compensation. Further, the vote is advisory, which means that it is not binding on TrustCo, its board of directors, or the Compensation Committee. The Compensation Committee will, however, take into account the outcome of the vote when considering future executive compensation decisions. Please refer to the Compensation Discussion and Analysis for a discussion of the effect of the vote on the say-on-pay proposal at TrustCo s 2016 annual meeting on the Compensation Committee s decisions during 2016.

As discussed in more detail in the Compensation Discussion and Analysis, TrustCo seeks to offer a compensation structure for its executive officers designed to compare favorably with its peer group while taking into account the experience and responsibilities of each particular executive officer. TrustCo also seeks to provide compensation incentives that promote the enhancement of shareholder value in conjunction with encouraging and rewarding a high level of performance evidenced through the achievement of corporate and individual financial and business objectives and managing and minimizing the level of risk inherent in any compensation program. The Compensation Committee and the board of directors believe that the policies and procedures described in the Compensation Discussion and Analysis are effective in implementing the Company s compensation program and achieving its goals and that the compensation of the Company s named executive officers in 2016 reflects and supports these compensation policies and procedures.

Resolution

In light of the foregoing, TrustCo is asking shareholders to approve the following resolution at the Annual Meeting:

RESOLVED, that the shareholders of TrustCo Bank Corp NY approve, on an advisory basis, the compensation of the named executive officers, as disclosed in TrustCo s Proxy Statement for the 2017 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2016 Summary Compensation Table, and the other related tables and narrative disclosure.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

Vote Required and Recommendation

The affirmative vote of a majority of all of TrustCo s issued and outstanding shares of common stock is required to adopt the foregoing resolution approving the compensation of TrustCo s named executive officers. Abstentions on properly executed proxy cards and shares not voted by brokers and other entities holding shares on behalf of beneficial owners will have the same effect as a vote against this proposal. Dissenters rights are not available to shareholders who object to the proposal.

THE TRUSTCO BOARD RECOMMENDS THAT TRUSTCO SHAREHOLDERS VOTE **FOR** THIS PROPOSAL, WHICH IS ITEM 2 ON THE TRUSTCO PROXY CARD.

Proposal 3 - Advisory Resolution on the Frequency of an Advisory Vote on the Compensation of TrustCo s Named Executive Officers

TrustCo is required under the federal securities laws to provide shareholders the opportunity to vote, on a nonbinding, advisory basis, as to how frequently TrustCo should seek future say on pay advisory votes on the compensation of its named executive officers.

More specifically, TrustCo is asking whether shareholders would prefer that the say-on-pay advisory vote occur every year, every two years or every three years. (Shareholders also may, if they wish, abstain from casting a vote on this proposal.) The board of directors will take into consideration the outcome of the resolution when considering the frequency of the advisory vote on executive compensation in the future.

Although TrustCo s shareholders in 2011 approved holding the say-on-pay vote every third year, TrustCo s Compensation Committee and the full board of directors subsequently determined that an annual advisory vote on the compensation of the named executive officers would better serve the Company and its shareholders. In the view of the board, since the compensation of the named executive officers is evaluated, adjusted as appropriate, and approved on an annual basis, the views of the Company s shareholders as expressed in the say-on-pay advisory vote should also be considered annually. Annual advisory votes, in the view of the board, provide an effective means of communicating shareholder views about the Company s executive compensation programs.

Because the vote on the frequency of the say on pay advisory vote also is advisory, it is not binding on the board or TrustCo in any way. It is expected, however, that the board of directors and the Compensation Committee will take the outcome of the vote into account when considering the frequency of future advisory votes on executive compensation.

Resolution

Shareholders may cast a vote on the preferred voting frequency by selecting the option of one year, two years or three years (or abstain) when voting in response to the following resolution:

RESOLVED, that the shareholders of TrustCo Bank Corp NY determine, on an advisory basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company s named executive officers as set forth in the Company s proxy statement should be every year, every two years, or every three years.

Vote Required and Recommendation

The board of directors will consider the alternative (every year, every two years, or every three years) receiving the highest number of votes as the recommendation of TrustCo shareholders with respect to the frequency of the advisory vote on executive compensation. Dissenters rights are not available to shareholders who object to the proposal.

THE TRUSTCO BOARD OF DIRECTORS RECOMMENDS THAT TRUSTCO SHAREHOLDERS VOTE **FOR** THE **ONE YEAR (EVERY YEAR)** OPTION ON THIS PROPOSAL, WHICH IS ITEM 3 ON THE TRUSTCO PROXY CARD.

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INFORMATION ON TRUSTCO DIRECTORS AND NOMINEES

Proposal 4 - Ratification of the Appointment of Independent Auditors

The Audit Committee of TrustCo s board of directors has recommended, and the board of directors on February 21, 2017 reappointed, Crowe Horwath LLP as TrustCo s Independent Auditors for the year ending December 31, 2017. At the Annual Meeting, shareholders will consider and vote on the ratification of the engagement of Crowe Horwath LLP for the fiscal year ending December 31, 2017. Information with respect to the services provided in 2016 and 2015 to TrustCo by Crowe Horwath LLP is presented under the Audit Committee discussion, above. Representatives of Crowe Horwath LLP are expected to be present at the Annual Meeting to make a statement if they so desire and are also expected to be available to respond to appropriate questions that may be raised.

The following table presents fees for professional audit services, as well as other professional or consulting services, rendered by Crowe Horwath LLP. The services included audits of TrustCo s annual consolidated financial statements for the years ended December 31, 2016 and 2015 and of the effectiveness of internal controls over financial reporting, tax return preparation services, and other services provided by Crowe Horwath LLP during the years ended December 31, 2016 and 2015.

