

TRUSTCO BANK CORP N Y  
Form 10-Q  
August 06, 2013

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

Form 10-Q

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

For the quarterly period ended June 30, 2013 Commission File Number 0-10592

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

NEW YORK 14 1630287  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5 SARNOWSKI DRIVE, GLENVILLE, NEW YORK 12302  
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). xYes o No

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

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

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

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

Number of Shares Outstanding  
Common Stock as of July 31, 2013

\$1 Par Value 94,334,383

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TrustCo Bank Corp NY

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## TRUSTCO BANK CORP NY

Consolidated Statements of Income (Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
	2012	2013	2012	2013
Interest and dividend income:				
Interest and fees on loans	\$31,639	32,277	63,120	64,702
Interest and dividends on securities available for sale:				
U. S. government sponsored enterprises	627	2,606	1,443	4,910
State and political subdivisions	148	368	339	778
Mortgage-backed securities and collateralized mortgage obligations-residential	2,701	1,364	5,470	2,457
Corporate bonds	233	648	451	1,470
Small Business Administration-guaranteed participation securities	564	-	1,060	-
Mortgage-backed securities and collateralized mortgage obligations-commercial	38	-	67	-
Other securities	3	5	8	10
Total interest and dividends on securities available for sale	4,314	4,991	8,838	9,625
Interest on held to maturity securities:				
U. S. government sponsored enterprises	-	-	-	25
Mortgage-backed securities and collateralized mortgage obligations-residential	716	1,198	1,505	2,488
Corporate bonds	214	387	526	896
Total interest on held to maturity securities	930	1,585	2,031	3,409
Federal Reserve Bank and Federal Home Loan Bank stock	121	149	240	239
Interest on federal funds sold and other short-term investments	327	299	572	619
Total interest income	37,331	39,301	74,801	78,594
Interest expense:				
Interest on deposits:				
Interest-bearing checking	82	78	162	156
Savings	829	979	1,745	2,081
Money market deposit accounts	630	770	1,315	1,693
Time deposits	1,883	3,230	3,703	6,648
Interest on short-term borrowings	367	378	731	766
Total interest expense	3,791	5,435	7,656	11,344
Net interest income	33,540	33,866	67,145	67,250
Provision for loan losses	2,000	3,000	4,000	6,100
Net interest income after provision for loan losses	31,540	30,866	63,145	61,150
Noninterest income:				
Trustco financial services income	1,287	1,407	2,708	2,801
Fees for services to customers	2,968	2,939	5,855	5,670
Net gain on securities transactions	1,432	55	1,434	732
Other	229	176	511	383

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Total noninterest income	5,916	4,577	10,508	9,586
Noninterest expenses:				
Salaries and employee benefits	7,647	7,519	15,825	15,262
Net occupancy expense	3,910	3,817	7,963	7,612
Equipment expense	1,582	1,600	3,300	3,120
Professional services	1,565	1,489	2,985	2,925
Outsourced services	1,350	1,347	2,700	2,597
Advertising expense	714	1,060	1,444	1,869
FDIC and other insurance	1,004	953	2,014	1,833
Other real estate expense, net	1,473	665	2,222	1,631
Other	2,624	2,599	4,973	5,335
Total noninterest expenses	21,869	21,049	43,426	42,184
Income before taxes	15,587	14,394	30,227	28,552
Income taxes	5,824	5,328	11,296	10,577
Net income	\$9,763	9,066	18,931	17,975
Net income per Common Share:				
- Basic	\$0.104	0.097	0.201	0.192
- Diluted	\$0.104	0.097	0.201	0.192

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

## Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$9,763	9,066	\$18,931	17,975
Net unrealized holding gain (loss) on securities available for sale	(26,315)	2,571	(29,254)	7,451
Reclassification adjustments for net gain recognized in income	(1,432 )	(55 )	(1,434 )	(732 )
Tax effect	11,064	(1,003 )	12,237	(2,679 )
Net unrealized gain (loss) on securities available for sale	(16,683)	1,513	(18,451)	4,040
Amortization of net actuarial loss	101	97	233	194
Amortization of prior service credit	(65 )	(65 )	(131 )	(131 )
Tax effect	(15 )	(13 )	(40 )	(25 )
Amortization of net actuarial loss and prior service credit on pension and postretirement plans, net of tax	21	19	62	38
Other comprehensive income (loss), net of tax	(16,662)	1,532	(18,389)	4,078
Comprehensive income (loss)	(6,899 )	10,598	542	22,053

