

TRUSTCO BANK CORP N Y  
Form 10-Q  
May 02, 2014

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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 March 31, 2014 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.  Yes  No

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

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

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

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

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

Common Stock Number of Shares Outstanding as of April 30, 2014  
\$1 Par Value 94,665,409



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 March 31,	
	2014	2013
Interest and dividend income:		
Interest and fees on loans	\$32,874	31,481
Interest and dividends on securities available for sale:		
U. S. government sponsored enterprises	506	816
State and political subdivisions	68	191
Mortgage-backed securities and collateralized mortgage obligations-residential	3,078	2,769
Corporate bonds	59	218
Small Business Administration-guaranteed participation securities	556	496
Mortgage-backed securities and collateralized mortgage obligations-commercial	38	29
Other securities	4	5
Total interest and dividends on securities available for sale	4,309	4,524
Interest on held to maturity securities:		
U. S. government sponsored enterprises	-	-
Mortgage-backed securities and collateralized mortgage obligations-residential	625	789
Corporate bonds	154	312
Total interest on held to maturity securities	779	1,101
Federal Reserve Bank and Federal Home Loan Bank stock	133	119
Interest on federal funds sold and other short-term investments	351	245
Total interest and dividend income	38,446	37,470
Interest expense:		
Interest on deposits:		
Interest-bearing checking	84	80
Savings	763	916
Money market deposit accounts	599	685
Time deposits	1,951	1,820
Interest on short-term borrowings	393	364
Total interest expense	3,790	3,865
Net interest income	34,656	33,605
Provision for loan losses	1,500	2,000
Net interest income after provision for loan losses	33,156	31,605
Noninterest income:		
Trustco financial services income	1,510	1,421
Fees for services to customers	2,521	2,887
Net gain on securities transactions	6	2
Other	1,722	282
Total noninterest income	5,759	4,592
Noninterest expenses:		

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Salaries and employee benefits	7,592	8,178
Net occupancy expense	4,259	4,053
Equipment expense	1,752	1,718
Professional services	1,286	1,420
Outsourced services	1,325	1,350
Advertising expense	599	730
FDIC and other insurance	904	1,010
Other real estate expense, net	855	749
Other	2,229	2,349
Total noninterest expenses	20,801	21,557
Income before taxes	18,114	14,640
Income taxes	7,103	5,472
Net income	\$11,011	9,168
Net income per Common Share:		
- Basic	\$0.116	0.097
- Diluted	\$0.116	0.097

See accompanying notes to unaudited consolidated interim financial statements.

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## TRUSTCO BANK CORP NY

## Consolidated Statements of Comprehensive Income (Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Net income	\$11,011	9,168
Net unrealized holding gain (loss) on securities available for sale	7,455	(2,939)
Reclassification adjustments for net gain recognized in income	(6 )	(2 )
Tax effect	(3,026 )	1,173
Net unrealized gain (loss) on securities available for sale, net of tax	4,423	(1,768)
Amortization of net actuarial (gain) loss	(72 )	132
Amortization of prior service credit	(45 )	(66 )
Tax effect	45	(25 )
Amortization of net actuarial loss and prior service credit on pension and postretirement plans, net of tax	(72 )	41
Other comprehensive income (loss), net of tax	4,351	(1,727)
Comprehensive income	\$15,362	7,441

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)