	2016	2015
Audit fees	$ 451,000	405,000
Audit related fees(1)	6,800	7,500
Tax fees(2)	114,700	103,500
All other fees(3)	181,000	--
Total Fees	$ 753,500	516,000

(1) For 2016, audit related fees consisted of assistance in responding to a SEC comment letter. For 2015, audit related fees consisted of consent procedures for the Company s Registration Statement on Form S-8 filed with the SEC.
(2) For 2016 and 2015, tax fees consisted of tax return preparation services and assistance with tax audits.
(3) For 2016, all other fees consisted of operational internal audit compliance services related to the Company s non-financial compliance function.

TrustCo s Audit Committee held twelve meetings in 2016. The directors currently serving on the Audit Committee are William D. Powers (Chairman), Dennis A. De Gennaro, Brian C. Flynn, Thomas O. Maggs, Dr. Anthony J. Marinello, and William J. Purdy. The purpose of the Audit Committee is to oversee the Company s accounting and financial reporting processes and audits of the Company s financial statements; the committee s functions also include the review of TrustCo s and Trustco Bank s internal audit procedures and the review of the adequacy of internal accounting controls for TrustCo and Trustco Bank. In addition, the Audit Committee annually recommends the use of external audit firms by TrustCo and Trustco Bank in the coming year, after reviewing performance of the existing vendors and available audit resources. Please refer to the discussion under Audit Committee for a more detailed description of the Audit Committee s activities.

Vote Required and Recommendation

The affirmative vote of a majority of all of TrustCo s issued and outstanding shares of common stock is required to ratify the appointment of Crowe Horwath LLP as TrustCo s Independent Auditors for the year ending December 31, 2017. Abstentions on properly executed proxy cards and shares not voted by brokers and other entities holding shares on behalf of beneficial owners will have the same effect as a vote against this proposal. Dissenters rights are not available to shareholders who object to the proposal.

THE TRUSTCO BOARD RECOMMENDS THAT TRUSTCO SHAREHOLDERS VOTE **FOR** THIS PROPOSAL, WHICH IS ITEM 4 ON THE TRUSTCO PROXY CARD.

Other Matters

TrustCo s board of directors is not aware of any other matters that may come before the Annual Meeting. If any matter not described in this proxy statement is properly presented at the Annual Meeting, the persons named in the proxy card will use their judgment to determine how to vote the shares for which they have voting authority.

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EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (the CD&A) describes the objectives, policies and components of TrustCo s 2016 executive compensation program for its named executive officers. In addition, the CD&A will discuss and analyze the decisions of and actions taken by the Compensation Committee during, before and after 2016 as those decisions and actions relate to such objectives and policies and the compensation paid to or earned by the named executive officers during 2016.

Executive Officers

TrustCo identified the following as executive officers:

- Robert J. McCormick, President and Chief Executive Officer, TrustCo and Trustco Bank
- Michael M. Ozimek, Senior Vice President and Chief Financial Officer, TrustCo and Trustco Bank
- Robert T. Cushing, Executive Vice President and Chief Operating Officer, TrustCo and Trustco Bank
- Scot R. Salvador, Executive Vice President and Chief Banking Officer, TrustCo and Trustco Bank
- Robert M. Leonard, Executive Vice President and Chief Risk Officer TrustCo and Trustco Bank.
- Eric W. Schreck, Treasurer, TrustCo, and Senior Vice President, Trustco Bank
- Michael J. Hall, Vice President, Counsel and Secretary, TrustCo and Trustco Bank

Of those, Messrs. McCormick, Ozimek, Cushing, Salvador, Leonard, and Schreck are the Named Executive Officers.

Objectives of Executive Compensation Program

Our executive compensation program is designed to promote the following compensation objectives:

- Encourage and reward the achievement of our short-term and long-term financial and strategic objectives;

- Align executive interests with the interests of our shareholders to ensure their focus on long-term return to shareholders and consideration of excessive risk mitigation; and

- Provide a comprehensive compensation program that fosters the retention of current executive officers and serves to attract new highly-talented, results-driven executives as the need may arise.

One of the objectives in structuring executive compensation plans and programs is to consider shareholder input when and as appropriate.

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Engagement, Feedback and Changes

TrustCo has embraced an extensive shareholder outreach program through which ongoing shareholder input is sought regarding executive compensation and governance practices. During 2016, TrustCo reached out to its 10 largest investors, representing 36.5% of its outstanding shares. Through this outreach, TrustCo had conversations with investors representing 11% of the outstanding shares. In response to the input received, a number of substantive changes have been made. TrustCo values shareholder views and insights and believes that its engagement program builds informed relationships, promotes transparency, and improves accountability. The ultimate goal is to meaningfully relate executive pay to corporate performance. After listening to shareholder feedback and performing further analysis, TrustCo implemented the following changes:

Compensation Feature	What TrustCo Heard	What TrustCo Did
Change in Control Provision	Single triggers are disfavored	In March of 2017, TrustCo amended its 2010 Equity Incentive plan, exclude automatic single-trigger vesting in lieu of double-trigger vesting for all future awards, subject to exceptions.
Equity Incentive Award Plan	Absolute metrics are disfavored	In previous years TrustCo has used an absolute metric when measuring achievement of performance awards. The 2016 grants under the 2010 Equity Incentive Award Plan have been changed to a relative metric.
Clawback Policy	The program lacks a robust recoupment mechanism	In 2016, TrustCo adopted a very robust Clawback Policy which addresses not only financial restatement recoupment, but also misconduct recoupment.
Performance Achievement Disclosure for Equity Awards	The disclosure presentation for Performance Share Awards is inadequate	Numerous changes have been made to the presentation of information in this Proxy Statement. Particularly in response to this concern, for example, see the Performance Achievement Equity Award Disclosure below.

Trustco has made significant and meaningful changes to the way it approaches governance and the way it discloses information about its operation and the compensation of its executives. The goal of these efforts is to provide shareholders with the data needed to fully evaluate the Company s performance as measured against relevant metrics.

The changes made demonstrate TrustCo s commitment to such matters. TrustCo s shareholder outreach is viewed as ongoing and not transactional and it will address other and new matters as they are presented.