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

## Consolidated Statements of Financial Condition (Unaudited)

(dollars in thousands, except per share data)

	June 30, 2013	December 31, 2012
<b>ASSETS:</b>		
Cash and due from banks	\$40,580	55,789
Federal funds sold and other short term investments	588,252	488,227
Total cash and cash equivalents	628,832	544,016
Securities available for sale	878,188	912,092
Held to maturity securities (fair value 2013 \$103,331; 2012 \$151,126)	98,789	143,426
Federal Reserve Bank and Federal Home Loan Bank stock	10,500	9,632
Loans, net of deferred fees and costs	2,762,426	2,684,733
Less:		
Allowance for loan losses	47,589	47,927
Net loans	2,714,837	2,636,806
Bank premises and equipment, net	38,301	36,239
Other assets	73,757	64,402
Total assets	\$4,443,204	4,346,613
<b>LIABILITIES:</b>		
Deposits:		
Demand	\$314,985	300,544
Interest-bearing checking	591,844	560,064
Savings accounts	1,228,281	1,198,517
Money market deposit accounts	634,804	667,589
Certificates of deposit (in denominations of \$100,000 or more)	397,707	352,734
Other time accounts	725,255	724,745
Total deposits	3,892,876	3,804,193
Short-term borrowings	176,325	159,846
Accrued expenses and other liabilities	25,380	23,776
Total liabilities	4,094,581	3,987,815
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock par value \$1; 150,000,000 shares authorized; 98,912,423 shares issued at June 30, 2013 and December 31, 2012	98,912	98,912
Surplus	173,897	174,899
Undivided profits	138,953	132,378

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Accumulated other comprehensive income (loss), net of tax	(16,831 )	1,558
Treasury stock at cost - 4,708,670 and 4,977,179 shares at June 30, 2013 and December 31, 2012, respectively	(46,308 )	(48,949 )
Total shareholders' equity	348,623	358,798
Total liabilities and shareholders' equity	\$4,443,204	4,346,613

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

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

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Beginning balance, January 1, 2012	\$98,912	176,638	119,465	(2,493 )	(54,006 )	338,516
Net Income	-	-	17,975	-	-	17,975
Change in other comprehensive income (loss), net of tax	-	-	-	4,078	-	4,078
Cash dividend declared, \$.1312 per share	-	-	(12,287 )	-	-	(12,287 )
Sale of treasury stock (236,700 shares)	-	(1,044 )	-	-	2,490	1,446
Stock based compensation expense	-	179	-	-	-	179
Ending balance, June 30, 2012	\$98,912	175,773	125,153	1,585	(51,516 )	349,907
Beginning balance, January 1, 2013	\$98,912	174,899	132,378	1,558	(48,949 )	358,798
Net Income	-	-	18,931	-	-	18,931
Change in other comprehensive income (loss), net of tax	-	-	-	(18,389 )	-	(18,389 )
Cash dividend declared, \$.1312 per share	-	-	(12,356 )	-	-	(12,356 )
Sale of treasury stock (268,509 shares)	-	(1,173 )	-	-	2,641	1,468
Stock based compensation expense	-	171	-	-	-	171
Ending balance, June 30, 2013	\$98,912	173,897	138,953	(16,831 )	(46,308 )	348,623

See accompanying notes to unaudited consolidated interim financial statements.