	March 31, 2014	December 31, 2013
<b>ASSETS:</b>		
Cash and due from banks	\$46,127	46,453
Federal funds sold and other short term investments	687,003	536,591
Total cash and cash equivalents	733,130	583,044
Securities available for sale	741,292	863,754
Held to maturity securities (fair value 2014 \$86,669; 2013 \$90,305)	82,136	86,215
Federal Reserve Bank and Federal Home Loan Bank stock	10,500	10,500
Loans, net of deferred fees and costs	2,941,002	2,908,809
Less:		
Allowance for loan losses	47,035	47,714
Net loans	2,893,967	2,861,095
Bank premises and equipment, net	35,267	34,414
Other assets	82,445	82,430
Total assets	\$4,578,737	4,521,452
<b>LIABILITIES:</b>		
Deposits:		
Demand	\$327,779	318,456
Interest-bearing checking	628,752	611,127
Savings accounts	1,236,331	1,218,038
Money market deposit accounts	648,244	648,402
Certificates of deposit (in denominations of \$100,000 or more)	432,168	419,301
Other time accounts	713,944	711,747
Total deposits	3,987,218	3,927,071
Short-term borrowings	195,411	204,162
Accrued expenses and other liabilities	24,329	28,406
Total liabilities	4,206,958	4,159,639
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock par value \$1; 150,000,000 shares authorized; 98,927,123 shares issued at March 31, 2014 and December 31, 2013	98,927	98,927
Surplus	172,964	173,144
Undivided profits	152,237	147,432

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Accumulated other comprehensive loss, net of tax	(9,452 )	(13,803 )
Treasury stock at cost - 4,363,097 and 4,463,786 shares at March 31, 2014 and December 31, 2013, respectively	(42,897 )	(43,887 )
Total shareholders' equity	371,779	361,813
Total liabilities and shareholders' equity	\$4,578,737	4,521,452

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, 2013	\$98,912	174,899	132,378	1,558	(48,949)	358,798
Net Income	-	-	9,168	-	-	9,168
Other comprehensive loss, net of tax	-	-	-	(1,727)	-	(1,727)
Cash dividend declared, \$.065625 per share	-	-	(6,173)	-	-	(6,173)
Sale of treasury stock (135,870 shares)	-	(601)	-	-	1,336	735
Stock based compensation expense	-	88	-	-	-	88
Ending balance, March 31, 2013	\$98,912	174,386	135,373	(169)	(47,613)	360,889
Beginning balance, January 1, 2014	\$98,927	173,144	147,432	(13,803)	(43,887)	361,813
Net Income	-	-	11,011	-	-	11,011
Other comprehensive income, net of tax	-	-	-	4,351	-	4,351
Cash dividend declared, \$.065625 per share	-	-	(6,206)	-	-	(6,206)
Sale of treasury stock (100,689 shares)	-	(267)	-	-	990	723
Stock based compensation expense	-	87	-	-	-	87
Ending balance, March 31, 2014	\$98,927	172,964	152,237	(9,452)	(42,897)	371,779

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)

	Three months ended	
	March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 11,011	9,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,231	1,282
Net loss (gain) on sale of other real estate owned	39	(63 )
Writedown of other real estate owned	635	157
Net gain on sale of building held for sale	(1,556 )	-
Provision for loan losses	1,500	2,000
Deferred tax expense	1,663	558
Stock based compensation expense	87	88
Net gain on sale of bank premises and equipment	(1 )	(16 )
Net gain on sales and calls of securities	(6 )	(2 )
Increase in taxes receivable	(4,950 )	(2,525 )
Decrease (increase) in interest receivable	255	(723 )
Increase in interest payable	3	7
Increase in other assets	(2,992 )	(530 )
Decrease in accrued expenses and other liabilities	(4,087 )	(1,623 )
Total adjustments	(8,179 )	(1,390 )
Net cash provided by operating activities	2,832	7,778
Cash flows from investing activities:		
Proceeds from sales and calls of securities available for sale	141,322	108,997
Proceeds from calls and maturities of held to maturity securities	4,079	25,453
Purchases of securities available for sale	(15,405 )	(287,328)
Proceeds from maturities of securities available for sale	4,000	10,000
Net increase in loans	(37,822 )	(24,457 )
Net proceeds from sale of building held for sale	4,745	-
Proceeds from dispositions of other real estate owned	1,930	1,898
Proceeds from dispositions of bank premises and equipment	35	16
Purchases of bank premises and equipment	(1,550 )	(830 )
Net cash used in investing activities	101,334	(166,251)
Cash flows from financing activities:		
Net increase in deposits	60,147	53,487
Net (decrease) increase in short-term borrowings	(8,751 )	11,173
Proceeds from sale of treasury stock	723	735
Dividends paid	(6,199 )	(6,164 )
Net cash provided by financing activities	45,920	59,231