Adoption of Clawback Policy

In July of 2016, TrustCo adopted an Executive Compensation Clawback Policy (the Policy) that provides for the recovery by the Company of certain elements of compensation received by executive officers of the Company if the Company is required to restate its financial statements or if an executive officer has committed an act of material fraud or misconduct.

In general, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with a financial reporting requirement under the securities laws, regardless of whether such restatement is a result of misconduct, and the Compensation Committee determines that one or more of the Company s executive officers covered by the Policy received incentive-based compensation in excess of what should have been received based on the restatement during the three completed fiscal years immediately preceding the date on which the Company is required to prepare the restatement, the Company must recover the amount of such excess compensation, subject to certain, limited exceptions.

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EXECUTIVE COMPENSATION

In addition, to the extent that the Compensation Committee determines that one or more of its executive officers committed one or more willful acts of material fraud or material misconduct that directly or indirectly had a material adverse effect on the Company, the Compensation Committee may require such officers to forfeit or reimburse the Company for some or all of the incentive-based compensation or other variable compensation awarded to or received by such officers during the twelve-month period following the commission of the acts of fraud or misconduct and/or occurrence of a material adverse effect.

The Compensation Committee has the sole authority to interpret and apply the Policy.

Executive Summary of Compensation Decisions for 2016

For the past several years, TrustCo has been transitioning its executive compensation program from a program with an emphasis on short-term and fixed pay to a program that puts a greater emphasis on long-term and performance-based compensation. In 2016, the Compensation Committee continued to emphasize long-term and performance-based compensation through suspension, or nominal use of, increases in base salaries and a continuation of the long-term and performance-based programs implemented in prior years. The following summary highlights the key decisions made and actions taken by the Compensation Committee during and prior to 2016 with respect to the compensation paid to and earned by the named executive officers for 2016.

Base Salary For the seventh consecutive year, the Compensation Committee determined not to increase the base salary for Mr. McCormick, which has thus remained frozen since 2009. Mr. Cushing s and Mr. Salvador s base salaries also remained unchanged. The decision to de-emphasize salary increases for these executives has not been due to performance, but rather reflects the Compensation Committee s emphasis on performance-based compensation via annual and long-term incentives. Attendant to the change in his job title to include Chief Risk Officer, together with his performance relative to oversight of regulatory matters and the expansion and enhancement of the bank s compliance function, Mr. Leonard s base salary was elevated in June 2016 to $305,000. For 2016, Mr. Schreck and Mr. Ozimek both received a base salary increase of $10,000. Both of these are roughly in line with average annual salary increases nationwide and consistent with increases during each of the past several years based on their respective performance and the Compensation Committee s views as to the appropriate positioning of their compensation relative to peer group practices.

Executive Officer Incentive Plan For 2016, the Compensation Committee continued the operation of the Company s Executive Officer Incentive Plan, which provides for the payment of annual cash bonuses based on the achievement of pre-defined annual relative performance goals that either meet or exceed the performance of the Company s peer group. Consistent with the Company s practice of placing more emphasis on long-term compensation, the plan continued to provide that a portion of the 2016 bonuses would be subject to long-term performance.

Long-Term Equity Incentive Compensation For 2016, TrustCo awarded a combination of restricted stock units and performance-based performance share awards to the named executive officers. As detailed in the Stock Option and Restricted Stock Unit Awards discussion below, the Compensation Committee established a 60% to 40% split of performance shares and restricted stock units, respectively. This mix of equity awards is intended by the Compensation Committee to encourage performance that increases shareholder return.

Supplemental Retirement Plan (SERP) Bonus For 2016, the Company made payments to Mr. McCormick, Mr. Cushing, Mr. Salvador, and Mr. Leonard, as required in their employment agreements, in an amount equal to the incremental amount that would have been credited to them under the TrustCo Supplemental Retirement Plan, as if the plan had not been frozen in 2008, to make up for the limitations on compensation and annual benefits imposed on the Company s Retirement Plan by the Internal Revenue Code.

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EXECUTIVE COMPENSATION

Highlights of 2016 Business Results

TrustCo continued its strong performance in 2016. For year-end 2016, total shareholder return was up 48.07% compared to the peer group median of 42.57%. Return on average equity and efficiency ratio were 9.94% and 55.67%, respectively, compared to 8.83% and 59.13% for the peer group median (the peer group consists of New York, New Jersey and Florida banks and thrifts with assets between two and ten billion dollars as of September 30, 2016). The Committee attributes this performance in part to the efforts of the Company s executive officers, including the named executive officers, whose efforts are encouraged and rewarded by the Company s executive compensation program.

Compensation Committee and Management Role in Determining Compensation for the Named Executive Officers

The Compensation Committee has responsibility for overseeing the Company s executive compensation policies and practices, including establishing annual salaries, long-term incentive and equity incentive arrangements, annual incentive arrangements, and all other benefits and other compensation programs for the Company s named executive officers. The Compensation Committee is solely responsible for setting the compensation of Mr. McCormick, the Company s Chief Executive Officer (CEO). As for the other named executive officers, the CEO generally makes recommendations to the Compensation Committee, which then evaluates the recommendations in light of the named executive officers performance, the Company s performance, and other factors, and determines the levels and structure of compensation for these executives.

In making its decisions, the Compensation Committee considers a number of factors including among others:

- TrustCo s and Trustco Bank s attainment of net income goals;
- The Company s operating performance against its past performance and that of its peers;
- Total shareholder return;
- Total asset targets;
- Overall profitability from year to year;
- Company efficiency; and

Banking experience of individual named executive officers, the scope of their responsibility within the overall organization, their individual performance and the specific contributions they made to TrustCo and Trustco Bank during the course of the year.

The Compensation Committee also considers other relevant factors, including involvement in the community, that might better position the organization to serve the immediate needs of Trustco Bank s market. The Compensation Committee generally considers most or all of the above criteria, but does not generally assign a specific weight to any of these factors in making compensation decisions and may choose certain criteria in one year and others in other years. Except for specific goals set with respect to certain compensation programs described herein or otherwise set forth below, the Compensation Committee makes compensation decisions on a discretionary basis considering such factors and criteria as it deems appropriate from year to year.