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

	Six months ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$18,931	17,975
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,541	2,507
Loss on sale of other real estate owned	36	356
Writedown of other real estate owned	1,098	474
Provision for loan losses	4,000	6,100
Deferred tax benefit	(27 )	(160 )
Stock based compensation expense	171	179
Net gain on sale of bank premises and equipment	(16 )	(2 )
Net gain on sales and calls of securities	(1,434 )	(732 )
Increase in taxes receivable	(1,329 )	(1,883 )
Decrease (increase) in interest receivable	(332 )	1,044
Decrease in interest payable	(24 )	(120 )
Decrease in other assets	6,272	1,583
Increase in accrued expenses and other liabilities	1,610	635
Total adjustments	12,566	9,981
Net cash provided by operating activities	31,497	27,956
Cash flows from investing activities:		
Proceeds from sales and calls of securities available for sale	323,974	601,747
Proceeds from calls and maturities of held to maturity securities	44,637	57,836
Purchases of securities available for sale	(329,374)	(795,544)
Proceeds from maturities of securities available for sale	10,050	914
Purchases of held to maturity securities	-	(10,303 )
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(868 )	-
Net increase in loans	(89,783 )	(50,131 )
Proceeds from dispositions of other real estate owned	4,978	5,579
Proceeds from dispositions of bank premises and equipment	16	2
Purchases of bank premises and equipment	(4,603 )	(3,369 )
Net cash used in investing activities	(40,973 )	(193,269)
Cash flows from financing activities:		
Net increase in deposits	88,683	162,677
Net increase in short-term borrowings	16,479	3,155
Proceeds from sale of treasury stock	1,468	1,446
Dividends paid	(12,338 )	(12,270 )
Net cash provided by financing activities	94,292	155,008

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Net decrease in cash and cash equivalents	84,816	(10,305 )
Cash and cash equivalents at beginning of period	544,016	532,943
Cash and cash equivalents at end of period	\$628,832	522,638

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest paid	\$7,680	11,464
Income taxes paid	12,691	12,461
Other non cash items:		
Transfer of loans to other real estate owned	7,752	5,014
Increase in dividends payable	18	17
Change in unrealized gain (loss) on securities available for sale-gross of deferred taxes	(30,688 )	6,719
Change in deferred tax effect on unrealized gain (loss)on securities available for sale	12,237	(2,679 )
Amortization of net actuarial loss and prior service credit on pension and postretirement plans	102	63
Change in deferred tax effect of amortization of net actuarial loss and prior service credit	(40 )	(25 )

See accompanying notes to unaudited consolidated interim financial statements.

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(1) Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY (the Company) include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior period amounts are reclassified when necessary to conform to the current period presentation. The net income reported for the three months and six months ended June 30, 2013 is not necessarily indicative of the results that may be expected for the year ending December 31, 2013, or any interim periods. These financial statements consider events that occurred through the date of filing.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of June 30, 2013, the results of operations for the three months and six months ended June 30, 2013 and 2012 and cash flows for the six months ended June 30, 2013 and 2012. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are included in TrustCo Bank Corp NY's 2012 Annual Report to Shareholders on Form 10-K. The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States.

(2) Earnings Per Share

The Company computes earnings per share in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 260, Earnings Per Share ("ASC 260"). TrustCo adopted FASB Staff Position on Emerging Issues Task Force 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, as codified in FASB ASC 260-10 ("ASC 260-10"), which clarified that unvested share-based payment awards that contain nonforfeitable rights to receive dividends or divided equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share ("EPS"). Participating securities under this statement include the unvested employees' and directors' restricted stock awards with time-based vesting, which receive nonforfeitable dividend payments.

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A reconciliation of the component parts of earnings per share for the three months and six months ended June 30, 2013 and 2012 follows:

(dollars in thousands, except per share data)

	2013	2012
For the quarter ended June 30:		
Net income	\$9,763	\$9,066
Less: Net income allocated to participating securities	11	10
Net income allocated to common shareholders	\$9,752	\$9,056
Basic EPS:		
Distributed earnings allocated to common stock	\$6,182	\$6,139
Undistributed earnings allocated to common stock	3,570	2,917
Net income allocated to common shareholders	\$9,752	\$9,056
Weighted average common shares outstanding including participating securities	94,204	93,667
Less: Participating securities	106	106
Weighted average common shares	94,098	93,561
Basic EPS	0.104	0.097
Diluted EPS:		
Net income allocated to common shareholders	\$9,752	\$9,056
Weighted average common shares for basic EPS	94,098	93,561
Effect of Dilutive Securities:		
Stock Options	7	1
Weighted average common shares including potential dilutive shares	94,105	93,562
Diluted EPS	0.104	0.097