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Net increase (decrease) in cash and cash equivalents	150,086	(99,242 )
Cash and cash equivalents at beginning of period	583,044	544,016
Cash and cash equivalents at end of period	\$733,130	444,774

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## Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest paid	\$3,787	3,858
Income taxes paid	12,120	8,065
Other non cash items:		
Transfer of loans to other real estate owned	3,450	3,154
Transfer of other real estate owned to fixed assets	568	-
Increase in dividends payable	7	9
Change in unrealized gain (loss) on securities available for sale-gross of deferred taxes	7,449	(2,941)
Change in deferred tax effect on unrealized gain (loss)on securities available for sale	(3,026 )	1,173
Amortization of net actuarial loss and prior service credit on pension and postretirement plans	(117 )	66
Change in deferred tax effect of amortization of net actuarial loss and prior service credit	45	(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 ended March 31, 2014 is not necessarily indicative of the results that may be expected for the year ending December 31, 2014, 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 recurring adjustments necessary to present fairly the financial position as of March 31, 2014, and the results of operations and cash flows for the three months ended March 31, 2014 and 2013. 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 2013 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 ASC 260-10 ("ASC 260-10"), Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, 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 ended March 31, 2014 and 2013 is as follows:

(dollars in thousands, except per share data)

	2014	2013
For the three months ended March 31:		
Net income	\$11,011	\$9,168
Less: Net income allocated to participating securities	12	10
Net income allocated to common shareholders	\$10,999	\$9,158
Basic EPS:		
Distributed earnings allocated to common stock	\$6,206	\$6,173
Undistributed earnings allocated to common stock	4,793	2,985
Net income allocated to common shareholders	\$10,999	\$9,158
Weighted average common shares outstanding including participating securities	94,558	94,068
Less: Participating securities	106	106
Weighted average common shares	94,452	93,962
Basic EPS	\$0.116	0.097
Diluted EPS:		
Net income allocated to common shareholders	\$10,999	\$9,158
Weighted average common shares for basic EPS	94,452	93,962
Effect of Dilutive Securities:		
Stock Options	129	5
Weighted average common shares including potential dilutive shares	94,581	93,967
Diluted EPS	\$0.116	0.097

As of March 31, 2014 and 2013, the weighted average number of antidilutive stock options excluded from diluted earnings per share was approximately 2.4 million and 2.7 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 benefit recognized during the three month periods ended March 31, 2014 and 2013 for its pension and other postretirement benefit plans:

(dollars in thousands)	For the three months ended March 31,			
	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Service cost	18	14	14	12
Interest cost	336	315	32	24
Expected return on plan assets	(609)	(498)	(169 )	(123 )
Amortization of net loss (gain)	-	147	(72 )	(15 )
Amortization of prior service credit	-	-	(45 )	(66 )
Net periodic benefit	(255)	(22 )	(240 )	(168 )

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2013, that it did not expect to make contributions to its pension and postretirement benefit plans in 2014. As of March 31, 2014, 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.