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EXECUTIVE COMPENSATION

Use of Peer Companies

As part of the Company s analysis, review and implementation of its executive compensation program, the Compensation Committee reviews aspects of the financial performance of a group of companies the Company considers to be peer companies, as well as the compensation paid to certain executive officers of these peer companies. For example, annual bonus awards paid pursuant to the Company s Executive Officer Incentive Plan are based on the achievement of certain performance metrics relative to the achievement of the same metrics by these peer companies. In addition, the Compensation Committee typically reviews the total compensation, including base salary, incentive compensation, equity awards, and other compensation, paid to the top three to five executive officers of these peer companies. While the Compensation Committee considers certain aspects of the financial performance of peer companies and the compensation paid to the named executive officers of peer companies relative to the Company s performance and compensation paid to the Company s named executive officers, it does not specifically benchmark compensation against these peer companies. Rather, the Compensation Committee uses the information as a general guide to setting compensation for the Company s named executive officers.

The Compensation Committee typically determines the Company s then-current peer group in December of each year in connection with setting certain aspects of annual compensation for the following year. The criteria the Compensation Committee uses to determine peer companies is generally the same from year to year and consists of New York, New Jersey and Florida-based banks and thrifts with assets of between $2 and $10 billion (measured as of the end of September of each year). The Compensation Committee is of the view that inasmuch as the Company s major market areas are in Upstate New York, Downstate New York/Northern New Jersey and Florida, these comparably-sized companies are a reasonable representation of its peers. As of December 31, 2015, the Company had total assets of approximately $4.73 billion. The composition of the peer group may change from year to year as new companies enter the relevant market or on account of changes in the size of companies or mergers or acquisitions.

In December 2015, the Compensation Committee selected a peer group consisting of 26 banks and thrifts.

The Company s peer group selected in 2015 consisted of the following companies (the Peer Group):

Arrow Financial Corp.	Hudson Valley Holding Corp.
Bridge Bancorp, Inc.	Kearny Financial Corp.
Canandaigua National Corporation	Lakeland Bancorp, Inc.
Capital Bank Financial Corporation	NBT Bancorp Inc.
Capital City Bank Group, Inc.	Northfield Bancorp, Inc.
CenterState Banks, Inc.	OceanFirst Financial Corp.
Community Bank System, Inc.	Oritani Financial Corp.
ConnectOne Bancorp, Inc.	Peapack-Gladstone Financial Corporation
Dime Community Bancshares, Inc.	Provident Financial Services, Inc.
FBC Financial Holdings, Inc.	Seacoast Banking Corporation of Florida
Financial Institutions, Inc.	Suffolk Bancorp
Flushing Financial Corporation	Tompkins Financial Corp.

The First of Long Island Corporation	Sun Bancorp

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In 2015, the Compensation Committee also reviewed compensation paid to the executive officers of companies in a peer group designed by Institutional Shareholder Services, Inc. (ISS), a third-party provider of corporate governance research and analysis and shareholder advisory services for TrustCo in 2014. The ISS peer group was composed of companies having the same Global Industry Classification Standard as the Company and a similar asset size and market value. The ISS peer group consisted of the following companies (the ISS Peer Group):

Bank Mutual Corporation	Kearny Financial Corp.
Beneficial Bancorp, Inc.	Meridian Bancorp.
Berkshire Hills Bancorp, Inc.	Meta Financial Group, Inc.
BofI Holding, Inc.	MGIC Investment Corporation
Brookline Bancorp, Inc.	Northfield Bancorp, Inc.
Capitol Federal Financial, Inc.	Northwest Bancshares, Inc.
Dime Community Bancshares, Inc.	OceanFirst Financial Corp.
ESB Financial Corporation	Oritani Financial Corp.
First Defiance Financial Corp.	Provident Financial Services, Inc.
Flagstar Bancorp, Inc.	Radian Group Inc.
Flushing Financial Corporation	United Financial Bancorp, Inc.
IMPAC Mortgage Holdings, Inc.	WSFS Financial Corporation

In December 2015, as part of its year-end review of the Company s executive compensation program, the Compensation Committee reviewed the base salary and total compensation paid to the top five executive officers of the companies in the Peer Group. In addition, the Compensation Committee also compared the Company s overall performance with that of companies in the Peer Group.

For 2014 (the most recent period for which such information was available in December of 2015), the median and average total compensation for the two separate Peer Groups was as follows:

	2015 Peer Group	2015 ISS Peer Group
CEO		
Median	$ 1,650,000	1,803,000
Average	1,957,000	2,545,000
Second most highly paid Executive Officer		
Median	947,000	998,000
Average	1,097,000	1,420,000
Third most highly paid Executive Officer		
Median	705,000	759,000
Average	849,000	944,000
Fourth most highly paid Executive Officer		
Median	541,000	618,000
Average	703,000	848,000

Fifth most highly paid Executive Officer		
Median	480,000	508,000
Average	500,000	606,000

By comparison, the total compensation for 2014 for Messrs. McCormick, Ozimek, Cushing, Salvador, Leonard, and Schreck was approximately $2,258,000, $246,000, $1,514,000, $1,330,000, $932,000, and $462,000, respectively.

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EXECUTIVE COMPENSATION

Utilizing performance data as of September 30, 2015, the Compensation Committee concluded the Company s overall performance compared favorably with that of the Company Peer Group. On an annualized basis, through September 30, 2015, the comparison is as follows:

As reported by SNL Financial LC, TrustCo s return on average equity was 10.43%, compared to a 2015 Company Peer Group median, on an annualized basis, of 8.72% and a 2015 Company Peer Group average of 7.89%. For the same period, on an annualized basis, TrustCo s efficiency ratio was 56.04%, compared to the 2015 Company Peer Group median of 61.97%, and a 2015 Company Peer Group average of 61.76%. Further, TrustCo s return on average assets was .89% compared to a 2015 Company Peer Group median, on an annualized basis, of .91% and a 2015 Company Peer Group average of .88%. TrustCo s non-performing assets compared to total assets were 1.04% compared to a 2015 Company Peer Group median, on an annualized basis, of .69% and a 2015 Company Peer Group average of .86%.