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(dollars in thousands, except per share data)

	2013	2012
For the six months ended June 30:		
Net income	\$18,931	\$17,975
Less: Net income allocated to participating securities	21	20
Net income allocated to common shareholders	\$18,910	\$17,955
Basic EPS:		
Distributed earnings allocated to common stock	\$12,356	\$12,287
Undistributed earnings allocated to common stock	6,554	5,668
Net income allocated to common shareholders	\$18,910	\$17,955
Weighted average common shares outstanding including participating securities	94,134	93,609
Less: Participating securities	106	106
Weighted average common shares	94,028	93,503
Basic EPS	0.201	0.192
Diluted EPS:		
Net income allocated to common shareholders	\$18,910	\$17,955
Weighted average common shares for basic EPS	94,028	93,503
Effect of Dilutive Securities:		
Stock Options	6	1
Weighted average common shares including potential dilutive shares	94,034	93,504
Diluted EPS	0.201	0.192

For both the three months and six months ended June 30, 2013 and 2012, the weighted average number of antidilutive stock options excluded from diluted earnings per share was approximately 2.7 million and 3.1 million, respectively.

The stock options are antidilutive because the strike price is greater than the average fair value of the Company's common stock for the periods presented.

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## (3)Benefit Plans

The table below outlines the components of the Company's net periodic expense (benefit) recognized during the three month and six month periods ended June 30, 2013 and 2012 for its pension and other postretirement benefit plans:

(dollars in thousands)	For the three months ended June 30,			
	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Service cost	\$20	12	14	8
Interest cost	322	365	27	25
Expected return on plan assets	(597)	(474)	(126 )	(112 )
Amortization of net loss (gain)	111	102	(10 )	(5 )
Amortization of prior service credit	-	-	(65 )	(65 )
Net periodic expense (benefit)	\$(144)	5	(160 )	(149 )
	For the six months ended June 30,			
(dollars in thousands)	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Service cost	\$ 34	24	26	16
Interest cost	637	730	51	51
Expected return on plan assets	(1,095)	(948)	(249 )	(225 )
Amortization of net loss (gain)	258	204	(25 )	(10 )
Amortization of prior service credit	-	-	(131 )	(131 )
Net periodic expense (benefit)	\$ (166 )	10	(328 )	(299 )

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2012, that it did not expect to make contributions to its pension and postretirement benefit plans in 2013. As of June 30, 2013, no contributions have been made, however, this decision is reviewed each quarter and is subject to change based upon market conditions. Since 2003, the Company has not subsidized retiree medical insurance premiums. However, it continues to provide postretirement medical benefits to a limited number of current and retired executives in accordance with the terms of their employment contracts.

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## (4) Investment Securities

## (a) Securities available for sale

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

(dollars in thousands)	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$191,032	78	2,977	188,133
State and political subdivisions	11,851	308	-	12,159
Mortgage backed securities and collateralized mortgage obligations - residential	520,391	340	15,938	504,793
Corporate bonds	53,352	137	436	53,053
Small Business Administration-guaranteed participation securities	114,247	-	5,582	108,665
Mortgage backed securities and collateralized mortgage obligations - commercial	11,097	-	372	10,725
Other	650	-	-	650
Total debt securities	902,620	863	25,305	878,178
Equity securities	10	-	-	10
Total securities available for sale	\$902,630	863	25,305	878,188

  

(dollars in thousands)	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$262,063	1,055	10	263,108
State and political subdivisions	25,815	642	-	26,457
Mortgage backed securities and collateralized mortgage obligations - residential	515,322	3,982	528	518,776
Corporate bonds	26,312	336	119	26,529
Small Business Administration-guaranteed participation securities	75,674	888	-	76,562
Other	650	-	-	650
Total debt securities	905,836	6,903	657	912,082
Equity securities	10	-	-	10
Total securities available for sale	\$905,846	6,903	657	912,092