## (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)	March 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$93,805	39	1,136	92,708
State and political subdivisions	4,862	106	-	4,968
Mortgage backed securities and collateralized mortgage obligations - residential	538,002	442	14,247	524,197
Corporate bonds	6,403	1	2	6,402
Small Business Administration-guaranteed participation securities	109,280	-	7,459	101,821
Mortgage backed securities and collateralized mortgage obligations - commercial	10,898	-	355	10,543
Other	650	-	7	643
Total debt securities	763,900	588	23,206	741,282
Equity securities	10	-	-	10

Total securities available for sale	\$763,910	588	23,206	741,292
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(dollars in thousands)	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$200,531	22	1,724	198,829
State and political subdivisions	7,623	135	-	7,758
Mortgage backed securities and collateralized mortgage obligations - residential	552,230	267	20,048	532,449
Corporate bonds	10,429	43	1	10,471
Small Business Administration-guaranteed participation securities	111,383	-	8,354	103,029
Mortgage backed securities and collateralized mortgage obligations - commercial	10,965	-	407	10,558
Other	650	-	-	650
Total debt securities	893,811	467	30,534	863,744
Equity securities	10	-	-	10
Total securities available for sale	\$893,821	467	30,534	863,754

The following table distributes the debt securities included in the available for sale portfolio as of March 31, 2014, 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	\$7,195	7,215
Due in one year through five years	247,453	245,708
Due after five years through ten years	507,942	487,028
Due after ten years	1,310	1,331
	\$763,900	741,282

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 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)	March 31, 2014					
	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	\$86,885	1,136	-	-	86,885	1,136
Mortgage backed securities and collateralized mortgage obligations - residential	400,364	11,436	84,672	2,811	485,036	14,247
Corporate bonds	501	2	-	-	501	2
Small Business Administration-guaranteed participation securities	39,184	2,699	62,637	4,760	101,821	7,459
Mortgage backed securities and collateralized mortgage obligations - commercial	10,543	355	-	-	10,543	355
Other	593	7	-	-	593	7
Total	\$538,070	15,635	147,309	7,571	685,379	23,206

(dollars in thousands)	December 31, 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	\$198,023	1,724	-	-	198,023	1,724
Mortgage backed securities and collateralized mortgage obligations - residential	466,056	17,698	54,835	2,350	520,891	20,048
Corporate bonds	902	1	-	-	902	1
Small Business Administration-guaranteed participation securities	103,029	8,354	-	-	103,029	8,354
Mortgage backed securities and collateralized mortgage obligations - commercial	10,558	407	-	-	10,558	407
Total	\$778,568	28,184	54,835	2,350	833,403	30,534

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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 end March 31, 2014 and 2013 are as follows:

(dollars in thousands)	Three months ended	
	March 31, 2014	2013
Proceeds from sales	\$-	-
Proceeds from calls	141,322	108,997
Gross realized gains	6	2
Gross realized losses	-	-

Tax expense recognized on net gains on sales of securities available for sale were approximately \$2 thousand and \$1 thousand for the three months ended March 31, 2014 and 2013 respectively.

## (b) Held to maturity securities

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

(dollars in thousands)	March 31, 2014			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	\$72,188	3,194	41	75,341
Corporate bonds	9,948	1,380	-	11,328
Total held to maturity	\$82,136	4,574	41	86,669

(dollars in thousands)	December 31, 2013			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	\$76,270	2,744	138	78,876
Corporate bonds	9,945	1,484	-	11,429
Total held to maturity	\$86,215	4,228	138	90,305

The following table distributes the debt securities included in the held to maturity portfolio as of March 31, 2014, 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	80,433	84,866
Due in five years through ten years	1,703	1,803
	\$ 82,136	86,669

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

(dollars in thousands)	March 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrec. Loss	Fair Value	Gross Unrec. Loss	Fair Value	Gross Unrec. Loss
Mortgage backed securities and collateralized mortgage obligations - residential	\$10,576	41	-	-	10,576	41
Total	\$10,576	41	-	-	10,576	41

(dollars in thousands)	December 31, 2013					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrec. Loss	Fair Value	Gross Unrec. Loss	Fair Value	Gross Unrec. Loss
Mortgage backed securities and collateralized mortgage obligations - residential	\$27,091	138	-	-	27,091	138
Total	\$27,091	138	-	-	27,091	138

There were no sales or transfers of held to maturity securities during the three months ended March 31, 2014 and 2013.