While the Company is of similar size to the members of its peer group, the Compensation Committee also takes into consideration the unique size of the Company s executive group as compared to other companies in the Company Peer Group. TrustCo and Trustco Bank typically operate with four senior executive officers, all of whom have a very broad scope of responsibilities. The Compensation Committee believes that the other institutions in the Company Peer Group have a larger pool of such officers having similar responsibilities.

Based on the data available in December of 2015, the Compensation Committee concluded that the base salaries and total compensation of the Company s top four named executive officers (Messrs. McCormick, Cushing, Salvador, and Leonard) were competitive with the Company Peer Group, taking into account the scope of their respective responsibilities, the compensation paid by the Company Peer Group for similar positions, and the performance of the Company relative to the Company Peer Group, while the base salaries and total compensation of Messrs, Schreck and Ozimek remained below the average compensation levels.

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Compensation Consultants

The Company periodically retains independent compensation consultants to assess the compensation of the named executive officers and certain other executives to ensure pay competitiveness, including Arthur J. Gallagher & Co. In addition, the Compensation Committee has the authority to retain compensation consultants, periodically reviews information provided by or through third-party sources, and often relies on TrustCo s Human Resources Department to gather such information.

In June of 2016, the Company retained Arthur J. Gallagher and Co. to review the base salaries paid to Chief Risk Officers among TrustCo s peers. Because of a lack of publicly disclosed information about Chief Risk Officers with respect to companies in the Company Peer Group, Gallagher developed a broader peer group composed of financial institutions having an asset size comparable to TrustCo s (the Chief Risk Officer Peer Group). The median asset size of the financial institutions in the Chief Risk Officer Peer Group was approximately $5 million. The median base salary for Chief Risk Officers in the Chief Risk Officer Peer Group was $301,000. Gallagher indicated that in similar circumstances, where additional responsibilities are added to core responsibilities, total compensation is typically adjusted upward by 10% to 20%. As such, based in part on the survey data, the added compliance and regulatory responsibilities attendant to a Chief Risk Officer, and Mr. Leonard s performance in the prior year and handling of the added responsibilities through the first part of 2016, the Compensation Committee increased Mr. Leonard s base salary by approximately 11% from $275,000 to $305,000.

The companies in the Chief Risk Officer Peer Group are: Ameris Bancorp, Banc of California, Inc., Bancfirst Corp, BBCN Bancorp, Inc., Boston Private Financial Holdings, Inc., Camden National Corp., Centerstate Banks, Inc., Financial Institutions, Inc., First Connecticut Bancorp, Independent Bank Group, Inc., LegacyTexas Financial Group, Inc.; LendingClub Corp., Midwestone Financial Group, National Bank Holdings, Corp., OFG Bankcorp, Park Sterling Corp., S&T Bancorp, Inc., Seacoast Banking Corp. of Florida, South State Corp., State Bank Financial Corp., and Univest Corp of Pennsylvania.

2016 Executive Compensation Program

For 2016 there were three basic elements to TrustCo s executive compensation program, each of which has sub-elements:

Annual Compensation	Salary, Incentive Bonus, Other Benefits
Long-Term Compensation	Stock Options, Restricted Stock Units, Performance Shares, Performance Bonus Program
Retirement Compensation	Defined Benefit Pension Plan, 401(k) Plan, and Supplemental Retirement Plan

As a general matter, the Compensation Committee initially considers total compensation levels of the Company Peer Group prior to making compensation decisions with respect to each of the individual elements of executive compensation.

The description below provides discussion and analysis for each element of TrustCo s executive compensation program for 2016, including the relevant history of those components and the compensation decisions made for 2016.

Annual Compensation

Base Salary. Annual salary is the base compensation for the Company s named executive officers and is intended to provide a portion of compensation which is fixed to give our named executive officers resources upon which to live and provide them with a certain level of financial security. The salaries for our named executive officers are established based upon the scope of their respective responsibilities, taking into account competitive market compensation paid by the Peer Group for similar positions along with the performance of these companies relative to the performance of the Company. Salaries are reviewed at least annually and are also reviewed upon the request of the board of directors.

For 2016, the Compensation Committee determined not to increase the base salaries for Messrs. McCormick, Cushing, and Salvador, which remained fixed at $880,000, $640,000, and $520,000 respectively (and base salaries for Messrs. McCormick and Cushing have remained fixed for the past seven years). In making these determinations, the Compensation Committee reviewed comparable base salaries of executives in the Peer Group and the relative performance of the peer companies. Although the Compensation Committee believes that these executive officers performance through the third quarter of 2015 led to the Company s solid performance relative to the Peer Group, consistent with the Company s policy to

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gradually increase the proportion of performance-based compensation to fixed compensation, the Compensation Committee elected not to increase their base salaries. Instead, the Compensation Committee believes that the Company s Executive Officer Incentive Plan (annual performance bonuses) and/or the Equity Incentive Plan (stock options, restricted units and performance share awards under the Amended and Restated TrustCo Bank Corp NY 2010 Equity Incentive Plan) are properly structured to reward exceptional performance with appropriate increased compensation.

In determining the base salaries for Messrs. Schreck and Ozimek for 2016, the Compensation Committee considered the Company s overall financial performance along with the performance of the individual officers and the responsibilities each officer holds within the organization, each officer s experience and the goals of each department for which the officer has responsibility. The Compensation Committee also considered the base salaries paid to executive officers at Peer Group Companies holding comparable positions. As previously discussed, Mr. Leonard received a base salary increase in June 2016 attendant to his change in title to Chief Risk Officer, among other reasons.