The following table distributes the debt securities included in the available for sale portfolio as of June 30, 2013, based on the securities' final maturity (mortgage-backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	\$10,598	10,730
Due in one year through five years	739,312	720,947
Due after five years through ten years	147,646	141,325
Due after ten years	5,064	5,176

\$902,620 878,178

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Actual maturities may differ from the above because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty. Gross unrealized losses on securities available for sale and the related fair values aggregated by the length of time that individual securities have been in an unrealized loss position, were as follows:

(dollars in thousands)	June 30, 2013					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$166,770	2,977	-	-	166,770	2,977
Mortgage backed securities and collateralized mortgage obligations - residential	475,756	15,938	-	-	475,756	15,938
Corporate bonds	32,427	435	401	1	32,828	436
Small Business Administration-guaranteed participation securities	108,665	5,582	-	-	108,665	5,582
Mortgage backed securities and collateralized mortgage obligations - commercial	10,725	372	-	-	10,725	372
<b>Total</b>	<b>\$794,343</b>	<b>25,304</b>	<b>401</b>	<b>1</b>	<b>794,744</b>	<b>25,305</b>
	December 31, 2012					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$15,491	10	-	-	15,491	10
Mortgage backed securities and collateralized mortgage obligations - residential	178,689	528	-	-	178,689	528
Corporate bonds	10,283	119	-	-	10,283	119
<b>Total</b>	<b>\$204,463</b>	<b>657</b>	<b>-</b>	<b>-</b>	<b>204,463</b>	<b>657</b>

The proceeds from sales and calls of securities available for sale, gross realized gains and gross realized losses from sales and calls during the three months and six months ended June 30, 2013 and 2012 are as follows:

(dollars in thousands)	Three months ended		Six months ended	
	June 30, 2013	2012	June 30, 2013	2012
Proceeds from sales	\$118,560	16,141	\$118,560	53,998
Proceeds from calls	96,417	313,024	205,414	547,749
Gross realized gains	1,512	157	1,514	932
Gross realized losses	80	102	80	200

Tax expense recognized on net gains on sales of securities available for sale were approximately \$573 thousand and \$22 thousand for the three months ended June 30, 2013 and 2012 respectively. Tax expense recognized on net gains on sales of securities available for sale were approximately \$574 thousand and \$293 thousand for the six months ended June 30, 2013 and 2012 respectively.



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

(dollars in thousands)	June 30, 2013			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations				
- residential	\$88,852	3,426	124	92,154
Corporate bonds	9,937	1,240	-	11,177
Total held to maturity	\$98,789	4,666	124	103,331
	December 31, 2012			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations				
- residential	\$108,471	5,724	-	114,195
Corporate bonds	34,955	1,976	-	36,931
Total held to maturity	\$143,426	7,700	-	151,126

The following table distributes the debt securities included in the held to maturity portfolio as of June 30, 2013, based on the securities' final maturity (mortgage-backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ -	-
Due in one year through five years	98,789	103,331
Due in five years through ten years	-	-
	\$ 98,789	103,331

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

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Gross unrecognized losses on securities held to maturity and the related fair values aggregated by the length of time that individual securities have been in an unrealized loss position, were as follows:

(dollars in thousands)	June 30, 2013		12 months		Total	
	Less than 12 months	Gross Unrec. Loss	Fair Unrec. Loss	Gross Unrec. Loss	Fair Unrec. Loss	Gross Unrec. Loss
Mortgage backed securities and collateralized mortgage obligations - residential	\$28,053	124	-	-	28,053	124
Total	\$28,053	124	-	-	28,053	124

There were no held to maturity securities in an unrealized loss position at December 31, 2012. There were no sales or transfers of held to maturity securities during 2013 and 2012.

## (c) Other-Than-Temporary-Impairment

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

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

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

As of June 30, 2013, the Company’s security portfolio consisted of 222 securities, 102 of which were in an unrealized loss position, and are discussed below.

U.S. government-sponsored enterprises

In the case of unrealized losses on U.S. government-sponsored enterprises, because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2013.