## (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 shall be recognized in earnings equal to the entire difference between the investment’s amortized cost basis and its fair value at the balance sheet date. If management does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, the OTTI on debt securities shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI

related to other factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment.

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As of March 31, 2014, the Company's security portfolio consisted of 192 securities, 94 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 March 31, 2014.

Mortgage-backed securities and collateralized mortgage obligations - residential

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, which are institutions 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 March 31, 2014.

Corporate bonds

The Company's 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. 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 March 31, 2014.

Small Business Administration (SBA) - guaranteed participation securities

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 March 31, 2014.

Mortgage-backed securities and collateralized mortgage obligations - commercial

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 March 31, 2014.

IndexOther securities

In the case of unrealized losses on other securities, 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 March 31, 2014.

As a result of the above analysis, for the three months ended March 31, 2014, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

## (4) Loans and Allowance for Loan Losses

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

(dollars in thousands)	March 31, 2014		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 168,226	22,097	190,323
Other	30,047	73	30,120
Real estate mortgage - 1 to 4 family:			
First mortgages	1,928,369	394,053	2,322,422
Home equity loans	48,249	4,203	52,452
Home equity lines of credit	303,023	36,948	339,971
Installment	5,114	600	5,714
Total loans, net	\$2,483,028	457,974	2,941,002
Less: Allowance for loan losses			47,035
Net loans			\$2,893,967

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(dollars in thousands)	December 31, 2013		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$169,722	21,404	191,126
Other	32,323	32	32,355
Real estate mortgage - 1 to 4 family:			
First mortgages	1,909,447	378,361	2,287,808
Home equity loans	47,494	3,642	51,136
Home equity lines of credit	304,044	36,445	340,489
Installment	5,292	603	5,895
Total loans, net	\$2,468,322	440,487	2,908,809
Less: Allowance for loan losses			47,714
Net loans			\$2,861,095

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

At March 31, 2014 and December 31, 2013, the Company had approximately \$35.2 million and \$35.4 million of real estate construction loans. As of March 31, 2014, approximately \$15.7 million are secured by first mortgages to residential borrowers while approximately \$19.5 million were to commercial borrowers for residential construction projects. Of the \$35.4 million in real estate construction loans at December 31, 2013, approximately \$13.9 million are secured by first mortgages to residential borrowers while approximately \$21.5 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.

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

(dollars in thousands)	March 31, 2014		
	New York and other states	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$4,731	517	5,248
Other	122	-	122
Real estate mortgage - 1 to 4 family:			
First mortgages	29,589	4,135	33,724
Home equity loans	663	-	663
Home equity lines of credit	4,345	533	4,878
Installment	103	7	110
Total non-accrual loans	39,553	5,192	44,745
Restructured real estate mortgages - 1 to 4 family	162	-	162
Total nonperforming loans	\$39,715	5,192	44,907



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(dollars in thousands)	December 31, 2013		
	New York and other states	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$6,620	-	6,620
Other	332	-	332
Real estate mortgage - 1 to 4 family:			
First mortgages	26,713	4,781	31,494
Home equity loans	691	-	691
Home equity lines of credit	3,641	356	3,997
Installment	93	-	93
Total non-accrual loans	38,090	5,137	43,227
Restructured real estate mortgages - 1 to 4 family	166	-	166
Total nonperforming loans	\$38,256	5,137	43,393

As of March 31, 2014 and December 31, 2013, the Company's loan portfolio did not include any subprime mortgages or loans acquired with deteriorated credit quality.