Executive Officer Incentive Plan for 2016. The Executive Officer Incentive Plan provides for annual bonus compensation for the named executive officers based on the achievement of certain corporate performance targets. The Compensation Committee reviews and adjusts as appropriate the plan bonus opportunities, performance targets, structure and other metrics on an annual basis. In early 2016, the Compensation Committee met and approved the bonus opportunities, performance targets, structure and other metrics for the year.

The corporate performance targets set for 2016 included return on average equity, return on average assets, efficiency ratio, and the ratio of nonperforming assets to total assets, each as measured against the composite performance of the Peer Group. The Compensation Committee selected these particular performance measures because it considers them to be important factors in driving corporate performance. Bonuses were earned for 2016 only for achievement of corporate targets and are based on threshold (15% of base salary), target (45% of base salary) and maximum (60% of base salary) level of achievement.

The following table sets forth the corporate performance targets, weightings, levels of achievement and other details under the Executive Officer Incentive Plan for 2016.

2016 Executive Officer Incentive Plan

Performance Criteria	Weighting	Threshold Performance Level (15% of	Target Performance Level (45% of salary)	Maximum Performance Level (60% of salary)	2016 TrustCo Performance Level Compared to Peer Group	Award % Earned	Award as a % of Salary

		salary)			Median		
Return on Average Equity	25%	Equal to 75% of Peer Group median to 9.99% above	10% to 24.99% better than Peer Group median	25% better than Peer Group median	12.62% above	45.00%	11.25%
Return on Average Assets	25%				3.35% below	15.00%	3.75%
Efficiency Ratio	25%				--	--	--
Nonperforming Assets to Total Assets	25%				--	--	--
						Total	**15.00%**

In calculating the bonuses earned under the Executive Officer Incentive Plan, the Compensation Committee multiplied the weighted percentages of the performance goals that were achieved (25% for return on average equity and return on average assets) by the level of achievement (target performance, 45%, for return on average equity and threshold performance, 15%, for return on average assets) by the executive s base salary. Accordingly, the 2016 Executive Officer Incentive Plan generated bonuses for Messrs. McCormick, Ozimek, Cushing, Salvador, Leonard, and Schreck of $132,000, $35,250, $96,000, $78,000, $45,750, and $40,875, respectively.

Contingent Bonus Payments. Consistent with the Company s practice of placing more emphasis on long-term compensation and to reward executives for sustained performance over more than one year, in early 2016, when the Compensation Committee approved the bonus opportunities and performance targets for 2016, it required, as allowed under the plan, that to the extent that the achievement level for 2016 resulted in bonus amounts in excess of 30% of base

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salary for the executives, payment of the amount in excess of 30% (the Contingent Bonus) would be contingent on achievement of the same corporate performance goals set for 2016 (return on average equity, return on average assets, efficiency ratio, and the ratio of non-performing assets) relative to the Peer Group average performance for 2017. Payment levels were based on threshold (100% of Contingent Bonus), target (115% of Contingent Bonus) and maximum (125% of Contingent Bonus) level of achievement. At the threshold level, the Contingent Bonus would not be earned unless performance for at least two of the performance goals for 2016 are within 20% of (no more than 20% worse than) the Peer Group average performance level for 2017. Payment of any amount in excess of 100% of the Contingent Bonus would be subject to achievement of corporate performance goals at a level better than the Peer Group average performance. For 2016, the Executive Officers Incentive Plan paid out 15% of base salary to the participating executive officers. As such, no amount of the 2016 bonus was subject to this Contingent Bonus payment feature.

2016 Contingent Bonus Payment

Performance Level	Performance Criteria	Bonus Payment
Threshold	At least two of the performance goals set for 2016 are achieved during 2017 at a level that is no more than 20% worse than the Peer Group average performance level	100% of Contingent Bonus
Target	All relative performance goals for 2016 are achieved during 2017 at the target performance level	115% of Contingent Bonus
Maximum	All relative performance goals for 2016 are achieved during 2017 at the maximum performance level	125% of Contingent Bonus

The Compensation Committee believes that the Executive Officer Incentive Plan, as currently structured with the long-term performance feature, will encourage and reward executives for achievement of key corporate performance goals that will contribute to long-term sustained performance, drive long-term shareholder value creation, and encourage executive decision making that mitigates excessive long-term risk. Moreover, it believes that payment levels relative to base salary percentages are generally consistent with Peer Group bonus compensation levels and serve to reward executives for superior performance over more than one year with enhanced performance-based compensation in lieu of increased fixed compensation.

Other Annual Benefits

Annual Benefits. The Company provides certain other annual benefits to the named executive officers in the form of (i) benefits under its executive medical reimbursement plan described below, (ii) use of Company cars, (iii) country club memberships, (iv) financial planning services and (v) additional tax gross up payments. In addition to the specific reasons set forth below for providing these benefits, the Compensation Committee believes they help to provide a comprehensive compensation program that fosters the retention of our current executive officers and will serve to attract new highly talented, results-driven executives as the need may arise. The Compensation Committee believes that the value of these other annual benefits to the Company s overall executive compensation program and the individual named executive officers outweighs the cost to the Company, which is set forth in the All Other Compensation column of the Summary Compensation Table below.

Executive Medical Reimbursement Plan. Messrs. McCormick, Cushing, Salvador and Leonard are participants in the Company s executive medical reimbursement plan. The plan is intended to provide for the reimbursement of medical, hospitalization, and dental expenses that exceed the deductible or co-payment limits under the Company s general medical insurance plans. The plan is intended to provide selected named executive officers with the basic resources upon which to live and provide them with a certain level of financial security in the face of extraordinary medical expenses, thus ensuring they remain focused on the Company s business goals.

Use of Company Cars. The Company provides all of the named executive officers with the use of a car. The Compensation Committee believes that this benefit is generally consistent with industry practice (a majority of the peer companies provide a similar benefit) and recognizes and rewards the named executive officers for their achievement to the level of a senior executive.

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Club Memberships. The Company provides all of the named executive officers with membership in a club of their choice. The Compensation Committee believes that this benefit is generally consistent with industry practice (a majority of the peer companies provide a similar benefit) and provides a platform for the executives to entertain clients and potential clients of the Company and fosters interaction with other community leaders, which is intended to drive business development and, ultimately, Company performance.