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Mortgage-backed securities and collateralized mortgage obligations - residential

At June 30, 2013, all of the mortgage-backed securities and collateralized mortgage obligations held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Ginnie Mae, Fannie Mae and Freddie Mac, institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2013.

Corporate bonds

In the case of corporate bonds, the Company exposure is primarily in bonds of firms in the financial sector. All of the corporate bonds owned continue to be rated investment grade, all are current as to the payment of interest and the Company expects to collect the full amount of the principal balance at maturity. The Company actively monitors the firms and the bonds. The Company has concluded that the decline in fair value is not attributable to credit quality and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2013.

Small Business Administration (SBA) - guaranteed participation securities

At June 30, 2013, all of the SBA securities held by the Company were issued and guaranteed by U.S. Small Business Administration. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2013.

Mortgage-backed securities and collateralized mortgage obligations - commercial

As of June 30, 2013, all of the mortgage-backed securities and collateralized mortgage obligations held by the Company were issued by U.S. government-sponsored entities and agencies, are current as to the payment of interest and principal and the Company expects to collect the full amount of the principal and interest payments. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2013.

As a result of the above analysis, for the year ended June 30, 2013, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

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## (5)Loans and Allowance for Loan Losses

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

(dollars in thousands)	June 30, 2013		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 168,308	21,370	189,678
Other	27,248	51	27,299
Real estate mortgage - 1 to 4 family:			
First mortgages	1,833,212	330,403	2,163,615
Home equity loans	39,508	2,211	41,719
Home equity lines of credit	301,023	33,548	334,571
Installment	4,910	634	5,544
Total loans, net	\$2,374,209	388,217	2,762,426
Less: Allowance for loan losses			47,589
Net loans			\$2,714,837

(dollars in thousands)	December 31, 2012		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 167,249	18,882	186,131
Other	33,381	65	33,446
Real estate mortgage - 1 to 4 family:			
First mortgages	1,814,214	275,764	2,089,978
Home equity loans	35,601	1,089	36,690
Home equity lines of credit	301,338	32,571	333,909
Installment	4,183	396	4,579
Total loans, net	\$2,355,966	328,767	2,684,733
Less: Allowance for loan losses			47,927
Net loans			\$2,636,806

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

At June 30, 2013 and December 31, 2012, the Company had approximately \$35.5 million and \$37.2 million of real estate construction loans, respectively. As of June 30, 2013, approximately \$15.5 million are secured by first mortgages to residential borrowers while approximately \$20.0 million were to commercial borrowers for residential construction projects. Of the \$37.2 million in real estate construction loans at December 31, 2012, approximately \$16.4 million were secured by first mortgages to residential borrowers and the remaining \$20.8 million were to commercial borrowers for residential construction projects. The vast majority of construction loans are in the Company's New York market.

TrustCo lends in the geographic territory of its branch locations in New York, Florida, Massachusetts, New Jersey and Vermont. Although the loan portfolio is diversified, a portion of its debtors' ability to repay depends significantly on the economic conditions prevailing in the respective geographic territory.

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The following tables present the recorded investment in nonaccrual loans by loan class:

(dollars in thousands)	June 30, 2013		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$5,768	583	6,351
Other	123	-	123
Real estate mortgage - 1 to 4 family:			
First mortgages	26,219	5,512	31,731
Home equity loans	549	-	549
Home equity lines of credit	3,968	510	4,478
Installment	36	-	36
Total non-accrual loans	36,663	6,605	43,268
Restructured real estate mortgages - 1 to 4 family	174	-	174
Total nonperforming loans	\$36,837	6,605	43,442

(dollars in thousands)	December 31, 2012		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$6,511	2,698	9,209
Other	124	-	124
Real estate mortgage - 1 to 4 family:			
First mortgages	30,329	7,319	37,648
Home equity loans	694	-	694
Home equity lines of credit	4,263	501	4,764
Installment	6	1	7
Total non-accrual loans	41,927	10,519	52,446
Restructured real estate mortgages - 1 to 4 family	231	-	231
Total nonperforming loans	\$42,158	10,519	52,677

As of June 30, 2013 and December 31, 2012, the Company's loan portfolio did not include any subprime mortgages or loans acquired with deteriorated credit quality.