The following tables present the aging of the recorded investment in past due loans by loan class and by region as of March 31, 2014 and December 31, 2013:

## New York and other states:

(dollars in thousands)	March 31, 2014				Total 30+ days Past Due	Current	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total 30+ days Past Due			
Commercial:							
Commercial real estate	\$466	215	3,432	4,113	164,113	168,226	
Other	-	-	122	122	29,925	30,047	
Real estate mortgage - 1 to 4 family:							
First mortgages	6,108	2,215	20,938	29,261	1,899,108	1,928,369	
Home equity loans	29	48	469	546	47,703	48,249	
Home equity lines of credit	1,238	253	2,172	3,663	299,360	303,023	
Installment	37	5	85	127	4,987	5,114	
Total	\$7,878	2,736	27,218	37,832	2,445,196	2,483,028	

## Florida:

(dollars in thousands)	March 31, 2014				Total 30+ days Past Due	Current	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total 30+ days Past Due			

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	Past Due	Past Due	Past Due	Past Due		
Commercial:						
Commercial real estate	\$-	-	-	-	22,097	22,097
Other	-	-	-	-	73	73
Real estate mortgage - 1 to 4 family:						
First mortgages	1,082	1,466	2,909	5,457	388,596	394,053
Home equity loans	22	-	-	22	4,181	4,203
Home equity lines of credit	23	-	533	556	36,392	36,948
Installment	-	4	3	7	593	600
Total	\$1,127	1,470	3,445	6,042	451,932	457,974

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Total:

(dollars in thousands)	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$466	215	3,432	4,113	186,210	190,323
Other	-	-	122	122	29,998	30,120
Real estate mortgage - 1 to 4 family:						
First mortgages	7,190	3,681	23,847	34,718	2,287,704	2,322,422
Home equity loans	51	48	469	568	51,884	52,452
Home equity lines of credit	1,261	253	2,705	4,219	335,752	339,971
Installment	37	9	88	134	5,580	5,714
Total	\$9,005	4,206	30,663	43,874	2,897,128	2,941,002

New York and other states:

(dollars in thousands)	December 31, 2013					
	30-59	60-89	90+	Total 30+		Total
	Days Past Due	Days Past Due	Days Past Due	days Past Due	Current	Loans
Commercial:						
Commercial real estate	\$583	1,426	3,379	5,388	164,334	169,722
Other	209	-	123	332	31,991	32,323
Real estate mortgage - 1 to 4 family:						
First mortgages	4,664	2,042	17,624	24,330	1,885,117	1,909,447
Home equity loans	46	18	552	616	46,878	47,494
Home equity lines of credit	1,014	331	1,897	3,242	300,802	304,044
Installment	85	12	77	174	5,118	5,292
Total	\$6,601	3,829	23,652	34,082	2,434,240	2,468,322

Florida:

(dollars in thousands)	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	-	-	-	21,404	21,404
Other	-	-	-	-	32	32
Real estate mortgage - 1 to 4 family:						

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First mortgages	552	-	4,229	4,781	373,580	378,361
Home equity loans	-	-	-	-	3,642	3,642
Home equity lines of credit	109	-	247	356	36,089	36,445
Installment	-	2	-	2	601	603
Total	\$661	2	4,476	5,139	435,348	440,487

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Total:

(dollars in thousands)	30-59	60-89	90+	Total 30+		
	Days Past Due	Days Past Due	Days Past Due	days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$583	1,426	3,379	5,388	185,738	191,126
Other	209	-	123	332	32,023	32,355
Real estate mortgage - 1 to 4 family:						
First mortgages	5,216	2,042	21,853	29,111	2,258,697	2,287,808
Home equity loans	46	18	552	616	50,520	51,136
Home equity lines of credit	1,123	331	2,144	3,598	336,891	340,489
Installment	85	14	77	176	5,719	5,895
Total	\$7,262	3,831	28,128	39,221	2,869,588	2,908,809

At March 31, 2014 and December 31, 2013, there were no loans that are 90 days past due and still accruing interest. As a result, non-accrual loans includes all loans 90 days past due and greater as well as certain loans less than 90 days past due that were placed on non-accrual status for reasons other than delinquent status. There are no commitments to extend further credit on nonaccrual or restructured loans.

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

(dollars in thousands)	For the three months ended March 31, 2014			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$4,019	43,597	98	47,714
Loans charged off:				
New York and other states	260	925	49	1,234
Florida	613	467	2	1,082
Total loan chargeoffs	873	1,392	51	2,316
Recoveries of loans previously charged off:				
New York and other states	18	74	5	97
Florida	1	39	-	40
Total recoveries	19	113	5	137
Net loans charged off	854	1,279	46	2,179
Provision for loan losses	675	773	52	1,500
Balance at end of period	\$3,840	43,091	104	47,035

(dollars in thousands)	For the three months ended March 31, 2013			
	Commercial	Real Estate	Installment	Total

		Mortgage- 1 to 4 Family		
Balance at beginning of period	\$3,771	44,069	87	47,927
Loans charged off:				
New York and other states	250	1,637	19	1,906
Florida	100	405	-	505
Total loan chargeoffs	350	2,042	19	2,411
Recoveries of loans previously charged off:				
New York and other states	2	74	4	80
Florida	1	61	-	62
Total recoveries	3	135	4	142
Net loans charged off	347	1,907	15	2,269
Provision for loan losses	540	1,433	27	2,000
Balance at end of period	\$3,964	43,595	99	47,658

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The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of March 31, 2014 and December 31, 2013:

(dollars in thousands)	March 31, 2014			
	Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	3,840	43,091	104	47,035
Total ending allowance balance	\$3,840	43,091	104	47,035
Loans:				
Individually evaluated for impairment	\$5,370	22,541	-	27,911
Collectively evaluated for impairment	215,073	2,692,304	5,714	2,913,091
Total ending loans balance	\$220,443	2,714,845	5,714	2,941,002

(dollars in thousands)	December 31, 2013			
	Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	4,019	43,597	98	47,714
Total ending allowance balance	\$4,019	43,597	98	47,714
Loans:				
Individually evaluated for impairment	\$8,082	21,258	-	29,340
Collectively evaluated for impairment	215,399	2,658,175	5,895	2,879,469
Total ending loans balance	\$223,481	2,679,433	5,895	2,908,809

The Company did not acquire any loans with deteriorated credit quality in 2014 and 2013.

The Company has identified nonaccrual commercial and commercial real estate loans, as well as all loans restructured under a troubled debt restructuring (TDR), as impaired loans. A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a TDR.

A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR's at March 31, 2014 and December 31, 2013 are measured at the

present value of estimated future cash flows using the loan's effective rate at inception or the fair value of the underlying collateral if the loan is considered collateral dependent.

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The following tables present impaired loans by loan class as of March 31, 2014 and December 31, 2013:

New York and other states:

(dollars in thousands)	March 31, 2014			Average Recorded Investment
	Recorded Investment	Unpaid Principal Balance	Related Allowance	
Commercial:				
Commercial real estate	\$4,731	6,813	-	5,339
Other	122	122	-	122
Real estate mortgage - 1 to 4 family:				
First mortgages	17,140	18,321	-	17,076
Home equity loans	461	485	-	521
Home equity lines of credit	2,573	2,978	-	2,598
Total	\$25,027	28,719	-	25,656

Florida:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average
				Recorded Investment
Commercial:				
Commercial real estate	\$ 517	1,130	-	926
Other	-	-	-	-
Real estate mortgage - 1 to 4 family:				
First mortgages	1,732	2,024	-	1,734
Home equity loans	-	-	-	-
Home equity lines of credit	635	734	-	449
Total	\$ 2,884	3,888	-	3,109

Total:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average
				Recorded Investment
Commercial:				
Commercial real estate	\$ 5,248	7,943	-	6,265
Other	122	122	-	122
Real estate mortgage - 1 to 4 family:				
First mortgages	18,872	20,345	-	18,810
Home equity loans				