Financial Planning. The Company pays for the cost of financial planning services for Messrs. McCormick, Cushing, Salvador, and Leonard by a professional consulting firm. This benefit is intended to enhance the overall efficiency of the Company s executive compensation program by ensuring that the participating executive officers consider and properly plan for the various estate tax consequences, and generally take full advantage of the Company s various compensation programs, taking into account their individual circumstances.

Additional Tax Payments. The Company makes additional annual payments to the named executive officers to ensure that the effect of the above-mentioned other annual benefits are tax neutral to the executives. Given that these benefits are generally designed with a business purpose, this additional tax benefit ensures that the value of these other annual benefits is not diminished and does not create additional financial consequences for the executives.

Long-Term Compensation

Long-Term Incentive Program. The Company maintains a long-term incentive compensation program through the TrustCo Bank Corp NY 2010 Equity Incentive Plan (Amended and Restated as of March 21, 2017) (the Equity Incentive Plan), the Performance Bonus Plan and Performance-Based Stock Appreciation Units. The Equity Incentive Plan provide for annual equity-based awards and the Performance Bonus Plan and the performance-Based Stock Appreciation Units provide for equity-based compensation in connection with a change in control. The Company believes that compensation in the form of equity-based awards ties the interests of the named executive officers with those of our shareholders and thereby drives long-term success.

The Equity Incentive Plan was established to advance the interests of the Company and its shareholders by providing to executive officers an opportunity to acquire equity ownership in the Company along with the incentive advantages inherent in that equity ownership. The plan allows for the grant of a variety of equity-based awards, including stock options, restricted stock, restricted stock units and performance shares, and is administered by the Compensation Committee, which is empowered to determine the time, amount and recipients of awards and the other terms and conditions of awards to be granted thereunder, including the exercise price, vesting schedule, and expiration dates.

When granting equity-based awards to any of the named executive officers, the Compensation Committee reviews the executive officer s position and individual performance in light of the Company s goals to drive long-term performance and tie the interests of the named executive officers with those of our shareholders. The Compensation Committee also reviews awards granted to similarly situated officers at Peer Group companies. Ultimately, however, the Compensation Committee makes discretionary judgments based on these factors and its ongoing assessment and understanding of TrustCo and its executive officers. Awards are designed to ensure each named executive officer has a sense of ownership in the financial growth and the growth in total shareholder return of the Company.

In making the 2016 annual equity awards, the Compensation Committee sought to award a specific present value of long-term compensation in the form of time-vested and performance-vested awards to each of the named executive officers based on their position and contributions to the Company. The mix of different types of awards was intended to combine the retention and downside risk benefits inherent in restricted stock units and performance shares with the shareholder value creation benefits inherent in stock options, while mitigating the perceived excessive risk that potentially manifests itself through a single type of award approach. Consistent with the Company s continued emphasis on performance-based compensation tied to specific corporate goals, the Compensation Committee maintained its past practice of weighting the equity awards more heavily towards performance-vested awards (performance shares), which represented 60% of the overall value granted in 2016 and eliminated options from the 2016 program.

The Compensation Committee sought to keep the total value of all the equity awards granted in 2016 approximately the same as the total value to those awarded in 2015 and 2014. (The Summary Compensation Table provides additional information regarding the value of restricted stock awards and option grants.)

Stock Option and Restricted Stock Unit Awards. In prior years, the Compensation Committee granted stock options and restricted stock unit awards in relatively equal proportion based on value. Based upon industry data, the Committee is of the view that the Peer Group companies are trending away from use of stock options. In 2016, the Compensation Committee shifted entirely away from the use of stock options. Rather, 60% of the time-vested equity awards were granted in performance shares (see below) and 40% in restricted stock units.

In 2016 the Compensation Committee granted the following restricted stock unit awards to each of the named executive officers:

Named Executive Officer	Restricted Stock Units
Robert J. McCormick	19,000
Robert T. Cushing[(1)]	10,000
Scot R. Salvador	10,000
Robert M. Leonard	10,000
Eric W. Schreck	2,600
Michael M. Ozimek	2,600

(1) Although Mr. Cushing has announced his intention to retire, a retirement date has not yet been determined. As a result, the Compensation Committee determined that it was appropriate to grant him restricted stock units.

The periods of restriction applicable to the restricted stock unit awards will lapse as to all units awarded in a single tranche on November 15, 2019. In addition, vesting of options and the lapse of the restrictions may accelerate upon certain events, including the death, disability, or retirement of an award holder or upon a change in control of TrustCo. All restricted stock units are settled in cash only; no shares of the Company s common stock will be issued in connection with the lapse of the period of restriction applicable to the units.

The definition of change in control is contained in the Equity Incentive Plan and is substantially the same as the definition contained in the senior executives employment agreements and the Performance Bonus Plan described below (and also substantially the definition set forth in the U.S. Treasury Department regulations under Section 409A of the Internal Revenue Code). The Compensation Committee believes that the definition of change in control is customary within the banking industry and that the circumstances under which change in control benefits would vest or become payable are reasonable.

Performance Share Awards. In consultation with and based upon advice from a compensation consultant, in 2013 the Compensation Committee established the performance share award program under the Equity Incentive Plan. Consistent with that plan, in 2016 the Compensation Committee granted the following performance-based equity awards to each of the named executive officers:

Named Executive Officer	Performance Shares
Robert J. McCormick	28,500
Robert T. Cushing[(1)]	15,000

Scot R. Salvador	15,000
Robert M. Leonard	15,000
Eric W. Schreck	3,900
Michael M. Ozimek	3,900

(1) Although Mr. Cushing has announced his intention to retire, a retirement date has not yet been determined. As a result, the Compensation Committee determined that it was appropriate to grant him performance shares.

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Each performance share represents the right to receive upon settlement an amount in cash equal to the fair market value of one share of TrustCo common stock. The performance shares generally will vest at the end of a three-year performance period based upon continued employment through the end of the performance period and the achievement of corporate performance goals. The three-year performance period for the 2016 awards runs from January 1, 2017 through December 31, 2019 (the Performance Period). For the awards granted in 2016, the achievement of the performance goals condition will be measured as follows:

The Company s Return on Average Equity measured as the average of each of the three years within the defined performance period against a comparative group of peer institutions with vesting and payout occurring at the end of the performance period and payout prior to March 15, 2020. The following table outlines the peer ranking and the corresponding adjustment factor:

Return on Average Equity for the Performance Period

Percentile Ranking	Factor
Above 60th percentile of the Peer Group	125%
50th - 59th percentile of the Peer Group	100%
40th - 49th percentile of the Peer Group	75%
Below 40th percentile of the Peer Group	0%

Performance shares may vest, and be settled, prior to the end of the Performance Period upon the death, disability or retirement of a participant, or in the event of a change in control of TrustCo.

Achievement of 2013 Performance Share Awards. In November of 2013, the named executive officers received the following Performance Share Awards which had a three-year Performance Period that expired on December 31, 2016:

Named Executive Officer	Threshold	Target	Maximum
Robert J. McCormick	16,875	22,500	28,125
Robert T. Cushing	9,000	12,000	15,000
Scot R. Salvador	9,000	12,000	12,000
Robert M. Leonard	9,000	12,000	12,000
Eric W. Schreck	2,250	3,000	3,750
Michael M. Ozimek	1,125	1,500	1,875

Achievement of the performance goals condition was measured by the percentage increase in the Company s diluted earnings per share as of the end of December 2016 over the Company s diluted earnings per share as of the end of December 2013. In March 2017 the Compensation Committee determined that the performance goals for the 2013 awards were not achieved, and no payments thereon were made.

Performance Bonus Plan. The second aspect of TrustCo s long-term incentive program is its Performance Bonus Plan, which provides compensation to certain of the Company s senior executive officers (Messrs. McCormick, Cushing, and Salvador) in the event of a change in control of the Company. The Company has made a similar award, in the form of performance-based stock appreciation units, to Mr. Leonard under a separate agreement with him. Please refer to the discussion below under the heading Performance-Based Stock Appreciation Unit Award . Although the Company is not actively seeking to be acquired, the Compensation Committee understands that regional banking institutions such as the Company are continually subject to acquisition by third parties.

The Performance Bonus Plan is designed to accomplish two objectives with respect to these senior executive officers. First, the plan is intended to reward the executive officers for successful strategic acquisition that is in the best interest of our shareholders. Second, because it is unlikely that following any change in control (as defined in the Performance Bonus Plan), TrustCo s senior executive officers would continue to have the same level of responsibility and compensation as they currently have with TrustCo, and because these senior executive officers may perceive significant risks in any such reduced responsibility and compensation resulting from any such acquisition, the plan, along with the change in control benefits available under the senior executives employment agreements, is designed to encourage these highly qualified executives to remain with the Company through the consummation of such acquisition and to attract other executives as may be necessary.

Under the Performance Bonus Plan, the designated senior executive officers have been awarded 524,702 units, the ultimate value of which is based upon the appreciation in value of TrustCo s common stock between the date of the award and the occurrence of a change in control as defined in the plan. The units so awarded vest fifteen days prior to the scheduled closing date of a change in control, upon the occurrence of an unannounced change in control, or upon a participant s termination of employment for reasons other than cause within one year prior to a change in control. Payment to a participant under the plan must be made within ten days after the change in control.

The Compensation Committee believes that the definition of change in control (which is substantially the same as the definition contained in the senior executives employment agreements and is substantially the definition set forth in the U.S. Treasury Department regulations under Section 409A of the Internal Revenue Code) is customary within the banking industry and that the circumstances under which change in control payments would be made are reasonable. Each of Messrs. McCormick, Cushing, and Salvador has been awarded an equal number of Performance Bonus Units. The Company does not make annual awards of units under the Performance Bonus Plan; rather, the units were awarded at the plan s inception in 1997 and have subsequently been selectively awarded by the Committee when a person becomes a senior executive.

The Compensation Committee believes the Performance Bonus Plan continues to enhance the goal of an ownership culture through long-term incentives thereby advancing the interest of the Company and its shareholders. However, the Compensation Committee will continue to review this long-term incentive vehicle on an annual basis as it continues to refine its approach to long-term incentives.

Performance-Based Stock Appreciation Unit Award. In connection with the promotion of Mr. Leonard to the senior executive management team, instead of granting Mr. Leonard units under the Performance Bonus Plan, in January of 2014, the Compensation Committee granted Mr. Leonard an award of 300,000 performance-based stock appreciation units (PSAUs). Like awards under the Performance Bonus Plan, these units are intended to encourage Mr. Leonard to remain with the Company up to and through the consummation of a successful strategic acquisition that is in the best interest of our shareholders, TrustCo and Trustco Bank. To facilitate this, the units will become vested upon (i) a termination of Mr. Leonard without cause or for good reason within two years following a change in control of TrustCo or (ii) the occurrence of a change in control within 12 months following a termination of Mr. Leonard without cause or for good reason. Upon vesting, Mr. Leonard will be entitled to receive compensation based upon the appreciation in value of TrustCo s common stock between the date of the award and the date of the occurrence of a change in control or Mr. Leonard s termination (whichever value is greater). Unlike the units under the Performance Bonus Plan, the PSAUs do not vest solely upon a change in control. Mr. Leonard will not receive a tax gross-up to cover potential excise taxes under Section 4999 of the Internal Revenue Code.

Mr. Ozimek and Mr. Schreck are not Executive Vice Presidents and did not participate in the Performance Bonus Plan or receive Performance-Based Stock Appreciation Unit Awards.

Stock Ownership, Anti-Hedging and Anti-Pledging Guidelines. The Company s board of directors has adopted stock ownership guidelines for