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

New York and other states:

(dollars in thousands)	June 30, 2013			Total 30+ days Past Due	Current	Total Loans
	30-59	60-89	90+			
	Days	Days	Days			
	Past Due	Past Due	Past Due			
Commercial:						
Commercial real estate	\$1,986	112	4,126	6,224	162,084	168,308
Other	-	-	123	123	27,125	27,248
Real estate mortgage - 1 to 4 family:						
First mortgages	5,780	1,927	18,525	26,232	1,806,980	1,833,212
Home equity loans	112	40	398	550	38,958	39,508
Home equity lines of credit	791	523	2,552	3,866	297,157	301,023
Installment	47	30	7	84	4,826	4,910
<b>Total</b>	<b>\$8,716</b>	<b>2,632</b>	<b>25,731</b>	<b>37,079</b>	<b>2,337,130</b>	<b>2,374,209</b>

Florida:

(dollars in thousands)	30-59	60-89	90+	Total 30+ days Past Due	Current	Total Loans
	Days	Days	Days			
	Past Due	Past Due	Past Due			
	Due	Due	Due			
Commercial:						
Commercial real estate	\$-	-	583	583	20,787	21,370
Other	-	-	-	-	51	51
Real estate mortgage - 1 to 4 family:						
First mortgages	584	244	3,843	4,671	325,732	330,403
Home equity loans	-	-	-	-	2,211	2,211
Home equity lines of credit	-	-	420	420	33,128	33,548
Installment	9	-	-	9	625	634
<b>Total</b>	<b>\$593</b>	<b>244</b>	<b>4,846</b>	<b>5,683</b>	<b>382,534</b>	<b>388,217</b>

Total:

(dollars in thousands)	30-59	60-89	90+	Total 30+ days Past Due	Current	Total Loans
	Days	Days	Days			
	Past Due	Past Due	Past Due			
	Due	Due	Due			
Commercial:						

Commercial:

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Commercial real estate	\$1,986	112	4,709	6,807	182,871	189,678
Other	-	-	123	123	27,176	27,299
Real estate mortgage - 1 to 4 family:						
First mortgages	6,364	2,171	22,368	30,903	2,132,712	2,163,615
Home equity loans	112	40	398	550	41,169	41,719
Home equity lines of credit	791	523	2,972	4,286	330,285	334,571
Installment	56	30	7	93	5,451	5,544
Total	\$9,309	2,876	30,577	42,762	2,719,664	2,762,426

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New York and other states:

(dollars in thousands)	December 31, 2012				Current	Total Loans
	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due		
Commercial:						
Commercial real estate	\$-	-	3,225	3,225	164,024	167,249
Other	-	-	4	4	33,377	33,381
Real estate mortgage - 1 to 4 family:						
First mortgages	6,364	2,248	21,341	29,953	1,784,261	1,814,214
Home equity loans	177	216	464	857	34,744	35,601
Home equity lines of credit	604	350	3,044	3,998	297,340	301,338
Installment	40	27	-	67	4,116	4,183
Total	\$7,185	2,841	28,078	38,104	2,317,862	2,355,966

Florida:

(dollars in thousands)	30-59				Current	Total Loans
	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due		
Commercial:						
Commercial real estate	\$-	-	2,698	2,698	16,184	18,882
Other	-	-	-	-	65	65
Real estate mortgage - 1 to 4 family:						
First mortgages	862	452	5,390	6,704	269,060	275,764
Home equity loans	-	-	-	-	1,089	1,089
Home equity lines of credit	59	29	442	530	32,041	32,571
Installment	9	-	1	10	386	396
Total	\$930	481	8,531	9,942	318,825	328,767

Total:

(dollars in thousands)	30-59				Current	Total Loans
	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due		
Commercial:						
Commercial real estate	\$-	-	5,923	5,923	180,208	186,131
Other	-	-	4	4	33,442	33,446

Real estate mortgage - 1 to 4 family: